

Internal Audit Department

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

FINAL CLOSE-OUT

FIRST FOLLOW-UP AUDIT:

INTERNAL CONTROL REVIEW OF HEALTH CARE AGENCY PAYROLL PROCESSES ORIGINAL AUDIT No. 2631-2

AS OF JUNE 5, 2008

Health Care Agency Payroll satisfactorily implemented corrective action to address the one recommendation from our original audit of HCA payroll processes, in which total gross bi-weekly pay for 2,700 employees was approximately \$160 million for the period January through December 2006.

AUDIT NO: 2727-D
REPORT DATE: JUNE 11, 2008

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Internal Audit Department

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Internal Audit Department

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OC Fraud Hotline (714) 834-3608



Transmittal Letter



AUDIT NO. 2727-D June 11, 2008

TO: Juliette A. Poulson, Director
Health Care Agency

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

SUBJECT: **First and Final Close-Out** Follow-Up
Audit of Health Care Agency Payroll
Processes, Original Audit No. 2631-2,
Issued August 9, 2007

We have completed a First and Final Close-Out Follow-Up Audit of Health Care Agency (HCA) Payroll Processes. Our audit was limited to reviewing, as of June 5, 2008, actions taken to implement one recommendation made in our original audit report in which HCA Payroll processed payroll for approximately **2,700 employees** totaling over **\$160 million** in bi-weekly gross pay during the audit period.

The results of our Follow-Up Audit are discussed in the **Internal Auditor's Report** following this transmittal letter. Because satisfactory corrective action has been taken for the audit recommendation, **this report represents the close-out of the original audit.**

Each month I submit an **Audit Status Report** to the 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.

Attachments

Other recipients of this report listed on the Internal Auditor's Report on page 1.

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Health Care Agency Payroll Processes,
Original Audit No. 2631-2
Audit No 2727-D*

As of June 5, 2008

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INTERNAL AUDITOR'S REPORT

AUDIT No. 2727-D

JUNE 11, 2008

TO: Juliette A. Poulson, Director
Health Care Agency

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

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

SUBJECT: **First and Final Close-Out** Follow-Up Audit of
Health Care Agency Payroll Processes, Original Audit
No. 2631-2, Issued August 9, 2007

Scope of Review

We have completed a First and Final Close-Out Follow-Up Audit of Health Care Agency (HCA) Payroll Processes. Our audit was limited to reviewing actions taken as of June 5, 2008 to implement the one recommendation made in our original audit report. The recommendation was for HCA and HCA Accounting, in consultation with Auditor-Controller Information Technology, to modify the VTI *Timecard Audit Report* to include query capabilities for monitoring unauthorized pay code changes.

Results

We are pleased to report that satisfactory corrective action has taken place for the audit recommendation. HCA Payroll now utilizes a modified VTI *Timecard Audit Report* each pay period for monitoring unauthorized pay code changes. As such, this report represents the final close-out of the original audit.

We appreciate the cooperation and assistance extended to us by HCA Payroll during our Follow-Up Audit. If you have any questions, please contact me directly or Eli Littner, Deputy Director at 834-5899, or Michael Goodwin, Senior Audit Manager at 834-6066.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- David E. Sundstrom, Auditor-Controller
- Shaun Skelly, Senior Director, A-C/Accounting and Technology
- Bill Castro, Director, A-C Satellite Accounting
- Alice Sworder, Senior Manager, HCA Accounting Services
- Brent Scarborough, Manager, HCA Accounting
- Foreperson, Grand Jury
- Darlene J. Bloom, Clerk of the Board of Supervisors