PUBLIC INFORMATION

INTERNAL AUDIT DEPARTMENT

First Follow-Up
Internal Control Audit:
Health Care Agency
Environmental Health Division Cash Receipts
As of June 16, 2025

Audit No. 2214-F1
Report Date: November 12, 2025

Recommendation Status

8	Implemented
2	In Process
0	Not Implemented
0	Closed

OC Board of Supervisors

CHAIR DOUG CHAFFEE
4th DISTRICT

VICE CHAIR KATRINA FOLEY
5th DISTRICT

SUPERVISOR JANET NGUYEN
1st DISTRICT

SUPERVISOR VICENTE SARMIENTO
2nd DISTRICT

SUPERVISOR DONALD P. WAGNER
3rd DISTRICT

PUBLIC INFORMATION

INTERNAL AUDIT DEPARTMENT

Audit No. 2214-F1

November 12, 2025

To: Veronica Kelley, DSW, MSW, LCSW
Health Care Agency Director

From: Aggie Alonso, CPA, CIA, CRMA
Internal Audit Department Director

Digitally signed by Agripino Alonso
Date: 2025.11.12 10:43:45 -08'00'

Subject: First Follow-Up Internal Control Audit: Health Care Agency Environmental Health Division Cash Receipts

---

We have completed a follow-up audit of Health Care Agency Environmental Health Division (HCA/EH) Cash Receipts, original Audit No. 2325 (2214), dated April 18, 2024. Due to the sensitive nature of specific findings (restricted information), results are redacted from public release. Additional information, including background and our scope, is included in Appendix A.

Our first follow-up audit concluded that HCA implemented eight recommendations and is in process of implementing two recommendations. A second follow-up audit will be performed in approximately six months and a follow-up audit report form is attached to facilitate that audit. Any recommendations not implemented or in process at that time will be brought to the attention of the Audit Oversight Committee at its next scheduled meeting.

We appreciate the assistance extended to us by HCA personnel during our follow-up audit. If you have any questions, please contact me at (714) 834-5442 or Deputy Director Jose Olivo at (714) 834-5509.

Attachments

Other recipients of this report:
Members, Board of Supervisors
Michelle Aguirre, County Executive Officer
KC Roestenberg, Chief Information Officer

RESULTS	
FINDING NO. 1	Content has been removed due to the sensitive nature of the finding.

FINDING NO. 2	**Cash Receipt Modifications and Health Service Orders**
CATEGORY	**Significant Control Weakness**
RECOMMENDATION	HCA/EH management: A. Develop a formal cash receipt document review process to ensure that cash receipt documents as well as source documentation are adequately reviewed and include sufficient supporting documentation. B. Ensure cash receipt modifications are properly justified, adequately reviewed, and timely approved. C. Ensure authorized staff are adequately trained to complete Health Service Order (HSO) forms.
CURRENT STATUS	**Implemented.** During our original review, once HCA/EH staff recorded cash receipts in the POS system, they submitted the payment, along with completed HSO forms indicating how the payment should be applied, to HCA/EH's Accounting Unit (Accounting) to record the information in County's financial system. We noted that HCA/EH did not have a formal documented review process to ensure the information cashiers submitted to Accounting was accurate and complete. This led to numerous errors in applying payments in the County's financial system, which required modifications. We also noted that while HCA/EH identified these errors, we noted some modifications were not adequately justified and/or were not approved for months after they identified the error. We confirmed that HCA/EH has now implemented a formal document review process and provided training to staff to ensure the accurate completion and submission of HSO forms to HCA/EH Accounting, by reviewing related emails and training agenda. We also confirmed that staff adhered to this process by reviewing an example of a separate reviewer's documented assessment of a cashier's submission, validating that the information was accurate and complete. We also validated that cash receipt modifications are properly justified, adequately reviewed, and timely approved by reviewing a sample of two cash receipt modifications, which included the proper supporting documents and timely approvals. Based on the actions taken by HCA/EH, we consider this recommendation implemented.

