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FIRST AND FINAL CLOSE-OUT FOLLOW-UP INTERNAL CONTROL AUDIT:

SOCIAL SERVICES AGENCY
SPECIAL REVENUE AND
FIDUCIARY FUNDS
AS OF JANUARY 15, 2016



Audit Number 1336-F1 (Reference 1528) Report Date: March 1, 2016



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ERIC H. WOOLERY, CPA AUDITOR-CONTROLLER



Transmittal Letter

Audit No. 1336-F1 (Reference 1528)

March 1, 2016

TO: Michael Ryan, Director

Social Services Agency

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

Social Services Agency Special Revenue and Fiduciary Funds

Original Audit No. 1336, Issued May 21, 2015

We have completed our First Follow-Up Internal Control Audit of Social Services Agency Special Revenue and Fiduciary Funds as of January 15, 2016. Our final report is attached for your review.

I submit an **Audit Status Report** quarterly to the Audit Oversight Committee (AOC) and a monthly report to the Board of Supervisors (BOS) where I detail any critical and significant audit findings 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 Follow-Up Audit will be included in future status reports to the AOC and BOS.

Toni Smart, CPA, Director

Auditor-Controller Internal Audit Division

Attachments

Other recipients of this report:

Members, Board of Supervisors

Members, Audit Oversight Committee

Eric Woolery, Auditor-Controller

Frank Kim, County Executive Officer

Mark Denny, Chief Operating Officer

Carol Wiseman, Chief Deputy Director, SSA Silvia Fuller, Manager, Financial Services, SSA

Tonya Riley, Chief Deputy Auditor-Controller, Satellite Accounting Operations

Moses Hernandez, Section Manager, Accounting Services, SSA

Foreperson, Grand Jury

Robin Stieler, Clerk of the Board of Supervisors

Macias Gini & O'Connell LLP, County External Auditor



First and Final Close-Out Follow-Up Internal Control Audit: Social Services Agency Special Revenue and Fiduciary Funds Audit No. 1336-F1 (Reference 1528)

As of January 15, 2016

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RESULTS	

Audit No. 1336-F1 March 1, 2016

TO: Michael Ryan, Director

Social Services Agency

FROM: Toni Smart, CPA, Director

Auditor-Controller Internal Audit Division

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

Social Services Agency Special Revenue and Fiduciary Funds

Original Audit No. 1336, Issued May 21, 2015

SCOPE

We completed a First and Final Close-Out Follow-Up Audit of Social Services Agency Special Revenue and Fiduciary Funds. Our audit was limited to reviewing actions taken as of January 15, 2016, to implement the three recommendations from our original audit.

BACKGROUND

In the original audit, we audited internal controls and compliance over seven special revenue and fiduciary funds under the administration of the Social Services Agency (SSA) to ensure receipts, disbursements and reconciliations were proper and in compliance with County and departmental procedures. During the audit period, SSA processed \$589 million in fund inflows and \$571 million in outflows for year-end fund balance that exceeded \$104 million. Our audit identified three Control Findings to enhance internal controls over the administration of fiduciary and special revenue funds.

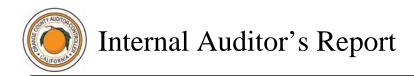
RESULTS

Our First Follow-Up Audit found that Social Services Agency **implemented all three recommendations** from the original audit. As such, **this report represents the final close-out of the original audit.**

Based on our First Follow-Up Audit, the following is the implementation status of the two original recommendations:

1. Purpose and Use of Fund is Not Aligned with Objective of Fund (Control Finding)
SSA and SSA Accounting should evaluate the established purpose and uses of Fund 14T so
it is aligned with the agency's objectives, and work with the Auditor-Controller to amend the
COFA documentation accordingly.

<u>Current Status</u>: **Implemented.** Our First Follow-Up Audit found that SSA worked with Auditor-Controller General Accounting to update the purpose of Fund 14T. COFA 1620, *Fund 14T Modification of Fund Name and Purpose* was issued by the Auditor-Controller on November 19, 2015. We found that the revised COFA addressed the Agency's objectives and uses of the fund. Because of the action taken by SSA, we consider this recommendation implemented.



2. <u>No Written Procedures for Processing Fund Transactions</u> (Control Finding)

SSA and SSA Accounting should evaluate its special revenue and fiduciary funds; determine which funds require written policies and procedures for processing fund transactions; and establish written policies and procedures accordingly in a format consistent with other Auditor-Controller fund policies and procedures. The documented policies and procedures should be reviewed and approved by management and communicated to staff.

<u>Current Status</u>: **Implemented.** Our First Follow-Up Audit found that SSA Accounting prepared procedures for Funds 102, 12S, 12W, 14T, 590, 155, 2AB and 2AC. The procedures include an overview for processing the different types of transactions that routinely occur in each fund and are in a format consistent with other Auditor-Controller and SSA Accounting policies and procedures. SSA Accounting stated that the procedures were approved by SSA Accounting management and were placed on a shared drive and emailed staff that they were updated. Because of the actions taken by the SSA, we consider this recommendation implemented.

3. <u>Untimely Reconciliations and Signature of Preparer or Reviewer</u> (Control Finding)

SSA and SSA Accounting should ensure that the reconciliations are prepared timely, signed and dated by the preparer and reviewer, and that reconciling items are identified and promptly resolved.

<u>Current Status</u>: **Implemented**. Our First Follow-Up Audit found that SSA Accounting prepared reconciliations for Funds 14T, 590 and 155, which all included the names of the preparer and approver and the dates for each. All reconciling items were identified and contained comments about their resolutions. Because of the actions taken by the SSA, we consider this recommendation implemented.

We appreciate the assistance extended to us by SSA and SSA Accounting personnel during our Follow-Up Audit. If you have any questions, please contact me directly at (714) 834-5442.