



Orange County Auditor-Controller Internal Audit



Internal Control Audit:
District Attorney/Public Administrator
Selected Processes & Controls
As of December 31, 2015

Audit Number 1523
Report Date: July 20, 2016



O R A N G E C O U N T Y
AUDITOR-CONTROLLER
I N T E R N A L A U D I T

Eric H. Woolery, CPA
Orange County Auditor-Controller

Toni Smart, CPA	Director, Internal Audit
Scott Suzuki, CPA, CIA, CISA	Assistant Director
Michael Dean, CPA, CIA, CISA	Audit Manager II

12 Civic Center Plaza, Room 200
Santa Ana, CA 92701

Auditor-Controller Web Site
www.ac.ocgov.com



ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



Transmittal Letter

Audit No. 1523

July 20, 2016

TO: Tony Rackauckas
District Attorney/Public Administrator

SUBJECT: Internal Control Audit:
District Attorney/Public Administrator –
Selected Processes & Controls

We have completed our audit of internal controls over selected processes and controls in the District Attorney/Public Administrator as of December 31, 2015. 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 audit will be included in a future status report to the AOC and BOS.

Additionally, we will request your department to complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of our final report.

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
- Michael Lubinski, Senior Assistant District Attorney
- Jenny Qian, Director of Administrative Services, District Attorney
- Kim Dinh, Manager, Financial Services, District Attorney
- Ron Freeman, Chief Deputy Public Administrator, District Attorney/Public Administrator
- Elizabeth Henderson, Senior Deputy District Attorney, District Attorney/Public Administrator
- Ana Roach, Revenue & Compliance Manager, District Attorney/Public Administrator
- Michele Gorey, Fiscal Services Manager, District Attorney/Public Administrator
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board of Supervisors
- Macias Gini & O'Connell LLP, County External Auditor



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District Attorney/Public Administrator
Audit No. 1523*

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Internal Auditor's Report

Audit No. 1523

July 20, 2016

TO: Tony Rackauckas
District Attorney/Public Administrator

FROM: Toni Smart, CPA, Director
Auditor-Controller Internal Audit Division

SUBJECT: Internal Control Audit: District Attorney/Public Administrator –
Selected Processes & Controls

OBJECTIVES

We have completed our audit of internal controls over selected processes and controls in the District Attorney/Public Administrator (DA/PA) as of December 31, 2015. Our audit objectives were to:

1. Determine the status of audit issues noted in the former Internal Audit Department's Audit Withdrawal Letter dated February 19, 2014 (Audit No. 1325).
2. Conduct interviews with key personnel to determine any issues or concerns related to the transition of the Public Administrator function to the District Attorney's Office.
3. Review 2014-15 Performance Measures as noted in the Public Administrator's 2015-16 Recommended Final Budget to ensure those measures are adequately supported.

RESULTS

Objective #1: Our audit found that seven (7) of the 10 audit issues noted in the former Internal Audit Department's Audit Withdrawal Letter dated February 19, 2014 (Audit No. 1325) were resolved. Three (3) issues have not yet been resolved. We identified **one (1) Critical Control Weakness** regarding the need to prioritize the replacement of DA/PA's antiquated case management system referred to as ePAGES. We also identified **three (3) Control Findings** regarding the need to clarify inventory procedures and shared responsibilities between DA/PA and Health Care Agency/Public Guardian (HCA/PG), the need to conduct regular inventories of personal property, and the need to conduct regular inventories of serially-numbered forms.

Objective #2: Based on our interviews of key personnel to determine any issues or concerns related to the transition of the Public Administrator function to the District Attorney's Office, several positive comments were made regarding the transition. Interviewees also made several suggestions to enhance the efficiency and effectiveness of DA/PA functions. By partnering with DA/PA, we identified **five (5) Efficiency/Effectiveness Findings** that DA/PA should implement to further enhance process efficiency and effectiveness. Two (2) findings identified **(Finding Nos. 5 and 6) could save DA/PA approximately \$138,600 annually**. Note: these findings and recommendations do not represent areas of non-compliance with County or DA/PA policy.

Objective #3: Our audit found the 2014-15 Performance Measure, as noted in the Public Administrator's 2015-16 Recommended Final Budget, was supported. As DA/PA was able to generate documents that supported the reported results, we have no reportable audit findings for this objective.



Internal Auditor's Report

BACKGROUND

On February 4, 2014, the Board of Supervisors approved consolidation of the Office of the Public Administrator with the Office of the District Attorney. Prior to the consolidation, the Office of the Public Administrator was combined with the Public Guardian under the Public Administrator/Public Guardian Department. During that time, the former Internal Audit Department was conducting an Internal Control Audit and issued an audit withdrawal letter dated February 19, 2014 containing 10 audit issues. At that time, the Internal Audit Department had not fully audited the issues and were not aware of the plans to mitigate or address them. This audit addresses the status of those issues.

The Public Administrator is committed, when no viable alternatives exist, to compassionately and effectively protect, assist, and manage the affairs of resident decedent estates as mandated pursuant to California Probate Code sections 7601-7604.

