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EXHIBIT A

OCTOBER 2012 AUDITS BY IAD

MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

Presented on the Board of Supervisors' Agenda November 20, 2012

OC Fraud Hotline Activity Report. 97 new allegations: 29-actionable; 60-referred out; 8-insufficient information/duplicates, 27-employee misconduct; 2-contractor misconduct. 30-closed, and 8-substantiated.

District Attorney Financial Statement Audit of Disability and Healthcare Insurance Fraud Program. The financial statement presents fairly, in all material respects, the approved budget, revenues and expenditures for FY 2011-12.

Audit of Tax Redemption Officer Records and Accounts. We identified one (1) Significant Control Weakness and two (2) Control Findings.

JWA Revenue Generating License Agreement Audit of Fox Rent A Car. We identified one (1) Significant Control Weakness and eight (8) Control Findings.

District Attorney Financial Statement Audit of Organized Automobile Fraud Activity Interdiction Program. The financial statement presents fairly, in all material respects, the approved budget, revenues and expenditures for FY 2011-12.

District Attorney Financial Statement Audit of Automobile Insurance Fraud Program. The financial statement presents fairly, in all material respects, the approved budget, revenues and expenditures for FY 2011-12.

District Attorney Financial Statement Audit of Workers' Compensation Insurance Fraud. The financial statement presents fairly, in all material respects, the approved budget, revenues and expenditures for FY 2011-12.

Monthly CAAT. Reveals 99.99% of vendor invoices were only paid once.

Second and Final Follow-Up Audit of Health Care Agency Fee Generated Revenue HCA fully implemented the one (1) recommendation remaining from our original audit.

Second and Final Follow-Up Audit of Treasurer Tax Collector Tax Collection and Cash Receipt Processes. The Treasurer-Tax Collector is in process of implementing one (1) recommendation remaining from our original audit.

First and Final Follow-Up Audit of Ladera Ranch Community Facilities Districts. The CEO, Public Finance Accounting (A-C), and OCPW fully implemented twenty (20) recommendations and one (1) recommendation was closed from our original audit.

Control Self-Assessment Follow-Up Survey by the Treasurer-Tax Collector. Based on a request by the T-TC, a follow-up survey was conducted to capture and compare the differences with the 2011 CSA and to identify any new strengths or concerns.

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

Project No. 1209-3

RISK BASED AUDITING

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

AlcPA)
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





Letter from Dr. Peter Hughes, CPA





Dr. Peter Hughes, CPA DIRECTORPh.D., MBA, CCEP, CITP, CIA, CFE, CFF, CGMA

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RISK BASED AUDITING



November 20, 2012

Honorable Board of Supervisors,

It is my pleasure to submit to you the Monthly Internal Audit Activity Report for the month of October 2012. 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,

Dr. Peter Hughes, CPA

Board Date: November 20, 2012 Exhibit A, Page 2 of 17

Executive Summary

Exhibit Audit Reports

- B. OC Fraud Hotline Semi-Annual Activity Report: We received 97 new complaints of alleged improper activities, of which 29 were actionable calls; 60 were referred calls; 6 calls did not contain sufficient information for an investigation; and 2 calls were duplicates. Of the 29 actionable calls, 27 dealt with employee misconduct; and 2 calls dealt with contractor misconduct. The allegations in 8 of the 30 cases closed were substantiated. The individual cases dealt with: hostile work environment sexual harassment and discrimination; mishandling of an investigation; fraudulent travel expenses; using County resources for non-business purposes; non-compliance with EEO Policy recruitment; time abuse; and non-compliance with department policies. In all cases, appropriate corrective action was taken.
- C. <u>Financial Statement Audit of District Attorney's Office Disability and Healthcare Insurance Fraud Program:</u> We found that the financial statement presents fairly, in all material respects, the approved budget, revenues and expenditures for Fiscal Year Ending June 30, 2012.
- D. <u>Audit of Tax Redemption Officer Records and Accounts</u>: We found that the elected Orange County Treasurer-Tax Collector properly calculated and collected over **\$544 million** in delinquent property taxes, interest and penalties for the three years ending June 30, 2011. We identified **one** (1) Significant Control Weakness and two (2) Control Findings regarding the tax redemption process.
- E. Revenue Generating License Agreement Audit of John Wayne Airport Fox Rent A Car, Inc.: We found that Fox Rent A Car, Inc.'s records adequately supported reported gross receipts and fees owed were properly paid except for: 1) documentation of OC resident customers originating from JWA and 2) additional fees of \$10,003 owed to the County for the audit period and audit costs of \$5,940 that can be assessed. We identified one (1) Significant Control Weakness related to charging non-airport customers an 11.11% airport concession fee and eight (8) Control Findings related to the fees owed and/or compliance with the license agreement.
- F. <u>Financial Statement Audit of District Attorney's Office Organized Automobile</u>

