



**INTERNAL AUDIT DEPARTMENT**  
**COUNTY OF ORANGE**

*Integrity  
Objectivity  
Independence*

***FINAL CLOSE-OUT***

**SECOND FOLLOW-UP AUDIT  
OF DEPARTMENT CONTROL REVIEW  
SHERIFF-CORONER CASH DISBURSEMENTS –  
TRUST FUNDS, SPECIAL APPROPRIATION FUNDS,  
REVOLVING FUNDS AND FLASH FUND  
ORIGINAL AUDIT NO. 2235**

**AS OF SEPTEMBER 8, 2005**

**AUDIT NUMBER: 2533**

**REPORT DATE: September 29, 2005**

---

<b>Audit Director:</b>	<b>Peter Hughes, Ph.D., CPA</b>
<b>Deputy Director:</b>	<b>Eli Littner, CPA, CIA</b>
<b>Audit Manager:</b>	<b>Michael Goodwin, CPA, CIA</b>
<b>Senior Auditor:</b>	<b>Camille Gackstetter, CPA</b>

***Final Close-Out***

**Second Follow-Up Audit of Department Control Review  
Sheriff-Coroner Cash Disbursements – Trust Funds, Special Appropriation  
Funds, Revolving Funds and Flash Fund, Original Audit No. 2235**

**As of September 8, 2005**

**TABLE OF CONTENTS**

Transmittal Letter .....	i
INTERNAL AUDITOR’S REPORT .....	1
ATTACHMENT A: Report Item Classifications.....	3



COUNTY OF ORANGE  
**INTERNAL AUDIT DEPARTMENT**

*Integrity ♦ Objectivity ♦ Independence*

ELI LITTNER  
CPA, CIA, CFE, CFS CISA  
DEPUTY DIRECTOR

MICHAEL J. GOODWIN  
CPA, CIA  
AUDIT MANAGER

ALAN MARCUM  
MBA, CPA, CIA, CFE  
AUDIT MANAGER

AUTUMN MCKINNEY  
CPA, CIA, CGFM  
AUDIT MANAGER

**Office of the Director**  
**PETER HUGHES**  
Ph.D., MBA, CPA, CIA, CFE, CITP

MAILING ADDRESS:  
400 CIVIC CENTER DRIVE WEST  
BUILDING 12, ROOM 232  
SANTA ANA, CALIFORNIA 92701

TELEPHONE: (714) 834-5475  
FAX: (714) 834-2880

EMAIL: [peter.hughes@ocgov.com](mailto:peter.hughes@ocgov.com)  
WEBSITE: [www.ocgov.com/audit/](http://www.ocgov.com/audit/)

---

**Transmittal Letter**

Audit No. 2533

September 29, 2005

TO: Michael Carona, Sheriff-Coroner

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

SUBJECT: **Final Close-Out Second Follow-Up Audit** for Department Control Review of Sheriff-Coroner Cash Disbursements – Trust Funds, Special Appropriation Funds, Revolving Funds and Flash Fund, Original Audit No. 2235

We have completed a second Follow-Up Audit of internal controls over cash disbursements – trust funds, special appropriation funds, revolving funds, and flash fund in the Sheriff-Coroner Financial/Administrative Services Division and certain outlying divisions. Our audit was limited to reviewing, as of September 8, 2005, actions taken to implement the remaining three recommendations in our initial Follow-Up Audit report dated December 30, 2004. The recommendations stemmed from our original audit report dated March 4, 2003. The results of our second Follow-Up Audit are discussed in the **Internal Auditor's Report** following this transmittal letter.

As the Director of the Internal Audit Department, I now make a monthly audit status presentation to the Board of Supervisors (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. Additionally, at the request of the Audit Oversight Committee (AOC), we are to bring to their attention any audit recommendations still not implemented or mitigated after the second Follow-Up Audit.

Other recipients of this report:

Members, Board of Supervisors  
Members, Audit Oversight Committee  
Thomas G. Mauk, County Executive Officer  
Jane Reyes, Interim Director, Financial/Administrative Services  
Nicole Macias, Financial Officer, Financial/Administrative Services  
Margaret Cady, Revenue Audit Manager, Financial/Administrative Services  
Foreman, Grand Jury  
Darlene J. Bloom, Clerk of the Board of Supervisors



COUNTY OF ORANGE  
**INTERNAL AUDIT DEPARTMENT**

*Integrity ♦ Objectivity ♦ Independence*

ELI LITTNER  
CPA, CIA, CFE, CFS CISA  
DEPUTY DIRECTOR

MICHAEL J. GOODWIN  
CPA, CIA  
AUDIT MANAGER

ALAN MARCUM  
MBA, CPA, CIA, CFE  
AUDIT MANAGER

AUTUMN MCKINNEY  
CPA, CIA, CGFM  
AUDIT MANAGER

Office of the Director  
**PETER HUGHES**  
Ph.D., MBA, CPA, CIA, CFE, CITP

MAILING ADDRESS:  
400 CIVIC CENTER DRIVE WEST  
BUILDING 12, ROOM 232  
SANTA ANA, CALIFORNIA 92701

TELEPHONE: (714) 834-5475  
FAX: (714) 834-2880

EMAIL: [peter.hughes@ocgov.com](mailto:peter.hughes@ocgov.com)  
WEBSITE: [www.ocgov.com/audit/](http://www.ocgov.com/audit/)

