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FINAL CLOSE-OUT

FOLLOW-UP AUDIT: INTERNAL CONTROL AUDIT OF PUBLIC DEFENDER REVOLVING FUND PROCESS

ORIGINAL AUDIT No. 1053

As of March 31, 2012

Our First and Final Follow-Up Audit found that Public Defender fully implemented the two (2) recommendations from our original audit report dated June 16, 2011. For the original audit period of March 1, 2010 to February 28, 2011, the Public Defender incurred approximately \$1.5 million in revolving fund expenditures.

AUDIT NO: 1130-F REPORT DATE: MAY 16, 2012

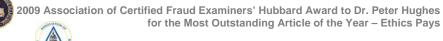
Director: Dr. Peter Hughes, MBA, CPA, CIA Deputy Director: Eli Littner, CPA, CIA Senior Audit Manager: Alan Marcum, CPA, CIA Senior Auditor: Abdul Khan, CPA, CIA

RISK BASED AUDITING

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

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









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

Providing Facts and Perspectives Countywide

RISK BASED AUDITING

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Certified Information Technology Professional (CITP)

Certified Internal Auditor (CIA)

Certified Fraud Examiner (CFE)

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To access and view audit reports or obtain additional information about the OC Internal Audit Department, visit our website: www.ocgov.com/audit



OC Fraud Hotline (714) 834-3608

Letter from Dr. Peter Hughes, CPA



Transmittal Letter



Audit No. 1130-F May 16, 2012

TO: Frank Ospino Public Defender

FROM: Dr. Peter Hughes, CPA, Director

Internal Audit Department

SUBJECT: Final Close-Out Follow-Up Audit:

Internal Control Audit of Public Defender

Revolving Fund Process, Original Audit No. 1053.

Issued June 16, 2011

We have completed a First Follow-Up Audit of internal controls over the Public Defender Revolving Fund Process. Our audit was limited to reviewing, as of March 31, 2012, actions taken to implement the **two (2) recommendations** from our original audit. We conducted this First Follow-Up Audit in accordance with the *FY 11-12 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and Board of Supervisors (BOS).

The results of our First Follow-Up Audit are discussed in the OC Internal Auditor's Report following this transmittal letter. Because our First Follow-Up Audit found that the Public Defender implemented all two (2) recommendations, this report represents the final close-out of the original audit.

Each month I submit an **Audit Status Report** to the BOS where I detail any critical and significant control weaknesses released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS.

Other recipients of this report are listed on the OC Internal Auditor's Report on page 2.

Table of Contents



Final Close-Out Follow-Up Audit: Internal Control Audit of Public Defender Revolving Funds Process, Original Audit No. 1053, Issued June 16, 2011 Audit No. 1130-F

As of March 31, 2012

| Transmittal Letter | i |
|------------------------------|---|
| OC Internal Auditor's Report | 1 |

OC Internal Auditor's Report



Audit No. 1130-F May 16, 2012

TO: Frank Ospino

Public Defender

FROM: Dr. Peter Hughes, CPA, Director

Internal Audit Department

SUBJECT: First and Final Close-Out Follow-Up: Internal Control Audit of Public Defender

Revolving Fund Process, Original Audit No. 1053, Issued June 16, 2011

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Scope of Review

We completed a First Follow-Up Audit of the Public Defender Revolving Fund process and internal controls. Our audit was limited to reviewing actions taken, as of March 31, 2012 to implement the **two (2) recommendations** in our original audit report.

Background

We conducted an Internal Control Audit of the Public Defender Revolving Fund Process, which included an evaluation of the adequacy and integrity of internal controls; testing compliance with Department and County policies, and evaluation of process efficiencies and effectiveness. The original audit identified **two (2) Control Findings** resulting in two (2) recommendations pertaining to the resolution of long-outstanding reconciling items on bank reconciliations and the timeliness of revolving funds replenishment requests. For the original audit period of March 1, 2010 to February 28, 2011, Public Defender incurred expenditures of approximately \$1.5 million.

Results

Our First Follow-Up Audit indicated the Public Defender fully implemented the two (2) recommendations from our original audit. As such, this represents the first and final close-out of the original audit. Based on the Follow-Up Audit we conducted, the following is the implementation status of the 2 original recommendations.

1. <u>Long-Outstanding Reconciling Items – Public Defender Bank Reconciliations</u> (Control Finding)

We recommend the Public Defender ensure long-outstanding items on bank reconciliations are researched and resolved timely.

<u>Current Status:</u> **Implemented.** We found that the Public Defender notified staff about the time limit and responsibilities to follow-up on long-outstanding checks. We tested a sample of bank reconciliations and found there were two checks listed that were issued more than six months ago; however, there was documentation that one check was cancelled (stop payment issued) and investigation was being carried out on the other check. Because the Public Defender took appropriate corrective action, we consider this recommendation to be implemented.

2. Revolving Funds Replenishment Frequency Needs to be Improved (Control Finding)

We recommend the Public Defender ensure that revolving fund replenishment requests are submitted for reimbursement on a regular basis.

OC Internal Auditor's Report



Current Status: **Implemented.** We found that the Public Defender notified its staff to submit revolving fund replenishment requests on a timely basis. We tested a sample of revolving fund replenishment requests and found them to be submitted timely. Because the Public Defender took measures to implement appropriate corrective action, we consider this recommendation to be implemented.

We appreciate the courtesy extended to us by the Public Defender and staff during our audit. If we can be of further assistance, please contact me directly; or Eli Littner, Deputy Director at 834-5899; or Alan Marcum, Senior Audit Manager at 834-4119.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
Becky Juliano, Director of Administration, Public Defender
Foreperson, Grand Jury
Susan Novak, Clerk of the Board of Supervisors