



Orange County Auditor-Controller Internal Audit



Internal Control Audit:
Countywide Audit of
County Business Travel and Meeting Policy –
Clerk of the Board of Supervisors

For the Fiscal Year Ended
June 30, 2017

Audit Number 1626-E
Report Date: April 10, 2018



O R A N G E C O U N T Y
AUDITOR-CONTROLLER
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Eric H. Woolery, CPA
Orange County Auditor-Controller

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ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



Transmittal Letter

Audit No. 1626-E

April 10, 2018

TO: Robin Stieler
Clerk of the Board

SUBJECT: Internal Control Audit:
Countywide Audit of County Business Travel and Meeting Policy –
Clerk of the Board of Supervisors

We have completed our audit of internal control of Clerk of the Board of Supervisors' (COB) expenditures governed by the County Business Travel and Meeting Policy for the fiscal year ended June 30, 2017. Our final report is attached for your review.

An **Audit Status Report** is submitted quarterly to the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS) detailing 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 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.

A handwritten signature in blue ink that reads "E. H. Woolery".

Eric H. Woolery, CPA
Auditor-Controller

Attachments

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Frank Kim, County Executive Officer
- Valerie Sanchez, Chief Deputy Clerk of the Board
- Ronald Galang, Administrative Manager, COB
- Jamie Ross, Administrative Manager, COB
- Foreperson, Grand Jury
- Macias Gini & O'Connell LLP, County External Auditor



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Countywide Audit of County Business Travel and Meeting Policy –
Clerk of the Board of Supervisors
Audit No. 1626-E***

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Internal Auditor's Report

Audit No. 1626-E

April 10, 2018

TO: Robin Stieler
Clerk of the Board

FROM: Eric H. Woolery, CPA
Auditor-Controller

SUBJECT: Internal Control Audit:
Countywide Audit of County Business Travel and Meeting Policy –
Clerk of the Board of Supervisors

OBJECTIVES

As part of a Countywide Audit of the County Business Travel and Meeting Policy, we have completed our audit of internal control of Clerk of the Board of Supervisors' (COB) expenditures governed by the County Business Travel and Meeting Policy for the fiscal year ended June 30, 2017. We performed this audit in accordance with the FY 2017-18 Audit Plan and Risk Assessment developed by the Auditor-Controller Internal Audit Division and approved by the Audit Oversight Committee (AOC) and Board of Supervisors (BOS), to assist management in evaluating and enhancing internal control and the effectiveness and efficiency of the selected areas under audit. Our audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the International Audit Standards Board. Our audit objectives were to:

1. Evaluate operational effectiveness of internal control for expenditures governed by the County Business Travel and Meeting Policy (Travel Policy) to ensure expenditures are complete, accurate, and valid.
2. Determine if expenditures are made in compliance with the County policy.
3. Review travel and meeting expenditure business processes for efficiency improvement.

RESULTS

Objective No. 1

We found that internal control is generally effective to ensure that expenditures governed by the Travel Policy are complete, accurate, and valid; however, we noted the following:

Four (4) Control Findings

No policy and procedures for business travel and meeting administration

Finding No. 1

Inadequate duties segregation for the revolving cash fund

Finding No. 3

Duplicate travel expenditure

Finding No. 6

Incorrect account coding used

Finding No. 11



Internal Auditor’s Report

RESULTS (CON’T)

Objective No. 2

We found that expenditures are generally made in compliance with County policy; however, we noted the following:

Seven (7) Control Findings

Cal-Cards used by non-cardholders	Finding No. 2
Non-reimbursable expenses submitted	Finding No. 4
Inadequate supporting documentation for certain transactions	Finding No. 5
GSA per diem meal rates exceeded	Finding No. 7
Mileage and Other Expense Claim forms not submitted timely	Finding No. 8
Incorrect Cal-Card type used for certain purchases	Finding No. 9
Supporting documentation not canceled	Finding No. 10

Objective No. 3

We found that business processes are generally efficient as related to the process of incurring travel and meeting expenditures.

