OC Board of Supervisors'

Internal Audit Department

ORANGE COUNTY

EXHIBIT A

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

Presented on Board Agenda
December 16, 2008

Project No. 2807-8

by the Director of Internal Audit
Dr. Peter Hughes, MBA, CPA

Assistance in assembling this report provided by:
Eli Littner, Deputy Director, CPA, CIA, CFE, CFS, CISA
Alan Marcum, Senior Audit Manager, MBA, CPA, CIA, CFE
Michael Goodwin, Senior Audit Manager, CPA, CIA
Autumn McKinney, Senior Audit Manager, CPA, CIA, CGFM, CISA

ORANGE COUNTY BOARD OF SUPERVISORS'
Internal Audit Department

2008 Association of Local Government Auditors' Bronze Website Award

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

Letter from Director Peter Hughes

Dr. Peter Hughes
OFFICE OF THE DIRECTOR
PH.D., MBA, CPA,
CCEP, CITP, CIA, CFE

E-Mail:
peter.hughes@iad.ocgov.com

Eli Littner
DEPUTY DIRECTOR
CPA, CIA, CFE, CFS, CISA

Michael J. Goodwin
SENIOR AUDIT MANAGER
CPA, CIA

Alan Marcum
SENIOR AUDIT MANAGER
MBA, CPA, CIA, CFE

Autumn McKinney
SENIOR AUDIT MANAGER
CPA, CIA, CISA, CGFM

Hall of Finance & Records
12 CIVIC CENTER PLAZA,
ROOM 232
SANTA ANA, CA 92701

www.ocgov.com/audit

(714) 834-5475
(714) 834-2880 Fax

OC Fraud Hotline
(714) 834-3608

December 16, 2008

Honorable Board of Supervisors,

It is my pleasure to submit to you the Monthly Audit Activity Report for the month of November 2008. Each report has an overview and a detailed briefing for your review.

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

Respectfully submitted,

Dr. Peter Hughes, CPA

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

THE FOLLOWING ITEMS ARE SUMMARIZED BELOW:

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

B. Auditor Controller – Duplicate Payments to Vendors – November 2008: We analyzed **14,573** vendor invoices paid in October 2008 amounting to about **$106 million** and found **100%** of the invoices were only paid once. Of the $106 million vendor invoices, we identified **no** duplicate payments made to vendors.

Exhibit **Follow Up Audit**:

C. Sheriff-Coroner & Auditor-Controller: First Follow-Up Audit of Sheriff Administration Revolving Fund Expenditures and Travel Expenditures Reimbursed Through Payroll. We found **2 recommendations fully implemented** and **1 recommendation partially implemented.** Auditor-Controller has taken action to implement the remaining recommendation.

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

Detailed Breakout

MATERIAL FINDING:

	Department and Description	Comments
		None issued during November 2008.

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/

NON-MATERIAL FINDINGS

Exhibit	Description	Comments
B.	DEPT: Auditor-Controller Human Resources County Procurement Office TITLE: Computer Assisted Audit Techniques - November 2008 AUDIT NO: 2844-E ISSUED: November 24, 2008	**Scope:** The monthly CAAT routines are automated queries applied to large amounts of electronic data searching for specified characteristics. We currently perform 4 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 analyzed 14,573 vendor invoices paid in October 2008 amounting to about **$106 million** and found **100%** of the invoices were only paid once. Of the $106 million vendor invoices we identified **no** duplicate payments made to vendors. The Auditor-Controller currently has a recovery rate from vendors of about **98%** on these duplicate payments. Our prior research has indicated that the duplicate payments are typically caused by a human clerical error. Based on the to-date recoveries of **$750,269** 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. • 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 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.

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/

MONTHLY AUDIT ACTIVITY – November 2008

Status Report to the Board of Supervisors by IAD

Exhibit	Description	Comments
C.	DEPT: Sheriff-Coroner & Auditor-Controller TITLE: First Follow-Up Audit of Sheriff Administration Revolving Fund Expenditures and Travel Expenditures Reimbursed through Payroll (Original Audit 2766-1) AUDIT NO: 2829-F ISSUED: November 18, 2008	**Scope:** First Follow-Up Audit of Sheriff Administration's revolving fund expenditures and travel expenditures reimbursed through payroll for FY 2006/07 to determine the implementation status of **3** recommendations made in our original audit report dated March 19, 2008. **No material or significant issues were identified in that audit.** **Conclusion:** Our Follow-Up Audit indicated the Sheriff-Coroner took satisfactory corrective action to fully implement **2** recommendations and the Auditor-Controller partially implemented **1** recommendation. The Auditor-Controller has taken action to implement the remaining recommendation. **Background:** The Audit Oversight Committee directed the Internal Audit Department to conduct an audit of expenditures incurred by the Sheriff Administration. The AOC expressed a desire to double check the integrity of key accounts, funds and expenditures under the direction of Sheriff Administration in response to a recent federal indictment concerning allegations of public corruption charges against the elected Sheriff-Coroner. During FY 2006-07, Sheriff Administration incurred **$59,025 in revolving fund/travel cash advances; $59,445 in revolving fund/petty cash expenditures; and $1,849 in travel expenditures reimbursed through payroll.** **Type of Recommendations:** Sheriff-Coroner Department and Auditor-Controller Claims & Disbursing jointly work towards determining the most effective and practical method for reimbursement of travel expenditures using travel cash advances; A-C Claims & Disbursing increase the frequency of reviews of Sheriff-Coroner Mileage claims submitted through revolving funds; Sheriff-Coroner ensure travel cash advance claims are submitted within the required 5-day timeframe.

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/