



# INTERNAL AUDIT DEPARTMENT



## Internal Control Audit: Countywide Audit of County Business Travel & Meeting Policy

Audit Nos. 1626-I & 1735-K (Reference 1633-F1)  
Report Date: September 7, 2018

### Number of Recommendations

2

**Critical Control Weaknesses**

3

**Significant Control Weaknesses**

1

**Control Finding**

## 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

Internal Control Audit:  
Countywide Audit of County Business Travel & Meeting Policy -  
Social Services Agency

September 7, 2018

## AUDIT HIGHLIGHTS

SCOPE OF WORK	Perform an internal control audit of Social Services Agency's (SSA) expenditures governed by the County Business Travel and Meeting Policy for the fiscal year ended June 30, 2017. Additionally, perform a first follow-up internal control audit of SSA Revolving Cash Funds.								
RESULTS	<ul style="list-style-type: none"> <li>• We found that internal control is generally effective to ensure that expenditures governed by the Travel Policy are complete, accurate, and valid.</li> <li>• We found that expenditures are generally made in compliance with County policy.</li> <li>• We found that business processes are generally efficient as related to the process of incurring travel and meeting expenditures.</li> <li>• Our first follow-up audit found that SSA implemented six (6) recommendations from original Audit No. 1633 and one (1) recommendation is in process of implementation. See Appendix B for recommendation status details.</li> </ul>								
RISKS IDENTIFIED	<p>As a result of our findings, potential risks include:</p> <ul style="list-style-type: none"> <li>• Undetected errors or irregularities.</li> <li>• Misappropriation of County assets.</li> <li>• Outstanding funds unavailable for other uses.</li> <li>• Improper accounting of cash advances.</li> </ul>								
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2	CRITICAL CONTROL WEAKNESSES								
3	SIGNIFICANT CONTROL WEAKNESSES								
1	CONTROL FINDING								

Report suspected fraud, or misuse of County resources by vendors, contractors, or County employees to 714.834.3608



## INTERNAL AUDIT DEPARTMENT

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Audit Nos. 1626-I & 1735-K  
(Reference 1633-F1)

September 7, 2018

To: Debra J. Baetz, Director  
Social Services Agency

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

Subject: Internal Control Audit:  
Countywide Audit of County Business Travel & Meeting Policy –  
Social Services Agency

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We have completed an internal control audit of Social Services Agency (SSA) expenditures governed by the County Business Travel and Meeting Policy for the fiscal year ended June 30, 2017. Details of our results and recommendations immediately follow this letter. Additional information including background and our objectives, scope, and methodology are included in Appendix A. This audit also included a First Follow-Up Internal Control Audit: Social Services Agency – Revolving Cash Funds for the same period, see Appendix B for the follow-up results.

SSA concurred with all of our findings and Internal Audit Department considers management's response appropriate to the recommendations in this report.

Results of this audit will be included in a future status report submitted quarterly to the Audit Oversight Committee (AOC) and the Board of Supervisors (Board). Additionally, we will request your department to complete a Customer Survey of Audit Services which you will receive shortly after the distribution of our final report.

We appreciate the courtesy extended to us by the personnel at Social Services Agency during our audit. If you have any questions regarding our audit, please contact me at 714.834.5509, or Michael Dean, Senior Audit Manager, at 714.834.4101.

### Attachments

#### Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Frank Kim, County Executive Officer
- CEO Distribution
- Social Services Agency Distribution
- Auditor-Controller Distribution
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board of Supervisors
- Vavrinek, Trine, Day & Co., LLP, County External Auditor

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## RESULTS

### BUSINESS PROCESS & INTERNAL CONTROL STRENGTHS

Business process and internal control strengths noted during our audit include:

- ✓ All SSA Cal-Cards have pre-set single purchase and 30-day purchase limits.
- ✓ Travel expenditures are approved via requisition before an expenditure is made.
- ✓ Practices exist to obtain approval of travel and reimbursement of related expenditures.
- ✓ Travel per diem rates are properly utilized.
- ✓ SSA maintains internal records documenting County business travel and related expenses.

The following areas are where we believe business travel and meeting expenditure processes and internal control and should be enhanced:

### FINDING No. 1

#### Revolving Fund Unreconciled Differences

SSA was not properly completing reconciliations of a revolving cash fund which resulted in an unreconciled/unaccounted for amount of approximately \$47,000.

SSA maintains a "Services and Supplies" revolving cash fund with an authorized amount of \$100,000. The revolving fund checking account balance, revolving fund balance, and unreplenished balance should be reconciled monthly to ensure the fund is properly accounted for.