BACKGROUND

The COB’s mission is “to provide the County and its citizens easy access to information and records and to facilitate the process for open mutual participation in the decision and policy making of Orange County Government.”

The COB is the official repository of County records and provides administrative support to the Board of Supervisors (BOS), the governing boards of certain districts and authorities, and the Assessment Appeals Boards and Hearing Officers. The majority of its functions are defined and mandated by various California Statutes, Revenue and Taxation Codes, County Ordinances, Board Resolutions, County Rules of Procedure, and by Board of Supervisors’ policy. The department is comprised of three major divisions: Board Services, Assessment Appeals, and Files Management and Administrative Services.

County Business Travel and Meeting Policy

On January 26, 2016, the Board of Supervisors approved Resolution 16-010, the “County Business Travel and Meeting Policy,” to ensure the County’s resources are spent in a manner that maximizes and provides full accountability of those resources, and provides for reasonable and equitable reimbursement of expenses incurred by individuals while on County business travel.

Payment/Reimbursement Methods

Business Travel and Meeting expenditures are made and claimed through a variety of payment types:

- **Revolving Cash Fund/Petty Cash** – Expenditures paid by cash or check for supplies, travel, and certain services.



Internal Auditor's Report

- **Revolving Cash Fund/Travel Cash Advances** – Cash advances made prior to travel and for reimbursement of incurred travel expenses.
- **Mileage & Other Expense Claims** – Employee incurs travel costs, submits reimbursement claim, and is reimbursed through payroll.
- **County Cal-Cards** – Credit card transactions using department funds for business-related purchases.
- **Procurement & Contracted Services** – Contract with travel company for department travel needs.

Accounting for County Business Travel and Meeting Expenditures

These expenditures are recorded in various object codes in the County's General Ledger. The object code, title, and amount recorded for the fiscal year ended June 30, 2017 are listed below:

Clerk of the Board of Supervisors

Object Code	Title	Total Expenditures
2700	Transportation and Travel – Mtgs & Conferences	\$32,172
0900	Food (used for business meetings)	1,639
2601	Private Auto Mileage	16

Source: CAPS+ Data Warehouse

Board of Supervisors

Object Code	Title	Total Expenditures
2601	Private Auto Mileage	\$16,437
2700	Transportation and Travel – Mtgs & Conferences	4,059
2600	Transportation and Travel – General	228

Source: CAPS+ Data Warehouse

Prior Audit Activity

We have not issued any audit reports for the COB with a similar scope within the last ten years.

SCOPE AND METHODOLOGY

Our audit scope was limited to internal control over Travel Policy expenditures for the fiscal year ended June 30, 2017. Our methodology included inquiry, observation, examination of documentation, and testing of relevant transactions. In addition, we performed various computer-assisted audit techniques (CAAT) with Cal-Card data obtained from the County's vendor, US Bank, to identify: (1) potential duplicate payments, (2) potential inappropriate payments (payments made on weekends and holidays), (3) employee/cardholder matches, and (4) exceeded purchase limits.

Scope Exclusions

Our audit scope did not include a review of controls over the OC Expediter 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 AOC and the BOS. Our **First Follow-Up Audit** will generally 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 generally 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 will 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 recommendations are 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 RESPONSIBILITY FOR INTERNAL CONTROL

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 are the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework. Our Internal Control Audit enhances and complements, but does not substitute for the COB'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 control, 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 COB'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.



Internal Auditor's Report

ACKNOWLEDGEMENT

We appreciate the courtesy extended to us by the personnel at the Clerk of the Board of Supervisors during our audit. If you have any questions regarding our audit, please contact me directly at (714) 834-2456, or Scott Suzuki, Director of Internal Audit, at (714) 834-5509.



Detailed Findings, Recommendations, and Management Responses

Business Process and Internal Control Strengths

Business process and internal control strengths noted during our audit include:

- ✓ All COB Cal-Card holders have pre-set single purchase and 30-day purchase limits.
- ✓ Travel expenditures are approved via requisition before an expenditure is made.
- ✓ Practices exist to obtain approval of travel and reimbursement of related expenditures.
- ✓ Expenditures for business meeting meals are pre-approved by the department head.
- ✓ COB maintains internal records documenting County business travel and related expenses.