 <u>Fraud Activity Interdiction Program:</u> We found that the financial statement presents fairly, in all material respects, the approved budget, revenues and expenditures for Fiscal Year Ending June 30, 2012.
- Financial Statement Audit of District Attorney's Automobile Insurance Fraud Program We found that the financial statement presents fairly, in all material respects, the approved budget, revenues and expenditures for Fiscal Year Ending June 30, 2012.
- H. Financial Statement Audit of District Attorney's Workers' Compensation Insurance Fraud We found that the financial statement presents fairly, in all material respects, the approved budget, revenues and expenditures for Fiscal Year Ending June 30, 2012.

Board Date: November 20, 2012 Exhibit A, Page 3 of 17

Executive Summary

Exhibit Monthly Results of Continuous Auditing Using CAATS (Computer Assisted Audit Techniques):

I. <u>Auditor-Controller, Human Resources, and County Procurement Office – Duplicate Vendor Payments and Other Periodic Routines – October 2012</u>: We analyzed **13,489** vendor invoices paid in September 2012 amounting to about **\$151 million** and found **99.99%** of the invoices were only paid once. Of the \$151 million in vendor invoices, we identified **two** duplicate payments made to vendors totaling \$22,962. To date we have identified **\$1,015,400** in duplicate vendor payments, of which **\$995,084** or **98%** has been recovered and is a noteworthy achievement by the County.

Exhibit Follow-Up Audit Reports:

- J. <u>Second and Final Follow-Up Audit of Health Care Agency Fee Generated Revenue:</u> Our Second Follow-Up Audit found the Health Care Agency fully implemented the one (1) recommendation remaining from our First Follow-Up Audit dated April 2, 2012. During the original audit, Health Care Agency generated approximately \$18.7 million in revenue from Board-approved, cost-recovery fees that are charged to the public for licenses, permits, franchises, and other charges for providing County services.
- K. <u>Second and Final Follow-Up Audit of Treasurer-Tax Collector's \$5.3 Billion Tax Collection and Cash Receipt Processes:</u> Our Second Follow-Up Audit found the Treasurer-Tax Collector is **in process of implementing one (1) recommendation** remaining from our original audit containing thirteen (13) recommendations. Previously, eleven (11) recommendations were implemented and one (1) recommendation was closed in our First Follow-Up Audit.
- L. <u>Final Close-Out First Follow-Up Audit of Ladera Ranch Community Facilities Districts</u> We found that the County Executive Office (CEO)/Public Finance, CEO/Public Finance Accounting (Auditor-Controller PFA), and OC Public Works fully implemented twenty (20) recommendations and one (1) recommendation was closed from our original audit report dated March 7, 2011.
- M. Control Self-Assessment Follow-Up Survey by the Treasurer-Tax Collector:

 We completed a Control Self-Assessment Follow-Up Survey based on a request by the Treasurer-Tax Collector to compare the differences with the 2011 CSA workshops and to identify any new strengths or concerns. Internal Audit administered an online Follow-Up Survey, tabulated the scores and compared them with the results from 2011. The Follow-Up Survey asked the participants a series of 51 statements in 11 categories of control elements.

Board Date: July 31, 2012 Exhibit A, Page 4 of 17

Detailed Report

New Audit Findings & Recommendations by Risk Category

| Description | Results |
|---|--|
| 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. * Material Weaknesses is used for an audit conducted under AICPA Attestation Standards. | No critical control weaknesses issued during October 2012. No material weaknesses issued during October 2012. One (1) total recommendation issued since July 2012. |
| 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. | Two (2) significant control weaknesses issued during October 2012. Twelve (12) total recommendations issued since July 2012. |
| Control Findings 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. | Ten (10) control findings issued during October 2012. Sixteen (16) total recommendations issued since July 2012. |

