



# INTERNAL AUDIT DEPARTMENT



## Executive Summary of Internal Audit Reports For the Quarter Ended June 30, 2019

**Audit Number: 1807**  
**Report Date: August 15, 2019**

### OC Board of Supervisors

Chairwoman Lisa A. Bartlett  
5th District

Vice Chair Michelle Steel  
2nd District

Supervisor Andrew Do  
1st District

Supervisor Donald P. Wagner  
3rd District

Supervisor Doug Chaffee  
4th District



## INTERNAL AUDIT DEPARTMENT

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August 15, 2019

To: Chairwoman Lisa A. Bartlett, Supervisor, 5<sup>th</sup> District  
 Vice Chair Michelle Steel, Supervisor, 2<sup>nd</sup> District  
 Supervisor Andrew Do, 1<sup>st</sup> District  
 Supervisor Donald P. Wagner, 3<sup>rd</sup> District  
 Supervisor Doug Chaffee, 4<sup>th</sup> District

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

Subject: Executive Summary of Internal Audit Reports For the Quarter Ended June 30, 2019

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Attached is our Executive Summary of Internal Audit Reports for the quarter ended June 30, 2019. Specifically, during this quarter, we issued ten audit reports including four original audits and six follow-up audits. The following is a breakdown of the original audits including control weaknesses identified, and the follow-up audits including the implementation status of our recommendations:

### Original Audits

1. Internal Control Audit: Health Care Agency Payroll Process (three control findings)
2. Internal Control Audit: OC Community Resources Payroll Process (one control finding)
3. Internal Control Audit: Sheriff-Coroner Billing of Law Enforcement Services for Harbor Patrol and Airport Police Services (one significant control weakness, and two control findings)
4. Internal Control Audit: Social Services Agency Payroll Process (no findings)

### Follow-Up Audits

5. First & Final Close-Out Follow-Up Internal Control Audit: Countywide Audit of County Business Travel and Meeting Policy – Assessor (all four recommendations implemented)
6. Second & Final Close-Out Follow-Up Internal Control Audit: Auditor-Controller Overtime/Straight Overtime Calculations (sole recommendation implemented)
7. First Follow-Up Information Technology Audit: County Executive Office/OC Information Technology General Controls (31 total recommendations: 19 implemented and 12 in process)
8. Second & Final Close-Out Follow-Up Internal Control Audit: OC Dana Point Harbor Special Revenue Fund 108 Selected Processes & Controls (all five recommendations implemented)
9. Second & Final Close-Out Follow-Up Countywide Audit of Fiduciary Funds – Sheriff-Coroner (all five recommendations implemented)
10. Second & Final Close-Out Follow-Up Internal Control Audit: Social Services Agency Revolving Funds (all seven recommendations implemented)

For each report, our executive summary provides the objectives, results, and details for any critical control weaknesses or significant control weaknesses identified during our review. If you have any questions, please contact me at 714.834.5442 or Assistant Director Scott Suzuki at 714.834.5509.

INTERNAL AUDIT DEPARTMENT  
EXECUTIVE SUMMARY – REPORT ITEM CLASSIFICATIONS  
FOR THE QUARTER ENDED JUNE 30, 2019

CATEGORY	ISSUED THIS PERIOD	ISSUED FOR FY 2018-19
<b>Critical Control Weaknesses</b> These are audit findings or a combination of audit findings that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise the department's or County's reputation for integrity. Management is expected to address Critical Control Weaknesses brought to its attention immediately.	0	6
<b>Significant Control Weaknesses</b> These are audit findings or a combination of audit findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses require prompt corrective actions.	1	11
<b>Control Findings</b> These are audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.	6	23
<b>TOTAL</b>	<b>7</b>	<b>40</b>



EXECUTIVE SUMMARY  
INTERNAL AUDIT REPORTS  
FOR THE QUARTER ENDED JUNE 30, 2019

### HEALTH CARE AGENCY/PUBLIC GUARDIAN

#### 1. Internal Control Audit: Health Care Agency Payroll Process

Audit No. 1812 dated June 18, 2019 for the year ended September 30, 2018

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Assess internal control over payroll processing (including payroll changes and premium pay) to ensure payroll is complete, accurate, valid, timely, and in accordance with department procedures and management's authorization.	We concluded that HCA's internal control over the payroll process was generally effective to ensure payroll (including payroll changes and premium pay) was complete, accurate, valid, timely, and in accordance with department procedures and management's authorization.	None	3
2. Review the payroll process for efficiency.	We concluded that the payroll process was generally efficient.		

