INTERNAL AUDIT DEPARTMENT
COUNTY OF ORANGE

Integrity
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FOLLOW-UP AUDIT OF DEPARTMENT CONTROL REVIEW CHILD SUPPORT SERVICES CASH RECEIPTS, TRUST/DEPARTMENTAL FUNDS AND REVOLVING FUNDS, AUDIT NO. 2330

AS OF DECEMBER 31, 2004

AUDIT NUMBER: 2532/2330 **REPORT DATE: March 31, 2005**

Audit Director:	**Peter Hughes, Ph.D., CPA**
Deputy Director:	**Eli Littner, CPA, CIA**
Audit Manager:	**Michael Goodwin, CPA, CIA**
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Senior Auditor:	**Kenneth Wong, CPA, CIA**

The Internal Audit Department is an independent audit function reporting directly to the Orange County Board of Supervisors

Follow-Up Audit of Department Control Review
Child Support Services
Cash Receipts, Trust/Departmental Funds and Revolving Funds, Audit No. 2330

As of December 31, 2004

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COUNTY OF ORANGE
INTERNAL AUDIT DEPARTMENT

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Transmittal Letter

Audit No. 2532

March 31, 2005

TO: Jan Sturla, Director
Child Support Services

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

SUBJECT: Follow-Up Audit of Department Control Review – Child Support Services
Cash Receipts, Trust/Departmental Funds and Revolving Funds
Audit No. 2330

We have completed a follow-up audit of the Child Support Services cash receipts, trust/departmental funds and revolving funds. Our audit was limited to reviewing, as of December 31, 2004, actions taken to implement the recommendations made in our original audit report dated November 21, 2003. The results of our follow-up audit are discussed in the **Internal Auditor's Report** following this transmittal letter.

Please note, beginning in January 2005, we implemented a more structured and rigorous follow-up audit process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). As a matter of policy, our first follow-up audit will now begin no later than six months upon the official release of the report. The AOC and BOS expect that audit recommendations will typically be implemented within six months and often sooner for significant and higher risk issues. Our second follow-up review will now begin at 12 months from the release of the original report, by which time all audit recommendations are expected to be addressed and implemented.

At the request of the AOC, we are to bring to their attention any audit recommendations we find still not implemented or mitigated after the second follow-up audit. The AOC requests that such open issues appear on the agenda at their next scheduled meeting for discussion.

In addition, as the Director of the Internal Audit Department, effective December 14, 2004, I now make a monthly audit status presentation to the BOS where I detail any material and significant audit findings released in reports during the prior month, the implementation status of audit recommendations as disclosed by our follow-up audits, any pressing audit or resource issues; as well as, respond to inquiries from the BOS. Therefore, the results of this follow-up audit will be included in a future summary to the Board.

For purposes of reporting our audit observations and recommendations, we will classify audit report items into three distinct categories:

- **Material Weaknesses:** Audit findings that can result in significant financial liability and exposure to a department/agency and to the County as a whole. Management is expected to immediately address "Material Weaknesses" brought to their attention.

- **Significant Issues:** Audit findings that represent a significant deficiency in the design or operation of processes or internal controls.

- **Reportable Conditions:** Audit findings that require management's corrective action to implement or enhance processes and internal controls.

The two items contained in this report that were not fully implemented are considered as "**Reportable Conditions**."

As always, the Internal Audit Department is available to partner with you so that you can successfully implement or mitigate difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report or recommendations.

Other recipients of this report:
Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
Foreman, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors
Steve Eldred, Chief Deputy Director, CSS/Operations, Program and Information Tech.
Winnie Hewett, Deputy Director, CSS/Administration
Sylvia Torres, Manager, CSS/Quality Assurance/Program Improvement
Susan Johnston, Administrative Manager, CSS/Fiscal Services
Jim Gorzo, Administrative Manager, CSS/Accounting

COUNTY OF ORANGE
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INTERNAL AUDITOR'S REPORT

Audit No. 2532

March 31, 2005

Jan Sturla, Director
Child Support Services
1055 N. Main Street
Santa Ana, CA 92701

We have completed a follow-up audit of internal controls over cash receipts, trust/departmental funds and revolving funds at Child Support Services (CSS). Our audit was limited to reviewing actions taken as of December 31, 2004 to implement the recommendations made in our original audit report dated November 21, 2003.

The original audit report contained twenty-three (23) recommendations. Our follow-up audit indicated twenty-one (21) recommendations have been fully implemented and two (2) recommendations were partially implemented. We found that CSS was very committed and responsive to implementing our recommendations, and we commend them on the actions taken to implement the recommendations. We believe the remaining two 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 21, 2003 report is shown in parentheses after each heading. **Note: the two items contained in this follow-up audit report are considered as "reportable conditions."**

1. Timely Notification of Employee Status Changes (Item I.D.)

Recommendation No. 1.D: CSS ensure timely action is taken relating to employee status changes affecting ARS access.

Current Status: **Partially Implemented**. We selected 37 employee status changes that occurred in July 2004 and October 2004 to determine if employee status changes were reported timely. Our testwork disclosed that it took between 3 and 91 days to notify CSS/Information Technology (CSS/IT) of the status changes. To address this issue, CSS established an Administrative Policies and Procedures, effective March 9, 2005, that articulates the responsibility for reporting employee status changes to CSS/IT within five business days of knowledge. In addition, the policy provides requirements for authorizing employee status changes and removing users from the ARS system.

CSS Planned Action:
CSS will review the process put in place to assure timely reporting of staffing changes to CSS/Information Technology, after the process is in place for three months. This review will assure that the process is working, and the process will be further refined if any time delays are identified.

CSS/HR staff have been advised of their key role in forwarding information to CSS/Information Technology, and have implemented the new practices. Other key players (managers, supervisors) have been informed of their responsibilities through the issuance of the Administrative Policy and Procedure. In addition, this information will be reviewed with managers and supervisors at the April sessions of CSS Leadership (an in-house supervisory training program), and CSS Managers' Forum (an in-house informational and training event for managers).

2. Physical Safeguards (Item V.B.)

Recommendation No. 5.B: CSS ensure key-card reports are periodically distributed to and reviewed by unit managers/supervisors to ensure access levels for their employees are appropriate.

Current Status: **Partially Implemented**. CSS/Facilities Management Unit reviews the RDMD *User Configuration Report* monthly to verify that the access levels are correct based on both the CSS policy and the management request; however, we noted the review is not documented. In addition, the *User Configuration Report* was not distributed to and reviewed by unit managers/supervisors to ensure appropriate access levels for their employees. This review is important because the CSS/Facilities Management Unit recently corrected the access levels reported on the *User Configuration Report*.

CSS Planned Action:
RDMD *User Configuration Reports* are reviewed monthly by CSS/Facilities Management staff. Work Requests are submitted to RDMD to change any levels that are incorrect, and notations are made on the reports. Effective March 2005, the manager of Facilities Management reviews the reports on staff/cards with access to any "restricted" area, notes on the report any corrections to be made and forwards to Facilities Management staff. Facilities Management staff follows up by submitting Work Requests to RDMD to make the access level changes and makes a notation on the report.