FINDING NO. 3	**Documentation Adequacy and Supervisory Review**
CATEGORY	**Significant Control Weakness**
RECOMMENDATION	HCA/EH management ensure: A. Sufficient supporting documentation is retained to support the cash receipt amounts. B. Supervisory review of applicable cash receipt documents is performed and documented.
CURRENT STATUS & PLANNED ACTION	**In Process.** During our original review, we noted that HCA/EH staff did not maintain sufficient documentation to support the cash receipt amounts recorded in the County's financial system, and supervisors did not perform adequate reviews to ensure cash receipt amounts were adequately supported, as required by HCA/EH procedures. Specifically, during our process walk-through, we observed that as part of the close-out process, the cashier prepared and signed a cash envelope to acknowledge the money collected was reconciled against system reports, but a supervisor did not sign as the reviewer to certify they observed this process and verified cash collections for the day. We confirmed HCA/EH has now trained staff on the documentation they must retain to support cash receipt amounts collected and the required review process. To validate HCA/EH's training efforts, we also reviewed two cash receipt samples and noted that staff retained sufficient supporting documentation. However, instead of a supervisor, HCA/EH assigned a clerical staff to perform a secondary review. While this approach aligned with their internally modified policies at the time, it did not meet the intent of our recommendation, which called for supervisory review. We discussed this with HCA/EH and they indicated that they now require a supervisor/manager to perform all supervisory reviews. Based on the actions taken by HCA/EH we consider this recommendation in process.

FINDING NO. 4	**Credit Card Information**
CATEGORY	**Control Finding**
RECOMMENDATION	HCA/EH management ensure forms containing Personally Identifiable Information (PII), such as customer name and credit card information, are adequately secured and accessible only by staff with a direct business need.

CURRENT STATUS	**Implemented.** During our original review, we noted that HCA/EH staff occasionally accepted credit card payments after hours and stored payment forms containing credit card information in a safe. However, four employees with safe access did not have cashiering duties and should not have access to credit card information, in accordance with Payment Card Industry Data Security Standards and federal rules governing the handling and protection of PII. We confirmed HCA/EH no longer accepts credit card payments after hours, as noted in their updated desk procedures (i.e., the Environmental Health Cashier and Cash Handling Workflows). As a result, HCA/EH no longer stores payments in the safe where unauthorized staff can view credit card information. We also noted HCA/EH took additional steps to secure other PII in their cashiering operations and ensure it is only accessible to staff with a direct business need. Specifically, HCA/EH implemented the use of a locked bag to safeguard PII found on checks processed by cashiers. The key to the locked bag is separated and only accessible by staff with a direct business need, which we verified during a site visit. Based on the actions taken by HCA/EH, we consider this recommendation implemented.

FINDING NO. 5	**Payment Drop Box**
CATEGORY	**Control Finding**
RECOMMENDATION	HCA/EH management: A. Develop written policies and procedures for dual custody collection of payments from the drop box. B. Ensure payments from the drop box are collected in dual custody.
CURRENT STATUS	**Implemented.** During our original review, we noted that HCA/EH did not have documented policies and procedures for collecting drop box payments. HCA/EH also indicated that an employee collected the payments without an observer, which increased the risk of lost or stolen cash receipts. We confirmed HCA/EH developed policies and procedures for collecting payments from the drop box, which included dual custody requirements. HCA/EH also indicated the drop box was installed during the pandemic when the lobby was closed for payments, and have since closed it as it is not currently needed. HCA/EH added that they will follow their dual custody procedures if they need the drop box in the future. We verified that HCA/EH sealed the drop box and removed its sign. Based on the actions taken by HCA/EH, we consider this recommendation implemented.

FINDING NO. 6	**Cashier Till**
CATEGORY	**Control Finding**
RECOMMENDATION	HCA/EH management ensure each cashier is assigned a separate cash till.
CURRENT STATUS	**Implemented.** During our original review, we noted that HCA/EH used one cashier till for cash collections and allowed multiple staff to use the same till. This practice limited accountability and increased the risk of theft. We confirmed HCA/EH implemented a new practice where only one cashier is assigned to the cash till, and cash is not accepted during the cashier's break times. We reviewed an email from an HCA/EH Program Manager to the Office Supervisor that documented their discussion regarding this new practice, which we also confirmed during a site visit. Based on the actions taken by HCA/EH, we consider this recommendation implemented.

FINDING NO. 7	**Review of Voided Transactions**
CATEGORY	**Control Finding**
RECOMMENDATION	HCA/EH management ensure periodic, documented supervisory reviews of voided transactions are performed.
CURRENT STATUS	**Implemented.** During our original review, we noted that while only HCA/EH supervisors could process voids, they did not require separate reviews to ensure voids were legitimate. This increased the risk of fraud, theft, and accounting errors. We confirmed HCA/EH has now implemented separate supervisory reviews by verifying documentation that supported review of a voided transaction. Specifically, a supervisor is required to periodically review voids and document their review in the Supervisory Review of Voided Transactions log. We also confirmed staff adhered to this process by reviewing two examples of voided cash receipt transactions and the supervisor's documented review. Based on the actions taken by HCA/EH, we consider this recommendation implemented.

