



INTERNAL AUDIT DEPARTMENT



**First Follow-Up
Internal Control Audit:
OC Waste & Recycling
Cash Disbursements & Payables
As of January 31, 2026**

**Audit No. 2406-F1
Report Date: March 23, 2026**

Recommendation Status

3

Implemented

1

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



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Audit No. 2406-F1

March 23, 2026

To: Tom Koutroulis
OC Waste & Recycling Director

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

Subject: First Follow-Up Internal Control Audit: OC Waste & Recycling Cash Disbursements & Payables

We have completed a follow-up audit of OC Waste & Recycling (OCWR) Cash Disbursements & Payables, original Audit No. 2406 dated March 27, 2025. Additional information, including background and our scope, is included in Appendix A.

We followed up on the status of the four recommendations from our original audit and concluded that OCWR implemented three recommendations and is in the process of implementing one recommendation. We will perform a second follow-up audit in approximately six months and provide OCWR with a follow-up form to facilitate that audit. Any recommendations still 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 OCWR 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
- Members, Audit Oversight Committee
- County Executive Office Distribution
- OC Waste & Recycling Distribution
- Auditor-Controller Satellite Accounting Operations Distribution
- Robin Stieler, Clerk of the Board
- Foreperson, Grand Jury
- Eide Bailly LLP, County External Auditor

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RESULTS

FINDING NO. 1	Timely Invoice Processing OCWR's aging report for outstanding invoices indicated a significant backlog of invoices caused by delays in communication and resolution between program staff and vendors. The original audit identified over 200 long-outstanding invoices with the oldest invoice outstanding for over 560 days. Late payments can negatively affect vendor relationships with the County.
CATEGORY	Control Finding
RECOMMENDATION	OCWR management ensure invoices are paid within a reasonable timeframe and that justification is documented for any invoice payment delays.
CURRENT STATUS	<p>In Process. OCWR Accounting made improvements to ensure invoices are paid timely by enhancing invoice tracking within OC Expediter and implementing follow-up procedures to minimize delays. Accounting staff distribute a weekly report identifying invoices that are outstanding five or more business days ensuring appropriate staff are informed and can take timely action. Accounting management informed staff of the need to document invoice processing delays within OC Expediter and provided guidance for communicating with non-responsive vendors on invoice discrepancies.</p> <p>To validate OCWR's efforts, we selected five invoices and noted three were not paid within a reasonable timeframe and staff did not document the reason for the delay in OC Expediter. OCWR will continue to improve their invoice payment turnaround time and will ensure payment delays are documented in OC Expediter. Management will also monitor invoice processing times as noted in Finding No. 3.</p> <p>Based on the actions taken by OCWR, we consider this recommendation in process.</p>

FINDING NO. 2	Business Continuity Plan OCWR's Business Continuity and Disaster Recovery (BCDR) plan did not provide detailed procedures on cash disbursements and payables operations. The BCDR plan also referred to a manager who was no longer with the department. This increases the risk of inconsistency in procedures, which could impact OCWR's ability to continue business operations in the event of an emergency or other disruption.
CATEGORY	Control Finding
RECOMMENDATION	OCWR management ensure the business continuity plan is updated and includes detailed procedures for the cash disbursements and payables process in the event of an emergency or other disruption.



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CURRENT STATUS	<p>Implemented. OCWR updated its BCDR to reflect current staff members to be contacted during an emergency. OCWR Accounting also established their own separate Business Continuity Plan (BCP) for its cash disbursements and payables process. OCWR Accounting can refer to the BCP in the event of an emergency or other disruption to ensure there is no disruption to their disbursement process. OCWR plans to review and update the BCP periodically.</p> <p>Based on the actions taken by OCWR, we consider this recommendation implemented.</p>
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FINDING NO. 3	<p>Monitoring Activities</p> <p>The Committee of Sponsoring Organizations of the Treadway Commission Internal Control Framework adopted by the County requires ongoing monitoring activities, including conducting evaluations to ascertain whether the components of internal control are present and functioning.</p> <p>OCWR's control activities for their cash disbursements and payables operations included performing limited separate evaluations of those controls. However, ongoing and separate evaluations should be formalized and expanded to ensure all critical control activities are appropriately monitored to reduce the risk of undetected control weaknesses.</p>
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CATEGORY	Control Finding
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RECOMMENDATION	OCWR management enhance monitoring activities by expanding and documenting its performance of ongoing and separate evaluations of cash disbursements and payables controls.
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CURRENT STATUS	<p>Implemented. OCWR Accounting established a Monitoring of Disbursements Review policy and procedure that requires the Financial Services team to perform ongoing selective testing of Accounting's accounts payable controls. The procedure requires Financial Services to document completion of the review and provide recommendations in a report to the Deputy Director.</p> <p>In August 2025, Financial Services performed a review of various invoice processing controls and submitted a report with several recommendations to the Accounting team and the Deputy Director.</p> <p>Based on the actions taken by OCWR, we consider this recommendation implemented.</p>
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FINDING NO. 4	Policies and Procedures for Safe Access OCWR's policies and procedures did not include details of their current practices related to the safe where checks are stored, such as changing the safe combination and the collection of keys from separated or transferred staff, and maintaining a written record of safe keyholders, which increased the risk of unauthorized access to the safe.
CATEGORY	Control Finding
RECOMMENDATION	OCWR management enhance policies and procedures to include current practices related to safe access including periodically changing safe combinations, collecting keys from separated staff, and maintaining written record of keyholders.
CURRENT STATUS	Implemented. OCWR Accounting updated its Safe Access policy and procedure in February 2025 to strengthen internal controls, including maintaining a log of safe-combination changes, collecting keys from separated employees, and maintaining a log of keyholders. Based on the actions taken by OCWR, we consider this recommendation implemented.

AUDIT TEAM	Michael Dean, CPA, CIA, CISA Tina Dinh Gabriela Cabrera, CIA	Assistant Deputy Director Senior Auditor Administrative Services Manager
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APPENDIX A: ADDITIONAL INFORMATION

SCOPE	Our follow-up audit was limited to reviewing actions taken by OCWR as of January 31, 2026, to implement the four recommendations from the original audit dated March 27, 2025.
BACKGROUND	The original audit evaluated the operational effectiveness and efficiency of internal control over OCWR Cash Disbursements & Payables process. The original audit identified four Control Findings.



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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.