The Public Administrator has three divisions: (1) Estate Services, (2) Personal Property, and (3) Real Property. Some key functions performed by the Public Administrator include:

- **Inventory and Appraisal.** Assets of a decedent which are in possession or control of the Deputy Public Administrator are inventoried and appraised accurately and timely pursuant to the Probate Code. A document is filed with the Court within 90 days of appointment as conservator or as temporary conservator of an estate. An inventory is completed by the deputy in the field then keyed into the case management system, ePAGES.
- **Court Accountings.** Court accountings are required to be filed with the Court. A current court accounting is filed at least annually after the PA has been appointed personal representative of a decedent's estate. The court accountings filed include an overview of the decedent's case, Department of Health Services notice, tax clearance letters, real property sales, revolving fund outstanding balances, and outstanding payment requests.
- **Warehousing and Property.** The responsibilities of the PA include locating, taking control, and protecting the assets of decedents. Assets are primarily stored in a warehouse and vaults at DA (one for small valuables, one for firearms only). The personal and real property belonging to the estates of decedents may be sold at periodic public auctions.

SCOPE AND METHODOLOGY

Our audit was as of December 31, 2015 and included:

1. Follow-up to determine the status of audit issues noted in the former Internal Audit Department's Audit Withdrawal Letter dated February 19, 2014 (Audit No. 1325).
2. Interview key personnel to determine any issues or concerns related to the transition of the Public Administrator function to the District Attorney's Office.
3. Review 2014-15 Performance Measures as noted in the Public Administrator's 2015-16 Recommended Final Budget to ensure those measures are adequately supported.

Scope Exclusions. Our audit did not include a review of controls over cash receipt or cash disbursement transactions. Our audit did not include a detailed audit of application controls over DA/PA's case management system.



Internal Auditor's Report

FOLLOW-UP PROCESS

Please note we have a structured and rigorous **Follow-Up Audit** process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). Our **First Follow-Up Audit** will begin at six months from the official release of the report. A copy of all our Follow-Up Audit reports is provided to the BOS as well as to all those individuals indicated on our standard routing distribution list.

The AOC and BOS expect that audit recommendations will typically be implemented within six months and often sooner for significant and higher risk issues. Our **Second Follow-Up Audit** will begin at six months from the release of the first Follow-Up Audit report, by which time **all** audit recommendations are expected to be addressed and implemented. We bring to the AOC's attention any audit recommendations we find still not implemented or mitigated after the second Follow-Up Audit. Such open issues appear on the AOC agenda at their next scheduled meeting for discussion.

We have attached a **Follow-Up Audit Report Form**. Your department should complete this template as our audit recommendation is implemented. When we perform our first Follow-Up Audit approximately six months from the date of this report, we will need to obtain the completed form to facilitate our review.

MANAGEMENT'S RESPONSIBILITIES FOR INTERNAL CONTROLS

In accordance with the Auditor-Controller's County Accounting Manual Section S-2 Internal Control Systems: "All County departments/agencies shall maintain effective internal control systems as an integral part of their management practices. This is because management has primary responsibility for establishing and maintaining the internal control system. All levels of management must be involved in assessing and strengthening internal controls." Control systems shall be continuously evaluated by Management and weaknesses, when detected, must be promptly corrected. The criteria for evaluating an entity's internal control structure is the Committee of Sponsoring Organizations (COSO) control framework. Our Internal Control Audit enhances and complements, but does not substitute for the DA/PA's continuing emphasis on control activities and self-assessment of control risks.

Inherent Limitations in Any System of Internal Control

Because of inherent limitations in any system of internal controls, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in the DA/PA's operating procedures, accounting practices, and compliance with County policy.

The Auditor-Controller Internal Audit Division is available to partner with your staff so that they can successfully implement or mitigate difficult audit recommendations.

ACKNOWLEDGEMENT

We appreciate the courtesy extended to us by the personnel of the District Attorney/Public Administrator during our audit. If you have any questions regarding our audit, please contact me directly at 714-834-5442, or Scott Suzuki, Assistant Director at 714-834-5509.



Detailed Findings, Recommendations, and Management Responses

Objective #1: Follow-Up to determine the status of audit issues noted in the former Internal Audit Department's Audit Withdrawal Letter dated February 19, 2014 (Audit No. 1325).

RESULTS

Our audit found that DA/PA resolved seven (7) of the 10 issues listed in the audit withdrawal letter. Based on our audit, the following is the current status of the 10 original audit issues:

IAD Withdrawal Letter Issue	Current Status
<p>1. <u>Information Technology</u> – PA/PG (Public Administrator/Public Guardian) uses ePAGES (Enhanced Public Administrator Guardian Electronic Systems) as its case management and accounting application. While this system helps PA/PG fulfill its responsibilities, it has significant limitations requiring additional workarounds, and does not contain an asset management module to provide data used for Court Accountings and physical inventory records.</p>	<p>Not resolved. See Finding No. 1 below. (Critical Control Weakness)</p>
<p>2. <u>Court Accountings</u> – PA/PG is required by the court to maintain records and fiduciary accounting of all income, expenses, assets, and disposition of assets through Court Accountings. We were informed of a significant backlog (about 176) in Court Accounting resulting from process inefficiencies in preparing, monitoring, and reviewing Court Accountings.</p>	<p>Resolved. DA/PA management informed us that it classifies Court Accountings as “backlogged” if over one-year old. We reviewed DA/PA’s “Pending Formal Accountings” spreadsheet and noted there are no Court Accountings over one-year old. Since DA/PA has addressed the backlog of Court Accountings, we consider this issue resolved.</p>
<p>3. <u>Warehouse Relocation</u> – On January 21, 2014, the CEO notified PA/PG that their existing warehouse space was to be vacated by March 1, 2014 for use by the Registrar of Voters. Because the warehouse contains assets and property of estates and conservatees that are under the fiduciary responsibility of PA/PG, a plan should be developed to <i>protect</i> and <i>safeguard</i> these assets and property during and after the relocation.</p>	<p>Resolved. In March 2014, the warehouse for both DA/PA and HCA/PG was relocated to a temporary facility managed by HCA. In October 2015, the warehouse for both DA/PA and HCA/PG was relocated to a facility managed and leased by HCA at 1301 Warner Avenue in Santa Ana. DA/PA and HCA/PG inventories are physically separated from the HCA portion of the warehouse. DA/PA staff operate the warehouse. HCA/PG bills DA/PA for warehouse space and DA/PA bills HCA/PG for staffing costs. Since the warehouse has been successfully relocated and assets safeguarded, we consider this issue resolved.</p>



