

EXHIBIT A

IAD'S MONTHLY ACTIVITY REPORT

FOR

DECEMBER 2007

TO THE

BOARD OF SUPERVISORS

*2005 Recipient of the Institute of Internal Auditors' Award for
Recognition of Commitment to Professional Excellence, Quality & Outreach*

The Internal Audit Department is an independent audit function reporting directly to the Orange County Board of Supervisors.



*Integrity
Objectivity
Independence*

by the Director of Internal Audit

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January 14, 2007

Honorable Board of Supervisors,

It is my pleasure to submit to you the Monthly Audit Activity Report for the month of December. 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 ACTIVITY – December 2007
Status Report to the Board of Supervisors by IAD

DECEMBER AUDIT ACTIVITY:
THE FOLLOWING PROJECTS ARE SUMMARIZED BELOW:

- Exhibit** **Audits:**
- B. **District Attorney – Audit of Spousal Abuser Prosecution Program:** We found the financial statement presents fairly, in all material respects, the approved budget, expenditures, and costs claimed and accepted for the District Attorney’s Office Audit of Spousal Abuser Prosecution Program, for Fiscal Year Ending June 30, 2007.
- C. **District Attorney – Audit of Automobile Insurance Fraud Program:** We found the financial statement presents fairly, in all material respects, the approved budget, revenues and expenditures for the District Attorney’s Office Audit of Automobile Insurance Fraud Program, for Fiscal Year Ending June 30, 2006.
- D. **Public Defender – Performance Measure Validation:** Based on our audit of the 2005-06 Results reported in Public Defender’s 2007-08 Business Plan, we rated 100% or all of Public Defender’s reported Performance Indicator Results as 5 Star.
- E. **Treasurer Tax-Collector – Performance Measure Validation:** Based on our audit of the 2005-06 Results reported in Treasurer Tax-Collector’s 2007-08 Business Plan, we rated 100% or all five (5) of Treasurer Tax-Collector’s reported Performance Indicator Results as 5 Star.
- F. **Clerk of the Board of Supervisors – Performance Measure Validation:** Based on our audit of the 2005 Results reported in Clerk of the Board’s 2007 Business Plan, we tested all 6 Performance Indicator Result and rated 50% or three (3) of Clerk of the Board’s reported Results as 5 Star, two (2) as 4 Star, and one (1) as 3 Star.

Exhibit **Monthly Computer Assisted Audits of Vendor Payments (CAATs):**

- G. **Auditor Controller – Duplicate Payments to Vendors – December 2007:** We identified 2 duplicate payments made to vendors, totaling \$516 or .0006% of the \$80 million vendor invoices processed during November 2007 that are being pursued by the Auditor-Controller.

Exhibit **Follow-Up Audits**

- H. **Integrated Waste Management Department: Contract Administration:** Second and Final Close-Out Follow-Up Audit of contract administration processes and controls. Corrective action was taken on 1 new recommendation, which was considered a **Significant Issue**. As such, this report represents the final close-out of the original audit.

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Detailed Breakout

MATERIAL FINDING:

	Department and Description	Comments
		None issued during December 2007.

Board Date: January 29, 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.	<p>DEPT: District Attorney</p> <p>TITLE: Audit of Spousal Abuser Prosecution Program</p> <p><u>Audit No.:</u> 2708</p> <p>ISSUED: December 31, 2007</p>	<p>Scope: We audited the District Attorney (DA) Office’s financial statements for the Grant to determine that budgeted amounts, expenditures, and costs claimed and accepted were fairly stated, i.e., the amounts are recorded accurately, completely, and timely. Also, in planning and performing our audit we reviewed internal controls over financial reporting and performed tests of the DA Office’s compliance with certain laws, regulations and grant requirements.</p> <p>Conclusion: In our opinion, the financial statements presents fairly, in all material respects, the approved budget, cumulative expenditures, and allowable costs. In addition, we found no matters involving the internal controls that we considered a material weakness and nothing came to our attention that caused us to believe that the DA office’s had not complied with the laws, regulations, and grant requirements tested.</p> <p>Background: The grant is funded by the California Department of Justice, and the 2006/2007 fiscal year grant award totaled \$95,033. The grant requires the DA to provide a 20% (\$19,007) in-kind match, which is funded from the County General Fund.</p> <p>Type of Recommendations: NONE</p>

