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FIRST FOLLOW-UP AUDIT:

INTERNAL CONTROL AUDIT: PROBATION DEPARTMENT TITLE IV-E FOSTER CARE **PROGRAM CLAIMS PROCESS**

ORIGINAL AUDIT No. 2822

AS OF APRIL 12, 2010

original audit report contained recommendations. Our Follow-Up Audit indicated that the Probation Department fully implemented one (1) recommendation, has three (3) recommendations inprocess. and did not implement recommendation from our audit report dated September 16, 2009. Total costs for foster care administrative activities during the original audit period from October 1, 2007 through September 30, 2008 were approximately \$16 million, and claimed matching reimbursements totaled \$5.7 million during the same period.

> **AUDIT NO: 2927-B** REPORT DATE: APRIL 20, 2010

Director: Dr. Peter Hughes, MBA, CPA Deputy Director: Eli Littner, CPA, CIA Senior Audit Manager: Michael Goodwin, CPA, CIA Audit Manager: Kenneth Wong, CPA, CIA

RISK BASED AUDITING

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



2009 Association of Certified Fraud Examiners' Hubbard Award For the Most Outstanding Article of the Year







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RISK BASED AUDITING

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OC Fraud Hotline (714) 834-3608

Letter from Dr. Peter Hughes, CPA



Transmittal Letter



Audit No. 2927-B April 20, 2010

TO: Colleene Preciado Chief Probation Officer

FROM: Dr. Peter Hughes, CPA, Director

Internal Audit Department

SUBJECT: First Follow-Up Internal Control Audit:

Probation Department Title IV-E Foster

Care Program Claims Process,

Original Audit No. 2822, Issued September 16, 2009

We have completed a First Follow-Up Audit of the Internal Control Audit for the Probation Department Title IV-E Foster Care Program Claims Process. Our audit was limited to reviewing, as of April 12, 2010, actions taken to implement the five (5) recommendations from our original audit in which total costs were approximately **\$16 million** and claimed matching reimbursements totaled **\$5.7 million**. We conducted this First Follow-Up Audit in accordance with the *FY 09-10 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 there are three recommendations pending implementation, we have attached a Second Follow-Up Audit Report Form. Your department should complete this template as our audit recommendations are implemented. When we perform our Second Follow-Up Audit, we will obtain the completed document to facilitate our review.

Each month I submit an **Audit Status Report** to the BOS where I detail any material 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 BOS.

Other recipients of this report are listed on the **OC Internal Auditor's Report** on page 3.

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OC Internal Auditor's Report



Audit No. 2927-B April 20, 2010

TO: Colleene Preciado

Chief Probation Officer

FROM: Dr. Peter Hughes, CPA, Director

Internal Audit Department

SUBJECT: First Follow-Up Audit of Internal Control Audit:

Probation Department Title IV-E Foster Care Program Claims Process,

Original Audit No. 2822, Issued September 16, 2009

Scope of Review

We have completed a First Follow-Up Audit of the Internal Control Audit for the Probation Department Title IV-E Foster Care Program Claims Process. Our audit was limited to reviewing, as of April 12, 2010 actions taken to implement the **five (5)** recommendations from our original audit report dated September 16, 2009 (Audit No. 2822).

Background

We conducted an audit of internal controls over the Probation Department's Title IV-E Foster Care Program Claims Process, which included an evaluation of compliance of eligibility determination and preparation of claims with Federal and State regulations; accuracy, completeness and timeliness of processed claims; and business process efficiency and effectiveness. During the original audit period, the Probation Department's total Title IV-E costs were approximately \$16 million and claimed matching reimbursements totaled \$5.7 million. The recommendations pertained to completion of time study forms and documentation of corrections, operational policies and procedures for claims, accounting controls for funds, spreadsheet data storage controls, and update of the interagency operation agreement.

Results

Our First Follow-Up Audit indicated that the Probation Department took satisfactory correction action to fully implement one (1) recommendation; three (3) recommendations are in-process of implementation; and one (1) recommendation is not yet implemented. We believe the remaining four (4) recommendations are still appropriate and further efforts should be made to fully implement them. All of the original recommendations are noted below along with a comment on their current status. The item number from the original report is shown in parentheses before each heading.