Effective April 2005, CSS managers will receive periodic *Access Level Reports* on staff with access to "restricted" areas for their review and reports will be returned to Facilities Management as either "approved" or "corrections to be made." Facilities Management staff will follow up with making the corrections as appropriate by submitting Work Requests to RDMD to make the access level change, and make a notation on the *Access Level Reports*.

When the following month's *User Configuration Report* is received from RDMD, Facilities Management staff will review and verify that these and all other requests to modify access levels have been completed as requested. CSS/Facilities Management employees and CSS managers conducting the reviews on the above-named reports will sign off on the reports upon the completion of their review.

We appreciate the cooperation and assistance extended to us by the personnel of CSS during our audit.

Sincerely,

Peter Hughes, Ph.D., CPA
Director

cc: Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
Foreman, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors
Steve Eldred, Chief Deputy Director, CSS/Operations, Program and Information Tech.
Winnie Hewett, Deputy Director, CSS/Administration
Silvia Torres, Manager, CSS/Quality Assurance/Program Improvement
Susan Johnston, Administrative Manager, CSS/Fiscal Services
Jim Gorzo, Administrative Manager, CSS/Accounting

DEPARTMENT CONTROL REVIEW
CHILD SUPPORT SERVICES
CASH RECEIPTS, TRUST/DEPARTMENTAL FUNDS
AND REVOLVING FUNDS

FOR THE PERIOD

JULY 1, 2002 THROUGH MARCH 31, 2003

REPORT DATE: November 21, 2003

Audit Number 2330

Audit Director:	**Dr. Peter Hughes, CPA, CIA, CFE, CITP**
Deputy Director:	**Eli Littner, CPA, CIA, CISA**
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INTERNAL AUDIT DEPARTMENT

COUNTY OF ORANGE

DEPARTMENT CONTROL REVIEW
CHILD SUPPORT SERVICES
CASH RECEIPTS, TRUST/DEPARTMENTAL FUNDS AND REVOLVING FUNDS

For the Period July 1, 2002 Through March 31, 2003

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TRANSMITTAL LETTER

Audit No. 2330

November 21, 2003

TO: Jan Sturla, Director
Child Support Services

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

SUBJECT: Department Control Review of Child Support Services (CSS)
Cash Receipts, Trust/Departmental Funds and Revolving Funds

We have completed a review of internal controls over cash receipts, trust/departmental funds and revolving funds processes of Child Support Services (CSS) for the period from July 1, 2002 through March 31, 2003. The final report is attached along with your responses to our recommendations.

We appreciate the courtesy and cooperation of your staff during our review.

Attachment

Other recipients of this report:
Members, Board of Supervisors
Members, Audit Oversight Committee
James D. Ruth, County Executive Officer
Foreman, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors
Sue Delarue, Deputy Director, CSS/Operations and Program
Sylvia Torres, Operations Manager, CSS/Operations and Program
Winnie Hewett, Deputy Director, CSS/Administration
Connie Brunn, Administrative Manager, CSS/Fiscal Services
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INTERNAL AUDITOR'S REPORT

Audit No. 2330

November 21, 2003

Jan Sturla, Director
Child Support Services
1055 N. Main Street
Santa Ana, CA 92701

We have completed a review of internal controls over cash receipts, trust/departmental funds and revolving funds processes of Child Support Services (CSS) for the period from July 1, 2002 through March 31, 2003. Our review was made in accordance with professional standards established by the Institute of Internal Auditors for the purpose of evaluating the adequacy of internal controls in the areas noted above. We believe our review provides a reasonable basis for our opinion.

CSS Management is responsible for establishing and maintaining a system of internal controls. The objectives of an internal control system are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly. County Accounting Procedure (CAP) No. S-2 – *Internal Control Systems* prescribes the policies and standards to be followed by departments/agencies in establishing and maintaining internal control systems. Our review enhances and complements, but does not substitute for, CSS's continuing emphasis on control activities and self-assessment of control risks.

Because of inherent limitations in any system of internal controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate. Accordingly, our review made for the limited purpose described above would not necessarily disclose all weaknesses in CSS's operating procedures, accounting practices and compliance with County policy.

Based upon our review, it is our opinion that internal controls are generally adequate to ensure cash receipts are safeguarded, recorded accurately, and deposited timely. Controls also appear adequate to ensure revolving funds are safeguarded and transactions recorded completely, accurately, timely, and executed in accordance with management's authorization. Processes over trust/departmental funds should be improved to ensure cash receipts are reconciled timely and accounted for completely in compliance with County procedures, and to ensure suspense/hold items are processed timely. Additionally, physical and logical access controls should be strengthened to ensure the locations and systems which process child support collections are appropriately restricted.

We did observe opportunities where internal controls should be further enhanced as detailed in the Observations, Recommendations and Management Responses section of this report. Responses from CSS have been included for each recommendation and the complete text of responses has been appended to the report.

We want to express our appreciation for the level of courtesy and cooperation extended to us by the personnel of CSS during our review. As issues came to our attention during the review, we notified CSS management who were eager and responsive in addressing the issues and taking corrective action. If we can be of further assistance, please contact me directly or Eli Littner, Deputy Director at (714) 834-5899 or Michael Goodwin, Audit Manager at (714) 834-6066.

Respectfully submitted,

Dr. Peter Hughes, CPA
Director, Internal Audit

Attachment

Distribution: Pursuant to Audit Oversight Committee Procedure No. 1
Members, Board of Supervisors
Members, Audit Oversight Committee
James D. Ruth, County Executive Officer
Foreman, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors
Sue Delarue, Deputy Director, CSS/Operations and Program
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Winnie Hewett, Deputy Director, CSS/Administration
Connie Brunn, Administrative Manager, CSS/Fiscal Services
Jim Gorzo, Administrative Manager, CSS/Accounting

OVERVIEW

OBJECTIVE

The Internal Audit Department conducted a review of Child Support Services (CSS) for the purpose of evaluating internal controls to determine whether they are functioning adequately in the area of cash receipts, trust/departmental funds and revolving funds to ensure:

- Cash receipts are properly collected, recorded, deposited, and reconciled.
- Cash receipts are adequately safeguarded to minimize occurrence of loss or theft.
- Trust/departmental funds are adequately monitored, properly reconciled to the County General Ledger, and old and/or unidentified reconciling items are researched and resolved timely.
- Revolving funds transactions are recorded completely, accurately, timely, and executed in accordance with management's authorization.
- Revolving funds are adequately safeguarded.
- Compliance with requirements of County Accounting Procedures for *Deposits, Handwritten Receipt Forms, Revolving Funds, Trust Funds* and *Internal Control Systems.*

BACKGROUND

Effective July 1, 2002, the Child Support Program became a new and separate County department now known as Child Support Services (CSS). CSS made great progress in meeting the challenges associated with establishing a new County department while also successfully converting to a new child support computer system, the Automated Child Support Enforcement System Replacement System (ARS).

