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FINAL CLOSE-OUT

FOLLOW-UP AUDIT: INTERNAL CONTROL AUDIT OF COUNTY COUNSEL REVOLVING FUND PROCESS ORIGINAL AUDIT No. 1055

As of March 31, 2012

Our First and Final Follow-Up Audit found that County Counsel fully implemented all three (3) recommendations from our original audit report dated August 23, 2011. For the original audit period of March 2010 to February 2011, County Counsel received revolving fund replenishments totaling about \$33,000.

AUDIT NO: 1130-I REPORT DATE: MAY 9, 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

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

Director Certified Compliance & Ethics Professional (CCEP)

Certified Information Technology Professional (CITP)

Certified Internal Auditor (CIA)
Certified Fraud Examiner (CFE)

Certified in Financial Forensics (CFF)

Chartered Global Management Accountant (CGMA)

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

Eli Littner CPA, CIA, CFE, CFS, CISA

Deputy Director Certified Fraud Specialist (CFS)

Certified Information Systems Auditor (CISA)

Michael Goodwin CPA, CIA

Senior Audit Manager

Alan Marcum MBA, CPA, CIA, CFE

Senior Audit Manager

Autumn McKinney CPA, CIA, CISA, CGFM

Senior Audit Manager Certified Government Financial Manager (CGFM)

Hall of Finance & Records

12 Civic Center Plaza, Room 232 Santa Ana, CA 92701

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

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OC Fraud Hotline (714) 834-3608

Letter from Dr. Peter Hughes, CPA



Transmittal Letter



Audit No. 1130-I May 9, 2012

TO: Nicholas Chrisos County Counsel

FROM: Dr. Peter Hughes, CPA, Director

Internal Audit Department

SUBJECT: Final Close-Out Follow-Up Audit:

Internal Control Audit of County Counsel

Revolving Fund Process, Original Audit No. 1055,

Issued August 23, 2011

We have completed a First Follow-Up Audit of internal controls over the County Counsel Revolving Fund Process. Our audit was limited to reviewing, as of March 31, 2012, actions taken to implement the **three (3) 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 County Counsel implemented all three (3) 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.

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OC Internal Auditor's Report



Audit No. 1130-I May 9, 2012

TO: Nicholas Chrisos

County Counsel

FROM: Dr. Peter Hughes, CPA, Director/

Internal Audit Department

SUBJECT: Final Close-Out Follow-Up Audit: Internal Control Audit of County Counsel

Revolving Fund Process, Original Audit No. 1055, Issued August 23, 2011

Scope of Review

We completed a First Follow-Up Audit of internal controls over the County Counsel Revolving Fund process. Our audit was limited to reviewing actions taken, as of March 31, 2012, to implement the **three (3) recommendations** in our original audit report.

Background

We conducted an Internal Control Audit of the County Counsel 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 **three (3) Control Findings** resulting in three (3) recommendations pertaining to the resolution of long-outstanding reconciling items on bank reconciliations, fund reconciliations being performed by an individual with other revolving funds duties, and the efficiency of the bank reconciliation process. During the original audit period of March 1, 2010 to February 28, 2011, County Counsel requested 15 reimbursements totaling about \$33,000.

Results

Our First Follow-Up Audit indicated County Counsel fully implemented the three (3) 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 three original recommendations.

1. Long Outstanding Checks Not Cleared Timely (Control Finding)

We recommend County Counsel establish a policy to define the time limit and responsibilities to follow-up long outstanding checks. Also, we recommend County Counsel consider including the check issuance date on the bank reconciliation to facilitate the process on following up on long outstanding checks.

<u>Current Status:</u> **Implemented.** We found that County Counsel updated the bank reconciliation policy and procedures to define the time limit and responsibilities to follow-up on long outstanding checks. In addition, County Counsel now includes the check issuance date on the bank reconciliation. Because County Counsel took appropriate corrective action, we consider this recommendation to be implemented.

OC Internal Auditor's Report



2. Revolving Fund Reconciliations were not Performed by an Individual with no Other Revolving Fund Duties (Control Finding)

We recommend County Counsel consider assigning the fund reconciliation duty to an individual with no other revolving fund duties or implementing detail supervisory review of the fund reconciliation to mitigate risks.

<u>Current Status</u>: **Implemented.** We found that County Counsel has reassigned fund reconciliation duties to an individual with no other revolving fund duties. The fund reconciliation was being prepared by a supervisor and reviewed by a staff specialist. However, per discussion, it was determined that moving forward, a staff member would prepare the fund reconciliation and a supervisor will review it. Because County Counsel took measures to modify and implement appropriate corrective action, we consider this recommendation to be implemented.

3. Bank Reconciliation Process can be Improved to Increase Efficiency

(Control Finding ~ Efficiency & Effectiveness)

We recommend County Counsel consider revising the current bank reconciliation process, i.e., use same date for bank balance and check register balance, to increase efficiency.

<u>Current Status:</u> **Implemented.** We found that County Counsel revised the bank reconciliation process to use the same date for bank balance and check register balance. Because County Counsel took appropriate corrective action, we consider this recommendation to be implemented.

We appreciate the courtesy extended to us by County Counsel 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
Jack Golden, Chief Assistant County Counsel, County Counsel
Mary Chin, Director of Administration, County Counsel
Foreperson, Grand Jury
Susan Novak, Clerk of the Board of Supervisors