INTERNAL AUDIT DEPARTMENT



Auditor-Controller
Cash Disbursements and Claims
For the Period of May 1, 2024
Through April 30, 2025

Audit No. 2410
Report Date: September 29, 2026

Number of Recommendations

0	Critical Control Weaknesses
0	Significant Control Weaknesses
3	Control Findings

OC Board of Supervisors

CHAIR DOUG CHAFFEE	VICE CHAIR KATRINA FOLEY	SUPERVISOR JANET NGUYEN	SUPERVISOR VICENTE SARMIENTO	SUPERVISOR DONALD P. WAGNER
4th DISTRICT	5th DISTRICT	1st DISTRICT	2nd DISTRICT	3rd DISTRICT

INTERNAL AUDIT DEPARTMENT

Auditor-Controller Cash Disbursements and Claims
September 29, 2026

AUDIT HIGHLIGHTS

SCOPE OF WORK	Perform an audit of Auditor-Controller (A-C) cash disbursements and employee expense claims (claims) processes to determine whether the design of processes and controls ensures payments and claims are accurate, valid, and timely, and made in compliance with County and departmental requirements as well as contractual obligations for the period of May 1, 2024 through April 30, 2025.
RESULTS	Based on an analysis of vendor payment data and testing of a judgmentally selected sample of 15 vendor payments, 13 Orange County's Mileage, Education, Travel, Employee Reimbursement (OC METER) claims involving the Educational and Professional Reimbursement Program (EPRP), and two paper claims involving business travel and other related expenses, we concluded that A-C's: • Internal controls over the cash disbursements process are generally effective to ensure invoices and payments are properly reviewed, approved, and recorded to ensure they are valid, in compliance with County and departmental policies. • Internal controls over claims are generally effective to ensure claims are properly authorized and adequately supported, in compliance with County and departmental policies. However, we also noted three control findings and opportunities to enhance process controls.
RISKS	As a result of our findings, potential risks include: • Inaccurate and untimely payments can damage the County's reputation and negatively affect vendors' willingness to continue doing business with the County. • Weak controls to ensure claims are within the applicable limit per fiscal year, may allow employees to be reimbursed for amounts they are not entitled to under their labor agreements. • Policies and procedures that are outdated and/or missing document control elements could cause inconsistencies that lead to errors and ineffective disbursements and claims processes.
NUMBER OF RECOMMENDATIONS 0 CRITICAL CONTROL WEAKNESSES 0 SIGNIFICANT CONTROL WEAKNESSES 3 CONTROL FINDINGS	Opportunities for enhancing internal controls include: • Reminding staff and supervisors to process payments accurately. • Formalizing the 10-day payment processing requirement in policies and procedures and maintaining documentation to support management's ongoing monitoring of payment timeliness. • Strengthening claims processing controls (e.g., add a system alert, enhance the EPRP monitoring tool) to ensure employee EPRP claims are within the applicable fiscal year limit. • Updating internal disbursements and claims procedures to reflect current information and document control elements.

Report suspected fraud, or misuse of County resources by vendors, contractors, or County employees to (714) 834-3608

AUDIT NO. 2410

INTERNAL AUDIT DEPARTMENT

Audit No. 2410

September 29, 2026

To: Andrew N. Hamilton, CPA
Auditor-Controller

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

Digitally signed by Agripino Alonso
Date: 2026.09.29 10:41:08 -07'00'

Subject: Auditor-Controller Cash Disbursements and Claims

We have completed an audit of Auditor-Controller's (A-C) Cash Disbursements and Claims processes for the period of May 1, 2024, through April 30, 2025.

Details of our audit results of A-C's Cash Disbursements and Claims processes immediately follow this letter. Additional information including background and our objectives, scope, and methodology are included in Appendix A.

A-C concurred or partially concurred with all our recommendations, and the Internal Audit Department considers management's response generally appropriate to the recommendations in this report.

We will include the results of this audit in a future status report submitted quarterly to the Audit Oversight Committee and the Board of Supervisors. In addition, we will request your department complete a Customer Survey of Audit Services, which you will receive shortly after the distribution of our final report.