The following areas are where we believe business travel and meeting expenditure processes and internal control should be enhanced:

Finding No. 1 – No Policy and Procedures for Business Travel and Meeting Administration (Control Finding)

COB does not have detailed internal policy and procedures describing the steps to be taken for processing business travel and meeting expenditures.

Not having departmental policy and procedures could result in inconsistent processing of business travel and meeting transactions or departmental management directives not being followed.

COB follows pertinent County policies, such as the County Business Travel and Meeting Policy (Travel Policy), revolving fund policies and procedures established by the Auditor-Controller (A-C) in the County Accounting Manual (CAM), Cal-Card Policies and Procedures, and the Contract Policy Manual; however, these policies are general and do not list all the specific steps for staff to take when incurring and processing travel expenditures.

CAM S-2 Internal Control Systems states, “all departments/agencies should have an established system of policies and procedures to be followed in the performance of duties and functions.”

Recommendation No. 1:

We recommend COB develop detailed policies and procedures regarding business travel and meeting expenditures.

Clerk of the Board of Supervisors Management Response:

Concur. A policy and procedure has been established and implemented as of 2/5/2018. COB and Board of Supervisors (BOS) staff have received training on the new internal business travel and County meeting policies and procedures.

Finding No. 2 – Cal-Cards Used by Non-Cardholders (Control Finding)

One Cal-Cardholder in a BOS office and one Cal-Cardholder in the COB office “authorized” a designated employee to make purchases on their behalf which is against policy.



Detailed Findings, Recommendations, and Management Responses

Failure to ensure only authorized Cal-Cardholders use Cal-Cards increases the risk of unauthorized purchases.

Cal-Card Policy & Procedures, Section 3.2.3 states, “only the cardholder whose name is imprinted on the Cal-Card shall be authorized to use to the card. Cal-Cards are not transferrable to other employees”.

Recommendation No. 2:

We recommend COB ensure only authorized cardholders use Cal-Cards.

Clerk of the Board of Supervisors Management Response:

Concur. COB and BOS staff have received training to ensure only authorized cardholders use Cal-Cards and will not transfer them to other staff to use on their behalf. Staff that are authorized to make travel arrangements have been issued their own Cal-Card for this purpose.

Finding No. 3 – Inadequate Duties Segregation for the Revolving Cash Fund (Control Finding)

For seven of eight revolving fund transactions tested, the person who approved the Revolving Fund Voucher was the same person who signed the check.

Failure to segregate the duties of voucher approval and check signing increases the risk of inappropriate payments being made.

CAM C-7 Revolving Cash Funds, Section 2.2.1 states, “purchases or cash advances from the revolving cash fund must be approved by an authorized person who does not have revolving fund custodian, check signer, or reconciliation duties.”

Recommendation No. 3:

We recommend COB ensure revolving fund purchases are approved by an authorized person who does not have revolving fund custodian, check signer, or reconciliation duties.

Clerk of the Board of Supervisors Management Response:

Concur. Prior vacancies in the department resulted in a lack of segregation of duties. Segregation of duties have been achieved by filling the vacant Chief Deputy position. As of 7/31/2017, the new Chief Deputy’s ARA profile was updated to include authorized revolving fund voucher approver and backup fund custodian to the department head. In addition, the vacant Administrative Manager I position was filled. As of 1/19/2018 the new Administrative Manager I assumed the revolving fund reconciliation duties.

Finding No. 4 – Non-Reimbursable Expenses Submitted (Control Finding)

A BOS office purchased one third-party meal, and two travel expenditures were for “early bird check-in fees” for airfare.

These expenditures are against County policy and/or result in the County paying for expenses that are not a necessary part of travel.



Detailed Findings, Recommendations, and Management Responses

Section E.1.d of the Travel Policy states, “County funds may not be expended to reimburse Elected Officials or Non-Elected Employees for their expenses in purchasing meals for third parties, such as constituents, legislators and private business owners, at meetings held to discuss legislation or other matters of benefit to the County.” Section C.11 of the Travel Policy states, “non-reimbursable expenses include expenses that are not a necessary part of the required travel, including...discretionary check-in fees.”

