

EXHIBIT A

# IAD'S MONTHLY ACTIVITY REPORT

FOR

## JULY 2006

TO THE

## BOARD OF SUPERVISORS

*Recipient of the Institute of Internal Auditors "Award for Excellence"*

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*Integrity  
Objectivity  
Independence*

**by the Director of Internal Audit  
Dr. Peter Hughes, MBA, CPA**

Certified Information Technology Professional (CITP),  
Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE)

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**MONTHLY SUMMARY –JULY 2006**  
Status Report to the Board of Supervisors by IAD

**JULY AUDIT ACTIVITY:**

**WE FINISHED 4 PROJECTS FOR THIS MONTH AS SUMMARIZED BELOW:**

We completed 2 Audits:

1. Public Defender:

Internal Control Review of Revolving Funds. No material or significant issues noted. We identified **7 control findings** to enhance existing controls.

2. John Wayne Airport – Avis Rent A Car System, Inc.:

Limited review of lease revenue for Avis Rent A Car System, Inc. We identified **3 control findings** related to compliance with the lease agreement or improvements to internal controls.

We issued 1 Report of Monthly Computer Assisted Audit Techniques for the Month of June 2006:

3. Auditor-Controller:

- Duplicate Payments to Vendors: We identified **8** duplicate payment made to vendors for **\$4,995** that is being pursued by the Auditor-Controller.
- Deleted Vendors: No findings.

We completed 1 Follow-Up Audit:

4. RDMD - Bayshore Marina:

1<sup>st</sup> Follow-Up Audit of the Limited Lease Review for Bayshore Marina. Corrective action was taken on 6 of 7 recommendations.

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**MATERIAL FINDING:**

	Department and Description	Comments
		None issued during July 2006.

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For a copy of the complete audit report that contains the audit objective,  
scope, findings, recommendations, and management's response,  
contact the Internal Audit Department's website at <http://www.ocgov.com/audit/>

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**NON-MATERIAL FINDINGS**

	Department and Description	Comments
1.	<p>DEPT: Public Defender</p> <p>TITLE: Internal Control Review of Revolving Funds for the Period May 1, 2005 through April 30, 2006</p> <p><u>Audit No.</u> 2599</p> <p>ISSUED: July 27, 2006</p>	<p><b>SCOPE:</b> Audit of procedures, processes and controls to ensure revolving funds are adequately safeguarded; transactions are properly authorized, recorded completely, accurately and timely; and are in compliance with applicable County Accounting Manual (CAM) procedures.</p> <p><b>CONCLUSION:</b> <b>No material weaknesses or significant issues were identified.</b> Controls are in place to safeguard funds and to ensure revolving fund transactions are properly authorized, recorded, accurate and compliant with CAM procedures. Our audit identified <b>seven (7) control findings</b> to enhance revolving fund internal controls and processes.</p> <p><b>BACKGROUND:</b> The Public Defender maintains two revolving funds: 1) <b>\$50,000</b> for general operations, of which \$40,000 is for the Public Defender and \$10,000 is for the Alternate Defender; and 2) <b>\$5,000</b> for the Delta Special Revenue Fund that holds monies for the Ng court case. During the period under review, approximately <b>\$46,000 in petty cash expenditures and \$37,000 in travel cash advances</b> were incurred.</p> <p><b>TYPE OF RECOMMENDATIONS:</b> Segregate bank reconciliation duties; perform supervisory reviews of bank reconciliations; research and resolve outstanding items on bank reconciliations; perform surprise cash counts at Alternate Defender; ensure travel advances over \$1,000 are approved by Dept. Head; submit cash advance claims timely per CAM procedures.</p>