Total Audit Recommendations for FY 2012-13: 29

Board Date: November 20, 2012 Exhibit A, Page 5 of 17

Detailed Report

| | Description | Results |
|----|---|--|
| B. | DEPT: Internal Audit Department TITLE: OC Fraud Hotline Semi-Annual Activity Report AUDIT NO: 1203-A ISSUED: October 5, 2012 | Scope: We have completed our report concerning the operation of the Orange County Fraud Hotline. The Bylaws of the Orange County Audit Oversight Committee delegates to the Internal Audit Department fraud policy activities, which includes the operation of the Fraud Hotline. This report is for the period of January 1, 2012 through June 30, 2012. Conclusion: We received 97 new complaints of alleged improper activities, of which 29 were actionable calls; 60 were referred calls; 6 calls did not contain sufficient information for an investigation; and 2 calls were duplicates. Of the 29 actionable calls, 27 dealt with employee misconduct; and 2 calls dealt with contractor misconduct. The allegations in 8 of the 30 cases closed were substantiated. The individual cases dealt with: hostile work environment — sexual harassment and discrimination; mishandling of an investigation; fraudulent travel expenses; using County resources for non-business purposes; non-compliance with EEO Policy — recruitment; time abuse; and non-compliance with department policies. In all cases, appropriate corrective action was |
| | | Background: The OCIAD originally established and runs the Orange County Fraud Hotline as part of its ongoing fraud detection and prevention effort. The Hotline is monitored live for calls twenty-four hours a day, seven days a week. IAD staff monitors the telephone during business hours and contracted Hotline service professionals monitor the telephone during non-business hours. Callers can leave anonymous information or identify themselves. Hotline reporting can also be made through our web page on the internet. Type of Recommendations: None |

Detailed Report

| | Description | Results |
|----|---|--|
| C. | DEPT: District Attorney TITLE: | 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 |
| | Financial Statement Audit of District Attorney's Office | requirements. |
| | Disability and Healthcare Insurance Fraud Program | 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 |
| | AUDIT NO: 1211 | 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. |
| | ISSUED: October 15, 2012 | Background : The grant is funded by the California Department of Insurance, and the 2011/2012 fiscal year grant revenues totaled \$586,635. Expenditures totaled \$664,287 resulting in excess of expenditures over revenues of \$77,652, which will be absorbed by the DA Office. |
| | | Recommendations: None |
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Board Date: November 20, 2012 Exhibit A, Page 7 of 17

Detailed Report

| | Description | Results |
|--|--|---|
| D. DEPT: Treasurer Tax Collector TITLE: Audit of Tax Redemption Officer Records and Account | Treasurer Tax Collector TITLE: | Scope: Pursuant to Section 4108.5 of the Revenue and Taxation Code, we have completed an audit of the Treasurer-Tax Collector's Office Redemption Section as of June 30, 2011. The objective of our audit was to evaluate the reliability and integrity of financial and operational tax redemption records and to determine compliance with laws and regulations governing redemption activities. We did not review the property tax apportionment process performed by the Auditor-Controller's Office or the computer information systems used by the Redemption Section. |
| | AUDIT NO: 1113 ISSUED: October 17, 2012 | Conclusion: We found that the elected Orange County Treasurer-Tax Collector properly calculated and collected over \$544 million in delinquent property taxes, interest and penalties for the three years ending June 30, 2011. We identified one (1) Significant Control Weakness and two (2) Control Findings regarding the tax redemption process. |
| | | Background: The Treasurer-Tax Collector (TTC) performs the duties of Tax Redemption Officer through the Redemption Section of his Department. These duties, as defined by Part 7 of the Revenue and Taxation Code, include maintaining abstracts of delinquent secured and supplemental taxes; calculating and collecting interest and penalties on delinquent taxes; verifying specific conditions have been met before property is redeemed by property owners; and issuing certificates for redeemed property. The total dollar volume of redemption taxes and penalties collected during the three years ending June 30, 2011 was approximately \$506 million for secured taxes and \$38.7 million for supplemental taxes. |
| | | Type of Recommendations: We identified one (1) Significant Control Weakness and two (2) Control Findings . The Significant Control Weakness dealt with the segregation of duties over penalty cancellations, and the Control Findings dealt with the adequacy of the method used to review processed and approved penalty cancellations; and policies and procedures over redemption account reconciliations. |

