



INTERNAL AUDIT DEPARTMENT



First Follow-Up Internal Control Audit: District Attorney-Public Administrator Revolving Funds

As of June 17, 2021

Audit No. 2039-F (Reference 1913-F1)
Report Date: August 5, 2021

Recommendation Status

5

Implemented

4

In Process

0

Not Implemented

1

Closed

OC Board of Supervisors

CHAIRMAN ANDREW DO
1st DISTRICT

VICE CHAIRMAN DOUG CHAFFEE
4th DISTRICT

SUPERVISOR KATRINA FOLEY
2nd DISTRICT

SUPERVISOR DONALD P. WAGNER
3rd DISTRICT

SUPERVISOR LISA A. BARTLETT
5th DISTRICT



INTERNAL AUDIT DEPARTMENT

Audit No. 2039-F
(Reference 1913-F1)

August 5, 2021

To: Todd Spitzer
District Attorney-Public Administrator

From: Aggie Alonso, CPA, CIA, CRMA
Internal Audit Department Director

Subject: First Follow-Up Internal Control Audit: District Attorney-Public Administrator
Revolving Funds

We have completed a follow-up audit of District Attorney-Public Administrator's (OCDA) revolving funds process as of June 17, 2021, original Audit No. 1913, dated July 30, 2020. Details of our results immediately follow this letter. Additional information including background and our scope is included in Appendix A.

Our first follow-up audit concluded that OCDA implemented five (5) recommendations, one (1) recommendation has been closed, and OCDA is in the process of implementing the remaining four (4) recommendations. A second follow-up audit will be performed in approximately six months and a follow-up audit report form is attached to facilitate that audit. Any recommendations not implemented or in process at that time will be brought to the attention of the Audit Oversight Committee at its next scheduled meeting.

We appreciate the assistance extended to us by OCDA personnel during our follow-up audit. If you have any questions, please contact me at 714.834.5442 or Assistant Director Scott Suzuki at 714.834.5509.

Attachments

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- District Attorney-Public Administrator Distribution
- Robin Stieler, Clerk of the Board of Supervisors
- Foreperson, Grand Jury
- Eide Bailly LLP, County External Auditor

INTERNAL AUDIT DEPARTMENT

RESULTS

FINDING NO. 1	Special Purpose Revolving Fund Use
CATEGORY	Critical Control Weakness
RECOMMENDATION	<p>OCDA management ensure revolving funds are used for intended purposes by establishing written policy and procedures that reflect current practices and include processes for:</p> <ul style="list-style-type: none">A. Authorizing legal and litigation services on behalf of staff.B. Identifying when procurement steps, such as obtaining Board approval, are required.
CURRENT STATUS & PLANNED ACTION	<p>In Process. Effective July 1, 2021, OCDA has developed policy and procedures for its special purpose revolving fund. This procedure includes descriptive guidelines for retaining the services of consultants and a request form to document approvals by the department.</p> <p>In addition, OCDA has drafted policy and procedures for authorizing legal and litigation services on behalf of staff and is currently in the meet-and-confer process, which has been delayed due to the ongoing COVID-19 pandemic.</p> <p>Based on the actions taken by OCDA, we consider this recommendation in process.</p>

FINDING NO. 2	Revolving Fund Accounting System
CATEGORY	Significant Control Weakness
RECOMMENDATION	<p>OCDA management:</p> <ul style="list-style-type: none">A. Formalize the process for granting/removing access to the in-house system.B. Perform a formal management user-access certification review for appropriateness to ensure access is:<ul style="list-style-type: none">• restricted to individuals with a direct business need;• disabled/removed when no longer required; and• adequately segregated.C. Update the system to include automated, mandatory password changes, an audit trail, and Excel export capabilities.



INTERNAL AUDIT DEPARTMENT

CURRENT STATUS & PLANNED ACTION	<p>In Process. OCDA has gathered system requirements for the recommended updates to the in-house application and anticipates completion by the end of 2021.</p> <p>Furthermore, OCDA continues to work on formalizing the process for granting/removing access to the in-house system and for performing a formal management user-access certification review.</p> <p>Based on the actions taken by OCDA, we consider this recommendation in process.</p>
--	--

FINDING NO. 3	Reconciliations
CATEGORY	Significant Control Weakness
RECOMMENDATION	<p>OCDA management ensure fund and bank reconciliations:</p> <ul style="list-style-type: none">A. Are prepared and reviewed, including a reconciliation of the fund to the checking account balance, on a monthly basis.B. Include a review of canceled checks.C. Include procedures to identify, investigate, and resolve outstanding reconciling items timely.
CURRENT STATUS	<p>Implemented. We reviewed four recently prepared and reviewed monthly reconciliations that included a reconciliation of the fund to the checking account balance.</p> <p>The Fiscal Service Manager has obtained access to online banking to review canceled checks. We noted that a review of canceled checks was documented with a signature and date.</p> <p>OCDA has revised its bank reconciliation worksheet and developed a list of ongoing checks to ensure outstanding items are identified, investigated, and resolved timely.</p> <p>Based on the actions taken by OCDA, we consider this recommendation implemented.</p>

FINDING NO. 4	Outstanding Travel Cash Advances
CATEGORY	Significant Control Weakness



INTERNAL AUDIT DEPARTMENT

RECOMMENDATION	OCDA management ensure: A. Unused portion of cash advances are collected timely. B. Cash advances are not issued to employees with outstanding balances.
CURRENT STATUS	Implemented. We reviewed two recent cash advances with repayments from employees. We noted that OCDA collected the unused portion of the cash advance timely, and no additional cash advance was issued while the employee had an outstanding balance. Based on the actions taken by OCDA, we consider this recommendation implemented.

