



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 FOLLOW-UP AUDIT:
DISTRICT ATTORNEY-
PUBLIC ADMINISTRATOR
SELECTED PROCESSES
& CONTROLS**

AS OF FEBRUARY 28, 2017



**Audit Number 1523-F1 (Reference 1634-K)
Report Date: April 5, 2017**



O R A N G E C O U N T Y
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I N T E R N A L A U D I T

Eric H. Woolery, CPA

Orange County Auditor-Controller

Toni Smart, CPA Director, Internal Audit

Scott Suzuki, CPA, CIA, CISA Assistant Director

Michael Steinhaus, CPA, CGMA Audit Manager I

Raquel Zubi, CPA Auditor II

**12 Civic Center Plaza, Room 200
Santa Ana, CA 92701**

Auditor-Controller Web Site
www.ac.ocgov.com



ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



Transmittal Letter

Audit No. 1523-F1
(Reference 1634-K)

April 5, 2017

TO: Tony Rackauckas
District Attorney-Public Administrator

SUBJECT: First Follow-Up Audit:
District Attorney-Public Administrator Selected Processes & Controls
Original Audit No. 1523, Issued July 20, 2016

We have completed our First Follow-Up Audit of District Attorney-Public Administrator Selected Processes & Controls as of February 28, 2017. Our final report is attached for your review.

I submit an **Audit Status Report** quarterly to the Audit Oversight Committee (AOC) and a quarterly report to the Board of Supervisors (BOS) where I detail any critical and significant audit findings released in reports during the prior quarter 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
- Michael Lubinski, Senior Assistant District Attorney
- Jenny Qian, Director of Administrative Services, District Attorney
- Kim Dinh, Financial Services Manager, District Attorney
- Ron Freeman, Chief Deputy Public Administrator, District Attorney-Public Administrator
- Elizabeth Henderson, Senior Deputy District Attorney, District Attorney-Public Administrator
- Ana Roach, Revenue & Compliance Manager, District Attorney-Public Administrator
- Michele Gorey, Fiscal Services Manager, District Attorney-Public Administrator
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board of Supervisors
- Macias Gini & O'Connell LLP, County External Auditor



Table of Contents

*First Follow-Up Audit: District Attorney-Public Administrator
Selected Processes & Controls
Audit No. 1523-F1 (Reference 1634-K)*

As of February 28, 2017

Transmittal Letter	i
Internal Auditor's Report	
SCOPE	1
BACKGROUND	1
RESULTS	1



Internal Auditor's Report

**Audit No. 1523-F1
(Reference 1634-K)**

April 5, 2017

TO: Tony Rackauckas
District Attorney-Public Administrator

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

SUBJECT: First Follow-Up Audit:
District Attorney-Public Administrator Selected Processes & Controls
Original Audit No. 1523, Issued July 20, 2016

SCOPE

We have completed a First Follow-Up Audit of District Attorney-Public Administrator (DA-PA) Selected Processes & Controls. Our audit was limited to reviewing actions taken as of February 28, 2017, to implement the **nine (9) recommendations** from our original audit.

BACKGROUND

On February 4, 2014, the Board of Supervisors approved the consolidation of the Office of the Public Administrator with the Office of the District Attorney. We conducted the original audit to:

1. Determine the status of audit issues noted in the former Internal Audit Department's Audit Withdrawal Letter dated February 19, 2014 (Audit No. 1325).
2. Conduct interviews with key personnel to determine any issues or concerns related to the transition of the Public Administrator function to the District Attorney's Office.
3. Review FY 2014-15 Performance Measures as noted in the Public Administrator's FY 2015-16 Recommended Final Budget to ensure those measures are adequately supported.

Our original audit identified **one (1) Critical Control Weakness**, **three (3) Control Findings**, and **five (5) Efficiency/Effectiveness Findings**.

RESULTS

Our First Follow-Up Audit found that DA-PA **implemented eight (8) recommendations and is in the process of implementing the remaining recommendation** from the original audit.

Based on our First Follow-Up Audit, the following is the implementation status of the nine (9) original recommendations:



Internal Auditor's Report

Finding No. 1 – Obsolete Case Management System (ePAGES) (Critical Control Weakness)

Recommendation No. 1: DA-PA prioritize the replacement or upgrade of ePAGES. The replacement system must address compliance requirements to avoid potential court penalties and to enhance DA-PA operational efficiencies. Application controls must be adequate to ensure the completeness and accuracy of system information. We also recommend DA-PA implement a mechanism for inventory tracking purposes.

Current Status and Planned Action: In Process. Our First Follow-up Audit found that DA-PA has drafted an Agenda Item for the BOS meeting in April 2017 to obtain a replacement system from Panasoft that has the functionality of “complete accounting and financial management [that includes an inventory tracking system], asset and trust management, complete case management, compliance with federal, state and local regulatory requirements, required reports, and necessary interfaces.” The project’s planned implementation timeline is to start in June 2017 with complete implementation by March 2018. DA-PA and Health Care Agency/Public Guardian (HCA/PG) staff will co-develop and manage a detailed project plan with specific milestones and deliverables; the proposed contract term is July 1, 2017 to June 30, 2020. Since the replacement of the system is pending BOS approval, we consider this recommendation in process.

