



Orange County Auditor-Controller Internal Audit



First Follow-Up Internal Control Audit:
OC Waste & Recycling -
Cash Handling Activities

As of March 31, 2018

Audit Number 1735-G (Reference 1525-F1)
Report Date: June 26, 2018



O R A N G E C O U N T Y
AUDITOR-CONTROLLER
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ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



Transmittal Letter

Audit No. 1735-G
(Reference 1525-F1)

June 26, 2018

TO: Thomas D. Koutroulis, Director
OC Waste & Recycling

SUBJECT: First Follow-Up Internal Control Audit:
OC Waste & Recycling – Cash Handling Activities
Original Audit 1525, Issued September 18, 2017

We have completed our First Follow-Up Internal Control Audit: OC Waste & Recycling (OCWR) - Cash Handling Activities as of March 31, 2018. Our final report is attached for your review.

An **Audit Status Report** is submitted quarterly to the Audit Oversight Committee (AOC) and Board of Supervisors (BOS) detailing 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 audit will be included in future status reports to the AOC and BOS.

A handwritten signature in blue ink that reads "E-H. Woolery".

Eric H. Woolery, CPA
Auditor-Controller

Attachments

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Frank Kim, County Executive Officer
- Lala Ragen, Deputy Chief Operating Officer
- Lisa Smith, Deputy Director of Business Services, OCWR
- Karalyn Meeh, Budget, Purchasing & Landfill Administration Services Manager, OCWR
- Salvador Lopez, Director of Satellite Accounting Operations, Auditor-Controller
- Vivian Canton, Accounting Manager II, Auditor-Controller/OCWR Accounting
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board of Supervisors
- Vavrinek, Trine, Day & Co., LLP, County External Auditor



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OC Waste & Recycling – Cash Handling Activities
Audit No. 1735-G (Reference 1525-F1)*

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Internal Auditor's Report

**Audit No. 1735-G
(Reference 1525-F1)**

June 26, 2018

TO: Thomas D. Koutroulis, Director
OC Waste & Recycling

FROM: Eric H. Woolery, CPA
Auditor-Controller

SUBJECT: First Follow-Up Internal Control Audit:
OC Waste & Recycling – Cash Handling Activities, Original Audit 1525

SCOPE

We have completed a First Follow-Up Internal Control Audit of OC Waste & Recycling (OCWR) – Cash Handling Activities. Our audit was limited to reviewing actions taken, as of March 31, 2018, to implement the six (6) recommendations from our original audit issued on September 18, 2017.

BACKGROUND

The original audit reviewed whether internal controls were in place to ensure that cash receipts at OCWR are properly collected, recorded, deposited, reconciled, safeguarded, and processed in accordance with applicable County and OCWR policies and procedures. The original audit identified **five (5) Control Findings** and **one (1) Efficiency/Effectiveness Finding**.

RESULTS

Our First Follow-Up Audit found that OCWR **implemented five (5) recommendations and is in 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 six (6) original recommendations:

Finding No. 1 – No Dual Custody of Cash During Closing (Control Finding)

Recommendation No. 1: We recommend OCWR management improve the controls over the closing process by either having two employees present during the closing process or by redesigning the camera placement to capture the FSA Supervisor rooms.

Current Status: Implemented. We reviewed a sample of close-out reports for all three landfills. There were two sets of reviewer initials for all three landfill sites, indicating dual-custody over the closing process. In addition, OCWR has stated that cameras have been ordered and are anticipated to be installed at all three sites in May 2018. Due to the actions taken by OCWR, we consider this recommendation to be implemented.



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Finding No. 2 – Some Paradigm Users Retained Access When No Longer Required (Control Finding)

Recommendation No. 2: We recommend that OCWR perform periodic reviews of Paradigm user access and maintain access only to authorized personnel.