The mission of CSS is "to enhance the quality of life for children and families by establishing and enforcing court orders for the financial and medical support of children in an effective, efficient and professional manner." Services offered by CSS include: establishing paternity (fatherhood); locating parents; requesting and enforcing court orders; and collecting and distributing child support.

Cash receipts are primarily from child support payments, which are processed by CSS/Accounting. The majority of payments are received through the mail. CSS operates a cashiering window to process over-the-counter payments. Child support payments are recorded in the ARS child support computer system, via the Payment ID payment processing system. Total child support payments collected during FY 2001/2002 were $165 million, with an average of approximately 55,000 payment transactions per month.

California Code of Regulations requires that child support payments be disbursed within two days of receipt by CSS; however our review was limited to the cash receipting process and did not include cash disbursements.

CSS maintains an authorized revolving fund of $30,000. The funds are used to pay departmental petty cash expenditures and travel cash advances, and to provide for change funds in the cashiering area. Fiscal Services maintains the two funds in separate checking accounts. The volume of revolving fund activity for the review period was approximately $32,700.

SCOPE

Our review was limited to internal controls over cash receipts, trust/departmental funds, and revolving fund disbursements for the period from July 1, 2002 to March 31, 2003. Our review included inquiry, auditor observation and testing of relevant documentation for the purpose of assessing the adequacy of internal controls over these processes in CSS. We considered County Accounting Procedures (CAPs), Child Support Services (CSS) procedures, and best business practices in our evaluation of controls. CSS is responsible for six trust/departmental funds, with various sub-accounts. Our review covered all funds except for the departmental operating fund. We did not review cash disbursements, information systems or system controls used in these processes. However, we did review whether user access to the payment processing system (Payment ID) and child support computer system (ARS) was appropriate based on staff's assigned duties.

CONCLUSION

It is our opinion that internal controls are generally adequate to ensure cash receipts are safeguarded, recorded accurately, and deposited timely. Controls also appear adequate to ensure revolving funds are safeguarded and transactions recorded completely, accurately, timely, and executed in accordance with management's authorization. Processes for trust/departmental funds should be improved to ensure cash receipts are reconciled timely and accounted for completely in compliance with County procedures, and to ensure suspense/hold items are processed timely. Additionally, physical and logical access controls should be strengthened to ensure the locations and systems in which child support collections are processed are appropriately restricted.

Our testing did not disclose any instances of monetary loss or misappropriations in the areas we reviewed. We did note opportunities in the following areas where internal controls should be further enhanced as detailed in the Observations, Recommendations and Management Responses section of this report.

I. Child Support Computer System (ARS) Access
II. Reconciliations
III. Suspense Account Items
IV. Collection Holds
V. Physical Safeguards
VI. Mail Receipts
VII. Cashiering
VIII. Revolving Fund

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

I. Child Support Computer System (ARS) Access

CSS utilizes an automated system, the Automated Child Support Enforcement System Replacement System (ARS), to monitor and account for child support collection and disbursement activity and to provide case management functions. ARS is an outsourced application that resides on a mainframe maintained in Los Angeles. CSS recently converted to the ARS system in 2002 and is part of a consortium with Los Angeles County and San Diego County (which also use ARS).

A. User Capabilities

Access to ARS is granted based on job classification using security level codes and job function codes. User capabilities are determined by the specific combination of security level and function codes (one security level code is typically paired with multiple function codes). For example, two users with the same function codes but a different security level will be capable of performing different tasks in ARS. There are approximately 20 different security level codes and 36 function codes, resulting in hundreds of unique combinations with varying access capabilities.

While CSS may be aware of the minimum capabilities of each user (enough access to perform their assigned duties), due to the complexities of the security system in ARS, CSS does not appear to have a full understanding of maximum user capabilities. Therefore, there is an increased risk that users may have the capability of performing incompatible or unauthorized tasks in ARS.

Recommendation No. 1.A

CSS implement procedures in line with a security policy that provides access security control based on the user's demonstrated need to access data. Those procedures should require CSS to gain a complete understanding of user access rights granted for each job classification (and as customized for each individual user) and ensure such access is appropriate based on the user's current job duties.

CSS Response: CSS concurs with this recommendation. We are reviewing our current procedure and documenting the security structure necessary for each user accessing the ARS system. The IT Network Administrator will work closely with the Program Team unit to ensure that the security levels meet the business tasks for each user. The estimated completion date of the modified procedure is June 2004.

B. End-User Responsibility Over Access Security

Contemporary system administration dictates that the process owner (end-user or unit management) would be responsible for approving changes to user access for their respective area and for ensuring that such access for his/her group or system function is appropriate. We noted there was a lack of assigned ownership of the ARS system and data, most likely due to the recent conversion to ARS. CSS

management should ensure that all critical information assets (data and systems) have an appointed owner who makes decisions about classification and access rights.

Currently, process owners are not involved in ongoing monitoring of access levels for their areas. While critical duties (e.g. collections processing and recording) may be segregated in practice, the ARS system itself may not prevent incompatibilities from occurring. Inadequate separation of duties weakens the integrity of ARS and could result in undetectable irregularities.

Process owners should have an understanding of each user's maximum access capabilities and regularly monitor the security level/function codes for each user to ensure maximum capabilities are appropriate and do not allow for incompatible duties to be performed.

Recommendation No. 1.B.1
CSS management formally establish owners for critical components of the ARS system and those owners should become familiar with the functions of their assigned components.

CSS Response: CSS concurs with this recommendation. The IT Network Administrator will generate a security report that lists the details of each user profile. A new policy and procedure will be developed to formalize the duties of the process owner. The estimated implementation date for the corrective policy and procedure is June 2004.

Recommendation No. 1.B.2
CSS management should ensure that process owners regularly monitor user access for appropriateness. This responsibility may be delegated to a security manager or an Information Technology (I/T) administrator.

CSS Response: CSS concurs with this recommendation. The IT Network Administrator will generate a security report that lists the details of each user profile. A new policy and procedure will be developed to formalize the duties of the process owner. The estimated implementation date for the corrective policy and procedure is June 2004.

C. Multiple User IDs

We noted several CSS employees with multiple user IDs, each with a different access capability. We were informed that multiple user IDs are necessary in certain situations to enable users (usually supervisors) to perform certain tasks that their security level precludes them from performing (generally a lower level processing function, such as payment posting). To provide the needed access, an additional user ID is created with a different security level.

Multiple user IDs appears to be a work-around solution that may essentially be bypassing ARS built-in system access and segregation controls. Users should have only one ID to prevent a single user from possibly performing incompatible functions in ARS.

Recommendation No. 1.C
CSS evaluate the risks of assigning multiple user IDs to an individual and discontinue such practice if possible.

CSS Response: CSS concurs with this recommendation. Due to the system structure of ARS, multiple user IDs are required to meet the current business needs of CSS. Extensive programming will be required to modify the system structure of ARS to eliminate multiple user IDs. The lead consortium, Los Angeles County, performs ARS programming. Programming changes must be approved by the California Department of Child Support Services and prioritized by the ARS Consortia. This may be difficult or impossible to accomplish considering the current ARS Consortia priorities.

