

County of Orange Internal Audit Department
Findings Summary for Attestation Services & Mandates Issued
For the Period of January 1, 2006 through March 31, 2006

Agency	Audit on	Audit No.	Audit Period	Final Report Issued	Internal Control and Compliance Issues Noted
Probation Department	Internal Controls Over Juvenile Records and Accounts	2512	For the Fiscal Years Ending June 30, 2004 and June 30, 2005	February 7, 2006	<p>Based on our audit and Follow-up, Probation's internal controls over its books and accounts relating to cash receipts, disbursements and cash file management of juvenile cases are adequate and effective to ensure management's goals and objectives are accomplished in accordance with Chapter 2, Section 275 (b) of the Welfare and Institutions Code.</p> <p>However, we identified two Significant Issues related to review and resolution of the PFS Error File and payments recorded to suspense. Five Control Findings related to filing and monitoring Abstracts of Judgments, control and accountability over handwritten cash receipt books, monitoring of commission revenue and secondary review of manually input information</p>
Treasurer-Tax Collector	Tax Redemption Officer Records and Accounts As of June 30, 2005	2513	For the Period July 1, 2002 through June 30, 2005	February 22, 2006	<p>Based on our audit, the records and accounts of redemption collections appear to be reliable and fairly stated. No Material Weaknesses were identified. However, we identified two Significant Issues, and four Control Findings.</p> <p>One of the Significant Issues relates to compliance with the Revenue and Taxation Code in paying interest on refunds (Finding No. 1), and the other (Finding No. 2) relates to user access rights to the Assessment Tax System. For Finding No. 1, Internal Audit takes exception to the Treasurer-Tax Collector's planned action.</p> <p>The four Control Findings are related to the following: timeliness of refunds to taxpayers; internal controls over penalty cancellations; accuracy of the installment receipt calculation; and documenting the review of system changes.</p>

**County of Orange Internal Audit Department
Reported Cash Losses
For the Period January 1, 2006 through March 31, 2006**

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	2502-18	Loss: 11/18/05	N/A	Receipt of counterfeit bill. Less than \$1,000 threshold – no investigation requested.
Child Support Services \$400.00	Cashiering	2502-19	Losses: 4/18/05 5/4/05 6/2/05 10/14/05	N/A	Receipt of 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
Finding Summary for Internal Control Reviews
For the Period January 1, 2006 through March 31, 2006**

Dept./Agency	Process Review	Audit No.	Audit Period	Final Report Issued	Reported Internal Control Issues
Public Administrator/ Public Guardian	1. Cash Receipts 2. Cash Disbursements 3. Trust Funds 4. Special Use Revolving Fund 5. Warehouse and Property Controls 6. Budget Process	2528	July 1, 2004 through June 30, 2005	1/19/06	<p>Information Technology</p> <p>I. <u>Information Technology Controls</u> Significant Issue concerning current case management/accounting system that lacks controls over data processing, audit trails, and logical security.</p> <p>II. <u>Information Technology Continuity Plan</u> Significant Issue relating to the need to update and test the IT business continuity plan.</p> <hr/> <p>Succession Planning</p> <p>III. <u>Succession Planning</u> Control finding relating to succession planning for the Fiduciary Manager position.</p> <hr/> <p>Cash Receipts</p> <p>IV. <u>Segregation of Duties</u> Control finding to segregate the Fiduciary Manager's duties of <u>posting</u> transactions and <u>reconciling</u> bank accounts.</p> <p>V. <u>Inventories of Handwritten Receipt Forms</u> Control finding to conduct periodic physical inventories of used and unused receipt forms.</p> <hr/> <p>Warehouse and Property Controls</p> <p>VI. <u>Safeguarding and Inventories of Property Forms</u> Control finding to properly secure and perform periodic inventories of <i>Property Inventory Forms</i>.</p> <p>VII. <u>Issuance of Property Forms and Property Tags</u> Control finding to ensure all previously issued <i>Property Inventory Forms</i> are accounted for before issuing new forms, and to issue property tags and forms sequentially.</p> <p>VIII. <u>Responsibility of Witness and Property Forms</u> Control finding to ensure each property witness receives both the <i>Responsibility of Witness</i> and <i>Property Inventory</i> forms and ensure the forms include witness information.</p> <p>IX. <u>Presence of Witnesses on Property Search.</u> Control finding to ensure witnesses are present for the entire property search.</p>

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Public Administrator/ Public Guardian – cont'd				<p>X. <u>Use of Impartial, Voluntary Witnesses</u> Control finding to evaluate whether witnesses should be compensated for their services, and to revise procedures accordingly.</p> <p>XI. <u>Storage of Pharmaceutical Materials</u> Control finding to ensure pharmaceuticals and needles are disposed in accordance with Calif. Health & Safety Code.</p> <p>XII. <u>Identification of Pharmaceutical Materials</u> Control finding to update inventory procedures to require descriptions of pharmaceutical products and to disallow flushing of materials down the toilet.</p> <p>XIII. <u>Physical Inventories of Property</u> Control finding to determine an appropriate frequency of physical inventory counts and perform inventories on the on property that is valuable and susceptible to theft.</p> <p>XIV. <u>Vehicle Storage</u> Control finding to develop a plan to protect the vehicles belonging to estates that are held on County property.</p>
	<p>Trust Funds</p> <p>XV. <u>Trust Fund Reconciliations</u> Control finding to ensure that all amounts and reconciling items are validated during the review process.</p>			
	<p>Budget Process</p> <p>XVI. <u>Fee Studies</u> Control finding to ensure fee studies are current.</p> <p>Management concurred with the above findings and corrective actions are underway.</p>			

