OC Board of Supervisors'

Internal Audit Department

ORANGE COUNTY

EXHIBIT A

MONTHLY AUDIT ACTIVITY REPORT FOR JANUARY 2009 TO THE BOARD OF SUPERVISORS

Presented on Board Agenda
February 10, 2009

Project No. 2807-10

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

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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

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February 10, 2009

Honorable Board of Supervisors,

It is my pleasure to submit to you the Monthly Audit Activity Report for the month of January 2009. 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 **Audits**:

B. OC Fraud Hotline Activity: In this period (July 1, 2008 through December 31, 2008) we received 63 new complaints of improper activities, of which 23 were actionable calls; 38 were referred calls; and 2 calls did not contain sufficient information for an investigation. Of the 23 actionable calls, 11 dealt with employee misconduct; 11 dealt with agency/department processes; and one involved a contractor. The allegations in 6 of the 18 cases closed were substantiated and appropriate corrective action was taken.

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

C. Auditor Controller – Duplicate Payments to Vendors – January 2009: We analyzed **15,241** vendor invoices paid in December 2008 amounting to about **$105 million** and found **99.99%** of the invoices were only paid once. Of the $105 million vendor invoices, we identified **two** duplicate payments made to vendors amounting to **$1,293**. To date we have identified **$772,147** in duplicate vendor payments, of which **$752,794** has been recovered which is a noteworthy achievement by the Auditor-Controller's Office.

Exhibit **Follow Up Audits**:

D. County Counsel:
Final Close-Out First Follow-Up Audit of the Performance Measure Audit of County Counsel's 2006-2007 Key Outcome Indicators (Original Audit No. 2749). The original audit contained 1 recommendation. **We found that 1 recommendation was fully implemented and as such, this report represents the final close-out of the original audit.**

E. John Wayne Airport:
Final Close-Out First Follow-Up Review of Lease Revenue Creative Croissants (Original Audit No. 2735). Satisfactory corrective action was taken on the **1** recommendation. **As such, this represents the final close-out of the original audit.**

MONTHLY AUDIT ACTIVITY – January 2009
Status Report to the Board of Supervisors by IAD

Detailed Breakout

MATERIAL FINDING:

	Department and Description	Comments
		None issued during January 2009.

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: Internal Audit Department TITLE: OC Fraud Hotline Activity AUDIT NO: 2803 ISSUED: January 9, 2009	**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 July 1, 2008 through December 31, 2008. **Conclusion:** We received 63 new complaints of improper activities, of which 23 were actionable calls; 38 were referred calls; and 2 calls did not contain sufficient information for an investigation. Of the 23 actionable calls, 11 dealt with employee misconduct; 11 dealt with agency/department processes; and one involved a contractor. The allegations in 6 of the 18 cases closed were substantiated, the individual cases dealt with: time abuse; the use of County equipment for non-business purposes; inadequate computer access controls; non-compliance with Government code; accuracy of costs charged to customers; and a vendor concern. In all cases, appropriate corrective action was taken. **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**

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scope, findings, recommendations, and management's response,
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Exhibit	Description	Comments
E.	DEPT: Auditor-Controller Human Resources County Procurement Office TITLE: Computer Assisted Audit Techniques – January 2009 AUDIT NO: 2844-F ISSUED: December 16, 2008	**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 analyzed 15,241 vendor invoices paid in December 2008 amounting to about **$105 million** and found **99.99%** of the invoices were only paid once. Of the $105 million vendor invoices, we identified **two** duplicate payments made to vendors amounting to **$1,293**. 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 **$752,794** 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. • Multiple Direct Deposits: No findings. • 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.

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MONTHLY AUDIT ACTIVITY – January 2009

Status Report to the Board of Supervisors by IAD

Exhibit	Description	Comments
D.	DEPT: County Counsel TITLE: First Follow Up and Final Close Out Audit on Performance Measures Audit of 2006-2007 Key Outcome Indicator Results AUDIT NO: 2815-B ISSUED: January 16, 2009	**Scope:** Final Close-Out of First Follow Up Audit of the Performance Measure Audit of County Counsel's 2006-2007 Key Outcome Indicator Results. Our audit was limited to reviewing the actions taken to implement the 1 recommendation in our audit report dated October 3, 2007. **Conclusion: We are pleased to report that satisfactory corrective action has taken place for the one (1) audit recommendation. As such, this report represents the final close-out of the original audit.** **Background:** The objective of our Performance Measure Validation (PMV) was to validate the accuracy of the 2006-07 Outcome Measure Results reported in County Counsel's 2007-08 Business Plan. Our audit included obtaining an understanding of the methodology in place for collecting and reporting Outcome Measure Results by interviewing key personnel, observations, and reviewing source documentation. The Business Plan contained a total of 9 Performance Indictors Results, and we tested the supporting documentation for all 9. Our audit scope did not include an assessment of the appropriateness of County Counsel's outcome measures based on their mission, goals and objectives. **Type of Recommendations:** County Counsel ensures that stated results in future business plans correlate with key outcome indicators.

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MONTHLY AUDIT ACTIVITY – January 2009

Status Report to the Board of Supervisors by IAD

Exhibit	Description	Comments
E.	DEPT: John Wayne Airport TITLE: First Follow Up and Final Close Out Review of Lease Revenue Creative Croissants (Original Audit No. 2735) AUDIT NO: 2840-A ISSUED: January 16, 2009	**Scope:** Final Close-Out of First Follow-Up Review of Lease Revenue to determine to determine the implementation status of **1** recommendation made in our original audit report, dated June 24, 2008. No material or significant issues were identified in the original audit report. **Conclusion: We are pleased to report that satisfactory corrective action was taken place for the one (1) audit recommendation.** We commend the personnel at JWA and Atlantic Aviation for their responsiveness in addressing our recommendations. **As such, this report represents the final close-out of the original audit.** **Background:** The County of Orange entered into a lease agreement with Creative Croissants, effective March 1, 1996, for the operation of a coffee specialty concession at JWA. For the year ended December 31, 2007, Creative Croissants generated approximately $1.4 million in gross receipts and paid the County approximately $359,000 in rent. **Type of Recommendation:** Lease compliance regarding supporting documentation for customer refunds.

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