In the alternative, CSS will implement a policy and procedure to review and authorize requests for multiple user IDs. This process will ensure that security breaches do not occur. Requests for multiple user IDs will require written justification and will need to be approved by a process owner and operational manager. Process owners will be required to review the current user profile and validate the business need for a multiple user id. Operational management will ensure that no security breaches exist and forward authorizations to the IT Security Administrator to initialize access.

Multiple User IDs will be monitored on a regular basis to ensure that accounts are disabled when the user does not demonstrate a need. Multiple user IDs will automatically be disabled when a user is transferred to another functional team or reclassified. The *e*stimated implementation date for the corrective policy and procedure is June 2004.

D. Timely Notification of Employee Status Changes

CSS policy requires management and supervisors to notify CSS/Information Technology (CSS/IT) immediately of employee status changes (e.g. termination, rotation, etc.) that would impact access to ARS. Although we did not perform detail testing of employee status changes, we noted one instance where an employee was terminated and timely notification was not made to CSS/IT (approximately 7-8 days after termination). Not suspending a former employee's user account timely could result in unauthorized access to information resources.

Recommendation No. 1.D
CSS ensure timely action is taken relating to employee status changes affecting ARS access.

CSS Response: CSS concurs with this recommendation. The IT network administrator will work with CSS Human Resources to ensure employee status changes are reported promptly to IT. The policy and procedures for system access will enforce the timeframe for reporting status changes and the proper authorization to modify or remove users from the system. The estimated implementation date for corrective policy and procedure is June 2004.

II. Reconciliations

Reconciliation is a comparison of one set of data to another, identifying and investigating differences, and taking corrective action when necessary to resolve those differences. This internal control activity helps ensure the accuracy and completeness of transactions that have been charged to a department's accounts. We noted the following areas where controls over reconciliation should be enhanced:

A. Timeliness of Reconciliation

Reconciliation of County general ledger (G/L) accounts should be performed timely (within 30 days of month-end) to provide useful information to management and mitigate the risk of loss. CSS is responsible for reconciling 16 G/L accounts. For testing purposes, we reviewed reconciliations prepared for the months of October 2002 and February 2003. We found that CSS maintained current reconciliations of several accounts, including the main child support collections account. However, we noted reconciliations for the following twelve accounts were not performed timely (completed 45 to 270 days after month end) or had not been performed since CSS took over responsibility for the accounts effective July 2002.

1. **Account # 154-154-9200-0011** – *Expired Checks.* CSS is in the process of reconciling October 2002 and all prior months for a three-year period for payments processed in the prior child support system. As the ARS system was implemented in April 2002, the first expired items (checks over six months old) occurred in October 2002. CSS is also in the process of entering all expired items in ARS from October 2002 to the present. Once all items have been entered in ARS, the account will be completely reconciled. Balance as of March 31, 2003 was $3,532,588.80.

2. **Account #154-154-9200-0661** – *Excess Incentive Trust Interest.* We noted that the October 2002 reconciliation was not completed until March 2003, 150 days after month end. Balance as of March 31, 2003 was $3,400,759.06.

3. **Account #154-154-9200-0004** – *NSF Checks.* We noted the October 2002 reconciliation was not completed until March 2003, over 130 days after month end. The February 2003 reconciliation was not completed until April 2003, over 45 days after month end. Balance as of March 31, 2003 was $502,802.70.

4. **Account #300-362-8400** – *Tax Intercept Refunds Contingency Fund.* This trust fund was established in 1984, pursuant to Federal regulations, to provide refunds to individuals for amounts intercepted in error by the IRS. CSS

maintains a bank account for which activity should be reconciled monthly to the $100,000 authorized fund balance.

Per our review of the April 30, 2003 bank statement, the account maintains a $156,712.20 balance, $56,712.20 over the authorized balance. Per inquiry and observation, we noted that the bank account was last reconciled as of September 30, 2001. Due to improvements in their child support computer system and the ability to issue refunds directly from the main child support account, the use of this trust fund ceased in August 2001. CSS is in the process of re-performing the reconciliations to identify and resolve the overage.

5. **Account #154-154-9200** – *Posting Errors.* We noted that the account was first reconciled in April 2003 for the months of July 2002 through March 2003, up to 270 days after month end. Balance as of March 31, 2003 was $11,166.79.

6. **Account #152-152-9200** – *Interest Earned on Excess Incentive Funds.* This account has not been reconciled nor have the items that comprise the account balance been identified. Balance as of March 31, 2003 was $5,489.69.

7. **Account #154-154-9200-0007** – *IRS Refunds Uncashed.* We noted that the account was first reconciled in May 2003 for the months of January 2003 through April 2003, up to 90 days after month end. The account was not formally reconciled in October 2002. Balance as of March 31, 2003 was $1,768.78.

8. **Account #154-154-9200-0003** – *Misapplied Payments.* We noted that the account was first reconciled in May 2003 for the months of January 2003 through April 2003, up to 90 days after month end. The account was not formally reconciled in October 2002. Balance as of March 31, 2003 was $770.

9. **Account #154-154-9200-0015** – *Disregard Payments Pending Disbursement – Pre-conversion.* This account is not formally reconciled; however, CSS identified all items that comprise the account balance and is in the process of researching and resolving the reconciling items. The account should maintain a zero balance and no further activity is anticipated. Balance as of March 31, 2003 was $610.

10. **Account #300-360-9200-0004** – *NSF Checks.* This account has not been reconciled nor have the items that comprise the account balance been identified. The account should maintain a zero balance and no further activity is anticipated. Balance as of March 31, 2003 was $239.99.

11. **Account #154-154-9200-0000** – *Posting Errors.* We noted that the account was first reconciled in May 2003 for the months of January 2003 through April 2003, up to 90 days after month end. The account was not formally reconciled in October 2002. As of April 30, 2003 the account maintains a zero balance. Balance as of March 31, 2003 was $130.92.

12. **Account #154-154-9200-0006** – *FTB Refunds Uncashed.* We noted that the account was first reconciled in May 2003 for the months of January 2003 through April 2003, up to 90 days after month end. The account was not formally reconciled in October 2002. Balance as of March 31, 2003 was $79.50.

CSS has placed emphasis on fully reconciling all accounts and resolving outstanding reconciling items. CSS informed us they have begun addressing many of the above issues.

Recommendation No. 2.A.1
CSS ensure general ledger accounts are reconciled immediately and continue on a monthly basis.

CSS Response: CSS concurs with this recommedation. Procedures have been implemented to reconcile all accounts within 30 days of month end.

Recommendation No. 2.A.2
We recommend that, for those accounts with no further activity anticipated, CSS ensure those accounts are closed upon proper reconciliation.

CSS Response: CSS concurs with this recommendation. Trust Funds 152 and 362 will be formally closed once reconciling items are resolved and the remaining monies are transferred to another fund. The estimated completion date is June 30, 2004.

B. Methodology of Reconciliation

For two CSS accounts, the reconciliation is not performed properly. The current reconciliation involves substantiating general ledger activity to supporting documentation (schedules, journal vouchers, deposit orders, etc.). However, the reconciliations do not compare the G/L balance to ARS system reports to ensure the completeness and accuracy of ARS system processing. As noted in Item I, the ARS system is used to account for and monitor child support payments and disbursements.