At the beginning of the audit, SSA notified Internal Audit regarding an issue with this fund. In its August 2017 fund reconciliation, SSA listed approximately \$53,760 in outstanding travel cash advances, but was only able to account for approximately \$6,430 of the advances resulting in an unreconciled/unaccounted for amount of approximately \$47,330. Seven months later, after spending a number of hours to identify the unaccounted for amount, SSA's March 2018 reconciliation showed, of the \$100,000 revolving fund, \$80,000 was accounted for, \$21,000 was identified (receipts not available, but SSA obtained signed documents from its employees to substantiate the amount), and research was in progress for the resultant \$1,000 overage ( $\$80,000 + \$21,000 = \$101,000 - \$100,000 = \$1,000$ ). SSA informed us the overage is likely due to stale or duplicate replenishments. SSA received advice from Auditor-Controller Claims that it may submit replenishment requests based on signed employee memos and has started this process to reduce the amount of outstanding travel cash advances.





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<p><b>FINDING No. 1 (CON'T)</b></p>	<p>CAM C-7, Revolving Cash Fund, Section 2.4.5 states, “a reconciliation of the revolving fund shall be performed once per month by a person with no other revolving fund duties. The revolving fund should reconcile to the checking account balance, the revolving fund cash balance, and the unreplenished balance.”</p> <p>Additionally, although SSA regularly performs fund reconciliations, we found SSA had been summarizing the reconciling items into daily totals, not listing them individually. The summarized reconciling item totals were listed in an Excel spreadsheet and could be modified at any time to ensure the reconciliation accounted for the \$100,000 fund. This method effectively erased the audit trail and could result in errors and/or irregularities.</p> <p>In July 2017, SSA began the process of individually listing outstanding travel cash advances on the reconciliation and identifying them by voucher/advance number or employee name.</p>
<p><b>CATEGORY</b></p>	<p><b>Critical Control Weakness</b></p>
<p><b>RISK</b></p>	<p>Improper reconciliations can lead to undetected errors/irregularities.</p>
<p><b>RECOMMENDATION</b></p>	<p>We recommend SSA ensure reconciliations are properly prepared including that outstanding amounts are listed individually in the fund reconciliation and that appropriate supervisory review is conducted. We also recommend that SSA determine if its next revolving cash fund replenishment should be reduced to account for duplicate replenishments.</p>
<p><b>MANAGEMENT RESPONSE</b></p>	<p><b>Concur.</b> Starting in July 2017, SSA Accounting created a new daily expenditure log that tracks cash advances by individual and issuance day. Follow up emails and department head designees are notified per CAM C-1 requirements on outstanding cash advances. Supervisory review is conducted daily and management's review is conducted monthly. Positive pay was implemented with our financial institution and checks automatically stale date after six months. All fund replenishments have been reconciled and duplications have been rectified.</p> <p>Also, during follow up audit 1735-K, IAD reviewed and verified that bank and daily reconciliations were completed and that all reconciling items were researched and resolved timely.</p>



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<p><b>FINDING No. 2</b></p>	<p><b>Inappropriate Reimbursement of Outlying Locations</b></p> <p>When outlying revolving fund locations were seeking reimbursement from the SSA main fund for cash disbursements, the main fund custodian was writing checks payable to “cash”.</p> <p>SSA’s revolving cash fund is separated for the various outlying locations. The practice was to group vouchers from the various locations together, and generate one check made out to “cash” for the combined amount. The check was taken to a local bank and cashed. The cash was then delivered back to the main custodian who divided the cash into separate envelopes to be delivered to the respective locations, including the custodian’s fund location.</p> <p>CAM C-7 Section 2.2.5 states, “drawing checks to ‘cash’ or signing blank checks is prohibited. Checks should be made out to the vendor or employee, whichever is appropriate.”</p> <p>Documentation supporting the vouchers reimbursed by the “cash” check was not retained, making it difficult to determine exactly which vouchers were replenished with which check. This practice provided an opportunity for the custodian to potentially create fictitious vouchers that would be difficult to discover, since documentation was not retained.</p>
<p><b>CATEGORY</b></p>	<p><b>Critical Control Weakness</b></p>
<p><b>RISK</b></p>	<p>Writing checks to “cash” increases the risk of misappropriation of County assets as the check could be cashed by anyone.</p>
<p><b>RECOMMENDATION</b></p>	<p>We recommend SSA discontinue the practice of writing checks payable to “cash” immediately and that documentation supporting reimbursed vouchers be retained.</p>
<p><b>MANAGEMENT RESPONSE</b></p>	<p><b>Concur.</b> SSA no longer writes checks payable to cash. Procedures have been updated to include the list of individuals who petty cash replenishment checks can be made payable to. We have ensured that these individuals have no conflicting roles in the revolving fund process and no check signer authority.</p>



