

**County of Orange Internal Audit Department
Reported Cash Losses
For the Period February 24, 2005 through June 8, 2005**

Dept./Agency & Amount of Loss	Area of Cash Loss	Cash Loss/ Audit No.	Date of Loss/ Audit Review Period	Final Report Issued	Reported Internal Control Issues
Treasurer/Tax Collector \$100.00	Cashiering	2502-6	Loss: 3/7/05	N/A	Receipt of counterfeit bill. Less than \$1,000 threshold – no investigation requested
Treasurer/Tax Collector \$100.00	Cashiering	2502-7	Loss: 4/20/05	N/A	Receipt of counterfeit bill. Less than \$1,000 threshold – no investigation requested
Sheriff-Coroner \$675.00 (see details below)		2502-8		N/A	Less than \$1,000 threshold – no investigation requested
\$150.00	Main Jail		Loss: 12/17/04		Shortage in cash deposits.
\$100.00	Narcotics		Loss: 1/28/05		Receipt of counterfeit bill.
\$300.00	Main Jail		Loss: 2/3/05		Receipt of (3) counterfeit bills.
\$20.00	Theo Lacy		Loss: 2/8/05		Receipt of counterfeit bill.
\$100.00	Main Jail		Loss: 3/24/05		Receipt of counterfeit bill.
\$5.00	South Ops.		Loss: 4/26/05		Receipt of counterfeit bill.
<u>\$675.00</u>					
Child Support Services \$200.00	Cashiering	2502-9	Losses: 3/1/05 4/8/05	N/A	Receipt of (2) counterfeit bills. Less than \$1,000 threshold – no investigation requested

Note:

- The Auditor-Controller requests the Internal Audit Department to provide an opinion on the adequacy of internal controls for cash losses. Effective February 15, 2005, the Board of Supervisors approved a revision to the dollar threshold amounts pertaining to cash losses. The Auditor-Controller will request the Internal Audit Department to review cash losses that exceed \$1,000.

**County of Orange Internal Audit Department
Findings Summary for Attestation Services & Mandates Issued
For the Period of February 24, 2005 through June 8, 2005**

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, 2004	2409	December 31, 2004	We issued on May 6, 2005 an unqualified "clean" audit opinion on the Financial Statement	Our observations regarding internal control weaknesses, i.e., our draft <u>Management Letter</u> was issued to the Treasurer on May 16, 2005; response due by July 15, 2005.

**County of Orange Internal Audit Department
Finding Summary for Internal Control Reviews
For the Period February 24, 2005 through June 8, 2005**

Dept./Agency	Process Review	Audit No.	Audit Period	Final Report Issued	Reported Internal Control Issues
Resources & Development Mgmt. Department	Trust and Agency Fund Disbursements	2432	Year Ended 6/30/04	3/30/05	<p>I. <u>Real Property Services Trust Fund 300-367</u> Significant issue relating to items recorded in RDMD books but no longer in their possession. Management concurred with finding and corrective actions are underway.</p> <p>II. <u>Refundable Deposits Trust Fund 300-328</u> Reportable condition relating to keeping a current list of active negotiable instruments. Management agreed with finding and informed us that it has made corrective action.</p> <p>III. <u>Deposit Refund Review Process</u> A. Authorized Signature List – Property Permits Division (Reportable condition). Mgmt agreed with finding and corrective action is underway. B. Surety Deposit Subsidiary Ledger (Reportable condition). Management agreed with finding and corrective action is underway.</p> <p>IV. <u>Agency Fund 158-158 Reconciliation – Supervisory Reviews</u> (Reportable condition). Management agreed with finding and corrective action is underway.</p>
Public Defender	Budget Process & Controls	2438	As of 12/31/04	4/27/05	No material weaknesses, significant issues or reportable conditions were noted.
Health Care Agency	Budget Process & Controls	2438	As of 12/31/04	4/27/05	No material weaknesses, significant issues or reportable conditions were noted.
Sheriff-Coroner	Budget Process & Controls	2438	As of 12/31/04	4/27/05	No material weaknesses, significant issues or reportable conditions were noted.
Social Services Agency	Budget Process & Controls	2438	As of 12/31/04	4/27/05	No material weaknesses, significant issues or reportable conditions were noted.

Notes:

1. The following draft reports have been issued and are pending management responses:
 - Integrated Internal Control Review of Auditor-Controller Accounts Receivable and Collections Processes (#2428 A&B); two reports issued (one for Information Technology controls; one for non-IT controls) on 5/25/05.

County of Orange Internal Audit Department
Summary Report on DCR Follow-Up Reviews Issued
For the Period February 24, 2005 through June 8, 2005

Department/ Agency	Process Review	Audit No.	Original Report Issued	Reported Internal Control Issues	Status on Corrective Actions	Follow -Up Report Issued	Planned Actions for Recommendations Not Fully Implemented
Resources and Development Management Department	Fourth Follow-Up: Cash Receipts	2533 (for Original Audit No. 2017)	DCR: 3/20/01 Initial Follow-Up: 5/16/02 Second Follow-Up: 11/27/02 Third Follow-Up: 4/29/04	Trust Fund Reconciliation (Customer Trust Account contained an unreconciled difference of \$119,580 , which originated between 1992-93. Resulted from an accounting error and not a cash loss. Corrected in Feb. '05.)	Implemented	3/2/05	Not applicable.
County Executive Office	Initial Follow-Up:	2556 (for Original Audit No. 2452)	9/15/04	I. Notice of Privacy Practices: Required Elements	Implemented	3/2/05	Not applicable.
	HIPAA Privacy Rule Compliance			II. Written Guidelines for Conducting Annual HIPAA Reviews	Implemented		Not applicable.
Child Support Services	Initial Follow-Up: Cash Receipts, Trust and Departmental Funds, Revolving Funds	2532 (for Original Audit No. 2330)	DCR: 11/21/03	I. Child Support Computer System (ARS) Access	Implemented Implemented Implemented	3/31/05	Not applicable. Not applicable. Not applicable. CSS will review the process put in place to assure timely reporting of staffing changes to CSS/IT, after in place for three months. CSS/HR has been notified of their role and have implemented the new practice.
				A. User Capabilities B. End User Responsibility C. Multiple User Ids D. Timely Notification of Employee Staffing Changes			
				II. Reconciliations	Implemented Implemented Implemented Implemented		Not applicable. Not applicable. Not applicable. Not applicable.
				A. Timeliness B. Methodology C. Long-Outstanding Items D. Preparation and Review			