1. **Account # 154-154-9200-0001** – *Main Child Support Collection Account.* CSS/Accounting is aware of this issue and has identified various ARS reports that can be utilized to properly reconcile G/L balances to the ARS system. CSS/Accounting attempted to reconcile the G/L activity to ARS system reports as of December 31, 2002, however; a discrepancy was identified. The discrepancy is attributable to the fact that this is the main CSS account for which activity for other CSS accounts may flow through. The ARS system cannot be properly reconciled until all other CSS accounts are fully reconciled, as noted above in Item II.A.
2. **Account # 154-154-9200-0004** – *NSF Checks.* CSS/Accounting is aware of this issue; however, an ARS report does not currently exist that would assist

them in reconciling to the G/L. CSS/Accounting management informed us that they are in the process of identifying the required information and requesting a report to be created by the LA ARS Administration. *Note: All report requests must be submitted through LA ARS Administration for completion.* CSS/Accounting has identified a daily ARS report (*NFB379-01*) that would assist them in verifying that all new NSF items are properly entered in ARS. However, during our review this report was not utilized.

Recommendation No. 2.B
CSS continue with their efforts to properly reconcile the general ledger accounts to the ARS system.

CSS Response (Account 154-154-9200-001): CSS concurs with this recommendation. We will continue efforts to reconcile both the Pre-ARS and Post-ARS components of the General Ledger account balance to available records and ARS. Reconciliation to ARS may require modifications to ARS, which will require State as well as ARS Consortium review and approval.

CSS Response (Account 154-154-9200-004): CSS concurs with this recommendation. CSS Accounting maintains a subsidiary ledger of NSF checks based on NSF notices received from the Treasurer-Tax Collector, which generates entries to ARS. CSS will balance the subsidiary ledger to the GL and request report modifications from ARS to assist in the identification of NSF entries. ARS report modifications must be reviewed and approved by the ARS Consortium.

C. Long-Outstanding Reconciling Items

Upon review of the main child support collections account reconciliation, we noted old reconciling items requiring research and resolution. Four items, totaling $1,615.89, date as far back as 1990 and consist of: write-offs/uncollectible receivables ($1,498.97); a deposit discrepancy ($100); conversion rate difference ($16.70); and disbursement error ($.22). Furthermore, we noted a reconciling item of $14,587.05 ($13,687.05 as of 10/31/02) consisting of forged items dating as far back as 1997. The forged items should be further researched and cleared/resolved.

Recommendation No. 2.C
CSS research and properly clear the long-outstanding reconciling items.

CSS Response: CSS concurs with this recommendation. As noted, CSS is in the process of resolving all reconciling items. The information to properly identify these items is not always available.

D. Evidence of Preparation and Review

For five account reconciliations from the two months tested, we were unable to locate evidence of supervisory review/approval or documentation to evidence the date the reconciliation was prepared and reviewed.

Recommendation No. 2.D

CSS ensure that all reconciliations are reviewed by a supervisor and evidence (initials/signature and date) of such review be documented. Furthermore, the preparer should date the reconciliations upon preparation to ensure timely completion.

CSS Response: CSS concurs with this recommendation. CSS has implemented procedures to document supervisory review on all reconciliations.

III. Suspense Account Items

CSS places child support collections in a suspense account for further research when the collections cannot be applied to the client's account for reasons such as insufficient or incorrect information, keying errors, etc. CSS maintains two suspense accounts for this purpose. Suspense items should be researched and resolved to ensure timely credit is provided to the client. For both suspense accounts, we noted that items were not resolved timely.

A. Account #154-154-9200-0001 – *ARS Suspense*

The CSS/Accounting and CSS/Financial groups are jointly responsible for reviewing and resolving items in this suspense account. ARS automatically places these items in suspense due to keying errors, invalid PIN, court order error, or when the keyed information cannot be matched to the correct case. At the commencement of our review, the balance in this suspense account totaled $121,866, with the majority of items older than six months. In testing ten suspense items, we noted six items were not resolved timely (in suspense from one to 12 months).

During the review, CSS/Accounting and CSS/Financial groups enhanced the process and increased efforts over reviewing/resolving suspense items, resulting in a significant reduction in the account balance. As of June 10, 2003, the balance in this account was reduced to $41,534.

Recommendation No. 3.A

CSS continue their efforts to timely research and resolve suspense items.

CSS Response: CSS concurs with this recommendation. CSS will continue current practices of researching and resolving suspense items in a timely manner.

B. Account #154-154-9200-0002 – *Undistributed Suspense*

CSS/Accounting is responsible for reviewing and resolving items in this suspense account; however, they rely on assistance and information provided by other CSS groups in order to resolve many of the items. Items are placed in this suspense account when there is not enough identifying information for the payment to be entered/applied to a case in ARS. At the commencement of our review, the balance in this suspense account totaled $273,144, with some items dating as far back as 1991. Approximately $190,000 was older than six months. In testing ten suspense items, we noted eight items were not resolved timely (in suspense from four to 43 months).

During the review, CSS/Accounting increased efforts over reviewing/resolving suspense items, resulting in a significant reduction in the account balance, especially in items less than two years old. As of May 31, 2003, the balance in this account was reduced to $176,708, of which $96,482 is more than two years old.

Recommendation No. 3.B

CSS continue their efforts to timely research and resolve suspense items.

CSS Response: CSS concurs with this recommendation. CSS will continue current practices of researching and resolving suspense items in a timely manner.

IV. Collection Holds

A hold may be placed on collections automatically by the ARS system or manually by designated CSS staff for reasons such as missing information, financial dispute, overpayment, etc. A collection hold prevents the monies from being applied to the client's case and, therefore, also prevents the monies from being distributed (paid out to the custodial parent or other designated individual).

Items on collection hold should be properly researched and resolved to ensure timely credit is provided to the client. During testing, we noted several items where resolution efforts were not initiated timely and/or holds were not resolved timely, up to 150 days after the hold was placed. We also noted several long outstanding hold items dating as far back as 2001. The following issues may have contributed to the untimely resolution of collection holds:

- CSS/Accounting and CSS/Financial supervisors do not perform a periodic review of the *Collection on Hold* report to help ensure that hold items are timely reviewed/resolved.
- The *Collection on Hold* report was not consistently distributed to the responsible CSS/Accounting individuals for review/resolution. Furthermore, the *Collection Hold Pending* spreadsheet, maintained by CSS/Accounting to monitor the number of collection hold items they are responsible for, did not properly include all hold codes.

We were informed that CSS has already taken steps to address these issues.

Recommendation No. 4.A
CSS/Accounting and CSS/Financial supervisors perform a periodic, documented review of the *Collection on Hold* report to ensure items are being researched and resolved timely.

CSS Response: CSS concurs with this recommendation. CSS Accounting and Financial Teams will implement procedures to document supervisory review of the Collections on Hold report on a weekly basis. This corrective action will be implemented by December 2003.