We appreciate the courtesy extended to us by A-C's personnel during our 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
Auditor-Controller Distribution
Foreperson, Grand Jury
Robin Stieler, Clerk of the Board
Eide Bailly LLP, County External Auditor

RESULTS

BUSINESS PROCESS & INTERNAL CONTROL STRENGTHS	We noted business processes and internal control strengths during our audit. Specifically, A-C: ✓ Issues periodic Claims and Disbursing bulletins to keep County departments informed of pertinent information. ✓ Maintains an adequate segregation of duties for disbursing and recording responsibilities. ✓ Has OC METER expense reports that contain user audit trails with chronological records of all transactions from expense creation to payment. ✓ Approves departments' EPRP, business travel and other related expenses via an OC METER pre-approval request before an expense is made. ✓ Has an internal digital information hub for employees to access OC METER job aids, pertinent forms, training videos and frequently asked questions.

FINDING NO. 1	**Untimely Payment of Invoices** Departments need processes and controls to ensure payments to vendors are accurate, valid, and timely, and made in compliance with contract requirements. Per the vendor contracts we included in our testwork, the County is required to make payment within 30 days of receipt of invoice. We noted A-C has controls to help process valid and accurate payments, including requirements in policies and procedures for staff to review key elements in invoices that County departments submit for processing (e.g., authorized signatures) and for supervisors to review and approve staff's work. However, we noted one of 15 payments we sampled was issued to the incorrect vendor remittance address, which delayed payment by 153 days. A-C management should remind staff and supervisors to process payments accurately. We also noted opportunities to strengthen controls to ensure payments are processed timely. Specifically, A-C management indicated: • Their practice is to process payments within 10 days to make payments within the 30-day contract requirement. However, this practice is not formalized in their policies and procedures to help ensure staff consistently apply the process, maintain accountability, and support compliance with internal controls. • They perform ongoing monitoring to ensure payments are processed timely by reviewing the workload summary report. However, there is no documentation to support this review or follow up with staff to ensure payment timeliness, and we confirmed there were late payments. Specifically, we analyzed vendor payments during our review period and noted 156 payments totaling $518,690 took longer than 30 days to process. We also reviewed the details of three late payments and A-C management confirmed it took A-C 49 days to pay two invoices from the same vendor.
CATEGORY	**Control Finding**
RISK	Inaccurate and untimely payments can damage the County's reputation and negatively affect vendors' willingness to continue doing business with the County.
RECOMMENDATION	A-C management: 1. Remind staff and supervisors to process payments accurately. 2. Formalize the 10-day payment processing requirement in policies and procedures and maintain documentation to support management's ongoing monitoring of payment timeliness.

MANAGEMENT RESPONSE	**Concur.** The Claims Unit will formalize the 10-day payment processing expectation in our payment overview procedure and communicate this procedural update to staff via email. While we recognize the importance of timely payments and will encourage staff to make their best effort to meet the 10-day turnaround, our ability to consistently achieve this standard is dependent on available staffing levels and budget constraints. As such, we cannot guarantee that every payment will be completed within 10 days. We remain committed to monitoring workload distribution and identifying opportunities to enhance efficiency wherever possible.

FINDING NO. 2	**EPRP Claim Limit Controls** The Educational and Professional Reimbursement Program (EPRP) is designed to encourage employees to continue their professional development. Items eligible for reimbursement must have reasonable potential for contributing to achieving County business objectives. Departments need processes and controls to ensure EPRP claims are accurate, valid, and timely. This includes controls to ensure employee claims adhere to the $2,000 per fiscal year limit established by the Attorney Bargaining Unit labor agreement or the $10,000 per fiscal year limit established in all other County labor agreements. We noted A-C has controls to help process claims accurately and timely. This includes ensuring expense claims include supporting documentation, accurate calculations, and that they were submitted within the required timeframe. We also noted A-C has requirements to check claim validity, including compliance with EPRP Policy, Business Travel Policy and Personnel Salary Resolution requirements. However, these controls could be strengthened. Specifically: • The A-C requires staff to manually track employees' EPRP claims to prevent them from exceeding the applicable limit. However, this manual review is inefficient and carries a higher risk of human error and A-C does not have system controls, such as automated alerts, to ensure claims adhere to the applicable limit before being paid. • The A-C uses a monitoring tool to determine if any claims exceeded the applicable limit during the fiscal year. While none of the samples we tested exceeded the annual limit, this review is performed after claims have already been paid. The tool also captures claim information by calendar year instead of fiscal year and includes other non-EPRP claim types (e.g. public service loan forgiveness paper claims), making it difficult to identify non-compliance.