Detailed Findings, Recommendations, and Management Responses

IAD Withdrawal Letter Issue	Current Status
<p>4. <u>Handling of Firearms</u> – PA/PG handles and stores firearms belonging to estates. We were informed that the PA/PG inventory clerk was responsible for receiving, disengaging and storing the firearms. The inventory clerk had minimal training on handling firearms. We also noted firearms are maintained in a vault; however, multiple staff have access to the vault. Policy and procedures need to be revised to require only individuals with proper firearm training to handle and inspect firearms prior to storage, and to ensure the firearms are safeguarded.</p>	<p>Resolved. This issue was resolved shortly after the audit withdrawal letter was issued. Based on a memo from the former Internal Audit Department to Members of the Audit Oversight Committee dated March 5, 2014, “all firearms have been satisfactorily inventoried and secured at the Office of the District Attorney.”</p> <p>DA/PA has created a procedure entitled “Managing and Inventory of Firearms” describing the steps to take to manage and inventory the firearms. The procedure requires only individuals with proper firearm training to handle and inspect firearms prior to storage. We observed the firearms contained in the DA’s vault. Based on DA/PA’s records, there were 79 firearms related to DA/PA and HCA/PG cases in DA’s possession. Since the DA/PA maintains all firearms for DA/PA and HCA/PG, a policy and procedure has been created regarding managing and inventorying firearms, and the firearms are safeguarded, we consider this issue resolved.</p>
<p>5. <u>Policies and Procedures</u> – PA/PG’s policy and procedure manual is outdated, and efforts are underway to update the written documentation. The department has drafted revisions to sections of the manual, but these revisions have yet not been approved by management and made available to all employees.</p>	<p>Resolved. DA/PA has recently created or revised key policies and procedures including procedures regarding Inventory & Appraisal, Court Accountings, Real Property, Personal Property, and Firearm Handling. Since policies and procedures have been created or revised, we consider this issue resolved.</p>
<p>6. <u>Physical Inventory Count</u> – PA/PG’s most recent count of personal property stored in the warehouse occurred in November 2011. The estate inventory clerk with custody and access to estate properly led the physical inventory counts and controlled the perpetual inventory records. Physical inventory counts could not be reconciled to the estate records in ePAGES due to the absence of an asset management module, and the results of the physical inventory counts were not reviewed and approved by management.</p>	<p>Not resolved. See Finding Nos. 2 and 3 below. (Control Findings)</p>



Detailed Findings, Recommendations, and Management Responses

IAD Withdrawal Letter Issue	Current Status
<p>7. <u>Safe and Vault</u> – PA/PG stores money, valuables, records, and documents belonging to estates in a safe and vault. We were informed that PA/PG does not keep a record to show the date the combination last was changed and names of persons knowing the present combination. We noted the combination was not changed after individuals having knowledge of the combination separated from the department.</p>	<p>Resolved. DA/PA created a policy and procedure for “Vault and Daily Cabinet Storage Access Controls.” The procedure states that when an employee “no longer assumes the responsibilities for which vault and daily storage was granted, or is no longer employed with the Public Administrator, within 30 days staff will request recalibration of vault combination and replace combination lock on cabinet.” It also states “the Accounting Manager will create and maintain a report showing employees that have knowledge of the combinations to the vault and day safe...report will be updated when an employee joins or separates from the accounting unit.”</p> <p>PA staff moved to the DA building in September 2015. In October 2015, the vault combination was recalibrated. DA/PA Accounting maintains a written record of the last combination changes/calibrations and notes the names of staff who have the combination. No DA/PA staff have left the department since the vault was recalibrated in October 2015.</p> <p>Since a procedure was created regarding combination changes when an employee is no longer with the DA/PA, and since a report was created to record the names of staff that have knowledge of the vault and day safe, we consider this issue resolved.</p>
<p>8. <u>Serially Numbered Forms</u> – PA/PG issues handwritten cash receipts and property Inventory & Appraisal forms on serially numbered documents. These are considered critical business forms because there is potential monetary value associated with them due to their nature. As such, physical controls are required over these documents to prevent unauthorized acquisition, use, or disposition. We were informed that the blank serially numbered documents have <i>not</i> been subject to an independent physical inventory and reconciliation with the respective inventory records.</p>	<p>Not resolved. See Finding No. 4 below. (Control Finding)</p>