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<b>FINDING No. 3</b>	<b>Revolving Fund Custodian Accepted Cash Repayments</b>  <p>The revolving fund custodian accepted cash repayments when employees were accounting for travel cash advances. In addition, the custodian accepted cash repayments for two non-travel cash advances tested where funds were due to the County.</p> <p>CAM C-1, Section 2.3 states, “the requestor shall return any unused portion of the cash advance to the revolving fund custodian. The unused portion must be returned, with the Mileage and Other Expenses Claim form...the repayment shall be in the form of a personal check, and not cash, made payable to the officer, to minimize the risk associated with the handling cash.”</p>
<b>CATEGORY</b>	<b>Significant Control Weakness</b>
<b>RISK</b>	<p>Accepting cash repayments increases the risk of misappropriation of County assets.</p>
<b>RECOMMENDATION</b>	<p>We recommend SSA ensure unused portions of cash advances are returned in the form of a personal check made payable to the officer, and not cash, as required.</p>
<b>MANAGEMENT RESPONSE</b>	<p><b>Concur.</b> SSA no longer accepts cash repayments. SSA employees are notified prior to picking up their cash advance that all excess advances must be returned in the form of a check or money order made payable to the County of Orange. SSA employees then sign an agreement that they will follow this repayment process when they pick up their cash advance.</p> <p>SSA Accounting's procedures have been updated to ensure that the revolving fund custodian does not accept cash repayments.</p>



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<p><b>FINDING No. 4</b></p>	<p><b>Non-Compliant Timing of Expense Claim Submittal</b></p> <p>Several travel cash advances were not accounted for timely and travel claims were not submitted in accordance with the Travel Policy.</p> <p>For travel cash advances, the Travel Policy requires Mileage and Other Expenses (MOE) Claim forms to be filed within 60 days after the expense was incurred. In addition, the Travel Policy states MOE claims should only be filed once per month.</p> <p>Based on a review of the Outstanding Travel Advance Log of travel cash advances issued from January 2016 to August 2017, four of 25 (16%) travel cash advances listed were outstanding more than 120 days after the expense was incurred (issued during 2016) and had not been accounted for by the employee (i.e., employee has not provided receipts for the advance and prepared the related MOE Claim form).</p> <p>Based on a review of travel cash advances that have been approved and submitted to the Auditor-Controller, the MOE Claim form was not submitted within 60 days after the expenses were incurred for one of three travel cash advances tested. In addition, we observed one MOE Claim form prepared and reviewed by the supervisor in April 2014 and was not approved by the authorized signer until April 2015.</p> <p>Furthermore, several employees accumulated and submitted more than one monthly online mileage claim or MOE Claim form.</p> <p>Section F.3 of the Travel Policy states that “expense claims for travel must be approved and submitted to the Auditor-Controller within 60 days after the expenses were paid or incurred...any travel costs advanced or paid and not substantiated within 120 days after the expense was paid or incurred shall be returned to the County. Any amounts unsubstantiated shall be treated as taxable compensation to the traveler and reported on IRS Form W-2...such claims should not be filed more than once per month...”</p>
<p><b>CATEGORY</b></p>	<p><b>Significant Control Weakness</b></p>
<p><b>RISK</b></p>	<p>Having long-outstanding travel cash advances ties up funds and can cause errors or irregularities to go undetected. Failure to submit mileage claim forms timely results in the County being less aware of its outstanding liabilities. Filing more than one monthly claim can result in the accumulation of numerous claim items that can become more cumbersome to review and time consuming to process.</p>
<p><b>RECOMMENDATION</b></p>	<p>We recommend SSA ensure MOE Claim forms are not filed more than once per month, and that travel cash advances are properly approved and submitted within 60 days as required.</p>





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<p><b>MANAGEMENT RESPONSE</b></p>	<p>SSA <b>concur</b>s that claims are to be filed within 60 days and, as of July 2017, SSA Accounting created a new daily expenditure log that tracks cash advances by individual and issuance day. Follow up emails and department head designees are notified per CAM C-1 requirements on outstanding cash advances. This follow up process has ensured that SSA is timely in submitting travel cash advance MOE claim forms within 60 days.</p> <p>During follow up audit 1735-K, Finding No.7, testing was performed on recent travel cash advance transactions and it was determined that MOE claim forms for current travel were being submitted timely (within 60 days) and the audit recommendation was considered implemented.</p> <p>In order to maintain auditable documentation and to ensure the 60 day timeframe is met, SSA will continue to submit MOE claim forms by individual travel event and per one advance; therefore there maybe more than one MOE claim form submitted in one month for an employee who travels at the beginning and the end of the month and receives two separate travel cash advances.</p>
<p><b>FINDING No. 5</b></p>	<p><b>Cash Advances Issued to Employees with Outstanding Travel Cash Advances</b></p> <p>Based on a review of the Outstanding Travel Advance Log, we found one employee received a travel cash advance in June 2017, when she had not accounted for a previous travel cash advance issued in October 2016. Additionally, we identified two employees during transaction testing that received a travel cash advance while one or more travel cash advances were still outstanding.</p> <p>Strong business practices dictate that cash advances should not be given when outstanding advances exist.</p>
<p><b>CATEGORY</b></p>	<p><b>Significant Control Weakness</b></p>
<p><b>RISK</b></p>	<p>Issuing cash advances while another is still outstanding increases the risk of improper accounting of the advances.</p>
<p><b>RECOMMENDATION</b></p>	<p>We recommend SSA not issue travel cash advances to employees with outstanding travel cash advances.</p>
<p><b>MANAGEMENT RESPONSE</b></p>	<p><b>Concur.</b> SSA no longer issues travel cash advances to employees that have an outstanding/overdue travel cash advance. SSA Accounting has started a follow up process for outstanding advances and employees and their supervisors are notified that the employee is no longer eligible to receive a travel cash advance until all outstanding items have been resolved.</p>



