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INTERNAL AUDITOR'S REPORT

Audit No. 2346

DATE: May 5, 2004

TO: Jan Goss, Director
Integrated Waste Management Department

SUBJECT: Department Control Review of Purchasing Card Program

We have completed a review of internal controls over purchasing card transactions of the Integrated Waste Management Department (IWMD) for the period from July 1, 2002 through June 30, 2003. We performed this review in conjunction with our review of CEO/Purchasing's processes and internal controls over administering the purchasing card program.

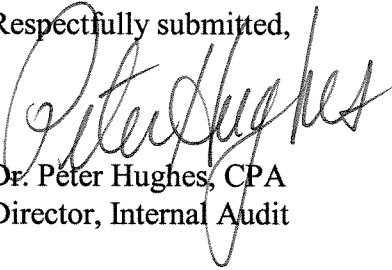
IWMD was one of five departments included in this review, which also included the Assessor, Housing and Community Services Department, Orange County Public Library, and the Public Defender. We issued the results of our review in separate reports to CEO/Purchasing and to the selected departments.

Our principal objective was to determine whether controls are adequate to ensure purchasing card transactions are valid, adequately supported, processed in accordance with management authorization and processed in compliance with the County of Orange Purchasing Card Program policy and procedure manual (Purchasing Card Manual). Our review included testing for split purchases, duplicate vendor payments, and whether cardholder spending limits were exceeded.

Our review determined that internal controls over purchasing card transactions in IWMD were effective to ensure purchase card transactions were processed in accordance with management authorization and were in compliance with the Purchasing Card Manual. Our observations and recommendations to further enhance controls, along with management responses, are contained in this report. The complete text of responses from IWMD are contained in Appendix A of this report.

We want to express our appreciation for the level of courtesy and cooperation extended to us by the personnel of IWMD during our review. If we can be of further assistance, please contact me directly or Eli Littner, Deputy Director at (714) 834-5899 or Michael Goodwin, Audit Manager at (714) 834-6066.

Respectfully submitted,



Dr. Peter Hughes, CPA
Director, Internal Audit

Audit Team:

Eli Littner, Deputy Director, CPA, CIA
Michael Goodwin, Audit Manager, CPA, CIA
Michael Dean, Senior Auditor, CIA
Toni Smart, Senior Auditor, CPA
Sonia Maceranka, Senior Auditor

Attachment

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Jeffrey Stadnik, Manager, IWMD Support Services
Sheila Refoy, Manager, IWMD Budget/Finance & Management Services
Susan Attinger, Staff Analyst, IWMD Budget/Finance Services

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

I. Supporting Documentation

IWMD maintains vendor invoices as supporting documentation for items purchased via telephone, mail order and Internet. However, shipping documents were not maintained as supporting documentation. Shipping documents provide evidence that purchased items are properly received and accounted for. We reviewed 33 shipped purchases and were unable to obtain shipping documents for any of the 33 shipped purchases.

Recommendation No. I

IWMD ensure that adequate supporting documentation, including shipping documents, is maintained for all purchasing card purchases.

IWMD Response:

IWMD concurs with the recommendation. IWMD has taken corrective action of requiring the submission of adequate shipping documentation on all relevant purchases, effective November 26, 2003. A memo was distributed to all cardholders, approving officials and related management, outlining this requirement. (The exception is in-store purchases.) In the event that the specific documentation is not received, the billing official for the department will report to the IWMD manager of business services for follow-up management action.

II. Account Changes

Section X of the Purchasing Card Manual states that account changes (deletions) should be reported by the department/agency Billing Official to CEO/Purchasing. We were informed one Approving Official should have been deactivated in 2001 but is still listed as an active Approving Official in CEO/Purchasing records.

Recommendation No. II

IWMD ensure the retired Approving Official is properly deactivated by CEO/Purchasing, and that all other purchasing card program personnel changes are communicated timely to CEO/Purchasing.

IWMD Response:

IWMD concurs with the recommendation. IWMD took the corrective action of sending a request and follow-up to CEO/Purchasing to deactivate the retired Approving Official. The purchasing card showed zero balance availability thus the issue was thought to be resolved. In the future, the IWMD billing official will assure that any request for deactivation is followed up until removal of the individuals name can be observed on the monthly purchasing card statement summary.

APPENDIX A – IWMD MANAGEMENT RESPONSES



COUNTY OF ORANGE INTEGRATED WASTE MANAGEMENT DEPARTMENT

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March 9, 2004

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2004 MAR 10 AM 9:57

To: Dr. Peter Hughes, CPA
Director, Internal Audit

From: Janice V. Goss, Director
Integrated Waste Management Department

Subject: Audit No. 2346 - Response to Draft Report on Department Control Review of
Purchasing Cards

This memo is an update to our previous memo of December 22, 2003, at the request of
CEO/Budget to update Recommendation No. II.

IWMD has the following response to Internal Audit's Recommendations:

Recommendation No. I: IWMD ensure that adequate supporting documentation,
including shipping documents, is maintained for all purchasing card purchases.

Response: IWMD concurs with the recommendation. IWMD has taken the corrective
action of requiring the submission of adequate shipping documentation on all relevant
purchases, effective November 26, 2003. A memo was distributed to all cardholders,
approving officials and related management, outlining this requirement. (The exception
is in-store purchases.) In the event that the specific documentation is not received, the
billing official for the department will report to the IWMD manager of business services
for follow-up management action.

Recommendation No. II: IWMD ensure the retired Approving Official is properly
deactivated by CEO/Purchasing, and that all other purchasing card program personnel
changes are communicated timely to CEO/Purchasing.

Response: IWMD concurs with the recommendation. IWMD took the corrective action
of sending a request and follow-up to CEO/Purchasing to deactivate the retired
Approving Official. The purchasing card showed zero balance availability thus the issue
was thought to be resolved. In the future the IWMD billing official will assure that any
request for deactivation is followed up until removal of the individuals name can be
observed on the monthly purchasing card statement summary.

If IWMD can be of further assistance in this audit, please contact Sheila Refoy at 714-834-4161.

Janice V. Goss

March 9, 2004
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Attachment

cc: Astrid Gritton, CEO/Budget
Ronald Pierre, Manager IWMD Business Services
Sheila Refoy, Manager IWMD Budget/Finance Services
Susan Attinger, Staff Analyst, IWMD Budget/Finance Services