



INTERNAL AUDIT DEPARTMENT



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

Audit Number: 1907
Report Date: November 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

November 15, 2019

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

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

Subject: Executive Summary of Internal Audit Reports for the Quarter Ended September 30, 2019

Attached is our Executive Summary of Internal Audit Reports for the quarter ended September 30, 2019. Specifically, during this quarter, we issued five audit reports, which include three original audits and two follow-up audits. The following is a breakdown of the original audits along with the number of control weaknesses identified, and the follow-up audits with the implementation status of our recommendations:

Original Audits

1. Internal Control Audit: OC Community Resources/OC Animal Care Cash Receipts (seven control findings)
2. Internal Control Audit: OC Public Works' Facilities Operations & Custodial Billing (three control findings)
3. Internal Control Audit: OC Waste & Recycling Fee-Generated Revenue (one control finding)

Follow-Up Audits

4. First Follow-Up Internal Control Audit: Countywide Audit of County Business Travel and Meeting Policy – Social Services Agency (six total recommendations: five implemented and one in process)
5. Second & Final Follow-Up Internal Control Audit: Electronic Funds Transfer Process – Treasurer-Tax Collector (nine total recommendations: eight implemented and one in process)

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 SEPTEMBER 30, 2019

CATEGORY	ISSUED THIS PERIOD	ISSUED FOR FY 2018-19
<p>Critical Control Weaknesses 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.</p>	0	0
<p>Significant Control Weaknesses 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.</p>	0	0
<p>Control Findings 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.</p>	11	11
TOTAL	11	11



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

OC COMMUNITY RESOURCES/OC ANIMAL CARE

1. Internal Control Audit: OC Community Resources/OC Animal Care Cash Receipts

Audit No. 1815 dated September 30, 2019 for the year ended November 30, 2018

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Evaluate the effectiveness of internal control over the cash receipts process to ensure cash receipts are properly collected, recorded, deposited, and safeguarded.	We concluded that OC Animal Care's internal control over the cash receipts process is generally effective to ensure cash receipts are properly collected, recorded, deposited, and safeguarded.	None	7
2. Review the cash receipts processes for efficiency.	We concluded that the cash receipts process is generally efficient.		

OC PUBLIC WORKS

2. Internal Control Audit: OC Public Works' Facilities Operations & Custodial Billing

Audit No. 1734 dated September 19, 2019 for the year ended June 30, 2018

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Evaluate effectiveness of internal controls over the billing process to ensure billing of public works to County departments is complete (recorded/reported), accurate, valid (authorized), and processed timely in the County's financial system.	We concluded that OCPW's internal control over the billing process for facilities operations and custodial services was generally effective to ensure billing transactions are complete, accurate, valid, and processed timely in the County's financial system.	None	3
2. Review the billing process for efficiency.	We concluded that the billing process was generally efficient as related to the billing of public works services to County departments.		



INTERNAL AUDIT REPORTS (CON'T)

OC WASTE & RECYCLING

3. Internal Control Audit: OC Waste & Recycling Fee-Generated Revenue

Audit No. 1821 dated September 23, 2019 for the year ended January 31, 2019

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Assess internal control over fee studies and fee development processes for establishing cost recovery fees charged to the public.	We concluded that OCWR's internal control over fee studies and fee development process is generally effective.	None	1
2. Ensure business processes are efficient as related to controls over the fee generated revenue process.	We concluded that business processes are generally efficient as related to the process of fee-generated revenue.		



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

SOCIAL SERVICES AGENCY**4. First Follow-Up Internal Control Audit: Countywide Audit of County Business Travel and Meeting Policy – Social Services Agency**

Audit No. 1839-G (Reference 1626-I-F1) dated September 11, 2019 as of March 31, 2019; original audit dated September 7, 2018

ORIGINAL AUDIT – 6 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	
5	1	5	1	Recommendation No. 6 (Control Finding) SSA is working with OCIT to establish a separate workflow process for regular travel and court-mandated travel. SSA hopes to have this new process implemented within the next six months.
<p>Two (2) Critical Control Weaknesses</p> <ol style="list-style-type: none"> SSA was not properly completing reconciliations of a revolving cash fund, which resulted in an unreconciled/unaccounted for amount of approximately \$47,000. When outlying revolving fund locations were seeking reimbursement from the SSA main fund for cash disbursements, the main fund custodian was writing checks payable to “cash”. <p>Three (3) Significant Control Weaknesses</p> <ol style="list-style-type: none"> The revolving fund custodian accepted cash repayments. Non-compliant timing of expense claim submittal. Cash advances issued to employees with outstanding travel cash advances. 				



FOLLOW-UP AUDIT REPORTS (CON'T)
TREASURER-TAX COLLECTOR
5. Second & Final Follow-Up Internal Control Audit: Electronic Funds Transfer Process – Treasurer-Tax Collector

Audit No. 1839-M (Reference 1583-F2) dated August 26, 2019 as of May 2, 2019; original audit dated May 22, 2017

ORIGINAL AUDIT – 9 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	
3	6	8	1	Recommendation No. 1 (Critical Control Weakness). Due to the sensitive nature of the finding, details have been redacted from this report.
Two (2) Critical Control Weaknesses Due to the sensitive nature of the findings, details have been redacted from this report.				
One (1) Significant Control Weakness Due to the sensitive nature of the finding, details have been redacted from this report.				