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<b>FINDING No. 6</b>	<p><b>Automated Travel Requisitions</b></p> <p>SSA uses the online OC Expediter system when completing requisitions for registrations or business meeting related expenses, such as food; however, OC Expediter is not used for travel requisitions. For travel, an employee completes a manual travel request form referred to as the “Out-Of-County and In-County Travel Request.” Once completed, the paper request is forwarded to, and approved by, the employee’s supervisor and program manager.</p> <p>Additional approvals by the division director, deputy director, and agency director are required depending on the nature of the travel event.</p> <p>Automating the travel requisition preparation and approval processes would help minimize errors, expedite the requisition process, and would establish an audit trail that would document and retain each transaction’s activity.</p>		
<b>CATEGORY</b>	<b>Control Finding</b>		
<b>RISK</b>	The use of manual forms increases the risk of errors.		
<b>RECOMMENDATION</b>	We recommend SSA implement an automated travel requisition system, such as OC Expediter.		
<b>MANAGEMENT RESPONSE</b>	SSA began initial implementation of OC Expediter for procurement of commodities and services, as well as employee meeting registrations and expenses in late 2016. Due to the various types of travel and number of staff who are required to travel to carry out their duties, SSA is in the process of reviewing and updating its internal travel request procedures prior to exploring the option to utilize an automated travel requisition system such as Expediter.		
<b>AUDIT TEAM</b>	<table border="0"> <tr> <td data-bbox="488 1346 899 1409"> Michael Dean, CPA, CIA, CISA  Gianne Acosta </td> <td data-bbox="1138 1346 1421 1409"> Senior Audit Manager  Senior Auditor </td> </tr> </table>	Michael Dean, CPA, CIA, CISA Gianne Acosta	Senior Audit Manager Senior Auditor
Michael Dean, CPA, CIA, CISA Gianne Acosta	Senior Audit Manager Senior Auditor		



# INTERNAL AUDIT DEPARTMENT

## APPENDIX A: ADDITIONAL INFORMATION

<b>OBJECTIVES</b>	<p>Our audit objectives were to:</p> <ol style="list-style-type: none"><li>1. Evaluate operational effectiveness of internal control for expenditures governed by the County Business Travel and Meeting Policy (Travel Policy) to ensure expenditures are complete, accurate, and valid.</li><li>2. Determine whether expenditures are made in compliance with the County policy.</li><li>3. Review travel and meeting expenditure business processes for efficiency improvement.</li><li>4. Review actions taken to implement the seven (7) recommendations from our original Internal Control Audit: Social Services Agency – Revolving Cash Funds (Audit No. 1633) dated May 30, 2017.</li></ol>
<b>SCOPE &amp; METHODOLOGY</b>	<p>Our audit scope was limited to internal control over Travel Policy expenditures for the fiscal year ended June 30, 2017, as well as determining the status of recommendations issued in Audit No. 1633. Our methodology included inquiry, observation, examination of documentation, and testing of relevant transactions. In addition, we performed various computer-assisted audit techniques (CAAT) with Cal-Card data obtained from the County’s vendor, US Bank, to identify: (1) potential duplicate payments, (2) potential inappropriate payments (payments made on weekends and holidays), (3) employee/cardholder matches, and (4) exceeded purchase limits.</p>
<b>EXCLUSIONS</b>	<p>Our audit scope did not include a review of controls over information systems used to process travel transactions.</p>
<b>PRIOR AUDIT COVERAGE</b>	<p>We issued an audit report for SSA’s Revolving Cash Funds (Audit No. 1633) on May 30, 2017. The audit included a review of internal control over revolving cash funds and identified one (1) Critical Control Weakness and six (6) Control Findings. See Appendix B for the status of these recommendations.</p>



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## BACKGROUND

The Social Services Agency's (SSA) mission is "to deliver quality services that are accessible and responsive to the community, encourage personal responsibility, strengthen individuals, preserve families, and protect vulnerable adults and children."

