



PUBLIC INFORMATION

INTERNAL AUDIT DEPARTMENT



Internal Control Audit: Child Support Services Cash Receipts

For the Period of October 1, 2022
through November 30, 2023

Audit No. 2306
Report Date: June 28, 2024

Number of Recommendations

- 0** Critical Control Weaknesses
- 3** Significant Control Weaknesses
- 4** Control Findings

OC Board of Supervisors

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INTERNAL AUDIT DEPARTMENT

Internal Control Audit:
Child Support Services Cash Receipts
June 28, 2024

AUDIT HIGHLIGHTS

SCOPE OF WORK	Perform an internal control audit of Child Support Services (CSS) Cash Receipts process for the period of October 1, 2022 through November 30, 2023.
RESULTS	<ul style="list-style-type: none"> We concluded that CSS' internal control over the cash receipts process is generally effective to ensure cash receipts are properly collected, recorded, deposited, and safeguarded. We concluded that CSS' cash receipts process is generally efficient.
RISKS IDENTIFIED	<p>As a result of our findings, potential risks include:</p> <ul style="list-style-type: none"> Identity theft, loss of the public's trust, legal liability, and remediation costs. Fraudulent activity/misappropriation or theft of County assets.
NUMBER OF RECOMMENDATIONS	<p>Opportunities for enhancing internal control include:</p> <ul style="list-style-type: none"> Ensuring that Personally Identifiable Information (PII) is redacted from desk procedures. Programming badge access to require two scans by authorized employees to enter the cage. Ensuring cashier tills are locked after each transaction. Consider eliminating handwritten receipt book inventory. Implementing dual custody procedures for the collection of payments received from the overnight drop box.
0	CRITICAL CONTROL WEAKNESSES
3	SIGNIFICANT CONTROL WEAKNESSES
4	CONTROL FINDINGS

Report suspected fraud or misuse of County resources by vendors, contractors, or County employees to 714-834-3608.



INTERNAL AUDIT DEPARTMENT

Audit No. 2306

June 28, 2024

To: Maria Arzola
Child Support Services Director

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

Subject: Internal Control Audit: Child Support Services Cash Receipts

We have completed an internal control audit of Child Support Services' (CSS) Cash Receipts process for the period October 1, 2022 through November 30, 2023. Due to the sensitive nature of specific findings (restricted information), results are redacted from public release. Additional information including background and our objectives, scope, and methodology are included in Appendix A.

CSS concurred with all our recommendations and the Internal Audit Department considers management's response appropriate to the recommendations in this report.

We will include the results of this audit in a future status report submitted quarterly to the Audit Oversight Committee and the Board of Supervisors. In addition, we will request your department complete a Customer Survey of Audit Services, which you will receive shortly after the distribution of our final report.

We appreciate the courtesy extended to us by CSS personnel during our audit. If you have any questions regarding our audit, please contact me at (714) 834-5442 or Assistant Deputy Director Michael Dean at (714) 834-4101.

Attachments

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- County Executive Office Distribution
- Child Support Services Distribution
- Robin Stieler, Clerk of the Board
- Foreperson, Grand Jury
- Eide Bailly LLP, County External Auditor

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RESULTS

**BUSINESS PROCESS
& INTERNAL
CONTROL
STRENGTHS**

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

- ✓ The department's Policy & Process Management (PPM) team performs independent periodic internal compliance reviews of cash handling, access controls, safeguarding of assets, and segregation of duties.
- ✓ CSS has security surveillance systems to monitor cashiering activities and prevent unauthorized access into the cashiering room and areas where the safe is stored.
- ✓ Cashiers use counterfeit detection devices (i.e., pen and counter machine) to detect counterfeit notes.
- ✓ The duties of receiving mailed check payments, cash handling, and posting cash receipts are adequately segregated.
- ✓ The Cashier Unit and Financial and Purchasing Services (FPS) teams perform a review of all daily cash receipts to ensure all money collected is recorded correctly and deposited promptly.
- ✓ The Cashier Unit performs a midday cash count, in addition to daily end-of-day balancing to ensure cash receipts are accounted for throughout the day.
- ✓ FPS maintains a courier deposit pickup log.
- ✓ Cashier supervisors place all daily cash receipts into locked deposit bags which are also stored in a safe.
- ✓ Access to the safe and key box combination holders are restricted to a limited number of authorized personnel.
- ✓ Each cashier is assigned a separate till.
- ✓ CSS has established detailed written internal policies and procedures for cash handling and systems security over related information systems.
- ✓ CSS has a written Business Continuity Plan to ensure continued operations in the event the cash payment system goes down.