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Child Support Services – cont'd				III. Suspense Account Items A. ARS Suspense B. Undistributed Suspense	Implemented Implemented		Not applicable. Not applicable.
				IV. Collection Holds	Implemented		Not applicable.
				V. Physical Safeguards	Partially Implemented		Effective March 2005, the manager of Facilities Management reviews the reports on staff/cards with access to any "restricted" area, notes on the report any corrections to be made and forwards to Facilities Management staff. Facilities Management staff follows up by submitting Work Requests to RDMD to make the access level changes and makes a notation on the report. Effective April 2005, CSS managers will receive periodic <i>Access Level Reports</i> on staff with access to "restricted" areas for their review and reports will be returned to Facilities Management as either "approved" or "corrections to be made."
				VI. Mail Receipts	Implemented		Not applicable.
				VII. Cashiering A. Balancing B. Handwritten Receipts	Implemented Implemented		Not applicable. Not applicable.
				VIII. Revolving Fund A. Reconciliation B. Cancellation of Support Documentation C. Authorization	Implemented Implemented Implemented		Not applicable. Not applicable. Not applicable.

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Clerk-Recorder	Initial Follow-Up: Cash Receipts and Trust Fund Disbursements	2532 (for Original Audit No. 2324)	DCR: 9/2/03	I. Accountability Over Cash Receipts	Substantially Implemented	4/19/05	The Accounting Unit staff is currently fully documenting the transfer of accountability of cashiers' starting banks to the Accounting Unit.
				II. Segregation of Duties	Implemented		Not applicable.
				III. Physical Safeguards	Substantially Implemented		The Accounting Unit has implemented periodic inventories of currently in-use Bank Note Paper.
				IV. Supervisory Review & Approval	Partially Implemented		The reconciliation of daily Bank Note Paper usage with the Department's cashiering system continues to be an ongoing issue. The Department has identified the primary operational processes responsible for the reconciliation difficulties. The Department will explore various operational options which may address this issue and will continue to consult with Internal Audit regarding our progress to address this issue.
				V. Reconciliation of Deposit Orders	Partially Implemented		The Department has appraised Internal Audit of the difficulties involved in performing reconciliation of deposit orders to the General Ledger. The Department will consider the cost-benefit of altering the Department's cashiering reporting system to prepare a report(s) which may assist in the monthly reconciliation process. The Department will continue to work with Internal Audit in exploring alternatives to address this issue.

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Clerk-Recorder (cont'd)				VI. Trust Funds A. Reconciliation	Partially Implemented		Reconciliation of the 3 rd Party Refund Trust continues to be an issue due to the large daily volume of third-party refund requests processed by the Department and the absence of specific data available from the General Ledger reporting system to adequately perform a complete reconciliation of this trust fund. The Department will work with Auditor-Controller staff to evaluate cost-effective options to automate the refund process and to receive additional information from the General Ledger reporting system to enable a complete reconciliation of the trust fund.
				B. Segregation of Duties C. Authorization D. Documentation of Work Performed E. Supervisory Review	Implemented Implemented Partially Implemented Implemented		Not applicable. Not applicable. The Accounting Unit is currently fully documenting work performed as a preparer or reviewer on worksheets processed in the Unit. Not applicable.
				VII. Cashiering System Controls	Partially Implemented		The Department has acted to remove employees access to the cashiering system if their current job duties do not warrant access to the system. The Department will implement procedures to monitor employee access to the cashiering system in light of employees' current job duties.
Health Care Agency	Initial Follow-Up: Trust and Agency Fund Disbursements	2532 (for Original Audit No. 2436)	11/2/04	I. Trust and Agency Fund Reconciliations A. Timely Reconciliation B. Review of General Ledger Report C. Reconciliation Procedures and Documentation	Implemented Implemented Implemented	4/26/05	Not applicable. Not applicable. Not applicable.

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Auditor- Controller	Initial Follow-Up: Trust and Agency Fund Disbursements	2532 (for Original Audit No. 242)9	6/24/04	I.A Outstanding Reconciling Items	Partially Implemented	5/31/05	These items are being researched and will be cleared as appropriate. If the A/C is unable to resolve these items, the A/C will transfer the unidentified amounts to the General Fund.
				I.B Unreconciled Difference	In Process		This item has been researched and the A/C is unable to identify which employees this is attributable to. When the A/C is satisfied that they have exhausted all possibility to identify the source of this money, this item will be cleared by transferring to the General Fund.
				I.C Reconciliation Procedure	In Process		The new items will be researched and cleared as soon as the A/C completes positive identification of their source. The other item was a receivable from the IRS and as soon as they provide documentation that this was paid, we will post the correcting entry. If the A/C is unable to get the documentation, they will seek to discharge the receivable.