

**County of Orange Internal Audit Department  
Finding Summary for Departmental Control Reviews  
For the Period June 10, 2004 through October 6, 2004**

Dept./Agency	Process Review	Audit No.	Audit Period	Final Report Issued	Reported Internal Control Issues
Auditor-Controller	Trust and Agency Fund Disbursements	2429	1/1/03 through 12/31/03	6/24/04	I. Trust Fund Reconciliation A. Outstanding Reconciling Items B. Unreconciled Difference C. Reconciliation Procedure
Housing & Community Services Department	New Programs: Cash Disbursements and Revolving Funds	2349	8/1/02 through 7/31/03	7/15/04	I. Contract Disbursements A. Contractor Signature Lists B. Cancellation of Disbursement Documentation  II. Fiscal Monitoring (On-Site Reviews) A. Fiscal Monitoring Policy B. Fiscal Monitoring Coverage C. Equipment Purchases D. Supervisory Reviews E. Controls Over Meal Donations  III. Revolving Funds A. Segregation of Duties B. Reconciliations C. Authorized Fund Balances D. Authorization of Revolving Fund Transactions E. Travel Documentation F. Other Compliance and Control Issues  <b>Note:</b> Controls were found to be ineffective for: • Cash disbursements made to vendors when vendors did not submit support documentation or have on-site fiscal reviews. • Revolving funds at Veterans Service Office.
Resources & Development Management Department	Purchased Utilities and Chilled Water & Steam Billing Processes	2430	4/1/03 through 3/31/04	9/16/04	I. Process & Procedures A. Chilled Water & Steam Billing Rates Review Process B. Purchased Utility Overhead Rate Review Process C. G Accounts Sharing List Updating Process  II. Purchasing & Contract Utilities Desk A. Supervisory Review B. Cross-Training

**Notes:**

The following draft reports have been issued and are pending management responses:

- Resources & Development Management Department – Revolving Funds (#2431). Draft report issued August 11, 2004.
- Health Care Agency – Trust and Agency Fund Disbursements (#2436). Draft report issued August 20, 2004.
- Auditor-Controller – Property Tax Unit Extended Tax Roll Process (#2427). Draft report issued August 30, 2004.
- Health Care Agency – Cash Receipts (#2435). Draft report issued September 9, 2004.

**County of Orange Internal Audit Department  
 Summary Report on DCR Follow-Up Reviews Issued  
 For the Period June 10, 2004 through October 6, 2004**

<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>
Health Care Agency	<b>Third</b> Follow-Up:  Revolving Funds	2440	DCR: 3/19/02  Initial Follow-Up: 11/18/02  Second Follow-Up: 3/9/04	I. Checking Account Reconciliation	I. Implemented	8/26/04

**Notes:**

- Two post follow-up reviews in process at Sheriff-Coroner/Financial & Administrative Services and Court Operations (cash receipts, cash disbursements, and trust funds).
- Initial follow-up review in process for CEO/Employee Benefits (cash receipts and disbursements).

**County of Orange Internal Audit Department**  
**Finding Summary for Attestation Services & Mandates Issued**  
**For the Period of June 10, 2004 through October 6, 2004**

Agency	Audit 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, 2003	2308	December 31, 2003	Financial Statement issued May 7, 2004  Management Letter issued July 22, 2004	<ol style="list-style-type: none"> <li>1. Recently, the Treasurer Information Systems Unit documented a Systems Development Life Cycle (SDLC) methodology; however, the program staff and other employees involved in developing and testing software have not been trained on how to use the SDLC.</li> <li>2. The Treasurer's Office was not reviewing the following security reports generated by the Quantum System: Master File Audit Report and a report on user account rights and privileges.</li> <li>3. The Treasurer has not developed an audit log retention methodology for Quantum transactions.</li> <li>4. Treasurer's accounting employees have write access to the Back Office system when only read access is required. (Repeat finding from December 31, 2002 Management Letter, Finding B.2)</li> <li>5. Duties for reviewing the logs on unauthorized log-on attempts for both the Back Office and Cashiering Systems are not adequately segregated.</li> </ol>
Treasurer-Tax Collector	Review of the Statement of Assets Held by the County Treasury as of June 30, 2004	2407	June 30, 2004	Report issued August 26, 2004	None
Treasurer-Tax Collector	Agreed-Upon Procedures For Portfolio Compliance Monitoring Of the County Treasury For Quarter Ended March 31, 2004	2414	March 31, 2004	September 7, 2004	<p><b>Finding:</b>  <u>Noncompliance with IPS Section V. – Investment Restrictions and Prohibited Transactions</u></p> <p>Section V.7 of the IPS states “Reverse Repurchase Agreements, as defined by California Government Code Section 53601.7 (e)(8) or otherwise are prohibited.”</p> <p>As of March 31, 2004, the Treasurer had invested \$110,113,376.93 (JWA – 1,339,113.43; County – 29,864,152.52; and Schools – 78,910,110.98) in the BlackRock Provident TempFund. Our review of the</p>

