

**EXTERNAL AUDIT ACTIVITY**  
**Quarterly Status Report**  
**4<sup>th</sup> Quarter FY 02-03**

Pursuant to Audit Oversight Committee Administrative Procedure Number 2, Reporting on External Audits, County Departments/ Agencies governed by the Board of Supervisors are required to notify the Internal Audit Director of all third party audit activity. The procedure was established to keep the Audit Oversight Committee informed of all third party audits being performed and any significant findings identified.

The schedule below identifies the status of external audits as of 6/30/03, as reported to us by the Departments/Agencies. The schedule also includes any significant findings noted as a result of the external audits.

Department/ Agency	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status As of 6/30/03	Significant Findings
<b>Assessor</b>	No audit in progress.						
<b>Auditor-Controller</b>	Macias, Gini & Company LLP	<b><u>Financial Reporting</u></b> Comprehensive Annual Financial Report	FYE 6/30/03	6/30/02	Compliance & financial	In process.	
	Macias, Gini & Company LLP	Single Audit Report	FYE 6/30/03	6/30/02	Compliance & financial	In process.	
	Macias, Gini & Company LLP	OCJP	FYE 6/30/03	6/30/02	Compliance & financial	In process.	
	Housing and Urban Development	<b><u>H&amp;CD Accounting</u></b> SHP review.	FYE 6/30/02		Compliance and financial review.	Fieldwork completed. Awaiting the report.	
	State Controller's Office (SCO)	<b><u>HCA Accounting</u></b> SB90 Audit – Handicapped & Disabled Students	FYE 6/30/98 and 6/30/99		Program Review	Refer to HCA for updated status.	Refer to HCA for updated status.
	Property Tax Apportionment & Allocation Systems	<b><u>Tax Unit</u></b> State Controller's Office Division of Audits	7/1/99 to 6/30/02			Fieldwork completed. Awaiting final report.	
	Macias, Gini & Company LLP	Teeter Agreed Upon Procedures Audit	FYE 6/30/03			In process.	

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<b>Auditor-Controller (continued)</b>		<b><u>CEO Public Finance Accounting</u></b>					
		<b><u>IWMD Accounting</u></b> None.					
		<b><u>Collections</u></b> None.					
<b>Child Support Services</b>	Cooperative Personnel Services	Human Resources Policies and Procedures	Current period.	2 years ago	Review of policies and procedures.	Entrance conference already held. Estimated to return on 9/25/03 for a couple of days of fieldwork.	
<b>Clerk of the Board of Supervisors</b>	No audits in progress.						
<b>Community Services Agency</b>	State EOD	<b><u>Special Programs Administration</u></b> Workforce Investment Act	Annually	4/14/03	Fiscal and Procurement	Fieldwork completed. Awaiting draft report.	
	California Dept. of Aging	<b><u>Office on Aging</u></b> Older Americans Act, Title V, Title III E	97/98-00/01 Every 3 years	5/02		Pending	
	California Dept. of Aging	Older Americans Act, Title V, Title III E	02/03	2/03		Pending	
		<b><u>Community Advocacy Division</u></b> No audits in progress.					
<b>County Clerk- Recorder</b>	Krystec	Internal Systems			Security	In progress.	
<b>County Counsel</b>	No audits in progress.						
<b>County Executive Office</b>	No audits in progress.						
<b>District Attorney</b>	No audits in progress.						