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FINDING NO. 1	Content has been removed due to the sensitive nature of the finding.
FINDING NO. 2	<p>Personally Identifiable Information</p> <p>We noted one instance of an unredacted image within the department's desk procedures containing Personally Identifiable Information (PII), such as the full name and social security number of several customers.</p> <p>While the department's internal procedures are restricted to authorized personnel, the unredacted PII could potentially be accessed by an authorized user without a business need.</p>
CATEGORY	Significant Control Weakness
RISK	Inadequate security over PII could result in identity theft. If this PII was accessed via unauthorized means, the impact to the County could include loss of the public's trust, legal liability, and remediation costs.
RECOMMENDATION	CSS management ensure PII is redacted from desk procedures.
MANAGEMENT RESPONSE	CSS concurs with the finding and has implemented the recommendation. Supervisor Cashier Manual is restricted to those Supervisors and Managers with Cash handling responsibilities. On May 28, 2024, CSS updated the Supervisor Cashier Manual to redact PII information and issued communication to those with access to the Supervisor Manual to ensure the version of the manual with PII are destroyed. PII destruction includes, securing hardcopy documents in secure/locked destruction bins, onsite destruction - witnessed by CSS employee, which complies with IRS Publication 1075.
FINDING NO. 3	Content has been removed due to the sensitive nature of the finding.
FINDING NO. 4	<p>Badge Scan Entry to Cage</p> <p>CSS policy requires two badge scans by authorized employees to enter the cage where the safe is stored. However, one badge scan by an authorized employee can unlock the cage.</p> <p>To ensure authorized employees are appropriately accessing designated areas in Cashiering Services, CSS' PPM unit performs a quarterly review of badge entries to the cashier booth and cage. Their review involves validating a Dual Badge Report to ensure two employees scanned their badge prior to entering the cage with one</p>



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	<p>employee being an authorized employee listed on the Badge Access Report.</p> <p>However, PPM performed a review in April 2023 and found instances where there was only a single badge scan by an authorized employee to enter the cage.</p>
CATEGORY	Control Finding
RISK	Not requiring dual custody access to an area where the safe is stored, increases the risk of theft or misappropriation of cash assets.
RECOMMENDATION	CSS management consider programming badge access to require two scans by authorized employees to enter the cage.
MANAGEMENT RESPONSE	CSS concurs with the finding and is assessing the feasibility of implementing the recommendation to program badge access to require two scans by authorized employees to enter the cage. In the interim, CSS implemented a process on June 10, 2024, to enhance the tracking and documentation of dual custody access to the cage. A tracking log will serve as supporting documentation to the dual custody requirement. CSS has communicated the change to staff; and will update written policies and procedures by September 2024, which will outline the dual custody requirements and documentation responsibilities of those with access to the cage. The dual sign-in will include a requirement to state business need when accessing the cage. Additionally, CSS will include the access log as part of the review conducted by CSS's Policy & Process Management Team. The next review is scheduled prior to November 2024.

FINDING NO. 5	<p>Cashier Tills</p> <p>Although all cashiers are assigned separate key-locked tills, we observed during our on-site walk-through that cashiers were not locking their drawers after each transaction.</p> <p>While there are mitigating controls to prevent mismanagement of cash, such as cashiers locking their tills in a safe during breaks, security surveillance, and controlled badge access to the cashiering room, the cash is easily accessible when the tills are unlocked.</p>
CATEGORY	Control Finding
RISK	Not locking cashier tills after each transaction increases the risk of theft or misappropriation of cash assets.
RECOMMENDATION	CSS management ensure cashier tills are locked after each transaction.
MANAGEMENT RESPONSE	CSS concurs with the finding and has implemented the recommendation. On June 6, 2024, Cashiers were provided training on locking cashier till after each transaction. Effective June 10, 2024, CSS



