EXHIBIT A

IAD'S MONTHLY ACTIVITY REPORT

FOR

FEBRUARY 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.

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by the Director of Internal Audit

Dr. Peter Hughes, MBA, CPA

Certified Information Technology Professional (CITP),
Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE)

Integrity
Objectivity
Independence

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MONTHLY SUMMARY – February 2007
Status Report to the Board of Supervisors by IAD

FEBRUARY AUDIT ACTIVITY:
WE FINISHED 5 PROJECTS FOR THIS MONTH AS SUMMARIZED BELOW:

We completed 1 Audit:

1. Resources and Development Management Department - Performance Measure Validation: Based on our audit of the FY 2004-2005 Results reported in RDMD FY 2006 Business Plan, we rated 41% or fourteen (14) of RDMD reported Outcome Indicator Results as 5 Star, nine (9) as 4 Star, and nine (9) were rated as 3 Star.

We issued 2 Reports of Monthly Computer Assisted Audit Techniques (CAATs) for the Months of November and December 2006:

1. Auditor Controller - Duplicate Payments to Vendors
   We identified **22** duplicate payments made to vendors, totaling **$14,514** or **.003%** of the **$486** million of vendor invoices processed during December 2006 that are being pursued by the Auditor-Controller.

2. Auditor Controller - Duplicate Payments to Vendors
   We identified **18** duplicate payments made to vendors, totaling **$19,993 or .004% of the $487 million** of vendor invoices processed during January 2007 that are being pursued by the Auditor-Controller.

We completed 2 Follow-Up Audits:

3. Auditor-Controller Laser Check Printing
   Final Close-Out Letter for Auditor-Controller's Laser Check Printing. Since the remaining 7 recommendations relate to the soon to be replaced RXLaser application and related processes that will change with the new application, we will not perform a Second Follow-Up Audit for the remaining 7 recommendations.

4. RDMD – Orange County Zoo
   First and Final Close-Out Follow-Up Audit of Resources and Development Management Department/Orange County Zoo at Irvine Park Cash Disbursements and Cash Receipts. Corrective action was taken on all **7** recommendations.

MONTHLY SUMMARY – February 2007
Status Report to the Board of Supervisors by IAD

MATERIAL FINDING:

	Department and Description	Comments
		None issued during February 2007.

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

NON-MATERIAL FINDINGS

	Department and Description	Comments
1.	DEPT: Resources and Development Management Department TITLE: Performance Measure Validation Audit No.: 25101 ISSUED: February 7, 2007	**SCOPE:** Our audit included obtaining an understanding of the methodology in place for collecting and reporting Outcome Indicator Results by interviewing key personnel, observations, and reviewing source documentation. The Business Plan contained a total of 34 Outcome Indicator Results; we selected 32 for testing Resources & Development Management Department (RDMD) supporting documentation. Our audit scope did not include an assessment of the appropriateness of RDMD Strategies 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. **CONCLUSION:** Based on our audit of the FY 2004-2005 Results reported in RDMD FY 2006 Business Plan, we rated 41% or fourteen (14) of RDMD reported Outcome Indicator Results as 5 Star, nine (9) as 4 Star, and nine (9) were rated as 3 Star. **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. **TYPE OF RECOMMENDATIONS:** RDMD for future business plans develop and implement procedures for collecting, retaining, and reporting outcome measures; outcome measures and reported results complement each other; reported results are supported and properly stated; and original supporting documentation is retained.

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	Department and Description	Comments
2.	DEPT: Auditor-Controller Human Resources CEO/Purchasing TITLE: CAAT January 2007 Audit No.: 2620-G ISSUED: February 14, 2007	**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. **CONCLUSION:** • Duplicate Payments to Vendors: We identified **22** duplicate payment made to vendors, totaling **$14,514** or **.003%** of the **$486 million** of vendor invoices processed during December 2006. We perform this analysis monthly to identify duplicate payments made to vendors. We analyzed 16,906 invoices paid in December 2006 amounting to $486,174,364. The Auditor-Controller currently has a recovery rate of about **86%** on these duplicate payments. Our prior research has indicated that the duplicate payments are typically caused by a compounded human clerical error. • Deleted Vendors: No findings. **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.

