# 2

# FINAL CLOSE-OUT FIRST FOLLOW-UP INTERNAL CONTROL AUDIT:

# SOCIAL SERVICES AGENCY REVOLVING FUND PROCESS

FOR THE PERIOD DECEMBER 1, 2010 THROUGH NOVEMBER 30, 2011 AS OF APRIL 30, 2013

Our First Follow-Up Audit found Social Services Agency fully implemented all four (4) recommendations from our original audit report dated June 26, 2012.

Social Services Agency maintains two revolving funds in the amount of \$247,750. The funds are allocated between three accounts: Welfare and Assistance (\$127,750), Supplies and Services (\$100,000), and Family Discretionary Fund (\$20,000). During the original audit period, Social Services Agency expended approximately \$1.3 million.

AUDIT NO: 1227-D (ORIGINAL AUDIT NO. 1128)

REPORT DATE: JULY 11, 2013

**Director**: Dr. Peter Hughes, MBA, CPA, CIA Senior Audit Manager: Alan Marcum, CPA, CIA Senior Internal Auditor: Abdul Khan, CPA, CIA

### **RISK BASED AUDITING**

GAO & IIA Peer Review Compliant - 2001, 2004, 2007, 2010

American Institute of Certified Public Accountants Award to Dr. Peter Hughes as 2010 Outstanding CPA of the Year for Local Government

GRC (Government, Risk & Compliance) Group 2010 Award to IAD as MVP in Risk Management









GAO & IIA Peer Review Compliant - 2001, 2004, 2007, 2010

**Providing Facts and Perspectives Countywide** 

### **RISK BASED AUDITING**

Dr. Peter Hughes Ph.D., MBA, CPA, CCEP, CITP, CIA, CFE, CFF, CGMA

**Director** Certified Compliance & Ethics Professional (CCEP)

Certified Information Technology Professional (CITP)

Certified Internal Auditor (CIA)

Certified Fraud Examiner (CFE)

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OC Fraud Hotline (714) 834-3608

## Letter from Dr. Peter Hughes, CPA







Audit No. 1227-D July 11, 2013

**TO:** Dr. Michael Riley, Director Social Services Agency

FROM: Dr. Peter Hughes, CPA, Director

Internal Audit Department

**SUBJECT:** First and Final Close-Out Follow-Up Internal

Control Audit: Social Services Agency Revolving Fund Process for the Period December 1, 2010 through November 30, 2011, Original Audit No.

1128, Issued June 26, 2012

We have completed a First Follow-Up Audit of Social Services Agency Revolving Fund Process for the period December 1, 2010 through November 30, 2011. Our audit was limited to reviewing, as of April 30, 2013, actions taken to implement the **four (4) recommendations** from our original audit report dated June 26, 2012. We conducted this First Follow-Up Audit in accordance with the *FY 12-13 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and Board of Supervisors (BOS).

The results of our First Follow-Up Audit are discussed in the OC Internal Auditor's Report following this transmittal letter. Because satisfactory corrective action has been taken for the four (4) 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 audit will be included in a future status report to the BOS.

Other recipients of this report are listed on the OC Internal Auditor's Report on page 3.

# **Table of Contents**



First and Final Close-Out Follow-Up Internal Control Audit: Social Services Agency Revolving Fund Process For the Period December 1, 2010 through November 30, 2011 Audit No. 1227-D

As of April 30, 2013

Transmittal Letter	i
OC Internal Auditor's Report	1

# **OC Internal Auditor's Report**



Audit No. 1227-D July 11, 2013

TO: Dr. Michael Riley, Director

Social Services Agency

FROM: Dr. Peter Hughes, CPA, Director

Internal Audit Department

SUBJECT: First and Final Close-Out Follow-Up Internal Control Audit: Social Services Agency

Revolving Fund Process For The Period December 1, 2010 through November 30,

Hughes

2011, Original Audit No. 1128, Issued June 26, 2012

### **Scope of Review**

We have completed a First Follow-Up Audit of Social Services Agency Revolving Fund Process for the period December 1, 2010 through November 30, 2011. Our audit was limited to reviewing actions taken, as of April 30, 2013, to implement the **four (4) recommendations** from our original audit report dated June 26, 2012.

### **Background**

SSA has two (2) revolving funds totaling **\$247,750** for general operations. The funds are allocated between three accounts: Welfare and Assistance (\$127,750), Supplies and Services, which includes travel cash advances (\$100,000), and Family Discretionary Fund (\$20,000). Welfare and Assistance and Supplies and Services accounts have both cash on hand and checking accounts, whereas the Family Discretionary Fund only has a checking account. SSA Accounting Services is responsible for administering, monitoring, and replenishing the revolving funds.

