

**County of Orange Internal Audit Department**  
**Findings Summary for Attestation Services & Mandates Issued**  
**For the Period of July 24, 2003 through September 24, 2003**

Agency	Review on	Audit No.	Audit Period	Final Report Issued	Internal Control and Compliance Issues Noted
Treasurer-Tax Collector	Full scope financial audit on the Statement Of Assets Held By The County Treasury December 31, 2002.	2208	December 31, 2002	Financial Statement issued May 1, 2003.  Management Letter issued September 12, 2003	<p>1. General Controls</p> <p>The current contingency plan is outdated, emergency processing priorities and detailed instructions for restoring operations are not documented, and there is no enterprise-wide business continuity plan in place.</p> <p>There are no documented procedures for handling terminated employees' user accounts or documented policies for password administration.</p> <p>A comprehensive high-level risk assessment was not performed, which includes classifying resources according to their respective need for protection and identifying significant threats against sensitive and critical resources.</p> <p>The Information Systems Unit does not have a documented Systems Development Life Cycle methodology, including the handling of emergency system changes.</p> <p>2. Application Controls</p> <p>A. Quantum System</p> <p>Controls are not in place to prevent posting of transactions to prior accounting periods.</p> <p>The online reconciling process could not be relied on to provide evidence that a reconciliation was performed between the Treasurer's balances and the banks balances.</p> <p>Users have excessive access rights and privileges to the system.</p> <p>No audit trail as to the identity of the person who released a wire transfer after the day of the transfer has passed.</p> <p>Workstations are not set to lockout within a reasonable amount of time.</p> <p>B. Back Office System</p> <p>The duties for administration were not adequately segregated.</p>

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					<p>System users have excessive access rights and privileges to the system and passwords for the system never expire.</p> <p>C. Cashiering System Workstations are not automatically set to lockout the user when no activity occurs over a set amount of time.</p> <p>The "Void Detail Report" does not identify which supervisor voided the transaction.</p> <p>System changes and testing (including software updates and patches received from the vendor, Netvantage) are not documented and there is no formal signoff approval on the changes before deployment.</p> <p>3. Reconciliation Process The reconciliation was not properly prepared of Quantum and SunGard Systems to the Treasurer's Fund Accounting System (FAST) and Auditor-Controller's County Accounting and Personnel System (CAPS) as of December 31, 2002.</p> <p>The Accounting Assistant responsible for the reconciliation of the Fund Accounting System (FAST) also has the ability to input transactions into FAST.</p> <p>4. Cashiering Process Cash in the vault exceeded the limit of \$30,000 four out of the seven days tested.</p> <p>A cashiering report indicating invalid log-on attempts is not reviewed.</p>
Treasurer-Tax Collector	Review of the Statement Of Assets Held By The County Treasury June 30, 2003.	2306	June 30, 2003	Financial Statement issued September 12, 2003	None

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Treasurer-Tax Collector	Audit of Treasury Investment Compliance For the Two Years Ending December 31, 2002	2003	Two Years Ending December 31, 2002	July 31, 2003	<p>1. Noncompliance with Investment Policy Statement Section XVIII – <u>Investment Policy Review</u></p> <p>We found that the Treasurer’s controls over revisions to the IPS were not always effective. We noted various revisions to the IPS that were not clearly identified as revisions or deletions, that were incorrectly characterized, or were presented inconsistently to the TOC and BOS when submitted for their review and approval.</p> <p>2. Noncompliance with Investment Policy Statement Section IV – <u>Authorized Investments</u>. We tested 203 investment purchases and found:</p> <p>A. The Treasurer purchased two IBRD (International Bank for Reconstruction and Development) discount note securities for the JWA Pool on 3/13/02 (\$5,483,225) and 6/5/02 (\$1,992,460) that did not meet the IPS or California Government Code criteria as authorized investments.</p> <p>B. The Treasurer purchased commercial paper from Explorer Pipeline Co. for the JWA Pool on 4/15/02 (\$1,493,191.67) that does not meet issuer criteria of \$500 million in total assets.</p> <p>3. Noncompliance with Investment Policy Statement Section VIII – <u>Authorized Financial Dealers and Qualified Institutions</u></p> <p>A. Current financial statements were not always obtained from the approved dealers.</p> <p>B. MSRB Rule G-37 forms, or a statement indicating why the forms were not required, were not always obtained from the approved dealers.</p> <p>4. Noncompliance with Investment Policy Statement Section VII – Ethics and Conflict of Interest</p>