Recommendation No. 4:

We recommend COB ensure reimbursement is only given to allowable travel expenses.

Clerk of the Board of Supervisors Management Response:

Concur. COB and BOS staff have received training on the new internal business travel and County meeting policy and procedure which clearly describes non-reimbursable expenses. The non-reimbursable expenses identified have been reimbursed back to the County as of 2/9/2018. Going forward, any non-reimbursable expenses charged to a Cal-Card will require the cardholder to furnish payment to the County when submitting all receipts related to the travel transaction.

Finding No. 5 – Inadequate Supporting Documentation for Certain Transactions (Control Finding)

Certain transactions were not adequately supported as required by County policy including missing receipts, lack of agendas for business meeting meals, and missing certification forms.

COB did not complete a Business Meeting Policy Certification form for one business meeting expenditure tested and they did not attach an agenda to the Business Meeting Policy Certification Form for 10 of 11 business meeting expenditures tested. In addition, there was no itemized receipt provided for four business meeting meal expenditures and one travel expenditure.

Failure to obtain approved Business Meeting Policy Certification forms, along with documentation describing the purpose of the business meeting, and failure to provide itemized receipts for all transactions, increases the risk of inappropriate or unapproved purchases being made.

Cal-Card Policy and Procedures, Section 4.6.9.e, states travel card payment packets must include “Auditor-Controller’s Business Meeting Policy Certification form, with supporting documentation attached.” Section F.1.d.3 of the Travel Policy states, “County business meeting meals require supporting documentation to be submitted including a description of purpose of the meeting (e.g., agenda)” and Section E.2.a states, “all business meeting meals must be supported with itemized listing of food and beverage purchases.”

Recommendation No. 5:

We recommend COB ensure a Business Meeting Policy Certification form is completed and approved for all business meeting expenditures and that meeting agendas are submitted with the forms. We also recommend COB ensure itemized receipts are submitted for all travel expenditures.



Detailed Findings, Recommendations, and Management Responses

Clerk of the Board of Supervisors Management Response:

Concur. COB will ensure staff who submit expenditure forms include all required forms and receipts. COB and BOS staff have received training on the new internal business travel and County meeting policies and procedures which includes the requirements for supporting documentation.

Finding No. 6 – Duplicate Travel Expenditure (Control Finding)

A BOS office submitted a lodging expense for reimbursement on a Mileage and Other Expense Claim form for approximately \$111; however, the lodging expense had already been paid via Cal-Card.

Duplicate payments are an inappropriate use of public funds.

Recommendation No. 6:

We recommend COB partner with BOS offices to ensure duplicated expenses are not claimed for reimbursement.

Clerk of the Board of Supervisors Management Response:

Concur. COB staff will double check receipts being submitted for reimbursement to ensure that the credit card number used is not a County issued Cal-Card. This will prevent duplicate payments. The BOS office has reimbursed the County of Orange back for this duplicated reimbursement as of 2/9/2018.

Finding No. 7 – GSA Per Diem Meal Rates Exceeded (Control Finding)

Two meal expenditures were submitted that exceeded GSA per diem rates.

Failure to ensure meals are reimbursed according to policy results in inappropriate use of public funds.

Section D.6.a of the Travel Policy states, “meals and incidental expenses are included in the daily rates established by the GSA and are to be used as Per Diem Rates for daily expenses incurred by Non-Elected employees while on business travel.” Section D.6.d states, “Elected Officials will be reimbursed for actual meal and incidental expenses not to exceed the federal Per Diem rates established by the GSA.”

Recommendation No. 7:

We recommend COB ensure meals are reimbursed at the GSA per diem rate for non-elected employees and that meals are reimbursed at the actual cost not to exceed the GSA per diem rate for elected officials.