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Exhibit	Description	Comments
C.	DEPT: District Attorney TITLE: Audit of Automobile Insurance Fraud Program <u>Audit No.:</u> 2709 ISSUED: December 31, 2007	<p>SCOPE: We audited the District Attorney (DA) Office’s financial statement for the Grant to determine that budgeted amounts, revenues and expenditures were fairly stated, i.e., the amounts are recorded accurately, completely, and timely. Also, in planning and performing our audit we reviewed internal controls over financial reporting and performed tests of the DA Office’s compliance with certain laws, regulations and grant requirements.</p> <p>CONCLUSION: In our opinion, the financial statement presents fairly, in all material respects, the approved budget, revenues and expenditures. In addition, we found no matters involving the internal controls that we considered a material weakness and nothing came to our attention that caused us to believe that the DA office’s had not complied with the laws, regulations, and grant requirements tested.</p> <p>BACKGROUND: The grant is funded by the California Department of Insurance, and the 2006/2007 fiscal year grant award totaled \$1,355,602. However, expenditures totaled only \$1,106,306, as a result, the DA office will submit to the Department of Insurance a request to carry-over \$249,296 to fiscal year 07/08.</p> <p>TYPE OF RECOMMENDATIONS: NONE</p>

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Exhibit	Description	Comments
D.	DEPT: Public Defender TITLE: Performance Measure Validation of 2005-2006 Performance Indicators <u>Audit No.:</u> 2757 ISSUED: December 4, 2007	<p>SCOPE: Our audit included obtaining an understanding of the methodology in place for collecting and reporting Performance Indicator Results by interviewing key personnel, observations, and reviewing source documentation. The 2005-06 Business Plan contained 1 Performance Indicator Result; which we selected for testing Public Defender’s supporting documentation. Our audit scope did not include an assessment of the appropriateness of Public Defender’s Performance Indicator based on their mission, goals and objectives. We rated source (supporting) documentation provided as follows: 5 Star - Adequate supporting documentation; 4 Star - Adequate documentation with recommendations for improvement; and 3 Star - Noted opportunities for improvement.</p> <p>CONCLUSION: Based on our audit of the 2005-06 Results reported in Public Defender’s 2007-08 Business Plan, we rated 100% or all of Public Defender’s reported Performance Indicator Results as 5 Star.</p> <p>BACKGROUND: We have initiated our PMV audits at the request of the Audit Oversight Committee. Our approach is to review performance measure results, assign validation ratings, report conclusions, and make recommendations. Our validation program is designed to provide assurance to the Board of Supervisors, the County Executive Officer, and the departments/agencies and other stakeholders that reported Outcome Indicators are reliable and can be utilized in decision making covering Government resources with confidence.</p> <p>TYPE OF RECOMMENDATIONS: NONE</p>

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Exhibit	Description	Comments
E.	DEPT: Treasurer Tax-Collector TITLE: Performance Measure Validation of 2005-2006 Performance Indicators <u>Audit No.:</u> 2759 ISSUED: December 4, 2007	<p>SCOPE: Our audit included obtaining an understanding of the methodology in place for collecting and reporting Performance Indicator Results by interviewing key personnel, observations, and reviewing source documentation. The 2005-06 Business Plan contained 5 Performance Indicator Results; which we selected for testing Treasurer Tax-Collector’s supporting documentation. Our audit scope did not include an assessment of the appropriateness of Treasurer Tax-Collector’s Performance Indicator based on their mission, goals and objectives. We rated source (supporting) documentation provided as follows: 5 Star - Adequate supporting documentation; 4 Star - Adequate documentation with recommendations for improvement; and 3 Star - Noted opportunities for improvement.</p> <p>CONCLUSION: Based on our audit of the 2005-06 Results reported in Treasurer Tax-Collector’s 2007-08 Business Plan, we rated 100% or all five (5) of Treasurer Tax-Collector’s reported Performance Indicator Results as 5 Star.</p> <p>BACKGROUND: We have initiated our PMV audits at the request of the Audit Oversight Committee. Our approach is to review performance measure results, assign validation ratings, report conclusions, and make recommendations. Our validation program is designed to provide assurance to the Board of Supervisors, the County Executive Officer, and the departments/agencies and other stakeholders that reported Outcome Indicators are reliable and can be utilized in decision making covering Government resources with confidence.</p> <p>TYPE OF RECOMMENDATIONS: NONE</p>

