



INTERNAL AUDIT DEPARTMENT
COUNTY OF ORANGE

*Integrity
Objectivity
Independence*

FINAL CLOSE-OUT

**FOLLOW-UP AUDIT
REVIEW OF BUDGETARY CONTROLS
FOR
PLANNING AND DEVELOPMENT SERVICES
DEPARTMENT
ORIGINAL AUDIT NO. 2316**

AS OF JUNE 30, 2005

AUDIT NUMBER: 2548

REPORT DATE: September 12, 2005

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

Final Close-Out

**Follow-Up Audit
Review of Budgetary Controls
for
Planning and Development Services Department
Original Audit No. 2316**

As of June 30, 2005

TABLE OF CONTENTS

Transmittal Letter.....	i
INTERNAL AUDITOR'S REPORT.....	1



COUNTY OF ORANGE
INTERNAL AUDIT DEPARTMENT

Integrity ♦ Objectivity ♦ Independence

ELI LITTNER
CPA, CIA, CFE, CFS, CISA
DEPUTY DIRECTOR

MICHAEL GOODWIN
CPA, CIA
AUDIT MANAGER

ALAN MARCUM
MBA, CPA, CIA, CFE
AUDIT MANAGER

AUTUMN MCKINNEY
CPA, CIA, CGFM
AUDIT MANAGER

Office of the Director
PETER HUGHES
Ph.D., MBA, CPA, CIA, CFE, CITP

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

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

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

Transmittal Letter

Audit No. 2548

September 12, 2005

TO: Thomas G. Mauk
County Executive Officer

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

SUBJECT: **Final Close-Out Follow-Up Audit** for the Review of Budgetary Controls for
Planning and Development Services Department, Original Audit No. 2316

We have completed a Final Follow-Up Audit of budgetary controls in the County Executive Office and the Resources & Development Management Department's Planning and Development Services Function (formerly the Planning and Development Services Department). Our audit was limited to reviewing, as of June 30, 2005, actions taken to implement the recommendations made in our original audit report dated February 27, 2003. The results of our Final Close-Out Follow-Up Audit are discussed in the **Internal Auditor's Report** following this transmittal letter. Because satisfactory corrective action has been taken for all nine audit findings, this report represents the close-out of the original audit.

As the Director of the Internal Audit Department, 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.

Other recipients of this report:

Members, Board of Supervisors
Members, Audit Oversight Committee
Edward Corser, Deputy County Executive Officer, Chief Financial Officer
Vicki Wilson, Deputy County Executive Officer, Infrastructure and Environmental Services
Steve Dunivent, Manager, CEO/Budget Office
Dianna Garcia, Director, Human Resources and Employee Relations
Bryan Speagle, Director, RDMD
Tim Neely, Director, RDMD/Planning & Development Services
Carlos Bustamante, Assistant Director, RDMD/Planning & Development Services
Brian Murphy, Chief, RDMD/Central Quality Assurance

Thomas G. Mauk, County Executive Officer

September 12, 2005

Page ii

David E. Sundstrom, Auditor-Controller

Bill Castro, Assistant Auditor-Controller, Satellite Accounting Operations

Mary Fitzgerald, Manager, RDMD/Accounting Services

Foreman, Grand Jury

Darlene J. Bloom, Clerk of the Board of Supervisors



COUNTY OF ORANGE INTERNAL AUDIT DEPARTMENT

Integrity ♦ Objectivity ♦ Independence

ELI LITTNER
CPA, CIA, CFE, CFS, CISA
DEPUTY DIRECTOR

MICHAEL GOODWIN
CPA, CIA
AUDIT MANAGER

ALAN MARCUM
MBA, CPA, CIA, CFE
AUDIT MANAGER

AUTUMN MCKINNEY
CPA, CIA, CGFM
AUDIT MANAGER

Office of the Director
PETER HUGHES
Ph.D., MBA, CPA, CIA, CFE, CITP

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

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

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

INTERNAL AUDITOR'S REPORT **FINAL CLOSE-OUT**

Audit No. 2548

September 12, 2005

Thomas G. Mauk
County Executive Officer
10 Civic Center Plaza, 3rd Floor
Santa Ana, CA 92701

We have completed a Final Close-Out Follow-Up Audit of budgetary controls in the County Executive Office and the Resources & Development Management Department's Planning and Development Services Function [formerly the Planning and Development Services Department (PDS)]. Our audit was limited to reviewing actions taken as of June 30, 2005 to implement the recommendations made in our original audit report dated February 27, 2003.

BACKGROUND

An internal audit was conducted on budgetary controls in the County Executive Office (CEO) and PDS following a **\$2.4 million fund deficit** that occurred in PDS's **Building and Safety Fund 113** during the fiscal year ending June 30, 2002. The focus of the audit was a review of high-level budgetary controls both in PDS and the CEO/Budget Office, which is responsible for oversight of the County budget process. Our audit also involved the Auditor-Controller's outstationed accounting function in PDS.

The original audit report contained nine (9) recommendations for corrective actions needed by the CEO, PDS, and the Auditor-Controller. The recommended corrective actions included issues involving strategic planning, PDS's staffing and projected workloads, ownership and accountability in budgetary roles and responsibilities, CEO/Budget Office monitoring processes, training and development of budget staff, County policy on loans from the General Fund, and cost studies and overhead calculations by PDS and the Auditor-Controller.

CONCLUSION

We are pleased to report that satisfactory corrective action has taken place for all nine audit findings. As such, this report represents **the final close-out of the original audit**. We commend the CEO/Budget Office, RDMD/Planning and Development Services Function and Auditor-Controller Office for their responsiveness and attentiveness in addressing the audit recommendations made in our original report.

We appreciate the cooperation and assistance extended to us by the staff of the CEO/Budget Office, RDMD/Planning and Development Services Function, and the Auditor-Controller's Office during our follow-up audit. If you have any questions, please contact me directly or Eli Littner, Deputy Director at (714) 834-5589 or Michael Goodwin, Audit Manager at (714) 834-6066.

Sincerely,



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

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
Edward Corser, Deputy County Executive Officer, Chief Financial Officer
Vicki Wilson, Deputy County Executive Officer, Infrastructure and Environmental Svcs.
Steve Dunivent, Manager, CEO/Budget Office
Dianna Garcia, Director, Human Resources and Employee Relations
Bryan Speegle, Director, RDMD
Tim Neely, Director, RDMD/Planning & Development Services
Carlos Bustamante, Assistant Director, RDMD/Planning & Development Services
Brian Murphy, Chief, RDMD/Central Quality Assurance
David E. Sundstrom, Auditor-Controller
Bill Castro, Assistant Auditor-Controller, Satellite Accounting Operations
Mary Fitzgerald, Manager, RDMD/Accounting Services
Foreman, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors