

**County of Orange Internal Audit Department**  
**Findings Summary for Attestation Services & Mandates Issued**  
**For the Period of April 1, 2006 through June 30, 2006**

<b>Agency</b>	<b>Audit on</b>	<b>Audit No.</b>	<b>Audit Period</b>	<b>Final Report Issued</b>	<b>Internal Control and Compliance Issues Noted</b>
Treasurer-Tax Collector	Full scope financial audit on the Statement of Assets Held by the County Treasury December 31, 2005	2511	December 31, 2005	We issued on May 1, 2006 an unqualified "clean" audit opinion on the Financial Statement	Our observations regarding internal control weaknesses, i.e., our draft Management Letter was issued to the Treasurer on May 8, 2006; response due by July 5, 2006. <b>However, as of July 26, 2006, the Treasurer had not issued a response to our audit.</b>
Treasurer-Tax Collector	Review of the Statement of Assets Held by the County Treasury at March 31, 2006	2569	March 31, 2006	We issued the report on May 31, 2006 and found the Treasurer's Financial Statement to be fairly stated.	None
Treasurer-Tax Collector	Follow-Up (first) of the Treasury Funds Audit – December 31, 2004 Management Letter and Confidential Supplement	2571	December 31, 2004	Management Letter and Confidential Supplement issued 8/31/05	The Management Letter and Confidential Supplement contained a total of eighteen recommendations. Our review indicated: <ul style="list-style-type: none"> <li>• Twelve recommendations have been fully implemented.</li> <li>• One recommendation is in process.</li> <li>• Two recommendations are partially implemented.</li> <li>• Three recommendations have not been implemented.</li> </ul>

**County of Orange Internal Audit Department  
Finding Summary for Internal Control Reviews  
For the Period April 1, 2006 through June 30, 2006**

Dept./Agency	Process Review	Audit No.	Audit Period	Final Report Issued	Reported Internal Control Issues
<p>Resources and Development Management Department</p> <p>Orange County Zoo at Irvine Regional Park</p>	<p><b>Cash Disbursements</b></p> <p><b>Cash Receipts</b></p>	2587	November 1, 2004 through October 31, 2005	5/25/06	<p><b>Cash Disbursements</b></p> <p>1. <u>Timely Payment of Invoices</u> <b>Control finding</b> concerning untimely payment of vendor invoices.</p> <p>2. <u>Segregation of Duties</u> <b>Control finding</b> relating to segregation of duties involving purchasing.</p> <p>3. <u>Document Retention</u> <b>Control finding</b> to ensure disbursement supporting documents are retained per County policy.</p> <hr/> <p><b>Cash Receipts</b></p> <p>4. <u>Segregation of Duties</u> <b>Control finding</b> to segregate the duties of <u>receiving, recording, depositing</u> and <u>reconciling</u>.</p> <p>5. <u>Inventories of Handwritten Receipt Forms</u> <b>Control finding</b> to store receipt forms in secure area and conduct periodic physical inventories of used and unused receipt forms.</p> <p>6. <u>Transfer of Accountability</u> <b>Control finding</b> to document transfer of accountability.</p> <p>7. <u>Check Endorsement</u> <b>Control finding</b> to restrictively stamp endorse checks upon receipt.</p> <hr/> <p><b>Economy and Efficiency Issue</b> RDMD/Contracts staff was not aware of, and did not have access to the ERMI storage and retrieval system.</p>
<p>Treasurer-Tax Collector, Auditor-Controller, Clerk-Recorder, Health Care Agency, IWMD</p> <p>Audit of the County's Non-Sufficient Fund (NSF) Check Notification Process</p>	<p><b>NSF Check Notification to Depts./Agencies</b></p>	2576	As of April 30, 2006	6/29/06	<p><b>The final audit report was issued Countywide with five (5) suggested recommendations:</b></p> <p>1. Ensure satellite locations are immediately notified of the receipt of NSF checks.</p> <p>2. Perform supervisory reviews of NSF check info.</p> <p>3. Review/update current policies and procedures.</p> <p>4. Provide periodic training/reminders to cashiers.</p> <p>5. Incorporate new process enhancements.</p>

