



Internal Audit Department

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

AUDIT HIGHLIGHT

MAY 17, 2011

**High
Impact
Audit**

INTERNAL CONTROL AUDIT: HEALTH CARE AGENCY DISBURSEMENT APPROVAL PROCESS Audit No. 1025

WHY IS THIS AUDIT IMPORTANT?

The Health Care Agency (HCA) is one of the County's largest agencies with numerous programs and services provided to the community. Health Care Agency Accounting Services (an Auditor-Controller Satellite Accounting Office) is authorized to approve certain HCA disbursements on behalf of the Auditor-Controller. In June 2009, the Auditor-Controller implemented an upgraded financial system (CAPS+) that is used in HCA's disbursement approval process.

During the audit period, HCA disbursed over **\$659 million in expenditures** for services and supplies; salaries and employee benefits; equipment; structures and improvements; other charges; and other financing uses. This audit evaluated controls in HCA Accounting Services for processing disbursements (excluding salaries and benefits) to ensure payments are valid, supported, comply with County, HCA and HCA Accounting Services' policies and procedures, and that processes are aligned with disbursement approval process in Auditor-Controller Claims & Disbursing. We also evaluated controls to ensure compliance with Internal Revenue Service (IRS) 1099 reporting requirements.

WHAT THE AUDITORS FOUND?

Successes

Our audit found internal controls are in place to ensure disbursements are valid, supported, comply with County and HCA policies, and are aligned with the disbursement approval process in A-C Claims & Disbursing; that the disbursement approval process is efficient and effective; and that measures were taken to improve compliance with IRS 1099 reporting requirements.

Audit Findings and Control Recommendations

We identified **six (6) Control Findings** to enhance existing disbursement approval processes and controls with regards to segregation of duties, payment authorization policies and procedures, audit trails of changes to payment documents, duplication of work, and the identification of payments as IRS 1099 reportable.