Detailed Findings, Recommendations, and Management Responses

Clerk of the Board of Supervisors Management Response:

Concur. COB and BOS staff have received training on the new internal business travel and County meeting policy and procedures which includes how to find the GSA per diem rates for the area of travel. The BOS office has reimbursed the County for the item that was over the GSA limit as of 2/9/2018. Going forward, any expenses charged to a Cal-Card that exceed GSA per diem rates will require the cardholder to furnish payment back to the County when submitting all receipts related to the travel transaction.

Finding No. 8 – Mileage and Other Expense Claim Forms Not Submitted Timely (Control Finding)

Three of 20 Mileage and Other Expense Claim forms completed by BOS offices were not submitted to the A-C within six months as required.

Failure to submit Mileage and Other Expense Claim forms timely results in the County being less aware of its outstanding liabilities. In addition, this can result in the accumulation of claim items that become time consuming to review.

Recommendation No. 8:

We recommend COB ensure Mileage and Other Expense Claim forms are properly approved and submitted to the A-C within six months as required.

Clerk of the Board of Supervisors Management Response:

Concur. COB will ensure staff submitting Mileage and Other Expense claim forms adhere to the A-C six month limit. COB and BOS staff have received training on the new internal business travel and County meeting policy and procedures which includes the six month limit for filing reimbursement claims.

Finding No. 9 – Incorrect Cal-Card Type Used for Certain Purchases (Control Finding)

We found a P-Card was used to pay for a travel-related expenditure and a Travel Card was used to purchase a business-meeting related item.

Not using the proper payment method will make it difficult for management to monitor the different types (travel and business meeting vs. non-travel) of transactions against the respective compliance requirements.

The Cal-Card Policy and Procedures, Section 3.4 states, “P-cards shall not be used for any food or travel related purchases.” Section 1.3 states Travel Cards are “only used for the purpose of making travel related charges on behalf of their department, as well as, all food related purchases for both travel and on-site County business.”

Recommendation No. 9:

We recommend COB ensure each Cal-Card type is only used for authorized purposes.



Detailed Findings, Recommendations, and Management Responses

Clerk of the Board of Supervisors Management Response:

Concur. COB will provide periodic training to Cal-Card holders to ensure that each cardholder is aware as to which purchases can go on a P-Card versus a T-Card. COB and BOS staff have been trained on the new internal business travel and County meeting policy and procedures which highlights the items that can and cannot be purchased on P-Card and a T-Card.

Finding No. 10 – Supporting Documentation Not Canceled (Control Finding)

Supporting documentation for travel expenditures was not properly canceled (marked as “paid”).

Failure to cancel supporting documentation increases the risk of duplicate payments occurring as the original invoice could be submitted more than once.

Recommendation No. 10:

We recommend COB ensure supporting documentation for travel expenditures is properly canceled (marked as “paid”).

Clerk of the Board of Supervisors Management Response:

Concur. COB has obtained “PAID” stamps to properly cancel supporting documentation.

Finding No. 11 – Incorrect Account Coding Used (Control Finding)

Three transactions not related to travel were recorded in the County’s General Ledger in object code 2700 which is for transportation and travel related to meetings and conferences.

Details for the three transactions is as follows, two payments were made to contractors for case hearings and one payment was made for clothing purchased for a BOS office.

Not recording expenditures in the proper object codes could result in incorrect financial reporting.

Recommendation No. 11:

We recommend COB ensure travel transactions are correctly classified in the County’s General Ledger.

Clerk of the Board of Supervisors Management Response:

Concur. COB will ensure that travel transactions are properly coded to match the requisition fund coding as approved by budget staff in the County Expediter program.



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	Significant Control Weaknesses	Control Findings
<p>These are audit findings or a combination of audit 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 its attention immediately.</p>	<p>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.</p>	<p>These are audit findings concerning the effectiveness of internal control, compliance issues, or efficiency issues that require management's corrective action to implement or enhance processes and internal control. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.</p>



Detailed Findings, Recommendations, and Management Responses

ATTACHMENT B: Clerk of the Board of Supervisors Management Response



COUNTY OF ORANGE

CLERK OF THE BOARD

February 9, 2018

Scott Suzuki, Internal Audit Director
Orange County Auditor-Controller
12 Civic Center Plaza, Room 200
Santa Ana, CA 92701

Dear Mr. Suzuki,

The Auditor-Controller's Internal Audit Division has completed the Internal Control Audit of County Business Travel and Meeting Policy – Clerk of the Board of Supervisors, Audit No. 1626-E. Clerk of the Board (COB) has received and reviewed the draft report containing 11 control findings and concurs with the recommendations contained in the report. Provided here are responses and corrective actions taken for findings and recommendations 1-11.

