



County of Orange BOS Internal Audit Department

Status Report #4 for the Audit Oversight Committee

Audit Year - 12 Months ending 6/30/08

Time Period Covered 04/01/2008 through 06/30/2008

Report Date 08/xx/2008

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)				Est. to Comp. Hours	Over / (Under) Budget Hours		
						Budget	Revised Budget	#1	#2	#3	#4				
<b>Financial Audits &amp; Mandates (FAM)</b>															
(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	212	0	139	Fieldwork in process. Carry-over to FY 08-09.
<b>Follow-Ups (First):</b>															
(5) FAM Follow-Up Audits	2719						100	100	30	59	20		0	9	
<b>A - Tax Redemption (2513)</b>															
<b>Follow-Ups (Second):</b>															
(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	06/30/08			100	(20)	80	29	18	13	27	0	7	Done.
Subtotal				0	0	800	140	940	313	686	87	239	0	385	
<b>Information Technology Audits (IT)</b>															
(1) CAATs / Monthly Analysis of Certain Disb. & Payroll Data	2713	07/01/07	06/30/08			600		600	121	134	204	132	0	(9)	Done. Monthly reports issued.
(2) CAPS+ Upgrade Project - Review of Internal Control Plans Per MOU	2764	07/01/07	06/30/08			0	800	800	295	185	144	105	0	(71)	Done. See supplemental IT status report provided.
(3) ATS Implementation	2714					200	(200)	0					0	0	Deleted. 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	
<b>Follow-Up Audits (First):</b>															
(5) A-C Collections/ IT Component of DCR (carry-over from prior year)	2624	01/22/08	06/30/08			250		250		1	115	155	0	21	Done. Draft report issued 6/26/08.
(6) IWMD Lists F/up (carryover from prior year)	2626	04/10/07	09/30/07	320	69		80	80	69	2			0	(9)	Done. Final report issued 9/20/07.
<b>Follow-Up Audits (Second):</b>															
(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	06/30/08			25	(20)	5					0	(5)	Done. No notifications received this quarter.
(9) IT Research & Development	2718	07/01/07	06/30/08			75	(50)	25	2		8	2	0	(13)	Done. On-going assignment.
(10) PTMS Implementation - Review of Internal Controls Documentation Per MOU	2769	03/07/08	06/30/08				50	50			6	36	0	(8)	Done. See supplemental IT status report provided.
(11) ATS Audit Alert No. 1	2770	03/07/08	06/30/08				25	25				21	0	(4)	Done. Final ATS Audit Alert No. 1 issued 6/30/08.
Subtotal				320	69	1,200	635	1,835	487	322	477	451	0	(98)	



