



INTERNAL AUDIT DEPARTMENT



Executive Summary of Internal Audit Reports For the Quarter Ended September 30, 2023

Audit Number: 2396

Report Date: November 16, 2023

OC Board of Supervisors

CHAIRMAN DONALD P. WAGNER
3rd DISTRICT

VICE CHAIRMAN ANDREW DO
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SUPERVISOR VICENTE SARMIENTO
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5th DISTRICT



INTERNAL AUDIT DEPARTMENT

November 16, 2023

To: Chairman Donald P. Wagner, Supervisor, 3rd District
 Vice Chairman Andrew Do, 1st District
 Supervisor Vicente Sarmiento, 2nd District
 Supervisor Doug Chaffee, 4th District
 Supervisor Katrina Foley, 5th District

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

Subject: Executive Summary of Internal Audit Reports for the Quarter Ended September 30, 2023

Attached is our Executive Summary of Internal Audit Reports for the quarter ended September 30, 2023. Specifically, during this quarter, we issued four audit reports, which includes three original audits and one follow-up audit. The following is a breakdown of the original audits, along with the number of critical, significant, and control weaknesses identified, and the follow-up audit with the implementation status of our recommendations:

Original Audits

1. **Information Technology Audit: Clerk-Recorder Selected Cybersecurity Controls** (four Significant Control Weaknesses, two Control Findings)
2. **Internal Control Audit: County Executive Office Special Revenue Fund 13Y** (one Control Finding)
3. **Internal Control Audit: OC Community Resources/OC Public Libraries Special Revenue Fund 120** (one Significant Control Weakness, two Control Findings)

Follow-Up Audits

4. **First Follow-Up Contract Compliance Audit: OC Community Resources/OC Parks – Ocean Institute** (eight total recommendations: five implemented/closed, three 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 Senior Audit Manager Michael Dean at (714) 834-4101.

INTERNAL AUDIT DEPARTMENT
EXECUTIVE SUMMARY – FINDING TYPE CLASSIFICATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2023

CATEGORY	ISSUED THIS PERIOD	ISSUED FOR FY 2023-24
<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>	5	5
<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>	5	5
TOTAL	10	10

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2023

CLERK-RECORDER**1. Information Technology Audit: Clerk-Recorder Selected Cybersecurity Controls**

Audit No. 2151 dated September 28, 2023 for the period July 1, 2022 to May 31, 2023

OBJECTIVES	RESULTS	CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS	CONTROL FINDINGS
1. Account management and access control management provide reasonable assurance of proper user and privileged account administration.	Content has been removed from this report due to the sensitive nature of the specific findings.	Four (4) Significant Control Weaknesses Due to the sensitive nature of the findings, details have been redacted from this report.	2
2. Vulnerability management provide reasonable assurance the opportunity for attack is reduced.	Content has been removed from this report due to the sensitive nature of the specific findings.		
3. Data recovery capabilities controls provide reasonable assurance enterprise assets can be restored to a pre-incident and trusted state.	Content has been removed from this report due to the sensitive nature of the specific findings.		

COUNTY EXECUTIVE OFFICE**2. Internal Control Audit: County Executive Office Special Revenue Fund 13Y**

Audit No. 2018 dated September 21, 2023 for the Calendar Year ended December 31, 2022

OBJECTIVES	RESULTS	CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS	CONTROL FINDING
1. Evaluate the effectiveness of internal control over Special Revenue Fund 13Y to ensure sources and uses of funds are proper and in compliance with County and departmental policies and procedures.	CEO's internal control over Special Revenue Fund 13Y was generally effective to ensure sources and uses of funds are proper and in compliance with County and departmental policies and procedures.	0	1
2. Review the special revenue fund process for efficiency.	CEO's special revenue fund process for Fund 13Y was generally efficient.		

OC COMMUNITY RESOURCES/OC PUBLIC LIBRARIES

3. Internal Control Audit: OC Community Resources/OC Public Libraries Special Revenue Fund 120

Audit No. 2216 dated September 6, 2023 for the Calendar Year ended December 31, 2022

OBJECTIVES	RESULTS	CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS	CONTROL FINDINGS
1. Evaluate the effectiveness of internal controls over Special Revenue Fund 120 to ensure sources and uses of funds are proper and in compliance with County departmental policies and procedures.	We concluded that OCCR's internal controls over OCPL Special Revenue Fund 120 were generally effective to ensure the sources and uses of funds are proper and in compliance with County and departmental policies and procedures.	One (1) Significant Control Weakness We noted three instances where unredacted PPI was included in documentation.	2
2. Review the special revenue fund process for efficiency.	We concluded that OCCR/OCPL's special revenue fund process is generally efficient.		

EXECUTIVE SUMMARY
INTERNAL AUDIT FOLLOW-UP REPORTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2023

OC COMMUNITY RESOURCES/OC PARKS

4. First Follow-Up Contract Compliance Audit: OC Community Resources/OC Parks – Ocean Institute

Audit No. 2289-A (Reference 2171-F1) dated August 31, 2023 as of January 31, 2023; original audit dated June 30, 2022

ORIGINAL AUDIT – 8 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	COMPLIANCE FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
3 Three (3) Significant Compliance Findings	5	5	3	<p>Recommendation No. 1 (Significant Compliance Finding) Ocean Institute continues to underreport gross receipts for visiting vessels because they continue to miscalculate gross receipts using the same inappropriate methodology used in our original audit. Ocean Institute is continuing to work on its reconciliation of rents paid to the County with a goal to remit payment of any additional amounts owed by the end of September 2023.</p> <p>Recommendation No. 2 (Significant Compliance Finding) Ocean Institute was unable to provide donation reports for December 2022 and January 2023, the two months requested as part of our follow-up. Ocean Institute indicated they were unable to provide us with the donation reports because they recently transitioned vendors for its donation software.</p> <p>As a result of our audit, OCCR/OC Parks required Ocean Institute to also prepare a donation records procedure for OCCR’s approval. However, OC Parks management suggested changes to incorporate prior to finalizing the procedure. Ocean Institute is working on revising its procedure and documenting OCCR’s review and approval.</p>

				<p>In addition, Ocean Institute should submit proof of donation tracking reports to verify accuracy of the new system.</p> <p>Recommendation No. 3 (Significant Compliance Finding)</p> <p>Ocean Institute established controls to strengthen its reservation process, but we noted continued errors with reservation details which have the potential to impact rent payable to the County.</p> <p>Ocean Institute conducts a reconciliation of its reservation activities; however, the documentation retained appears incomplete as it lacked common reconciliation markings such as staff signatures and a completion date.</p>
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