Detailed Findings, Recommendations, and Management Responses

IAD Withdrawal Letter Issue	Current Status
<p>9. <u>Signature Authorization for Payments</u> – Department procedures require PA/PG Accounting to maintain a signature authorization list of all Deputies authorized to approve invoices and payment requests on behalf of their clients. Accounting is to use the list to verify the propriety of the signatures as needed. We noted that the signature authorization list is maintained in Administration and is not maintained in Accounting.</p>	<p>Resolved. The authorized signature list is maintained in a shared drive available to all Accounting staff. Accounting staff review the list prior to processing payments (compare signature on authorized list to signature on payment request). The authorized signature list was created shortly after DA/PA staff physically moved to the DA building. Because the signature list is available to and used by Accounting staff prior to processing payments, we consider this issue resolved.</p>
<p>10. <u>Outstanding Payment Requests</u> – PA/PG Deputies make payment requests on behalf of their clients through ePAGES and forward the supporting documentation to Accounting for processing. The payment requests are entered into ePAGES and are closed by Accounting after a payment is processed. As of January 30, 2014, ePAGES shows approximately 650 outstanding payment requests totaling about \$490,000. We were told most of these have been paid, and we found there is no process in place to periodically review outstanding payment requests to close them out.</p>	<p>Resolved. DA/PA recently created a policy and procedure regarding “Closing of Unapproved Payment Requests” which states that “any unapproved payment transactions will be automatically closed after 6 months.”</p> <p>We reviewed a report from ePAGES showing outstanding unapproved payment requests as of February 2016. There were no outstanding unapproved payment requests over 6 months old. Therefore, we consider this issue resolved.</p>

Finding No. 1 – Obsolete Case Management System (ePAGES) (Critical Control Weakness)

Overview

DA/PA uses ePAGES (Enhanced Public Administrator Guardian Electronic System) as its case management and accounting application. Cash receipts and disbursements are input and processed through ePAGES. ePAGES is a stand-alone application with no interfaces to other systems; however, cash receipt and disbursement information from ePAGES is regularly uploaded into the Auditor-Controller’s General Ledger. ePAGES resides on DA/PAs local area network and is maintained by Health Care Agency/Public Guardian’s Information Technology (IT) Section.

DA/PA continues to use the antiquated case management system, ePAGES, and the following items were noted:

- DA/PA is not able to quantify the dollar amount of Court Accountings processed during the year because ePAGES does not contain an asset management module. Current and final Court Accountings are required to be filed with the court and include a case overview, Department of Health Services notice, tax clearance letters, real property sales, revolving fund outstanding balances, and outstanding payment requests.
- DA/PA is not able to reconcile its physical inventory records because of the lack of an asset management module (assets of decedents are not recorded in ePAGES). They would have to reconcile to each individual Property Inventory Sheet, which is not feasible. As a result, assets are tracked manually on Excel spreadsheets.



Detailed Findings, Recommendations, and Management Responses

- ePAGES is increasingly unreliable with weekly outages. System failure problems occur sometimes more than once a week.
- There is no automated workflow process in ePAGES. Currently, documents are printed and manually routed for approval.
- ePAGES does not have the capability to report historical data regarding open and closed cases.

As part of our audit, we considered application findings identified during a 2005 audit of the former Public Administrator/Public Guardian Department (Audit No. 2528) regarding ePAGES that were going to be addressed in a future system upgrade or replacement; however, the upgrade or replacement has not yet occurred. The following is a listing of the issues identified in that audit which remain unresolved:

Data Processing Issues

- A lack of input controls has reportedly caused data integrity issues in case management (when an employee enters case information, there is no systematic controls to validate the integrity, completeness, and accuracy of the data).
- The vendor no longer supports ePAGES and it cannot be upgraded as PA/PG does not possess the application's source code.
- IT support documentation for the application is not available.
- The system has an unacceptable rate of downtime.
- ePAGES does not perform property inventory tracking, a function that is critical to PA/PG.

Audit Trails

- ePAGES does not have audit trails that record user activity in an unalterable form. There are no security logs that record invalid log-on attempts and other security breaches.

Logical Security

ePAGES does not have commonly found security features that:

- Lock a user account out after a preset number of incorrect passwords have been entered.
- Automatically log-off the application after a period of user inactivity.
- Ensure passwords are controlled by the users (passwords are controlled by the IT Manager).
- Limit password reuse and requires periodic password changes.
- Encrypt the password database.

Furthermore, ePAGES was evaluated during a 2016 Grand Jury audit of the Public Administrator/Public Guardian functions ("Changing of the Guardian: Life After Reorganization of the Public Administrator and Public Guardian Offices"), the following findings were noted regarding ePAGES:

- The E-CMDS case management system (ePAGES) is antiquated, unreliable, does not have the ability to quickly and accurately cull reliable data, and does not meet the current business needs of the Public Administrator/Public Guardian deputies. Although there have been several attempts to replace the current E-CMDS, each has failed to produce tangible results.
- The Public Administrator's Office is considering pursuing the purchase of a case management system that will be completely separate from whatever case management system the Public Guardian pursues, which has the potential to result in fragmented communication and duplicative processes when cases are handed over from the Public Guardian to the Public Administrator.



Detailed Findings, Recommendations, and Management Responses

Status of Replacement

The former PA/PG attempted a system replacement implementation in 2011. In November 2011, the implementation was canceled because of concerns with the contractor's ability to complete the project in a timely and satisfactory manner.

