



O R A N G E C O U N T Y

AUDITOR-CONTROLLER

I N T E R N A L A U D I T

**FIRST AND FINAL CLOSE-OUT  
FOLLOW-UP  
INTERNAL CONTROL AUDIT:**

**SOCIAL SERVICES AGENCY  
SPECIAL REVENUE AND  
FIDUCIARY FUNDS  
AS OF JANUARY 15, 2016**



**Audit Number 1336-F1 (Reference 1528)**

**Report Date: March 1, 2016**



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**AUDITOR-CONTROLLER**  
I N T E R N A L A U D I T

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**ERIC H. WOOLERY, CPA**  
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**Transmittal Letter**

**Audit No. 1336-F1**  
**(Reference 1528)**

**March 1, 2016**

**TO:** Michael Ryan, Director  
Social Services Agency

**SUBJECT:** First and Final Close-Out Follow-Up Internal Control Audit:  
Social Services Agency Special Revenue and Fiduciary Funds  
Original Audit No. 1336, Issued May 21, 2015

We have completed our First Follow-Up Internal Control Audit of Social Services Agency Special Revenue and Fiduciary Funds as of January 15, 2016. Our final report is attached for your review.

I submit an **Audit Status Report** quarterly to the Audit Oversight Committee (AOC) and a monthly report to the Board of Supervisors (BOS) where I detail any critical 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 future status reports to the AOC and BOS.

A handwritten signature in blue ink, appearing to read "Toni Smart".

Toni Smart, CPA, Director  
Auditor-Controller Internal Audit Division

**Attachments**

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Eric Woolery, Auditor-Controller
- Frank Kim, County Executive Officer
- Mark Denny, Chief Operating Officer
- Carol Wiseman, Chief Deputy Director, SSA
- Silvia Fuller, Manager, Financial Services, SSA
- Tonya Riley, Chief Deputy Auditor-Controller, Satellite Accounting Operations
- Moses Hernandez, Section Manager, Accounting Services, SSA
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board of Supervisors
- Macias Gini & O'Connell LLP, County External Auditor



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Social Services Agency  
Special Revenue and Fiduciary Funds  
Audit No. 1336-F1 (Reference 1528)***

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# Internal Auditor's Report

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**Audit No. 1336-F1**

**March 1, 2016**

TO: Michael Ryan, Director  
Social Services Agency

FROM: Toni Smart, CPA, Director  
Auditor-Controller Internal Audit Division

SUBJECT: First and Final Close-Out Follow-Up Internal Control Audit:  
Social Services Agency Special Revenue and Fiduciary Funds  
Original Audit No. 1336, Issued May 21, 2015

## SCOPE

We completed a First and Final Close-Out Follow-Up Audit of Social Services Agency Special Revenue and Fiduciary Funds. Our audit was limited to reviewing actions taken as of January 15, 2016, to implement the three recommendations from our original audit.

## BACKGROUND

In the original audit, we audited internal controls and compliance over seven special revenue and fiduciary funds under the administration of the Social Services Agency (SSA) to ensure receipts, disbursements and reconciliations were proper and in compliance with County and departmental procedures. During the audit period, SSA processed **\$589 million** in fund inflows and **\$571 million** in outflows for year-end fund balance that exceeded **\$104 million**. Our audit identified three **Control Findings** to enhance internal controls over the administration of fiduciary and special revenue funds.

## RESULTS

Our First Follow-Up Audit found that Social Services Agency **implemented all three recommendations** from the original audit. 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 two original recommendations:

**1. Purpose and Use of Fund is Not Aligned with Objective of Fund (Control Finding)**

SSA and SSA Accounting should evaluate the established purpose and uses of Fund 14T so it is aligned with the agency's objectives, and work with the Auditor-Controller to amend the COFA documentation accordingly.

**Current Status: Implemented.** Our First Follow-Up Audit found that SSA worked with Auditor-Controller General Accounting to update the purpose of Fund 14T. COFA 1620, *Fund 14T Modification of Fund Name and Purpose* was issued by the Auditor-Controller on November 19, 2015. We found that the revised COFA addressed the Agency's objectives and uses of the fund. Because of the action taken by SSA, we consider this recommendation implemented.



# Internal Auditor's Report

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## 2. **No Written Procedures for Processing Fund Transactions** (Control Finding)

SSA and SSA Accounting should evaluate its special revenue and fiduciary funds; determine which funds require written policies and procedures for processing fund transactions; and establish written policies and procedures accordingly in a format consistent with other Auditor-Controller fund policies and procedures. The documented policies and procedures should be reviewed and approved by management and communicated to staff.

**Current Status: Implemented.** Our First Follow-Up Audit found that SSA Accounting prepared procedures for Funds 102, 12S, 12W, 14T, 590, 155, 2AB and 2AC. The procedures include an overview for processing the different types of transactions that routinely occur in each fund and are in a format consistent with other Auditor-Controller and SSA Accounting policies and procedures. SSA Accounting stated that the procedures were approved by SSA Accounting management and were placed on a shared drive and emailed staff that they were updated. Because of the actions taken by the SSA, we consider this recommendation implemented.

## 3. **Untimely Reconciliations and Signature of Preparer or Reviewer** (Control Finding)

SSA and SSA Accounting should ensure that the reconciliations are prepared timely, signed and dated by the preparer and reviewer, and that reconciling items are identified and promptly resolved.

**Current Status: Implemented.** Our First Follow-Up Audit found that SSA Accounting prepared reconciliations for Funds 14T, 590 and 155, which all included the names of the preparer and approver and the dates for each. All reconciling items were identified and contained comments about their resolutions. Because of the actions taken by the SSA, we consider this recommendation implemented.

We appreciate the assistance extended to us by SSA and SSA Accounting personnel during our Follow-Up Audit. If you have any questions, please contact me directly at (714) 834-5442.