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				Total Budget	Actuals To Date	Revisions		Actuals to Date (Per AOC Reports - Not Cumulative)				Est. to Comp. Hours	Over / (Under) Budget Hours		
						Budget	Revised Budget	#1	#2	#3	#4				
<b>Internal Control Reviews (ICR)</b>															
(1) Development & Implementation of Countywide Risk and Control Standards														On FY08/09 Audit Plan.	
(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 Done. Final report issued 2/20/08. Additional hours due to significant issues requiring additional audit work.	
(3) Auditor-Controller Claims & Disbursing Unit	2720	07/19/07	04/15/08			400	650	1,050	622	419	43	27	0	61 Done. (4) final reports issued: Tuition Reimbursement; Employee SSNs; Mileage Claims; Vendor Payments.	
(4) County Executive Office-Contract Administration	2721					400	(400)	0					0	0 Postponed. Hours reallocated to Special Request Audit of Sheriff Expenditures & Procurement. See #2766 below. On FY 08/09 Audit Plan.	
(5) CEO/Public Finance - Cash Receipts and Disbursements	2722	09/26/07	06/30/08			500	500	1,000	2	389	431	194	0	16 Done. Draft report issued 5/22/08. Final report to be issued in Aug. '08.	
(6) Clerk-Recorder Cash Receipts - So County Branch	2723	10/18/07	06/30/08			250	50	300		27	28	242	0	(3) Done. Draft report issued 6/19/08. Final report to be issued in Aug. '08.	
(7) Housing & Comm. Services Dept. - OCHA HAP Payments	2724	07/17/07	01/31/08			400	150	550	512	102	8		0	72 Done. Final report issued on 1/17/08. Additional hours due to IT audit coverage and training a new staff person.	
(8) Probation Department Payroll Review	2725	07/12/07	01/31/08			400	(75)	325	236	81	5		0	(3) Done. Final report issued on 1/23/08.	
(9) Sheriff-Coroner Payroll Review	2726					400	(400)	0					0	0 Deleted from current Plan. Hours transferred to Reserve. On FY 08/09 Audit Plan.	
(10) VTI-SSN Access Review	2763	07/28/07	11/30/07				50	50	29	17		1	0	(3) Done. Final Report issued on 11/14/07.	
<b>Follow-Up Audits (Initial)</b>															
(11) CEO/Purchasing P-Card Administration (from 06/07)	2727	06/08/06	07/23/07											0	(99) Done. Final report issued 7/23/07.
(12) Probation Revolving Funds (from 06/07)		04/05/07	08/30/07											0	Done. Final report issued 8/30/07.
(13) IWMD Contract Administration (from 06/07)		05/31/07	08/30/07											0	Done. Final report issued 8/29/07.
(14) JWA Cash Disbursements		01/28/08	03/31/08											0	Done. Final report issued 3/20/08.
(15) RDMD Contract Administration and Disbursements		11/26/07	04/30/08											0	Done. Final report issued 4/21/08.
(16) SSA Revolving Funds		11/27/07	01/31/08											0	Done. Final report issued 1/23/08.
(17) Sheriff-Coroner Contract Administration and Disbursements		03/10/08	06/30/08											0	Done. Final report issued 6/19/08.
(18) HCA Payroll Processes		03/28/08	06/30/08											0	Done. Final report issued 6/11/08.
(19) A/C Central Payroll Processes		02/29/08	04/15/08											0	Done. Final report issued 4/8/08.
<b>Follow-Up Audits (Second):</b>															
(20) SSA Accounts Receivable & Collections	2728	11/14/07	02/29/08			380	(175)	205		83	120	1	0	(1) Done. Final report issued 2/20/08.	
(21) IWMD Contract Administration		12/03/07	12/31/07											0	Done. Final report issued 12/19/07.
(22) CEO/Purchasing - P-Card		02/29/08	03/31/08											0	Done. Final report issued 3/21/08.
(23) Probation Revolving Fund		11/05/07	01/31/08											0	Done. Final report issued 1/29/08.
(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 Done. For finalization of audits started in FY 06/07.	
Subtotal				700	897	4,250	325	4,575	1,881	1,320	896	632	0	154	
<b>Control Self Assessment (CSA)</b>															
(1) CSA - tbd	2730					500	(500)	0					0	0 Deleted. Hours reallocated to BOS Special Request of Sheriff-Coroner DMJM contracts. See #2768 below.	
CSA Promotion						50	(50)	0					0	0 Deleted.	
Subtotal				0	0	550	(550)	0	0	0	0	0	0	0	