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Exhibit	Description	Comments
F.	<p>DEPT: Clerk of the Board</p> <p>TITLE: Performance Measure Validation of 2005 Performance Indicator.</p> <p><u>Audit No.:</u> 2747</p> <p>ISSUED: December 10, 2007</p>	<p>SCOPE: Our audit included obtaining an understanding of the methodology in place for collecting and reporting Performance Indicator Results by interviewing key personnel, observations, and reviewing source documentation. The 2005 Business Plan contained 6 Performance Indicator Results; which we selected for testing Clerk of the Board’s supporting documentation. Our audit scope did not include an assessment of the appropriateness of Clerk of the Board’s Performance Indicator based on their mission, goals and objectives. We rated source (supporting) documentation provided as follows: 5 Star - Adequate supporting documentation; 4 Star - Adequate documentation with recommendations for improvement; and 3 Star - Noted opportunities for improvement.</p> <p>CONCLUSION: Based on our audit of the 2005 Results reported in Clerk of the Board’s 2007 Business Plan, we tested all 6 Performance Indicator Results and rated 50% or three (3) of Clerk of the Board’s reported Results as 5 Star, two (2) as 4 Star, and one (1) as 3 Star.</p> <p>BACKGROUND: We have initiated our PMV audits at the request of the Audit Oversight Committee. Our approach is to review performance measure results, assign validation ratings, report conclusions, and make recommendations. Our validation program is designed to provide assurance to the Board of Supervisors, the County Executive Officer, and the departments/agencies and other stakeholders that reported Outcome Indicators are reliable and can be utilized in decision making covering Government resources with confidence.</p> <p>TYPE OF RECOMMENDATIONS: Clerk of the Board ensure that supporting documentation for reported results is maintained and key outcome indicators are clearly defined.</p>

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Exhibit	Description	Comments
G.	DEPT: Auditor-Controller Human Resources CEO/Purchasing TITLE: Computer Assisted Audit Techniques December 2007 <u>Audit No.:</u> 2713-F ISSUED: December 21, 2007	<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"> • Duplicate Payments to Vendors: We identified 2 duplicate payments made to vendors totaling \$516 or .0006% of the \$80 million vendor invoices processed during November 2007. We analyzed 14,986 vendor invoices paid in November 2007 amounting to \$79,704,969. The Auditor-Controller currently has a recovery rate of about 92% 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 \$651,041 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"> • Deleted Vendors: 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
H.	<p>DEPT: Integrated Waste Management Department</p> <p>TITLE: Final Close-Out Second Follow-Up Audit of Internal Control Review of Contract Administration Process and Controls</p> <p><u>Audit No.:</u> 2728-C</p> <p>ISSUED: December 19, 2007</p>	<p>SCOPE: Second Follow-Up Audit of contract administration processes and controls to determine if satisfactory corrective action was taken on 1 new recommendation (Significant Issue) that was identified in our First Follow-Up Audit dated August 29, 2007. The original audit report contained 11 recommendations with no material or significant issues. IWMD had implemented satisfactory corrective action on the 11 recommendations in the First Follow-Up Audit.</p> <p>CONCLUSION: We are pleased to report that satisfactory corrective action was taken to address the 1 new recommendation. As such, this represents the final close-out of the original audit.</p> <p>BACKGROUND: Contract administration within IWMD is decentralized. Contract administration, including budget monitoring and payment approval, is performed at each landfill/division, which administers various types of contracts including Waste Disposal Agreements, Importation Agreements, Franchise Agreements, Price Agreements and Negotiated Contracts. Contract payments for Price Agreements exceeded \$3 million and payments for Negotiated Contracts totaled approximately \$36 million.</p> <p>TYPE OF RECOMMENDATIONS: Perform documented management reviews of annual inflation rate and franchise cost calculations, contractor quotes and daily field reports; segregate purchasing duties; reconcile contract payments to Accounting's worksheet; revise and/or establish procedures to clearly define contract administration duties.</p> <p>New Recommendation: IWMD Accounting establish procedures to ensure the accuracy of <i>Contract Monitoring Worksheets</i> that are used by the landfills/divisions to monitor contract expenditures and prevent contract overruns.</p>

Board Date: January 29, 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/>