



County of Orange Internal Audit Department
Status Report #3 for the Audit Oversight Committee
 Audit Year - 12 Months ending 6/30/08
 Time Period Covered 01/01/2008 through 03/31/2008
 Report Date 05/29/08

Audit Name	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan										Milestones & Comments	
				Total Budget	Actuals To Date	Revisions		Actuals to Date (Per AOC Reports - Not Cumulative)							Over / (Under)		
						Budget	Revised Budget	#1	#2	#3	#4	#5	#6	#7	Est. to Comp. Hours	Budget Hours	
Financial Audits & Mandates (FAM)																	
(1) DA / Spousal Abuser Prosecution Grant - (6/30/06)	2708	07/17/07	12/31/07			160	160		169	3					0	12	Done. Financial statement issued 12/31/07.
(2) DA / Workers Comp - Auto Insurance Fraud Grant - (6/30/06)	2709	07/17/07	12/31/07			250	250	13	436	27					0	226	Done. Financial statements issued 11/30/07 and 12/31/07. Additional work was required because of a missing check that was subsequently found.
(3) DA / Health & Disability Insurance Fraud Grant - (6/30/06)	2710	07/17/07	09/28/07			250	250	241	1						0	(8)	Done. Financial statement issued 9/20/07.
(4) CAFR - Disclosure Process Review	2767	12/26/07					100	100		3	24				73	0	Survey fieldwork in process.
<u>Follow-Ups (First):</u>																	
(5) FAM Follow-Up Audits	2719						100	100	30	59	20				0	9	
<u>A - Tax Redemption (2513)</u>																	
<u>Follow-Ups (Second):</u>																	
(6) Tax Redemption Audit - 3 YE 6/30/06	2711	07/01/07	03/28/08			40	(40)	0							0	0	Second Follow-Up to be conducted as part of Tax Redemption Audit - 3 Years Ending 6/30/08
(7) Auditing & Accounting Standards Update	2712	07/01/07				100	(20)	80	29	18	13				20	0	On-going assignment.
Subtotal				0	0	800	140	940	313	686	87	0	0	0	93	239	
Information Technology Audits (IT)																	
(1) CAATs / Monthly Analysis of Certain Disb. & Payroll Data	2713	07/01/07				600	600	121	134	204					141	0	On-going. Monthly reports issued.
(2) CAPS* Upgrade Project - Review of Internal Control Plans Per MOU	2764	07/01/07				0	800	800	295	185	144				170	(6)	IAD staff attended various CAPS* training and meetings. See supplemental status report provided.
(3) ATS Implementation	2714					200	(200)	0							0	0	Hours reallocated to Special Request Audit of Sheriff Expenditures & Procurement. See #2766 below. We will draft a memo to the relevant departments discussing required communications and our role on the new system implementation, if any.
(4) PA/PG - ePages Implementation Assistance - limited to segregation of duties						0	0								0	0	
<u>Follow-Up Audits (First):</u>																	
(5) A-C Collections/ IT Component of DCR (carry-over from prior year)	2624	01/22/08				250	250		1	115					125	(9)	Fieldwork in process.
(6) IWMD Lists F/up (carryover from prior year)	2626	04/10/07		320	69		80	80	69	2					0	(9)	Done. Final report issued 9/20/07.
<u>Follow-Up Audits (Second):</u>																	
(7) HCA Self Assessment Validation (TBD)	N/A					50	(50)	0								0	Deleted. A second follow-up audit was not needed.
(8) Review of New System Implementation Notifications (AM No. S-1)	2717	07/01/07				25	(20)	5							5	0	On-going assignment.
(9) IT Research & Development	2718	07/01/07				75	(50)	25	2		8				15	0	On-going assignment.
(10) PTMS Implementation - Controls Assistance Per MOU	2769	03/07/08					50	50			6				40	(4)	Prepared required notification request, Audit Alert #1, & MOU. See supplemental status report provided.
Subtotal				320	69	1,200	610	1,810	487	322	477	0	0	0	496	(28)	