Recommendation No. 4.B
CSS/Accounting ensure that the *Collection on Hold* report is properly distributed and the spreadsheet properly prepared.

CSS Response: CSS concurs with this recommendation. Procedures have been implemented to ensure all hold codes are distributed to the staff members responsible for resolution and all hold codes that are reported on the Collection Hold Pending spreadsheet.

V. Physical Safeguards

Access to areas within the CSS building, including cash-handling locations, is controlled through individual employee key-cards. Key-cards are controlled and monitored by CSS/Facilities Management (FM) and issued through Public Facilities and Resources Department (PFRD)/Building Automation Systems. Per CSS department policy, security access is assigned based on employee job classification, job assignment, and work hours. We reviewed reports generated by PFRD listing cards coded with access to restricted cash handling areas, noting the following deviations from CSS department policy:

- Nine CSS employees had inappropriate access based on their current job duties. No documentation was found authorizing the additional access.
- Two individuals had access and were not CSS employees. No documentation was found authorizing this access.
- Three cards could not be located and documentation could not be found indicating to whom the cards were assigned.
- One Visitor card was coded with the highest security level, giving the cardholder 24-hour unlimited access to all areas of the building. This security level is inappropriate for a visitor.
- One cardholder was found to be a nonexistent individual. It appeared that the entry was an error in the system; however, the card number was considered active.

- Numerous Sheriff-Coroner employees have 24-hour unlimited access to the CSS building for patrol purposes. CSS does not currently have procedures in place to ensure that access for these individuals remains appropriate for their current job duties.

The following controls over keycards should be implemented to help ensure that security levels are consistent with department policy and access to cash handling areas is appropriately restricted to authorized employees:

Recommendation No. 5.A
CSS ensure key-card reports (PFRD *User Configuration* reports) are reviewed on a regular basis and compared to internal supporting documentation to ensure card changes (e.g. additions, deletions, changes to security levels) are processed accurately.

CSS Response: CSS concurs with this recommendation. CSS facilities staff has been assigned to review the "PF&RD User Configuration" report each month upon receipt. The report is reviewed to verify that all changes, deletions, additions and security levels are accurate as requested by CSS. If discrepancies are found during this review, they are corrected.

Recommendation No. 5.B
CSS ensure key-card reports are periodically distributed to and reviewed by unit managers/supervisors to ensure access levels for their employees are appropriate.

CSS Response: CSS concurs with this recommendation. Access levels are assigned based upon an approved CSS policy and procedure. Any exceptions to this policy require a written request to the Facilities Unit from the unit manager. The Facilities Unit maintains these requests on file. The Facilities Unit Office Specialist reviews the PF&RD User Configuration report on a monthly basis and verifies that the access levels are correct based on both the CSS policy and manager requests. The Facilities Manager also reviews the report to verify that all employees with access to restricted areas are authorized to have this level of access. Managers with employees having access to restricted areas will be contacted on a quarterly basis to verify that subject employees have the appropriate level of access.

Recommendation No. 5.C
CSS partner with Sheriff-Coroner to ensure key-card access to the CSS building for Sheriff-Coroner employees remains appropriate.

CSS Response: CSS concurs with this recommendation. CSS and the Sheriff-Coroner have agreed that the current key-card access for Sheriff-Coroner employees is appropriate. The Sheriff-Coroner and CSS currently have a written agreement that will be revised to include the following: "Sheriff-Coroner employees with CSS building access are to enter restricted areas only if it is necessary to protect CSS employees and/or the public."

VI. Mail Receipts

Accountability over cash receipts should be established when monies are initially collected, and when transferred between employees during the transfer and deposit process. This internal control practice helps ensure all monies received are completely and properly deposited.

We noted that a process was in place to establish accountability over mail receipts once the payment was entered into the payment processing system (Payment ID). However, during the initial processing stages of opening the mail, sorting and batching, certain controls were not in place and should be added to strengthen accountability over mail receipts.

1. Document mail receipts using a log or other tracking method.
2. Restrictively endorse checks immediately upon opening the mail.
3. Document consistently the transfer of accountability between employees from point of receipt to entering into the payment processing system.

Due to the volume of mail payments received (over 50,000 per month), CSS is challenged to meet a mandated requirement to disburse the payments within 2 days of receipt. CSS is considering a new payment processing system that may address these issues and help ensure accountability of receipts.

Recommendation No. 6

CSS pursue improvements to their current payment process to ensure accountability over mail receipts is established and maintained or, if that is not possible, ensure that future payment processing systems help address the issues of accountability.

CSS Response: CSS concurs with this recommendation. The current payment processing system does not have the capability to provide complete accountability over the receipts. Moreover, due to the volume of receipts and federally mandated distribution timeframes, it is not feasible to provide for additional accountability over receipts. Further controls would complicate and slow the processing timeframes and seriously impair the ability of CSS to distribute receipts within 48 hours, as currently mandated by federal regulations. The State Department of Child Support Services as well as the ARS Consortium has approved the current system.

There are plans to replace the current system within the next 6 months. CSS will address the issue of accountability of receipts when considering this new payment processing system.

VII. Cashiering

A. Balancing

CSS utilizes a payment processing system (Payment ID) to initially record payments received. The Payment ID system does not restrict cashiers from

having access to view their cash/check balances on their register monitor. With such access, cashiers have the opportunity to misappropriate cash drawer overages and not be detected. We were informed that CSS is considering implementing a new payment processing system that may address this issue.

Recommendation No. 7.A
CSS pursue improvement to their payment processing system to restrict cashier access to viewing cash balances or ensure that any new system has this capability.

CSS Response: CSS concurs with this recommendation. The current cashiering system will be modified to restrict cashier access to view cash balances. The estimated completion date for this modification is December 2003.

B. Handwritten Receipts

CSS issues handwritten receipts in the event that the payment processing system (Payment ID) does not function. We noted that a physical inventory of handwritten receipt forms had not been performed. CAP C-5 Section 2.2.2.E.3 requires a periodic inventory of cash receipt forms by an employee with no custodial or cashiering duties. CSS has since taken steps to implement a physical inventory; however, we did not review their results.

Recommendation No. 7.B
CSS ensure that a periodic inventory of handwritten receipt forms is performed and documented by a person with no other custodial or cashiering duties.

CSS Response: CSS concurs with this recommendation. A staff member, without custodian or cashiering duties, will now document the quarterly inventory of handwritten cash receipts on existing cash receipts log.

VIII. Revolving Fund

A. Reconciliation

County Accounting Procedure (CAP) C-7, Section 2.4.5 requires the revolving fund to be reconciled monthly by a person with no other revolving fund duties. The fund should be reconciled to the checking account balance, cash-on-hand balance, and the unreplenished balance. CSS was not aware of this requirement and, therefore, the fund reconciliation was not performed during the review period. We also noted that the same individual performed the revolving fund duties of bank reconciliation and check custody. CSS was able to successfully perform the fund reconciliation during our fieldwork and has taken steps to adequately segregate revolving fund reconciliation duties.

Recommendation No. 8.A
CSS ensure a fund reconciliation to the authorized revolving fund balance be performed at least monthly, and that both fund and bank reconciliations be performed by an individual with no other revolving fund duties.

