



# INTERNAL AUDIT DEPARTMENT



## Second & Final Close-Out Follow-Up Internal Control Audit: Health Care Agency Payroll

As of December 10, 2020

Audit No. 2039-N (Reference 1812-F2)  
Report Date: January 14, 2021

### Recommendation Status

#### FIRST FOLLOW-UP SECOND FOLLOW-UP

<b>2</b>	<b>Implemented</b>	<b>1</b>
<b>1</b>	<b>In Process</b>	<b>0</b>
<b>0</b>	<b>Not Implemented</b>	<b>0</b>
<b>0</b>	<b>Closed</b>	<b>0</b>

Second Follow-Up totals represent findings that were  
In Process or Not Implemented at First Follow-Up

### OC Board of Supervisors

CHAIRMAN ANDREW DO  
1st DISTRICT

VICE CHAIR DOUG CHAFFEE  
4th DISTRICT

VACANT  
2nd DISTRICT

SUPERVISOR DONALD P. WAGNER  
3rd DISTRICT

SUPERVISOR LISA A. BARTLETT  
5th DISTRICT



## INTERNAL AUDIT DEPARTMENT

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Audit No. 2039-N  
(Reference 1812-F2)

January 14, 2021

To: Clayton Chau, MD, PhD  
Health Care Agency Director

From: Aggie Alonso, CPA, CIA, CRMA  
Internal Audit Department Director

Subject: Second & Final Close-Out Follow-Up Internal Control Audit: Health Care Agency Payroll

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We have completed a follow-up audit of the Health Care Agency (HCA) Payroll process as of December 10, 2020, original Audit No. 1812, dated June 18, 2019. Details of our results immediately follow this letter. Additional information including background and our scope is included in Appendix A.

Our second follow-up audit concluded HCA implemented the one (1) remaining recommendation from the original audit. Because the recommendation was implemented, this report represents the final close-out of the original audit.

We appreciate the assistance extended to us by HCA personnel during our follow-up audit. If you have any questions, please contact me at 714.834.5442 or Assistant Director Scott Suzuki at 714.834.5509.

### Attachments

#### Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- County Executive Office Distribution
- Health Care Agency Distribution
- Auditor-Controller Satellite Accounting Operations Distribution
- Robin Stieler, Clerk of the Board
- Foreperson, Grand Jury
- Eide Bailly LLP, County External Auditor

## INTERNAL AUDIT DEPARTMENT

RESULTS	
<b>FINDING NO. 1</b>	<b>Payments Based on Pay Codes Used</b>
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RECOMMENDATION</b>	HCA update their policy and procedures to distinguish between employees covered by different MOUs for certain pay codes and conduct additional training for payroll staff and department supervisors/managers to ensure pay codes are used appropriately.
<b>CURRENT STATUS</b>	<p><b>Implemented.</b> HCA worked with Human Resource Services regarding the use of the Call Back (CB) pay code to determine the requirements for a policy and procedure update. As a result, the Board of Supervisors approved a side letter agreement to modify the Supervisory Management MOU to include case call premium pay, effective October 9, 2020. HCA has updated their internal policy and procedures regarding payroll to address this side letter agreement.</p> <p>In addition, HCA conducted additional training for payroll staff and department supervisors/managers in March 2019, January 2020, and February 2020, to ensure pay codes are used appropriately.</p> <p>Based on the actions taken by HCA, we consider this recommendation implemented.</p>
<b>AUDIT TEAM</b>	<div> <div> Scott Suzuki, CPA, CIA, CISA, CFE  Michael Dean, CPA, CIA, CISA  Gianne Morgan, CIA  Alejandra Hernandez  Mari Elias, MA </div> <div> Assistant Director  Senior Audit Manager  Audit Manager  Senior Auditor  Administrative Services Manager </div> </div>



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**APPENDIX A: ADDITIONAL INFORMATION**

<b>SCOPE</b>	Our follow-up audit was limited to reviewing actions taken by HCA as of December 10, 2020 to implement the one (1) remaining recommendation from our First Follow-up Audit No. 1939-G, dated July 8, 2020.
<b>BACKGROUND</b>	The original audit evaluated effectiveness of internal control over the payroll process. The original audit identified three (3) Control Findings.



## INTERNAL AUDIT DEPARTMENT

## APPENDIX B: FOLLOW-UP AUDIT IMPLEMENTATION STATUS

Implemented	In Process	Not Implemented	Closed
The department has implemented our recommendation in all respects as verified by the follow-up audit. No further follow-up is required.	The department is in the process of implementing our recommendation. Additional follow-up may be required.	The department has taken no action to implement our recommendation. Additional follow-up may be required.	Circumstances have changed surrounding our original finding/ recommendation that: (1) make it no longer applicable or (2) the department has implemented and will only implement a portion of our recommendation. No further follow-up is required.