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						Budget	Revised Budget	#1	#2	#3	#4	#5	#6	#7		
Internal Control Reviews (ICR)																
(1) Development & Implementation of Countywide Risk and Control Standards																
(2) Treasurer-Interest Apportionment Process (carryover fr 2006)	2634	08/17/06	02/29/08	700	897	200	200	400	324	162	11				0	97
(3) Auditor-Controller Claims & Disbursing Unit	2720	07/19/07				400	650	1,050	622	419	43				25	59
(4) County Executive Office-Contract Administration	2721					400	(400)	0							0	0
(5) CEO/Public Finance - Cash Receipts and Disbursements	2722	09/26/07				500	500	1,000	2	389	431				200	22
(6) Clerk-Recorder Cash Receipts - So County Branch	2723	10/18/07				250	50	300		27	28				250	5
(7) Housing & Comm. Services Dept. - OCHA HAP Payments	2724	07/17/07	01/31/08			400	150	550	512	102	8				0	72
(8) Probation Department Payroll Review	2725	07/12/07	01/31/08			400	(75)	325	236	81	5				0	(3)
(9) Sheriff-Coroner Payroll Review	2726					400	(400)	0							0	0
(10) VTI-SSN Access Review	2763	07/28/07	11/30/07				50	50	29	17					0	(4)
Follow-Up Audits (Initial)	2727					900	(225)	675	123	40	246				250	(16)
(11) CEO/Purchasing P-Card Administration (from 06/07)		06/08/06	07/23/07													
(12) Probation Revolving Funds (from 06/07)		04/05/07	08/30/07													
(13) IWMD Contract Administration (from 06/07)		05/31/07	08/30/07													
(14) JWA Cash Disbursements		01/28/08	03/31/08													
(15) RDMD Contract Administration and Disbursements		11/26/07														
(16) SSA Revolving Funds		11/27/07	01/31/08													
(17) Sheriff-Coroner Contract Administration and Disbursements		03/10/08														
(18) HCA Payroll Processes		03/28/08														
(19) A/C Central Payroll Processes		02/29/08														
Follow-Up Audits (Second):	2728					380	(175)	205		83	120				0	(2)
(20) SSA Accounts Receivable & Collections		11/14/07	02/29/08													
(21) IWMD Contract Administration		12/03/07	12/31/07													
(22) CEO/Purchasing - P-Card		02/29/08	03/31/08													
(23) Probation Revolving Fund		11/05/07	01/31/08													
(24) ICR - Work Paper Close-Out & Final Report Issuance audits from 2006 plan)	2729	07/01/07	09/30/07			20	0	20	33		4				0	17
Subtotal				700	897	4,250	325	4,575	1,881	1,320	896	0	0	0	725	247
Control Self Assessment (CSA)																
(1) CSA - tbd	2730					500	(500)	0							0	0
CSA Promotion						50	(50)	0							0	0
Subtotal				0	0	550	(550)	0	0	0	0	0	0	0	0	0



