



# Orange County Auditor-Controller Internal Audit



First Follow-Up  
Countywide Audit of Fiduciary Funds:  
County Executive Office

As of December 31, 2017

Audit Number 1735-Q (Reference 1519-F1)  
Report Date: June 12, 2018



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

**Eric H. Woolery, CPA**  
**Orange County Auditor-Controller**

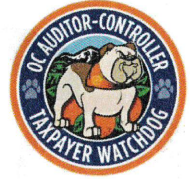
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**ERIC H. WOOLERY, CPA**  
AUDITOR-CONTROLLER



**Transmittal Letter**

**Audit No. 1735-Q**  
**(Reference 1519-F1)**

**June 12, 2018**

**TO:** Frank Kim  
County Executive Officer

**SUBJECT:** First Follow-Up Countywide Audit of Fiduciary Funds:  
County Executive Office, Original Audit No. 1519, Issued June 12, 2017

We have completed our First Follow-Up Countywide Audit of Fiduciary Funds: County Executive Office as of December 31, 2017. Our final report is attached for your review.

An **Audit Status Report** is submitted quarterly to the Audit Oversight Committee (AOC) and to the 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 Follow-Up 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
- Michelle Aguirre, Chief Financial Officer
- Selina Chan-Wychgel, Administrative Manager II, CEO/Administration
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board of Supervisors
- Vavrinek, Trine, Day & Co., County External Auditor



# Table of Contents

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*First Follow-Up*  
*Countywide Audit of Fiduciary Funds: County Executive Office*  
*Audit No. 1735-Q (Reference 1519-F1)*

As of December 31, 2017

<b>Transmittal Letter</b>	<b>i</b>
<b>Internal Auditor's Report</b>	
<b>SCOPE</b>	<b>1</b>
<b>BACKGROUND</b>	<b>1</b>
<b>RESULTS</b>	<b>1</b>
<b>ATTACHMENT A: Follow-Up Audit Implementation Status</b>	<b>3</b>

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# Internal Auditor's Report

**Audit No. 1735-Q  
(Reference 1519-F1)**

**June 12, 2018**

TO: Frank Kim  
County Executive Officer

FROM: Eric H. Woolery, CPA  
Auditor-Controller

SUBJECT: First Follow-up Countywide Audit of Fiduciary Funds:  
County Executive Office, Original Audit 1519

## SCOPE

We have completed a First Follow-Up Countywide Audit of Fiduciary Funds: County Executive Office (CEO). Our audit was limited to reviewing actions taken as of December 31, 2017, to implement the **two (2) recommendations** from our original audit issued on June 12, 2017.

## BACKGROUND

We completed an Internal Control Audit over Fiduciary Funds in the CEO to ensure fiduciary funds were properly administered and maintained in compliance with County policy, procedures, and fund requirements. The original audit identified **two (2) Control Findings**.

## RESULTS

Our First Follow-Up Audit found that CEO **implemented one recommendation and is in the process of implementing the second recommendation**.

Based on our First Follow-Up Audit, the following is the implementation status of the two (2) original recommendations:

### **Finding No. 1 – Fiduciary Fund with No Activity Should Be Closed (Control Finding)**

**Recommendation No. 1:** We recommend County Executive Office determine the disposition of the fund balance to Fund 239 and close this inactive fund in compliance with County policy.

**Current Status: Implemented.** Our First Follow-Up Audit found that the County Executive Office transferred the fund balance to Fund 17A and closed Fund 239. Because of the actions taken by the CEO, we consider this recommendation implemented.

### **Finding No. 2 – Fund Reconciliation Not Properly Performed or Documented (Control Finding)**

**Recommendation No. 2:** We recommend County Executive Office properly reconcile the fiduciary funds by comparing subsidiary records to the general ledger month-end balance, identifying and resolving reconciling differences, and establishing accountability for preparation and review of reconciliation in accordance with CAM F-4.



# Internal Auditor's Report

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**Current Status and Planned Action: In Process.** Our First Follow-Up Audit found that CEO reconciled fiduciary funds (Funds 305, 320, 339, and 340) by comparing subsidiary records to the general ledger, and established accountability by having the preparer and reviewer initial and date the reconciliations. CEO resolved the reconciling differences for Fund 340 and Fund 305; however, \$3,049 remains unresolved for Fund 305-9200-0021. In addition, CEO identified and documented the reconciling difference on the November 2017 Fund 305 and Fund 340 reconciliations, but did not document the specific reconciling items for the difference and the planned disposition as prescribed by CAM F-4, Section 2.6.5. CEO plans to research and resolve the long-outstanding difference of \$3,049 through the County escheatment process and document the reconciling items, if any, and the planned dispositions on the reconciliations. Because CEO has taken actions toward implementing our recommendation, we consider the recommendation to be in process.

We appreciate the assistance extended to us by the personnel of the County Executive Office 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

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## ATTACHMENT A: Follow-Up Audit Implementation Status

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

<b>Implemented</b>	<b>In Process</b>	<b>Not Implemented</b>	<b>Closed</b>
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.

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