

S U M M A R Y M I N U T E S



REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE
ORANGE COUNTY, CA

Thursday, August 13, 2020, 10:00 A.M.

Join Skype Meeting:

<https://meet.lync.com/ocgov-com/gabriela.cabrera/T65H2FVM>

Join by Phone: 1 (949) 543-0845, Conference ID: 59649484

ROBERT BROWN (2023)

AOC CHAIRMAN
Private Sector Member, Fifth District

MARK WILLE, CPA (2022)

AOC VICE CHAIRMAN
Private Sector Member, Third District

SUPERVISOR MICHELLE STEEL

BOARD CHAIRWOMAN
Second District
Member

SUPERVISOR ANDREW DO

BOARD VICE CHAIRMAN
First District
Member

FRANK KIM

COUNTY EXECUTIVE OFFICER
Member

DREW ATWATER (2021)

Private Sector Member, First District

VACANT

Private Sector Member, Second District

STELLA ACOSTA, CPA (2023)

Private Sector Member, Fourth District

Non-Voting Members

Treasurer-Tax Collector:
Auditor-Controller:

Shari Freidenrich, CPA
Frank Davies, CPA

Staff

Internal Audit Director:
Assistant Internal Audit Director:
Deputy County Counsel:
Clerk:

Aggie Alonso, CPA
Scott Suzuki, CPA
Ronnie Magsaysay
Gabriela Cabrera

ATTENDANCE: Robert Brown, AOC Chairman, Private Sector Member
Mark Wille, AOC Vice Chair, Private Sector Member
Chris Gaarder, Proxy for Supervisor Andrew Do
Drew Atwater, Private Sector Member
Stella Acosta, Private Sector Member
Arie Dana, Proxy for Supervisor Michelle Steel
Frank Kim, Chief Executive Officer

PRESENT: Shari Freidenrich, Treasurer-Tax Collector
Salvador Lopez, Chief Deputy Auditor-Controller
Aggie Alonso, Internal Audit Director
Ronnie Magsaysay, Deputy County Counsel
Gabriela Cabrera, AOC Clerk

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1. Roll call

Mr. Robert Brown, Audit Oversight Committee (AOC) Chairman, called the meeting to order at 10:00 A.M. Attendance of AOC Members noted above, with the exception of Drew Atwater who joined the meeting at 10:47 A.M.

2. Approve Audit Oversight Committee Regular Meeting Minutes of June 4, 2020

Mr. Brown asked for a motion to approve the Audit Oversight Committee Regular Meeting Minutes of June 4, 2020.

Motion to approve the minutes by Mr. Chris Gaarder, seconded by Mr. Arie Dana.

**Via roll call, six in favor (Brown, Wille, Gaarder, Acosta, Dana, Kim); none opposed
Approved as recommended.**

3. Discuss Board-approved Audit Oversight Committee Bylaws

Mr. Aggie Alonso, Internal Audit Director, confirmed that at the June 4th AOC meeting, the AOC approved revisions to the Bylaws which included three primary changes: (1) they made public member terms be coterminous with the office term of the Board member who nominated the member, (2) they allowed for removal of members for unnoticed absences, and (3) allowed for the committee Chair to appoint interim members for committee vacancies. The Board removed the second and third change. In addition, Mr. Alonso mentioned the Bylaws include a provision for the Chair to submit a brief report to the Board of Supervisors following each AOC meeting which can be used to highlight any issues with attendance, vacancies, etc.

4. Receive Report on the County's Cybersecurity Program

Mr. Joel Golub, Chief Information Officer, advised OCIT is continuing their response to COVID by expanding remote capability and maintaining services in this robust environment without major problems. Mr. Golub stated OCIT has a security team which partnered with SAIC to connect to their national centers, established a 24/7 SOC, and have an internal task force with department representatives. Mr. Golub stated OCIT receives oversight from Internal Audit, AOC, Grand Jury, an investment review committee, and an IT executive council which influence the framework and environment for OCIT today, and next invited Rafael Linares, Chief Information Security Officer, to address the questions previously asked by the AOC.

Mr. Linares began a presentation on cybersecurity remote technologies including remote virtual private network (VPN), desktop support, firewall support, and e-mail support including exception agencies that use their own internal support services and limited OCIT support (they provided listings of exception agencies by support category).

Mr. Linares noted enhanced monitoring for remote architectures and incident responses, as well as remote VPN and teleconferencing guidelines for new VPN users. Going forward, OCIT will include remote work in annual cybersecurity training. Currently, OCIT has implemented security

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patching on devices not linked to County networks, increased VPN licenses, and increased network bandwidth.

Mr. Linares proceeded to address questions previously asked by the AOC regarding remote security, concern of PII document printing, memory wiping on old equipment, and advancing operations towards new normal of telecommuting.

5. Receive Introduction from Office of Independent Review Director

Mr. Sergio Perez, Office of Independent Review Director, provided details on his work background including his experience as a legal attorney focused on oversight and accountability. Mr. Perez advised he intends to continue the mission of the Office of Independent Review (OIR) as independent counsel to the Board, the public, and the five departments that it oversees which are the Sheriff's Department, District Attorney's Office, Public Defender's Office, Probation Department, and Social Services Agency. Mr. Perez intends for OIR to carry out its three chief duties which are to review systemic issues and identify County compliance with applicable laws, to investigate incidents reported to OIR by the Board or department heads of the offices OIR oversees, and to monitor internal processes for accountability structures of departments under OIR oversight. Mr. Perez stated that in advising the Board on risk management the OIR has limited access to information, observes a confidentiality requirement per State laws and internal department policies, and cannot affect wages of staff nor take part in disciplinary processes at the County. Mr. Perez offered his assistance for anyone wanting OIR advice and invited questions.

6. Receive Report on Required Communication from External Auditors

Mr. Roger Alfaro, Partner at Eide Bailly LLC, discussed attachments advising on Eide Bailly's risk assessment and planning process including audits of internal control cycles specific to the financial reporting process. Eide Bailly is currently in preparation for year-end testing of County financial statements. Mr. Alfaro confirmed Eide Bailly continues to meet with Internal Audit to discuss work performed by each audit organization and relevant items noted. Recently due to the pandemic and potentially adapted controls, Eide Bailly is also considering the risk of material misstatement of figures that will be reported on the financial statements.

7. Discuss Member Vacancies in Audit Oversight Committee, and Staff Vacancies in Internal Audit Department and Auditor-Controller

Mr. Brown commented the AOC appreciates its ability to recommend potential members for AOC vacancies such as the second district vacancy, and that quorum continues to be maintained with current membership. Next, Mr. Sal Lopez, Chief Deputy Auditor-Controller, and Mr. Alonso discussed vacancies in each respective department, both of which cited the pandemic's limitations on revenue activity as one impact to current vacancies.

8. Discuss Audit Oversight Committee Retreat Status

Mr. Brown acknowledged the efforts of Internal Audit staff on the retreat coordination and advised quorum has been confirmed for October 1, 2020 with a draft agenda pending to be distributed.

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9. Receive Report on Status of Mandated Audits

Mr. Michael Steinhaus, Audit Manager for the Auditor-Controller Internal Audit division, provided an update on the status of fiscal year ended June 30, 2020 mandated audits, as well as an update on the status of fiscal year ended June 20, 2019 Joint Power Authorities and Special Districts report collections.

10. Receive Report on Status of Performance Audits

Ms. Michelle Aguirre, Chief Financial Officer, reported several performance audits have been completed and resulted in no significant findings, and that despite delays related to COVID their work is currently progressing. Ms. Aguirre also noted a correction for attachment A page 2, where the Auditor-Controller's third-party auditor should be listed as Moss Adams, not Arroyo Associates.

11. Discuss changes to County internal control policies as a result of COVID-19 and impact on County audits

Mr. Alonso stated that regarding internal control policies there have been no material changes noted resulting from COVID-19, while some departments may have slight differences in implementation. Regarding impact to audits, consideration is being given to risks resulting from work environment changes and testing is being conducted remotely to the extent possible, with the exception of purchasing and contracts where documentation is physically retained and remote work was not feasible.

12. Approve Internal Audit Department's FY 2019-20 4th Quarter Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended June 30, 2020

Mr. Alonso stated the Internal Audit Department issued two final reports, six draft reports, and twelve follow-up reports for the quarter ended June 30, 2020. Mr. Alonso noted audits originally delayed have all resumed with the exception of the HCA IT audit as the department has been understandably busy with the pandemic response.

Motion to approve the 4th Quarter Status Report and Executive Summary by Mr. Wille, seconded by Mr. Gaarder.

**Via roll call, six in favor (Brown, Wille, Dana, Gaarder, Atwater, Acosta); none opposed
Approved as recommended.**

13. Receive Report on Status of External Audit Recommendations Implementation and Approve Quarterly External Audit Activity Status Report for the Quarter Ended June 30, 2020

Mr. Scott Suzuki, Assistant Director of Internal Audit, stated there were no new material issues to report this quarter. Social Services Agency (SSA) has one significant or material recommendation pending implementation, which per SSA is a result of the COVID-19 impact.

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Motion to approve the Quarterly External Audit Activity Status Report for the Quarter Ended June 30, 2020 by Mr. Wille, seconded by Mr. Gaarder.

Via roll call, six in favor (Brown, Wille, Dana, Gaarder, Atwater, Acosta), none opposed. Approved as recommended.

14. Receive Internal Audit Department's Fiscal Year 2019-20 Key Performance Indicator Report

Mr. Alonso presented a report on the Key Performance Indicators (KPI) and noted two KPIs that were not met as well as plans to meet those indicators in the future.

15. Receive Report on Internal Audit Department's Independence

Mr. Alonso presented the Internal Audit Department's (IAD) Report on Independence. Mr. Alonso stated for the period of June 1, 2019 to June 30, 2020 the IAD activity was free from interference in determining the audit scope, performing the work, and issuing the results. IAD will be communicating their independence report to the highest governing body in accordance with the standards. The report will be presented to the Board of Supervisors at the meeting to be held on September 29, 2020.

PUBLIC COMMENTS: None

AOC COMMENTS & ADJOURNMENT:

AOC COMMENTS: None

ADJOURNMENT: Meeting adjourned at 11:59 a.m.

NEXT MEETING:

Regular Meeting, November 19, 2020, at 10:00 a.m.