1. Completion of Time Study Forms and Documentation of Corrections (Control Finding)

Probation Department establish documented procedures to ensure Title IV-E time study forms and corrections are prepared, documented, and submitted by relevant personnel.

OC Internal Auditor's Report



<u>Current Status:</u> **In-Process.** The Probation Department sent representatives to training provided by the Chief Probation Officers of California on Title IV-E Probation Claiming in January 2010. In addition, the representatives that attended the training presented the subject materials to the Probation supervisors in February 2010 on preparing and approving Title IV-E time study forms. However, we noted that the documented procedures have not been established to complete time study forms and document corrections. Probation plans to establish documented procedures based upon the training materials. Therefore, we consider this recommendation in-process.

Probation Department Planned Action:

The Probation Department will utilize the training received from the Chief Probation Officers of California and document procedures to be followed in preparing, approving and correcting Title IV-E time study forms. Documented procedures are currently being reviewed by operations staff. Once completed, they will be submitted for approval by Executive Management and a current version will be readily accessible for reference by personnel responsible for the Title IV-E time study process.

2. Operational Policies and Procedures for Title IV-E Claims (Control Finding)

Probation Department establish written policies and procedures for Fiscal Services' preparation of the quarterly Title IV-E claim data.

<u>Current Status:</u> **Not Yet Implemented.** The Probation Department has not yet documented operational policies and procedures for Title IV-E claim data, and plans to have the recommendation completed by the end of calendar year 2010. Therefore, we consider this recommendation not yet implemented.

Probation Department Planned Action:

The Probation Department will establish written policies and procedures in preparing quarterly Title IV-E claim data. Documented policies and procedures will be reviewed and approved by management and a current version will be readily accessible for reference by personnel responsible for the Title IV-E quarterly claim process.

3. Accounting Controls for Title IV-E Funds (Control Finding)

Probation Department ensure fiduciary fund accounts are reconciled in accordance with County Accounting Manual Section F-4 requirements.

<u>Current Status:</u> **Implemented.** The fiduciary fund account for monies received as cash advances for Title IV-E was formerly reconciled by the same staff member who also initiated and prepared journal vouchers affecting the account. We noted that the Probation Department reassigned the responsibility for preparing the reconciliation and effectively segregated the fiduciary duties. In addition, we reviewed the fund account reconciliations for Title IV-E monies between September 2009 and January 2010 and found that all reconciliations were prepared on a monthly basis and approved by a supervisor. No exceptions were noted. Therefore, we consider this recommendation implemented.

4. Title IV-E Spreadsheet Data Storage Controls (Control Finding)

Probation Department implement data storage controls to ensure the long-term usefulness of spreadsheets supporting Title IV-E claims.

OC Internal Auditor's Report



<u>Current Status:</u> **In-Process.** The Probation Department evaluated data storage controls for electronic files supporting Title IV-E claims in April 2010. In addition, instructions were provided to the personnel responsible for Title IV-E claims data on storing electronic files on a server which is backed-up daily at the County Enterprise Data Center. The Probation Department has plans to store the Title IV-E spreadsheet data, as well as other Probation data (to be identified) to ensure long-term usefulness but has not yet implemented the plan. Therefore, we consider this recommendation inprocess.

Probation Department Planned Action:

The Probation Department has created the mechanism to store documents electronically and will start to implement the instructions received for storing electronic files on a server to ensure the long-term usefulness of spreadsheets and other documentation supporting Title IV-E claims.

5. <u>Interagency Operations Agreement Needs Updating</u> (Control Finding)

Probation Department update its Interagency Operating Agreement with the Social Services Agency to reflect current Title IV-E claiming practices, including but not limited to, the timeframe for filing cost claim data and for the deposit and transfer of Title IV-E cash advances.

<u>Current Status:</u> **In-Process.** The Probation Department and Social Services Agency are negotiating the terms on the extended Interagency Operations Agreement. A draft agreement is under review and revision by the two departments. Because the Interagency Operating Agreement is still in a draft form, we consider this recommendation in-process.

Probation Department Planned Action:

The Probation Department will finalize the extension of its Interagency Operating Agreement with the Social Services Agency.

We appreciate the cooperation and assistance extended to us by the personnel of the Probation Department during our First Follow-Up Audit. If you have any questions, please contact me directly or Eli Littner, Deputy Director at 834-5899, or Michael Goodwin, Senior Audit Manager at 834-6066.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

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