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	implemented the recommendation. The written policies and procedures will be updated by September 2024 to reflect the changes. Additionally, CSS will include the physical observation of transactions to the review conducted by CSS's Policy and Process Management to ensure cashiers are locking tills after each transaction. The next review is scheduled prior to November 2024.
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FINDING NO. 6	Handwritten Cash Receipt Books
	<p>CSS stores unused handwritten receipt books in their safe. CSS management informed us that the department eliminated the use of handwritten cash receipts in November 2021 except in extraordinary circumstances, such as a power outage.</p> <p>In addition, CSS clients have the option to use a payment kiosk machine located in the building in the event of a CSE system outage. Therefore, CSS may no longer need to maintain handwritten receipt books.</p> <p>In March 2023, CSS performed a cash receipt book inventory and identified several missing receipt books. CSS would need to continue to perform receipt book inventories and determine the status of missing receipt books if receipt books are retained.</p>
CATEGORY	Control Finding
RISK	Handwritten receipt books could be inappropriately used to perpetuate theft if used to fraudulently process cash receipts transactions.
RECOMMENDATION	CSS management consider eliminating its handwritten receipt book inventory.
MANAGEMENT RESPONSE	CSS concurs with the finding and has eliminated the handwritten receipt books for the collection of child support payments. CSS will take appropriate measures to document and destroy the inventory of used and unused receipt books by July 2024.

FINDING NO. 7	Overnight Drop Box
	<p>CSS does not have documented dual custody policies and procedures in place for collecting customer payments from the overnight drop box. An Office Assistant collects check and money order payments from the overnight drop box and places them in a basket for retrieval by the Mail Room staff to package and send to the State Disbursement Unit.</p>
CATEGORY	Control Finding
RISK	If customer drop box payments are collected without dual custody and another employee observing and documenting the process, there is an increased risk of lost payments or theft.



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RECOMMENDATION	CSS management implement dual custody procedures for the collection of check and money order payments from the overnight drop box.
MANAGEMENT RESPONSE	CSS concurs with the finding. Effective, June 10, 2024, CSS implemented dual custody procedures for the collection of checks and money order payments received in the overnight drop box. The drop box is available for customers to drop off Child Support applications and/or supporting documentation. CSS will be assessing if there is a continued need for the overnight drop box. The assessment will be completed by September 2024. If CSS determines there is a continued need for the overnight drop box, CSS will include a review of payments to ensure dual custody protocols are being followed, in the next review conducted by CSS Policy & Process Management, scheduled prior to November 2024.

AUDIT TEAM	Michael Dean, CPA, CIA, CISA Gianne Morgan, CIA, CISA Mary Ann Cosep Tina Dinh Thuy Luu	Assistant Deputy Director Senior Audit Manager Lead Senior Auditor Senior Auditor Staff Specialist
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APPENDIX A: ADDITIONAL INFORMATION

OBJECTIVES	<p>Our audit objectives were to:</p> <ol style="list-style-type: none"> 1. Evaluate the effectiveness of internal control over the cash receipts process to ensure cash receipts are properly collected, recorded, deposited, and safeguarded. 2. Review the cash receipts process for efficiency.
SCOPE & METHODOLOGY	<p>Our audit scope was limited to internal controls over Child Support Services' cash receipts process for the period October 1, 2022 through November 30, 2023. Our methodology included inquiry, observation, examination of documentation, and testing of relevant transactions.</p>
EXCLUSIONS	<p>Our audit scope did not include a review of the accounts receivable process. In addition, we did not perform a comprehensive review of IT general or application controls over CAPS+ or other IT systems used to process cash receipts.</p>
PRIOR AUDIT COVERAGE	<p>We have not issued any audit reports for CSS with a similar scope within the last ten years.</p>
BACKGROUND	<p>The mission of the Orange County Child Support Services (CSS) is to facilitate the financial support of children by engaging parents and providing professional child support services.</p> <p>CSS utilizes a statewide system called Child Support Enforcement (CSE) to record child support payments. CSS cashiers collect over-the-counter payments such as cash, checks, and money orders. Only cash payments received are deposited locally and then remitted to the State Disbursement Unit (SDU) via ACH for processing daily. Check and money order payments as well as payments received in the mail are classified as "Misdirected Non-Cash payments" and not deposited locally. Non-cash payments are forwarded directly to SDU for processing. During the audit period, CSS deposited approximately \$5.2 million in cash payments.</p> <p>Cash receipts accounting services are provided by the Financial and Purchasing Services unit within CSS' Program Support Services.</p>