Current Status: **Implemented.** OC Information Technology (OCIT) has worked with Paradigm to customize the Paradigm system to automatically generate an active user report. We reviewed a recent Paradigm user group report and found that OCWR and OCIT staff have performed a review of all active users. Effective May 1, 2018, a monthly active user report is automatically distributed to OCWR Accounting, Site Administrative Managers, and Fee Station Attendant (FSA) Supervisors for review. Requests for changes are sent to and processed by OCIT. Due to the actions taken by OCWR, we consider this recommendation to be implemented.

Finding No. 3 – Inadequate Paradigm Password Policies (Control Finding)

Recommendation No. 3: We recommend that OCWR develop password policy enhancements in Paradigm, such as enabling password syntax settings and forcing periodic password changes. OCWR should also seek a feature that requires automated mandatory password changes in any future upgrades or replacement of Paradigm.

Current Status: **Implemented.** OCWR has established a password policy configuration in Paradigm that enforces password requirements such as a minimum character length and minimum alpha, numeric, and special characters. In addition, OCWR enforces mandatory periodic password changes. We reviewed the Paradigm user group report and found that all users have changed their password within the last six months of the report date. The report tracks password last change date and password expiration dates to ensure passwords are changed periodically. Due to the actions taken by OCWR, we consider this recommendation to be implemented.

Finding No. 4 – Inspection of Scale House Receipts Not Completed as Required (Control Finding)

Recommendation No. 4: We recommend that OCWR enforce the inspection quota, which is no less than ten landfill scale house receipts per day on six days each month, chosen at random.

Current Status: **Implemented.** We reviewed the March 2018 Scale House Receipt Inspection logs for all three landfill sites and found that two of the three landfills fulfilled the inspection quota. The remaining site completed inspections for five of the six required days; however, we did verify that the site fulfilled the six-day monthly quota for the prior four months. Due to the actions taken by OCWR, we consider this recommendation to be implemented.



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Finding No. 5 – Expired Decals Not Re-Issued (Control Finding)

Recommendation No. 5: We recommend that OCWR management enforce re-issuing of the decals when expired and consider revising P&P 7.41 *Vehicle Decaling* to extend the length of time decals are valid.

Current Status and Planned Action: In process. OCWR has implemented a pilot project to collect data on the changes in tare weight for previously decaled trucks and trailers. Data was collected for two landfill sites and is scheduled for collection for the remaining site. Once sufficient data has been collected, the findings will be reviewed and the policy for vehicle decaling will be updated if needed. Expired decals are continuing to be replaced/updated. Since OCWR is working to determine if a policy revision is needed, we consider this recommendation to be in process.

Finding No. 6 – Acceptance of Credit Card Payments Should be Considered (Efficiency/Effectiveness Finding)

Recommendation No. 6: We recommend that OCWR consider accepting credit card payments.

Current Status: Implemented. Paradigm is OCWR's landfill-fee collection system. It is currently in the integration process with a third-party payment processing company. OCWR estimates that the ability to accept credit cards at the landfill fee booths will be in place at the beginning of FY 18-19. Due to the actions taken by OCWR, we consider this recommendation to be implemented.

We appreciate the assistance extended to us by OCWR personnel during our Follow-Up Audit. If you have any questions, please contact me directly at (714) 834-2456 or Scott Suzuki, Director of Internal Audit, at (714) 834-5509.



Internal Auditor's Report

ATTACHMENT A: Follow-Up Audit Implementation Status

For purposes of reporting the implementation status of our audit recommendations, we utilize four distinct categories:

| Implemented | In Process | Not Implemented | Closed |
|---|--|---|---|
| The department has implemented our recommendation in all respects as verified by the follow-up audit. No further follow-up is required. | The department is in the process of implementing our recommendation. Additional follow-up may be required. | The department has taken no action to implement our recommendation. Additional follow-up may be required. | Circumstances have changed surrounding our original finding/ recommendation that: (1) make it no longer applicable or (2) the department has implemented and will only implement a portion of our recommendation. No further follow-up is required. |