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MONTHLY SUMMARY – February 2007

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	Department and Description	Comments
3.	DEPT: Auditor-Controller Human Resources CEO/Purchasing TITLE: CAAT February 2007 Audit No.: 2620-H ISSUED: February 28, 2006	**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. **CONCLUSION:** • Duplicate Payments to Vendors: We identified **18** duplicate payments made to vendors, totaling **$19,993** or **.004%** of the **$487 million** of vendor invoices processed during January 2007. We perform this analysis monthly to identify duplicate payments made to vendors. We analyzed 17,072 invoices paid in January 2007 amounting to $486,883,379. The Auditor-Controller currently has a recovery rate of about **84%** on these duplicate payments. Our prior research has indicated that the duplicate payments are typically caused by a compounded human clerical error. • Deleted Vendors: No findings. **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.

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	Department and Description	Comments
4.	DEPT: Auditor-Controller TITLE: Final Close-Out of the Auditor-Controller Laser Check Printing, (Original Audit No. 2326, Issued September 23, 2003) Audit No.: 2625 ISSUED: February 26, 2007	**SCOPE:** Final Close-Out Letter for Auditor-Controller's Laser Check Printing. Our original audit report, dated September 23, 2003, contained 27 recommendations. Our first Follow-Up Audit report, dated September 30, 2005, identified **7** recommendations not fully implemented from the original audit. **CONCLUSION:** Since the remaining 7 recommendations relate to the soon to be replaced RXLaser application and related processes that will change with the new application, we will not perform a Second Follow-Up Audit for the remaining 7 recommendations. Therefore, this letter closed out the original audit of the Auditor-Controller's Laser Check Printing. **BACKGROUND:** During the original audit, the laser check printing application, printing hardware and supplies, and related support was obtained under a contract with RXLaser. After our First Follow-Up Audit, the Auditor-Controller decided to develop a new laser check printing application to replace the RXLaser application. This new application is being developed in-house and supported by the CEO/Office of Information Technology. According to the Auditor-Controller, the new laser check printing application is currently undergoing final testing and is expected to be implemented in approximately one (1) month. **TYPE OF RECOMMENDATIONS:** Recommendations in the areas of: access controls, duties segregation, supervisory reviews and reconciliations, service continuity, data retention, check stock safeguarding, duties assignment, application controls, change controls, and audit trails.

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	Department and Description	Comments
5.	DEPT: Resources Development and Management Department TITLE: First and Final Close-Out Follow-Up Audit of the Orange County Zoo at Irvine Regional Park Cash Disbursements and Cash Receipts, (Original Audit No. 2587, Issued May 25, 2006) Audit No.: 2636-B ISSUED: February 21, 2007	**SCOPE:** **1st** Follow-Up Audit of the Orange County Zoo cash disbursements and cash receipts to determine the implementation status of recommendations made in our original report. In that report, there were **7** recommendations to enhance controls and processes over cash disbursements and receipts. **CONCLUSION**: We are pleased to report that satisfactory corrective action has taken place on all **7** recommendations. **As such, this report represents the final close-out of the original audit.** **BACKGROUND:** RDMD/Harbor, Beaches & Parks Function manages the OC Zoo. The Zoo receives cash for entry fees, zoo programs and tours, and disburses cash for items needed to maintain the Zoo, such as produce, grain, hay and veterinary services. Between November 1, 2004 and October 31, 2005, the Zoo received approximately **$180,000 in revenues** and incurred approximately **$1,000,000 in expenses**. **TYPE OF RECOMMENDATIONS:** Ensure timely payment of invoices; segregate purchasing/receiving duties; retain supporting documents per County record retention requirements; segregate cash handling duties; safeguard handwritten cash receipt forms; document transfer of accountability for cash receipts; restrictively endorse checks upon receipt.

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