

EXHIBIT A

IAD'S MONTHLY ACTIVITY REPORT
FOR
JULY 2006
TO THE
BOARD OF SUPERVISORS

Recipient of the Institute of Internal Auditors "Award for Excellence"

The Internal Audit Department is an independent audit function reporting directly to the Orange County Board of Supervisors.

by the Director of Internal Audit
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Integrity
Objectivity
Independence



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MONTHLY SUMMARY –JULY 2006
Status Report to the Board of Supervisors by IAD

JULY AUDIT ACTIVITY:

WE FINISHED 4 PROJECTS FOR THIS MONTH AS SUMMARIZED BELOW:

We completed 2 Audits:

1. Public Defender:

Internal Control Review of Revolving Funds. No material or significant issues noted. We identified **7 control findings** to enhance existing controls.

2. John Wayne Airport – Avis Rent A Car System, Inc.:

Limited review of lease revenue for Avis Rent A Car System, Inc. We identified **3 control findings** related to compliance with the lease agreement or improvements to internal controls.

We issued 1 Report of Monthly Computer Assisted Audit Techniques for the Month of June 2006:

3. Auditor-Controller:

- Duplicate Payments to Vendors: We identified **8** duplicate payment made to vendors for **\$4,995** that is being pursued by the Auditor-Controller.
- Deleted Vendors: No findings.

We completed 1 Follow-Up Audit:

4. RDMD - Bayshore Marina:

1st Follow-Up Audit of the Limited Lease Review for Bayshore Marina. Corrective action was taken on 6 of 7 recommendations.

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MATERIAL FINDING:

	Department and Description	Comments
		None issued during July 2006.

For a copy of the complete audit report that contains the audit objective, scope, findings, recommendations, and management's response, contact the Internal Audit Department's website at <http://www.ocgov.com/audit/>

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NON-MATERIAL FINDINGS

Department and Description	Comments
<p>1. DEPT: Public Defender TITLE: Internal Control Review of Revolving Funds for the Period May 1, 2005 through April 30, 2006 <u>Audit No.</u> 2599 ISSUED: July 27, 2006</p>	<p>SCOPE: Audit of procedures, processes and controls to ensure revolving funds are adequately safeguarded; transactions are properly authorized, recorded completely, accurately and timely; and are in compliance with applicable County Accounting Manual (CAM) procedures.</p> <p>CONCLUSION: No material weaknesses or significant issues were identified. Controls are in place to safeguard funds and to ensure revolving fund transactions are properly authorized, recorded, accurate and compliant with CAM procedures. Our audit identified seven (7) control findings to enhance revolving fund internal controls and processes.</p> <p>BACKGROUND: The Public Defender maintains two revolving funds: 1) \$50,000 for general operations, of which \$40,000 is for the Public Defender and \$10,000 is for the Alternate Defender; and 2) \$5,000 for the Delta Special Revenue Fund that holds monies for the Ng court case. During the period under review, approximately \$46,000 in petty cash expenditures and \$37,000 in travel cash advances were incurred.</p> <p>TYPE OF RECOMMENDATIONS: Segregate bank reconciliation duties; perform supervisory reviews of bank reconciliations; research and resolve outstanding items on bank reconciliations; perform surprise cash counts at Alternate Defender; ensure travel advances over \$1,000 are approved by Dept. Head; submit cash advance claims timely per CAM procedures.</p>

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Department and Description	Comments
<p>2. DEPT: John Wayne Airport</p> <p>TITLE: Limited Review of Lease Revenue for Avis Rent A Car System, Inc. for the Period October 1, 2004 through September 30, 2005</p> <p><u>Audit No.</u> 2585</p> <p>ISSUED: July 31, 2006</p>	<p>SCOPE: Limited review of lease revenue to determine whether the records of Avis Rent A Car System, Inc. (Avis), adequately supported gross receipts remitted to the County.</p> <p>CONCLUSION: We found that Avis retained sufficient documentation to adequately support monthly gross receipts remitted to the County. No material weaknesses or significant issues were identified. However, we did identify 3 control findings related to compliance with the lease agreement or improvements to internal controls.</p> <p>BACKGROUND: The County of Orange entered into a lease agreement with Avis, dated December 14, 2000, for the operation of a rental car concession at John Wayne Airport. During the 12-month review period, Avis generated approximately \$22.1 million in gross receipts and paid the County over \$2.2 million in rent.</p> <p>TYPE OF RECOMMENDATIONS: Lease compliance regarding fuel reimbursement reporting error, monthly gross receipts statement format, and unapproved vending machines.</p>

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<p>3. DEPT: Board of Supervisors TITLE: Monthly Report on Computer-Assisted Audit Techniques (CAAT) for the Month of June 2006 Audit No. 2518-R ISSUED: July 25, 2006</p>	<p>SCOPE: The monthly CAAT Routines are automated queries applied to large amounts of electronic data searching for specified characteristics. We currently perform 5 CAATs routines utilizing selected payroll and vendor data. Depending on the nature of the CAAT, we perform them monthly, annually, or as necessary.</p> <p>CONCLUSION:</p> <ul style="list-style-type: none"> • <u>Duplicate Payments to Vendors:</u> 8 duplicate payments for \$4,995 was identified in the May 2006 data and is being pursued by the A-C. We perform this analysis monthly to identify duplicate payments made to vendors. We analyzed 18,196 invoices paid in May 2006 amounting to \$386,720,552. • <u>Deleted Vendors:</u> No findings. <p>BACKGROUND: The CAATs differ from our traditional audits in that the CAATs can query 100% of a data universe whereas the traditional audits typically test but a sample of transactions from the population.</p> <p>The resulting matches identified by the CAATs are subjected to further review and analysis by the Internal Audit Department. We then forward any resulting findings to the A-C, HR, or CEO/Purchasing for their review and concurrence, and subsequent correction/recovery. We also work with these departments to identify internal control enhancements with the purpose of preventing future occurrences of the type of findings identified by the CAATs.</p> <p>TYPE OF RECOMMENDATIONS: No recommendations given.</p>

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<p>4. DEPT: Resources and Development Management Department</p> <p>TITLE: First Follow-Up Audit Limited Lease Review of Bayshore Marina (Original Audit No. 2352)</p> <p><u>Audit No.</u> 2545-B</p> <p>ISSUED: July 31, 2006</p>	<p>SCOPE: 1st Follow-Up Audit of Limited Lease Review of Bayshore Marina to determine the implementation status of recommendations made in our original audit report dated October 20, 2004. In that audit, we identified 7 control findings resulting in 7 recommendations.</p> <p>CONCLUSION: 6 recommendations were fully implemented and 1 was partially implemented. RDMD and Bayshore Marina are taking corrective action to address the remaining recommendation.</p> <p>BACKGROUND: The original audit was a limited review of lease revenue pertinent to the lease agreement between the County and The Irvine Company, a West Virginia Corporation, dated August 13, 1974. The lease agreement is primarily to maintain and operate a complete boat berthing facility at Bayshore Marina, Lower Newport Bay. Subsequent to our original audit, the County entered into a new lease agreement with The Irvine Company, a Delaware corporation, dated December 7, 2004.</p> <p>TYPE OF RECOMMENDATIONS: Lease compliance or improvements to internal controls regarding utility charges, security and key deposits, prepaid slip rents, financial statements, a key reconciliation and supporting documentation, certification of percentage rental worksheet, and clarification of certain lease terms.</p>

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