SSA administers Federal, State and County social services programs that protect children and adults from abuse or neglect, enable the frail and disabled to remain in their homes, move eligible families from dependency to self-sufficiency and provide public assistance benefits for eligible recipients. SSA is comprised of four divisions: Assistance Programs, Children & Family Services, Family Self-Sufficiency & Adults Services, and Administrative Services.

### **County Business Travel and Meeting Policy**

On January 26, 2016, the Board of Supervisors approved Resolution 16-010, the "County Business Travel and Meeting Policy," to ensure the County's resources are spent in a manner that maximizes and provides full accountability of those resources, and provides for reasonable and equitable reimbursement of expenses incurred by individuals while on County business travel.

### **Payment/Reimbursement Methods**

Business Travel and Meeting expenditures are made and claimed through a variety of payment types:

- **Revolving Cash Fund/Petty Cash** – Expenditures paid by cash or check for supplies, travel, and certain services.
- **Revolving Cash Fund/Travel Cash Advances** – Cash advances made prior to travel and for reimbursement of incurred travel expenses.
- **Mileage & Other Expense Claims** – Employee incurs travel costs, submits reimbursement claim, and is reimbursed through payroll.
- **County Cal-Cards** – Credit card transactions using department funds for business-related purchases.
- **Procurement & Contracted Services** – Contract with travel company for department travel needs.

### **Accounting for County Business Travel and Meeting Expenditures**

These expenditures are recorded in various object codes, along with other non-travel expenditures (e.g., 2400 includes tuition reimbursement and 2600 includes County garage parking expenses), in the County's General Ledger. The object code, title, and amount recorded for the fiscal year ended June 30, 2017 are listed below:



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**Table 1. Expenditures by Object Code**

<b>Object Code</b>	<b>Title</b>	<b>Total Expenditures</b>
0900	Food (used for business meetings)	\$292,412
2400	Special Departmental Expense	\$640,143
2600	Transportation and Travel – General	\$554,417
2601	Private Auto Mileage	\$1,526,170
2700	Transportation and Travel – Mtgs & Conferences	\$335,159

Source: CAPS+ Data Warehouse





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<b>PURPOSE &amp; AUTHORITY</b>	We performed this audit in accordance with the FY 2017-18 Audit Plan and Risk Assessment approved by the Audit Oversight Committee (AOC) and Board of Supervisors (Board).
<b>PROFESSIONAL STANDARDS</b>	Our audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the International Internal Audit Standards Board.
<b>FOLLOW-UP PROCESS</b>	<p>In accordance with professional standards, the Internal Audit Department has a process to follow-up on its recommendations. A first follow-up audit will generally begin six months after release of the initial report.</p> <p>The AOC and Board expect that audit recommendations will typically be implemented within six months or sooner for significant and higher risk issues. A second follow-up audit will generally begin six months after release of the first follow-up audit report, by which time all audit recommendations are expected to be implemented. Any audit recommendations not implemented after the second follow-up audit will be brought to the attention of the AOC at its next scheduled meeting.</p> <p>A Follow-Up Audit Report Form is attached and is required to be returned to the Internal Audit Department approximately six months from the date of this report in order to facilitate the follow-up audit process.</p>
<b>MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROL</b>	In accordance with the Auditor-Controller's County Accounting Manual Section S-2 Internal Control Systems: "All County departments/agencies shall maintain effective internal control systems as an integral part of their management practices. This is because management has primary responsibility for establishing and maintaining the internal control system. All levels of management must be involved in assessing and strengthening internal controls." Control systems shall be continuously evaluated by Management and weaknesses, when detected, must be promptly corrected. The criteria for evaluating an entity's internal control structure are the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework. Our Internal Control Audit enhances and complements, but does not substitute for department management's continuing emphasis on control activities and self-assessment of control risks.
<b>INTERNAL CONTROL LIMITATIONS</b>	Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in the department's operating procedures, accounting practices, and compliance with County policy.



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## APPENDIX B: FIRST FOLLOW-UP INTERNAL CONTROL AUDIT: SOCIAL SERVICES AGENCY – REVOLVING CASH FUNDS, AUDIT NO. 1735-K (REFERENCE 1633-F1)

We have completed a First Follow-Up Internal Control Audit: SSA Revolving Cash Funds. Our audit was limited to reviewing actions taken as of March 31, 2018 to implement the seven (7) recommendations from our original audit dated May 30, 2017.

Our First Follow-Up Audit found that SSA implemented six (6) recommendations from the original audit and is in process of the remaining recommendation.