**Finding No. 1 – No Policy and Procedures for Business Travel and Meeting Administration
(Control Finding)**

COB does not have detailed internal policy and procedures describing the steps to be taken for processing business travel and meeting expenditures.

Not having departmental policy and procedures could result in inconsistent processing of business travel and meeting transactions or departmental management directives not being followed.

COB follows pertinent County policies, such as the County Business Travel and Meeting Policy (Travel Policy), revolving fund policies and procedures established by the Auditor-Controller (A-C) in the County Accounting Manual (CAM), Cal-Card Policies and Procedures, and the Contract Policy Manual; however, these policies are general and do not list all the specific steps for staff to take when incurring and processing travel expenditures.

CAM S-2 Internal Control Systems states, "all departments/agencies should have an established system of policies and procedures to be followed in the performance of duties and functions."

Recommendation No. 1:

We recommend COB develop detailed policies and procedures regarding business travel and meeting expenditures.



Detailed Findings, Recommendations, and Management Responses

ATTACHMENT B: Clerk of the Board of Supervisors Management Response (cont.)

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Clerk of the Board of Supervisors Management Response:

Concur. A policy and procedure has been established and implemented as of 2/5/2018. COB and Board of Supervisors (BOS) staff have received training on the new internal business travel and County meeting policies and procedures.

Finding No. 2 – Cal-Cards Used by Non-Cardholders (Control Finding)

One Cal-Cardholder in a BOS office and one Cal-Cardholder in the COB office “authorized” a designated employee to make purchases on their behalf which is against policy.

Failure to ensure only authorized Cal-Cardholders use Cal-Cards increases the risk of unauthorized purchases.

Cal-Card Policy & Procedures, Section 3.2.3 states, “only the cardholder whose name is imprinted on the Cal-Card shall be authorized to use to the card. Cal-Cards are not transferrable to other employees”.

Recommendation No. 2:

We recommend COB ensure only authorized cardholders use Cal-Cards.

Clerk of the Board of Supervisors Management Response:

Concur. COB and BOS staff have received training to ensure only authorized cardholders use Cal-Cards and will not transfer them other staff to use on their behalf. Staff that are authorized to make travel arrangements have been issued their own Cal-Card for this purpose.

Finding No. 3 – Inadequate Duties Segregation for the Revolving Cash Fund (Control Finding)

For seven of eight revolving fund transactions tested, the person who approved the Revolving Fund Voucher was the same person who signed the resultant check.

Failure to segregate the duties of voucher approval and check signing increases the risk of inappropriate payments being made.

CAM C-7 Revolving Cash Funds, Section 2.2.1 states, “purchases or cash advances from the revolving cash fund must be approved by an authorized person who does not have revolving fund custodian, check signer, or reconciliation duties.”

Recommendation No. 3:

We recommend COB ensure revolving fund purchases are approved by an authorized person who does not have revolving fund custodian, check signer, or reconciliation duties.

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Detailed Findings, Recommendations, and Management Responses

ATTACHMENT B: Clerk of the Board of Supervisors Management Response (cont.)

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Clerk of the Board of Supervisors Management Response:

Concur. Prior vacancies in the department resulted in a lack of segregation of duties. Segregation of duties have been achieved by filling the vacant Chief Deputy position. As of 7/31/2017, the new Chief Deputy’s ARA profile was updated to include authorized revolving fund voucher approver and backup fund custodian to the department head. In addition, the vacant Administrative Manager I position was filled. As of 1/19/2018 the new Administrative Manager I assumed the revolving fund reconciliation duties.

Finding No. 4 – Non-Reimbursable Expenses Submitted (Control Finding)

A BOS office purchased one third-party meal and two travel expenditures were for “early bird check-in fees” for airfare.