Detailed Report

| | Description | Results |
|----|---|--|
| E. | DEPT: John Wayne Airport | Scope: Revenue Generating License Agreement Audit to determine whether Fox Rent A Car, Inc.' records adequately supported monthly fees paid to the County. During the 12-month audit period, Fox Rent A Car, Inc. reported approximately \$2.8 million in gross receipts derived from airport customers and paid the County approximately \$250,000 in fees. |
| | TITLE: Revenue Generating License Agreement Audit of JWA/Fox Rent A Car, Inc. AUDIT NO: 1134 | Conclusion: We found that Fox Rent A Car, Inc.'s records adequately supported reported gross receipts and fees owed were properly paid except for: 1) documentation of OC resident customers originating from JWA and 2) additional fees of \$10,003 owed to the County for the audit period and audit costs of \$5,940 that can be assessed. We identified one (1) Significant Control Weakness related to charging non-airport customers an 11.11% airport concession fee and eight (8) Control Findings related to the fees owed and/or compliance with the license agreement. JWA concurred with all nine (9) recommendations. |
| | ISSUED: October 18, 2012 | Background: The County entered into a license agreement with Fox Rent A Car, Inc., dated June 18, 2007, which allows Fox Rent A Car, Inc. to pick-up customers with car rental reservations from the premises of the John Wayne Airport terminal. Fox Rent A Car, Inc. is also a franchisee of Payless Car Rental and offers car rentals under that brand. The Payless Car Rental gross receipts are reported to the County along with the Fox Rent A Car, Inc. gross receipts. We audit the underlying books and records to ensure gross receipts are complete and rent is properly paid as defined by the license agreement. Over its five (5) year term, this license agreement is estimated to generate approximately \$1.05 million in fees to the County. |
| | | Recommendations : Fox Rent A Car, Inc. should stop charging the airport concession fee to non-airport customers; better identify and document OC residents that are airport customers and whose gross receipts are subject to fees paid to the County; correct errors in reporting gross receipts for zip code misclassifications, insurance discounts deducted, miscellaneous rental adjustments deducted, and refueling revenue not reported, and pay additional fees owed of \$11,011; correct errors made in reporting the June 2011 gross receipts and obtain a credit of \$1,008; improve the monthly gross receipts statement to include total gross receipts (not just total revenue); and pay audit costs of \$5,940 as allowed due to the additional fees owed. |

Board Date: November 20, 2012

Exhibit A, Page 9 of 17

Detailed Report

| | Description | Results |
|----|---|---|
| F. | Description DEPT: District Attorney TITLE: Financial Statement Audit of District Attorney's Office Organized Automobile Fraud Activity Interdiction Program AUDIT NO: 1213 ISSUED: October 26, 2012 | Results Scope: We audited the District Attorney 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. 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. Background: The grant is funded by the California Department of Insurance (CDI), total fiscal year grant revenues for FY 2011-12 was \$812,168. Expenditures totaled \$680,708, resulting in a carry-over of funds of \$131,480, which the DA's Office will submit a budget to CDI requesting that the carry-over amount be available for use in FY 2012-13. Recommendations: None |
| | | |

Board Date: November 20, 2012 Exhibit A, Page 10 of 17

Detailed Report

| | Description | Results |
|----|---|---|
| G. | Description DEPT: District Attorney TITLE: Financial Statement Audit of District Attorney's Office Automobile Insurance Fraud Program AUDIT NO: 1212 ISSUED: October 26, 2012 | Results Scope: We audited the District Attorney 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. 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. Background: The grant is funded by the California Department of Insurance (CDI), total fiscal year grant revenues for FY 2011-12 was \$1,505,636. Expenditures totaled \$1,219, 075, resulting in a carry-over of funds of \$286,561, which the DA's Office will submit a budget to CDI requesting that the carry-over amount be available for use in FY 2012-13. |
| | | Recommendations: None |

Detailed Report

| DEPT: | |
|---|---|
| DISTRICT Attorney TITLE: Financial Statement Audit of District Attorney's Office Workers' Compensation Insurance Fraud AUDIT NO: 1210 ISSUED: October 30, 2012 | Scope: We audited the District Attorney 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. 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. Background: The grant is funded by the California Department of Insurance (CDI), total fiscal year grant revenues for FY 2011-12 was \$3,500,000. Expenditures totaled \$3,554,753, resulting in net expenditures in excess of revenues of \$54,753, which cannot be applied toward future year's grant revenues. Therefore the excess |
| ISSUED: October 30, 2012 | total fiscal year grant revenues for FY 2011-12 was \$3,500,000. Expenditures totale |
| FDW Ir | inancial Statement Audit of istrict Attorney's Office /orkers' Compensation isurance Fraud |

