

**Follow-Up of Department Control Review  
Employee Benefits Cash Receipts and  
Cash Disbursements Audit No. 2222**

**As of August 31, 2004**

**REPORT DATE: November 30, 2004**

**Audit Number 2440**

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<b>Audit Director:</b>	<b>Peter Hughes, Ph.D., CPA</b>
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**INTERNAL AUDIT DEPARTMENT  
COUNTY OF ORANGE**

**Follow-Up of Department Control Review  
Employee Benefits Cash Receipts and  
Cash Disbursements Audit No. 2222**

**As of August 31, 2004**

**TABLE OF CONTENTS**

Transmittal Letter.....	1
INTERNAL AUDITOR'S REPORT.....	2



**COUNTY OF ORANGE  
INTERNAL AUDIT DEPARTMENT**

**OFFICE OF THE DIRECTOR**

*Integrity  
Objectivity  
Independence*

**PETER HUGHES**  
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**Transmittal Letter**

Audit No. 2440

November 30, 2004

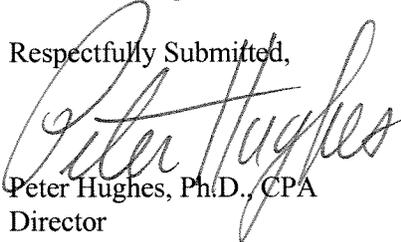
TO: Marcel Turner, Director  
Human Resources Department

FROM: Peter Hughes, Ph.D., CPA, Director  
Internal Audit Department

SUBJECT: Follow-Up of Department Control Review – Employee Benefits Cash Receipts and Cash Disbursements Audit No. 2222

We have completed a follow-up examination of Human Resources Department/Employee Benefits (formerly under the County Executive Office) cash receipts and cash disbursements. Our examination was limited to reviewing, as of August 31, 2004, actions taken to implement the recommendations made in our audit report dated November 27, 2002.

Respectfully Submitted,

  
Peter Hughes, Ph.D., CPA  
Director

/PH:lc

Other Recipients of this Audit Report:

Members, Board of Supervisors  
Members, Audit Oversight Committee  
Foreman, Grand Jury  
Thomas G. Mauk, County Executive Officer  
Patti Gilbert, Manager, HR/Employee Benefits  
Renee Catanzariti, Assistant Manager, HR/Employee Benefits  
Bobby Mayo, Senior Employee Benefits Analyst, HR/Employee Benefits  
Darlene J. Bloom, Clerk of the Board of Supervisors



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# COUNTY OF ORANGE INTERNAL AUDIT DEPARTMENT

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## INTERNAL AUDITOR'S REPORT

Audit No. 2440

November 30, 2004

Marcel Turner  
Human Resources Department  
Hall of Administration  
10 Civic Center Plaza, 2<sup>nd</sup> Floor  
Santa Ana, CA 92701

We have completed a follow-up examination of Human Resources Department/Employee Benefits (formerly under the County Executive Office) cash receipts and cash disbursements. Our examination was limited to reviewing, as of August 31, 2004, actions taken to implement the recommendations made in our audit report dated November 27, 2002.

The original audit report contained seven recommendations. Our review indicated five recommendations have been fully implemented, and two recommendations are partially implemented. We believe the recommendations are still appropriate and further efforts should be made to fully implement them. The audit report recommendations that have not been fully implemented are noted below along with a comment on the current status. The item number from the November 27, 2002 report is shown in parentheses after each heading.

### 1. **Accountability Over Cash Receipts (No. 1)**

**Recommendation:** Employee Benefits management take additional measures to ensure accountability is properly established during the collection and deposit process by preparing initial collection records, stamp endorsing checks immediately upon receipt, documenting transfer of accountability, and maintaining records of monies not deposited.

**Current Status:** **Partially Implemented.** While Employee Benefits has taken measures to establish initial collection records, stamp endorse the checks upon receipt, and document transfer of accountability, the initial collection records did not document when the collections were subsequently deposited to help identify undeposited monies. In addition, we found that the initial collection record was not established by the person opening the mail. Rather it was prepared by an Employee Benefits staff member after the opened mail was delivered to them. We were informed that they could not open their mail due to a County Executive Office (CEO) policy that required all mail in the Hall of Administration Building to be opened in the central mailroom. The policy was established as a result

of the September 11th incident to address potential security and safety risks. Currently, CEO staff opens and delivers the mail for Employee Benefits.

Employee Benefits Planned Action:

Upon obtaining clarification on CEO policy, Human Resources Department will determine the appropriate employee to open their mail and to establish the initial collection record upon receipt. Employee Benefits will then designate another employee to prepare the deposits to ensure adequate segregation of cash receipting duties. Also, Employee Benefits has expanded their initial collection record and now includes the documentation on when collections are subsequently deposited.

**2. Special Use Revolving Fund (No. V)**

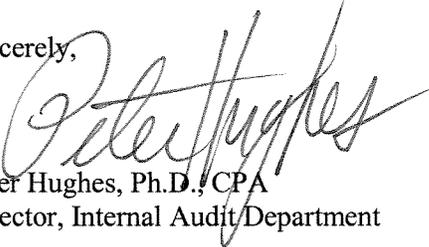
Recommendation: Employee Benefits management should perform the fund reconciliation monthly and identify and resolve the difference appropriately, and limit the fund to the established \$50,000.

Current Status: **Partially Implemented.** Employee Benefits established a bank reconciliation where transactions are reconciled from their checking account to the claims administrator's report and bank account activity reports. However, a monthly fund reconciliation was not performed. Fund reconciliations are prepared to account for the monthly fund activity (receipts and disbursements) to the authorized fund balance. We noted the authorized amount has been increased from \$50,000 to \$125,000 since our initial review. During our testing, we noted that the fund has been replenished on a monthly basis; however, it was under funded by approximately \$13,000. Employee Benefits was not able to immediately identify the cause of the difference.

Employee Benefits Planned Action: Employee Benefits will establish the fund reconciliation and research to identify and resolve the under funded difference.

We appreciate the cooperation and assistance extended to us by the staff of Human Resources/Employee Benefits during our review.

Sincerely,



Peter Hughes, Ph.D., CPA  
Director, Internal Audit/Department

/PH:lc

Distribution: Pursuant to Audit Oversight Committee Procedure No. 1  
Members, Board of Supervisors  
Members, Audit Oversight Committee  
Foreman, Grand Jury  
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