



INTERNAL AUDIT DEPARTMENT
COUNTY OF ORANGE

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FINAL CLOSE-OUT

**SECOND FOLLOW-UP AUDIT
OF DEPARTMENT CONTROL REVIEW
RESOURCES AND DEVELOPMENT
MANAGEMENT DEPARTMENT
REVOLVING FUNDS
ORIGINAL AUDIT NO. 2431
AS OF FEBRUARY 28, 2006**

AUDIT NUMBER: 2533

REPORT DATE: APRIL 6, 2006

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Final Close-Out

**Second Follow-Up Audit of Department Control Review
Resources and Development Management Department
Revolving Funds, Original Audit No. 2431**

As of February 28, 2006

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Transmittal Letter

Audit No. 2533

April 6, 2006

TO: Bryan Speegle, Director
Resources and Development Management Department

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

SUBJECT: **Second and Final Close-Out Follow-Up Audit** of Department Control Review
Resources and Development Management Department Revolving Funds
Original Audit No. 2431

We have completed a second Follow-Up Audit of revolving funds in the Resources and Development Management Department. Our audit was limited to reviewing, as of February 28, 2006, actions taken to implement the recommendations made in our initial Follow-Up Audit report dated July 7, 2005. The recommendations stemmed from our original audit report dated November 3, 2004. The results of our follow-up audit are discussed in the **Internal Auditor's Report** following this transmittal letter.

As the Director of Internal Audit, I now submit a monthly audit status report to the Board of Supervisors (BOS) where I detail any material and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS. Additionally, at the request of the Audit Oversight Committee, we bring to their attention any audit recommendations still not implemented or mitigated after the second Follow-Up Audit. **This report contains one recommendation that was not fully implemented.**

Attachment

Other recipients of this report:

Members, Board of Supervisors

Members, Audit Oversight Committee

Thomas G. Mauk, County Executive Officer

Steve Danley, Director, RDMD/Administration

Tony Bernard, Manager, RDMD/Purchasing & Contract Services

Pamela Middlebrook, Interim Chief, RDMD/Central Quality Assurance

Foreperson, Grand Jury

Darlene J. Bloom, Clerk of the Board of Supervisors



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INTERNAL AUDITOR'S REPORT
FINAL CLOSE-OUT

Audit No. 2533

April 6, 2006

Bryan Speegle, Director
Resources and Development Management Department
300 N. Flower Street
Santa Ana, CA 92703

We have completed a second and Final Close-Out Follow-up Audit of internal controls and processes over revolving funds at the Resources and Development Management Department (RDMD). Our Follow-Up Audit was limited to reviewing actions taken as of February 28, 2006 to implement the four remaining recommendations made in our initial Follow-Up Audit report dated July 7, 2005.

The original audit report contained seven (7) recommendations. The four recommendations not fully implemented at the time of our initial Follow-Up Audit included recommendations to maintain current bank signature lists, perform inventories of unused check stock, segregate petty cash duties, and perform monthly fund reconciliations. In our second Follow-Up Audit, of the four remaining items, we found three (3) recommendations were fully implemented and one (1) recommendation was partially implemented.

We believe the remaining recommendation is still appropriate and further effort should be made to implement it. The recommendation is noted below along with a comment on the current status. The item number from the July 7, 2005 report is shown in parentheses. Note: the report item contained in this Follow-Up Audit report is considered as a “**Control Finding.**” See *Attachment A* for a description of audit report items.

1. Fund Reconciliations (Item III.B.)

Recommendation No. III.B: RDMD ensure that fund reconciliations are performed monthly to the authorized fund amount and that any discrepancies are resolved timely. The preparer and the reviewer should sign and date the reconciliation. In addition, RDMD should resolve the existing reconciling items.

Current Status: Partially Implemented. The Central Fund Allocation (CFA) revolving fund had been reconciled on a monthly basis; however, we noted that an unidentified fund overage still exists. The overage fluctuates monthly and in February 2006, the overage was \$1,067. RDMD had taken actions to identify the reconciling difference/overage, and during our audit had initiated discussions with the Auditor-Controller regarding the overage, but had not yet resolved the issue.

Resources & Development Management Department Planned Action:

All RDMD locations which have revolving cash funds were either visited by Purchasing & Contract Services staff or personnel administering the funds were advised of the need to continue reconciling their revolving cash funds on a monthly basis. Staff were also asked to use extra effort in locating the cause(s) of the overage. As a result, the overage amount has been reduced from \$1,067 to approximately \$300. The County's Auditor-Controller was contacted and we are awaiting a response detailing their preferred method for resolving the overage issue.

Upon receipt of the Auditor-Controller's decision, RDMD will submit a check for the overage amount or the overage amount will be deducted by the Auditor at the time of our next reimbursement.

We appreciate the cooperation and assistance extended to us by the personnel of the Resources and Development Management Department during our Follow-Up Audit.

Sincerely,



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

Distribution Pursuant to Audit Oversight Procedure No. 1:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Thomas G. Mauk, County Executive Officer
- Steve Danley, Director, RDMD/Administration
- Tony Bernard, Manager, RDMD/Purchasing & Contract Services
- Pamela Middlebrook, Interim Chief, RDMD/Central Quality Assurance
- Foreperson, 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 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 significant 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.

