



PETER HUGHES, Ph.D., CPA, CIA, CFE, CITP
Director

400 Civic Center Drive West
Building 12, Room 232
Santa Ana, California 92701-4521

(714) 834-5475 Fax: (714) 834-2880

INTERNAL AUDIT DEPARTMENT

Audit No. 2322

September 9, 2003

TO: Paula Burrier-Lund, Director
Housing & Community Services Department

SUBJECT: Follow-Up of Department Control Review of the Housing & Community Services Department (formerly the Housing & Community Development Department) Disbursements and Related Information Technology, Audit No. 2223

We have completed a follow-up examination of internal controls over the disbursement and related information technology processes in the Housing & Community Services Department. Our examination was limited to a review, as of July 31, 2003, of actions taken to implement the recommendations made in our audit report dated September 27, 2002.

The original audit report contained eight items and eleven recommendations. Our review indicated five recommendations have been fully implemented, three recommendations are in process pending implementation of a new information system, and three recommendations were substantially implemented. We believe the recommendations are still appropriate and further efforts should be made to fully implement them.

The audit report recommendations not fully implemented are noted below along with a comment on the current status. The item number from the September 27, 2002 report is shown in parentheses after each heading.

1. Supervisory Approvals and Reviews (No. I)

Recommendation: H&CD and H&CD Accounting take appropriate measures as detailed above to ensure supervisory approvals and reviews are adequately performed and documented.

Current Status: **Substantially Implemented.** H&CS and H&CS Accounting management has taken appropriate steps by implementing the following items:

- An H&CS Accounting Senior Accountant approves the addition of Community Development project vendors into H&CS's vendor table in the Auditor-Controller's County Accounting and Personnel System.

- An H&CS Accounting Supervisor reviews a sample of H&CS's Housing Assistance Payment (HAP) checks and direct deposit remittance advices and compares them to the check register and source documents prior to their issuance.
- An H&CS Accounting Senior Accountant performs documented reviews of H&CS's Union Bank checking account reconciliations.
- The H&CS Accounting Supervisor who prepares the Union Bank checking account reconciliations reviews the monthly CD ROM's containing canceled check images obtained from Union Bank.

However, we noted the H&CS Leasing Supervisors approval of the addition of HAP recipient landlords into H&CS's Section 8 Rental Assistance (SERA) system was not implemented.

H&CS/H&CS Accounting Planned Action: H&CS Accounting has developed a draft "Request for Issuance of Vendor Number" form to be used by Leasing Supervisors when requesting vendors (HAP recipient landlords) to be added to SERA. Once the form is approved by Leasing, it will be used by Leasing to authorize vendor addition requests.

2. User Profiles in SERA (No. III)

Recommendation: H&CD implement user profiles based on job responsibilities and restrict excess access rights to the extent possible.

Current Status: In Process. H&CS Information Services Management informed us that they contacted the current SERA vendor and found that implementing unique user profiles would have required a costly system revision. We were informed that H&CS is in the process of replacing SERA.

H&CS Planned Action: H&CS plans to replace SERA. The new system will be designed to include unique user profiles.

3. Notification of Employee Terminations (No. V)

Recommendation: H&CD require the Human Resources section to promptly notify the Information Services section when employees terminate employment with H&CD.

Current Status: Substantially Implemented. H&CS Human Resources developed a "Supervisor's Checklist for Employees Leaving the Department" to be used by individual supervisors when employees terminate employment with H&CS. This form states the applicable supervisor will notify H&CS Information Services to de-activate the employee's access to County/H&CS computers. However, we reviewed five checklists and noted the following:

- One checklist did not indicate whether H&CS Information Services was notified.
- Another checklist was prepared 25 days after the employee's last day worked.

- Two other checklists indicated H&CS Information Services was contacted; however, other parts of the checklists were not completed.

Also, H&CS Information Services informed us that they do not receive notifications for all employees who leave the department.

H&CS Planned Action: H&CS Human Resources will ensure a checklist is prepared for every employee who leaves the department. H&CS Human Resources will inform H&CS supervisors of the importance of preparing the checklists timely. H&CS Human Resources will ensure all aspects of the supervisor checklists are completed.

4. Multiple Vendor Numbers (No. VI)

Recommendation: H&CD Accounting review the master file in SERA and delete any extraneous vendor numbers.

Current Status: **In Process.** H&CS Accounting staff researched the vendor master file in SERA and identified duplicate vendors. H&CS contacted Modern Software Technologies (MST), the SERA vendor, and was informed that the deletion of vendor numbers could cause problems with the SERA database. We were informed that H&CS is in the process of replacing SERA.

H&CS/H&CS Accounting Planned Action: H&CS plans to replace SERA. H&CS Accounting will ensure duplicate vendor numbers are not entered into the new system.

5. Data Input Fields in SERA (No. VII)

Recommendation: H&CD modify SERA to ensure data for tenant utility payments is validated for reasonableness when input occurs.

Current Status: **In Process.** H&CS Information Services filed a formal request with MST on August 19, 2002 to provide a validity check on the tenant utility payment field. According to H&CS Information Services, MST has not responded to this request. We were informed that H&CS is in the process of replacing SERA.

H&CS Planned Action: H&CS plans to replace SERA. The new system will be designed to ensure data for tenant utility payments is validated for reasonableness when input occurs.

6. Record Retention (No. VIII)

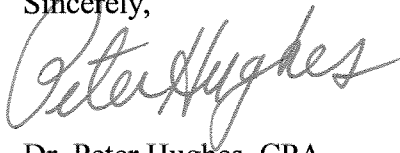
Recommendation: H&CD Accounting ensure voided checks and vendor addition memos are retained in accordance with the County's *Records Control Schedule*.

Current Status: Substantially Implemented. H&CS Accounting now retains voided checks in accordance with the County's *Records Control Schedule*. However, as stated in item 1. above, H&CS Accounting has not yet completed their revised vendor addition memo form ("Request for Issuance of Vendor Number") to be used by Leasing when requesting vendors (HAP recipient landlords) to be added to SERA.

H&CS Accounting Planned Action: Once the new vendor addition memo form is approved by Leasing, it will be used by Leasing to authorize vendor addition requests. H&CS Accounting will retain copies of these forms in accordance with the County's *Records Control Schedule*.

We appreciate the cooperation and assistance extended to us by the staff of H&CS and H&CS Accounting during our review.

Sincerely,



Dr. Peter Hughes, CPA
Director, Internal Audit Department

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cc: Members, Board of Supervisors
Members, Audit Oversight Committee
Foreman, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors
James D. Ruth, Interim County Executive Officer
David E. Sundstrom, Auditor-Controller
Jess Carbajal, Manager, H&CS Administrative and Community Development Services
John Hambuch, Manager, H&CS Housing Assistance
Mike Montijo, Manager, H&CS Accounting
Andrae Frierson, Senior Systems Programmer/Analyst, H&CS Information Systems