Department/ Agency	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status As of 6/30/03	Significant Findings
<b>Health Care Agency</b>	State Dept. of Mental Health	Short-Doyle Medi-Cal Cost Report	1996-1997 Annually	1995- 1996	Program Review	Audit completed. Waiting for final report.	Awaiting an invoice from the State Department of Mental Health for \$106,516 due to an overstatement of net federal share of Short-Doyle Medi-Cal cost (FFP). Received letter dated March 14, 2002 notifying the County that an invoice will be issued.
	State Dept. of Mental Health	Annual Review Protocol for Consolidated Specialty Mental Health Services and Other Funded Services	2000-01 Annually	2000	Program/financial review	Audit completed. Waiting for Draft Report.	
	State Dept. of Mental Health	Short-Doyle Medi-Cal Cost Report	1997-1998 Annually	1996- 1997	Program Review	Audit report issued May 5, 2003.	Total disallowances of \$843,015. County filed a notice of disagreement on 6/26/03. Pending a schedule of Informal Hearing.
	State Dept. of Mental Health	Annual Review Protocol for Consolidated Specialty Mental Health Services and Other Funded Services	2001-02 Annually	2001	Program/financial review	Audit completed. Waiting for Draft Report.	
	State Dept. of Mental Health	Substance Abuse & Mental Health Services Administration (SAMHSA)	1999-00 Biennially	1998	Program Review	Audit completed. Waiting for final report. Draft report issued 6/26/00.	
	HHS Office of the Inspector General	Medicare Billing for HCA-Behavioral Health.	1/1/95 to 12/31/97	None	Medicare billing practices and eligibility for payment reimbursement.	Audit in process.	
	CA Dept. of Health Services	Women, Infants, and Children	FYE 6/30/01	N/A	Program review	Final report issued 4/15/03.	Findings noted were programmatic. No financial impact.
	State Controller's Office	Women, Infants, and Children	FYE 9/30/01 (Every 2 yrs)	FY 99/00	Financial Review	Audit completed. Exit conference was held 12/18/02. Have not received final audit report.	

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<b>Health Care Agency (continued)</b>	Macias, Gini & Company LLP	Tobacco Settlement Revenue (TSR)	FY ended 6/30/02.		Financial Review – Agreed-upon Procedures.	Report issued 6/03.	There were 2 findings: (1) TSR trust fund, maintained by the CEO, was overdrawn by approximately \$500,000 in FY 01-02, due to an input error in the County's Job Transfer system that affected the Job Detail reports used to compile the TSR claims. The CEO did a JV to transfer the funds back to the TSR trust fund in 02-03. (2) Some payment vouchers did not have appropriate authorizing signatures.
	State Controller's Office	SB90 Handicapped & Disabled Students	1997-98 1998-99 (unknown)	N/A	Program Review	Final report received on January 2, 2003.	Remaining disallowances total approximately \$1.8 million. SCO denied County's request for review of all remaining issues in dispute and sent letters requesting payment for amounts owed. County sent response; no payments will be remitted to the State, and the County will be considering filing an Incorrect Reduction Claim.
<b>Housing and Community Development</b>	HUD-Office of Inspector General	SHP Grant No. CA16B802006 – Continuum of Care Coalition-(Mercy House Lead Agency)	5/14/99 to 10/31/00		Financial & Compliance	Report issued 5/9/01.	HCD sent a letter to HUD dated 11/19/01 disagreeing and appealing with HUD's proposed corrective action for 7 of the 13 audit findings. The basis of HCD's disagreement is a difference in the interpretation of OMB Circular A-87; discrepancies and contractions between audit findings and recommendations and HUD's corrective action; and the arbitrary and unsupported nature of certain disallowances. HCD Accounting and Program Staff met with HUD on 3/15/02. HUD suggested that the agency prepare another letter requesting "forgiveness" of certain items. A letter was prepared by HCD staff and was submitted to HUD on 4/8/02. HUD-LA finally responded with a request for payment in November 2002. HCD responded with our disagreement toward their finding and request in February 2003. HUD-LA suggested an alternative to repayment and is allowing HCD to show Local Funds dollars used in same program year as the grant in question and used for Sinclair, eligible Supportive Housing Program activities, to offset repayment.