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						Budget	Revised Budget	#1	#2	#3	#4	#5	#6	#7			
Review of Lease Revenue																	
(1) JWA/Parking Concepts Inc. (expanded review)	2732					400	400								400	0	Fieldwork to begin in May.
(2) JWA/Thrifty Car Rental	2733	10/03/07				300	100	400	1	105	198				80	(16)	Fieldwork in process.
(3) JWA/GAT Airline Ground Support	2734	10/04/07				300		300	1	113	167				30	11	Fieldwork in process.
(4) JWA/Creative Croissants	2735	01/03/08				250		250		3	212				35	0	Fieldwork in process.
(5) RDMD - Riverview Golf	2736	07/05/07				325		325	230	46	50				25	26	Revised draft issued 3/12/08.
(6) RDMD/Lake Forest Golf	2737					325		325							325	0	Fieldwork to begin in May.
(7) RDMD/David L. Baker Golf	2738	11/06/07				325		325		118	160				25	(22)	Revised draft issued 3/12/08.
(8) RDMD/Mile Square Golf	2739					325		325							325	0	Fieldwork to begin in May.
(9) RDMD/Sunset Marina	2740	08/24/07				350		350	36	102	37				175	0	Fieldwork in process
(10) RDMD/Strawberry Farms	2761	07/01/07	07/31/07				150	150	141						0	(9)	Done. Final report issued 7/31/07.
<u>Follow-Up on Review of Lease Revenue (First):</u>	2741					900	(650)	250	7	3	13				200	(27)	
(11) DPHD/Dana West Marina (carry-over)		09/12/06															DPHD negotiating \$ findings. Partial payment received 2/15/08.
(12) DPHD/Dreamcatcher Yachts (carry-over)		11/02/06			100												DPHD negotiating \$ findings.
(13) DPHD/Ship to Shore Insurance (carry-over)		11/02/06			100												DPHD negotiated \$ finding. 1st pymt of plan received
(14) DPHD/Noel Marina Canvas (carry-over)		11/02/06															Resolution reached on \$ findings. DPHD working with lessee on internal control and lease compliance findings.
(15) RDMD/PCI (carry-over)	2651	04/19/07		200	82		150	150	63	46	11				30	0	Fieldwork in process.
(16) RDMD/Anaheim Arena Parking																	
(17) RDMD/Science Enrichment Services																	
(18) JWA/Hertz																	
(19) JWA/Atlantic Aviation																	
(20) JWA/Newport Beach Golf Course																	
(21) DPHD/Ocean Institute																	
<u>Follow-up on Review of Lease Revenue (Second):</u>	2742					400	(320)	80	27	42	11				0	0	
(22) DPHD/Rancho Beach House		N/A															Deleted. A second follow-up audit was not needed.
(23) RDMD/Newport Dunes Water Resort	2742-A	07/17/07	10/26/07														Done. Final report issued 10/26/07.
(24) DPHD/Dana Point Marina Inn (carry-over)		05/17/07	03/31/08														Done. Final report issued 3/28/08.
(25) tbd																	
(26) tbd																	
(27) tbd																	
(28) tbd																	
(29) tbd																	
(30) Administration of Review of Lease Revenue	2744	07/01/07				100	(50)	50	7	13	6				15	(9)	On-going assignment.
(31) W/P Close-Out & Final Report Issuance (audits from prior year plan)	2745	07/01/07				25	50	75	76	9					0	10	Done. Final reports issued for Hertz, Atlantic Aviation, & Newport Beach Golf Course.
Subtotal				400	82	4,325	(570)	3,755	589	600	865	0	0	0	0	1,665	(36)
Compliance & Other Audits																	
(1) CEO - HIPAA Security Rule Compliance Review	2743					300	(300)	0							0	0	Deleted from current plan.
(2) BOS Strategic Planning	2715	07/01/07					350	350	292	45	3				10	0	Fieldwork to be conducted as needed.
(3) Audit of Cost Allocations for OCEA Pension Enhancements	2765	09/20/07	04/03/08				500	500	3	260	318				0	81	Done. Final report issued 4/3/08.
(4) Sheriff-Coroner Audit - Expenditures & Procurement	2766	11/15/07					1,100	1,100		535	754				75	264	(1) Final report issued on Sheriff/Admin. travel, revolving funds; (2) Draft reports issued on Cal Card expenditures; fieldwork in process for Sole Source procurements.
(5) BOS Request - Review of Sheriff Contracts with DMJM	2768	01/16/08					500	500			370				130	0	Fieldwork in process.
(6) Reserve for Additional Audit Requests						1,015	(1,015)	0							0	0	
Subtotal				0	0	1,315	1,135	2,450	295	840	1,445	0	0	0	0	215	345