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Dept./Agency	Process Review	Audit No.	Audit Period	Final Report Issued	Reported Internal Control Issues
John Wayne Airport	Public Works Contract Administration	2567	July 1, 2004 through September 30, 2005	6/29/06	<p><b>Public Works Contracts Over \$75,000:</b></p> <p><b>Bidding Process:</b></p> <ol style="list-style-type: none"> <li>1. Revise/update P 'n P manual for bidding process.</li> <li>2. Establish criteria for contractor pre-qualification.</li> <li>3. Document verification of contractor information.</li> <li>4. Establish guidelines to assist Project Managers evaluate unit price bids.</li> </ol> <p><b>Project Administration/Monitoring:</b></p> <ol style="list-style-type: none"> <li>5. Address discrepancies in project financial reports.</li> <li>6. Assign responsibility to reconcile project reports.</li> <li>7. Establish a process to ensure all submittals are received in accordance with project specs.</li> <li>8. Review/update Field Inspector procedures, forms.</li> <li>9. Document any non-compliance in <i>Daily Inspection Reports</i>.</li> <li>10. Ensure Project Managers have a documented review of <i>Daily Inspection Reports</i>.</li> <li>11. Document exceptions to test methods and material quantities in project files.</li> <li>12. Maintain documentation of "job walks."</li> <li>13. Maintain documentation showing change in project scope of work in project files.</li> </ol> <p><b>Change Orders:</b></p> <ol style="list-style-type: none"> <li>14. Ensure all change orders are reviewed for accuracy and are approved when they exceed \$5,000.</li> <li>15. Use standard <i>Change Order Logs</i> for all projects.</li> <li>16. Establish a policy for contractors to perform work based on verbal approval (emergency situations).</li> </ol> <p><b>Pay Requests:</b></p> <ol style="list-style-type: none"> <li>17. Define responsibilities for reviewing payment requests for accuracy.</li> <li>18. Evaluate current procedure for <i>Progress Payments</i>.</li> </ol> <hr/> <p><b>Delivery Order Contracts</b></p> <p><b>Plans &amp; Specifications Development:</b></p> <ol style="list-style-type: none"> <li>19. Establish written procedures for developing plans &amp; specifications.</li> </ol> <p><b>Bidding, Evaluating, and Awarding Contracts:</b></p> <ol style="list-style-type: none"> <li>20. Establish procedures for evaluating contractor proposals.</li> </ol> <p><b>Job Administration/Monitoring:</b></p> <ol style="list-style-type: none"> <li>21. Revise <i>Job Order</i> form to include additional information.</li> </ol>

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Dept./Agency	Process Review	Audit No.	Audit Period	Final Report Issued	Reported Internal Control Issues
John Wayne Airport - (cont'd)	<b>Public Works Contract Administration</b>	2567	July 1, 2004 through September 30, 2005	6/29/06	<p style="text-align: center;"><b>Delivery Order Contracts – cont'd</b></p> <p><b>Job Administration/Monitoring:</b> 22. Ensure Project Managers perform a documented review of <i>Daily Inspection Reports</i>. 23. Define the duties of Field Inspectors in written procedures.</p> <p><b>Change Orders:</b> 24. Update written procedures when contractors are authorized to perform work <u>prior</u> to JWA approval.</p> <p><b>Pay Requests:</b> 25. Establish a policy on release of retention payments. 26. Define responsibilities to ensure accuracy of pay requests.</p>
Social Services Agency	<b>Accounts Receivable &amp; Collection Processes</b>	2575	September 1, 2004 – August 31, 2005	6/29/06	<ol style="list-style-type: none"> <li>1. <u>Timeliness in Identification and Establishment of Accounts Receivable.</u> <b>Significant issue</b> concerning the timeliness of establishing accounts receivable.</li> <li>2. <u>Aged Accounts Receivable</u> <b>Significant issue</b> recommending the establishment of an accounts receivable aging report.</li> <li>3. <u>Reconciliation of Accounts Receivable to VACS.</u> <b>Significant issue</b> concerning reconciling source accounts receivable transactions to the computerized subsidiary ledger (VACS).</li> <li>4. <u>Discharge of Accountability.</u> <b>Significant issue</b> to ensure discharge of uncollectible debt is approved by appropriate level of management.</li> <li>5. <u>Accounts Receivable and Collection Processes</u> <b>Control finding</b> to evaluate current processes concerning recoveries of public assistance loans.</li> <li>6. <u>Collection Actions and Quality Control Reviews</u> <b>Control finding</b> to consider other collection options in pursuing delinquent accounts receivable.</li> <li>7. <u>Quality Control Reviews</u> <b>Control finding</b> to ensure there are documented quality control reviews of collection activity.</li> </ol>