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Detailed Report

| | Description | Results |
|----|---|---|
| I. | DEPT: Auditor-Controller Human Resources CEO/County Procurement | Scope: The monthly CAAT routines are automated queries applied to large amounts of electronic data searching for specified characteristics. We currently perform four (4) ongoing CAAT routines utilizing selected payroll and vendor data. Depending on the nature of the CAAT, we perform them monthly or quarterly. |
| | Office | Conclusion: |
| | TITLE: Monthly Results of Continuous Auditing Using CAATS (Computer-Assisted Audit Techniques) – October 2012 | • <u>Duplicate Payments to Vendors</u> : We analyzed 13,489 vendor invoices paid in September 2012 amounting to about \$151 million and found 99.99% of the invoices were only paid once. Of the \$151 million vendor invoices, we identified two duplicate payments made to vendors totaling \$22,962. The County currently has a recovery rate from vendors of about 98% on these duplicate payments. Our prior research has indicated that duplicate payments are typically caused by a human clerical error. Based on the to-date recoveries of \$995,084, this CAAT routine has paid for itself and is returning monies to the County that may otherwise be lost. |
| | AUDIT NO: 1238-D ISSUED: October 25, 2012 | Employee Vendor Match: This routine is performed on a quarterly basis. At September 30, 2012, two (2) potential employee-vendor conflicts were identified in the employee-vendor matches we reviewed. These two matches have been submitted to the Human Resources Department (HRD) for further evaluation. Retiree/Extra Help Hours: As of October 4, 2012, no individuals exceeded the annual hourly limits for FY 12-13. |
| | | Multiple Payroll Direct Deposits: No findings noted. |
| | | 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 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 Auditor-Controller, Human Resources, or County Procurement Office 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. |

Detailed Report

| | Description | Results |
|----|---|---|
| J. | DEPT: Health Care Agency | Scope: We completed a Second and Final Close-Out Follow-Up Audit of the Health Care Agency Fee Generated Revenue process. Our audit was limited to reviewing, as of October 10, 2012, actions taken to implement one (1) recommendation remaining from our First Follow-Up Audit dated April 2, 2012. |
| | TITLE: Final Close-Out Second Follow- Up Internal Control Audit of Health Care Agency Fee Generated Revenue | Conclusion: Our Second Follow-Up Audit indicated Health Care Agency fully implemented the one (1) recommendation. As such, this report represents the final close-out of the original audit. |
| | AUDIT NO: 1228-B (First Follow-Up Audit No.1130-G) (Original Audit No. 1024) ISSUED: October 11, 2012 | Background: HCA's Financial and Program Support Services Division and Revenue Unit are responsible for fee development and preparing fee studies of HCA cost-recovery fees subject to approval by the Board of Supervisors. During the audit period, HCA had fourteen (14) fee studies that require Board approval and received fee generated revenue totaling \$18 million. Our audit found internal controls over HCA's fee generated revenue are adequate, effective, and exemplary in the fact they have a well-structured and documented fee development process that can be considered a best practice for other County departments and agencies. However, HCA's ability to adjust certain fees to recover its program costs has been impacted by the economic downturn and a County political environment that is sensitive to raising fees for providing County services. Recommendation: HCA consult with the Auditor-Controller and County Counsel to clarify County revenue policy requirements for submitting updated fee studies to the |
| | | Board of Supervisors. |

Detailed Report

| | Description | Results |
|----|--|--|
| K. | DEPT: Treasurer Tax Collector TITLE: Final Close-Out Second Follow-Up Internal Control Audit of \$5.3 Billion Tax Collection and Cash Receipt Processes AUDIT NO: 1228-A (First Follow-Up Audit No.1130-A) (Original Audit No. 2954) ISSUED: October 22, 2012 | Scope: We completed a Second and Final Follow-Up Audit of internal controls over the Treasurer-Tax Collector's Tax Collection and Cash Receipt Processes. Our audit was limited to reviewing, as of October 15, 2012, actions taken to implement the one (1) recommendation remaining from our original audit containing thirteen (13) recommendations. In our First Follow-Up Audit, twelve (12) recommendations were implemented or closed. The remaining recommendation was concerning fees charged for late payment of taxes. Conclusion: Our Second Follow-Up Audit indicated the Treasurer-Tax Collector is in process of implementing the one (1) recommendation. Because the Treasurer-Tax Collector is contracting a department fee study that will address the one remaining recommendation, we consider the original audit closed for follow-up purposes. Background: The Treasurer-Tax Collector Cashiering Section receives and processes over-the-counter tax payments. The Remittance Processing Section processes tax payments made by mail. Other tax payment methods include credit card payments, electronic fund transfers, Automatic Clearinghouse (ACH) debits, and payments from banks for tax receivables and mortgage impound accounts. For FY 2008-09, about \$5.3 billion in tax collections and cash receipts were received and processed. Recommendations: Improve controls over penalty cancellations regarding authorization, ATS controls, supervisory reviews, audit trails, and management reports to validate penalty cancellations are compliant with Revenue & Taxation Code; improve accountability over trouble checks; address issues concerning a bankruptcy interest fund, parking expenditures, and fee calculations; and address efficiency/effectiveness issues concerning operating hours and acceptance of partial/short tax payments. |