CATEGORY	**Control Finding**
RISK	Weak controls to ensure claims are within the applicable limit per fiscal year, may allow employees to be reimbursed for amounts they are not entitled to under their labor agreements.
RECOMMENDATION	A-C management strengthen claims processing controls (e.g., add a system alert, enhance the EPRP monitoring tool) to ensure employee EPRP claims are within the applicable fiscal year limit.
MANAGEMENT RESPONSE	**Partially Concur.** As noted in the audit report, a monitoring tool is already available for departments to identify any claims that exceed the policy's allowable limit, and the audit did not find any instances where payments were made beyond that limit. A-C has known of this system limitation since implementation of OC METER which led to the development of the mitigating monitoring tool that was reviewed by IAD. A-C IT has once again consulted with SAP, the OC METER application vendor, and confirmed that the capability to apply a cap based on the fiscal calendar is not planned for upcoming releases. Since Clarity OC will soon replace OC METER for employee reimbursement claims, A-C IT is also evaluating options to ensure this control is within the new system. **IAD Comment**: While the A-C indicated they have a monitoring tool to help identify claims that exceed the EPRP policy's allowable limit, we noted weaknesses in the tool that increase the risk of EPRP claims exceeding the allowable limits without detection as noted in the finding. We recommend A-C evaluate enhancing the EPRP monitoring tool to strengthen claims processing controls until the new Clarity OC System is implemented.

FINDING NO. 3	**Outdated Policies and Procedures** Departments need written policies and procedures to adequately guide staff in performing their duties and ensure internal controls operate as intended, in accordance with the A-C's County Accounting Manual No. S-2 Internal Control Systems. We noted the A-C's policies and procedures have outdated information and/or are missing document control elements that help ensure version control, validity, and accountability. Specifically: • 12 of 28 policies and procedures were outdated because they referred to a former expense system, a superseded Business travel and Meeting policy, former employees and obsolete procurement manuals. • All 28 policies and procedures were missing document control elements, such as the approver's name and date last reviewed.

CATEGORY	**Control Finding**
RISK	Policies and procedures that are outdated and/or missing document control elements could cause inconsistencies that lead to errors and ineffective disbursements and claims processes.
RECOMMENDATION	A-C management update internal disbursements and claims procedures to reflect current information and document control elements.
MANAGEMENT RESPONSE	**Concur.** The Claims & Disbursing Unit will update all 28 internal disbursement and claims procedures to reflect current practices and strengthen document control requirements. We anticipate completing these updates by March 31, 2027, and will ensure staff are informed once finalized.

AUDIT TEAM	Michael Mikaelyan, CIA	Assistant Deputy Director
	Michael Steinhaus, CISA, CIA, CPA	IT Audit Manager
	Alejandra Luna	Audit Manager
	Mary Ann Cosep	Senior Auditor
	Elizabeth Cerda, CPA	Senior Auditor

APPENDIX A: ADDITIONAL INFORMATION

OBJECTIVES	A. Determine whether the design of A-C's cash disbursements processes and controls ensure payments are accurate, valid and timely, and are made in compliance with County and departmental requirements as well as contractual obligations. B. Determine whether the design of A-C's expense claims processes and controls ensures employee expenses are accurate, valid and timely.
SCOPE & METHODOLOGY	Our audit scope was limited to internal controls over A-C's cash disbursements and claims processes for the period of May 1, 2024, through April 30, 2025. Our methodology included interviews, observations, examination of documentation, and sampling of relevant items.
EXCLUSIONS	Our audit scope did not include a review of: • Payroll related disbursements or disbursements from satellite units. • Inventory counts to verify receipt of goods. • A-C's Property Tax payments.
PRIOR AUDIT COVERAGE	We issued an audit report for A-C with a similar scope on December 30, 2019, Audit No. 1811 Auditor-Controller Claims for the Year Ended December 31, 2018.

