



INTERNAL AUDIT DEPARTMENT
COUNTY OF ORANGE

*Integrity
Objectivity
Independence*

**SECOND FOLLOW-UP AUDIT
OF DEPARTMENT CONTROL REVIEW
HUMAN RESOURCES & EMPLOYEE RELATIONS/
EMPLOYEE BENEFITS
CASH RECEIPTS AND CASH DISBURSEMENTS
ORIGINAL AUDIT No. 2222**

AS OF MAY 31, 2005

AUDIT NUMBER: 2533

REPORT DATE: August 4, 2005

Audit Director:	Peter Hughes, Ph.D., CPA
Deputy Director:	Eli Littner, CPA, CIA
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**Second Follow-Up Audit of Department Control Review
Human Resources and Employee Relations/Employee Benefits
Cash Receipts and Cash Disbursements, Original Audit No. 2222**

As of May 31, 2005

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INTERNAL AUDIT DEPARTMENT

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Transmittal Letter

Audit No. 2533

August 4, 2005

TO: Dianna Garcia, Director
Human Resources and Employee Relations

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

SUBJECT: Second Follow-Up Audit of Department Control Review of
Human Resources and Employee Relations/Employee Benefits
Cash Receipts and Cash Disbursements Original Audit No. 2222

We have completed a second Follow-Up Audit of internal controls over cash receipts and cash disbursements for Employee Benefits. Our audit was limited to reviewing, as of May 31, 2005, actions taken to implement the remaining two recommendations in our initial Follow-Up Audit report dated November 30, 2004. The recommendations stemmed from our original audit report dated November 27, 2002. 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, effective December 14, 2004, 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.

We appreciate the cooperation and assistance extended by your staff during our Follow-Up Audit.

Other recipients of this report:

Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
Patti Gilbert, Manager, HR/Employee Benefits
Renee Catanzariti, Assistant Manager, HR/Employee Benefits
Margaret Briggs, Assistant Manager, HR/Employee Benefits
Bob Leblow, Manager, Auditor-Controller/Claims & Disbursing
Darlene J. Bloom, Clerk of the Board of Supervisors
Foreman, Grand Jury



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INTERNAL AUDITOR'S REPORT

Audit No. 2533

August 4, 2005

Dianna Garcia, Director
Human Resources and Employee Relations
Hall of Administration
10 Civic Center Plaza, 2nd Floor
Santa Ana, CA 92701

We have completed a second Follow-Up Audit of internal controls of Human Resources and Employee Relations/Employee Benefits (formerly under the County Executive Office) cash receipts and cash disbursements. Our audit was limited to reviewing actions taken as of May 31, 2005 to implement the two remaining recommendations made in our original audit report dated November 27, 2002 and in our initial Follow-Up Audit report dated November 30, 2004.

The original audit report contained two recommendations pertaining to accountability over cash receipts and reconciliations of the special use revolving fund (Fund 298). Employee Benefits has strengthened accountability over cash receipts and made improvements in performing monthly reconciliations of the special use revolving fund, specifically in reconciling to the authorized \$125,000 fund balance and identifying the under funded difference of approximately \$13,000. They reconciled back to January 2002 and identified the reconciling items that comprise the majority of the difference. The identified items pertain to transactions from January 2002 through March 2003 and resulted in additional replenishment that is needed.

Employee Benefits believes that they exhausted all of their resources in identifying the old reconciling difference, and they are currently seeking direction from the Auditor-Controller's office on appropriate procedures to resolve the reconciling items and to replenish the fund. We concur and believe it would be inefficient to spend additional resources and staff time on the effort of reconciling the remaining unidentified difference. We believe that appropriate corrective actions have been taken to implement our recommendations; therefore, we consider the two outstanding recommendations as implemented.

Sincerely,

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

Dianna Garcia, Director, Human Resources and Employee Relations

August 4, 2005

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cc: Members, Board of Supervisors
Members, Audit Oversight Committee
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