Finding No. 2 – Physical Inventories of Personal Property (Control Finding)

Recommendation No. 2: DA-PA determine an appropriate frequency of physical inventory counts and perform and document physical periodic inventories of property that is valuable and/or susceptible to theft.

Current Status: Implemented. Our First Follow-up Audit found that DA-PA has performed and documented periodic physical inventories, and implemented an MOU effective February 2, 2017 between DA-PA and Public Guardian (PG) that specifies “annual physical inventory of all PG conservatee or trust personal property, including vehicles.” Due to the actions taken by the DA-PA, we consider this recommendation implemented.

Finding No. 3 – Memorandum of Understanding for Joint Processes with HCA/PG (Control Finding)

Recommendation No. 3: DA-PA work with HCA/PG to develop an MOU describing the shared responsibilities in the areas of real and personal property services.

Current Status: Implemented. Our First Follow-up Audit found that the DA-PA has developed and implemented an MOU effective February 6, 2017 between the DA-PA and the PG that includes a breakdown of responsibilities regarding real and personal property. Due to the actions taken by the DA-PA, we consider this recommendation implemented.

Finding No. 4 – Inventories of Serially-Numbered Forms (Control Finding)

Recommendation No. 4: DA-PA perform documented, periodic physical inventories of unused handwritten cash receipt forms and property inventory forms.



Internal Auditor's Report

Current Status: Implemented. Our First Follow-up Audit found that the DA-PA has performed and documented periodic physical inventories of unused cash receipt forms and property inventory forms. Due to the actions taken by the DA-PA, we consider this recommendation implemented.

Finding No. 5 – County Counsel Staff Onsite (Efficiency/Effectiveness Finding)

Recommendation No. 5: DA-PA evaluate the benefit of having one or two full-time County Counsel staff stationed at the DA-PA office.

Current Status: Implemented. Our First Follow-up Audit found that the DA-PA has had discussions with County Counsel (COCO) regarding on-site counsel and their required equipment, and that two COCO staff members have been selected to be stationed at DA-PA. Due to the actions taken by the DA-PA, we consider this recommendation implemented.

Finding No. 6 – Medallion Guarantee Transfer Stamp (Efficiency/Effectiveness Finding)

Recommendation No. 6: DA-PA continue to work with the T-TC to acquire a “Medallion Guarantee Transfer Stamp.”

Current Status: Implemented. Our First Follow-up Audit found that on December 13, 2016, the BOS approved an agreement with Kemark Financial Services to become Securities Transfer Agents Medallion Program Guarantor and designated the Treasurer-Tax Collector (T-TC) as Securities Transfer Agents Medallion Program Administrator to provide Medallion Signature Guarantee services only to County agencies and departments on official documents that require a Medallion Signature Guarantee. As such, we consider this recommendation implemented.

Finding No. 7 – Witness Pool (Efficiency/Effectiveness Finding)

Recommendation No. 7: DA-PA evaluate the benefit of expanding the pool of potential witnesses.

Current Status: Implemented. Our First Follow-up Audit found that DA-PA has identified three individuals for their permanent witness pool and has engaged neighboring public citizens who are utilized on a rotational basis when appropriate. Due to the actions taken by the DA-PA, we consider this recommendation implemented.

Finding No. 8 – Succession Planning (Efficiency/Effectiveness Finding)

Recommendation No. 8: DA-PA continue its succession planning and ensure that other individuals are trained to perform the duties of retiring staff.

Current Status: Implemented. Our First Follow-up Audit found that DA-PA holds case review meetings every six to eight weeks wherein all staff share details of cases and provide input as to how to solve problems. In addition, senior management has taken actions toward eventual replacement of long-term staff by appointing new Deputy Public Administrators. Due to the actions taken by the DA-PA, we consider this recommendation implemented.



Internal Auditor's Report

Finding No. 9 – California Association of PAs, PGs, and PCs (Efficiency/Effectiveness Finding)

Recommendation No. 9: DA-PA consider increasing employee participation in the California Association of Public Administrators, Public Guardians, and Public Conservators.

Current Status: Implemented. Our First Follow-up Audit found that DA-PA employees attended the California Association of Public Administrators, Public Guardians and Public Conservators (CAPAPGPC) 2016 Fall Conference, including participation by one staff member as a featured speaker. In addition, the Chief Deputy Public Administrator has joined the CAPAPGPC Board as a Member-at-Large. Due to the actions taken by the DA-PA, we consider this recommendation implemented.

We appreciate the assistance extended to us by the personnel of the District Attorney-Public Administrator during our Follow-Up Audit. If you have any questions, please contact me directly at (714) 834-5442 or Scott Suzuki, Assistant Director at (714) 834-5509.