



INTERNAL AUDIT DEPARTMENT



First & Final Close-Out Follow-Up Internal Control Audit: Public Defender Revolving Funds

As of March 8, 2022

Audit No. 2139-K (Reference 2017-F1)
Report Date: March 31, 2022

Recommendation Status

3	Implemented
0	In Process
0	Not Implemented
2	Closed

OC Board of Supervisors

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5th DISTRICT



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Audit No. 2139-K
(Reference 2017-F1)

March 31, 2022

To: Martin Schwarz
Public Defender

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

Subject: First & Final Close-Out Follow-Up Internal Control Audit: Public Defender
Revolving Funds

We have completed a follow-up audit of Public Defender revolving funds as of March 8, 2022, original Audit No. 2017, dated June 29, 2021. 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 Public Defender implemented three (3) recommendations from the original audit and two (2) recommendations are closed. Because all recommendations were implemented or closed, this report represents the final close-out of the original audit.

We appreciate the assistance extended to us by Public Defender 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
County Executive Office Distribution
Public Defender Distribution
Robin Stieler, Clerk of the Board
Foreperson, Grand Jury
Eide Bailly LLP, County External Auditor

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RESULTS	
FINDING NO. 1	Reconciliations
CATEGORY	Control Finding
RECOMMENDATION	<p>Public Defender management:</p> <ul style="list-style-type: none"> A. Ensure long-outstanding reconciling items are researched and resolved timely. B. Obtain access to, and include a review of, canceled checks as part of the reconciliation process, and/or consider implementing positive pay.
CURRENT STATUS	<p>Implemented. Public Defender obtained access to online banking to review canceled checks as part of its reconciliation process. We reviewed January bank reconciliations that included documentation of the review of canceled checks. In addition, the 17 long-outstanding checks identified in our original audit were resolved and there were no long-outstanding items (i.e., 12 months or older). Public Defender is also working with the Treasurer-Tax Collector to explore the feasibility of implementing positive pay.</p> <p>Based on the actions taken by Public Defender, we consider this recommendation implemented.</p>

FINDING NO. 2	Cash Advance Repayments & Reimbursements
CATEGORY	Control Finding
RECOMMENDATION	Public Defender management ensure an appropriate procedure is developed for handling cash advance repayments and reimbursements.
CURRENT STATUS	<p>Closed. The Auditor-Controller County Accounting Manual requires cash advance payments and reimbursements to be issued and reimbursed via check; cash transactions are not permitted. Nevertheless, Public Defender determined it acceptable to allow the receipt and issuance of cash for cash advance repayments or reimbursements less than \$10. This is documented in the department's petty cash procedure along with Public Defender's maximum cash-on-hand balance to help mitigate the risk of misappropriation of funds.</p> <p>Internal Audit believes departments should be granted latitude to set cash handling limits with respect to cash advances based upon individual department operational needs and appropriate risk management. Accordingly, this subject will be addressed in a future internal control audit and we consider this recommendation closed.</p>



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FINDING NO. 3	Mileage & Other Expenses Claim Form Submittal
CATEGORY	Control Finding
RECOMMENDATION	Public Defender management ensure Mileage & Other Expenses claim forms and applicable repayments are submitted to the fund custodian within five working days after the completion of the event for which a cash advance was made.
CURRENT STATUS	<p>Closed. To ensure claim forms and applicable repayments are submitted within five working days, Public Defender follows up with employees as administrative resources permit. This effort resulted in only one of three Mileage & Other Expenses claim forms being submitted late, at ten working days, a substantial improvement from the original audit.</p> <p>Notwithstanding our follow-up, while the Auditor-Controller County Accounting Manual requires cash advance payments to be resolved within five working days after the completion of the event for which a cash advance was issued, the County Business Travel & Meeting policy requires travelers to account for all expenses incurred within a reasonable period (travel advances must be resolved within 120 days).</p> <p>As there is a difference between the two policies and Internal Audit has observed the County Accounting Manual five-day requirement can be difficult for departments to comply with, this subject will be addressed in a future internal control audit and we consider this recommendation closed.</p>

FINDING NO. 4	Professional Services Provided by County Employees
CATEGORY	Control Finding
RECOMMENDATION	Public Defender management implement policy and procedures to properly document when a County employee is hired to provide professional services to ensure that there is no conflict of interest.
CURRENT STATUS	<p>Implemented. Public Defender implemented policy and procedures to properly document when a County employee is hired to provide professional services to ensure no conflict of interest. The policy requires that County employees hired to provide professional services include a certification on their invoice that the work was not conducted on County business time.</p> <p>Based on the actions taken by Public Defender, we consider this recommendation implemented.</p>



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FINDING NO. 5	Revolving Fund Balance
CATEGORY	Control Finding
RECOMMENDATION	Public Defender management review the revolving fund balance for the petty cash and cash advance funds and adjust the balance to align with business needs.
CURRENT STATUS	<p>Implemented. Public Defender determined the ongoing pandemic as a cause for its lower than usual usage of its revolving funds. More specifically, the lower use is due to restrictions on travel and Court closures. Public Defender reports they will continue to monitor the petty cash and cash advance funds by analyzing the monthly activity to determine if balances should be lowered.</p> <p>Based on the actions taken by Public Defender, we consider this recommendation implemented.</p>

AUDIT TEAM	Scott Suzuki, CPA, CIA, CISA, CFE Michael Dean, CPA, CIA, CISA Gianne Morgan, CIA, CISA Alejandra Hernandez Mari Elias, DPA	Assistant Director Senior Audit Manager Audit Manager Senior Auditor Administrative Services Manager
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APPENDIX A: ADDITIONAL INFORMATION

SCOPE	Our follow-up audit was limited to reviewing actions taken by Public Defender as of March 8, 2022 to implement the five (5) recommendations from our original Audit No. 2017, dated June 29, 2021.
BACKGROUND	The original audit evaluated operational effectiveness of internal control over the revolving funds process. The original audit identified five (5) Control Findings.



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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.

