

Internal Audit Department

O R A N G E C O U N T Y L a r g e s t C o u n t y i n t h e U S A

FINAL CLOSE-OUT

FIRST FOLLOW-UP INTERNAL CONTROL AUDIT:

**SHERIFF-CORONER AND
HEALTH CARE AGENCY
CONTRACT ADMINISTRATION -
U.S. IMMIGRATION AND
CUSTOMS ENFORCEMENT**

ORIGINAL AUDIT No. 1126

AS OF MAY 18, 2012

Our First Follow-Up Audit found the Sheriff-Coroner and Health Care Agency fully implemented both recommendations from our original audit report dated November 3, 2011. During the original audit, the Sheriff-Coroner and Health Care Agency billed ICE \$27.2 million for detention services and prescription medication reimbursement.

AUDIT NO: 1130-L

REPORT DATE: MAY 24, 2012

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Deputy Director: Eli Littner, CPA, CIA
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RISK BASED AUDITING

GAO & IIA Peer Review Compliant – 2001, 2004, 2007, 2010



American Institute of Certified Public Accountants Award to Dr. Peter Hughes as 2010 Outstanding CPA of the Year for Local Government

GRC (Government, Risk & Compliance) Group 2010 Award to IAD as MVP in Risk Management



2009 Association of Certified Fraud Examiners' Hubbard Award to Dr. Peter Hughes for the Most Outstanding Article of the Year – Ethics Pays



2008 Association of Local Government Auditors' Bronze Website Award



2005 Institute of Internal Auditors' Award to IAD for Recognition of Commitment to Professional Excellence, Quality, and Outreach



GAO & IIA Peer Review Compliant - 2001, 2004, 2007, 2010

Providing Facts and Perspectives Countywide

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OC Fraud Hotline (714) 834-3608

Letter from Dr. Peter Hughes, CPA

Transmittal Letter



Audit No. 1130-L May 24, 2012

TO: Sandra Hutchens, Sheriff-Coroner
Mark Refowitz, Interim Director
Health Care Agency

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: **First and Final Close-Out** Follow-Up
Internal Control Audit: Sheriff-Coroner
and Health Care Agency Contract
Administration – U.S. Immigration and
Customs Enforcement, Original Audit No.
1126, Issued November 3, 2011

We have completed a First Follow-Up Audit of the Sheriff-Coroner and Health Care Agency Contract Administration – U.S. Immigration and Customs Enforcement (ICE). Our audit was limited to reviewing, as of May 18, 2012, actions taken to implement the **two (2) recommendations** from our original audit. We conducted this First Follow-Up Audit in accordance with the *FY 11-12 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and Board of Supervisors.

The results of our First Follow-Up Audit are discussed in the **OC Internal Auditor's Report** following this transmittal letter. Because satisfactory corrective action has been taken for the two (2) audit recommendations, **this report represents the close-out of the original audit.**

Each month I submit an **Audit Status Report** to the BOS where I detail any material and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS.

Other recipients of this report are listed on the **OC Internal Auditor's Report** on page 2.

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Sheriff-Coroner and Health Care Agency
Contract Administration – U.S. Immigration and
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Audit No. 1130-L*

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OC Internal Auditor's Report



Audit No. 1130-L

May 24, 2012

TO: Sandra Hutchens, Sheriff-Coroner
Mark Refowitz, Interim Director, Health Care Agency

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: **First and Final Close-Out** Follow-Up Internal Control Audit: Sheriff-Coroner and Health Care Agency Contract Administration – U.S. Immigration and Customs Enforcement, Original Audit No. 1126, Issued November 3, 2011

Scope of Review

We have completed a First Follow-Up Audit of the Sheriff-Coroner and Health Care Agency Contract Administration – U.S. Immigration and Customs Enforcement. Our audit was limited to reviewing, as of May 18, 2012, actions taken to implement **two (2) recommendations** from our original audit.

Background

Our original audit evaluated internal controls over contract administration and billing processes in the Sheriff-Coroner and the Health Care Agency for the U.S. Immigration and Customs Enforcement (ICE) Inter-Government Service Agreement. Two recommendations were made in the original audit pertaining to written policies and procedures and supervisory reviews. During the original audit period, the Sheriff-Coroner and Health Care Agency billed ICE approximately **\$27.2 million for detention services and prescription medication reimbursement**.

Results

Our First Follow-Up Audit indicated the Sheriff-Coroner and Health Care Agency fully implemented both recommendations. **As such, this report represents the final close-out of the original audit.** Based on the Follow-Up Audit we conducted, the following is the implementation status of the two recommendations:

1. Enhancing Written Procedures for Invoice Preparation (Control Finding)

The Sheriff-Coroner and Health Care Agency enhance their written policies and procedures for preparing the monthly invoices for ICE detention services and prescription drug reimbursement.

Current Status: **Implemented.** The Sheriff-Coroner and Health Care Agency amended policies and procedures to provide additional guidance for preparing the monthly ICE invoices. The Sheriff-Coroner's amended policies and procedures were enhanced to include:

- Reference to the billing requirements and fixed rates in the ICE Agreement.
- Executing queries from the Automated Jail System for activity reports.
- Management review of billings prior to submission to ICE.
- Billing adjustments.
- Overpayments or underpayments.
- Reconciliation of billed and paid amounts.

OC Internal Auditor's Report



The Health Care Agency also enhanced their policies and procedures by describing the management review of the billing before submitting the data to ICE. We obtained and reviewed the monthly invoices submitted to ICE from November 2011 through March 2012 and noted there were no exceptions or disallowances of costs. Because the Sheriff-Coroner and Health Care Agency enhanced their written policies and procedures, we consider this recommendation implemented.

2. **Supervisory Reviews of Invoices for Prescription Drugs** (Control Finding)

Health Care Agency strengthen its internal review process to ensure claimed costs for prescription medicine reimbursement comply with the ICE Agreement.

Current Status: **Implemented.** We observed that Health Care Agency's policies and procedure were amended to describe the management review of the monthly billings before submitting the data to ICE. In addition, we tested five monthly invoices for prescription medicine reimbursement between November 2011 and March 2012 for compliance with the ICE Agreement. We found that supervisory review of the invoices is documented, and no exceptions or disallowances were noted in our test work. Because the Health Care Agency took satisfactory corrective action to ensure billed items complied with the ICE Agreement, we consider this recommendation implemented.

We appreciate the assistance extended to us by the Sheriff-Coroner and Health Care Agency during our Follow-Up Audit. If you have any questions, please contact me directly or Eli Littner, Deputy Director at 834-5899, or Michael Goodwin, Senior Audit Manager at 834-6066.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

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