

**Follow-Up of Department Control Review
Employee Benefits Cash Receipts and
Cash Disbursements Audit No. 2222**

As of August 31, 2004

REPORT DATE: November 30, 2004

Audit Number 2440

Audit Director:	Peter Hughes, Ph.D., CPA
Deputy Director:	Eli Littner, CPA, CIA
Audit Manager:	Michael Goodwin, CPA, CIA
Senior Auditor:	Lily Chin, CPA



**INTERNAL AUDIT DEPARTMENT
COUNTY OF ORANGE**

**Follow-Up of Department Control Review
Employee Benefits Cash Receipts and
Cash Disbursements Audit No. 2222**

As of August 31, 2004

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**COUNTY OF ORANGE
INTERNAL AUDIT DEPARTMENT**

OFFICE OF THE DIRECTOR

*Integrity
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PETER HUGHES
Ph.D., MBA, CPA, CIA, CFE, CITP
DIRECTOR

MAILING ADDRESS:
400 CIVIC CENTER DRIVE WEST
BUILDING 12, ROOM 232
SANTA ANA, CA 92701

TELEPHONE: (714) 834-5475
FAX: (714) 834-2880

EMAIL: peter.hughes@ocgov.com
WEBSITE: www.oc.ca.gov/audit/

Transmittal Letter

Audit No. 2440

November 30, 2004

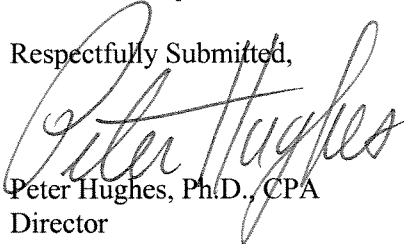
TO: Marcel Turner, Director
Human Resources Department

FROM: Peter Hughes, Ph.D., CPA, Director
Internal Audit Department

SUBJECT: Follow-Up of Department Control Review – Employee Benefits Cash Receipts and Cash Disbursements Audit No. 2222

We have completed a follow-up examination of Human Resources Department/Employee Benefits (formerly under the County Executive Office) cash receipts and cash disbursements. Our examination was limited to reviewing, as of August 31, 2004, actions taken to implement the recommendations made in our audit report dated November 27, 2002.

Respectfully Submitted,


Peter Hughes, Ph.D., CPA
Director

/PH:lc

Other Recipients of this Audit Report:

Members, Board of Supervisors
Members, Audit Oversight Committee
Foreman, Grand Jury
Thomas G. Mauk, County Executive Officer
Patti Gilbert, Manager, HR/Employee Benefits
Renee Catanzariti, Assistant Manager, HR/Employee Benefits
Bobby Mayo, Senior Employee Benefits Analyst, HR/Employee Benefits
Darlene J. Bloom, Clerk of the Board of Supervisors



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COUNTY OF ORANGE INTERNAL AUDIT DEPARTMENT

OFFICE OF THE DIRECTOR

PETER HUGHES
Ph.D., MBA, CPA, CIA, CFE, CITP
DIRECTOR

MAILING ADDRESS:
400 CIVIC CENTER DRIVE WEST
BUILDING 12, ROOM 232
SANTA ANA, CA 92701

TELEPHONE: (714) 834-5475
FAX: (714) 834-2880

EMAIL: peter.hughes@ocgov.com
WEBSITE: www.oc.ca.gov/audit/

INTERNAL AUDITOR'S REPORT

Audit No. 2440

November 30, 2004

Marcel Turner
Human Resources Department
Hall of Administration
10 Civic Center Plaza, 2nd Floor
Santa Ana, CA 92701

We have completed a follow-up examination of Human Resources Department/Employee Benefits (formerly under the County Executive Office) cash receipts and cash disbursements. Our examination was limited to reviewing, as of August 31, 2004, actions taken to implement the recommendations made in our audit report dated November 27, 2002.

The original audit report contained seven recommendations. Our review indicated five recommendations have been fully implemented, and two recommendations are partially implemented. We believe the recommendations are still appropriate and further efforts should be made to fully implement them. The audit report recommendations that have not been fully implemented are noted below along with a comment on the current status. The item number from the November 27, 2002 report is shown in parentheses after each heading.

1. **Accountability Over Cash Receipts (No. 1)**

Recommendation: Employee Benefits management take additional measures to ensure accountability is properly established during the collection and deposit process by preparing initial collection records, stamp endorsing checks immediately upon receipt, documenting transfer of accountability, and maintaining records of monies not deposited.

Current Status: **Partially Implemented.** While Employee Benefits has taken measures to establish initial collection records, stamp endorse the checks upon receipt, and document transfer of accountability, the initial collection records did not document when the collections were subsequently deposited to help identify undeposited monies. In addition, we found that the initial collection record was not established by the person opening the mail. Rather it was prepared by an Employee Benefits staff member after the opened mail was delivered to them. We were informed that they could not open their mail due to a County Executive Office (CEO) policy that required all mail in the Hall of Administration Building to be opened in the central mailroom. The policy was established as a result

of the September 11th incident to address potential security and safety risks. Currently, CEO staff opens and delivers the mail for Employee Benefits.

Employee Benefits Planned Action:

Upon obtaining clarification on CEO policy, Human Resources Department will determine the appropriate employee to open their mail and to establish the initial collection record upon receipt. Employee Benefits will then designate another employee to prepare the deposits to ensure adequate segregation of cash receipting duties. Also, Employee Benefits has expanded their initial collection record and now includes the documentation on when collections are subsequently deposited.

2. Special Use Revolving Fund (No. V)

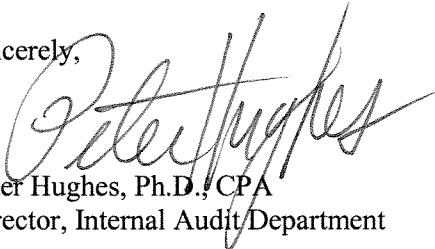
Recommendation: Employee Benefits management should perform the fund reconciliation monthly and identify and resolve the difference appropriately, and limit the fund to the established \$50,000.

Current Status: **Partially Implemented.** Employee Benefits established a bank reconciliation where transactions are reconciled from their checking account to the claims administrator's report and bank account activity reports. However, a monthly fund reconciliation was not performed. Fund reconciliations are prepared to account for the monthly fund activity (receipts and disbursements) to the authorized fund balance. We noted the authorized amount has been increased from \$50,000 to \$125,000 since our initial review. During our testing, we noted that the fund has been replenished on a monthly basis; however, it was under funded by approximately \$13,000. Employee Benefits was not able to immediately identify the cause of the difference.

Employee Benefits Planned Action: Employee Benefits will establish the fund reconciliation and research to identify and resolve the under funded difference.

We appreciate the cooperation and assistance extended to us by the staff of Human Resources/Employee Benefits during our review.

Sincerely,



Peter Hughes, Ph.D., CPA
Director, Internal Audit/Department

/PH:lc

Distribution: Pursuant to Audit Oversight Committee Procedure No. 1
Members, Board of Supervisors
Members, Audit Oversight Committee
Foreman, Grand Jury
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