BACKGROUND

The mission of the Auditor-Controller (A-C) is to promote public oversight, provide accountability, and support financial decision making for the County. The A-C is comprised of four divisions: Central Accounting Operations, Satellite Accounting Operations, Information Technology and Administration. The Central Accounting Operations Division is responsible for the core accounting activities required of the A-C which benefit the County as a whole. This Division is comprised of Claims and Disbursing, Cost Revenue and Budget, Financial Reporting, General Accounting, Payroll, Property Tax and the Orange County Oversight Board.

The Claims and Disbursing Unit (A-C Claims) within the A-C Central Accounting Operations division processes more than 348,000 payment transactions totaling billions of dollars each year and is responsible for auditing and approving vendor and employee claims against the County for payments; handling vendor related withholding and reporting; replenishing departmental revolving (petty cash) funds; and processing withdrawals of monies when a district, public corporation, or agency uses the County Treasury as a depository.

Vendor payments

A-C Claims processes, reviews and approves various types of invoices from departments excluding those with A-C Satellite Accounting staff, (i.e., A-C Claims does not review departmental invoices from the Health Care Agency, OC Waste & Recycling, OC Community Resources, OC Public Works with the exception of transportation and construction invoices, and John Wayne Airport.) During the audit period, A-C Claims total disbursements were approximately $1.3 billion.

Educational and Professional Reimbursement Program

According to the County's Personnel and Salary Resolution (PSR) 2025, the Educational and Professional Reimbursement Program (EPRP) is designed to encourage employees to continue their professional development. Items eligible for reimbursement must have reasonable potential for contributing to achieving County business objectives.

For EPRP reimbursements, County employees should submit their reimbursement claims directly to OC METER. OC METER has replaced various employee reimbursement systems, including paper submissions. County departments or agencies are responsible for reviewing and approving their employees' requests based on the PSR's criteria.

Travel and Other related expenses

The County Business Travel and Meeting policy covers approved County business travel, the Per Diem Rate for meals and incidental expenses, and reimbursement of lodging and reasonable miscellaneous expenses.

During our audit period, A-C's OC METER claims pertaining to EPRP requests, business travel and other related expenses totaled $94,842.

In addition, A-C processed $67,183 in paper claims for Orange County Employees Retirement System personnel, volunteers and interns who do not have access to OC METER.

PURPOSE & AUTHORITY	We performed this audit in accordance with the Fiscal Year 2022-23 Audit Plan and Risk Assessment approved by the Board of Supervisors (Board).
PROFESSIONAL STANDARDS	Our audit was conducted in conformance with the Global Internal Audit Standards issued by the International Internal Audit Standards Board.
FOLLOW-UP PROCESS	In accordance with professional standards, the Internal Audit Department has a process to follow up on its recommendations. A first follow-up audit will generally begin six months after the release of the initial report. The Audit Oversight Committee (AOC) and Board expect that audit recommendations will typically be implemented within six months or sooner for significant and higher risk issues. A second follow-up audit will generally begin six months after the release of the first follow-up audit report, by which time all audit recommendations are expected to be implemented. Any audit recommendations not implemented after the second follow-up audit will be brought to the attention of the AOC at its next scheduled meeting. A Follow-Up Audit Report Form is attached and is required to be returned to the Internal Audit Department approximately six months from the date of this report to facilitate the follow-up audit process.
MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROL	In accordance with the Auditor-Controller's County Accounting Manual No. S-2 Internal Control Systems: "All County departments shall establish effective internal controls as department management is responsible for internal control. Department management shall also continuously assess and strengthen internal control by evaluating internal control systems and promptly correcting weaknesses when detected." The criterion for evaluating internal control is the Committee of Sponsoring Organizations of the Treadway Commission Internal Control – Integrated Framework: 2013. Our audit complements but does not substitute for department management's continuing emphasis on control activities and monitoring of control risks.
INTERNAL CONTROL LIMITATIONS	Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in the department's operating procedures, accounting practices, and compliance with County policy.

