



INTERNAL AUDIT DEPARTMENT
COUNTY OF ORANGE

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**SECOND FOLLOW-UP AUDIT OF
SOCIAL SERVICES AGENCY
TRUST AND AGENCY FUNDS
ORIGINAL AUDIT No. 2135**

AS OF AUGUST 31, 2005

AUDIT NUMBER: 2533

REPORT DATE: November 22, 2005

County Internal Auditor:	Peter Hughes, Ph.D., CPA
Deputy Internal Auditor:	Eli Littner, CPA, CIA
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**Second Follow-Up Audit of
Social Services Agency Trust and Agency Funds
Original Audit No. 2135**

As of August 31, 2005

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Transmittal Letter

Audit No. 2533

November 22, 2005

TO: Ingrid Harita, Director
Social Services Agency

FROM: Peter Hughes, Ph.D., CPA
County Internal Auditor 

SUBJECT: Second Follow-Up Audit of Social Services Agency
Trust and Agency Funds, Original Audit No. 2135

We have completed a second Follow-Up Audit of trust and agency funds in Social Services Agency Accounting Services. Our audit was limited to reviewing, as of August 31, 2005, actions taken to implement the remaining four recommendations in our initial Follow-Up Audit report dated September 29, 2003. The recommendations stemmed from our original audit report dated March 20, 2002. The results of our second Follow-Up Audit are discussed in the **Internal Auditor's Report** following this transmittal letter.

As the County Internal Auditor, I now make a monthly audit status presentation to the Board of Supervisors (BOS) where I detail any material and significant audit findings released in reports during the prior month, the implementation status of audit recommendations as disclosed by our Follow-Up Audits, any pressing audit or resource issues; as well as, respond to inquiries from the BOS. Therefore, the results of this Follow-Up Audit will be included in a future summary to the BOS. Additionally, at the request of the Audit Oversight Committee, we will bring to their attention the audit recommendations still not implemented or mitigated after the second Follow-Up Audit.

Because there are open issues remaining, we will conduct a third Follow-Up Audit in early 2006 to determine the status of the recommendations.

Other recipients of this report:

Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas Mauk, County Executive Officer
Jess Carbajal, Director of Agency Administration, SSA
David Sundstrom, Auditor-Controller
Shaun Skelly, Chief Assistant Auditor-Controller
Bill Castro, Assistant Auditor-Controller, Satellite Accounting Operations
Espí Garcia, Manager, SSA Accounting Services
Foreman, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors



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INTERNAL AUDITOR'S REPORT

Audit No. 2533

November 22, 2005

Ingrid Harita, Director
Social Services Agency
888 North Main Street
Santa Ana, CA 92701

We have completed a second Follow-Up Audit of trust and agency funds in the Social Services Agency. Social Services Agency contracts with the Auditor-Controller to fulfill its accounting services. SSA Accounting Services (SSA Accounting) has primary responsibility for administering, monitoring, and reconciling SSA's trust and agency funds. Our Follow-Up Audit was limited to reviewing actions taken as of August 31, 2005 to implement the four remaining recommendations made in our initial Follow-Up Audit report dated September 29, 2003.

The original audit report contained (9) nine recommendations. The (4) four items not fully implemented at the time of our first Follow-Up Audit included recommendations to resolve unidentified monies in two trust funds, and to research and disburse monies timely in two other trust funds.

In our second Follow-Up Audit, we found (1) one recommendation was fully implemented, (1) one recommendation was partially implemented, (1) one recommendation was in process, and (1) one recommendation was not implemented.

We believe the three remaining 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 March 20, 2002 original audit report is shown in parentheses after each heading.

Note: The three items contained in this report are considered as "**Control Findings.**" See *Attachment A* for a description of Report Item Classifications.

1. Reconciliation/Child Support Collection Trust (300-359-9200-0001) (I.A)

Recommendation No. 1: SSA Accounting management ensure the Child Support Collection Trust is completely reconciled and monies are transferred to the appropriate parties.

Current Status: **In Process.** As of August 31, 2005, \$368,806 has been identified, researched, and transferred out of this account; however, the account still maintains a \$631,766 balance. Activity in this fund ceased in October 2002 as a result of the process being taken over by the Child Support Services Department. Based on research efforts to date, SSA Accounting has determined that \$353,000 of the current account balance was attributed to unposted receipts dating back to 1990 and believes that the remaining surplus of approximately \$279,000 was due to unposted receipts **prior** to 1990. However, the records prior to 1990 are no longer available to substantiate the surplus. Because approximately three years have passed since the fund activity ceased, we believe timely resolution of the unidentified monies should be made a priority.

