

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

Agency	Audit on	Audit No.	Audit Period	Final Report Issued	Internal Control and Compliance Issues Noted
Treasurer-Tax Collector	Review of the Statement of Assets Held by the County Treasury at September 30, 2006	2608	September 30, 2006	We issued the report on November 22, 2006 and found the Treasurer's Financial Statement to be fairly stated.	None
District Attorney	Workers' Compensation Insurance Fraud Program Audit	2613	June 30, 2006	November 28, 2006	None
District Attorney	Automobile Insurance Fraud Program Audit	2613	June 30, 2006	November 29, 2006	None
District Attorney	Spousal Abuser Prosecution Program Audit	2612	June 30, 2006	December 27, 2006	None
District Attorney	Disability and Healthcare Insurance Fraud Program Audit	2614	June 30, 2006	November 16, 2006	None

Item 10
AOC Meeting 3/15/07

**County of Orange Internal Audit Department
 Finding Summary for Internal Control Reviews
 For the Period October 1, 2006 through December 31, 2006**

Dept./Agency	Process Review	Audit No.	Audit Period	Final Report Issued	Reported Internal Control Issues
Probation Department	Revolving Fund	2598	May 1, 2005 through April 30, 2006	10/3/06	<ol style="list-style-type: none"> 1. <u>Fund Reconciliations</u> Control finding concerning preparation of monthly fund reconciliations and related supervisory reviews. 2. <u>Segregation of Duties</u> Control finding to ensure reconciliations are prepared by an individual with no other revolving fund or cashiering duties, or undergo a detailed supervisory review. 3. <u>Periodic Inventories of Unused Checks</u> Control finding to maintain a log of unused checks and to perform documented inventories. 4. <u>Safe Combination and Key Holders</u> Control finding to ensure revolving funds are restricted to authorized personnel and to maintain lists of current key holders and employees with safe combination. 5. <u>Travel Cash Advances</u> Control finding to submit claims within 5 working days per CAM requirement. 6. <u>Mileage and Other Expenses Claim Form Submission</u> Control finding to ensure all Mileage & Claim forms contain an authorized signature prior to disbursing funds.
Probation Department – Youth Guidance Center	Claiming Process for Residential Substance Abuse Treatment (RSAT) Grants	2633	July 1, 2005 through June 30, 2006	10/3/06	No significant issues or control findings were identified.

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Dept./Agency	Process Review	Audit No.	Audit Period	Final Report Issued	Reported Internal Control Issues
Integrated Waste Management Department	Contract Administration Process and Controls	2591	May 1, 2005 through April 30, 2006	11/29/06	<p><u>Management Reviews and Approvals:</u></p> <ol style="list-style-type: none"> 1. <u>Calculations of Annual Inflation Rates</u> Control finding to perform documented supervisory reviews of rate calculations. 2. <u>Review of Exclusive/Non-Exc. Franchise Agmts.</u> Control finding to evaluate impact of cost calculation error and designate responsibility for reviewing the cost calculations. 3. <u>Price Agreement Quote Reviews</u> Control finding for Project Mgrs. and Site Analysts to document reviews of contractor quotes. 4. <u>Review of Daily Field Reports</u> Control finding to have Project managers document review of <i>Daily Field Reports</i>. <p><u>Segregation of Duties – Purchasing:</u></p> <ol style="list-style-type: none"> 5. <u>Ordering and Receiving Responsibilities</u> Control finding to segregate duties of ordering and receiving goods/services, or perform detailed supervisory review. 6. <u>Price Agreement Duties</u> Control finding to segregate duties of requesting, reviewing and authorizing vendor cost proposals. 7. <u>Reconciliation of Contract Expenditures</u> Control finding to reconcile contract payments to Accounting's Contract Worksheet. <p><u>Policies and Procedures:</u></p> <ol style="list-style-type: none"> 8a. <u>Contract Monitoring</u> Control finding to evaluate where PnP's should be established or revised for contract administration. 8b. <u>Invoice Review</u> Control finding to evaluate where PnP's should be established or revised for invoice processing. <p><u>Efficiency/Effectiveness Observations:</u></p> <ol style="list-style-type: none"> 9. <u>Price Agreements Scope of Work</u> – ensure work is consistently documented. 10. <u>Monitoring of Contract Payments</u> – monitoring expenditures consistently at landfills. 11. <u>Standardization of Contractor Quote Requests</u> – to standardize tools used to request contractor quotes.

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Dept./Agency	Process Review	Audit No.	Audit Period	Final Report Issued	Reported Internal Control Issues
County Executive Office/Purchasing	Administration of Cal Card Program	2533	June 1, 2005 through June 30, 2006	11/30/06	<p><u>Card Issuances, Alterations & Deactivations:</u></p> <ol style="list-style-type: none"> 1. <u>Cal Card Policy</u> Control finding to add guidelines to PnP manual for timeframes in which departments should report card deactivations. 2. <u>Timely Card Deactivation</u> Control finding to ensure deactivation requests are processed timely in CEO/Purchasing. 3. <u>Master List of Cardholders</u> Control finding for CEO/Purchasing to maintain a list of cardholders and approving officials for reconciling with US Bank's list. 4. <u>Training</u> Control finding to develop a training process for depts./agencies new to the program. 5. <u>Department Compliance Reviews</u> Control finding to consider performing periodic dept./agency compliance reviews. <p><u>Reconciliations:</u></p> <ol style="list-style-type: none"> 6. <u>Segregation of Duties</u> Control finding to assign duty of researching and resolving reconciling items by someone without Cal Card duties. 7. <u>Supervisory Review</u> Control finding to ensure reconciliations of US Bank's reports are reviewed by a supervisor. 8. <u>Timely Identification of Reconciling Items</u> Control finding to resolve reconciling items timely. 9. <u>Document Retention</u> Control finding to retain documentation supporting card deactivations. <p><u>Efficiency and Effectiveness Issue – Cal Card Forms</u> Create standardized forms for depts./agencies to use for card deactivations.</p>