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						Budget	Revised Budget	#1	#2	#3	#4	#5	#6	#7	Est. to Comp. Hours	Budget Hours		
Performance Measure Validation (PMV) Audits																		
(1) PMV - Assessor	2746	07/25/07	08/16/07			200	(200)	0	21							21	Deferred indefinitely 8/16/07	
(2) PMV - Clerk of the Board	2747	08/17/07	12/10/07			200		200	137	51					0	(12)	Done. Final report issued 12/10/07.	
(3) PMV - Clerk-Recorder	2748					200	(200)	0							0	0	Postponed. Will perform as time permits.	
(4) PMV - County Counsel	2749	07/02/07	10/03/07			200	(50)	150	130	7					0	(13)	Done. Final report issued 10/3/07.	
(5) PMV - County Executive Office	2750	01/03/08				200		200				101			99	0	Fieldwork in process.	
(6) PMV - Dana Point Harbor Department	2751					200	(200)	0							0	0	Postponed. Hours reallocated to Special Request Audit of Sheriff Expenditures & Procurement. See #2766 above.	
(7) PMV - District Attorney	2752					200	(200)	0							0	0	Postponed. Will perform as time permits.	
(8) PMV - Human Resources Department	2753	10/02/07				200	(100)	100		94	4				0	(2)	Done. Final report issued 1/16/08.	
(9) PMV - Integrated Waste Management Department	2754	11/05/07				200	(25)	175		13	150				0	(12)	Done. Final report issued 4/11/08.	
(10) PMV - Internal Audit Department	2762	07/25/07	09/28/07					40	63						0	23	Done. Final report issued 9/20/07.	
(11) PMV - Probation Department	2755					200		200							200	0		
(12) PMV - Public Administrator/Public Guardian	2756					200	(200)	0							0	0	Postponed. Will perform as time permits.	
(13) PMV - Public Defender	2757	10/15/07	12/04/07			200	(85)	115		115					0	0	Done. Final report issued 12/4/07.	
(14) PMV - Sheriff-Coroner	2758					200	(200)	0							0	0	Postponed. Will perform as time permits.	
(15) PMV - Treasurer-Tax Collector	2759	07/18/07	12/04/07			200		200	89	112					0	1	Done. Final report issued 12/4/07.	
<u>PMV - Follow-Up Audits (Initial):</u>	2760					300		300	133		142				25	0		
(16) Health Care Agency	-C	02/07/08	03/28/08														Done. Final report issued 3/28/08.	
(17) Housing & Community Services	-B	02/06/08	03/17/08														Done. Final report issued 3/17/08.	
(18) Social Services Agency		07/01/07	08/17/07														Done. Final report issued 8/17/07.	
(19) RDMD	-A	01/31/08															Draft report issued 4/8/08.	
(20) PMV - Work Paper Close-Out & Final Report Issuance	2716	07/01/07						50	50	37	4				9	0	On-going assignment	
Subtotal						0	0	3,100	(1,370)	1,730	610	396	397	0	0	0	333	6
Control Related & Other Assignments																		
(1) Annual Risk Assessment Audit Plan	2701	07/01/07				500	330	830	75	13	142				600	0	On-going assignment	
(2) Cash Losses	2702	07/01/07				20		20	5		2				10	(3)	On-going assignment	
(3) Fraud Hotline	2703	07/01/07				120		120	42	21	42				37	22	On-going assignment	
(4) External Audit Reporting	2704	07/01/07				300	(20)	280	88	46	56				90	0	On-going assignment	
(5) Technical Assistance to Other Depts/Agencies	2705	07/01/07				200	(75)	125	50	11	13				40	(11)	On-going assignment	
(6) HIPAA Administration	2706	07/01/07				70	(30)	40	6	1	11				20	(2)	On-going assignment	
(7) Reports for Board, AOC, EA Meetings	2707	07/01/07				250	75	325	29	111	144				40	(1)	On-going assignment	
Total Budget						1,420	1,048	17,000	0	17,000	4,470	4,367	4,577	0	0	0	4,364	778

Additional Coverage Provided by Consultants																		
Total Contract Audit Resources						0												



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Footnotes

1. The Orange County Internal Audit Department (OCIAD) generates several different types of reports including audit reports, summary reports and status reports. In addition, OCIAD undertakes several different projects including audits of financial statements, audits of internal controls, audits of transactions through the use of computer programs, audits of lessee compliance with County contracts, and audits of IT controls. OCIAD receives and oversees Hotline calls up through resolution through investigation by the respective departments and agencies. OCIAD also assists the CEO as authorized by the AOC by facilitating meetings, preparing summary reports and providing staff resources for technical assistance. A total project count therefore includes all assignments completed; not just released audit reports. Each year, OCIAD prepares an Annual Internal Audit Report in addition to its Quarterly Status Report. The Annual Internal Audit Report is for the general public in content and tone.

2. The annual Audit Plan is subject to change for such events where the IAD Director, Audit Oversight Committee (AOC), or Board majority assesses if it is warranted to substitute, postpone or cancel a scheduled audit due to timing, priority, resource, risk considerations **and our level of support to the CAPS+ Implementation**. Such modifications will be noted in the "Milestones & Comments" section of this Quarterly Status Report for review by the AOC. The acceptance of the Quarterly Status Report authorizes any changes noted.

3. For purposes regarding Fiscal Year-End reporting, we consider assignments completed (Done) as of the official release of a completed draft audit report to the Department/Agency Director, and are shown as such in our Milestones & Comments column of this Quarterly Status Report.

**Orange County Internal Audit Department
Executive Briefing on IT Audit Activity
For the Period of January 1, 2008 through March 31, 2008**

1. CAPS⁺ Implementation Project:

Background: In our 7/18/07 MOU and 8/28/07 memo, we established our role on the CAPS⁺ Implementation Project. Our role will be to review and provide written feedback to the CAPS⁺ Steering Committee on the various Internal Control Plans/Documents to ensure processes contain appropriate internal controls.

