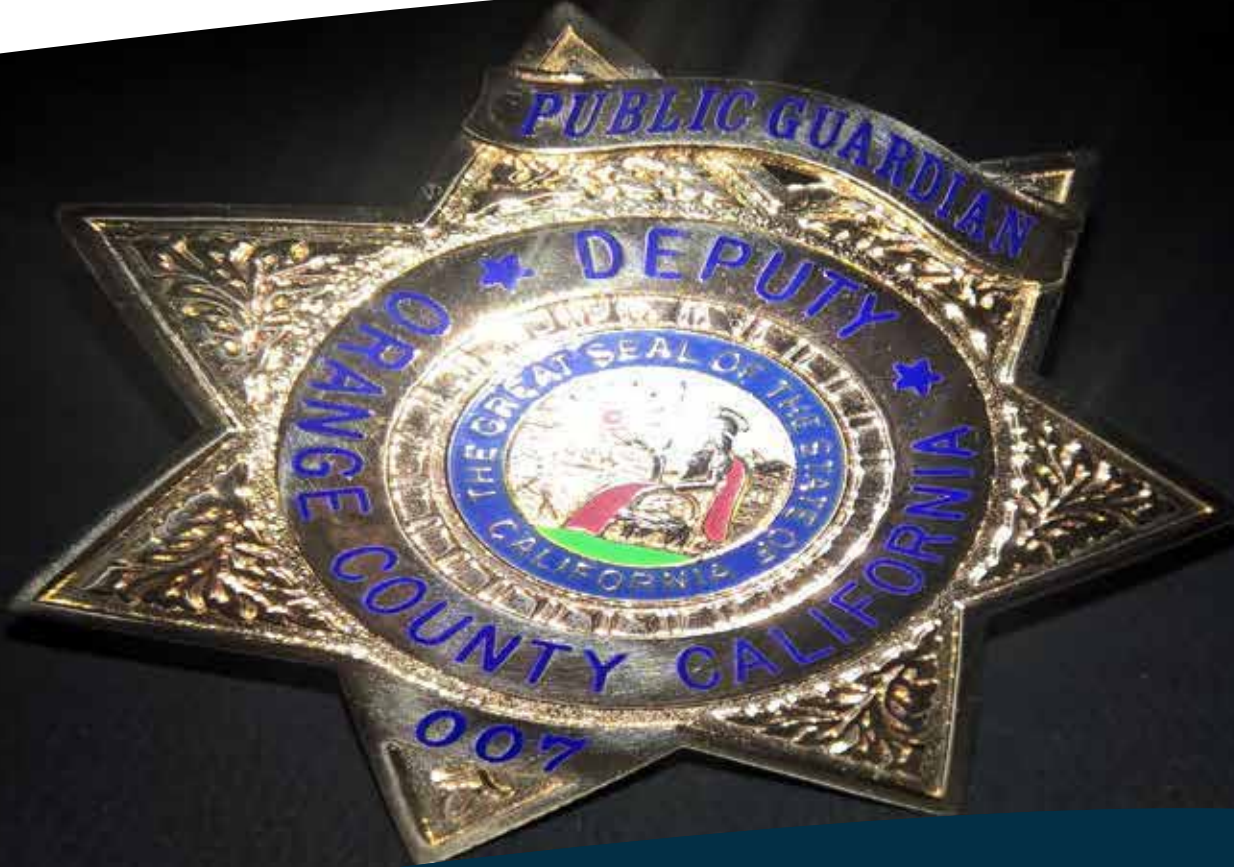




# Orange County Auditor-Controller Internal Audit



First and Final Close-Out Follow-Up Audit:  
Health Care Agency/Public Guardian  
Selected Processes & Controls

As of April 30, 2017

Audit Number 1634-L (Reference 1524-F1)

Report Date: July 6, 2017



O R A N G E C O U N T Y  
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**Orange County Auditor-Controller**

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



**Transmittal Letter**

**Audit No. 1634-L**  
**(Reference 1524-F1)**

**July 6, 2017**

**TO:** Richard Sanchez, Director  
Health Care Agency/Public Guardian

**SUBJECT:** First and Final Close-Out Follow-Up Audit:  
Health Care Agency/Public Guardian Selected Processes & Controls  
Original Audit 1524, Issued October 28, 2016

We have completed our First and Final Close-Out Follow-Up Audit of Health Care Agency/Public Guardian (HCA/PG) Selected Processes & Controls as of April 30, 2017. Our final report is attached for your review.