These expenditure types are against County policy and/or result in the County paying for expenses that are not a necessary part of travel.

Section E.1.d of the Travel Policy states, “County funds may not be expended to reimburse Elected Officials or Non-Elected Employees for their expenses in purchasing meals for third parties, such as constituents, legislators and private business owners, at meetings held to discuss legislation or other matters of benefit to the County.” Section C.11 of the Travel Policy states, “non-reimbursable expenses include expenses that are not a necessary part of the required travel, including...discretionary check-in fees.

Recommendation No. 4:

We recommend COB ensure reimbursement is only given to allowable travel expenses.

Clerk of the Board of Supervisors Management Response:

Concur. COB and BOS staff have received training on the new internal business travel and County meeting policy and procedure which clearly describes non-reimbursable expenses. The non-reimbursable expenses identified have been reimbursed back to the County as of 2/9/2018. Going forward, any non-reimbursable expenses charged to a Cal-Card will require the cardholder to furnish payment to the County when submitting all receipts related to the travel transaction.

Finding No. 5 – Inadequate Supporting Documentation for Certain Transactions (Control Finding)

Certain transactions were not adequately supported as required by County policy including missing receipts, lack of agendas for business meeting meals, and missing certification forms.



Detailed Findings, Recommendations, and Management Responses

ATTACHMENT B: Clerk of the Board of Supervisors Management Response (cont.)

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Failure to obtain approved Business Meeting Policy Certification forms, along with documentation describing the description and purpose of the business meeting, and failure to provide itemized receipts for all transactions, increases the risk of inappropriate or unapproved purchases being made.

COB did not complete a Business Meeting Policy Certification form for one business meeting expenditure tested and they did not attach an agenda to the Business Meeting Policy Certification Form for 10 of 11 business meeting expenditures tested. In addition, there was no itemized receipt provided for four business meeting meal expenditures and one travel expenditure.

Cal-Card Policy and Procedures, Section 4.6.9.e, states travel card payment packets must include "Auditor-Controller's Business Meeting Policy Certification form, with supporting documentation attached." Section F.d.3 of the Travel Policy states, "County business meeting meals require supporting documentation to be submitted including a description of purpose of the meeting (e.g., agenda)" and Section E.2.a states, "all business meeting meals must be supported with itemized listing of food and beverage purchases."

Recommendation No. 5:

We recommend COB ensure a Business Meeting Policy Certification form is completed and approved for all business meeting expenditures and that meeting agendas are submitted with the forms. We also recommend COB ensure itemized receipts are submitted for all travel expenditures.

Clerk of the Board of Supervisors Management Response:

Concur. COB will ensure staff who submit expenditure forms include all required forms and receipts. COB and BOS staff have received training on the new internal business travel and County meeting policies and procedures which includes the requirements for supporting documentation.

Finding No. 6 – Duplicate Travel Expenditure (Control Finding)

A BOS office submitted a lodging expense for reimbursement on a Mileage and Other Expense Claim form for approximately \$111; however, the lodging expense had already been paid via Cal- Card.

Duplicate payments are an inappropriate use of public funds.

Recommendation No. 6:

We recommend COB partner with BOS offices to ensure duplicated expenses are not claimed for reimbursement.



Detailed Findings, Recommendations, and Management Responses

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Clerk of the Board of Supervisors Management Response:

Concur. COB staff will double check receipts being submitted for reimbursement to ensure that the credit card number used is not a County issued Cal-Card. This will prevent duplicate payments. The BOS office has reimbursed the County of Orange back for this duplicated reimbursement as of 2/9/2018.

Finding No. 7 – GSA Per Diem Meal Rates Exceeded (Control Finding)

Two meal expenditures were submitted that exceeded GSA per diem rates.

Failure to ensure meals are reimbursed according to policy results in inappropriate use of public funds.

Section D.6.a of the Travel Policy states, “meals and incidental expenses are included in the daily rates established by the GSA and are to be used as Per Diem Rates for daily expenses incurred by Non-Elected employees while on business travel.” Section D.6.d states, “Elected Officials will be reimbursed for actual meal and incidental expenses not to exceed the federal Per Diem rates established by the GSA.”

