



Andrew N. Hamilton, CPA
Orange County Auditor-Controller



Second Follow-up Audit of the Management Letter on
Review of the Schedule of Assets as of December 31, 2020

Audit Manager: Michael Steinhaus, CPA, CIA, CISA
Auditor II: John C. Lim, CIA

Audit Number 2217-A
Report Date: June 27, 2023

Internal Audit



OFFICE OF THE
ORANGE COUNTY AUDITOR-CONTROLLER

ANDREW N. HAMILTON, CPA
AUDITOR-CONTROLLER

DATE: June 27, 2023
TO: Honorable Board of Supervisors
FROM: Michael Steinhaus, Audit Manager
SUBJECT: Second Follow-up Audit of the Management Letter on Review of the Schedule of Assets as of December 31, 2020

We have completed a follow-up review of the Management Letter on Review of the Schedule of Assets as of December 31, 2020 (Management Letter). Our review was limited to reviewing the corrective actions taken as of August 31, 2022, to resolve the one outstanding finding from the Management Letter. Our report is attached for your review.

Given T-TC has not resolved the one significant deficiency from the Management Letter, we will recommend that the Audit Oversight Committee request that we perform a third follow-up review in approximately six months.

Other recipients of this report:

Members, Audit Oversight Committee
Jason Prole, Director of Investments
Brian Winn, Accounting/Compliance Manager
Salvador Lopez, Chief Deputy Auditor-Controller
John Lim, Auditor II
Foreperson, Grand Jury
Robin Stieler, Clerk of the Board of Supervisors
Eide Bailly LLP, County External Auditor



Internal Auditor's Report

Background

We completed a review of the Schedule of Assets as of December 31, 2020; and identified one significant deficiency in the related management letter. We classified the finding as a significant deficiency when combined with a similar control deficiency identified in the Management Letter on Review of the Schedule of Assets as of September 30, 2016 and again in the Management Letter on Review of the Schedule of Assets as of September 30, 2019, for which T-TC then concurred with our recommendation that T-TC management ensure its financial records (Quantum) accurately reflect all cash and investment accounts of the Treasury; T-TC's planned corrective action was to add and track the applicable accounts in Quantum as part of its Quantum upgrade that was to be completed in 2017; and T-TC's corrective action is still process. As a result of our first follow-up review, we found that the Treasurer-Tax Collector (T-TC) was in the process of resolving the one finding as of December 31, 2021.

Results

During our second follow-up review, we found the following status as of August 31, 2022:

Finding: Northern Trust Demand Account Not Recorded in Quantum (Significant Deficiency)

Recommendation: We recommend that T-TC management ensure that all accounts included in its Schedule of Assets are recorded in Quantum.

Status: Not Implemented. T-TC does not ensure that all accounts included in its Schedule of Assets are recorded in Quantum. T-TC has not set up the Northern Trust MMMF accounts in Quantum. Instead, T-TC has stopped purchasing Northern Trust MMMFs until T-TC has set up those accounts in Quantum.

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 at (714) 834-6106.

Michael Steinhaus

Michael Steinhaus, CPA
Audit Manager
June 27, 2023



Internal Auditor's Report

ATTACHMENT A: Follow-up Audit Implementation Status

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

Implemented	In Process	Not Implemented	Closed
The department has implemented our recommendation. No follow-up necessary.	The department is in the process of implementing our recommendation. Follow-up recommended.	The department has taken no action to implement our recommendation. Follow-up recommended.	Our recommendation is no longer applicable. No follow-up necessary.