CSS Response: CSS concurs with this recommendation. A procedure has been implemented to reconcile the revolving funds on a monthly basis. CSS will now reconcile the revolving cash funds to the bank balance, cash on hand, and the un-replenished fund balance through the review period. CSS is current with all reconciliations at this time. The revolving cash funds are reconciled to both the bank and fund monthly. CSS has segregated fund-reconciling duties. The physical location of the check stock has also been moved to accommodate the audit concern.

B. Cancellation of Supporting Documentation
Supporting documentation for travel cash advance expenditures (i.e. receipts, invoices) had not been canceled (marked "paid"). Canceling original expenditure documentation helps prevent duplicate reimbursement.

Recommendation No. 8.B
CSS ensure all revolving fund expenditure supporting documentation is appropriately canceled when monies are disbursed.

CSS Response: CSS concurs with this recommendation. A procedure has been implemented that requires "PAID" to be stamped on all expenditure supporting documentation.

C. Authorization
CSS utilizes signature stamps to authorize travel cash advances. The stamps are signatures of individuals who have been given authority to approve departmental and revolving fund expenditures. We found that the signature stamps were not adequately safeguarded and controlled. If not safeguarded, the stamps may be used for unauthorized purposes.

Recommendation No. 8.C
CSS ensure all signature stamps are adequately safeguarded and controlled.

CSS Response: CSS concurs with this recommendation. Controls have been implemented to safeguard signature stamps that include placing the stamps under lock when not in use.

ATTACHMENT: CSS Management Responses

ORANGE COUNTY DEPARTMENT OF
CHILD SUPPORT SERVICES
JAN STURLA, DIRECTOR

SUE DELARUE
CHIEF DEPUTY DIRECTOR

KEVIN HARRISON
DEPUTY DIRECTOR
LEGAL SERVICES

WINNIE HEWETT
DEPUTY DIRECTOR
ADMINISTRATIVE SERVICES

November 18, 2003

Dr. Peter Hughes, CPA
Director
Internal Audit Department
400 Civic Center Drive West
Building 12, Room 232
Santa Ana, CA 92701

Dear Dr. Hughes:

Attached is the Response of the Department of Child Support Services to Audit Report No. 2330. The County Executive Office has reviewed and approved our responses.

If you have any further questions regarding our response, please contact Jim Gorzo, Manager, CSS Accounting, at 347-4955, or by e-mail at jgorzo@css.ocgov.com .

Sincerely,

Jan Sturla, Director
Department of Child Support Services

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INTERNAL AUDIT DEPARTMENT
2003 NOV 20 AM 9:02

1055 N. MAIN STREET, SANTA ANA, CA 92701 • FOR LOCAL CALLS (714) 541-7600 • FOR TDD CALLS (714) 347-4815 FOR OUT OF AREA 1-888-594-7600
CORRESPONDENCE: P.O. BOX 22099, SANTA ANA, CA 92702-2099 • PAYMENTS: P.O. BOX 448, SANTA ANA, CA 92702-0448 • FAX (714) 347-4811

ATTACHMENT: CSS Management Responses (con't)

CSS Response to IA draft report on Department Control Review

The Department of Child Support Services' (CSS) responds to the draft report of Department Control Review on CSS's Cash Receipts, Trust Funds and Revolving Fund processes, as follows:

Section I.

Recommendation 1.A: *CSS implement procedures in line with a security policy that provides access security control based on the user's demonstrated need to access data. Those procedures should require CSS to gain a complete understanding of user access rights granted for each job classification (and as customized for each individual user) and ensure such access is appropriate based on the user's current job duties*

CSS Response: CSS concurs with this recommendation. We are reviewing our current procedure and documenting the security structure necessary for each user accessing the ARS system. The IT Network Administrator will work closely with the Program Team unit to ensure that the security levels meet the business tasks for each user. The estimated completion date of the modified procedure is June 2004.

Recommendation 1.B.1: *CSS management formally establish owners for critical components of the ARS system and those owners should become familiar with the functions of their assigned components.*

CSS Response: CSS concurs with this recommendation. The IT Network Administrator will generate a security report that lists the details of each user profile. A new policy and procedure will be developed to formalize the duties of the process owner. The estimated implementation date for the corrective policy and procedure is June 2004.

Recommendation 1.B.2: *CSS management should ensure that process owners regularly monitor user access for appropriateness. This responsibility may be delegated to a security manager or an Information Technology (I/T) administrator.*

CSS Response: CSS concurs with this recommendation. The IT Network Administrator will generate a security report that lists the details of each user profile. A new policy and procedure will be developed to formalize the duties of the process owner. The estimated implementation date for the corrective policy and procedure is June 2004.

Recommendation 1.C: *CSS evaluate the risks of assigning multiple user IDs to an individual and discontinue such practice if possible.*

CSS Response: CSS concurs with this recommendation. Due to the system structure of ARS, multiple user IDs are required to meet the current business needs of CSS. Extensive programming will be required to modify the system structure of ARS to eliminate multiple user IDs. The lead consortium, Los Angeles County, performs ARS programming. Programming changes must be

ATTACHMENT: CSS Management Responses (con't)

CSS Response to IA draft report on Department Control Review

approved by the California Department of Child Support Services and prioritized by the ARS Consortia. This may be difficult or impossible to accomplish considering the current ARS Consortia priorities.

In the alternative, CSS will implement a policy and procedure to review and authorize requests for multiple user IDs. This process will ensure that security breaches do not occur. Requests for multiple user IDs will require written justification and will need to be approved by a process owner and operational manager. Process owners will be required to review the current user profile and validate the business need for a multiple user id. Operational management will ensure that no security breaches exist and forward authorizations to the IT Security Administrator to initialize access.

Multiple User IDs will be monitored on a regular basis to ensure that that accounts are disabled when the user does not demonstrate a need. Multiple user IDs will automatically be disabled when a user is transferred to another functional team or reclassified. The estimated implementation date for the corrective policy and procedure is June 2004.

Recommendation 1.D: CSS ensure timely action is taken relating to employee status changes affecting ARS access.

CSS Response: CSS concurs with this recommendation. The IT network administrator will work with CSS Human Resources to ensure employee status changes are reported promptly to IT. The policy and procedures for system access will enforce the timeframe for reporting status changes and the proper authorization to modify or remove users from the system. The estimated implementation date for corrective policy and procedure is June 2004.

Section II.

Recommendation 2.A.1: *CSS Ensure general ledger accounts are reconciled immediately and continue on a monthly basis*

CSS Response: CSS concurs with this recommendation. Procedures have been implemented to reconcile all accounts within 30 days of month end.

Recommendation 2.A.2: We recommend that, for those accounts with no further activity anticipated, CSS ensure those accounts are closed upon proper reconciliation.

CSS Response: CSS concurs with this recommendation. Trust Funds 152 and 362 will be formally closed once reconciling items are resolved and the remaining monies are transferred to another fund. The estimated completion date is June 30, 2004.