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PURPOSE & AUTHORITY	We performed this audit in accordance with the FY 2023-24 Audit Plan and Risk Assessment approved by the Audit Oversight Committee (AOC) and Board of Supervisors (Board).
PROFESSIONAL STANDARDS	Our audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the International Internal Audit Standards Board.
FOLLOW-UP PROCESS	<p>In accordance with professional standards, the Internal Audit Department has a process to follow-up on its recommendations. A first follow-up audit will generally begin six months after release of the initial report.</p> <p>The AOC and Board expect that audit recommendations will typically be implemented within six months or sooner for significant and higher risk issues. A second follow-up audit will generally begin six months after release of the first follow-up audit report, by which time all audit recommendations are expected to be implemented. Any audit recommendations not implemented after the second follow-up audit will be brought to the attention of the AOC at its next scheduled meeting.</p> <p>A Follow-Up Audit Report Form is attached and is required to be returned to the Internal Audit Department approximately six months from the date of this report in order to facilitate the follow-up audit process.</p>
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 shall establish effective internal controls as department management is responsible for internal control. Department management shall also continuously assess and strengthen internal control by evaluating internal control systems and promptly correcting weaknesses when detected." The criteria for evaluating internal control is the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework. Our audit enhances and complements, but does not substitute for department management's continuing emphasis on control activities and monitoring of control risks.
INTERNAL CONTROL LIMITATIONS	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 department's operating procedures, accounting practices, and compliance with County policy.



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APPENDIX B: FINDING TYPE CLASSIFICATION

Critical Control Weakness	Significant Control Weakness	Control Finding
<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>



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APPENDIX C: CHILD SUPPORT SERVICES MANAGEMENT RESPONSE



ORANGE COUNTY DEPARTMENT OF
CHILD SUPPORT SERVICES
MARIA ARZOLA, DIRECTOR

June 28, 2024

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

From: Maria Arzola
Child Support Services Director

Subject: Internal Control Audit: Child Support Services Cash Receipts (Audit No. 2306)

This serves as Orange County Department of Child Support (CSS) written response to the Internal Audit Department's Draft Audit Report dated May 24, 2024, for a Cash Receipt audit conducted for the period of October 1, 2022, through November 30, 2023. CSS has reviewed the findings and the recommendations provided; and offers the following response:

FINDING No. 1

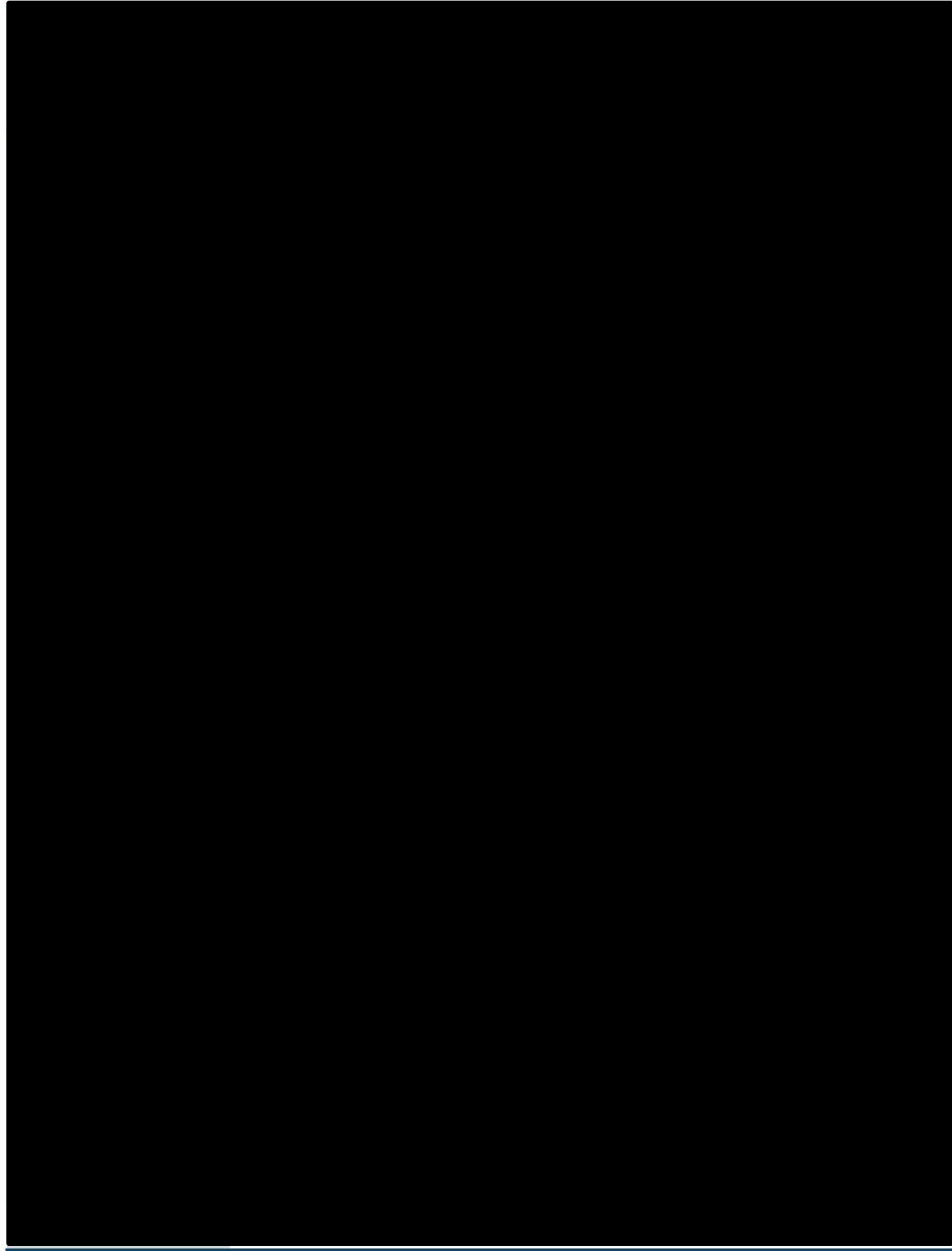


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FINDING NO. 2	Personally Identifiable Information We noted one instance of an unredacted image within the department's desk procedures containing Personally Identifiable Information (PII), such as the full name and social security number of several customers, While the department's internal procedures are restricted to authorized personnel, the unredacted PII could potentially be accessed by an authorized user without a business need.
CATEGORY	Significant Control Weakness
RISK	Inadequate security over PII could result in identity theft. If this PII was accessed via unauthorized means, the impact to the County could include loss of the public's trust, legal liability, and remediation costs.
RECOMMENDATION	CSS management ensure PII is redacted from desk procedures.
MANAGEMENT RESPONSE	CSS concurs with the finding and has implemented the recommendation. Supervisor Cashier Manual is restricted to those Supervisors and Managers with Cash handling responsibilities. On May 28, 2024, CSS updated the Supervisor Cashier Manual to redact PII information and issued communication to those with access to the Supervisor Manual to ensure the version of the manual with PII are destroyed. PII destruction includes, securing hardcopy documents in secure/locked destruction bins, onsite destruction - witnessed by CSS employee, which complies with IRS Publication 1075.

