



PUBLIC INFORMATION

# INTERNAL AUDIT DEPARTMENT



## **First Follow-Up Internal Control Audit: Electronic Funds Transfer Process - Treasurer-Tax Collector**

**As of July 31, 2018**

**Audit No. 1735-H (Reference 1583-F1)  
Report Date: August 30, 2018**

## **OC Board of Supervisors**

Chairman Andrew Do  
1st District

Vice Chairman Shawn Nelson  
4th District

Supervisor Michelle Steel  
2nd District

Supervisor Todd Spitzer  
3rd District

Supervisor Lisa Bartlett  
5th District



## INTERNAL AUDIT DEPARTMENT

---

Audit No. 1735-H  
(Reference 1583-F1)

August 30, 2018

To: Shari Freidenrich, CPA  
Treasurer-Tax Collector

From: Scott Suzuki, CPA, Acting Director  
Internal Audit Department

Subject: First Follow-Up Internal Control Audit:  
Electronic Funds Transfer Process – Treasurer-Tax Collector

---

We have completed a follow-up audit of the electronic funds transfer process as of July 10, 2018, original Audit No. 1583, dated June 13, 2017. Due to the sensitive nature of specific findings (restricted information), only the results for Finding Nos. 4, 5, and 9 immediately follow this letter. Results for the remaining findings are included in Appendix A (which is redacted from public release) and additional information including background and our scope is included in Appendix B.

Our follow-up audit found that Treasurer-Tax Collector implemented six (6) recommendations and three (3) recommendations are in process. A second follow-up audit will be performed in approximately six months and a follow-up audit report form is attached to facilitate this audit. Any recommendations found not implemented or in process at that time will be brought to the attention of the Audit Oversight Committee at its next scheduled meeting.

We appreciate the assistance extended to us by Treasurer-Tax Collector personnel during our follow-up audit. If you have any questions, please contact me at 714.834.5509 or Jimmy Nguyen, IT Audit Manager II, at 714.834.2526.

### Attachments

#### Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Frank Kim, County Executive Officer
- County Executive Office Distribution
- Treasurer-Tax Collector Distribution
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board of Supervisors

## INTERNAL AUDIT DEPARTMENT

### RESULTS

<b>FINDING No. 1</b>	Removed due to the sensitive nature of the finding.
<b>FINDING No. 2</b>	Removed due to the sensitive nature of the finding.
<b>FINDING No. 3</b>	Removed due to the sensitive nature of the finding.
<b>FINDING No. 4</b>	<b>EFT Payment Form Signatures Not Validated</b>
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RECOMMENDATION</b>	We recommend that T-TC maintain a wire transfer authorized signature document log in order to appropriately cross-reference and validate authenticity of signatures on the EFT payment request form prior to processing payments.
<b>CURRENT STATUS</b>	<p><b>Implemented.</b> We found T-TC implemented a process to periodically request Auditor-Controller provide documented confirmation of EFT payment request primary and backup approvers, and a corresponding signature log to confirm and reconcile authorized individuals documented on the EFT payment request forms. We performed a review and verified T-TC maintains a formal signature log document that appropriately outlines current EFT payment request primary and backup approvers and their corresponding signature log.</p> <p>Because T-TC appropriately maintains a current EFT payment approver authorized signature log, we consider this recommendation implemented.</p>
<b>FINDING No. 5</b>	<b>Requestor Name Not Printed on EFT Request Forms for the Department of Education</b>
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RECOMMENDATION</b>	We recommend that the Department of Education Wire Request Form be modified to include a section for employees to print their names next to their signatures for ease of verifying signature owner.



## INTERNAL AUDIT DEPARTMENT

<b>CURRENT STATUS</b>	<p><b>Implemented.</b> We found T-TC revised the EFT Wire Request form for the Department of Education (DoE) to include printed names next to approved signatures for ease of reference. We performed a review of several EFT Wire Request forms DoE recently submitted and verified that the approval names were appropriately printed next to signatures.</p> <p>Because T-TC appropriately revised the EFT payment request forms, we consider this recommendation implemented.</p>	
<b>FINDING No. 6</b>	Removed due to the sensitive nature of the finding.	
<b>FINDING No. 7</b>	Removed due to the sensitive nature of the finding.	
<b>FINDING No. 8</b>	Removed due to the sensitive nature of the finding.	
<b>FINDING No. 9</b>	<b>T-TC Suite Physical Access Controls</b>	
<b>CATEGORY</b>	<b>Control Finding</b>	
<b>RECOMMENDATION</b>	We recommend the entry point to the T-TC suite where EFT's are processed be equipped with a keycard lock.	
<b>CURRENT STATUS</b>	<p><b>Implemented.</b> We found that the entry point door to the T-TC suite was properly locked by a physical key at all times. We also verified keys to unlock the door were properly restricted to personnel with direct business needs.</p> <p>Because T-TC appropriately locked the entry door to the T-TC suite to prevent unauthorized access, we consider this recommendation implemented.</p>	
<b>AUDIT TEAM</b>	Jimmy Nguyen, CISA, CFE Scott Kim, CPA, CISA	IT Audit Manager II IT Audit Manager I



## INTERNAL AUDIT DEPARTMENT

---

### APPENDIX A: RESTRICTED INFORMATION

Content in Appendix A has been removed from this report due to the sensitive nature of the specific findings.



INTERNAL AUDIT DEPARTMENT

APPENDIX B: ADDITIONAL INFORMATION

<b>SCOPE</b>	Our follow-up audit was limited to reviewing actions taken as of July 10, 2018 to implement the nine (9) recommendations from our original audit dated on June 13, 2017.
<b>BACKGROUND</b>	The original audit reviewed internal control over the Treasurer-Tax Collector's (T-TC) Electronic Funds Transfer (EFT) process as of August 15, 2016 to ensure appropriate internal control for safeguarding EFTs are in effect and operating as intended, ensure EFTs processed by the T-TC are accurate, and to identify any business process efficiency enhancements related to EFTs. The original audit identified two (2) Critical Control Weaknesses, one (1) Significant Control Weakness, and six (6) Control Findings.



INTERNAL AUDIT DEPARTMENT

APPENDIX C: FOLLOW-UP AUDIT IMPLEMENTATION STATUS

Implemented	In Process	Not Implemented	Closed
<p>The department has implemented our recommendation in all respects as verified by the follow-up audit. No further follow-up is required.</p>	<p>The department is in the process of implementing our recommendation. Additional follow-up may be required.</p>	<p>The department has taken no action to implement our recommendation. Additional follow-up may be required.</p>	<p>Circumstances have changed surrounding our original finding/ recommendation that: (1) make it no longer applicable or (2) the department has implemented and will only implement a portion of our recommendation. No further follow-up is required.</p>