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						Budget		#1	#2	#3	#4				
<b>Review of Lease Revenue</b>															
(1) JWA/Parking Concepts Inc. (expanded review)	2732	04/02/08				400		400			155	0	(245)	Fieldwork in process. Carry-over to FY 08-09.	
(2) JWA/Thrifty Car Rental	2733	10/03/07	06/30/08			300	100	400	1	105	198	122	0	26 Done. Final report issued 6/25/08.	
(3) JWA/GAT Airline Ground Support	2734	10/04/07	06/30/08			300	50	350	1	113	167	64	0	(5) Done. Revised draft issued 6/28/08. Final issued 7/24/08.	
(4) JWA/Creative Croissants	2735	01/03/08	06/30/08			250		250		3	212	19	0	(16) Done. Final report issued 6/24/08.	
(5) RDMD - Riverview Golf	2736	07/05/07	05/31/08			325		325	230	46	50	15	0	16 Done. Final report issued 5/23/08.	
(6) RDMD/Lake Forest Golf	2737	04/02/08	06/30/08			325		325				282	0	(43) Done. Pre-Draft report issued 6/30/08. Draft issued 7/18/08.	
(7) RDMD/David L. Baker Golf	2738	11/06/07	05/31/08			325		325		118	160		0	(47) Done. Final report issued 5/20/08.	
(8) RDMD/Mile Square Golf	2739	04/15/08				325		325				356	0	31 Fieldwork in process. Carry-over to FY 08-09.	
(9) RDMD/Sunset Marina	2740	08/24/07	06/30/08			350		350	36	102	37	150	0	(25) Done. Pre-Draft issued 6/26/08. Final issued 8/14/08.	
(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	117	0	(110)	
(11) DPHD/Dana West Marina (carry-over)		09/12/06													DPHD negotiating \$ findings. Partial payment received 2/15/08. A demand letter was issued. A second demand letter being written. Carry-over to FY 08-09.
(12) DPHD/Dreamcatcher Yachts (carry-over)		11/02/06			100										DPHD negotiating \$ findings. See DWM above. Carry-over to FY 08-09.
(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													Awaiting 2nd pymt. Carry-over to FY 08-09.
(15) RDMD/PCI (carry-over)	2651	04/19/07	06/30/08	200	82		150	150	63	46	11	41	0	11 Done. Draft report issued 6/26/08.	
(16) RDMD/Anaheim Arena Parking															Deleted. We will not follow-up on this audit.
(17) RDMD/Science Enrichment Services	N/A	N/A	N/A												Done. Follow-Up within final report issued on 6/25/07
(18) JWA/Hertz	2741-A	03/27/08	06/16/08												Done. Final report issued 6/16/08.
(19) JWA/Atlantic Aviation	2741-B	04/23/08													Fieldwork in process. Carry-over to FY 08-09.
(20) JWA/Newport Beach Golf Course	2741-C	05/01/08	06/30/08												Done. Final report issued 6/16/08.
(21) DPHD/Ocean Institute	2741-D	06/09/08													Fieldwork in process. Carry-over to FY 08-09.
<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)	2742-B	05/17/07	03/31/08												Done. Final report issued 3/28/08.
(25) Administration of Review of Lease Revenue	2744	07/01/07	06/30/08			100	(50)	50	7	13	6	18	0	(6) Done. On-going assignment.	
(26) W/P Close-Out & Final Report Issuance (audits from prior year plan)	2745	07/01/07	06/30/08			25	50	75	76	9		1	0	11 Done. Final reports issued for Hertz, Atlantic Aviation, & Newport Beach Golf Course.	
<b>Subtotal</b>				<b>400</b>	<b>82</b>	<b>4,325</b>	<b>(520)</b>	<b>3,805</b>	<b>589</b>	<b>600</b>	<b>865</b>	<b>1,340</b>	<b>0</b>	<b>(411)</b>	
<b>Compliance &amp; Other Audits</b>															
(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	06/30/08				350	350	292	45	3		0	(10)	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	92	0	173	Done. Final report issued 4/3/08.
(4) Sheriff-Coroner Audit - Expenditures & Procurement	2766	11/15/07	06/30/08				1,125	1,125		535	754	130	0	294	Done. (5) reports issued: Revolving Fund & Travel Expenditures; Purchasing Cards; Sole Source Procurements; Audit Alerts to CEO/Purchasing on P-Card Administration and Sole Source contract policy issues.
(5) BOS Request - Review of Sheriff Contracts with DMJM	2768	01/16/08					600	600			370	581	0	351	Done. Draft report issued 6/30/08.
(6) Reserve for Additional Audit Requests						1,015	(1,015)	0					0	0	
<b>Subtotal</b>				<b>0</b>	<b>0</b>	<b>1,315</b>	<b>1,260</b>	<b>2,575</b>	<b>295</b>	<b>840</b>	<b>1,445</b>	<b>803</b>	<b>0</b>	<b>808</b>	