I submit an **Audit Status Report** quarterly to the Audit Oversight Committee (AOC) and a quarterly report to the Board of Supervisors (BOS) where I detail 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, appearing to read "Toni Smart".

Toni Smart, CPA, Director  
Auditor-Controller Internal Audit Division

**Attachments**

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Eric H. Woolery, Auditor-Controller
- Frank Kim, County Executive Officer
- Jeff Nagel, Ph.D., Director of Behavioral Health Operations/Public Guardian
- Nedenia Lane, Public Guardian
- Tim Beason, Chief Deputy Public Guardian
- Tonya Riley, Director of Satellite Accounting Operations, Auditor-Controller
- Salvador Lopez, Accounting Manager III, Auditor-Controller HCA/PG Accounting
- Frank Tuanai, Accounting Manager II, Auditor-Controller HCA/PG Accounting
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board of Supervisors
- Macias Gini & O'Connell LLP, County External Auditor



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Health Care Agency/Public Guardian  
Selected Processes & Controls  
Audit No. 1634-L (Reference 1524-F1)*

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# Internal Auditor's Report

**Audit No. 1634-L  
(Reference 1524-F1)**

**July 6, 2017**

**TO:** Richard Sanchez, Director  
Health Care Agency/Public Guardian

**FROM:** Toni Smart, CPA, Director  
Auditor-Controller Internal Audit Division

**SUBJECT:** First and Final Close-Out Follow-Up Audit:  
Health Care Agency/Public Guardian Selected Processes & Controls  
Original Audit No. 1524, Issued October 28, 2016

## SCOPE

We have completed a First and Final Close-Out Follow-Up Audit of Health Care Agency/Public Guardian (HCA/PG) Selected Processes & Controls. Our audit was limited to reviewing actions taken as of April 30, 2017, to implement the **eight (8) recommendations** from our original audit.

## BACKGROUND

On February 4, 2014, the BOS approved consolidation of the Office of Public Guardian with the Health Care Agency. We conducted the original audit to:

1. Determine the status of audit issues noted in the former Internal Audit Department's Audit Withdrawal Letter dated February 19, 2014 (Audit No. 1325).
2. Conduct interviews with key personnel to determine any issues or concerns related to the transition of the Public Guardian function to the Health Care Agency.
3. Review Fiscal Year (FY) 2014-15 Performance Measures as noted in HCA/PG's FY 2015-16 Recommended Final Budget to ensure those measures are adequately supported.

The original audit identified **one (1) Critical Control Weakness**, **one (1) Significant Control Weakness**, **four (4) Control Findings**, and **two (2) Efficiency/Effectiveness Findings**.

## RESULTS

Our First Follow-Up Audit found that HCA/PG **implemented the eight (8) recommendations** from the original audit. Because the recommendations were implemented, **this report represents the final close-out of the original audit.**

Based on our First Follow-Up Audit, the following is the implementation status of the eight (8) original recommendations:



# Internal Auditor's Report

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## **Finding No. 1 – Obsolete Case Management System (ePAGES) (Critical Control Weakness)**

**Recommendation No. 1:** We recommend HCA/PG prioritize the replacement or upgrade of ePAGES. The replacement system must address compliance requirements to avoid potential court penalties and to enhance HCA/PG operational efficiencies. Application controls must be adequate to ensure the completeness and accuracy of system information. We also recommend HCA/PG continue to work with HCA/IT to utilize HCA's asset management application for inventory tracking purposes.

**Current Status: Implemented.** We found that on April 25, 2017, HCA/PG acquired BOS approval to obtain a replacement information system from Panoramic Software, Inc. (Panoramic). The contract with Panoramic was signed on May 3, 2017, and specifically identifies the objective to "enable HCA/PG and District Attorney-Public Administrator (DA-PA) users to manage each case from inception to closure. Users will have the ability to enter case demographics data into the systems, perform all accounting functions, and manage assets and trusts for each case throughout the many different case types and life cycles. The systems will also allow users to generate various reports related to each case in compliance with court mandates." User access roles and application security will be configured to meet department requirements, such as HIPAA compliance and general security.