Recommendation 2.B: *CSS continue with their efforts to properly reconcile the general ledger Accounts to the ARS system.*

ATTACHMENT: CSS Management Responses (con't)

CSS Response to IA draft report on Department Control Review

Account 154-154-9200-001

CSS Response: CSS concurs with this recommendation. We will continue efforts to reconcile both the Pre-ARS and Post-ARS components of the General Ledger account balance to available records and ARS. Reconciliation to ARS may require modifications to ARS, which will require State as well as ARS Consortium review and approval.

Account 154-154-9200-004

CSS Response:

CSS concurs with this recommendation. CSS Accounting maintains a subsidiary ledger of NSF checks based on NSF notices received from the Treasurer-Tax Collector, which generates entries to ARS. CSS will balance the subsidiary ledger to the GL and request report modifications from ARS to assist in the identification of NSF entries. ARS report modifications must be reviewed and approved by the ARS Consortium.

Recommendation 2.C: *CSS research and properly clear the long-outstanding reconciling items.*

CSS Response: CSS concurs with this recommendation. As noted, CSS is in the process of resolving all reconciling all items. The information to properly identify these items is not always available.

Recommendation 2.D: *Document supervisory review of reconciliation's.*

CSS Response: CSS concurs with this recommendation. CSS has implemented procedures to document supervisory review on all reconciliations.

Section III.

Recommendation 3.A: *CSS continue their efforts to timely research and resolve suspense items. ARS Suspense listing*

CSS Response: CSS concurs with this recommendation. CSS will continue current practices of researching and resolving suspense items in a timely manner.

Recommendation 3.B: *CSS continue their efforts to timely research and resolve suspense items. Undistributed Suspense 0002*

CSS Response: CSS concurs with this recommendation. CSS will continue current practices of researching and resolving suspense items in a timely manner.

ATTACHMENT: CSS Management Responses (con't)

CSS Response to IA draft report on Department Control Review

Section IV.

Recommendation 4.A: *CSS Accounting and CSS Financial supervisors perform a periodic, documented review of the Collection on hold report to ensure items are being researched and resolved timely.*

CSS Response: CSS concurs with this recommendation. CSS Accounting and Financial Teams will implement procedures to document supervisory review of the Collections on Hold report on a weekly basis. This corrective action will be implemented by December 2003.

Recommendation 4.B: *CSS Accounting ensure that the Collections on Hold report is properly distributed and the spread sheet properly prepared.*

CSS Response: CSS concurs with this recommendation. Procedures have been implemented to ensure all hold codes are distributed to the staff members responsible for resolution and all hold codes that are reported on the Collection Hold Pending spreadsheet.

Section V.

Recommendation 5.A: *CSS ensure that Key-card reports (PFRD User Configuration reports) are reviewed on a regular basis and compared to internal supporting documentation to ensure card changes (e.g. additions, deletions, changes to security levels) are processed accurately*

CSS Response: CSS concurs with this recommendation. CSS facilities staff has been assigned to review the "PF&RD User Configuration" report each month upon receipt. The report is reviewed to verify that all changes, deletions, additions and security levels are accurate as requested by CSS. If discrepancies are found during this review, they are corrected.

Recommendation 5.B: *CSS ensure Key-card reports are periodically distributed to and reviewed by unit managers/supervisors to ensure access levels for their employees are appropriate.*

CSS Response: CSS concurs with this recommendation. Access levels are assigned based upon an approved CSS policy and procedure. Any exceptions to this policy require a written request to the Facilities Unit from the unit manager. The Facilities Unit maintains these requests on file. The Facilities Unit Office Specialist reviews the PF&RD User Configuration report on a monthly basis and verifies that the access levels are correct based on both the CSS policy and manager requests. The Facilities Manager also reviews the report to verify that all employees with access to restricted areas are authorized to have this level of access. Managers with employees having access to restricted areas will be

ATTACHMENT: CSS Management Responses (con't)

CSS Response to IA draft report on Department Control Review

contacted on a quarterly basis to verify that subject employees have the appropriate level of access.

Recommendation 5.C: *CSS partner with Sheriff-Coroner to ensure Key-Card access to the CSS building for Sheriff-Corner employees remains appropriate.*

CSS Response: CSS concurs with this recommendation. CSS and the Sheriff-Coroner have agreed that the current key-card access for Sheriff-Coroner employees is appropriate. The Sheriff-Coroner and CSS currently have a written agreement that will be revised to include the following: "Sheriff-Coroner employees with CSS building access are to enter restricted areas only if it is necessary to protect CSS employees and/or the public."

Section VI.

Recommendation 6: *CSS pursue improvements to their current payment process to ensure accountability over mail receipts is established and maintained or, if that is not possible ensure that future payment processing systems help address the issues of accountability of receipts.*

CSS Response: CSS concurs with this recommendation. The current payment processing system does not have the capability to provide complete accountability over the receipts. Moreover, due to the volume of receipts and federally mandated distribution timeframes, it is not feasible to provide for additional accountability over receipts. Further controls would complicate and slow the processing timeframes and seriously impair the ability of CSS to distribute receipts within 48 hours, as currently mandated by federal regulations. The State Department of Child Support Services as well as the ARS Consortium has approved the current system.

There are plans to replace the current system within the next 6 months. CSS will address the issue of accountability of receipts when considering this new payment processing system.

Section VII.

Recommendation 7.A*: Restrict Cashier access to viewing cash balances in current system or new system.*

CSS Response: CSS concurs with this recommendation. The current cashiering system will be modified to restrict cashier access to view cash balances. The estimated completion date for this modification is December 2003.

ATTACHMENT: CSS Management Responses (con't)

CSS Response to IA draft report on Department Control Review

Recommendation 7.B: *CSS ensure that a periodic inventory of handwritten receipt forms is performed and documented by a person with no other custodian or cashiering duties*

CSS Response: CSS concurs with this recommendation. A staff member, without custodian or cashiering duties, will now document the quarterly inventory of handwritten cash receipts on existing cash receipts log.
Section VIII.

Recommendation 8.A: *CSS ensure a fund reconciliation to the authorized revolving fund balance be performed at least monthly-, and both fund and bank reconciliation be performed by an individual with no other revolving fund duties.*

CSS Response: CSS concurs with this recommendation. A procedure has been implemented to reconcile the revolving funds on a monthly basis. CSS will now reconcile the revolving cash funds to the bank balance, cash on hand, and the un-replenished fund balance through the review period. CSS is current with all reconciliations at this time. The revolving cash funds are reconciled to both the bank and fund monthly. CSS has segregated fund-reconciling duties. The physical location of the check stock has also been moved to accommodate the audit concern.

Recommendation 8.B: *CSS ensure all revolving fund expenditure supporting documentation is appropriately canceled when monies are disbursed.*

CSS Response: CSS concurs with this recommendation. A procedure has been implemented that requires "PAID" to be stamped on all expenditure supporting documentation.

Recommendation 8.C: *CSS ensure all signature stamps are adequately safeguarded and controlled.*

CSS Response: CSS concurs with this recommendation. Controls have been implemented to safeguard signature stamps that include placing the stamps under lock when not in use.