SSA Accounting Planned Action: We agree that clearing out the remaining balance in the trust account is a priority. Research continues and every reasonable effort is being taken to identify the payers of these monies and give them credit for amounts paid. SSA Accounting cleared an additional \$250,000 from the trust account in September 2005 and will post it to the Monthly Assistance Claim as an offset to the request for Federal/State reimbursement. We expect to complete the research and clear out the remaining balance by December 31, 2005.

2. Case Data System (CDS) Repayment Trust (300-359-9200-0007) (II.B)

Recommendation No. 3: SSA Accounting management take appropriate measures to identify and resolve the long-outstanding balance of the CDS Repayment Trust.

Current Status: **Not Implemented.** SSA Accounting anticipated closing the CDS Repayment Trust in conjunction with implementation of the CalWIN system that was originally scheduled to be implemented in April 2005. However, the implementation was deferred to February 2006. Because of the delay in implementing CalWIN, repayment trust monies cannot yet be fully reconciled to the General Ledger.

The account currently contains an unidentified variance that fluctuates monthly. Our review of General Ledger reconciliations disclosed that the most recent reconciliation for the account was for January 2005. It was noted that the unidentified amounts between September 2004 and January 2005 ranged from \$71,000 to \$136,000. Because this account cannot yet be fully reconciled and contains unidentified amounts, this recommendation is considered as not implemented. Similar to the Child Support Trust Fund, resolution of the unidentified variance should be made a priority when the CalWIN system is implemented.

SSA Accounting Planned Action: We agree that the reconciliation of repayment trust monies is a priority. Our plan continues to be to close out this account with the planned implementation of CalWIN, open up a new trust fund account for which a reconciliation can be performed, and appropriately dispose of the surplus (post it as an offset against the monthly assistance claim).

3. Conserved Funds for Minors in Foster Care Placement (300-359-9200-0006) (II.C)

Recommendation No. 5: SSA Accounting management ensure that monies held in the Conserved Funds for Minors in Foster Care Placement Trust for children no longer under the County's care are researched and disbursed to the appropriate parties.



Current Status: **Partially Implemented.** The monies held in the fund for children no longer under the County's care (identified during the initial follow-up review) were investigated and returned to the appropriate parties. In addition, SSA Accounting sends a monthly listing of children with no disbursement activity to Children and Family Services. However, we noted that Children and Family Services did not notify SSA Accounting to disburse unused funds to the appropriate parties in a timely manner. During our second follow-up examination, we identified an additional nine children who showed no activity between five and nine consecutive months. However, in late August 2005, Children and Family Services requested SSA Accounting to return unused funds for seven of the nine children.

SSA Planned Action: We concur with this recommendation. Children and Family Services had a vacancy in the position that was responsible for notifying SSA Accounting to disburse unused funds to the Social Security Administration. As a result of this staffing deficiency, Children and Family Services was unable to provide this timely notification. Children and Family Services has now staffed that position and will notify SSA Accounting on a timely basis.

We appreciate the cooperation and assistance extended to us by SSA and SSA Accounting personnel during our review. If you have any questions, please contact me directly or Eli Littner, Deputy Internal Auditor at (714) 834-5589 or Michael Goodwin, Audit Manager at (714) 834-6066.

Sincerely,



Peter Hughes, Ph.D., CPA
County Internal Auditor

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Thomas Mauk, County Executive Officer
- Jess Carbajal, Director of Agency Administration, SSA
- David Sundstrom, Auditor-Controller
- Shaun Skelly, Chief Assistant Auditor-Controller
- Bill Castro, Assistant Auditor-Controller, Satellite Accounting Operations
- Espi Garcia, Manager, SSA Accounting
- Foreman, Grand Jury
- Darlene J. Bloom, Clerk of the Board of Supervisors



ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit observations and recommendations, we will classify audit report items into three distinct categories:

Material Weaknesses:

Audit findings or a combination of Significant Issues that can result in financial liability and exposure to a department/agency and to the County as a whole. Management is expected to address “Material Weaknesses” brought to their attention immediately.

Significant Issues:

Audit findings or a combination of Control Findings that represent a deficiency in the design or operation of processes or internal controls. Significant Issues do not present a material exposure throughout the County. They generally will require prompt corrective actions.

Control Findings:

Audit findings that require management’s corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.