Currently, DA/PA is working together with HCA/PG to upgrade ePAGES. In May 2016, management from both departments attended a presentation by the vendor that created ePAGES. The ePAGES vendor indicated an upgraded version of ePAGES would not allow for an asset management module. As a result, DA/PA is considering implementing either (1) a barcoding system or (2) working with HCA/PG and HCA Information Technology to utilize an existing asset management module currently in use by HCA that can be linked to the upgraded ePAGES system for inventory tracking purposes.

Recommendation No. 1:

We recommend DA/PA prioritize the replacement or upgrade of ePAGES. The replacement system must address compliance requirements to avoid potential court penalties and to enhance DA/PA operational efficiencies. Application controls must be adequate to ensure the completeness and accuracy of system information. We also recommend DA/PA implement a mechanism for inventory tracking purposes.

District Attorney/Public Administrator Management Response:

Concur. The Request for Proposal created by HCA/PG to replace the ePAGES failed. The DA/PA is currently working with HCA/PG to determine if ePAGES can be upgraded by the original vendor. In addition, DA/PA is engaged in research to determine if a DA/PA-based, separate, out-of-the-box system to replace the obsolete ePAGES system is a more cost effective and efficient solution for DA/PA. Funding for the ePAGES replacement system is included in CEO's FY 2016-17 Adopted Budget under Budget Control 038. Anticipated completion date is approximately nine (9) months.

Finding No. 2 – Physical Inventories of Personal Property (Control Finding)

The responsibilities of the DA/PA include locating, taking control, and protecting the assets of decedents. Assets are primarily stored in an offsite warehouse and vaults at the DA/PA office. We found the following regarding inventories of personal property:

1. **DA/PA – warehouse assets.** An inventory was conducted in February 2015. This was the first inventory of the warehouse containing DA/PA assets since the 2014 merger. Warehouse merchandise has not been inventoried since. HCA/PG assets were not inventoried at this time as staff was unclear as to whether HCA/PG assets needed to be included in the inventory (See [Finding No. 3](#) below).
2. **HCA/PG – warehouse assets.** An inventory was conducted in February 2016. This was the first inventory of the warehouse containing HCA/PG assets since the 2014 merger.
3. **Vault – valuables.** An inventory was conducted in January 2016. This was the first inventory of the vault containing valuables since the 2014 merger.
4. **Vault – firearms.** An inventory was conducted in March 2016. This was the first inventory of the vault containing firearms since the 2014 merger.

Prior to the merger in 2014, the most recent inventory for both PA and PG was conducted in 2011.

In addition, the physical inventory counts were not reconciled to the estate records in ePAGES because ePAGES does not have an asset management module (see [Finding No. 1](#)). Performing periodic inventories on selected valuable items reduces the risk of theft or loss of property and assets.



Detailed Findings, Recommendations, and Management Responses

Recommendation No. 2:

We recommend DA/PA determine an appropriate frequency of physical inventory counts and perform and document physical periodic inventories of property that is valuable and/or susceptible to theft.

District Attorney/Public Administrator Management Response:

Concur. The DA/PA has already implemented this recommendation. The physical inventory of personal property will continue to be performed semi-annually (vault) and annually (warehouse/automobiles/firearms).

Finding No. 3 – Memorandum of Understanding for Joint Processes with HCA/PG (Control Finding)

DA/PA works in partnership with HCA/PG in two key areas:

- Real property services – DA/PA and HCA/PG share a real estate broker that is responsible for sales of real property owned by DA/PA decedents and HCA/PG conservatees.
- Personal property services – DA/PA and HCA/PG clients' personal property is maintained in a warehouse facility managed by HCA/PG and staffed by DA/PA staff.

DA/PA has recently revised its procedures for real property and personal property services; however, the procedures do not describe shared responsibilities between DA/PA and HCA/PG in areas such as responsibilities for conducting physical inventory counts, interdepartmental billing for warehouse rent, or staff costs for both real property and personal property services.

Recommendation No. 3:

We recommend DA/PA work with HCA/PG to develop an MOU describing the shared responsibilities in the areas of real and personal property services.

District Attorney/Public Administrator Management Response:

Concur. The DA/PA is currently working in conjunction with HCA/PG in the development of an MOU describing the shared responsibilities in the areas of real and personal property services. Anticipated completion date is approximately three (3) months.

Finding No. 4 – Inventories of Serially-Numbered Forms (Control Finding)

DA/PA issues handwritten cash receipt forms and prepares property inventory forms on serially numbered documents. These are considered critical business forms because there is a potential monetary value associated with them due to their nature. As such, physical controls are required over these documents to prevent unauthorized acquisition, use, or disposition.

Blank handwritten cash receipt forms and property inventory forms were not subject to an independent physical inventory and reconciliation with the respective inventory records until April 2016 (during the audit).

Periodic inventories should be documented and be conducted in a frequency determined by management. Records of the inventories should be retained for audit. The absence of periodic counts of critical business forms and comparison to control records increases the risk of theft, loss, or unauthorized use of serially number documents.



Detailed Findings, Recommendations, and Management Responses

Recommendation No. 4:

We recommend DA/PA perform documented, periodic physical inventories of unused handwritten cash receipt forms and property inventory forms.

District Attorney/Public Administrator Management Response:

Concur. The DA/PA has already implemented this recommendation. The physical inventories of unused handwritten cash receipt forms and property inventory forms are performed semi-annually.