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					<p>The Treasurer's office is responsible for ensuring that any conflicts of interest disclosed on Forms 700 are resolved. However, the Treasurer's office does not receive a copy of Form 700 for the CEO.</p> <p>5. Noncompliance with the Bylaws and Rules of Procedures of the Treasury Oversight Committee Section VI - Miscellaneous Provisions, Rule 31</p> <p>The Treasurer's office did not submit the TOC Bylaws revised July 24, 2002 to the BOS for approval.</p> <p>6. Noncompliance with the Bylaws and Rules of Procedures of the Treasury Oversight Committee Section VI - Miscellaneous Provisions, Rule 32</p> <p>The Treasurer's did not have the TOC members file the annual Certificate of Compliance (conflict of interest rules) with the Treasurer for 2001, or for 2002.</p> <p>7. Completeness of the Bylaws and Rules of Procedures of the Treasury Oversight Committee</p> <p>We compared the BOS Resolution No. 95-946, dated 12/19/95 that established the TOC, to the TOC Bylaws in effect during our audit period, and found that the following provision was not included in the Bylaws: "The committee shall investigate any and all irregularities in the treasury operation which become known to the Committee."</p>

**County of Orange Internal Audit Department  
Summary Report on DCR Follow-Up Reviews Issued  
For the Period July 24, 2003 through September 24, 2003**

<b>Dept./ Agency</b>	<b>Process Review</b>	<b>Audit No.</b>	<b>Original Report Issued</b>	<b>Reported Internal Control Issues</b>	<b>Status on Corrective Actions</b>	<b>Follow-Up Report Issued</b>
Housing & Community Services	<b>Initial</b> Follow-Up:  Disbursements and Related Information Technology:  Housing Authority	2322	9/27/02	I. Supervisory Approvals & Reviews  II. Accountability  III. User Profiles in SERA  IV. Password Administration  V. Notification of Employee Terminations  VI. Multiple Vendor Numbers  VII. Data Input Fields in SERA  VIII. Record Retention	I. Substantially Implemented*  II. Implemented  III. In Process*  IV. Implemented  V. Substantially Implemented*  VI. In Process*  VII. In Process*  VIII. Substantially Implemented*  <b>*Second follow-up required.</b>	9/09/03
Sheriff-Coroner	<b>Initial</b> Follow-Up:  Cash Receipts and Trust Funds:  Financial/Admin Services & Court Operations	2322	10/18/01	I. Accountability Over Cash Receipts  II.a Segregation of Duties  II.b Segregation of Duties  III. Physical Safeguards  IV. Supervisory Approval and Review  V. Trust Fund Reconciliation	I. Substantially Implemented*  II.a Substantially Implemented*  II.b Partially Implemented*  III. Partially Implemented*  IV. Partially Implemented*  V. Partially Implemented*  <b>*Second follow-up required.</b>	9/09/03
Sheriff-Coroner	<b>Secondary</b> Follow-Up:  Cash Receipts:  Ct. Operations (formerly Marshal)	2322	12/28/00  <b>Initial</b> Follow-Up issued: 7/19/02	I. Establishing Accountability  II. Physical Safeguards  III. Supervisory Review & Approval	I. Partially Implemented**  II. Partially Implemented**  III. Implemented  <b>**Third follow-up required.</b>	9/9/03

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**\* Notes on Planned Implementation:**

The following are planned actions of the departments/agencies for recommendations not fully implemented:

**Housing & Community Services:**

- I. **Supervisory Approvals and Reviews.** H&CS Accounting has developed a draft "Request for Issuance of Vendor Number" form to be used by Leasing Supervisors when requesting vendors (HAP recipient landlords) to be added to SERA. Once Leasing approves the form, it will be used by Leasing to authorize vendor addition requests.
- II. **User Profiles in SERA.** H&CS plans to replace SERA. The system will be designed to include unique user profiles.
- III. **Notification of Employee Terminations.** H&CS Human Resources will ensure a checklist is prepared for every employee who leaves the department, will inform H&CS supervisors of the importance of preparing the checklists timely, and will ensure all aspects of the supervisor checklists are completed.
- IV. **Multiple Vendor Numbers.** H&CS plans to replace SERA. H&CS Accounting will ensure duplicate vendor numbers are not entered into the new system.
- V. **Data Input Fields in SERA.** H&CS plans to replace SERA. The new system will be designed to ensure data for tenant utility payments is validated for reasonableness when input occurs.
- VI. **Record Retention.** Once the new vendor addition memo form is approved by Leasing, it will be used by Leasing to authorize vendor addition requests. H&CS Accounting will retain copies of these forms in accordance with the County's *Records Control Schedule*.

**Sheriff-Coroner:**

- I. **Accountability Over Cash Receipts.** Management assigned an Accounting Office Supervisor the responsibility of comparing the Deposit Log to the collection records, and will include a listing of payments not yet deposited.
- II.a **Segregation of Duties.** Management has taken actions to help compensate for the incompatible cashier duties.
- II.b **Segregation of Duties.** The Acting Chief at Central Court Operations informed us the Chief is on a leave of absence, but upon her return duties would be segregated. The Chiefs at West and Harbor Court Operations are training Civil Process Technicians to perform some of the trust fund duties so they can better segregate the responsibilities.
- III. **Physical Safeguards.** Management will instruct the custodian of proper procedures to safeguard the receipt books including recording all handwritten receipt books in the log, issuing new books upon receipt of used ones, and following up on unreturned receipt books.
- IV. **Supervisory Approval & Review.** Management will assign the responsibility of comparing validated deposit orders to the General Ledger as staffing levels permit.
- V. **Trust Fund Reconciliation.** The Administrative Manager of Court Operations will meet with a representative from the Auditor-Controller/General Ledger Unit to resolve the unreconciled differences and long outstanding items by the end of September 2003. Procedures to resolve reconciling items will be added to the reconciliation procedures.

**Sheriff-Coroner:**

- I. **Establishing Accountability.** Management will establish and communicate procedures for daily cash counts that require change funds and cash collections be counted and documented by both the counter and observer every time a cashier or counter person is relieved or replaced.
- II. **Physical Safeguards.** Sheriff-Coroner Audit Services be reminded that periodic inventories must be signed/initialed by the performer. Management will create a written policy to ensure used receipt books are reviewed for the inclusion of all appropriate receipts before forwarding the books to Sheriff-Coroner Financial/Administrative Services.

**County of Orange Internal Audit Department  
 Finding Summary for Departmental Control Reviews  
 For the Period July 24, 2003 through September 24, 2003**

<b>Dept./Agency</b>	<b>Process Review</b>	<b>Audit No.</b>	<b>Audit Period</b>	<b>Final Report Issued</b>	<b>Reported Internal Control Issues</b>
Clerk-Recorder	Cash Receipts and Trust Fund Disbursements	2324	Jan. 2002 to Mar. 2003	9/2/03	I. Accountability Over Cash Receipts II. Segregation of Duties III. Physical Safeguards IV. Supervisory Review & Approval V. Reconciliation of Deposit Orders VI. Trust Funds A. Reconciliation B. Segregation of Duties C. Authorization D. Documentation of Work Performed E. Supervisory Review VII. Cashiering System Controls

**Note:**

On August 21, 2003, a draft report was issued to the **Child Support Services Department** for a Department Control Review performed on cash receipts, trust funds, and revolving fund processes. Per AOC Procedure No. 1, Departments/Agencies are allowed 60 days to submit written responses to the audit recommendations.

**County of Orange Internal Audit Department  
 Finding Summary for Cash Loss Reports Issued  
 For the Period July 24, 2003 through September 24, 2003**

<b>Dept./ Agency</b>	<b>Area of Review</b>	<b>Audit No.</b>	<b>Date of Loss/ Audit Review Period</b>	<b>Final Report Issued</b>	<b>Reported Internal Control Issues</b>

**Notes:**

- No cash loss reports were issued since last AOC meeting.
- There is one cash loss (\$500) at the Sheriff-Coroner pending a review by Internal Audit. Review will be completed when staff becomes available.