**County of Orange Internal Audit Department  
Summary Report on ICR Follow-Up Audits Issued  
For the Period April 1, 2006 through June 30, 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
Resources and Development Management Department	<b>Second Follow-Up:  Revolving Funds</b>	2533 (for Original Audit No. 2431)	11/3/04  <b>Initial Follow-Up Audit issued 7/7/05</b>	1. Authorized Signature Lists/Bank Signature Cards	Implemented	4/6/06  <b>Final Close- Out Audit</b>	
				2. Periodic Inventory of Unused Checks	Implemented		
				3. Segregation of Duties	Implemented		
				4. Fund Reconciliations	<b>Partially Implemented*</b>		<b>*Open recommendation.</b> All locations with revolving funds have been advised of the need to continue reconciling their funds monthly, and RDMD is working with the Auditor-Controller to resolve the overage issue.
Resources and Development Management Department	<b>Initial Follow-Up:  Trust and Agency Fund Disbursements</b>	2532 (for Original Audit No. 2432)	3/30/05	1A. Real Property Services Trust Fund 300-367 re: non-cash security deposits.	Implemented	4/25/06	
				1B. Real Property Services Trust Fund 300-367 re: cash security deposits	Implemented		
				2A. Refundable Deposits Trust Fund 300-328 re: negotiable instruments	<b>Partially Implemented</b>		RDMD/Purchasing is continuing its research of negotiable instruments and is holding onto negotiable instrument security deposits for a period of time to safeguard against future problems associated with its related projects
				2B. Refundable Deposits Trust Fund 300-328 re: negotiable instruments	<b>Partially Implemented</b>		RDMD has now established a form that will contain pertinent information on negotiable instruments held as security deposits. This will enable them to better monitor the status of the instruments.
				3A. Deposit Refund Review Process – Auth. Sig. List	Implemented		
				3B. Surety Deposit Subsidiary Ledger	Implemented		
				4. Agency Fund 158-158 Reconciliation	Implemented		
				<b>New Recommendations:</b> 1. Negotiable Instruments Belonging to Dana Point Harbor			New recommendation to be reviewed during 2 <sup>nd</sup> Follow-Up Audit.
				2. Reconciliation of Negotiable Instruments			New recommendation to be reviewed during 2 <sup>nd</sup> Follow-Up Audit.

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Health Care Agency	<b>Initial</b> Follow-Up:  <b>Contract Administration and Cash Disbursements</b>	2532 (for Original Audit No. 2530)	10/20/05	1. Frequency of Annual Site Visits	<b>In Process</b>	6/12/06	Procedure for Annual Site Visit was updated and includes criteria and approval requirements for exemption of annual site review, corrective action, technical assistance and follow up to initial annual site reviews, if applicable. In October 2005, Senior Contract Administrators prepared a schedule for annual site visits to be completed in the current fiscal year by contract administrators.
				2. Documentation of Annual Site Visits	Implemented		
				3. Frequency & Timing of Fiscal/Admin. Reviews	Implemented		
				4. Documentation of Fiscal & Admin. Reviews	<b>Partially Implemented</b>		
				5. Payment Amounts	Implemented		
				6. Timing of Payments	Implemented		
				7. Supporting Documentation	Implemented		
				8. Policies & Procedures	<b>Partially Implemented</b>		
Social Services Agency	<b>Initial</b> Follow-Up:  <b>Contract Administration and Cash Disbursements</b>	2532 (for Original Audit No. 2531)	10/5/05	1. Wraparound Program: Fiscal Monitoring	Implemented	6/13/06	
				2. Wraparound Program: Supervisory Review	Implemented		
				3. Wraparound Program: Follow-Up Reviews	Implemented		
				4. Individual Provider Program (IPP) Utilization Reviews	Implemented		
				5. IPP - Supervisory Reviews	Implemented		
				6. IPP - Follow-Up Reviews	Implemented		
				7. Welfare-to-Work: Supporting Documentation	Implemented		
				8. Reconciliation of Job Codes	Implemented		
				9. Reconciliation to General Ledger	Implemented		

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Clerk-Recorder	<b>Second</b> Follow-Up:  <b>Cash Receipts &amp; Trust Fund Disbursements</b>	2533 (for Original Audit No. 2324)	9/2/03  <b>Initial</b> Follow-Up Audit issued 4/19/05.	1. Accountability Over Cash Receipts	Implemented	6/26/06  <b>Final Close- Out Audit</b>	
				2. Physical Safeguards	Implemented		
				3. Supervisory Review & Approval	Implemented		
				4. Reconciliation of Deposit Orders	Implemented		
				5. Trust Fund Reconciliation	Implemented		
				6. Documentation of Work Performed	Implemented		
				7. Cashiering System	Implemented		
Resources and Development Management Department  Planning and Development Services Function	<b>Initial</b> Follow-Up:  <b>Review of Budgetary Controls</b>	2532 (for Original Audit No. 2584)	10/28/05	1. Development of Workforce Contingency Program Reduction Plan	Implemented	6/28/06  <b>Final Close- Out Audit</b>	
			2. Development of a Fund Reserve	Implemented			

**County of Orange Internal Audit Department  
Reported Cash Losses  
For the Period April 1, 2006 through June 30, 2006**

<b>Dept./Agency &amp; Amount of Loss</b>	<b>Area of Cash Loss</b>	<b>Cash Loss/ Audit No.</b>	<b>Date of Loss/ Audit Review Period</b>	<b>Final Report Issued</b>	<b>Reported Internal Control Issues</b>
John Wayne Airport \$5.00	Terminal	2502-20	4/11/06	N/A	Shortage in terminal cash drawer. 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. The Auditor-Controller will request the Internal Audit Department to review cash losses that exceed \$1,000.