FINDING NO. 3	[REDACTED]
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FINDING No. 4	<p>Badge Scan Entry to Cage</p> <p>CSS requires two badge scans by authorized employees to enter the cage where the safe is stored. However, one badge scan by an authorized employee can unlock the cage.</p> <p>To ensure authorized employees are appropriately accessing designated areas in Cashiering Services, CSS' PPM unit performs a quarterly review of badge entries to the cashier booth and cage. Their review involves validating a Dual Badge Report to ensure two employees scanned their badge prior to entering the cage with one employee being an authorized employee listed on the Badge Access Report.</p> <p>However, PPM performed a review in April 2023 and found instances where there was only a single badge scan by an authorized employee to enter the cage.</p>
CATEGORY	Control Finding
RISK	Not requiring dual custody access to an area where the safe is stored, increases the risk of theft or misappropriation of cash assets.
RECOMMENDATION	CSS management consider programming badge access to require two scans by authorized employees to enter the cage.
MANAGEMENT RESPONSE	CSS concurs with the finding and is assessing the feasibility of implementing the recommendation to program badge access to require two scans by authorized employees to enter the cage. In the interim, CSS implemented a process on June 10, 2024, to enhance the tracking and documentation of dual custody access to the cage. A tracking log will serve as supporting documentation to the dual custody requirement. CSS has communicated the change to staff; and will update written policies and procedures by September 2024, which will outline the dual custody requirements and documentation responsibilities of those with access to the cage. The dual sign-in will include a requirement to state business need when accessing the cage. Additionally, CSS will include the access log as part of the review conducted by CSS's Policy & Process Management Team. The next review is scheduled prior to November 2024.

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FINDING NO. 5	<p>Cashier Tills</p> <p>Although all cashiers are assigned separate key-locked tills, we observed during our on-site walk-through that cashiers were not locking their drawers after each transaction.</p> <p>While there are mitigating controls to prevent mismanagement of cash, such as cashiers locking their tills during breaks, security surveillance, and controlled badge access to the cashiering room, the cash is easily accessible when the tills are unlocked.</p>
CATEGORY	Control Finding
RISK	Not locking cashier tills after each transaction increases the risk of theft or misappropriation of cash assets.
RECOMMENDATION	CSS management ensure cashier tills are locked after each transaction.
MANAGEMENT RESPONSE	CSS concurs with the finding and has implemented the recommendation. On June 6, 2024, Cashiers were provided training on locking cashier till after each transaction. Effective June 10, 2024, CSS implemented the recommendation. The written policies and procedures will be updated by September 2024 to reflect the changes. Additionally, CSS will include the physical observation of transactions to the review conducted by CSS's Policy and Process Management to ensure cashiers are locking tills after each transaction. The next review is scheduled prior to November 2024.

FINDING No. 6	<p>Handwritten Cash Receipt Books</p> <p>CSS stores unused handwritten receipt books in their safe. CSS management informed us that the department eliminated the use of handwritten cash receipts in November 2021 except in extraordinary circumstances, such as a power outage.</p> <p>In addition, CSS clients have the option to use a payment kiosk machine located in the building in the event of a CSE system outage. Therefore, CSS may no longer need to maintain handwritten receipt books.</p> <p>In March 2023, CSS performed a cash receipt book inventory and identified several missing receipt books. CSS would need to continue to perform receipt book inventories and determine the status of missing receipt books if receipt books are retained.</p>
CATEGORY	Control Finding
RISK	Handwritten receipt books could be inappropriately used to perpetuate theft if used to fraudulently process cash receipts transactions.

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RECOMMENDATION	CSS consider eliminating its handwritten receipt book inventory.
MANAGEMENT RESPONSE	CSS concurs with the finding and has eliminated the handwritten receipt books for the collection of child support payments. CSS will take appropriate measures to document and destroy the inventory of used and unused receipt books by July 2024.

FINDING No. 7	Overnight Drop Box CSS does not have documented dual custody policies and procedures in place for collecting customer payments from the overnight drop box. An Office Assistant collects check and money order payments from the overnight drop box and places them in a basket for retrieval by the Mail Room staff to package and send to the State Disbursement Unit.
CATEGORY	Control Finding
RISK	If customer drop box payments are collected without dual custody and another employee observing and documenting the process, there is an increased risk of lost payments or theft.
RECOMMENDATION	CSS management implement dual custody procedures for the collection of check and money order payments from the overnight drop box.
MANAGEMENT RESPONSE	CSS concurs with the finding. Effective, June 10, 2024, CSS implemented dual custody procedures for the collection of checks and money order payments received in the overnight drop box. The drop box is available for customers to drop off Child Support applications and/or supporting documentation. CSS will be assessing if there is a continued need for the overnight drop box. The assessment will be completed by September 2024. If CSS determines there is a continued need for the overnight drop box, CSS will include a review of payments to ensure dual custody protocols are being followed, in the next review conducted by CSS Policy & Process Management, scheduled prior to November 2024.

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