



# INTERNAL AUDIT DEPARTMENT



## First Follow-Up Internal Control Audit: Health Care Agency Payroll Process

As of May 31, 2020

Audit No. 1939-G (Reference 1812-F1)  
Report Date: July 8, 2020

### Recommendation Status

2

Implemented

1

In Process

0

Not Implemented

0

Closed

## OC Board of Supervisors

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SECOND DISTRICT

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FIFTH DISTRICT



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Audit No. 1939-G  
(Reference 1812-F1)

July 8, 2020

To: Clayton Chau, MD, PhD  
Health Care Agency Director

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

Subject: First Follow-Up Internal Control Audit: Health Care Agency Payroll Process

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We have completed a follow-up audit of the Health Care Agency (HCA) Payroll process as of May 31, 2020, original Audit No. 1812, dated June 18, 2019. 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 HCA implemented two (2) recommendations and is in the process of implementing one (1) recommendation. 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 HCA 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
- CEO Distribution
- Health Care Agency Distribution
- Auditor-Controller Satellite Accounting Operations Distribution
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board of Supervisors
- Eide Bailly, LLP, County External Auditor

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## RESULTS

<b>FINDING No. 1</b>	<b>Payments Based on Pay Codes Used</b>
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RECOMMENDATION</b>	HCA update their policy and procedures to distinguish between employees covered by different MOUs for certain pay codes and conduct additional training for payroll staff and department supervisors/managers to ensure pay codes are used appropriately.
<b>CURRENT STATUS &amp; PLANNED ACTION</b>	<p><b>In Process.</b> HCA is currently working with HRS regarding the use of the Call Back (CB) pay code to determine the requirements for a policy and procedure update.</p> <p>In addition, HCA conducted additional training for payroll staff and department supervisors/managers in March 2019, January 2020, and February 2020, to ensure pay codes are used appropriately.</p> <p>Based on the actions taken by HCA, we consider this recommendation in process.</p>

<b>FINDING No. 2</b>	<b>OT and SOT Follow-Up Verification</b>
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RECOMMENDATION</b>	HCA implement consistent follow-up reviews of Overtime (OT) or Straight Overtime (SOT) pay codes to ensure compliance with County MOUs and conduct additional training for payroll staff and department supervisors/managers to ensure OT and SOT pay codes are used appropriately.
<b>CURRENT STATUS</b>	<p><b>Implemented.</b> HCA has implemented follow-up reviews of OT and SOT pay codes. The most recent review was performed in May 2020.</p> <p>Additionally, HCA conducted training related to proper coding of OT and SOT in March 2019, January 2020, and February 2020.</p> <p>Based on the actions taken by HCA, we consider this recommendation implemented.</p>



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<b>FINDING NO. 3</b>	<b>VTI User Access</b>
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RECOMMENDATION</b>	HCA perform periodic reviews of VTI user access and maintain access only for authorized personnel.
<b>CURRENT STATUS</b>	<b>Implemented.</b> HCA has implemented quarterly reviews of VTI user access. The most recent review was performed in March 2020.  Based on the actions taken by HCA, we consider this recommendation implemented.

<b>AUDIT TEAM</b>	Scott Suzuki, CPA, CIA, CISA, CFE Michael Dean, CPA, CIA, CISA Zan Zaman, CPA, CIA Virginia Nguyen, CPA	Assistant Director Senior Audit Manager Audit Manager Senior Auditor
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## APPENDIX A: ADDITIONAL INFORMATION

<b>SCOPE</b>	Our follow-up audit was limited to reviewing actions taken by HCA as of May 31, 2020 to implement the three (3) recommendations from our original Audit No. 1812, dated June 18, 2019.
<b>BACKGROUND</b>	The original audit evaluated operational effectiveness of internal control over the payroll process. The original audit identified three (3) 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.