APPENDIX B: REPORT ITEM CLASSIFICATION

Critical Control Weakness	Significant Control Weakness	Control Finding
These are audit findings or a combination of audit findings that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise the department's or County's reputation for integrity. Management is expected to address **Critical Control Weaknesses** brought to its attention immediately.	These are audit findings or a combination of audit findings that represent a significant deficiency in the design or operation of internal controls. **Significant Control Weaknesses** require prompt corrective actions.	These are audit findings concerning the effectiveness of internal control, compliance issues, or efficiency issues that require management's corrective action to implement or enhance processes and internal control. **Control Findings** are expected to be addressed within our follow-up process of six months, but no later than twelve months.

APPENDIX C: AUDITOR-CONTROLLER MANAGEMENT RESPONSE

Docusign Envelope ID: 6DC73C63-66DB-8695-81EF-82F15F15DE92

OFFICE OF THE
ORANGE COUNTY AUDITOR-CONTROLLER

MEMORANDUM

ANDREW N. HAMILTON, CPA
AUDITOR-CONTROLLER

DATE: September 22, 2026

TO: Aggie Alonso, Internal Audit Department Director

FROM: Andrew Hamilton, Auditor-Controller

Initial AH

SUBJECT: Internal Control Audit of Disbursements and Claims

Attached you will find the Auditor-Controller's (A-C) Office responses to the control findings and recommendations resulting from the audit of A-C's Disbursements and Claims conducted by Internal Audit Department with the draft report issued on September 1, 2026.

We appreciate Internal Audit's effort and time spent on this audit, indicating that there are no critical or significant control weaknesses in our processes and system, and drafting the report identifying areas we can enhance as a County Department.

Please contact me or Salvador Lopez if you have any questions.

c.c. Salvador Lopez, Chief Deputy Auditor-Controller
Matt Holder, A-C Chief of Staff

1770 N. Broadway, Santa Ana, CA 92706
(714) 834-2450 | ocauditor.gov

Docusign Envelope ID: 6DC73C63-66DB-8695-81EF-82F15F15DE92

Internal Control Audit of Auditor-Controller's Disbursements and Claims
Response to Recommendations

Recommendation No. 1:

1.1 Remind staff and supervisors to process payments accurately.
1.2 Formalize the 10-day payment processing requirement in policies and procedures and maintain documentation to support management's ongoing monitoring of payment timeliness.

A-C Management Response: Concur
The Claims Unit will formalize the 10-day payment processing expectation in our payment overview procedure and communicate this procedural update to staff via email.

While we recognize the importance of timely payments and will encourage staff to make their best effort to meet the 10-day turnaround, our ability to consistently achieve this standard is dependent on available staffing levels and budget constraints. As such, we cannot guarantee that every payment will be completed within 10 days. We remain committed to monitoring workload distribution and identifying opportunities to enhance efficiency wherever possible.

Recommendation No. 2:

2.1 A-C management strengthen claims processing controls (e.g., add a system alert, enhance the EPRP monitoring tool) to ensure employee EPRP claims are within the applicable fiscal year limit.

A-C Management Response: *Partially* Concur
As noted in the audit report, a monitoring tool is already available for departments to identify any claims that exceed the policy's allowable limit, and the audit did not find any instances where payments were made beyond that limit. A-C has known of this system limitation since implementation of OC METER which led to the development of the mitigating monitoring tool that was reviewed by IAD. A-C IT has once again consulted with SAP, the OC METER application vendor, and confirmed that the capability to apply a cap based on the fiscal calendar is not planned for upcoming releases. Since Clarify OC will soon replace OC METER for employee reimbursement claims, A-C IT is also evaluating options to ensure this control is within the new system.

Recommendation No. 3:

3.1 A-C management update internal disbursements and claims procedures to reflect current information and document control elements.

A-C Management Response: Concur
The Claims & Disbursing Unit will update all 28 internal disbursement and claims procedures to reflect current practices and strengthen document control requirements. We anticipate completing these updates by March 31, 2027, and will ensure staff are informed once finalized.