Objective #2: Conduct interviews with key personnel to determine any issues or concerns related to the transition of the Public Administrator function to the District Attorney's Office.

RESULTS

We interviewed DA/PA staff from various levels regarding any issues or concerns related to the transition of the PA to the DA's office. Based on the interviews, the following common responses were given to the question "what is working well?"

- ✓ All firearms in possession of DA/PA and HCA/PG are now securely stored in a vault at the DA/PA's Office.
- ✓ DA/PA staff, including Deputies, Property Clerks, and Accounting staff work well together. They are now physically located in the same room, which makes case processing more efficient.
- ✓ Morale has improved since the transition.
- ✓ There are good relationships and strong communication between management and staff.
- ✓ There is strong support from County Counsel.
- ✓ DA/PA is considering performing a job classification study to ensure all DA/PA staff are properly classified.

Based on the interviews, we identified opportunities where DA/PA can further enhance its efficiency and effectiveness in its operations. The following common responses were given to the questions "what are transitional issues that are pending?" and "is there anything in the Public Administrator process that can be improved?"

- ✓ ePAGES is old, unreliable, and requires replacement (see [Finding No. 1](#) above).
- ✓ Having in-house County Counsel would increase efficiency and decrease costs (see [Finding No. 5](#) below).
- ✓ Obtaining a "Medallion Guarantee Transfer Stamp" would increase efficiency by reducing the time required to liquidate decedents securities (see [Finding No. 6](#) below).
- ✓ Expanding the potential witness pool to ensure witnesses are always available (see [Finding No. 7](#) below).
- ✓ There is a need for more succession planning (See [Finding No. 8](#) below).
- ✓ It would be beneficial to increase staff participation in the California Association of Public Administrators, Public Guardians and Public Conservators (See [Finding No. 9](#) below).



Detailed Findings, Recommendations, and Management Responses

Through the interviews, we identified the following **five (5) Efficiency/Effectiveness Findings** that DA/PA should implement to further enhance process efficiency and effectiveness. Note: these findings and recommendations do not represent areas of non-compliance with County and DA/PA policy.

Finding No. 5 – County Counsel Staff Onsite (Efficiency/Effectiveness Finding)

County Counsel provides legal services to the DA/PA from County Counsel's 10 Civic Center Plaza location. We were informed by DA/PA management that it would be more efficient and cost-effective to have the County Counsel staff stationed at the DA's Office (401 Civic Center Drive West).

DA/PA should pursue the most efficient and cost-effective way to obtain County Counsel services. DA/PA management believe petitions would be executed sooner and cases would be processed quicker with County Counsel staff onsite.

DA/PA management stated it would cost about \$500,000 for two full-time dedicated County Counsel staff. Last FY, DA/PA was billed over \$625,000 for County Counsel services. **This could save DA/PA approximately \$125,000 annually** and would increase availability of County Counsel staff.

Recommendation No. 5:

We recommend DA/PA evaluate the benefit of having one or two full-time County Counsel staff stationed at the DA/PA office.

District Attorney/Public Administrator Management Response:

Concur. The DA/PA will be working in conjunction with the Office of County Counsel to evaluate the benefit and cost-effectiveness of having County Counsel staff stationed at the DA/PA office location to increase the case resolution efficiency. Anticipated completion date is approximately six (6) months.

Finding No. 6 – Medallion Guarantee Transfer Stamp (Efficiency/Effectiveness Finding)

DA/PA's responsibilities include selling marketable securities on behalf of its clients. When selling a security, DA/PA staff must go to the County's bank to obtain the required "Medallion Guarantee Transfer Stamp." This stamp is a guarantee by the transferring institution that the signature is genuine and the financial institution accepts liability for any forgery. The stamp is required and the County currently does not own such a stamp. As such, the average time it takes DA/PA staff to obtain the stamp is approximately six hours. Approximately 50 stamps are obtained annually, resulting in an estimated cost of \$16,000 annually ($\$16,000 / (50 \text{ stamps} \times \text{six hours}) = \53.33 per hour average staff rate).

The County may purchase the stamp which would cost approximately \$2,400 annually and reduce the staff time from obtaining the stamp at the County's bank. **This could save DA/PA approximately \$13,600 annually.** Other intangible savings would occur as a result of obtaining the stamp. For example, costs for legal services caused by appearing on continuance and other related hearings that sometimes result from medallion driven delays would be reduced. Cases would not encounter delays in completion caused by the bank, resulting in a positive benefit in terms of more efficient service to the public, the heirs, family members, and beneficiaries of estates.

DA/PA is currently working with the Treasurer-Tax Collector (T-TC) to purchase the stamp. The T-TC would maintain the stamp.



Detailed Findings, Recommendations, and Management Responses

Recommendation No. 6:

We recommend DA/PA continue to work with the T-TC to acquire a “Medallion Guarantee Transfer Stamp.”

District Attorney/Public Administrator Management Response:

Concur. The DA/PA is currently working in conjunction with T-TC on the Medallion Guarantee Transfer Stamp contract and plan to file an Agenda Staff Report to obtain Board approval on the execution of the contract and for T-TC to provide Medallion Guarantee Transfer Stamp services to DA/PA, HCA/PG, County Counsel, and other county agencies needing a medallion guarantee stamp to transfer securities. Anticipated completion date is approximately three (3) months.