### OC COMMUNITY RESOURCES

#### 2. Internal Control Audit: OC Community Resources Payroll Process

Audit No. 1813 dated June 20, 2019 for the year ended September 30, 2018

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Assess internal control over payroll processing (including payroll changes and premium pay) to ensure payroll is complete, accurate, valid, timely, and in accordance with department procedures and management's authorization.	We concluded that OCCR's internal control over the payroll process was generally effective to ensure payroll (including payroll changes and premium pay) was complete, accurate, valid, timely, and in accordance with department procedures and management's authorization.	None	1
2. Review the payroll process for efficiency.	We concluded that the payroll process was generally efficient.		



## INTERNAL AUDIT REPORTS (CON'T)

## SHERIFF-CORONER

## 3. Internal Control Audit: Sheriff-Coroner Billing of Law Enforcement Services for Harbor Patrol and Airport Police Services

Audit No. 1632 dated June 18, 2019 for the year ended November 30, 2018

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Evaluate effectiveness of internal control over the billing process to ensure billing of law enforcement services for Harbor Patrol and Airport Police Services is complete (recorded/reported), accurate, valid (authorized), and processed timely in the County's financial system.	We concluded that OCSD's internal control over the billing process was generally effective to ensure billing transactions are complete, accurate, valid, and processed timely in the County's financial system.	<b>One (1) Significant Control Weakness</b> Due to the sensitive nature of the specific finding, the details for this finding have been redacted from this report.	<b>2</b>
2. Review the billing processes for efficiency	We concluded that business processes were generally efficient as related to the billing of law enforcement services for Harbor Patrol and Airport Police Services.		

## SOCIAL SERVICES AGENCY

## 4. Internal Control Audit: Social Services Agency Payroll Process

Audit No. 1814 dated June 18, 2019 for the year ended September 30, 2018

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Assess internal control over payroll processing (including payroll changes and premium pay) to ensure payroll is complete, accurate, valid, timely, and in accordance with department procedures and management's authorization.	We concluded that SSA's internal control over the payroll process was generally effective to ensure payroll (including payroll changes and premium pay) was complete, accurate, valid, timely, and in accordance with department procedures and management's authorization.	None	<b>0</b>
2. Review the payroll process for efficiency.	We concluded that the payroll process was generally efficient.		



EXECUTIVE SUMMARY  
INTERNAL AUDIT FOLLOW-UP REPORTS  
FOR THE QUARTER ENDED JUNE 30, 2019

**ASSESSOR****5. First & Final Close-Out Follow-Up Internal Control Audit Countywide Audit of County Business Travel and Meeting Policy – Assessor**

Audit No. 1839-C (Reference 1626-C-F1) dated June 28, 2019 as of March 31, 2019; original audit dated June 8, 2018

ORIGINAL AUDIT – 4 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
0	4	4	0	NA

**AUDITOR-CONTROLLER****6. Second & Final Close-Out Follow-Up Internal Control Audit: Auditor-Controller Overtime/Straight Overtime Calculations**

Audit No. 1839-Q (Reference 1629-F2 & 1630-F2) dated June 18, 2019 as of April 30, 2019; original audits dated August 31, 2017 (both)

ORIGINAL AUDIT – 1 FINDING		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
0	1	1	0	NA





## FOLLOW-UP AUDIT REPORTS (CON'T)

## COUNTY EXECUTIVE OFFICE/OC INFORMATION TECHNOLOGY

## 7. First Follow-Up Information Technology Audit: County Executive Office/OC Information Technology General Controls

Audit No. 1748-A (Reference 1644-F1) dated June 26, 2019 as of November 30, 2018; original audit dated April 10, 2018

