INTERNAL AUDIT DEPARTMENT

COUNTY OF ORANGE

2005 Recipient of the Institute of Internal Auditors' Award for Recognition of Commitment to Professional Excellence, Quality and Outreach

Integrity ◆ Objectivity ◆ Independence

FINAL CLOSE-OUT

FIRST FOLLOW-UP AUDIT OF THE LIMITED REVIEW OF HCA'S INFORMATION TECHNOLOGY SELF-ASSESSMENT QUESTIONNAIRE (ORIGINAL AUDIT NO. 2420)

As of August 31, 2006

AUDIT NUMBER: 2623 **REPORT DATE: JUNE 25, 2007**

Audit Director: Peter Hughes, Ph.D., CPA
Deputy Director: Eli Littner, CPA, CIA
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Final Close-Out

First Follow-Up Audit of the
Limited Review of HCA's Information Technology
Self-Assessment Questionnaire

Original Audit No. 2420

As of August 31, 2006

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Independence
Objectivity
Integrity

Providing Facts and Perspectives Countywide

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COUNTY OF ORANGE
BOARD OF SUPERVISORS'
INTERNAL AUDIT DEPARTMENT

Transmittal Letter

Audit No. 2623

June 25, 2007

TO: Juliette A. Poulson, RN, MN, Director
Health Care Agency

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

SUBJECT: Final Close-Out First Follow-Up Audit of the Limited Review of HCA's Information Technology Self-Assessment Questionnaire, Original Audit No. 2420, Issued July 21, 2005

We have completed a First Follow-Up Audit of the Limited Review of HCA's information technology self-assessment questionnaire. Our audit was limited to reviewing, as of August 31, 2006, actions taken to implement the fifteen (15) recommendations in our audit report dated July 21, 2005. Because satisfactory corrective action has been taken for the fifteen (15) recommendations, this report represents the final close-out of the original audit.

Each month I submit an Audit Status Report to the 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 Follow-Up Audit will be included in a future status report to the BOS.

We appreciate the cooperation and assistance extended to us 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
William Mahoney, Deputy CEO, Government & Public Services
David Riley, Assistant Director, HCA
Teri Schultz, HCA/Chief Information Officer
Steve Franks, Deputy Agency Director, HCA/Financial and Administrative Services
Foreperson, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors

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BOARD OF SUPERVISORS'
INTERNAL AUDIT DEPARTMENT

INTERNAL AUDITOR'S REPORT

Audit No. 2623

June 25, 2007

TO: Juliette A. Poulson, Director
Health Care Agency

SUBJECT: Final Close-Out First Follow-Up Audit of the Limited Review of HCA's Information Technology Self-Assessment Questionnaire, Original Audit No. 2420, Issued July 21, 2005

We have completed a First Follow-Up Audit of HCA's information technology (IT) self-assessment questionnaire. Our audit was limited to reviewing actions taken as of August 31, 2006 to implement the recommendations made in our original audit report.

The original audit report contained fifteen (15) recommendations. Our Follow-Up Audit indicated fourteen (14) recommendations have been fully implemented and one (1) recommendation is In Process/Closed for the reasons discussed below. The item number from the July 21, 2005 report is shown in parentheses after the heading. See *Attachment A* for a description of Report Item Classifications.

1. External Requirements Review (Recommendation No. 2)

Recommendation: We recommend that HCA revise its disaster recovery plan in compliance with the HIPAA Security Rule standard. **(Control Finding)**

Current Status: **In Process/Closed.** HCA is in the process of updating its disaster recovery plan to include all elements required by the HIPAA Security Rule standard. Once finalized, the plan should be tested and provisions made for future periodic testing as suggested by the standard as an addressable item. The CEO/Office of Information Technology is overseeing a County-wide project that is in process (phase 2) for the implementation of departmental Business Continuity Plans (BCP). Phase 3 and Phase 4 of the BCP project will include potential sourcing of recovery solutions and testing of the plans. HCA will be updating and testing its disaster recovery plan as part of the BCP project. The BCP project is a multi-year process with possible completion in late 2008. As HCA's disaster recovery plan will be finalized and tested as part of the county-wide BCP project, we will close-out this item for follow-up purposes.

The Internal Audit Department is an independent audit function reporting directly to the Orange County Board of Supervisors.

We appreciate the courtesy and cooperation extended to us by the personnel of HCA during our Follow-Up Audit. If we can be of further assistance, please contact me or Eli Littner, Deputy Director, at 834-5899, or Autumn McKinney, Senior Audit Manager at 834-6106.

Sincerely,

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

Attachment A – Report Item Classifications

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:
Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
William Mahoney, Deputy CEO, Government & Public Services
David Riley, Assistant Director, HCA
Teri Schultz, HCA/Chief Information Officer
Steve Franks, Deputy Agency Director, HCA/Financial and Administrative Services
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.