**County of Orange Internal Audit Department**  
**Finding Summary for Attestation Services & Mandates Issued**  
**For the Period of June 10, 2004 through October 6, 2004**

Agency	Audit on	Audit No.	Audit Period	Final Report Issued	Internal Control and Compliance Issues Noted
					<p>BlackRock TempFund prospectus identified reverse repurchase agreements as one of twelve security types in which the fund principally invests and the fund may invest up to one-third of its total assets in reverse repurchase agreements.</p> <p>We reviewed the BlackRock Provident TempFund unaudited Schedule of Investments as of March 31, 2004 and found that the fund did not hold any reverse repurchase agreements. However, during the period the investments were held BlackRock Provident TempFund could have bought and sold investments in reverse repurchase agreements.</p> <p><b>Treasurer-Tax Collector response:</b> Do not concur. BlackRock TempFund is a AAA-rated money market mutual fund. The Treasurer’s Money Market Investment Pools have invested in this AAA-rated fund and not the underlying individual investments made by the BlackRock TempFund. We do not concur with Internal Audit’s opinion that IPS Section V applies to the underlying investments made by money market mutual funds.</p> <p><b>Internal Audit Response:</b> We professionally disagreed with the Treasurer. We submitted a request to County Counsel on September 15, 2004 for an opinion as to whether the Treasurer may purchase money market mutual funds that may invest in reverse repurchase agreements, which is a prohibited investment according to the Investment Policy Statement Section V.7.</p>
Treasurer-Tax Collector	Agreed-Upon Procedures For Portfolio Compliance Monitoring Of the County Treasury For Quarter Ended June 30, 2004	2414	June 30, 2004	September 14, 2004	<p><b>Finding:</b> Same finding as noted above.</p> <p>Noncompliance with IPS Section V. – Investment Restrictions and Prohibited Transactions</p> <p>Section V.7 of the IPS states “Reverse Repurchase Agreements, as defined by California Government Code Section 53601.7 (e)(8) or otherwise are prohibited.”</p>

**County of Orange Internal Audit Department  
 Finding Summary for Attestation Services & Mandates Issued  
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Agency	Audit on	Audit No.	Audit Period	Final Report Issued	Internal Control and Compliance Issues Noted
					<p>As of June 30, 2004, the Treasurer had invested \$19,565,077.43 (JWA – 1,596,372.29; County – 6,537,268.62; and Schools – 11,431,436.52) in the BlackRock Provident TempFund.</p> <p>We reviewed the BlackRock Provident TempFund Schedule of Investments as of June 30, 2004 and found that the fund did not hold any reverse repurchase agreements.</p>

**County of Orange Internal Audit Department  
Reported Cash Losses  
For the Period June 10, 2004 through October 6, 2004**

<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>
Central Justice Center		2004-03	March 16, 2004 \$100.00		Receipt of counterfeit bill – no investigation needed.
West Justice Center		2004-04	February 19, 2004/ \$100.00		Receipt of counterfeit bill – no investigation needed.
North Justice Center		2004-05	January 5, 2004/ \$20.00		Receipt of counterfeit bill – no investigation needed.
Harbor Justice Center		2004-06	July 23, 2003 \$100.00		Receipt of counterfeit bill – no investigation needed.
Health Care Agency/ Animal Care Services	Cash Receipts	2004-07	November 10, 2000/ \$35.00 February 28, 2001/ \$77.50		Less than \$300.00 threshold – no investigation requested.
Harbor Justice Center		2004-08	April 13, 2004 \$20.00		Receipt of counterfeit bill – no investigation needed.
North Justice Center		2004-09	April 14, 2004		Receipt of counterfeit bill – no investigation needed.
OC Public Library/ Costa Mesa Branch	Cash Receipts	2004-10	May 5, 2004/ \$35.58		Less than \$300.00 threshold – no investigation requested.
Sheriff-Coroner/ Intake & Release Ctr.	Cash Receipts	2004-11	September 12, 2003/ \$10.00 November 18, 2003/ \$100.00 April 23, 2004/ \$20.00		Receipt of counterfeit bills – no investigation requested.
Social Services Agency	Svcs. and Supplies Revolving Fund	2004-12	Prior to 1996/ \$200.00		Less than \$300.00 threshold – no investigation requested.
Social Services Agency	Welfare Assistance Revolving Fund	2004-13	Fund shortages accumulated over 10 years/ \$741.75	Aug. 10, 2004	No recommendations made. Corrective actions taken by SSA/Accounting Services were adequate to minimize risk of similar fund shortages.

**Notes:**

- The Auditor-Controller requests the Internal Audit Department to provide an opinion on the adequacy of internal controls for cash losses that exceed \$300.
- Effective this reporting period, the Auditor-Controller will no longer submit cash loss documentation to Internal Audit pertaining to the Superior Courts.