Activity This Quarter:

- A. CAPS Steering Committee: Attended monthly meetings.
- B. Project Advisory Committee: Attended monthly meetings
- C. Project Management Team: Attended weekly meetings.
- D. CAPS⁺ Audit Alert: The purpose of the CAPS⁺ Audit Alert is to promptly bring to the CAPS Steering Committee's attention important potential issues for their immediate assessment and if necessary, corrective action. The process incorporates an accelerated management response timeline to ensure the timely completion and dissemination of audit issues so as to not impede progress of the CAPS⁺ Implementation Project.
 - CAPS⁺ Audit Alert No. 1 (2764-A): We issued a *draft* CAPS⁺ Audit Alert No. 1 on 2/25/08 recommending that the CAPS Steering Committee ensure written strategies are created for developing and documenting comprehensive key procedures and internal controls for the new CAPS⁺ system and related processes as a whole as discussed above. The strategies should clearly identify the responsible procedure owners and timelines for completion.

Update as of 5/15/08: The *final* CAPS⁺ Audit Alert No. 1 was issued on 4/29/08. The CAPS Steering Committee agreed with the recommendation made.

- CAPS⁺ Audit Alert No. 2 (2764-B): We issued a *draft* CAPS⁺ Audit Alert No. 2 on 2/26/08 recommending that the CAPS Steering Committee continue to make the Independent Verification & Validation (IV&V) contract a high priority and ensure that an IV&V firm is engaged as soon as possible. See further description of IV&V below in 1.E.

Update as of 5/15/08: The *final* CAPS⁺ Audit Alert No. 1 was issued on 4/08/08. The CAPS Steering Committee agreed with the recommendation made.

E. Independent Verification & Validation (IV&V) Contract Assistance:

Background: At the 5/11/07 CAPS Steering Committee meeting, Internal Audit recommended that the Committee hire an IV&V firm as a risk mitigation activity and as an industry best practice for an implementation project of the CAPS⁺ size. The IV&V firm should provide regular independent assessments of whether the project is on track (budget and timeframes), whether the defined requirements and deliverables for the project have been fulfilled, and whether the system performs as intended. The firm should also assess the change management and testing processes, as well as review the overall proposed policies and procedures for the CAPS⁺ system.

Activity This Quarter: To support the CAPS Project Management Office (PMO) in their acquisition of an IV&V vendor, we issued the *draft* CAPS+ Audit Alert No. 2 (2764-B). See 1.D above for more information.

2. ATS Reengineering Project:

Background: The current Assessment Tax System (ATS) is being replaced by two new systems: the new Property Tax Management System (PTMS) and a reengineered Assessment Tax System (ATS). The ATS Reengineering Project is managed by the Assessor.

Activity This Quarter: On 3/20/08 we received a new system written notification from the Assessor (see item 8 below for further info). In his notification, the Assessor stated his acknowledgement of responsibility to ensure adequate controls are implemented in the new ATS and he also acknowledged that many elements of project and process management, internal controls, and quality assurance already exist in the ATS Reengineering Project. As such, the Assessor indicated that he does not need internal controls assistance from the Internal Audit Department. Correspondingly, Internal Audit does not plan on reviewing and providing feedback on internal controls for the reengineered ATS during the system development.

Update as of 5/15/08: On 5/8/08, we issued a *draft* ATS Audit Alert communicating the need for the Assessor to evaluate Independent Verification and Validation (IV&V) services for the ATS Reengineering Project.

3. PTMS Implementation Project:

Background: The current Assessment Tax System (ATS) is being replaced by two new systems: the new Property Tax Management System (PTMS) and a reengineered Assessment Tax System (ATS). The PTMS Implementation Project is managed by the three Property Tax Administration (PTA)

Departments consisting of the Auditor-Controller, Treasurer-Tax Collector, and Clerk of the Board.

Update as of 5/15/08: On 4/25/08, we received a new system written notification from the PTA departments (see item 8 below for further info). The PTA Departments requested internal controls assistance from Internal Audit. On 5/1/08, we prepared a draft MOU for the PTA Departments review. On 5/15/08, we received the signed MOU from the PTA Departments.

Also, on 5/9/08, we issued a *draft* PTMS Audit Alert communicating the need for the PTA Departments to evaluate Independent Verification and Validation (IV&V) services for the PTMS Implementation Project.