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	Department and Description	Comments
2.	<p>DEPT: John Wayne Airport</p> <p>TITLE: Limited Review of Lease Revenue for Avis Rent A Car System, Inc. for the Period October 1, 2004 through September 30, 2005</p> <p><u>Audit No.</u> 2585</p> <p>ISSUED: July 31, 2006</p>	<p><b>SCOPE:</b> Limited review of lease revenue to determine whether the records of Avis Rent A Car System, Inc. (Avis), adequately supported gross receipts remitted to the County.</p> <p><b>CONCLUSION:</b> We found that Avis retained sufficient documentation to adequately support monthly gross receipts remitted to the County. <b>No material weaknesses or significant issues were identified.</b> However, we did identify <b>3 control findings</b> related to compliance with the lease agreement or improvements to internal controls.</p> <p><b>BACKGROUND:</b> The County of Orange entered into a lease agreement with Avis, dated December 14, 2000, for the operation of a rental car concession at John Wayne Airport. During the 12-month review period, Avis generated approximately \$22.1 million in gross receipts and paid the County over \$2.2 million in rent.</p> <p><b>TYPE OF RECOMMENDATIONS:</b> Lease compliance regarding fuel reimbursement reporting error, monthly gross receipts statement format, and unapproved vending machines.</p>

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<p>3. DEPT: Board of Supervisors</p> <p>TITLE: Monthly Report on Computer-Assisted Audit Techniques (CAAT) for the Month of June 2006</p> <p><u>Audit No.</u> 2518-R</p> <p>ISSUED: July 25, 2006</p>	<p><b>SCOPE:</b> The monthly CAAT Routines are automated queries applied to large amounts of electronic data searching for specified characteristics. We currently perform 5 CAATs routines utilizing selected payroll and vendor data. Depending on the nature of the CAAT, we perform them monthly, annually, or as necessary.</p> <p><b>CONCLUSION:</b></p> <ul style="list-style-type: none"> <li>• <u>Duplicate Payments to Vendors:</u> 8 duplicate payments for \$4,995 was identified in the May 2006 data and is being pursued by the A-C. We perform this analysis monthly to identify duplicate payments made to vendors. We analyzed 18,196 invoices paid in May 2006 amounting to \$386,720,552.</li> <li>• <u>Deleted Vendors:</u> No findings.</li> </ul> <p><b>BACKGROUND:</b> The CAATs differ from our traditional audits in that the CAATs can query 100% of a data universe whereas the traditional audits typically test but a sample of transactions from the population.</p> <p>The resulting matches identified by the CAATs are subjected to further review and analysis by the Internal Audit Department. We then forward any resulting findings to the A-C, HR, or CEO/Purchasing for their review and concurrence, and subsequent correction/recovery. We also work with these departments to identify internal control enhancements with the purpose of preventing future occurrences of the type of findings identified by the CAATs.</p> <p><b>TYPE OF RECOMMENDATIONS:</b> No recommendations given.</p>

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	<b>Department and Description</b>	<b>Comments</b>
4.	<p>DEPT: Resources and Development Management Department</p> <p>TITLE: First Follow-Up Audit Limited Lease Review of Bayshore Marina (Original Audit No. 2352)</p> <p><u>Audit No.</u> 2545-B</p> <p>ISSUED: July 31, 2006</p>	<p><b>SCOPE:</b> <b>1<sup>st</sup></b> Follow-Up Audit of Limited Lease Review of Bayshore Marina to determine the implementation status of recommendations made in our original audit report dated October 20, 2004. In that audit, we identified <b>7</b> control findings resulting in <b>7</b> recommendations.</p> <p><b>CONCLUSION:</b> <b>6</b> recommendations were fully implemented and <b>1</b> was partially implemented. RDMD and Bayshore Marina are taking corrective action to address the remaining recommendation.</p> <p><b>BACKGROUND:</b> The original audit was a limited review of lease revenue pertinent to the lease agreement between the County and The Irvine Company, a West Virginia Corporation, dated August 13, 1974. The lease agreement is primarily to maintain and operate a complete boat berthing facility at Bayshore Marina, Lower Newport Bay. Subsequent to our original audit, the County entered into a new lease agreement with The Irvine Company, a Delaware corporation, dated December 7, 2004.</p> <p><b>TYPE OF RECOMMENDATIONS:</b> Lease compliance or improvements to internal controls regarding utility charges, security and key deposits, prepaid slip rents, financial statements, a key reconciliation and supporting documentation, certification of percentage rental worksheet, and clarification of certain lease terms.</p>

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