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EXHIBIT A

JULY 2010 AUDITS BY IAD

MONTHLY AUDIT ACTIVITY REPORT

Presented on Board of Supervisors' Agenda August 31, 2010

- Review of Allegations made about the Assessor and Clerk of the Board -- We concluded that the three serious allegations reviewed are entirely without merit. The documentation and purported "evidence" provided by the Complainant fails in its entirety to support any of the allegations he made in his public comments on May 18, 2010. Additionally, in all instances the allegations are directly refuted by readily available evidence examined by us.
- OC Fraud Hotline Activity In this period (January 1, 2010 through June 30, 2010) the OC Fraud Hotline received 77 new complaints of improper activities, of which 26 were opened for investigation, and 23 cases were closed. The allegations in 6 of the 23 cases that were closed during the period were substantiated, and appropriate corrective action was taken.
- Monthly CAATs: IAD found six (6) duplicate payments amounting to \$954 out of 22,765 invoices paid to vendors in June 2010.

by Dr. Peter Hughes, MBA, CPA Director of Internal Audit

Assistance in assembling this report provided by:
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Project No. 1007-1

RISK BASED AUDITING

GAO & IIA Peer Review Compliant – 2001, 2004, 2007



2009 Association of Certified Fraud Examiners' Hubbard Award for the Most Outstanding Article of the Year



2008 Association of Local Government Auditors' Bronze Website Award



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

Letter from Dr. Peter Hughes, CPA





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RISK BASED AUDITING



August 31, 2010

Honorable Board of Supervisors,

It is my pleasure to submit to you the Monthly Audit Activity Report for the month of July 2010.

For each audit report we provide an overview and a detailed briefing for your review.

As always, I'm available at your convenience to discuss any aspect of these items.

Respectfully submitted,

Dr. Peter Hughes, CPA

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

Board Date: August 31, 2010 Exhibit A, Page 2 of 8

Executive Summary

Exhibit Reports:

- B. Review of Allegations made about the Assessor and Clerk of the Board -We concluded that the three serious allegations reviewed are entirely
 without merit. The documentation and purported "evidence" provided by
 the Complainant fails in its entirety to support any of the allegations he
 made in his public comments on May 18, 2010. Additionally, in all
 instances the allegations are directly refuted by readily available evidence
 examined by us.
- C. OC Fraud Hotline Activity In this period (January 1, 2010 through June 30, 2010) the OC Fraud Hotline received 77 new complaints of improper activities, of which 26 were opened for investigation, and 23 cases were closed. The allegations in 6 of the 23 cases that were closed during the period were substantiated, and appropriate corrective action was taken.

Exhibit Monthly Results of Continuous Auditing Using CAATS (Computer Assisted Audit Techniques):

D. <u>Auditor-Controller, Human Resources, and County Procurement Office – Duplicate Vendor Payments and Other Periodic Routines – July 2010</u>: We analyzed **22,765** vendor invoices paid in June 2010 amounting to about **\$205 million** and found **99.97%** of the invoices were only paid once.

Of the \$205 million vendor invoices, we identified **six (6)** duplicate payments totaling \$954 made to vendors. To date we have identified **\$955,828** in duplicate vendor payments, of which **\$893,962** has been recovered and is a noteworthy achievement by the County.

Board Date: August 31, 2010 Exhibit A, Page 3 of 8

Detailed Report

New Audit Findings by Risk Category

Description	Results
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.	None issued during July 2010. None issued since July 2010.
Significant Findings 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.	None issued during July 2010. None issued since July 2010.
Control Findings Audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues 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.	None issued during July 2010. None issued since July 2010.

Total Audit Findings for FY 2010-11: 0

Board Date: August 31, 2010 Exhibit A, Page 4 of 8

Detailed Report

NON-MATERIAL FINDINGS

Exhibit	Description	Comments
В	TITLE: Review of Allegations made about the Assessor and the Clerk of the Board AUDIT NO: 2905-B	Scope: The Internal Audit Department was asked to investigate three serious allegations made against the Assessor and the Clerk of the Board during Public Comments at the Board of Supervisors meeting on May 18, 2010. Conclusion: We concluded that the three serious allegations reviewed are entirely without merit. The documentation and purported "evidence" provided by the Complainant fails in its entirety to support any of the allegations he made in his public comments on May 18, 2010. Additionally, in all instances the allegations are directly refuted by readily available evidence examined by us.
	Issued: July 2, 2010	Background: The Complainant made three serious allegations, captured verbatim in items No. 1, 2, and 3 below, of corruption against the County Assessor Webster Guillory, and allegations of mismanagement against both the County Assessor Webster Guillory and the Clerk of the Board Darlene Bloom. These are the issues we are reviewing:
		 "Years ago, our organization (HOME) was informed that Disneyland does not pay property taxes on their 93 million dollar parking structure." "we have been able to obtain evidence to indicate that the Assessor, Webster Guillory, is corrupt. He has allegedly undervalued many large commercial properties in exchange for political or personal favors, while his department has systematically overvalued the homes of many Orange County residents." "the Appeals Board is so mismanaged by County Clerk Darlene Bloom that thousands of "underwater" homeowners are being cheated by Webster Guillory and Darlene Bloom into paying unfair amounts of property taxes."
		Recommendation: None

