

EXHIBIT A

MONTHLY AUDIT ACTIVITY REPORT
FOR FEBRUARY 2008
TO THE BOARD OF SUPERVISORS



Internal Audit Department

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*2005 Recipient of the Institute of Internal Auditor's Award
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**by the Director of Internal Audit
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March 18, 2008

Honorable Board of Supervisors,

It is my pleasure to submit to you the Monthly Audit Activity Report for the month of February 2008. Included are an overview and a detailed briefing of each item.

As always, I'm available at your convenience to discuss any aspect of these items.

Respectfully submitted,

Dr. Peter Hughes, CPA

MONTHLY AUDIT ACTIVITY – February 2008
Status Report to the Board of Supervisors by IAD

THE FOLLOWING AUDITS ARE SUMMARIZED BELOW:

Exhibit

Audits:

- B. Treasurer-Tax Collector: Internal Control Review of Interest Apportionment Process. No material weaknesses noted. We identified **three Significant Issues, two Control Findings, and two Efficiency/Effectiveness Issues** to enhance existing process and controls.

Exhibit

Monthly Computer Assisted Audits of Vendor Payments (CAATs):

- C. Auditor Controller – Duplicate Payments to Vendors – February 2008: We identified **5** duplicate payments made to vendors, totaling **\$3,594 or .004%** of the **\$89 million** vendor invoices processed during January 2008 that are being pursued by the Auditor-Controller.

Retiree/Extra Help Hours:

We identified **31** working retirees who exceeded the 960 hour limit for fiscal year 2006/2007. The excess hours ranged from **1.50 to 119.5 hours**, with only one individual exceeding 80 hours (one pay period).

Exhibit

Follow-Up Audits

- D. Social Services Agency – Final Close-Out Second Follow Up Audit of Internal Control Review of Accounts Receivable and Collections Processes: Second Follow-Up Audit of SSA Accounts receivable and collections. Corrective action was taken on all **four recommendations**. As such, this represents the final close-out of the original audit.

MONTHLY AUDIT ACTIVITY – February 2008
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Detailed Breakout

MATERIAL FINDING:

	Department and Description	Comments
		None issued during February 2008.

Board Date: March 18, 2008

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For a copy of the complete audit report that contains the audit objective, scope, findings, recommendations, and management's response, contact the OC Internal Audit Department's website at <http://www.ocgov.com/audit/>

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NON-MATERIAL FINDINGS

Exhibit	Description	Comments
B.	DEPT: Treasurer Tax Collector TITLE: Internal Control Review of Treasurer Tax Collector's Interest Apportionment Process <u>Audit No.:</u> 2634 ISSUED: February 20, 2008	<p>Scope: An audit of the adequacy and integrity of internal controls; compliance with applicable rules and County policy; and process efficiencies and effectiveness over the Treasurer-Tax Collector's processing of \$317 million in interest apportionments during the audit period.</p> <p>Conclusion: No material weaknesses were noted. Overall controls and processes are in place to ensure interest apportionments are processed completely, timely, and accurately. We identified three Significant Issues, two Control Findings, and two Efficiency/Effectiveness Issues resulting in ten recommendations to enhance controls and processes.</p> <p>Background: The Treasurer-Tax Collector is responsible for the receipt, custody, deposit, investment, and recording of the \$6.1 billion investment pools for the County, school districts and special districts. Interest earnings on investments held in these pools are allocated to individual funds monthly. Interest apportionment is considered an important and critical County process because of the amount of interest apportioned and the relationship of the process with the County bankruptcy.</p> <p>Type of Recommendations: Treasurer-Tax Collector prepare timely interest receivable reconciliations; ensure all reconciling items are identified, supported and resolved; establish procedures to ensure accuracy of interest apportionment worksheets; evaluate the process of for paying and disclosing of purchased interest; ensure a monthly proof of earnings is performed; establish written policies; continue cross-training of critical position; implement spreadsheet controls to safeguard data.</p>

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Exhibit	Description	Comments
C.	DEPT: Auditor-Controller Human Resources CEO/Purchasing TITLE: Computer Assisted Audit Techniques February 2008 <u>Audit No.:</u> 2713-H ISSUED: February 29, 2008	<p>Scope: The monthly CAAT routines are automated queries applied to large amounts of electronic data searching for specified characteristics. We currently perform 5 CAATs routines utilizing selected payroll and vendor data. Depending on the nature of the CAAT, we perform them monthly, annually, or as necessary.</p> <p>Conclusion:</p> <ul style="list-style-type: none"> • <u>Duplicate Payments to Vendors:</u> We identified 5 duplicate payments made to vendors totaling \$3,594 or .004% of the \$89 million vendor invoices processed during January 2008. We analyzed 16,864 vendor invoices paid in January 2008 amounting to \$89,125,348. The Auditor-Controller currently has a recovery rate of about 95% on these duplicate payments. Our prior research has indicated that the duplicate payments are typically caused by a compounded human clerical error. <p>Based on the to-date recoveries of \$675,226 from the duplicate vendor payment routine, these CAAT routines have paid for themselves and are returning monies to the County that may otherwise be lost.</p> <ul style="list-style-type: none"> • <u>Working Retiree Threshold:</u> We identified 31 working retirees who exceeded the 960 hour mandated limit for FY 06-07. The excess hours ranged from 1.50 to 119.5 hours, with only one individual exceeding 80 hours (one pay period). On February 7, 2008, we met with Human Resources and made suggestions related to mitigating risks associated with retirees exceeding limits and enhancing the monitoring process that Human Resources agreed to consider. This closes out our work on this routine for FY 06-07. • <u>Deleted Vendors:</u> No findings. <p>Background: The CAATs differ from our traditional audits in that the CAATs can query 100% of a data universe whereas the traditional audits typically test but a sample of transactions from the population. The resulting matches identified by the CAATs are subjected to further review and analysis by the Internal Audit Department. We then forward any resulting findings to the A-C, HR, or CEO/Purchasing for their review and concurrence, and subsequent correction/recovery. We also work with these departments to identify internal control enhancements with the purpose of preventing future occurrences of the type of findings identified by the CAATs.</p>

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Exhibit	Description	Comments
D.	<p>DEPT: Social Services Agency</p> <p>TITLE: Final Close-Out Second Follow Up Audit of Internal Control Review of Social Services Agency Accounts Receivable and Collections Processes, Original Audit No. 2575</p> <p><u>Audit No.:</u> 2728-B</p> <p>ISSUED: February 20, 2008</p>	<p>Scope: Second Follow-Up Audit of accounts receivable and collection processes and controls to determine if satisfactory corrective action was taken on four recommendations remaining from our First Follow-Up Audit dated April 25, 2007. No material weaknesses or significant issues were identified in the original audit.</p> <p>Conclusion: We are pleased to report that satisfactory corrective action was taken on all four recommendations. As such, this report represents the final close-out of the original audit.</p> <p>Background: Accounts receivables are established upon the expiration of public assistance benefits, or when it has been determined that an overpayment/overissuance of public assistance has occurred. SSA issued over \$285 million in financial assistance during the original audit. SSA and SSA Accounting are responsible for the establishment of accounts receivable and for the collection of amounts due to the County. During the audit period, collections totaled \$2,031,805.</p> <p>Type of Recommendations: Identify barriers that impact the timeliness of establishing accounts receivable; reconcile accounts receivable records to VACS (computer system); ensure debt write-offs are authorized at appropriate management level; evaluate current processes concerning recoveries of debt to maximize collection efforts; evaluate other available options in the collection process.</p>

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