4. Internal Control Reviews with IT Components:

Housing and Community Services – Housing Choice Voucher Program Payments (Audit No. 2724). We performed an internal control review of the Housing Choice Voucher Program which annually disburses \$89 million in payments. The audit included a high-level IT review of the HAPPY Pro system used to disburse the payments. IT Findings were in the areas of: IT risk assessment, security planning, business continuity, and a related network security issue reported in a separate audit alert to the CIO. Final report was issued **1/17/08**.

5. Computer Assisted Audit Techniques (Audit No. 2713):

Background: The CAATs are automated queries applied to large amounts of electronic data searching for specified characteristics. We then subject the resulting matches to further review and analysis. We perform monthly queries of duplicate vendor payments and deleted vendor activity and annually we review working retiree thresholds.

Activity This Quarter: We issued three monthly CAAT reports. Eighteen (18) duplicate payments were identified this quarter amounting to \$8,816. Since 2002, duplicate payments recovered to date are \$678,589.

We also completed our annual review of working retiree thresholds and identified thirty-one (31) working retirees who exceeded the 960 hour limit for fiscal year 2006/2007. The excess hours ranged from 1.50 to 119.5 hours, with only one individual exceeding 80 hours (one pay period).

6. Follow-Up Audit of A-C/CUBS (Collection System) Audit

Fieldwork started this quarter and is in process.

7. IT Technical Assistance

As periodically requested by departments/agencies, Internal Audit provides technical advice in areas that includes but are not limited to: accounting and auditing, internal controls, governance, risk mitigation, process improvement, and project oversight. Activity this quarter includes:

- CEO/IT – Audit of ACS: CEO/IT contracts with ACS to operate the County's data center. CEO/IT initiated a financial/contract compliance audit of ACS's billings to the County. Internal Audit continued to provide technical assistance to CEO/IT by reviewing and providing feedback on the proposed audit plan and agreed upon procedures for the audit performed by Grant Thornton in January – March 2008.

8. New System Notifications Required by County Accounting Manual (Procedure No. S-1)

Background: At the beginning of a financial system development, the owner of the system (County department) is required to notify the Internal Audit Department (IAD) of their planned implementation. The purpose of the notification is to enable the IAD to advise the department of its responsibility to design adequate internal controls into their new business processes. To help ensure the new system will have adequate internal controls, the IAD provides these system owners with technical guides and resources pertaining to the design and implementation of process controls.

Activity This Quarter: On 3/7/08, we issued letters notifying the Assessor and the PTA Departments (Auditor-Controller, Treasurer-Tax Collector, and Clerk of the Board) of their notification requirements for the new ATS & PTMS systems.

- ATS: On 3/20/08 we received a new system written notification from the Assessor (see item 2 above for further info)
- PTMS: On 4/25/08, we received a new system written notification from the PTA departments (see item 3 above for further info).

9. County IT Working Group

Members: Supervisor Janet Nguyen and her Chief of Staff, the CEO, the CIO, the Auditor-Controller, and the OCEA General Manager Nick Berardino. Other participants include Eli Littner, Deputy Director of Internal Audit, and members of the Technology Council (primarily departmental IT representatives).

Purpose: To provide executive sponsorship for countywide IT initiatives; provide transparency on the County's IT operations; identify opportunities for IT process improvements and increased staff productivity; review cost saving

opportunities and cost-effectiveness of services provided to customers; identify issues and provide guidance to address them; and oversee the County's IT strategic planning efforts

IAD Role: We attend to the monthly meetings to provide technical advice in the areas of accounting and auditing, internal controls, governance, risk mitigation, process improvement, and project oversight.

Orange County Internal Audit Department
Executive Summary of Findings for Internal Control Reviews
For the Period January 1, 2008 through March 31, 2008

Dept./Agency	Process Review	Audit No.	Audit Period	Final Report Issued	Reported Internal Control Issues
Housing & Community Services Department	O.C. Housing Authority – Housing Choice Voucher Program Payments	2724	July 1, 2006 through June 30, 2007	January 17, 2008	<ol style="list-style-type: none"> 1. Control Finding to request reimbursement of \$7,279 in duplicate payments noted during audit. 2. Control Finding to ensure Positive Pay Exception Reports are signed by the processor. 3. Control Finding to perform supervisory reviews of Positive Pay Exception Reports. 4. Control Finding to segregate duties of check custody, processing Positive Pay Exception Reports and performing bank reconciliations. 5. Control Finding for the tenant file review process to ensure the files contain all required documents. 6. IT Control Finding to establish a risk assessment framework for the Housing Pro System. 7. IT Control Finding to develop a formalized security plan for the Housing Pro System. 8. IT Control Finding to perform periodic tests of its information technology business continuity plan. 9. Audit Alert to CEO/Information Technology concerning the transmission of housing payment data electronically to Union Bank that required opening all County ports during the data transmission.
Probation Department	Bi-Weekly Payroll Process	2725	July 1, 2006 through June 30, 2007	January 23, 2008	<ol style="list-style-type: none"> 1. Control Finding to review, sign and retain payroll reports. 2. Efficiency/Effectiveness Issue to use a modified VTI Timecard Audit Report to monitor unauthorized changes to pay codes. 3. Efficiency/Effectiveness Issue to transition manual timecards to the automated VTI system.

