

Internal Audit Department

O R A N G E C O U N T Y
6th Largest County in the USA

EXHIBIT A

JULY 2013 AUDITS BY IAD

MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

Presented on the Board of Supervisors' Agenda August 20, 2013

Financial and Mandated Annual Audit of Treasurer's Investment Compliance for Year Ended December 31, 2011. In our opinion, the Orange County Treasurer complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2011.

Final Close-Out and First Follow-Up Internal Control Audit of Social Services Agency Revolving Fund Process. Our First and Final Follow-Up Audit found that the Social Services Agency fully implemented all four (4) recommendations from our original audit report dated June 26, 2012.

Final Close-Out and First Follow-Up Special Request Audit of Sheriff-Coroner Law Enforcement Services Contract Cost Study for 2012-13. Our First and Final Follow-Up Audit found that the Sheriff-Coroner fully implemented all three (3) recommendations from our original audit report dated June 29, 2012.

Dr. Peter Hughes, MBA, CPA, CIA, CFE, CFF, CITP, CCEP, CGMA
Director of Internal Audit

Assistance in assembling this report provided by:
Michael Goodwin, Assistant Director/Senior Audit Manager, CPA, CIA
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Project No. 1309-2

RISK BASED AUDITING

GAO & IIA Peer Review Compliant – 2001, 2004, 2007, 2010



American Institute of Certified Public Accountants Award to Dr. Peter Hughes as 2010 Outstanding CPA of the Year for Local Government

GRC (Government, Risk & Compliance) Group 2010 Award to IAD as MVP in Risk Management



2009 Association of Certified Fraud Examiners' Hubbard Award to Dr. Hughes for the Most Outstanding Article of the Year-Ethics Pays



2008 Association of Local Government Auditors' Bronze Website Award



2005 Institute of Internal Auditors' Award to IAD for Recognition of Commitment to Professional Excellence, Quality, and Outreach

Letter from Dr. Peter Hughes, CPA



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DIRECTOR

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RISK BASED AUDITING



OC Fraud Hotline
(714) 834-3608

August 20, 2013

Honorable Board of Supervisors,

It is my pleasure to submit to you the Monthly Internal Audit Activity Report for the month of July 2013. For each internal audit report we provide an overview and a detailed briefing for your review.

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Peter Hughes".

Dr. Peter Hughes, CPA

MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

Executive Summary

Exhibit

Audit Project:

- B. Financial and Mandated Annual Audit of Treasurer's Investment Compliance for Year Ended December 31, 2011. In our opinion, the Orange County Treasurer complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2011.

Exhibit

Follow-Up Audit Reports:

- C. Final Close-Out and First Follow-Up Internal Control Audit of Social Services Agency Revolving Fund Process (Original Audit No. 1128). Our Final Close-Out and First Follow-Up Audit found that the Social Services Agency fully implemented all four (4) recommendations from our original audit report dated June 26, 2012.
- D. Final Close-Out and First Follow-Up Special Request Audit of Sheriff-Coroner Law Enforcement Services Contract Cost Study for 2012-2013 (Original Audit No. 1158). Our Final Close-Out and First Follow-Up Audit found that the Sheriff-Coroner fully implemented all three (3) recommendations from our original audit report dated June 29, 2012.

MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

Detailed Report

New Audit Findings & Recommendations by Risk Category

	Description	Results
	<p>Critical Control Weaknesses A serious audit finding or a combination of Significant Control Weaknesses that represent critical exceptions to the audit objective(s) and/or business goals. Management is expected to address "Critical Control Weaknesses" brought to their attention immediately.</p> <p>* Material Weaknesses is used for an audit conducted under AICPA Attestation Standards.</p>	<p>No critical control weaknesses issued during July 2013. No material weakness issued during July 2013.</p> <p>No (0) total recommendations issued since July 2013.</p>
	<p>Significant Control Weaknesses Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses generally will require prompt corrective actions.</p>	<p>No significant control weaknesses issued during July 2013.</p> <p>No (0) total recommendations issued since July 2013.</p>
	<p>Control Findings Audit findings concerning <u>internal controls</u>, <u>compliance issues</u>, or <u>efficiency/effectiveness issues</u> 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>	<p>Three (3) control findings issued during July 2013.</p> <p>Three (3) total recommendations issued since July 2013.</p>