Detailed Report

| | Description | Results |
|----|--|---|
| L. | Description DEPT: County Executive Office/ Public Finance TITLE: Final Close-Out First Follow-Up | Scope: Our audit was limited to reviewing, as of July 31, 2012, actions taken to implement the twenty-one (21) recommendations from our original audit. Conclusion: Our First and Final Follow-Up Audit found the County Executive Office (CEO)/Public Finance, CEO/Public Finance Accounting (Auditor-Controller PFA), and OC Public Works fully implemented twenty (20) recommendations and one (1) recommendation was closed from our original audit report dated March 7, 2011. |
| | Audit of Ladera Ranch Community Facilities Districts AUDIT NO: 1218-A (Original Audit No. 2919) ISSUED: October 29, 2012 | Background: The 6 Community Facilities Districts (CFDs) for Ladera Ranch received principal bond proceeds totaling \$287 million. The Ladera Ranch CFDs are designed to fund required infrastructure (e.g., roads, storm drains, fire stations, libraries, schools) to support current and future residential and commercial growth within land-based taxing regions called CFDs. Funds for CFDs are generated through the issuance of bonds. The County of Orange issued the 6 bonds on behalf of the Ladera Ranch CFDs pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982 (Government Code section 53311, et seq.). |
| | | The Public Finance Division (CEO/Public Finance) is part of the County Executive Office (CEO) under the leadership and oversight of the Chief Financial Officer (CFO) and the Director CEO/Public Finance. CEO/Public Finance is primarily responsible for managing the County's public debt programs, including CFDs. |
| | | CEO/Public Finance Accounting (PFA) is one of the Auditor-Controller's Satellite Accounting Operations (Auditor-Controller PFA). Auditor-Controller PFA is primarily responsible for providing specialized accounting support/services in accordance with the complex needs of CEO/Public Finance. An Accounting Services Agreement is in place between CEO and Auditor-Controller. Included in this Agreement is the requirement that the Auditor-Controller PFA develops accounting policies and procedures and develops and maintains accounting related internal controls. |
| | | Recommendations: None |

Detailed Report

| | Description | Results |
|----|---|---|
| M. | DEPT: Treasurer-Tax Collector | Scope: The Treasurer-Tax Collector requested a Control Self-Assessment (CSA) Follow-Up Survey to compare the differences with the 2011 CSA workshop results, and to identify any new strengths or concerns. Internal Audit administered an online Follow-Up Survey, tabulated the scores and compared them with the results from 2011. |
| | TITLE: Control Self-Assessment Follow-Up Survey by the Treasurer-Tax Collector REPORT NO: 1248 | Follow-up Survey respondents were asked to vote anonymously on their level of agreement with the same statements that were used in the original workshops. Respondents were also asked to provide comments regarding current strengths or concerns, any new issues, or new ideas for what they could do to improve current operations. The Follow-Up Survey asked the participants a series of 51 statements in 11 categories of control elements. |
| | (Original CSA No. 1054) ISSUED: October 30, 2012 | Conclusion : Two original workshop participants were unable to complete the survey and another two did not respond to the survey. After the Follow-up Survey was completed, Internal Audit tabulated the scores and compared them with the results from 2011. Any scores that increased or decreased more than 10% were highlighted for management's attention. On October 16, 2012, the survey results were delivered to the Treasurer-Tax Collector. |
| | | Background: In May 2011, the Internal Audit Department facilitated two Control-Self Assessment workshops with 23 staff members from the Treasurer-Tax Collector's Office. The primary purpose of CSA is to help teams assess their effectiveness in meeting select departmental business and control objectives. CSA is based on the impressions, opinions and observations of the workshop or survey teams. The benefit of the workshop and the Follow-Up Survey are to get issues out on the table so management and the team participants can evaluate, research, clarify, and ultimately verify the observations expressed. Management responds by working with employees and developing concrete corrective actions that the workshop team and management determine have validity to pursue. |
| | | Recommendations: None |