ORIGINAL AUDIT – 31 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
<p><b>14</b></p> <p><b>Six (6) Critical Control Weaknesses</b> Due to the sensitive nature of the findings, details have been redacted from this report.</p> <p><b>Eight (8) Significant Control Weakness</b> Due to the sensitive nature of the findings, details have been redacted from this report for two of the eight Significant Control Weaknesses. The remaining six are as follows:</p> <ol style="list-style-type: none"> <li>1. Change request risk assessment not consistently completed.</li> <li>2. Shared Services change management tool lacked critical information.</li> <li>3. Shared Services lacks service level agreements (SLAs)/requirements (SLRs) with client departments.</li> <li>4. Cybersecurity Framework not fully implemented.</li> <li>5. Security risks from lack of Countywide IT security authority.</li> <li>6. Lack of comprehensive IT risk management framework.</li> </ol>	<b>17</b>	<b>19</b>	<b>12</b>	<p><b>Recommendation Nos. 2, 4, 5, 6 (Critical Control Weakness).</b> Due to the sensitive nature of the findings, details have been redacted from this report.</p> <p><b>Recommendation No. 7 (Significant Control Weakness).</b> Due to the sensitive nature of the findings, details have been redacted from this report.</p> <p><b>Recommendation No. 9 (Control Finding).</b> OCIT is going through a wide-scale transition of consolidating IT vendor functions for its Managed Services. Since portions of our recommendation involve OCIT Managed Services, we will test these areas during our second follow-up, once the transition is complete.</p> <p><b>Recommendation No. 10 (Control Finding).</b> Due to the sensitive nature of the findings, details have been redacted from this report.</p> <p><b>Recommendation No. 11 (Control Finding).</b> OCIT is going through a wide-scale transition of consolidating IT vendor functions for its Managed Services. Since portions of our recommendation involve OCIT Managed Services, we will test these areas during our second follow-up, once the transition is complete.</p>



## FOLLOW-UP AUDIT REPORTS (CON'T)

## COUNTY EXECUTIVE OFFICE/OC INFORMATION TECHNOLOGY (CON'T)

				<p><b>Recommendation No. 20</b> <b>(Significant Control Weakness).</b> OCIT has not finalized or implemented the SLAs and SLRs. OCIT Shared Services indicated they submitted a request to SAIC to implement the changes into ServiceNow (SMS) to enable the SLAs and SLRs to be monitored and tracked.</p> <p><b>Recommendation No. 23</b> <b>(Control Finding).</b> OCIT Shared Services developed documented procedures for quarterly review of scheduled backup jobs, and review and authorization of changes made to those jobs. While the procedures documented the process for management review, the last available evidence of reviews being performed was May 2017.</p> <p><b>Recommendation No. 25</b> <b>(Control Finding).</b> OCIT will migrate OCCR's physical server data to virtual machines, before it can migrate backup jobs onto the consolidated backup solution. At CSS, there is currently no budgeted funding so the backup solution is not scheduled for consolidation at this time. OCIT Shared Services has implemented ServiceNow for its centralized incident management tool, except for the Probation Department, which is expected to be implemented by quarter one or two of Fiscal Year 2019-20.</p> <p><b>Recommendation No. 31</b> <b>(Control Finding).</b> OCIT advised IAD that it has contracted a reputable cybersecurity third-party vendor to develop new IT policies, as well as revise existing policies to meet industry best practice.</p>
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## FOLLOW-UP AUDIT REPORTS (CON'T)

### OC COMMUNITY RESOURCES

#### 8. Second & Final Close-Out Follow-Up Internal Control Audit: OC Dana Point Harbor Special Revenue Fund 108 Selected Processes & Controls

Audit No. 1839-J (Reference 1423-F2) dated June 11, 2019 as of March 31, 2019; original audit dated April 24, 2017

ORIGINAL AUDIT – 5 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
0	5	5	0	NA

### SHERIFF-CORONER

#### 9. Second & Final Close-Out Follow-Up Countywide Audit of Fiduciary Funds – Sheriff-Coroner

Audit No. 1839-I (Reference 1519-F2) dated June 27, 2019 as of May 31, 2019; original audit dated June 8, 2017

ORIGINAL AUDIT – 5 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
0	5	5	0	NA

### SOCIAL SERVICES AGENCY

#### 10. Second & Final Close-Out Follow-Up Internal Control Audit: Social Services Agency Revolving Funds

Audit No. 1839-N (Reference 1633-F2) dated May 23, 2019 as of April 30, 2019; original audit dated May 30, 2017

ORIGINAL AUDIT – 7 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
1	6	7	0	NA
<b>One (1) Critical Control Weaknesses</b> 1. Segregation of duties for profiles within CalWIN system				