---

**INTERNAL AUDITOR'S REPORT**  
**FINAL CLOSE-OUT**

Audit No. 2533

September 29, 2005

Michael Carona, Sheriff-Coroner  
Sheriff-Coroner Department  
550 North Flower Street  
Santa Ana, CA 92703

We have completed a second Follow-Up Audit of cash disbursements in the Sheriff-Coroner Financial/Administrative Services Division and certain outlying divisions over processes involving trust funds, special appropriation funds, revolving funds, and the flash fund. Our audit was limited to reviewing actions taken as of September 8, 2005 to implement the three remaining recommendations made in our original audit report dated March 4, 2003 and in our initial Follow-Up Audit report dated December 30, 2004.

The original audit report contained (16) sixteen recommendations. Our initial Follow-Up Audit identified (3) three recommendations not fully implemented by the outlying divisions. Our second and final Follow-Up Audit of the three remaining items found (2) two recommendations had been fully implemented and (1) one recommendation was not implemented.

We believe the one remaining recommendation is still appropriate and further efforts have been made by the Financial/Administrative Services Division to implement the recommendation as noted in their comment on planned action. The recommendation that was not implemented is noted below along with a comment on the current status. The item number from the March 4, 2003 original audit report is shown in parentheses after the heading.

Note: the one item contained in this Follow-Up Audit report is considered a **“Control Finding.”** See *Attachment A* for a description of audit report items.

**1. Fund Reconciliation (Item II.C.1)**

Recommendation No. 11

Financial/Administrative Services ensure outlying divisions prepare and submit monthly fund reconciliations, and supervisory review of the fund reconciliation be documented.

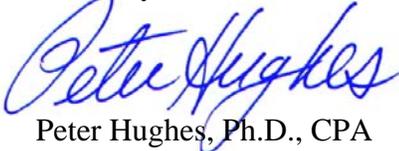
Current Status: **Not Implemented.** Outlying divisions had not yet prepared monthly petty cash/revolving fund reconciliations. Financial/Administrative Services informed us that the outlying divisions will begin reconciling their petty cash revolving funds to the authorized amounts on a monthly basis beginning with the month of September 2005.

Sheriff-Coroner Planned Action:

In August and September 2004, the Sheriff's Financial/Administrative Services Division conducted training courses for Sheriff's division personnel responsible for petty cash/revolving fund transactions. The handout materials provided included information on the requirement for a monthly reconciliation. Financial/Administrative Services recognized the need for a standardized format of reporting, so in December 2004, a cash fund reconciliation template was developed to assist personnel in performing periodic fund reconciliations. In July 2005, memos were sent to all Division Commanders and emails to all fund custodians reminding responsible personnel of the requirement to perform monthly fund reconciliations. The standardized Excel reconciliation template was also provided to assist staff in performing the reconciliations. Beginning with September 2005, Sheriff's Financial will implement procedures to ensure that the monthly reconciliations are done. During their periodic audits of the various cash funds, Sheriff's Audit staff will verify that the established procedure is being followed by the fund custodians and Sheriff's Financial.

**This report represents the final close-out of the original audit.** We appreciate the cooperation and assistance extended to us by the Sheriff-Coroner personnel in Financial/Administrative Services, Facilities Operations, and the outlying divisions during our review. If you have any questions, please contact me directly or Eli Littner, Deputy Director at (714) 834-5589 or Michael Goodwin, Audit Manager at (714) 834-6066.

Sincerely,



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

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Thomas G. Mauk, County Executive Officer
- Jane Reyes, Interim Director, Financial/Administrative Services
- Nicole Macias, Financial Officer, Financial/Administrative Services
- Margaret Cady, Revenue Audit Manager, Financial/Administrative Services
- Foreman, Grand Jury
- Darlene J. Bloom, Clerk of the Board of Supervisors



## **ATTACHMENT A: Report Item Classifications**

---

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

### **Material Weaknesses:**

Audit findings or a combination of Significant Issues that can result in financial liability and exposure to a department/agency and to the County as a whole. Management is expected to address “Material Weaknesses” brought to their attention immediately.

### **Significant Issues:**

Audit findings or a combination of Control Findings that represent a deficiency in the design or operation of processes or internal controls. Significant Issues do not present a material exposure throughout the County. They generally will require prompt corrective actions.

### **Control Findings:**

Audit findings that require management’s corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.