FINDING NO. 8	**Health Service Order Books Custodian and Inventories**
CATEGORY	**Control Finding**
RECOMMENDATION	HCA/EH management: A. Assign an employee with no custodial or cashiering duties to periodically perform documented inventories of Health Service Order (HSO) books. B. Ensure all units that maintain HSO books have an assigned custodian.
CURRENT STATUS	**Implemented.** During our original review, we noted that HCA/EH used pre-numbered HSO cash receipt forms to process mailed check payments and over-the-counter payments. However, these forms could have potentially been misused as cash receipts and HCA/EH did not perform periodic physical inventories to account for all HSO forms. We also noted HCA/EH did not assign a custodian for the HSO forms that the HCA/EH Accounting unit maintained for accountability, which increased the risk of theft, misplacement, or misappropriation of the forms. We confirmed HCA/EH has now established a process for employees with no custodial or cashiering duties to perform quarterly inventories of the HSO forms, by reviewing the HSO Inventory of Cash Receipt Process procedure. We also confirmed that staff adhered to this process by reviewing HCA/EH's documented HSO form inventory for the quarter ending March 31, 2025, which was performed by two employees who had no custodial or cashiering duties. Furthermore, we confirmed that the HCA/EH Accounting unit has an assigned custodian who maintains the HSO forms. Subsequent to our review, HCA reported that HCA EH Reception/Cashiering team has implemented the use of a stamp marked "NOT A RECEIPT" on all HSOs issued over the counter. In addition, new orders for HSO will include a red, pre-printed message at the bottom stating, "THIS IS NOT A RECIEPT." Based on the actions taken by HCA/EH, we consider this recommendation implemented.

FINDING NO. 9	**Monitoring Activities**
CATEGORY	**Control Finding**
RECOMMENDATION	HCA management allocate resources as feasible to enhance monitoring activities by ensuring internal cash handling compliance audits are conducted.
CURRENT STATUS	**Implemented.** During our original review, we noted HCA had an internal compliance review process to identify and address gaps in compliance with internal controls over cash receipts; however, HCA paused these reviews which increased the risk of undetected control weaknesses or instances of non-compliance. We confirmed that HCA partnered with the Auditor-Controller's Internal Audit (A-C IA) team to perform cash handling compliance audits, by reviewing sample e-mail documentation. The email showed that the A-C IA team recently completed a cash audit of an HCA Cash Handling site. Specifically, the e-mail included the engagement letter and A-C IA's acknowledgment of HCA's management's response. It also indicated that A-C IA plans to issue their audit report soon. We also confirmed that HCA/EH plans to continue auditing other sites by reviewing their FY24-25 Audit Plan. Based on the actions taken by HCA/EH, we consider this recommendation implemented.

FINDING NO. 10	**Policies and Procedures**
CATEGORY	**Control Finding**
RECOMMENDATION	HCA/EH management: A. Ensure policies and procedures are updated and reviewed periodically to ensure accurate and relevant information. B. Ensure activity logs are maintained documenting all safe combination changes.

CURRENT STATUS	**Implemented.** During our original review, we noted HCA/EH had outdated cash handling policies and procedures, such as accounting policies for mailed payments, posting batches, and HSO payments, which increased the risk of errors and ineffective accounting processes. HCA/EH also did not maintain activity logs to document combination changes for their safes. We confirmed that HCA/EH has updated and periodically reviews the policies and procedures noted in our original review. We also confirmed that HCA/EH established a process to require staff to use safe combination activity logs to document when combinations are changed, including the reason for the change and the individuals with access to the new combination. In addition, we confirmed staff followed this process by reviewing activity logs for HCA/EH's file room safe and cashier room safe as of April 2025. Based on the actions taken by HCA/EH, we consider this recommendation implemented.

AUDIT TEAM	Gianne Morgan, CIA, CISA	Senior Audit Manager
	Alejandra Luna	Audit Manager
	Liz Cerda	Lead Senior Auditor
	Mary Ann Cosep	Senior Auditor
	Gabriela Cabrera, CIA	Administrative Services Manager

APPENDIX A: ADDITIONAL INFORMATION	
SCOPE	Our follow-up audit was limited to reviewing actions taken by HCA/EH as of June 16, 2025, to implement the 10 recommendations from our original audit, dated April 18, 2024.
BACKGROUND	The original audit evaluated the operational effectiveness of internal control over the cash receipts process. The original audit identified three Significant Control Weaknesses and seven Control Findings.

APPENDIX B: FOLLOW-UP AUDIT IMPLEMENTATION STATUS

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.