Finding No. 7 – Witness Pool (Efficiency/Effectiveness Finding)

DA/PA staff must complete a “Property Inventory Form” document for each of its clients which lists the property collected. The Property Inventory Form must be completed by the DA/PA deputy with an independent witness present. Both must sign the form. There is a small pool of witnesses that are available to serve as a witness at any given time. Having a small pool of witnesses increases the risk that witnesses will not be available when needed.

DA/PA staff feel if they had a larger pool of potential witnesses (possibly using retired DA/PA investigators), this would ensure witnesses are always available for form completion.

Recommendation No. 7:

We recommend DA/PA evaluate the benefit of expanding the pool of potential witnesses.

District Attorney/Public Administrator Management Response:

Concur. The DA/PA has already implemented this recommendation by recruiting additional independent witnesses for use on a rotation basis.

Finding No. 8 – Succession Planning (Efficiency/Effectiveness Finding)

Several DA/PA staff informed us of the need for continued succession planning as there are some long-term deputized staff who could be retiring in the near future. Long-term deputized staff have extensive knowledge of DA/PA operations and their potential retirements create the need for succession planning. Some DA/PA staff have participated in cross-training to address this issue.

Strong succession planning will ensure when key members of staff retire over the next few years, they will be succeeded by qualified employees with the skills, knowledge, and abilities required to continue the DA/PA’s mission.

Recommendation No. 8:

We recommend DA/PA continue its succession planning and ensure that other individuals are trained to perform the duties of retiring staff.

District Attorney/Public Administrator Management Response:

Concur. The DA/PA has already implemented this recommendation. Experienced staff is being encouraged to share their knowledge formally with other newer staff, and meetings are held to promote group engagement in legal and program issues. Management is engaged in making sure institutional knowledge is preserved and staff development occurs.



Detailed Findings, Recommendations, and Management Responses

Finding No. 9 – California Association of PAs, PGs, and PCs (Efficiency/Effectiveness Finding)

The California Association of Public Administrators, Public Guardians, and Public Conservators is a non-profit association representing the Public Administrators, Guardians, and Conservators from each of California's 58 counties. The association's mission is to foster communication between counties, provide education and certification to its members, and provide legislative advocacy on behalf of individuals served by these programs. Not many DA/PA staff are currently involved in this association although DA/PA's new Chief Deputy PA is now on the board of the association.

Having involvement in this association with help DA/PA to partner, share ideas, and best practices with other county PAs.

Recommendation No. 9:

We recommend DA/PA consider increasing employee participation in the California Association of Public Administrators, Public Guardians, and Public Conservators.

District Attorney/Public Administrator Management Response:

Concur. The DA/PA has already implemented this recommendation. All Deputy Public Administrator (DPA) deputies are members of the California Association of PA/PG/PC and have completed the mandatory training for continuing education requirements. The DA/PA hosted a regional training for statewide Public Administrators. DA/PA Chief Deputy was elected to the Board of organization. The DPAs also attended statewide trainings, and some DPAs are scheduled to be speakers at the statewide annual conference.

Objective #3: Review 2014-15 Performance Measures as noted in the Public Administrator's 2015-16 Recommended Final Budget to ensure those measures are adequately supported.

RESULTS

We reviewed documentation supporting DA/PA's reported results of its performance measure in its 2015-16 Recommended Final Budget. DA/PA's Key Outcome Indicator was **Referred Public Administrator Case Closures**, which measured the percentage of DA/PA cases closed within 24 months. DA/PA reported that 100% of the cases were closed within two years of the investigation, and that 45% of cases were closed within two years of the appointment.

As DA/PA was able to generate documents that supported the reported results, we have no reportable audit findings for this objective.



Detailed Findings, Recommendations, and Management Responses

ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit findings and recommendations, we will classify audit report items into three distinct categories:

▶ **Critical Control Weaknesses:**

These are Audit Findings or a combination of Auditing Findings that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise the Department's or County's reputation for integrity. Management is expected to address Critical Control Weaknesses brought to their attention immediately.

▶ **Significant Control Weaknesses:**

These are Audit Findings or a combination of Audit Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses require prompt corrective actions.

▶ **Control Findings:**

These are Audit Findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.



Detailed Findings, Recommendations, and Management Responses

ATTACHMENT B: District Attorney/Public Administrator Management Responses



OFFICES OF THE
**DISTRICT ATTORNEY
PUBLIC ADMINISTRATOR**
ORANGE COUNTY, CALIFORNIA



TONY RACKAUCKAS
DISTRICT ATTORNEY-PUBLIC ADMINISTRATOR

MICHAEL LUBINSKI
ASSISTANT
PUBLIC ADMINISTRATOR
SENIOR ASSISTANT D.A.