Orange County Internal Audit Department
Executive Summary of Findings for Internal Control Reviews
For the Period January 1, 2008 through March 31, 2008

Dept./Agency	Process Review	Audit No.	Audit Period	Final Report Issued	Reported Internal Control Issues
Auditor-Controller	<p style="text-align: center;">Claims & Disbursing:</p> <p style="text-align: center;">Educational and Professional Reimbursement Process</p>	2720-1	July 1, 2006 through June 30, 2007	January 29, 2008	<p>1.a Control Finding for clarification on reimbursement requirements for professional examinations and associated expenses.</p> <p>1.b Control Finding to establish written procedures on dept./agency responsibility for monitoring employees' annual reimbursement limits involving prior period expenditures.</p> <p>1.c Control Finding to establish written procedures for performing post quality assurance reviews and distribute to departments and agencies.</p> <p>2. Control Finding to establish written procedures for processing claims addressing timeframes, approval signatures, and the Tuition Log.</p> <p>3.a Control Finding to add a certification to the revised <i>Educational and Professional Reimbursement Claim</i> indicating the claim does not exceed the annual employee limit.</p> <p>3.b Control Finding to develop and implement procedures to monitor reimbursement claims to determine if they exceed the IRS limit for non-taxable income.</p> <p>3.c Control Finding to include notification on the revised claim form that transportation expenses such as parking are taxable income.</p> <p>3.d Control Finding to establish a process to notify and return claim support documents back to departments/agencies.</p>
Auditor-Controller	<p style="text-align: center;">Claims & Disbursing:</p> <p style="text-align: center;">Issues Concerning Employee Social Security Numbers</p>	2720-3	July 1, 2006 through June 30, 2007	January 29, 2008	<p>1. Significant Issue for CEO and County Counsel to evaluate the contract language and safeguards in Price Agreements for County data entry services.</p> <p>2.a Significant Issue for A/C and CEO to jointly identify alternatives for using employee SSNs as primary identifier in existing CAPS.</p> <p>2.b Significant Issue for A/C to restrict access to employee SSNs on related payroll documents.</p> <p>3. Significant Issue for A/C to obtain documented assurance from <u>CAPS+</u> vendor on identifying alternatives for eliminating use of SSNs.</p>

**Orange County Internal Audit Department
Executive Summary of Findings for Internal Control Reviews
For the Period January 1, 2008 through March 31, 2008**

Dept./Agency	Process Review	Audit No.	Audit Period	Final Report Issued	Reported Internal Control Issues
Treasurer-Tax Collector	Interest Apportionment Process	2634	July 1, 2006 through June 30, 2007	February 20, 2008	<p>1.a Significant Issue to prepare timely interest receivable reconciliations.</p> <p>1.b Significant Issue to ensure all reconciling items are identified, supported and promptly resolved.</p> <p>2. Significant Issue to ensure the accuracy of interest apportionment supporting worksheets.</p> <p>3.a Significant Issue to evaluate paying for “purchased interest” out of interest apportionment.</p> <p>3.b Significant Issue to determine disclosure methodology provided to pool participants.</p> <p>4. Control Finding to ensure a monthly proof of interest earnings is performed.</p> <p>5. Control Finding to document and communicate interest apportionment procedures.</p> <p>6. Efficiency/Effectiveness Issue to cross-train another staff on interest apportionment process.</p> <p>7.a Efficiency/Effectiveness Issue to implement access controls over critical spreadsheets.</p> <p>7.b Efficiency/Effectiveness Issue for documentation and monitoring controls over critical spreadsheets.</p>
Sheriff-Coroner	Sheriff Administration Revolving Fund Expenditures and Travel Expenditures Reimbursed Through Payroll	2766-1	July 1, 2006 through June 30, 2007	March 19, 2008	<p>1. Compliance Issue for Sheriff-Coroner and A/C Claims & Disbursing to jointly determine the most effective and practical method for submitting travel and other related expenses either through the travel cash advance process or reimbursement via bi-weekly payroll.</p> <p>2. Compliance Issue for Auditor-Controller Claims & Disbursing to increase the frequency of reviews of Sheriff-Coroner <i>Mileage and Other Expenses Claim</i> forms that are submitted as revolving fund travel cash advances.</p> <p>3. Compliance Issue for Sheriff-Coroner to ensure travel cash advance claims are submitted within the timeframe specified in County Accounting Manual procedures.</p>