Based on our First Follow-Up Audit, the following is the implementation status of the seven (7) original recommendations:

<b>FINDING No. 1</b>	<b>Segregation of Duties – Profiles Within CalWIN System</b>
<b>CATEGORY</b>	<b>Critical Control Weakness</b>
<b>RECOMMENDATION</b>	We recommend SSA prepare formal policy and procedures that document: (1) who should be in the limited group “superusers”, (2) the ability to open a new case is not available to the “golden supervisor” and “superusers” groups, and (3) the detective control of performing regularly scheduled reviews of the detailed activities performed by users with the remaining unmodified “golden” profiles.
<b>CURRENT STATUS &amp; PLANNED ACTION</b>	<p><b>In Process.</b> (1) We reviewed a system-generated listing of users with the “superuser” capability and found that the number of “superuser” profiles was reduced to six users, down from 13 noted in the original audit. (2) We also reviewed a system-generated listing of roles/capabilities of the “golden supervisor” profile and noted that the “Collect Application Information” role has been set to “read-only”, which prevents these users from being able to create a new application in CalWIN. (3) We found that SSA has created a CalWIN Quarterly Audit guide for the purposes of reviewing and monitoring the remaining “golden” and “superuser” profiles; however, a review has yet to be performed in accordance to the guide. Therefore, we consider this recommendation to be in process of implementation.</p> <p><b>SSA Management Response:</b> SSA has developed three CalWIN Quarterly Audit Processing Guides, one guide for each functional area: Assistance Programs (AP), Family Self Sufficiency and Adult Services (FSS/AS), Systems Support Team (SST). In accordance with stated guidelines, SSA has successfully completed an audit for the fourth quarter of 2017, October through December 2017.</p> <p>SSA is in the process of completing audits for the first quarter of 2018, January through March 2018, and the second quarter of 2018, April through June 2018. The anticipated completion date of these audits will be August 31, 2018.</p>



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<b>FINDING No. 2</b>	<b>Policies and Procedures for Special Purpose Revolving Cash Fund</b>
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RECOMMENDATION</b>	We recommend SSA develop policies and procedures for its special purpose revolving cash fund that reflect current procedures, provide details on CAM requirements not applicable to the fund, and include proper background information to provide an understanding of how this fund differs from the regular revolving cash fund.
<b>CURRENT STATUS</b>	<b>Implemented.</b> SSA has developed adequate policies and procedures for its special purpose revolving cash fund (RCF) that includes current procedures, details on CAM requirements not applicable to the fund, and background information, to provide an understanding of how the special purpose fund differs from the regular RCF. Therefore, we consider this recommendation implemented.

<b>FINDING No. 3</b>	<b>Lack of Access Request Application (ARA) Signature Cards for Individuals Who Can Authorize Vouchers</b>
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RECOMMENDATION</b>	We recommend that SSA establish ARA signature cards for individuals who can authorize vouchers.
<b>CURRENT STATUS</b>	<b>Implemented.</b> SSA provided ARA signature cards for a selected sample of voucher approvers. As it appears SSA has established ARA signature cards for individuals who can authorize vouchers, we consider this recommendation implemented.

<b>FINDING No. 4</b>	<b>Separate Duties Segregation for the Revolving Cash Fund</b>
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RECOMMENDATION</b>	We recommend that SSA complete and submit the County Business Meeting Policy Certification form along with appropriate supporting documentation as part of the reimbursement package for county business meeting meals.
<b>CURRENT STATUS</b>	<b>Implemented.</b> We found that five of five (100%) County business meeting meal transactions tested had a completed Business Meeting Certification form along with appropriate supporting documentation, such as a meeting agenda and list of attendees. Therefore, we consider this recommendation implemented.



# INTERNAL AUDIT DEPARTMENT

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<b>FINDING No. 5</b>	<b>Long Outstanding Reconciling Items on Bank Reconciliation</b>
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RECOMMENDATION</b>	We recommend that SSA ensure reconciling items are researched and resolved timely.
<b>CURRENT STATUS</b>	<b>Implemented.</b> We reviewed a recent bank reconciliation and did not note any long outstanding reconciling items (i.e., 12 months or older). SSA cancels outstanding checks before they become outstanding for more than 12 months. While we consider this recommendation implemented, issues were noted with the fund reconciliation, see Finding No. 1 in the main report.

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<b>FINDING No. 6</b>	<b>Accountability for Preparation and Review of Fund Reconciliation Not Properly Documented</b>
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RECOMMENDATION</b>	We recommend SSA ensure accountability is established for the preparation and review of fund reconciliations by ensuring they are initialed and dated by both the preparer and reviewer.
<b>CURRENT STATUS</b>	<b>Implemented.</b> We reviewed three recent fund reconciliations and found all three were signed and dated by the preparer and reviewer. Therefore, we consider this recommendation implemented.

