

# Internal Audit Department

O R A N G E C O U N T Y  
6<sup>th</sup> Largest County in the USA

## QUARTERLY AUDIT AUDITOR-CONTROLLER'S CASH AND INVESTMENT RECONCILIATION COMPLIANCE

For the Quarter Ended  
**MARCH 31, 2013**

**CASH AND INVESTMENTS PER  
TREASURER'S OFFICIAL RECORDS  
AT MARCH 31, 2013 WERE \$6.3  
BILLION (COST BASIS)**

California Government Code (GC) Section 26905 requires the auditor to reconcile the cash and investment accounts on a monthly basis to determine that the amounts in those accounts as stated on the books of the treasurer are in agreement with the amounts in those accounts as stated on the books of the auditor.

In our opinion, the Auditor-Controller complied in all material respects with the requirements of California Government Code Section 26905 for the quarter ended March 31, 2013.

AUDIT NO: 1249-C  
REPORT DATE: JUNE 24, 2013

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



2009 Association of Certified Fraud Examiners' Hubbard Award to Dr. Peter Hughes for the Most Outstanding Article of the Year – Ethics Pays



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

 ORANGE COUNTY BOARD OF SUPERVISORS'  
**Internal Audit Department**

*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)  
Certified in Financial Forensics (CFF)  
Chartered Global Management Accountant (CGMA)

E-mail: [peter.hughes@iad.ocgov.com](mailto:peter.hughes@iad.ocgov.com)



**Michael Goodwin** **CPA, CIA**  
Senior Audit Manager

**Alan Marcum** **MBA, CPA, CIA, CFE**  
Senior Audit Manager

**Hall of Finance & Records**

12 Civic Center Plaza, Room 232  
Santa Ana, CA 92701

Phone: (714) 834-5475

Fax: (714) 834-2880

To access and view audit reports or obtain additional information about the OC Internal Audit Department, visit our website: [www.ocgov.com/audit](http://www.ocgov.com/audit)



**OC Fraud Hotline (714) 834-3608**



## Transmittal Letter



**Audit No. 1249-C      June 24, 2013**

**TO:** Jan Grimes  
Auditor-Controller

**FROM:** Dr. Peter Hughes, CPA, Director  
Internal Audit Department

**SUBJECT:** Quarterly Audit of Auditor-Controller's  
Cash and Investment Reconciliation  
Compliance for the Quarter Ended  
March 31, 2013

At your request, we have completed the Quarterly Audit of the Auditor-Controller's Cash and Investment Reconciliation Compliance. Attached is a copy of our report for the quarter ended March 31, 2013. California Government Code (GC) Section 26905 requires the auditor to reconcile the cash and investment accounts on a monthly basis to determine that the amounts in those accounts as stated on the books of the treasurer are in agreement with the amounts in those accounts as stated on the books of the auditor. In our opinion, the Auditor-Controller complied in all material respects with the requirements of California Government Code Section 26905 for the quarter ended March 31, 2013.

Each month I submit an [Audit Status Report](#) to the Board of Supervisors (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.

Additionally, we will request that the Auditor-Controller's Office complete a [Customer Survey](#) of Audit Services. You will receive the survey shortly after the distribution of our final report.

### Attachments

Other recipients of this report listed on the [Independent Auditor's Report](#) on page 2.

# Independent Auditor's Report



*Quarterly Audit of Auditor-Controller's  
Cash and Investment Reconciliation Compliance  
Audit No. 1249-C*

For the Quarter Ended  
March 31, 2013

Transmittal Letter	i
INDEPENDENT AUDITOR'S REPORT	1
SUMMARY OF CASH AND INVESTMENT RECONCILIATION COMPLIANCE REQUIREMENTS	3

# Independent Auditor's Report



## INDEPENDENT AUDITOR'S REPORT

June 24, 2013

Audit No. 1249-C

Members, Board of Supervisors  
Hall of Administration  
333 W. Santa Ana Blvd., 5<sup>th</sup> Floor  
Santa Ana, CA 92701

We have examined the Orange County Auditor-Controller's reconciliations of cash and investment accounts for compliance with the California Government Code (GC) Section 26905, pursuant to GC Section 26920(a)(2), for the quarter ended March 31, 2013. California Government Code (GC) Section 26905 requires the auditor to reconcile the cash and investment accounts on a monthly basis to determine that the amounts in those accounts as stated on the books of the treasurer are in agreement with the amounts in those accounts as stated on the books of the auditor. The Orange County Auditor-Controller's management is responsible for compliance with those requirements. Our responsibility is to express an opinion on the Orange County Auditor-Controller's compliance based on our examination.

Our examination was made in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly included examining, on a test basis, evidence supporting the Orange County Auditor-Controller's cash and investment reconciliations for compliance with the above specified requirements and performing such other procedures as considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Orange County Auditor-Controller's compliance with specified requirements.

In our opinion, the Orange County Auditor-Controller complied, in all material respects, with the aforementioned requirements for the quarter ended March 31, 2013.

This report is intended solely for the information and use of the Orange County Auditor-Controller and is not intended to be and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Peter Hughes".

Dr. Peter Hughes, CPA, Director  
Internal Audit Department

# Independent Auditor's Report



Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors  
Members, Audit Oversight Committee  
Michael B. Giancola, County Executive Officer  
Shari L. Freidenrich, Treasurer-Tax Collector  
Paul C. Gorman, Chief Assistant Treasurer-Tax Collector  
Victoria Ross, Director, A-C/Central Accounting Operations  
Autumn McKinney, Manager, A-C/Accounting & Financial Reporting  
Nancy N. Ishida, Audit Manager, A-C/Internal Audit  
Cindy Wong, Senior Manager, A-C/General Ledger  
Foreperson, Grand Jury  
Susan Novak, Clerk of the Board of Supervisors  
Vavrinek, Trine, Day & Co., County External Auditor

# Detailed Findings, Recommendations and Management Responses



## COUNTY OF ORANGE SUMMARY OF CASH AND INVESTMENT RECONCILIATION COMPLIANCE REQUIREMENTS For the Quarter Ended March 31, 2013

The cash and investment reconciliation compliance requirements in the California Government Code Section 26905 & 26920 are as follows:

### California Government Code:

- Section 26905  
Not later than the last day of each month, the auditor shall reconcile the cash and investment accounts as stated on the auditor's books with the cash and investment accounts as stated on the treasurer's books as of the close of business of the preceding month to determine that the amounts in those accounts as stated on the books of the treasurer are in agreement with the amounts in those accounts as stated on the books of the auditor.
  
- Section 26920(a)  
(a) At least once in each quarter, the county auditor shall perform, or cause to be performed, a review of the treasurer's statement of assets in the county treasury. Each county shall fund and allocate the cost of the review in accordance with that county's established budgetary practice. The auditor's review shall be accomplished in accordance with the appropriate professional standards, as determined by the county auditor. The treasurer shall prepare a statement showing the amount and type of assets in the county treasury as of the date of the review. The review shall include:
  - (2) Verifying that the records of the county treasurer and auditor are reconciled pursuant to Section 26905.