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						Budget		#1	#2	#3	#4				
<b>Performance Measure Validation (PMV) Audits</b>															
(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	07/14/08			200		200			101	80	0	(19) Done. Final report issued 7/14/08.	
(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	01/16/08			200	(100)	100		94	4	0	(2)	Done. Final report issued 1/16/08.	
(9) PMV - Integrated Waste Management Department	2754	11/05/07	04/11/08			200	(25)	175		13	150	4	0	(8) Done. Final report issued 4/11/08.	
(10) PMV - Internal Audit Department	2762	07/25/07	09/28/07					40	40	63		0	23	Done. Final report issued 9/20/07.	
(11) PMV - Probation Department	2755					200	(200)	0				0	0	Deferred indefinitely because of Balanced Scorecard.	
(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.	
<b>PMV - Follow-Up Audits (Initial):</b>	2760					300		300	133		142	53	0	28	
(16) Health Care Agency	-C	02/07/08	03/28/08										0	0	Done. Final report issued 3/28/08.
(17) Housing & Community Services	-B	02/06/08	03/17/08										0	0	Done. Final report issued 3/17/08.
(18) Social Services Agency		07/01/07	08/17/07										0	0	Done. Final report issued 8/17/07.
(19) RDMD	-A	01/31/08	06/17/08										0	0	Done. Final report issued 6/17/08.
(20) PMV - Work Paper Close-Out & Final Report Issuance	2716	07/01/07	06/30/08				50	50	37	4		0	(9)	Done.	
<b>Subtotal</b>				<b>0</b>	<b>0</b>	<b>3,100</b>	<b>(1,570)</b>	<b>1,530</b>	<b>610</b>	<b>396</b>	<b>397</b>	<b>137</b>	<b>0</b>	<b>10</b>	
<b>Control Related &amp; Other Assignments</b>															
(1) Annual Risk Assessment Audit Plan	2701	07/01/07	06/30/08			500	330	830	75	13	142	606	0	6	Done. FY 08-09 Audit Plan and Risk Assessment approved by AOC on 5/29/08.
(2) Cash Losses	2702	07/01/07	06/30/08			20		20	5		2	6	0	(7)	Done. (10) cash losses were reported to the Auditor-Controller ranging between \$40 and \$300.
(3) Fraud Hotline	2703	07/01/07	06/30/08			120		120	42	21	42	108	0	93	Done. (62) Hotline incidents were processed.
(4) External Audit Reporting	2704	07/01/07	06/30/08			300	(20)	280	88	46	56	76	0	(14)	Done. (4) Quarterly Status Reports prepared.
(5) Technical Assistance to Other Depts/Agencies	2705	07/01/07	06/30/08			200	(75)	125	50	11	13	3	0	(48)	Done. On-going assignment
(6) HIPAA Administration	2706	07/01/07	06/30/08			70	(30)	40	6	1	11	6	0	(16)	Done. Attended HIPAA Coordinator/Workgroup Mtgs.
(7) Reports for Board, AOC, EA Meetings	2707	07/01/07	06/30/08			250	75	325	29	111	144	50	0	9	Done. (34) monthly/quarterly reports to the BOS and AOC were completed.
<b>Total Budget</b>				<b>1,420</b>	<b>1,048</b>	<b>17,000</b>	<b>0</b>	<b>17,000</b>	<b>4,470</b>	<b>4,367</b>	<b>4,577</b>	<b>4,457</b>	<b>0</b>	<b>871</b>	

<b>Additional Coverage Provided by Consultants</b>															
<b>Total Contract Audit Resources</b>															
						0	0	0	0	0	0	0	0	0	0



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						Budget	Revised Budget	#1	#2	#3	#4		

**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 April 1, 2008 through June 30, 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: Participated in monthly meetings.
- B. Project Advisory Committee: Participated in monthly meetings.
- C. Project Management Team: Participated in 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 *final* CAPS+ Audit Alert No. 1 on 4/29/08 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.

The CAPS Steering Committee concurred with our recommendation. The CAPS+ Project Advisory Committee approved a revised CAPS+ Policy and Procedure Plan dated April 30, 2008 to address Audit Alert No. 1. **This item is now closed.**

- CAPS+ Audit Alert No. 2 (2764-B): We issued a *final* 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.

The CAPS Steering Committee concurred with our recommendation. The IV&V firm of Alexan International was hired and has begun work. **This item is now closed.**

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<sup>+</sup> 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<sup>+</sup> system.