During the audit period, SSA incurred \$1,038,561 in Welfare and Assistance expenditures, \$171,701 in Supplies and Services expenditures, and \$105,316 in Family Discretionary Fund expenditures for a total of \$1,315,578.

The original audit identified **four (4) Control Findings** regarding the Mileage and Other Expenses Claim for cash advances not being submitted timely, the Cash Advance Request not being completed properly, the Revolving Cash Fund/Cash Advance Reimbursement form not being completed properly, and daily fund reconciliations not being initialed and dated by the preparer and by the supervisor to document review.

### Results

Our First Follow-Up Audit indicated Social Services Agency **implemented all four (4) recommendations**. **As such, this report represents the final close-out of the original audit**. Based on our First Follow-Up Audit, the following is the implementation status of the four (4) original recommendations:

# **OC Internal Auditor's Report**



 Finding No. 1 – Expense Claims Not Submitted Within Five (5) Working Days – Noncompliance with CAM C-1 Cash Advances – Revolving Funds Section 2.2.1 (Control Finding)

### Recommendation No. 1

We recommend that the Social Services Agency ensure employees are submitting a *Mileage* & *Other Expenses Claim* form within five (5) working days as required by CAM C-1 Section 2.2.1.

<u>Current Status</u>: **Implemented.** Social Services Agency implemented policy and procedures to ensure employees are submitting a *Mileage & Other Expenses Claim* form within five (5) working days as required by CAM C-1 Section 2.2.1.

We tested a sample of *Mileage & Other Expenses Claim* forms and found that they were submitted within five (5) working days.

2. Finding No. 2 – Revolving Fund Custodian Was Not Completing the Cash Advance Request Form – Noncompliance with CAM C-1 Cash Advances – Revolving Funds Section 2.4 (Control Finding)

### Recommendation No. 2

We recommend that Social Services Agency ensure the revolving fund custodian immediately documents the receipt of *Mileage and Other Expenses Claim* forms and the receipt and amount of repayment of unused cash advances on the *Cash Advance Request* form as required by CAM C-1 Section 2.4.

<u>Current Status</u>: **Implemented.** Social Services Agency implemented policy and procedures to ensure the revolving fund custodian immediately documents the receipt of *Mileage and Other Expenses Claim* forms and the receipt and amount of repayment of unused cash advances on the *Cash Advance Request* form as required by CAM C-1 Section 2.4.

We tested a sample of *Cash Advance Request* forms and found that the revolving fund custodian documented the receipt of *Mileage and Other Expenses Claim* forms and the receipt and amount of repayment of unused cash advances.

3. Finding No. 3 – Revolving Fund Custodian Was Not Completing the Revolving Cash Fund/Cash Advance Reimbursement Form - Noncompliance with CAM C-7 Revolving Cash Fund Section 2.3.1 (Control Finding)

### **Recommendation No. 3**

We recommend Social Services Agency ensure that the fund reconciliation section on the *Revolving Cash Fund/Cash Advance Reimbursement Claim* form is completed properly.

<u>Current Status</u>: **Implemented.** Social Services Agency implemented policy and procedures to ensure that the fund reconciliation section on the *Revolving Cash Fund/Cash Advance Reimbursement Claim* form is completed.

We tested a sample of *Revolving Cash Fund/Cash Advance Reimbursement Claim* forms and found that the fund reconciliation section was completed.

# **OC Internal Auditor's Report**



4. Finding No. 4 – Daily Fund Reconciliations Prepared On Revolving Fund Worksheet Are Not Initialed and Dated by the Preparer and by the Supervisor to Document Review (Control Finding)

### **Recommendation No. 4**

We recommend Social Services Agency ensures the reconciliations are initialed and dated by the preparer to document timeliness and responsibility. Also, the reconciliations are reviewed, initialed, and dated by a supervisor.

<u>Current Status</u>: **Implemented.** Social Services Agency implemented policy and procedures to ensure the reconciliations are initialed and dated by the preparer to document timeliness and responsibility. Also, the reconciliations are reviewed, initialed, and dated by a supervisor.

We tested a sample of the Daily Fund Reconciliations and found that they were initialed and dated by the preparer and are reviewed, initialed, and dated by a supervisor.

We appreciate the assistance extended to us by Social Services Agency personnel during our Follow-Up Audit. If you have any questions, please contact me directly at 834-5475 or Alan Marcum, Senior Audit Manager at 834-4119.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

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Members, Audit Oversight Committee
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Mark R. Denny, Chief Operating Officer
Carol Wiseman, Director, Administrative Services, SSA
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Foreperson, Grand Jury
Susan Novak, Clerk of the Board of Supervisors
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