Total Audit Recommendations for FY 2013-14: 3

MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

Detailed Report

	Description	Results
B.	<p>DEPT: Treasurer-Tax Collector</p> <p>TITLE: Financial and Mandated Annual Audit of Treasurer's Investment Compliance for Year Ended December 31, 2011</p> <p>AUDIT NO: 1112</p> <p>ISSUED: July 22, 2013</p>	<p>Scope: We have examined the Orange County Treasurer's compliance with the California Government Code Sections 27130 through 27137 and related provisions of the Orange County Investment Policy Statement (IPS) for the Money Market and the Extended Funds for the year ended December 31, 2011. In addition, we examined compliance with certain requirements contained within the Resolution for the Establishment of the Treasury Oversight Committee, Bylaws and Rules of Procedures of the Treasury Oversight Committee, and County policies and procedures.</p> <p>Our examination was made in accordance with the attestation standards established by the American Institute of Certified Public Accountants (AICPA), and accordingly included examining on a test basis, evidence about the Orange County Treasurer's compliance with those requirements and performing such other procedures as considered necessary in the circumstances. Our examination includes consideration of internal control over compliance as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Treasurer's internal control.</p> <p>Conclusion: In our opinion, the Orange County Treasurer complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2011.</p> <p>Background: The Internal Audit Department was directed by the Board of Supervisors to conduct the required annual audit to determine the degree the Treasurer has complied with both the California Government Code and the Orange County Treasurer IPS approved by the Board of Supervisors. The primary purpose of this audit is to provide reasonable assurance to the Board of Supervisors that the Treasurer has purchased only those high quality and safe investments that have been authorized by policy. As the public stewards of over \$7 billion of taxpayers' monies, compliance with the IPS is of the highest priority for the Board of Supervisors.</p>

Board Date: August 20, 2013

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

MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

Detailed Report

	Description	Results
	<p>Exhibit B continued:</p> <p>TITLE:</p> <p>Financial and Mandated Annual Audit of Treasurer’s Investment Compliance for Year Ended December 31, 2011</p> <p>AUDIT NO: 1112</p>	<p>Type of Recommendations:</p> <p>We did not identify any deficiencies in internal control that we consider to be material weaknesses or a significant deficiency. However, we identified the following areas where compliance and internal controls over compliance could be improved:</p> <ol style="list-style-type: none"> 1) Treasurer-Tax Collector ensure each Treasury Oversight Committee member, upon accepting appointment as a member of the Committee, and annually thereafter, submit a state mandated conflict of interest form (Form 700), and a signed Certificate of Compliance. 2) Treasurer-Tax Collector review State of California Forms 700 for designated employees including members of the Treasury Oversight Committee and resolve any conflicts disclosed as soon as practical. 3) We found that Investment Policy Statement was less restrictive than Government Code Section 53635 and references a repealed Government Code Section. Although, the Investment Policy Statement was not in compliance during the year under audit, it was subsequently amended and in compliance with the Government Code. Therefore, no further action is required.

MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

Detailed Report

	Description	Results
C.	<p>DEPT: Social Services Agency</p> <p>TITLE: Final Close-Out and First Follow-Up Internal Control Audit of Social Services Agency Revolving Fund</p> <p>AUDIT NO: 1227-D (Original Audit No. 1128)</p> <p>ISSUED: July 11, 2013</p>	<p>SCOPE: We have completed a First Follow-Up Audit of Social Services Agency Revolving Fund Process for the period December 1, 2010 through November 30, 2011. Our audit was limited to reviewing actions taken, as of April 30, 2013, to implement the four (4) recommendations from our original audit report dated June 26, 2012.</p> <p>CONCLUSION: Our Final Close-Out and First Follow-Up Audit found that the Social Services Agency fully implemented all four (4) recommendations from our original audit report dated June 26, 2012.</p> <p>BACKGROUND: Social Services Agency maintains two revolving funds in the amount of \$247,750. The funds are allocated between three accounts: Welfare and Assistance (\$127,750), Supplies and Services (\$100,000), and Family Discretionary Fund (\$20,000). During the period from December 1, 2010 through November 30, 2011, Social Services Agency expended \$1,315,578.</p> <p>RECOMMENDATIONS: None</p>

MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

Detailed Report

	Description	Results
D.	<p>DEPT: Sheriff-Coroner</p> <p>TITLE: Final Close-Out and First Follow-Up Special Request Audit of Sheriff-Coroner Law Enforcement Services Contract Cost Study for 2013-2013</p> <p>AUDIT NO: 1218-E (Original Audit No. 1158)</p> <p>ISSUED: July 25, 2013</p>	<p>SCOPE: We have completed a First Follow-Up Audit of Sheriff-Coroner Law Enforcement Services Contract Cost Study for FY 2012-13. Our audit was limited to reviewing actions taken, as of May 31, 2013, to implement the three (3) recommendations from our original audit report dated June 29, 2012.</p> <p>CONCLUSION: Our Final Close-Out and First Follow-Up Audit found the Sheriff-Coroner fully implemented all three (3) recommendations from our original audit report dated June 29, 2012.</p> <p>BACKGROUND: The Sheriff-Coroner proposes costs of \$112 million for Fiscal Year 2012-13 for contract law enforcement services (approximately 16% of Sheriff-Coroner's operations). Currently, contracted law enforcement services are provided to twelve Orange County cities and the Orange County Transportation Authority. The Sheriff-Coroner has a contract proposal with the City of Yorba Linda to provide contract law enforcement services.</p> <p>RECOMMENDATIONS: None</p>