



Orange County Auditor-Controller Internal Audit



First Follow-Up Audit:
Management Letter on Audit of
Schedule of Assets Held by the
County Treasury as of June 30, 2016

Audit Number 1727-B Report
Date: December 11, 2018



O R A N G E C O U N T Y
AUDITOR-CONTROLLER
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ERIC H. WOOLERY, CPA
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Transmittal Letter

Audit No. 1727-B
(Reference 1611-F1)

December 11, 2018

TO: Shari Freidenrich, CPA
Treasurer-Tax Collector

SUBJECT: First Follow-Up Audit:
Management Letter on Audit of Schedule of Assets Held by the County Treasury
as of June 30, 2016, Original Audit No. 1611, Issued September 20, 2017

We have completed our first follow-up audit of Management Letter on Audit of Schedule of Assets Held by the County Treasury as of June 30, 2016. Our final report is attached for your review.

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

Eric H. Woolery, CPA
Auditor-Controller

Attachments

Other recipients of this report:

Members, Board of Supervisors
Members, Audit Oversight Committee
Members, Treasury Oversight Committee
Frank Kim, County Executive Officer
Michelle Aguirre, Chief Financial Officer
Larry Walker, Assistant Treasurer-Tax Collector
Jennifer Han, Accounting/Compliance Manager, Treasurer-Tax Collector - Treasury
JC Squires, Director, Central Accounting Operations, Auditor-Controller
Foreperson, Grand Jury
Robin Steiler, Clerk of the Board of Supervisors
Vavrinek, Trine, Day & Co., LLP, County External Auditor



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Held by the County Treasury as of June 30, 2016
Audit No. 1727-B (Reference 1611-F1)*

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**Audit No. 1727-B
(Reference 1611-F1)**

December 11, 2018

TO: Shari Freidenrich, CPA
Treasurer-Tax Collector

FROM: Eric H. Woolery, CPA
Auditor-Controller

SUBJECT: First Follow-Up Audit:
Management Letter on Audit of Schedule of Assets Held by County Treasury
as of June 30, 2016, Original Audit 1611

SCOPE

We have completed a follow-up audit of Management Letter on Schedule of Assets Held by County Treasury as of June 30, 2016. Our audit was limited to reviewing actions taken as of June 30, 2018, to implement the three recommendations from our management letter issued on September 20, 2017.

BACKGROUND

We completed an audit of the Schedule of Assets held by the County Treasury as of June 30, 2016. The related management letter identified three control deficiencies.

RESULTS

Our follow-up audit found that Treasurer-Tax Collector (T-TC) implemented one recommendation from the management letter; the two remaining recommendations are in process.

Based on our follow-up audit, the following is the implementation status of the three recommendations:

Finding No. 1 – Bank Reconciliation (Control Deficiency)

Recommendation No. 1: Since this issue and recommendation have been previously communicated to T-TC management by the external auditor MGO in the Management Letter dated December 15, 2016, a separate recommendation is not required. This issue will be followed-up by the County's external auditors during the next annual audit.

Status: Implemented. The County's external auditors noted in their Management Letter for the Year Ended June 30, 2017, that this recommendation was implemented. T-TC has updated their procedure for manually importing bank files to include required written management approval prior to importing bank files along with specific steps to validate the need to import files and for the correction of an erroneous import of bank files. Because of the actions taken by T-TC, we consider this recommendation implemented.



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Finding No. 2 – Audit Log Documentation (Control Deficiency)

Recommendation No. 2: We recommend that T-TC management create a policy and procedure for ensuring that documentation of changes, including additions, deletions and corrections in Quantum by user, type of change and date of change, can be retrieved and maintained for all correcting type transactions.

Status: In process. T-TC is in the process of creating a procedure for documenting significant corrections or adjustments in Quantum. T-TC plans to complete the procedure by the end of December 2018. Because of the actions taken by T-TC, we consider this recommendation in process.

Finding No. 3 – Application Change Management (Control Deficiency)

Recommendation No. 3: We recommend that T-TC management work with A-C/IT staff to create a formal management process and procedure for managing future changes to this in-house software application that includes maintaining appropriate documentation supporting authorization, testing and implementation of changes.

Status: In process. T-TC is in the process of creating procedures for its change management process. Because of the actions taken by T-TC, we consider this recommendation in process.

We appreciate the assistance extended to us by the personnel of the Treasurer-Tax Collector during our follow-up audit. If you have any questions, please contact me directly at (714) 834-2456, or Lily Chin, Audit Manager II at (714) 834-4096.



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ATTACHMENT A: Follow-Up Audit Implementation Status

For purposes of reporting the implementation status of our audit recommendations, we utilize four distinct categories:

Implemented	In Process	Not Implemented	Closed
The department has implemented our recommendation in all respects as verified by the follow-up audit. No further follow-up is required.	The department is in the process of implementing our recommendation. Additional follow-up may be required.	The department has taken no action to implement our recommendation. Additional follow-up may be required.	Circumstances have changed surrounding our original finding/ recommendation that: (1) make it no longer applicable or (2) the department has implemented and will only implement a portion of our recommendation. No further follow-up is required.
