



Orange County Auditor-Controller Internal Audit



First and Final Close-Out Follow-Up Audit:
OC Public Works/OC Flood
Special Revenue Funds

As of April 30, 2017

Audit Number 1634-J (Reference 1421-F1)
Report Date: July 11, 2017



O R A N G E C O U N T Y
AUDITOR-CONTROLLER
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Transmittal Letter

Audit No. 1634-J
(Reference 1421-F1)

July 11, 2017

TO: Shane Silsby, Director
OC Public Works

SUBJECT: First and Final Close-Out Follow-Up Audit:
OC Public Works/OC Flood Special Revenue Funds
Original Audit No. 1421, Issued August 8, 2016

We have completed our First and Final Close-Out Follow-Up Audit of OC Public Works/OC Flood Special Revenue Funds as of April 30, 2017. Our final report is attached for your review.

I submit an **Audit Status Report** quarterly to the Audit Oversight Committee (AOC) and a quarterly report to the Board of Supervisors (BOS) where I detail any critical and significant audit findings released in reports during the prior quarter 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.

A handwritten signature in blue ink, appearing to read "Toni Smart".

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

Attachments

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Eric H. Woolery, Auditor-Controller
- Frank Kim, County Executive Officer
- Lilly Simmering, Deputy Chief Operating Officer
- Robyn Uptegraff, Assistant Director, OCPW
- Becky Juliano, Deputy Director, OCPW Administrative Services
- Anna Tutor, Centralized Quality Assurance, OCPW
- Tonya Riley, Director of Satellite Accounting Operations, Auditor-Controller
- Howard Thomas, Accounting Manager III, OCPW Accounting Services
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board of Supervisors
- Macias Gini & O'Connell LLP, County External Auditor



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OC Public Works/OC Flood
Special Revenue Funds
Audit No. 1634-J (Reference 1421-F1)*

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Internal Auditor's Report

**Audit No. 1634-J
(Reference 1421-F1)**

July 11, 2017

TO: Shane Silsby, Director
OC Public Works

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

SUBJECT: First and Final Close-Out Follow-Up Audit:
OC Public Works/OC Flood Special Revenue Funds
Original Audit No. 1421, Issued August 8, 2016

SCOPE

We completed a First and Final Close-Out Follow-Up Audit of OC Public Works/OC Flood (OCPW/OC Flood) Special Revenue Funds. Our audit was limited to reviewing actions taken as of April 30, 2017, to implement the **four (4) recommendations** from our original audit.

BACKGROUND

We conducted a special revenue funds audit and found OCPW/OC Flood had three special revenue funds. Our audit of internal controls over selected special revenue funds administered by OCPW/OC Flood was performed to:

1. Evaluate if internal controls were in place to ensure special revenue fund transactions were used for specific purposes.
2. Evaluate if internal controls were in place to ensure special revenue fund transactions were valid, adequately supported, processed timely, properly recorded, and that management reviews and approvals related to receiving, disbursing, reconciling, and claiming reimbursements of OC Flood funds were performed.
3. Determine if administration of OC Flood special revenue funds was effective and efficient (e.g., no backlogs, duplication of work, benefit in automating manual process).

Our original audit identified **one (1) Significant Control Weakness** and **three (3) Control Findings**.

RESULTS

Our First Follow-Up Audit found that OCPW/OC Flood **implemented all three of the recommendations they concurred with; however, they did not concur with one recommendation** from the original audit which has been closed. 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 four (4) original recommendations:



Internal Auditor's Report

Finding No. 1 – Policy and Procedures Not in Place to Ensure All Prior Year OC Watersheds' Encumbrance Cancellations are Refunded to OC Flood Fund 400 (Significant Control Weakness)

Recommendation No. 1: OCPW/OC Flood partner with the County Budget Office and the Auditor-Controller to establish a policy to ensure OC Watersheds' prior period encumbrance cancellations are refunded to Fund 400. In addition, the total amount to refund Fund 400 should be determined and transferred back to Fund 400 since OC Watersheds is part of the General Fund and has been receiving funding from OC Flood.

Current Status: Implemented. We found that OCPW/OC Flood established a policy to ensure Watersheds' prior period encumbrance cancellations are refunded to Fund 400 and refunded the identified funds, in the amount of \$894,681, for fiscal years 2008-09 through 2014-15. Due to the actions taken by the OCPW/OC Flood, we consider this recommendation implemented.

Finding No. 2 – Lack of Sufficient Supporting Records for Operating Transfers from OC Flood Fund 400 to OC Watersheds' Program (County General Fund 100/034) (Control Finding)

Recommendation No. 2: OCPW/OC Flood establish a defined methodology to identify projects that specifically relate to the Act and establish policy and procedures to ensure sufficient supporting records for operating transfers from OC Flood Fund 400 to OC Watersheds' programs are available.

Current Status: Closed. OCPW did not concur with our original recommendation; however, we found they have established a methodology to identify new projects related to the Orange County Flood Control Act and they reviewed job numbers to identify projects eligible for funding by the Act. Due to the actions taken by OCPW/OC Flood, we consider this recommendation closed.

Finding No. 3 – COFA Documents for OC Flood Funds 400 and 404 Need to be Created and Updated (Control Finding)

Recommendation No. 3: OCPW/OC Flood partner with the Auditor-Controller to establish a COFA for Fund 400 and to update the document for Fund 404 in the current COFA format.

Current Status: Implemented. We found that the OCPW/OC Flood submitted COFAs for Funds 400 and 404 that adhere to the current required format. Due to the actions taken by the OCPW/OC Flood, we consider this recommendation implemented.

Finding No. 4 – Comprehensive Policy and Procedures Not in Place to Ensure Subvention Claims Are Submitted in a Timely Fashion (Control Finding)

Recommendation No. 4: OCPW/OC Flood adopt written policy and procedures to address the general timeframes for submitting subvention and/or other reimbursable claims and ensure the policy is communicated and made available to all employees.



Internal Auditor's Report

Current Status: **Implemented.** We found that the OCPW/OC Flood adopted a written policy addressing the general timeframe for submitting claims and communicated the policy to affected employees. Due to the actions taken by the OCPW/OC Flood, we consider this recommendation implemented.

We appreciate the assistance extended to us by the personnel of OCPW and OCPW Accounting during our Follow-Up Audit. If you have any questions, please contact me directly at (714) 834-5442 or Scott Suzuki, Assistant Director, at (714) 834-5509.