County of Orange Internal Audit Department
Summary Report on ICR Follow-Up Audits Issued
For the Period January 1, 2006 through March 31, 2006

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
Auditor- Controller	Second Follow-Up: Trust and Agency Fund Disbursements	2533 (for Original Audit No. 2429)	6/24/04 Initial Follow-Up Audit issued 5/31/05.	I. Outstanding Reconciling Items	Implemented	1/5/06 Final Close- Out Audit	
				II. Unreconciled Differences	Implemented		
				III. Reconciliation Procedure	Implemented		
Human Resources	Initial Follow-Up: Reclassification Process for Mgmt. Positions	2551 (for Original Audit No. 2344)	9/12/03	1A. Standards	Implemented	2/9/06 Final Close- Out Audit	
				1B. Standards	Implemented		
				2. Process & Procedures	Implemented		
				3A. Tracking & Documentation	Implemented		
				3B. Tracking & Documentation	Implemented		
				3C. Tracking & Documentation	Implemented		
				3D. Tracking & Documentation	Implemented		
				4. Timelines	Implemented		
				5. Responsiveness	Implemented		
				6A. Training	Implemented		
				6B. Training	Implemented		
6C. Training	Implemented						
7. Performance Measures	Implemented						
Housing and Community Services Dept. Orange County Development Agency	Initial Follow-Up: Fund Expenditures	2532 (for Original Audit No. 2433)	8/3/05	I. Receipt of Journal Vouchers	Implemented	2/24/06 Final Close- Out Audit	
				II. Pre-Approval of Journal Vouchers	Implemented		
				III. Review of Program Invoices	Implemented		
Auditor- Controller	Initial Follow-Up: Accounts Receivable & Collections	2532 (for Original Audit No. 2428-A)	8/11/05	I. Date of Input and Assigned Date	Implemented	3/7/06 Final Close- Out Audit	
				II. Timely Collection Activity	Implemented		
				III. Quality Control Reviews	Implemented		

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Housing and Community Services Dept.	Second Follow-Up: Disbursements and Related Information Technology	2533 (for Original Audit No. 2223)	9/27/02 Initial Follow-Up Audit issued 9/9/03.	I. Supervisory Approvals and Reviews	Implemented	3/27/06 Final Close- Out Audit	
				II. User Profiles in SERA	Open *		* IT finding to be addressed in upcoming audit of HAPPY system.
				III. Notification of Employee Terminations	Implemented		
				IV. Multiple Vendor Numbers	Open *		* IT finding to be addressed in upcoming audit of HAPPY system.
				V. Data Input Fields	Open *		* IT finding to be addressed in upcoming audit of HAPPY system.
				VI. Record Retention	Implemented		

**County of Orange Internal Audit Department
 Summary Report on IT Follow-Up Reviews Issued
 For the Period January 1, 2005 through March 31, 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
Integrated Waste Management Department	First Follow-Up: Limited Review of Controls and Implementation of the IWMD's Landfill Fee Collection and Accounts Receivable Systems	2524 (for Original Audit No. 2327)	7/06/04	1. User Account Priveleges: A. Accounting B. Information Systems	A. Fully Implemented B. Partially Implemented/Closed	1/26/06	
				2. Application Controls: A. Accounts Receivable B, C, & D. Landfill Fee Collection	A. Implemented B, C, & D. In Process		B, C, & D – Implementation is dependent on the completion of phase two of the LISTS Project. The second phase of the LISTS project is underway and estimated to be completed in 2/06.
				3. System Audit Logs & Monitoring: A. Training B. Review & Policy C. No-Sale Transactions	A. Fully Implemented B. Partially Implemented C. In Process.		B. IWMD will formalize the process for reviewing and monitoring audit logs for both systems as part of phase two of the LISTS project. Estimated implementation is 4/06. C. Implementation is dependent on the completion of phase two of the LISTS Project. The second phase of the LISTS project is underway and estimated to be completed in 2/06.
				4. Access Controls: A. Security Features B. Future software purchases	A. In Process B. Closed		A. Implementation is dependent on the completion of phase two of the LISTS Project. The second phase of the LISTS project is underway and estimated to be completed in 2/06.
				5. System Documentation A. Policies/Procedures B. Reference Manuals	A. Implemented B. Implemented		
				6. I/S Disaster Recovery Plan	Implemented		
				7. Documented SDLC Methodology	Implemented		

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CAPS Steering Committee: <ul style="list-style-type: none"> • Auditor-Controller • CEO/Information Technology • Human Resources • CEO/Finance & Budget 	First Follow-Up: Report on Readiness Assessment for County Accounting and Personnel System (CAPS) Upgrade	2522 (for Original Audit No. 2246)	3/27/03	1. Testing Standards	1. In Process.	3/13/06 Final Close-Out Audit	Because the strategic direction of CAPS (Financial and Human Resource systems) is being determined and the scope of the CAPS Upgrade under which we performed our original Readiness Assessment is changed, we have determined it is not appropriate to continue following-up on the remaining recommendations until the strategic direction for CAPS has been finalized. Then, at that time we could consider performing another readiness assessment that would be more applicable to the current conditions of the project. As such, this report represents the final close-out of the original audit.
				2. Role Definitions	2. Deferred		
				3. Adherence to Software Engineering Excellence	3. Partially Implemented		
				4. Document Archive Management	4. Implemented		
				5. Privacy/Security	5. Not Implemented		
				6. Internal Audit Involvement	6. Deferred		
				7. Sole Source Issues	7. Deferred		
				8. Capacity Planning	8. In Process		
				9. Documentation Standards	9. Deferred		
				10. Management Resources	10. In Process		
				11. Help Desk	11. Partially Implemented		
				12. Configuration Management Tool	12. Not Implemented		