Activity This Quarter: The IV&V firm of Alexan International was hired and has begun work. **Our assistance on this item is now closed.**

2. **ATS Reengineering Project (Audit No. 2770):**

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 6/30/08, we issued a *final* ATS Audit Alert communicating the need for the Assessor to evaluate Independent Verification and Validation (IV&V) services for the ATS Reengineering Project.

The Assessor does not support external IV&V services at this time and an internal review by CEO/IT is not possible at this time. The Assessor made a presentation to Board of Supervisors on June 17, 2008 regarding the ATS Reengineering Project that included a discussion of IV&V services and risk mitigation. As such, it appears the concepts of IV&V and risk mitigation are recognized and being discussed by the appropriate executive stakeholders. **This closes out our Audit Alert and our work on this item.**

3. **PTMS Implementation Project (Audit No. 2769):**

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.

Activity This Quarter: 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 6/5/08, we issued a *final PTMS Audit Alert* communicating the need for the PTA Departments to evaluate Independent Verification and Validation (IV&V) services for the PTMS Implementation Project. The PTA departments concurred with our recommendation and will take action to pursue IV&V services for the PTMS Implementation Project.

**Update as of 9/3/08:** We reviewed and provided feedback to the CIO and PTMS Project Management Team regarding the scope of work for the IV&V contract. Utilizing a State of CA master contract arrangement, the CIO and PTA Departments plan to issue a request for offer (RFO) for IV&V services mid September 2008.

#### **4. 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. Nineteen (19) duplicate payments were identified this quarter amounting to \$26,826. Since 2002, duplicate payments recovered to date are \$711,883.

We also entered into a contract, dated June 23, 2008, with Schell Advisory Services to help us perform some additional CAAT queries including:

- a) Benford Analysis (application of mathematical formulas looking for digital patterns/frequencies) of accounts payable data to help identify potential errors and fraud.
- b) Employee/Vendor address matches.

#### **5. Follow-Up Audit of A-C/CUBS (Collection System) Audit (Audit No. 2624):**

Fieldwork was completed and we issued a *draft* report on 6/26/08.

#### **6. IT Technical Assistance**

As periodically requested by departments/agencies, Internal Audit provides technical advice in areas that include 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, LLP. The agreed-upon procedures (as performed) were finalized in May 2008. **Our assistance on this item is now closed.**

## **7. 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:

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

## **8. 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. 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 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 BOS Internal Audit Department**  
**Executive Summary of Findings for Internal Control Reviews**  
**For the Period April 1, 2008 through June 30, 2008**

**(5 Final Audit Reports Issued with  
12 Audit Recommendations Receiving Full Management Concurrence)**

Dept./Agency	Process Review	Audit No.	Audit Period	Final Report Issued	Reported Internal Control Issues
1. Auditor-Controller	Claims & Disbursing Unit:  Vendor Payment Process	2720-4	July 1, 2006 through June 30, 2007	April 2, 2008	<ol style="list-style-type: none"> <li>1. <b>Control Finding</b> to ensure vendor discounts are identified and taken as applicable.</li> <li>2. <b>Control Finding</b> to ensure sales taxes are detected and charged on all applicable purchases.</li> <li>3. <b>Control Finding</b> to continue efforts to process invoices within their established 10-day goal and to date-stamp payment requests upon receipt.</li> <li>4. <b>Control Finding</b> to ensure all vendor table code additions have a signed W-9 form containing required taxpayer identification.</li> <li>5. <b>Control Finding</b> for timely supervisory reviews of Vendor Table Update Requests.</li> <li>6. <b>Control Finding</b> to ensure Quality Assurance audits are performed accurately by providing additional training and/or supervisory review.</li> <li>7. <b>Control Finding</b> to ensure Stratification Reviews are performed accurately by providing additional training and/or supervisory review.</li> </ol>
2. Sheriff-Coroner	Sheriff-Coroner Administration:  Purchasing Card (Cal Card) Expenditures	2766-2	July 1, 2006 through June 30, 2007	April 29, 2008	<ol style="list-style-type: none"> <li>1. <b>Compliance Issue</b> to establish a process to track 30-day purchase limits of cardholders and to notify cardholders that exceed the purchase limits for appropriate remediation.</li> </ol>
3. County Executive Office/ Purchasing Division	Audit Alert –  Purchasing Card Administration	2766-3	As of February 27, 2008	April 29, 2008	<ol style="list-style-type: none"> <li>1. <b>Control Finding</b> to work with U.S. Bank to ensure 30-day purchase limits cannot be exceeded by cardholders.</li> </ol>