Orange County Internal Audit Department
Executive Summary of Findings for Internal Control Reviews
For the Period January 1, 2008 through March 31, 2008

Note: Departments/agencies have **60 days** to submit responses for audit recommendations. **Draft audit reports** were issued for the following Internal Control Reviews during this report period and/or prior period:

- **A-C Claims & Disbursing Unit** – Mileage & Other Expenses Reimbursement Process; issued December 3, 2007.
- **A-C Claims & Disbursing Unit** – Vendor Payment Process; issued December 18, 2007.
- **Compliance Audit of Sheriff-Coroner Administration** - Purchasing Card (Cal Card) Expenditures; issued March 7, 2008.
- **Audit Alert for County Executive Office/Purchasing Division** – County Cal Card Program; issued February 27, 2008.

**Orange County Internal Audit Department
Executive Summary Report on ICR Follow-Up Audits Issued
For the Period January 1, 2008 through March 31, 2008**

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
Social Services Agency	First Follow-Up: Revolving Funds	2727-B (for Original Audit No. 2635)	May 24, 2007	<ol style="list-style-type: none"> 1. Segregation of duties for expenditure approval and check signing authority. 2. Submission of travel cash advances within required timeframe. 3. Cancellation of supporting documents. 	<ol style="list-style-type: none"> 1. Implemented 2. Implemented 3. Implemented 	January 23, 2008 Final Close- Out	N/A
Social Services Agency	Second Follow- Up: Accounts Receivable and Collection Processes	2728-B (for Original Audit No. 2575)	June 29, 2006 First Follow-Up Audit issued April 25, 2007	<ol style="list-style-type: none"> 1. Timeliness in identifying and establishing accounts receivable. 2. Reconciliations of accounts receivable. 3. Policy on collection of long-outstanding debts. 4. Use of additional collection efforts. 	<ol style="list-style-type: none"> 1. Implemented 2. Implemented 3. Implemented 4. Implemented 	February 20, 2008 Final Close- Out	N/A
Probation Department	Second Follow- Up: Revolving Fund	2728-A (for Original Audit No. 2598)	October 3, 2006 First Follow-Up Audit issued August 30, 2007	<ol style="list-style-type: none"> 1. Submission of travel cash advances within required timeframe. 2. Authorized signatures for travel cash advances. 3. Unpaid travel cash advance reimbursements (new findings). 	<ol style="list-style-type: none"> 1. Implemented 2. Implemented 3. Implemented 	January 29, 2008 Final Close- Out	N/A

**Orange County Internal Audit Department
Executive Summary Report on ICR Follow-Up Audits Issued
For the Period January 1, 2008 through March 31, 2008**

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
John Wayne Airport	First Follow-Up: Cash Disbursements	2727-C (for Original Audit No. 2629)	April 24, 2007	<ol style="list-style-type: none"> 1. Invoice processing times and Invoice Logs to track payments. 2. Invoice Logs to include documentation of invoices not processed timely. 3. Documented review and approval of new vendors. 	<ol style="list-style-type: none"> 1. Implemented 2. Implemented 3. Implemented 	March 20, 2008 Final Close- Out	N/A
County Executive Office	Second Follow- Up: CEO/Purchasing Administration of Cal Card Program	2728-D (for Original Audit No. 2533)	November 30, 2006 First Follow-Up Audit issued July 23, 2007	<ol style="list-style-type: none"> 1. Establish a Cal Card training/refresher program. 2. Perform compliance reviews in depts./agencies. 3. Segregation of duties for performing reconciliations. 4. Timely identification and resolution of reconciling items. 	<ol style="list-style-type: none"> 1. Implemented 2. Implemented 3. Implemented 4. Implemented 	March 21, 2008 Final Close- Out	N/A