Recommendation No. 7:

We recommend COB ensure meals are reimbursed at the GSA per diem rate for non-elected employees and that meals are reimbursed at the actual cost not to exceed the GSA per diem rate for elected officials.

Clerk of the Board of Supervisors Management Response:

Concur. COB and BOS staff have received training on the new internal business travel and County meeting policy and procedures which includes how to find the GSA per diem rates for the area of travel. The BOS office has reimbursed the County for the item that was over the GSA limit as of 2/9/2018. Going forward, any expenses charged to a Cal-Card that exceed GSA per diem rates will require the cardholder to furnish payment back to the County when submitting all receipts related to the travel transaction.

Finding No. 8 – Mileage and Other Expense Claim Forms Not Submitted Timely (Control Finding)

Three of 20 Mileage and Other Expense Claim forms completed by BOS offices were not submitted to the A-C within six months as required.

Failure to submit Mileage and Other Expense Claim forms timely results in the County being less aware of its outstanding liabilities. In addition, this can result in the accumulation of claim items that can become time consuming to review.



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Recommendation No. 8:

We recommend COB ensure Mileage and Other Expense Claim forms are properly approved and submitted to the A-C within six months as required.

Clerk of the Board of Supervisors Management Response:

Concur. COB will ensure staff submitting Mileage and Other Expense claim forms adhere to the A-C six month limit. COB and BOS staff have received training on the new internal business travel and County meeting policy and procedures which includes the six month limit for filing reimbursement claims.

Finding No. 9 – Incorrect Cal-Card Type Used for Certain Purchases (Control Finding)

We found a P-Card was used to pay for a travel related expenditure and a Travel Card was used to purchase a business meeting related item.

Not using the proper payment method will make it difficult for management to monitor the different types (travel and business meeting vs. non-travel) of transactions against the respective compliance requirements.

The Cal-Card Policy and Procedures, Section 3.4 states, "P-cards shall not be used for any food or travel related purchases." Section 1.3 states Travel Cards are "only used for the purpose of making travel related charges on behalf of their department, as well as, all food related purchases for both travel and on-site County business."

Recommendation No. 9:

We recommend COB ensure each Cal-Card type is only used for authorized purposes.

Clerk of the Board of Supervisors Management Response:

Concur. COB will provide periodic training to Cal-Card holders to ensure that each cardholder is aware as to which purchases can go on a P-Card versus a T-Card. COB and BOS staff have been trained on the new internal business travel and County meeting policy and procedures which highlights the items that can and cannot be purchased on P-Card and a T-Card.

Finding No. 10 – Supporting Documentation Not Canceled (Control Finding)

Supporting documentation for travel expenditures was not properly canceled (marked as "paid"). Failure to cancel supporting documentation increases the risk of duplicate payments occurring as the original invoice could be submitted more than once.



Detailed Findings, Recommendations, and Management Responses

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Recommendation No. 10:

We recommend COB ensure supporting documentation for travel expenditures is properly canceled (marked as "paid").

Clerk of the Board of Supervisors Management Response:

Concur. COB has obtained "PAID" stamps to properly cancel supporting documentation.

Finding No. 11 – Incorrect Account Coding Used (Control Finding)

Three transactions not related to travel were recorded in the County's General Ledger in object code 2700 which is for transportation and travel related to meetings and conferences.

Not recording expenditures in the proper object codes could result in incorrect financial reporting. Details for the three transactions is as follows, two payments were made to contractors for case hearings and one payment was made for clothing purchased for a BOS office.

Recommendation No. 11:

We recommend COB ensure travel transactions are correctly classified in the County's General Ledger.

Clerk of the Board of Supervisors Management Response:

Concur. COB will ensure that travel transactions are properly coded to match the requisition fund coding as approved by budget staff in the County Expediter program.

Please contact Ronald Galang of my staff if you have any questions or need additional information. Thank you.

Sincerely,

Robin Stieler
Clerk of the Board of Supervisors