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Dept./Agency	Process Review	Audit No.	Audit Period	Final Report Issued	Reported Internal Control Issues
4. Auditor-Controller	<b>Claims &amp; Disbursing:  Mileage and Other Expenses Reimbursement Process</b>	2720-2	July 1, 2006 through June 30, 2007	April 30, 2008	<p>1. <b>Control Finding</b> to establish policy and procedures to ensure taxable mileage and other expenses <u>claimed through the cash advance process</u> are identified and reported as taxable reimbursements.</p> <p>2. <b>Control Finding</b> to provide periodic refresher training to staff on the County Travel Policy to ensure all claims have supporting documentation as required by the policy.</p> <p>3. <b>Efficiency/Effectiveness Issue</b> to consider revising the <i>Mileage &amp; Other Expenses Claim</i> form to include a certification that alcoholic beverages were not included in the claim.</p>
5. Sheriff-Coroner	<b>Sheriff-Coroner Administration:  Compliance Audit of Sole Source Procurements and Related Contract Payments</b>	2766-4	Fiscal Years 2006-07 and 2005-06	June 25, 2008	No compliance issues were noted and no audit recommendations were made. <b>Note:</b> A <u>Draft</u> Audit Alert was issued to the County Procurement Office on June 19, 2008 with (4) recommended enhancements to the sole source policy.

**DRAFT AUDIT REPORTS:**

The following **three** draft audit reports were issued during this report period. Departments/agencies have **60 days** to submit responses to audit recommendations.

1. **CEO/Purchasing - Audit Alert:** Policy on Sole Source Contracts; issued June 19, 2008.
2. **CEO/Public Finance Accounting** - Cash Receipts, Cash Disbursements and Selected Department/Trust Funds; issued May 22, 2008.
3. **Clerk-Recorder** - South County Branch Office Cash Receipts Process; issued June 19, 2008.

**Orange County BOS Internal Audit Department  
Executive Summary on **ICR Follow-Up Audits**  
For the Period April 1, 2008 through June 30, 2008**

**(5 Follow-Up Audits Completed Addressing 23 Audit Recommendations)**

<b>Department/Agency</b>	<b>Process Review</b>	<b>Audit No.</b>	<b>Original Report Issued</b>	<b>Reported Internal Control Issues</b>	<b>Status on Corrective Actions</b>	<b>Follow-Up Report Issued</b>	<b>Planned Actions for Recommendations Not Fully Implemented</b>
<b>1. Auditor-Controller</b>	<b>First Follow-Up: Special Report on Virtual Timesheet Interface (VTI): Access to Employee Social Security Numbers</b>	2727-G (for Original Audit No. 2763)	November 14, 2007	<ol style="list-style-type: none"> <li>1. Investigate full extent and impact of the ability to access employee SSNs.</li> <li>2. Restrict access to employee SSNs.</li> <li>3. Evaluate whether SSNs are necessary as identifiers when employee ID numbers are also utilized in VTI.</li> <li>4. If any breach or misuse is identified during the investigation, that necessary measures be taken for remediation.</li> </ol>	<ol style="list-style-type: none"> <li>1. Implemented</li> <li>2. Implemented</li> <li>3. Implemented</li> <li>4. Implemented</li> </ol>	April 8, 2008 <b>Final Close-Out*</b>	N/A
<b>2. Auditor-Controller</b>	<b>First Follow-Up: Central Payroll Processes</b>	2727-F (for Original Audit No. 2631-1)	August 30, 2007	<ol style="list-style-type: none"> <li>1. Central Payroll contact department/agency Human Resources personnel to resolve certain high risk payroll exceptions.</li> </ol>	<ol style="list-style-type: none"> <li>1. Implemented</li> </ol>	April 8, 2008 <b>Final Close-Out*</b>	N/A
<b>3. Health Care Agency</b>	<b>First Follow-Up: Payroll Processes</b>	2727-D (for Original Audit No. 2631-2)	August 9, 2007	<ol style="list-style-type: none"> <li>1. HCA and HCA Accounting, in consultation with A-C Information Technology, modify the VTI Timecard Audit Report to include query capabilities for monitoring unauthorized pay code changes.</li> </ol>	<ol style="list-style-type: none"> <li>1. Implemented</li> </ol>	June 1, 2008 <b>Final Close-Out*</b>	N/A