County of Orange Internal Audit Department
Summary Report on ICR Follow-Up Audits Issued
For the Period October 1, 2006 through December 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
Public Administrator/ Public Guardian (Board Directive No. 22, Dated May 3, 2005)	First Follow-Up: Cash Receipts and Disbursements, Trust and Special Use Revolving Funds, Warehouse and Property Controls, and the Budget Process	2636-A (for Original Audit No. 2528)	1/19/06 Initial Follow-Up Audit issued 11/8/06	1. Information Technology Controls (Significant Issue)	In Process	11/8/06	An RFP for a replacement system is scheduled to open early November 2006. Documentation of business requirements will be finalized by December 31, 2006. PA/PG plans to seek Internal Audit's review and feedback of the new system's scope and system controls.
				2. Information Technology Continuity Plan	In Process		PA/PG is coordinating development of an IT business continuity plan with CEO/IT scheduled for completion by the end of November 2006.
				3. Succession Planning	Implemented		
				4. Segregation of Duties	Not Implemented		An employee with no involvement in revolving fund transactions will be assigned responsibility of preparing bank reconciliations.
				5. Inventories of Cash Receipt Forms	Not Implemented		Accounting will establish an inventory log of all used and unused Receipt Forms. The log will be utilized to conduct physical inventory counts and monitoring of Receipt Forms on a semi-annual basis.
				6. Safeguarding/Inventorying Property Inventory Forms	Partially Implemented		Accounting will establish an inventory log of all unused Property Inventory forms and conduct inventories on a semi-annual basis.
				7. Issuance of Property Forms and Property Tags	Partially Implemented		Accounting will establish a procedure to account for Property Inventory forms and conduct quarterly inventories of all issued forms.
				8. Witness and Property Inventory Forms	Implemented		
				9. Presence of Witnesses on Property Search	Implemented		
				10. Use of Impartial, Voluntary Witnesses	Implemented		
				11. Storage of Pharmaceutical Materials	Implemented		
				12. Identification of Pharmaceutical Materials	Implemented		
				13. Physical Inventories of Property	Not Implemented		PA/PG determined that periodic physical inventory counts of estate personal property in the warehouse would not be economically or procedurally feasible. Instead, PA/PG plans to install security cameras in the warehouse to closely monitor activities.
				14. Vehicle Storage	Implemented		
				15. Trust Fund Reconciliations	Implemented		
				16. Fee Studies	Implemented		

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Resources and Development Management Department	Second Follow-Up: Trust and Agency Funds	2637-B (for Original Audit No. 2432)	3/30/05 Initial Follow-Up Audit issued 4/25/06	1. Refundable Deposits Trust Funds – Current Status of Active Negotiable Instruments	Implemented	11/27/06 Final Close- Out Audit	
				2. Refundable Deposits Trust Funds – Process for Monitoring Negotiable Instruments	Implemented		
				3. Transfer of Negotiable Instruments to Dana Point Harbor (DPH)	Implemented		
				4. Current Status of DPH Negotiable Instruments	Implemented		
				5. Reconciliations of Negotiable Instruments	Implemented		

County of Orange Internal Audit Department
Summary Report on IT Follow-Up Audits Issued
For the Period October 1, 2006 through December 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, Human Resources, and CEO/Office of Information and Technology	Second Follow-Up: Risk Assessment for CAPS Payroll Application	2525 (for Original Audit No. 2247)	3/27/03 Initial Follow-Up Audit issued 9/20/04	1. Application Recovery Plan Inadequate for CAPS and CAPS Payroll.	In Progress/ Closed	10/17/06 Final Close-Out Audit	<u>Auditor Note:</u> The CAPS disaster recovery plan is an on-going project for the CEO/Office of Information and Technology and the Auditor-Controller. A detailed current status of the plan was provided in an attachment to the report. As such, this recommendation is considered closed for follow-up purposes, but may be subject to further review after the CAPS disaster recovery plan is finalized.
				2. Need for Functional Analysts Access to Production Datasets Should be Evaluated.	Implemented		
				3. Premium Pay Decentralized and Prone to Error. Human Resources Should Conduct a Study of All Premiums Pay to Ensure Conformance with the MOUs.	Implemented		
				4. Determine what, if any, security event reporting could be implemented by the Auditor-Controller Local Security Administrator.	Implemented		

**County of Orange Internal Audit Department
Reported Cash Losses
For the Period October 1, 2006 through December 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

Notes:

- 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.
- No cash losses were reported to Internal Audit during this report period.