FINDING NO. 5	Cash Counts and Check Inventory
CATEGORY	Control Finding
RECOMMENDATION	OCDA management ensure documented surprise cash counts and periodic inventories of unused checks are conducted.
CURRENT STATUS & PLANNED ACTION	In Process. OCDA conducts inventories of unused checks semi-annually. This inventory is documented and was last performed in November 2020. In addition, OCDA reported that surprise cash counts will follow a semi-annual schedule and anticipates starting these in July 2021. Based on the actions taken by OCDA, we consider this recommendation in process.

FINDING NO. 6	Fund Custodian
CATEGORY	Control Finding
RECOMMENDATION	OCDA management assign a separate custodian for each fund.
CURRENT STATUS & PLANNED ACTION	In Process. Due to current staffing shortages in the Fiscal Services Unit, OCDA indicated that assigning separate custodians for each fund is difficult. However, OCDA will continue to assess the feasibility of assigning a separate custodian for each fund including filling current vacancies in their Fiscal Services Unit. Based on the actions taken by OCDA, we consider this recommendation in process.



INTERNAL AUDIT DEPARTMENT

FINDING NO. 7	Holding Account for Donations
CATEGORY	Control Finding
RECOMMENDATION	OCDA work with Treasurer-Tax Collector to seek options for establishing a separate account for program donations.
CURRENT STATUS	Closed. OCDA will no longer deposit program donations in the revolving fund and has since closed out and disbursed donated funds to the appropriate authority. We obtained a recent petty cash fund reconciliation and did not note any deposited donations. Based on the actions taken by OCDA, we consider this recommendation closed.

FINDING NO. 8	Cash Repayments
CATEGORY	Control Finding
RECOMMENDATION	OCDA management ensure unused portions of cash advances are returned in the form of a personal check made payable to the officer, as required.
CURRENT STATUS	Implemented. OCDA no longer accepts cash repayments. We obtained three recent repayments and noted all were made via check. Based on the actions taken by OCDA, we consider this recommendation implemented.

FINDING NO. 9	Professional Services Provided by County Employees
CATEGORY	Control Finding
RECOMMENDATION	OCDA management implement a procedure to properly document when a County employee is hired to provide professional services to ensure that there is no conflict of interest.



INTERNAL AUDIT DEPARTMENT

CURRENT STATUS	<p>Implemented. OCDA has developed a form to be used when requesting the use of revolving funds. This form includes a section to properly document when a County employee is hired to provide professional services.</p> <p>Based on the actions taken by OCDA, we consider this recommendation implemented.</p>										
FINDING NO. 10	Mileage and Other Expenses Claim Form (MOE)										
CATEGORY	Control Finding										
RECOMMENDATION	<p>OCDA management:</p> <ul style="list-style-type: none"> A. Ensure Mileage & Other Expenses Claim forms are properly approved and submitted to the Auditor-Controller within six months after the expenses were paid or incurred. B. Provide additional training to employees to ensure that claim forms are submitted accurately. 										
CURRENT STATUS	<p>Implemented. OCDA has developed MOE instructions to assist employees in accurately completing claims. We reviewed three MOEs and noted that 100% were submitted to the Auditor-Controller within six months of travel completion.</p> <p>Based on the actions taken by OCDA, we consider this recommendation implemented.</p>										
AUDIT TEAM	<table border="0"> <tr> <td>Scott Suzuki, CPA, CIA, CISA, CFE</td> <td>Assistant Director</td> </tr> <tr> <td>Michael Dean, CPA, CIA, CISA</td> <td>Senior Audit Manager</td> </tr> <tr> <td>Gianne Morgan, CIA</td> <td>Audit Manager</td> </tr> <tr> <td>Alejandra Hernandez</td> <td>Senior Auditor</td> </tr> <tr> <td>Mari Elias, DPA</td> <td>Administrative Services Manager</td> </tr> </table>	Scott Suzuki, CPA, CIA, CISA, CFE	Assistant Director	Michael Dean, CPA, CIA, CISA	Senior Audit Manager	Gianne Morgan, CIA	Audit Manager	Alejandra Hernandez	Senior Auditor	Mari Elias, DPA	Administrative Services Manager
Scott Suzuki, CPA, CIA, CISA, CFE	Assistant Director										
Michael Dean, CPA, CIA, CISA	Senior Audit Manager										
Gianne Morgan, CIA	Audit Manager										
Alejandra Hernandez	Senior Auditor										
Mari Elias, DPA	Administrative Services Manager										



INTERNAL AUDIT DEPARTMENT

APPENDIX A: ADDITIONAL INFORMATION

SCOPE	Our follow-up audit was limited to reviewing actions taken by OCDA as of June 17, 2021 to implement the ten (10) recommendations from our original Audit No. 1913, dated July 30, 2020.
BACKGROUND	The original audit evaluated operational effectiveness of internal control over the revolving funds process. The original audit identified one (1) Critical Control Weakness, three (3) Significant Control Weaknesses, and six (6) Control Findings.



INTERNAL AUDIT DEPARTMENT

APPENDIX B: FOLLOW-UP AUDIT IMPLEMENTATION STATUS

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.

