

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, November 19, 2020, 10:00 A.M.

Meeting Held by Teleconference

****PURSUANT TO THE PROVISIONS OF CALIFORNIA GOVERNOR'S EXECUTIVE ORDER N-29-20, ISSUED ON MARCH 17, 2020, THIS MEETING WILL BE HELD BY TELECONFERENCE ONLY****

ROBERT BROWN (2023)
AOC CHAIR
Private Sector Member, Fifth District

MARK WILLE, CPA (2022)
AOC VICE CHAIR
Private Sector Member, Third District

SUPERVISOR MICHELLE STEEL
BOARD CHAIR
Second District
Member

SUPERVISOR ANDREW DO
BOARD VICE CHAIR
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:
Internal Audit Director:

Shari Freidenrich, CPA
Frank Davies, CPA
Aggie Alonso, CPA

Staff

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

Scott Suzuki, CPA
Ronnie Magsaysay
Gabriela Cabrera

ATTENDANCE: Robert Brown, AOC Chairman, Private Sector Member
Mark Wille, AOC Vice Chair, Private Sector Member
Drew Atwater, Private Sector Member
Stella Acosta, Private Sector Member
Michelle Aguirre, Proxy for CEO Frank Kim
Chris Gaarder, Proxy for Supervisor Andrew Do
Natalie Medvedev, Proxy for Supervisor Michelle Steel

PRESENT: Shari Freidenrich, Treasurer-Tax Collector
Frank Davies, 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) Chair, called the meeting to order at 10:00 A.M. Attendance of AOC Members noted above.

2. Approve Audit Oversight Committee Regular Meeting Minutes of August 13, 2020

Mr. Brown asked for a motion to approve the Audit Oversight Committee Regular Meeting Minutes of August 13, 2020.

Motion to approve the minutes by Mr. Mark Wille, seconded by Mr. Drew Atwater.

Via roll call, seven in favor; none opposed.

Approved as recommended.

3. Approve Special Meeting Audit Oversight Committee Virtual Retreat Minutes of October 1, 2020

Mr. Brown asked for a motion to approve the Special Meeting Audit Oversight Committee Virtual Retreat Minutes of October 1, 2020.

Motion to approve the minutes by Mr. Mark Wille, seconded by Mr. Drew Atwater.

Via roll call, seven in favor; none opposed.

Approved as recommended.

4. Receive Report on the County's Cybersecurity Program

Mr. Joel Golub, Chief Information Officer, advised that OCIT has not experienced major cybersecurity issues during the pandemic and discussed OCIT's active monitoring of the recent election cycle during which no events occurred. Next, Mr. Golub introduced Mr. Rafael Linares, Chief Information Security Officer, to address questions recently raised by the AOC.

Mr. Linares began by addressing the AOC's question on OCIT's "new normal" considering the County's recently increased remote workforce. Mr. Linares mentioned OCIT prepared for the larger remote workforce by increasing remote architectures and bandwidth, as well as increasing options for employees to access work data. Mr. Linares noted OCIT is managing a larger risk landscape due to employees teleworking on potentially unsecured home networks, while using personal devices. Examples of risks introduced by using personal devices include County data being accessed by non-employees and increased email cyber-attacks, which has been the most reported incident during COVID-19 (approximately 75% of reported incidents). Mr. Linares advised OCIT is in the process of enhancing email protections as well as working on a project to transition employees to County-owned devices, which would help OCIT identify vulnerabilities and contain events.

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Next, Mr. Linares discussed how the County is documenting changes brought on by COVID-19. For example, OCIT recently modified and created documentation in response to COVID-19 related to remote work guidelines, telecommuting, secured videoconferencing, Security Operations Center incident responses, self-service password resets, and ransomware protection including off-site data storage options. Mr. Linares also confirmed that remote user-focused training was added to the required annual cybersecurity training.

Mr. Linares proceeded to discuss how OCIT's annual cybersecurity training is the County's first line of defense in combating attacks, and that training is tailored to include Department of Justice and HIPAA training sections for departments needing that coverage. Mr. Linares confirmed that 100% of the OCIT department and 96% of all County employees have completed this year's training and that OCIT is very pleased with those results.

5. Receive Report on Required Communication from External Auditors

Mr. Roger Alfaro, Partner at Eide Bailly, discussed attachments reflecting Eide Bailly's status on audits in progress, as well as those recently completed. Mr. Alfaro noted that among the recently completed Treasurer-Tax Collector's Schedule of Assets audit and the District Attorney's grant audits, there are no significant findings to report to the AOC.

6. Agile Auditing

Mr. Scott Suzuki, Assistant Internal Audit Director, defined agile auditing and noted reasons this engagement approach may benefit certain audits. Mr. Suzuki discussed that agile audits require frequent communication and prompt actions by both the audit and client teams. The auditors must clearly assess client goals and compile concise documentation to set and deploy fieldwork testing stages. Mr. Suzuki explained the audit team quickly adapts to a changing strategy by meeting with the audit team daily and setting deadlines with the clients to complete various testing cycles. Mr. Suzuki noted comparisons between an agile and traditional audit, as well as guiding principles to be applied during future agile audits. Lastly, Mr. Suzuki discussed stages of the agile workflow, which are flexible to allow quick adaptations of audit goals and deliverables to the client.

7. Business Process Improvement Workshop

Mr. Michael Dean, Senior Audit Manager for Internal Audit, began with an overview of Facilitated Workshops and discussed resources needed to conduct a successful event. Mr. Dean noted that because this is a voluntary process, Internal Audit had to really champion workshop benefits to encourage department participation and currently has two departments interested in the process. Mr. Dean discussed that department selection includes identifying which teams would benefit most from the workshop, as well as meeting with executive management to identify the department's objectives for the workshop. Mr. Dean noted workshop rules, and stages, which include a "Post-It Notes" exercise to identify group concerns, a voting phase, to decide which group concerns will be further explored, and the results of the team's discussions. As an example, Mr. Dean discussed the process and results of the workshop completed for Internal Audit when Mr. Alonso began working at the department.