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<b>FINDING No. 7</b>	<b>Mileage and Other Expenses Claim Form for Travel Cash Advances Not Submitted Timely</b>
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RECOMMENDATION</b>	We recommend SSA ensure that Mileage and Other Expenses Claim forms for travel cash advances are submitted to the Auditor-Controller within 60 days after the expenses were paid or incurred.
<b>CURRENT STATUS</b>	<b>Implemented.</b> We performed testing on recent travel cash advance transactions and found that MOE claim forms for current travel cash advances were submitted timely (within 60 days). Therefore, we consider this recommendation implemented.

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# INTERNAL AUDIT DEPARTMENT

## APPENDIX C: REPORT ITEM CLASSIFICATIONS

Critical Control Weaknesses	Significant Control Weaknesses	Control Findings
<p>These are audit findings or a combination of audit findings that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise the department's or County's reputation for integrity. Management is expected to address <b>Critical Control Weaknesses</b> brought to its attention immediately.</p>	<p>These are audit findings or a combination of audit findings that represent a significant deficiency in the design or operation of internal controls. <b>Significant Control Weaknesses</b> require prompt corrective actions.</p>	<p>These are audit findings concerning the effectiveness of internal control, compliance issues, or efficiency issues that require management's corrective action to implement or enhance processes and internal control. <b>Control Findings</b> are expected to be addressed within our follow-up process of six months, but no later than twelve months.</p>





# INTERNAL AUDIT DEPARTMENT

## APPENDIX D: 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>



# INTERNAL AUDIT DEPARTMENT

## APPENDIX E: SOCIAL SERVICES AGENCY MANAGEMENT RESPONSE



**County of Orange**  
**SOCIAL SERVICES AGENCY**

500 N. STATE COLLEGE BLVD.  
ORANGE, CA 92868-1673  
(714) 541-7700

DEBRA J. BAETZ  
DIRECTOR

CAROL WISEMAN  
CHIEF DEPUTY DIRECTOR

AN TRAN  
DIVISION DIRECTOR  
ADMINISTRATIVE SERVICES

JOHN HENDRICKSON  
DIVISION DIRECTOR  
ASSISTANCE PROGRAMS

ANNE BLOXOM  
DIVISION DIRECTOR  
CHILDREN & FAMILY SERVICES

VACANT  
DIVISION DIRECTOR  
FAMILY SELF-SUFFICIENCY &  
ADULT SERVICES

ANNE H. LIGHT, M.D.  
MEDICAL DIRECTOR

August 27, 2018

Internal Audit Department (IAD)  
Attn: Scott Suzuki, CPA, Acting Director

Dear Mr. Suzuki:

We have reviewed the letter from your office dated June 27, 2018 regarding the Internal Control Audit of the Social Services Agency expenditures governed by the County Business Travel and Meeting Policy (Audit No. 1626-I) and your First Follow-Up Internal Control Audit of Social Services Agency Revolving Cash Funds (Audit No. 1735-K/Reference 1633-F1). Below are our responses to the identified findings:

Audit No. 1626-I Detailed Findings, Recommendations, and Management Responses:

Finding No. 1: Revolving Fund Unreconciled Differences (critical control weakness)

Recommendation: SSA ensure reconciliations are properly prepared including that outstanding amounts are listed individually in the fund reconciliation and that appropriate supervisory review is conducted. Also, that SSA determine if its next revolving cash fund replenishment should be reduced to account for duplication replenishments.

Social Services Agency Accounting Management Response: Concur. Starting in July 2017, SSA Accounting created a new daily expenditure log that tracks cash advances by individual and issuance day. Follow up emails and department head designees are notified per CAM C-1 requirements on outstanding cash advances. Supervisory review is conducted daily and management's review is conducted monthly. Positive pay was implemented with our financial institution and checks automatically stale date after six months. All fund replenishments have been reconciled and duplications have been rectified.



# INTERNAL AUDIT DEPARTMENT

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Also, during follow up audit 1735-K, IAD reviewed and verified that bank and daily reconciliations were completed and that all reconciling items were researched and resolved timely.

**Finding No. 2: Inappropriate Reimbursement of Outlying Locations (critical control weakness)**

**Recommendation:** SSA discontinue the practice of writing checks payable to "cash" immediately and that documentation supporting reimbursed vouchers be retained.

**Social Services Agency Accounting Management Response:** Concur. SSA no longer writes checks payable to cash. Procedures have been updated to include the list of individuals who petty cash replenishment checks can be made payable to. We have ensured that these individuals have no conflicting roles in the revolving fund process and no check signer authority.