\* We commend these departments/agencies on implementing audit recommendations by the First Follow-Up Audit, which demonstrates management's overall commitment and responsiveness to our audits.

**Orange County BOS Internal Audit Department  
Executive Summary on **ICR Follow-Up Audits**  
For the Period April 1, 2008 through June 30, 2008**

**(5 Follow-Up Audits Completed Addressing 23 Audit Recommendations)**

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
<b>4. OC Public Works</b>  (formerly Resources & Development Management Department)	<b>First Follow-Up: Facilities Operations - Contract Administration and Cash Disbursements</b>	2727-A (for Original Audit No. 2632)	May 22, 2007	1. Enhance policy on Change Orders so they are processed and approved in a timely manner <u>before</u> the contract completion dates.	1. Implemented	April 21, 2008	N/A
				2. Ensure supporting documentation for Change Order time extension requests is prepared by contractors and Project Managers.	2. Implemented		N/A
				3. Ensure related Change Orders and Notices of Completion are reviewed and dated in accordance with actual timing and completion of projects.	3. Implemented		N/A
				4. Evaluate the invoice approval process for Standing Contracts and develop a process by which there is periodic verification of contracted services.	4. Partially Implemented	<b>Second Follow-Up Audit Required</b>	Facilities Operations will ensure the <i>Matrix for Verifying Completion of Work</i> is kept updated and that supporting documents are maintained to verify work completion.
				5. Evaluate the 30-day practice for processing invoices and determine if enhancements can be made to meet invoice processing timeframes.	5. Partially Implemented		Facilities Operations has hired additional accounting staff and implemented a spreadsheet to log-in and track processing of all invoices. All invoices which are beyond 30 days will include notes explaining reasons for the delay.

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For the Period April 1, 2008 through June 30, 2008**

**(5 Follow-Up Audits Completed Addressing 23 Audit Recommendations)**

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
5. Sheriff-Coroner	First Follow-Up:  Contract Administration and Cash Disbursements	2727-E (for Original Audit No. 2664)	July 26, 2006	1. Facilities Operations ensure invoices and support documentation agree to Price Agreement terms.	1. Implemented	June 19, 2008  <b>Final Close-Out*</b>	N/A
				2. Facilities Operations staff document their reviews and approvals of invoices.	2. Implemented		N/A
				3. Facilities Operations retain packing slips/shipping documents.	3. Implemented		N/A
				4. Facilities Operations ensure invoices are processed within procedural timeframe.	4. Implemented		N/A
				5. South Operations establish contract administration procedures and tracking mechanisms for all Price Agreements under their administration.	5. Implemented		N/A
				6. South Operations segregate duties of contract administration, ordering, verifying goods/services received, and payment authorization.	6. Implemented		N/A
				7. South Operations ensure divisions are provided their respective Price Agreements.	7. Implemented		N/A
				8. South Operations not use revolving funds to pay for items in existing Price Agreements.	8. Implemented		N/A
				9. Agree vendor invoice prices to Price Agreements when approving invoices for payment.	9. Implemented		N/A
				10. South Operations retain packing slips/shipping documents.	10. Implemented		N/A
				11. Assess Account Payable's contract notification process to determine its effectiveness and if any enhancements are needed to ensure divisions receive timely notification of remaining contract balances.	11. Implemented		N/A
				12. Evaluate feasibility of maintaining authorized signature lists for outlying divisions.	12. Closed		N/A

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