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8. Overview of Strategic Financial Plan and County Budget Process

Ms. Michelle Aguirre, Chief Financial Officer (CFO), began with an overview of the County's Budget and Strategic Financial Plan (SFP) process, including Board priorities, and examples of her involvement in this process. Ms. Aguirre explained the current budget landscape and how factors such as impacts from COVID-19 are accounted into the SFP process. While the SFP generally considers a five-year forecast, some departments consider ten-year forecasts to account for large infrastructure resource needs, such as new road constructions. Next, Ms. Aguirre explained the process departments follow to submit budget modification requests, as well as Budget's consideration of individual department allocations in comparison to the overall County budget. Ms. Aguirre noted that budgets are appropriated based on three program categories: Dedicated Revenue, General Purpose Revenue, and Other General Fund. Lastly, Ms. Aguirre discussed the Board-approved Integrated Services Strategy Vision for 2025 that focuses on reducing the number of individuals dependent on the County's system of care and noted the current goals between various departments working together towards this vision.

Note: Mr. Brown noted that in the interest of time, the AOC would address items that need AOC voting action prior to remaining items on the agenda (items addressed in order below).

14. Confirm AOC Best Practices Subcommittee Members

Mr. Brown requested a confirmation of the members of the AOC Best Practices Subcommittee. Gabriela Cabrera, Audit Oversight Committee Clerk, confirmed the members consisted of Mark Wille, Stella Acosta, Michelle Aguirre, Chris Gaarder, Ronnie Magsaysay, and Aggie Alonso. The first meeting is being held December 1, 2020.

15. Election of AOC Officers

Mr. Brown asked for recommendations for the election of AOC Officers.

Motion to nominate Mr. Brown as AOC Chair by Mr. Mark Wille, seconded by Mr. Chris Gaarder.

Via roll call, seven in favor; none opposed.

Approved as recommended.

Mr. Brown asked for a recommendation for the AOC Vice Chair.

Motion to nominate Mr. Wille as AOC Vice Chair by Ms. Stella Acosta, seconded by Mr. Drew Atwater.

Via roll call, seven in favor; none opposed.

Approved as recommended.

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12. Approve Internal Audit Department's FY 2020-21 1st Quarter Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended September 30, 2020

Mr. Suzuki discussed attachments detailing findings noted by the Internal Audit Department in eight reports issued during the quarter ended September 30, 2020.

Motion to approve by Mr. Mark Wille, seconded by Ms. Stella Acosta.

Via roll call, seven in favor; none opposed.

Approved as recommended.

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

Mr. Brown briefly discussed the AOC's Second District member vacancy, which he anticipates may be filled once a new Supervisor replaces Michelle Steel's position, and he also encouraged future member recommendations to ensure good membership is retained at the AOC. Mr. Brown introduced Mr. Frank Davies, Auditor-Controller, to provide an update on department vacancies. Mr. Davies began by confirming that due to the current budget, the A-C department has opted to only fill urgent position needs, which they identify based on upcoming assignments and projects. Mr. Brown requested a vacancy update from Internal Audit. Mr. Suzuki confirmed that while there are still vacancies related to administrative roles, he is happy to report Ms. Mari Elias will be returning to Internal Audit to support the administrative functions.

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

Mr. Suzuki discussed attachments related to External Audits and noted there were no significant findings to report for the quarter ended September 30, 2020. In addition, Mr. Suzuki advised that Social Security Agency recently confirmed full implementation of the recommendations that were identified during the SNAP audit noted in the attachments.

Motion to approve by Mr. Mark Wille, seconded by Mr. Drew Atwater.

Via roll call, seven in favor; none opposed.

Approved as recommended.

10. Receive Report on Status of Auditor-Controller Mandated Audits

Mr. Davies presented attachments reflecting the status of mandated audits and noted the Auditor-Controller recently issued their final report for the Schedule of Assets audit as of June 30, 2018.

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11. Receive Report on Status of Performance Audits

Ms. Aguirre confirmed the County's policy related to Performance Audits was recently finalized and she will be sending a copy for distribution to AOC members. In addition, Ms. Aguirre noted that for the next AOC Meeting, this Performance Audit item will likely be covered by Lily Simmering, Deputy County Executive Officer, or Lala Ragen, Deputy Chief Operating Officer, as they take over these duties. Next, Ms. Aguirre confirmed two performance audits from FY 2018-19 were recently completed and resulted in no significant findings. Lastly, Ms. Aguirre discussed the status of audits for both FY 2019-20 and FY 2020-21.

PUBLIC COMMENTS: None

AOC COMMENTS: Ms. Acosta requested use of an application such as Dropbox to receive AOC member documents such as the agenda and other materials for ease of access. Mr. Brown agreed this would be beneficial, and Mr. Alonso advised this is something that can be researched and discussed at a future AOC Best Practices Subcommittee meeting to which Mr. Brown concurred. Mr. Suzuki also noted this topic should be discussed with OCIT and County Counsel to vet out any potential PRA issues or document confidentiality issues. Lastly, Mr. Brown asked whether the AOC Retreat video has been posted to the website, and Ms. Cabrera confirmed the video had not been uploaded yet as related minutes were approved at today's meeting.

ADJOURNMENT: Meeting adjourned at 12:29 p.m.

NEXT MEETING:

Regular Meeting, February 11, 2021, at 10:00 a.m.