Board Date: August 31, 2010 Exhibit A, Page 5 of 8

Detailed Report

Exhibit	Description	Comments
С	TITLE: OC Fraud Hotline Activity AUDIT NO: 1003-A	Scope: We have completed our report concerning the operation of the Orange County Fraud Hotline. The Bylaws of the Orange County Audit Oversight Committee delegates to the Internal Audit Department fraud policy activities, which includes the operation of the Fraud Hotline. This report is for the period of January 1, 2010 through June 30, 2010.
	ISSUED: July 29, 2010	Conclusion: We received 77 new complaints of improper activities, of which 26 were opened for investigation, and 23 cases were closed. The allegations in 6 of the 23 cases that were closed during the period were substantiated. In the 6 cases where the allegations were substantiated, the individual cases dealt with: the use of County equipment for non-business purposes; time abuse; the use of incorrect billing codes resulting in loss of revenue; unprofessional behavior by managers. In all cases, appropriate corrective action was taken. Background: The OCIAD originally established and runs the Orange County Fraud Hotline as part of its ongoing fraud detection and prevention effort. The Hotline is monitored live for calls twenty-four hours a day, seven days a week. IAD staff monitors the telephone during business hours and contracted Hotline service professionals monitor the telephone during non-business hours. Callers can leave anonymous information or identify themselves. Hotline reporting can also be made through our web page on the internet. Type of Recommendations: None

Board Date: August 31, 2010 Exhibit A, Page 6 of 8

Detailed Report

Exhibit	Description	Comments
D	DEPT: Auditor-Controller Human Resources County Procurement Office	Scope: The monthly CAAT routines are automated queries applied to large amounts of electronic data searching for specified characteristics. We currently perform four (4) on-going CAAT routines utilizing selected payroll and vendor data. Depending on the nature of the CAAT, we perform them monthly, annually, or as necessary
	TITLE: Monthly Results of Continuous Auditing Using CAATS (Computer Assisted Audit Techniques) – July 2010	 Conclusion: Duplicate Payments to Vendors: We analyzed 22,765 vendor invoices paid in June 2010 amounting to about \$205 million and found 99.97% of the invoices were only paid once. Of the \$205 million vendor invoices, we identified six (6) duplicate payments totaling \$954 made to vendors. The County currently has a recovery rate from vendors of about 94% on these duplicate payments.
	AUDIT NO: 1041- A	Our prior research has indicated that duplicate payments are typically caused by a human clerical error. Based on the to-date recoveries of \$893,962, this CAAT routine has paid for itself and is returning monies to the County that may otherwise be lost.
	ISSUED: July 28, 2010	• Employee Vendor Match: For the period 6/30/09 – 3/31/10 we identified 13 potential employee-vendor matches. These matches were provided to HR for evaluation as to whether any employee vendor conflicts exist. As of 7/20/10, HR determined that 12 were <u>not</u> a conflict. Their review is in process for the remaining 1 match. For the current quarter 6/30/10, no matches were identified.
		 <u>Retiree/Extra Help Hours</u>: During FY 09-10, we identified two working retirees exceeding annual limits of 960 or 720 hours mandated by Government Code Sections 31680.6 and 31641.04. The excess was 4 hours each, which is less than one pay period.
		Multiple Payroll Direct Deposits: No findings noted.

Board Date: August 31, 2010 Exhibit A, Page 7 of 8

Detailed Report

Exhibit	Description	Comments
	CONTINUED,	Background:
	DEPT: Auditor-Controller Human Resources County Procurement Office	The CAATs differ from our traditional audits in that the CAATs can query 100% of a data universe whereas the traditional audits typically test but a sample of transactions from the population. The resulting matches identified by the CAATs are subjected to further review and analysis by the Internal Audit Department. We then forward any resulting findings to the Auditor-Controller, Human Resources, or County Procurement Office for their review and concurrence, and subsequent correction/recovery. We also
	TITLE: Monthly Results of Continuous Auditing Using CAATS (Computer Assisted Audit Techniques) – July 2010	work with these departments to identify internal control enhancements with the purpose of preventing future occurrences of the type of findings identified by the CAATs.

Board Date: August 31, 2010 Exhibit A, Page 8 of 8