Ronald Freeman
CHIEF
DEPUTY PUBLIC ADMINISTRATOR

July 15, 2016

To: ERIC WOOLERY, Auditor-Controller

Subject: Response to Draft Report on Internal Control Audit of the District Attorney/Public Administrator Selected Processes & Controls

This letter is written in response to the findings and recommendations listed on the Draft Report on Internal Control Audit of the District Attorney/Public Administrator (DA/PA) Selected Processes & Controls dated July 11, 2016. Our response to the audit findings and recommendations are as follows:

Finding No. 1 – Obsolete Case Management System (ePAGES)

Recommendation No. 1 – *“We recommend DA/PA prioritize the replacement or upgrade of ePAGES. The replacement system must address compliance requirements to avoid potential court penalties and to enhance DA/PA operational efficiencies. Application controls must be adequate to ensure the completeness and accuracy of system information. We also recommend DA/PA implement a mechanism for inventory tracking purposes.”*

DA/PA Management Response – Concur. The Request for Proposal created by HCA/PG to replace the ePAGES failed. The DA/PA is currently working with HCA/PG to determine if ePAGES can be upgraded by the original vendor. In addition, DA/PA is engaged in research to determine if a DA/PA-based, separate, out-of-the-box system to replace the obsolete ePAGES system is a more cost effective and efficient solution for DA/PA. Funding for the ePAGES replacement system is included in CEO’s FY 2016-17 Adopted Budget under Budget Control 038. Anticipated completion date is approximately nine (9) months.

Finding No. 2 – Physical Inventories of Personal Property

Recommendation No. 2 – *“We recommend DA/PA determine an appropriate frequency of physical inventory counts and perform and document physical periodic inventories of property that is valuable and/or susceptible to theft.”*

DA/PA Management Response – Concur. The DA/PA has already implemented this recommendation. The physical inventory of personal property will continue to be performed semi-annually (vault) and annually (warehouse/automobiles/firearms).

Finding No. 3 – Memorandum of Understanding for Joint Processes with HCA/PG



Detailed Findings, Recommendations, and Management Responses

ATTACHMENT B: District Attorney/Public Administrator Management Responses (continued)

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July 15, 2016

Recommendation No. 3 – *“We recommend DA/PA work with HCA/PG to develop an MOU describing the shared responsibilities in the areas of real and personal property services.”*

DA/PA Management Response – Concur. The DA/PA is currently working in conjunction with HCA/PG in the development of an MOU describing the shared responsibilities in the areas of real and personal property services. Anticipated completion date is approximately three (3) months.

Finding No. 4 – Inventories of Serially-Numbered Forms

Recommendation No. 4 – *“We recommend DA/PA perform documented, periodic physical inventories of unused handwritten cash receipt forms and property inventory forms.”*

DA/PA Management Response – Concur. The DA/PA has already implemented this recommendation. The physical inventories of unused handwritten cash receipt forms and property inventory forms are performed semi-annually.

Finding No. 5 – County Counsel Staff Onsite

Recommendation No. 5 – *“We recommend DA/PA evaluate the benefit of having one or two full-time County Counsel staff stationed at the DA/PA office.”*

DA/PA’s Management Response – Concur. The DA/PA will be working in conjunction with the Office of County Counsel to evaluate the benefit and cost-effectiveness of having County Counsel staff stationed at the DA/PA office location to increase the case resolution efficiency. Anticipated completion date is approximately six (6) months.

Finding No. 6 – Medallion Guarantee Transfer Stamp

Recommendation No. 6 – *“We recommend DA/PA continue to work with the Treasurer-Tax Collector (TTC) to acquire a “Medallion Guarantee Transfer Stamp.”*

DA/PA’s Management Response – Concur. The DA/PA is currently working in conjunction with TTC on the Medallion Guarantee Transfer Stamp contract and plan to file an Agenda Staff Report to obtain Board approval on the execution of the contract and for TTC to provide Medallion Guarantee Transfer Stamp services to DA/PA, HCA/PG, County Counsel, and other county agencies needing a medallion guarantee stamp to transfer securities. Anticipated completion date is approximately three (3) months.

Finding No. 7 – Witness Pool

Recommendation No. 7 – *“We recommend DA/PA evaluate the benefit of expanding the pool of potential witnesses.”*

DA/PA’s Management Response – Concur. The DA/PA has already implemented this recommendation by recruiting additional independent witnesses for use on a rotation basis.

Finding No. 8 – Succession Planning



Detailed Findings, Recommendations, and Management Responses

ATTACHMENT B: District Attorney/Public Administrator Management Responses (continued)

Page 3 of 3
July 15, 2016

Recommendation No. 8 – *“We recommend DA/PA continue its succession planning and ensure that other individuals are trained to perform the duties of retiring staff.”*

DA/PA’s Management Response – Concur. The DA/PA has already implemented this recommendation. Experienced staff is being encouraged to share their knowledge formally with other newer staff, and meetings are held to promote group engagement in legal and program issues. Management is engaged in making sure institutional knowledge is preserved and staff development occurs.

Finding No. 9 – California Association of Public Administrators (PA), Public Guardians (PG), and Public Conservators (PC)

Recommendation No. 9 – *“We recommend DA/PA consider increasing employee participation in the California Association of PA/PG/PC.”*

DA/PA’s Management Response – Concur. The DA/PA has already implemented this recommendation. All Deputy Public Administrator (DPA) deputies are members of the California Association of PA/PG/PC and have completed the mandatory training for continuing education requirements. The DA/PA hosted a regional training for statewide Public Administrators. DA/PA Chief Deputy was elected to the Board of organization. The DPAs also attended statewide trainings, and some DPAs are scheduled to be speakers at the statewide annual conference.

If you have any questions, please contact Mike Lubinski, Assistant Public Administrator/Senior Assistant DA, via email mike.lubinski@da.ocgov.com or by phone at (714) 347- 8640. We appreciate your staff’s professionalism and courtesy extended during the audit. Thank you.

Sincerely,


Tony Kackauckas

TR:vlb

cc: Toni Smart, Director, Auditor-Controller Internal Audit Division