The planned implementation timeline is to start the project in June 2017 and complete implementation by June 2018. HCA/PG and DA-PA staff will co-develop and manage a detailed project plan with specific milestones and deliverables. Due to the actions taken by the HCA/PG, we consider this recommendation implemented.

## **Finding No. 2 – Trust Fund Reconciliations (Significant Control Weakness)**

**Recommendation No. 2:** We recommend HCA/PG resume performing trust fund reconciliations of Fund 165.

**Current Status: Implemented.** We found that HCA/PG has resumed trust fund reconciliations of Fund 165, as evidenced by our review of HCA/PG's fund reconciliations for the months of February through April 2017. Due to the actions taken by the HCA/PG, we consider this recommendation implemented.

## **Finding No. 3 – Physical Inventories of Personal Property (Control Finding)**

**Recommendation No. 3:** We recommend HCA/PG determine an appropriate frequency of physical inventory counts and perform and document physical periodic inventories of property that is valuable and/or susceptible to theft.

**Current Status: Implemented.** HCA/PG performed and documented an annual inventory of both warehouse and vault contents in April 2017. HCA/PG plans to conduct annual inventories of both warehouse and vault contents to reconcile findings with estate records to reduce potential loss of assets. Due to the actions taken by HCA/PG, we consider this recommendation implemented.



# Internal Auditor's Report

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## Finding No. 4 – Memorandum of Understanding for Joint Processes with DA-PA (Control Finding)

**Recommendation No. 4:** We recommend HCA/PG work with DA-PA to develop an MOU describing the shared responsibilities in the areas of real and personal property services.

Current Status: **Implemented.** An MOU was developed between HCA/PG and DA-PA effective February 6, 2017, that includes a breakdown of responsibilities regarding real and personal property. Therefore, we consider this recommendation implemented.

## Finding No. 5 – Inventories of Serially-Numbered Forms (Control Finding)

**Recommendation No. 5:** We recommend HCA/PG perform documented, periodic physical inventories of unused handwritten cash receipt forms and property inventory forms.

Current Status: **Implemented.** HCA/PG performed and documented physical inventories of unused handwritten cash receipt forms and property inventory forms on April 20, 2017. HCA/PG plans to conduct quarterly inventories of these items. Due to the actions taken by HCA/PG, we consider this recommendation implemented.

## Finding No. 6 – Succession Planning (Efficiency/Effectiveness Finding)

**Recommendation No. 6:** We recommend HCA/PG continue its succession planning and ensure that other individuals are trained to perform the duties of retiring staff.

Current Status: **Implemented.** We found that HCA/PG's efforts to continue cross-training and succession planning include: cross-training to ensure coverage in the event of changes or promotions; creating desk procedures for processes in all areas; capturing institutional knowledge and documenting processes; addressing and/or updating changed or obsolete procedures; program knowledge in both Probate and Lanterman-Petris Short Act as a requirement for promotion to supervisor; and encouraging employees with interest in other areas to job-shadow. In addition, various supervisors were provided training on portions of the chief deputy's tasks. Due to the actions taken by the HCA/PG, we consider this recommendation implemented.

## Finding No. 7 – California Association of PAs, PGs, and PCs (Efficiency/Effectiveness Finding)

**Recommendation No. 7:** We recommend HCA/PG consider increasing employee participation in the California Association of Public Administrators, Public Guardians, and Public Conservators (CAPAPGPC).

Current Status: **Implemented.** We found that HCA/PG has increased employee participation in the CAPAPGPC. HCA/PG now has 22 deputies as active members, five of which are new members. Due to the actions taken by the HCA/PG, we consider this recommendation implemented.



# Internal Auditor's Report

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## Finding No. 8 – Deputy Certification Requirements (Control Finding)

**Recommendation No. 8:** We recommend HCA/PG develop a reliable system for tracking Public Guardian deputy training and certification requirements.

Current Status: **Implemented.** We found that HCA/PG has developed a reliable system for tracking Public Guardian deputy training and certification requirements via a Deputy Certification Log which summarizes information of all deputies and monitors certification date, next due date, total credits required, total credits received, and status, among other information. Due to the actions taken by the HCA/PG, we consider this recommendation implemented.

We appreciate the assistance extended to us by the Health Care Agency/Public Guardian personnel during our Follow-Up Audit. If you have any questions, please contact me directly at (714) 834-5442 or Scott Suzuki, Assistant Director, at (714) 834-5509.