



**INTERNAL AUDIT DEPARTMENT**  
**COUNTY OF ORANGE**

*Integrity  
Objectivity  
Independence*

**SECOND FOLLOW-UP AUDIT  
OF DEPARTMENT CONTROL REVIEW  
HUMAN RESOURCES & EMPLOYEE RELATIONS/  
EMPLOYEE BENEFITS  
CASH RECEIPTS AND CASH DISBURSEMENTS  
ORIGINAL AUDIT No. 2222**

**AS OF MAY 31, 2005**

**AUDIT NUMBER: 2533**

**REPORT DATE: August 4, 2005**

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

**Second Follow-Up Audit of Department Control Review  
Human Resources and Employee Relations/Employee Benefits  
Cash Receipts and Cash Disbursements, Original Audit No. 2222**

**As of May 31, 2005**

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COUNTY OF ORANGE  
**INTERNAL AUDIT DEPARTMENT**

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**Transmittal Letter**

Audit No. 2533

August 4, 2005

TO: Dianna Garcia, Director  
Human Resources and Employee Relations

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

SUBJECT: Second Follow-Up Audit of Department Control Review of  
Human Resources and Employee Relations/Employee Benefits  
Cash Receipts and Cash Disbursements Original Audit No. 2222

We have completed a second Follow-Up Audit of internal controls over cash receipts and cash disbursements for Employee Benefits. Our audit was limited to reviewing, as of May 31, 2005, actions taken to implement the remaining two recommendations in our initial Follow-Up Audit report dated November 30, 2004. The recommendations stemmed from our original audit report dated November 27, 2002. The results of our second Follow-Up Audit are discussed in the **Internal Auditor's Report** following this transmittal letter.

As the Director of the Internal Audit Department, effective December 14, 2004, 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 Board.

We appreciate the cooperation and assistance extended by your staff during our Follow-Up Audit.

Other recipients of this report:

Members, Board of Supervisors  
Members, Audit Oversight Committee  
Thomas G. Mauk, County Executive Officer  
Patti Gilbert, Manager, HR/Employee Benefits  
Renee Catanzariti, Assistant Manager, HR/Employee Benefits  
Margaret Briggs, Assistant Manager, HR/Employee Benefits  
Bob Leblow, Manager, Auditor-Controller/Claims & Disbursing  
Darlene J. Bloom, Clerk of the Board of Supervisors  
Foreman, Grand Jury



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**INTERNAL AUDITOR'S REPORT**

Audit No. 2533

August 4, 2005

Dianna Garcia, Director  
Human Resources and Employee Relations  
Hall of Administration  
10 Civic Center Plaza, 2<sup>nd</sup> Floor  
Santa Ana, CA 92701

We have completed a second Follow-Up Audit of internal controls of Human Resources and Employee Relations/Employee Benefits (formerly under the County Executive Office) cash receipts and cash disbursements. Our audit was limited to reviewing actions taken as of May 31, 2005 to implement the two remaining recommendations made in our original audit report dated November 27, 2002 and in our initial Follow-Up Audit report dated November 30, 2004.

The original audit report contained two recommendations pertaining to accountability over cash receipts and reconciliations of the special use revolving fund (Fund 298). Employee Benefits has strengthened accountability over cash receipts and made improvements in performing monthly reconciliations of the special use revolving fund, specifically in reconciling to the authorized \$125,000 fund balance and identifying the under funded difference of approximately \$13,000. They reconciled back to January 2002 and identified the reconciling items that comprise the majority of the difference. The identified items pertain to transactions from January 2002 through March 2003 and resulted in additional replenishment that is needed.

Employee Benefits believes that they exhausted all of their resources in identifying the old reconciling difference, and they are currently seeking direction from the Auditor-Controller's office on appropriate procedures to resolve the reconciling items and to replenish the fund. We concur and believe it would be inefficient to spend additional resources and staff time on the effort of reconciling the remaining unidentified difference. We believe that appropriate corrective actions have been taken to implement our recommendations; therefore, we consider the two outstanding recommendations as implemented.

Sincerely,

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

*Dianna Garcia, Director, Human Resources and Employee Relations*

*August 4, 2005*

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cc: Members, Board of Supervisors  
Members, Audit Oversight Committee  
Thomas G. Mauk, County Executive Officer  
Patti Gilbert, Manager, HR/Employee Benefits  
Renee Catanzariti, Assistant Manager, HR/Employee Benefits  
Margaret Briggs, Assistant Manager, HR/Employee Benefits  
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