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<b>Housing and Community Development (continued)</b>	HUD	Shelter Plus Care on- site Monitoring Visit	6/17/03 to 6/20/03		Document compliance with statutory and regulatory requirements.	Entrance conference on June 17, 2003.	
<b>Integrated Waste Management</b>	No audits in progress.						
<b>John Wayne Airport</b>	Macias, Gini & Co., LLP	JWA Financial Statements	FYE 2003		Financial and compliance	In process.	
	Macias, Gini & Co., LLP	JWA Improvement Program (Federal Financial Assistance) Single Audit	FYE 2003		Financial and compliance	In process.	
<b>O.C. Public Library</b>	No audits in progress.						
<b>Planning and Development Services Department</b>	No audits in progress.						
<b>Probation</b>	No audits in progress.						
<b>Public Administrator (Covered under CSA)</b>	No audits in progress.						
<b>Public Defender</b>	No audits in progress.						
<b>Public Facilities and Resources Department</b>	State Controller	Santa Ana River Mainstem Project	July 90 to June 93	N/A		Report issued 6/5/03.	Unallowable costs totaled \$2,308,016. Per the audit report, the Orange County Flood Control District for the Santa Ana River Mainstem project should reduce its claims for reimbursement by \$2,308,016.

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<b>Registrar of Voters</b>	No audits in progress.						
<b>Sheriff-Coroner</b>	Conrad and Associates, LLP	Service Authority for Abandoned Vehicles (SAAV)	7/1/01 thru 6/30/03		Fiscal and compliance audit.	Report draft issued by Conrad and Associates, LLP, to Orange County Transportation Authority Internal Audit (OCTA). OCTA will issue a final report. Contacted OCTA Internal Audit and are awaiting status.	
	LA-HIDTA	RNSP	1/1/01 thru 12/31/01	11/01	Program review of HIDTA grant.	Fieldwork completed. Waiting for preliminary report draft.	
<b>Social Services Agency</b>	State Auditors	USDA/Food & Nutrition Serv. FNS 209	Follow-up on review conducted 2 years ago.	2 years ago	Self-assessment guide.	Self-Assessment completed and sent to CDSS on March 31, 2003.	
	Cooperative Personnel Services	Human Resources Policies and Procedures	Current period.	2 years ago	Review of policies and procedures.	Entrance conference already held. Estimated to return on 9/25/03 for a couple of days of fieldwork.	
<b>Social Services Agency/Financial &amp; Administration</b>	USDA/FNS, California Department of Social Services	Food Stamps—DFA 256	N/A			N/A	We prepared a response dated 5/12/03 to a State desk audit of our procedures to prepare the DFA 256 Report. The one finding in this report led to the discovery by the State that all CDS counties were preparing a portion of the DFA256 wrong. Sacramento County is providing a workaround process to the affected counties until programming changes can be made to CDS.

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<b>Social Services Agency/Financial &amp; Administration</b>	Social Security Administration	Interim Assistance Reimbursement Program	January 2002			Draft/Final issued 10/25/02.	SSA and HCA receive reimbursement from Social Security for General Relief benefits (SSA) for certain clients receiving Social Security Benefits. SSA initially receives all this reimbursement and we transfer HCA's share to them once a month. Social Security did a desk audit of some of the case files for these individuals. We received two relatively minor audit recommendations that we easily implemented. However, HCA received a finding that they had over recouped \$15,000 for six cases and had to return this money to the individuals. HCA disagreed with the finding in a response to the State dated November 19, 2002. Even though most counties in the State were following the same reimbursement procedure, the State said it's against Social Security national policy. The State said we either had to repay the \$15,000 to these individuals or drop out of the IAR program. HCA is waiting for written notification from the State of their rejection of HCA's appeal. We will then repay the individuals and deduct the \$15,000 from a further transfer to HCA. Future computations of recoupment will be done correctly.
<b>Social Services Agency/Children &amp; Family Services</b>	Department of Health Services Licensing & Certification Division	Orangewood Children's Home	1/10/03		Licensing certification.	Pending. All items completed except HCA personnel files.	
	Department of Health and Human Services	Foster Care Eligibility (Title IV-E)	Periodic			Pending (expected in July 2003).	Orange County passed the audit. California as a whole did not.
	CDSS/CCL	CFS Adoption Program	6/5/03			Pending. Awaiting final report.	

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<b>Social Services Agency/Children &amp; Family Services (continued)</b>	CDSS/CCL	Foster Care Licensing	December 2002		Compliance	Report issued June 2003.	Various findings. Corrective Action Plan will be developed.
	CDSS	Relative Assessment - Reassessment	June 2003		Compliance	Report issued June 2003.	
<b>Treasurer-Tax Collector</b>	No audits in progress.						