**Finding No. 3: Revolving Fund Custodian Accepted Cash Repayments (significant control weakness)**

**Recommendation:** SSA ensure unused portions of cash advances are returned in the form of a personal check made payable to the officer, and not cash, as required.

**Social Services Agency Accounting Management Response:** Concur. SSA no longer accepts cash repayments. SSA employees are notified prior to picking up their cash advance that all excess advances must be returned in the form of a check or money order made payable to the County of Orange. SSA employees then sign an agreement that they will follow this repayment process when they pick up their cash advance.

SSA Accounting's procedures have been updated to ensure that the revolving fund custodian does not accept cash repayments.

**Finding No. 4: Non-Compliant timing of Expense Claim Submittal (significant control weakness)**

**Recommendation:** SSA ensure MOE Claim forms are not filed more than once per month, and that travel cash advances are properly approved and submitted within 60 days as required.

**Social Services Agency Accounting Management Response:** SSA concurs that claims are to be filed within 60 days and, as of July 2017, SSA Accounting created a new daily expenditure log that tracks cash advances by individual and



# INTERNAL AUDIT DEPARTMENT

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issuance day. Follow up emails and department head designees are notified per CAM C-1 requirements on outstanding cash advances. This follow up process has ensured that SSA is timely in submitting travel cash advance MOE claim forms within 60 days.

During follow up audit 1735-K, Finding No. 7, testing was performed on recent travel cash advance transactions and it was determined that MOE claim forms for current travel were being submitted timely (within 60 days) and the audit recommendation was considered implemented.

In order to maintain auditable documentation and to ensure the 60 day timeframe is met, SSA will continue to submit MOE claim forms by individual travel event and per one advance; therefore there maybe more than one MOE claim form submitted in one month for an employee who travels at the beginning and the end of the month and receives two separate travel cash advances.

**Finding No. 5: Cash Advances Issued to Employees with Outstanding Travel Cash Advances (significant control weakness)**

**Recommendation:** SSA not issue travel cash advances to employees with outstanding travel cash advances.

**Social Services Agency Accounting Management Response:** Concur. SSA no longer issues travel cash advances to employees that have an outstanding/overdue travel cash advance. SSA Accounting has started a follow up process for outstanding advances and employees and their supervisors are notified that the employee is no longer eligible to receive a travel cash advance until all outstanding items have been resolved.

**Finding No. 6: Automated Travel Requisitions (control finding)**

**Recommendation:** SSA implement an automated travel requisition system, such as OC Expediter.

**Social Services Agency Accounting Management Response:** SSA began initial implementation of OC Expediter for procurement of commodities and services, as well as employee meeting registrations and expenses in late 2016. Due to the various types of travel and number of staff who are required to travel to carry out their duties, SSA is in the process of reviewing and updating its internal travel request procedures prior to exploring the option to utilize an automated travel requisition system such as Expediter.





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Audit No. 1735-K/Reference 1633-F1 Detailed Findings, Recommendations, and Management Responses:

All audit recommendations were considered implemented during IAD's first follow-up, except for Finding No. 1 which is discussed below.

Finding No. 1: Segregation of Duties – Profiles within CalWIN System (critical control weakness)

Recommendation: SSA prepare formal policy and procedures that document: (1) who should be in the limited group "superusers", (2) the ability to open a new case is not available to the "golden supervisor" and "superusers" groups, (3) the detective control of performing regularly scheduled reviews of the detailed activities performed by users with the remaining unmodified "golden" profiles.

Follow up results: In Process. SSA has created a CalWIN Quarterly Audit guide for the purposes of reviewing and monitoring the remaining "golden" and "superuser" profiles; however, a review has yet to be performed in accordance to the guide.


Social Services Agency Management Response: SSA has developed three CalWIN Quarterly Audit Processing Guides, one guide for each functional area: Assistance Programs (AP), Family Self Sufficiency and Adult Services (FSS/AS), Systems Support Team (SST). In accordance with stated guidelines, SSA has successfully completed an audit for the fourth quarter of 2017, October through December 2017.

SSA is in the process of completing audits for the first quarter of 2018, January through March 2018, and the second quarter of 2018, April through June 2018. The anticipated completion date of these audits will be August 31, 2018.

SSA will continue to perform CalWIN audits, in accordance with the CalWIN Quarterly Audit Processing Guides, in an expeditious manner.

If you have any questions or require additional information, please contact An Tran at (714) 541-7712 or Greg White at (714) 245-6161.

Sincerely,



Debra Baetz, Director  
Orange County Social Services Agency





# INTERNAL AUDIT DEPARTMENT

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cc: Salvador Lopez, Auditor-Controller, Satellite Director  
Carol Wiseman, SSA Chief Deputy Director  
An Tran, SSA Division Director, Administrative Services

