

A G E N D A

REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE ORANGE COUNTY, CA



Thursday, May 13, 2021, 10:00 a.m.

Join Online:

<https://zoom.us/j/6093687935>

Join by Phone:

1-669-900-6833, Meeting ID: 609 368 7935

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 ANDREW DO

BOARD CHAIRMAN

First District

Member

SUPERVISOR DOUG CHAFFEE

BOARD VICE CHAIRMAN

Fourth District

Member

FRANK KIM

COUNTY EXECUTIVE OFFICER

Member

DREW ATWATER (2021)

Private Sector Member, First District

YVONNE ROWDEN (2023)

Private Sector Member, Second District

STELLA ACOSTA (2023)

Private Sector Member, Fourth District

Non-Voting Members

Auditor-Controller:

Treasurer-Tax Collector:

Internal Audit Director:

Frank Davies, CPA

Shari Freidenrich, CPA

Aggie Alonso, CPA

Staff

Assistant Internal Audit Director:

Deputy County Counsel:

AOC Clerk:

Scott Suzuki, CPA

Ronnie Magsaysay

Mari Elias

All supporting documentation is available for public review 72 hours before the meeting. Documents are available online at <https://ia.ocgov.com/audit-oversight-committee/agendas-and-minutes>.

This agenda contains a general description of each item to be considered. If you would like to speak on a matter that does not appear on the agenda, you may do so during the Public Comments period at the end of the meeting. When addressing the AOC, please state your name for the record. Except as otherwise provided by law, no action shall be taken on any item not appearing in the agenda.

In compliance with the Americans with Disabilities Act, those requiring accommodation for this meeting should notify the Internal Audit Department 72 hours prior to the meeting at (714) 834-5475.

A G E N D A

10:00 A.M.

Speaker

1. Roll call	<i>Robert Brown AOC Chair</i>
2. Approve Audit Oversight Committee Regular Meeting Minutes of February 11, 2021	<i>Robert Brown AOC Chair</i>
3. Approve Audit Oversight Committee Special Meeting Minutes of March 18, 2021	<i>Robert Brown AOC Chair</i>
4. Receive Report on Required Communication from External Auditors	<i>Roger Alfaro, CPA Partner, Eide Bailly LLP</i>
5. Approve Internal Audit Department's FY 2020-21 3 rd Quarter Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended March 31, 2021	<i>Aggie Alonso, CPA Director Internal Audit Department</i>
6. Approve Internal Audit Department's Annual Risk Assessment & Audit Plan for FY 2021-22	<i>Aggie Alonso, CPA Director Internal Audit Department</i>
7. Approve Quarterly External Audit Activity Status Report for the Quarter Ended March 31, 2021 and Receive Report on Status of External Audit Recommendations Implementation	<i>Scott Suzuki, CPA Assistant Director Internal Audit Department</i>
8. Discuss Budget Resource Requirements for Performance Audit, Auditor-Controller, and Internal Audit Department	<i>Michelle Aguirre Chief Financial Officer County Executive Office</i> <i>Frank Davies, CPA Auditor-Controller</i> <i>Aggie Alonso, CPA Director Internal Audit Department</i>
9. Receive Report on Status of Auditor-Controller Mandated Audits	<i>Frank Davies, CPA Auditor-Controller</i>
10. Receive Report on Status of Performance Audits	<i>Lilly Simmering Deputy County Executive Officer County Executive Office</i>
11. Receive Report on TeamMate+ Upgrade	<i>Scott Suzuki, CPA Assistant Director Internal Audit Department</i>

A G E N D A

Speaker

-
12. Receive Report on OCIT and Internal Audit Department Collaboration

*Joel Golub
Chief Information Officer
County Executive Office*

*Aggie Alonso, CPA
Director
Internal Audit Department*

PUBLIC COMMENTS: At this time, members of the public may address the AOC on any matter not on the agenda but within the jurisdiction of the AOC. The AOC may limit the length of time each individual may have to address the Committee.

*Robert Brown
AOC Chair*

AOC COMMENTS: At this time, members of the AOC may comment on agenda or non-agenda matters and ask questions of, or give directions to staff, provided that no action may be taken on off-agenda items unless authorized by law.

*Robert Brown
AOC Chair*

ADJOURNMENT:

NEXT MEETING:

Regular Meeting, August 19, 2021, 10:00 a.m.



Memorandum

May 13, 2021

AOC Agenda Item No. 2

TO: Audit Oversight Committee Members

Recommended Action:

Approve Audit Oversight Committee Regular Meeting Minutes of February 11, 2021

Approve Audit Oversight Committee Regular Meeting Minutes of February 11, 2021, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – Summary Minutes for February 11, 2021 Meeting

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, February 11, 2021, 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****

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Private Sector Member, Fifth District

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Private Sector Member, Third District

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BOARD CHAIRMAN
First District
Member

SUPERVISOR DOUG CHAFFEE
BOARD VICE CHAIRMAN
Fourth 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
Mari Elias

ATTENDANCE: Robert Brown, AOC Chairman, Private Sector Member
Mark Wille, AOC Vice Chair, Private Sector Member
Stella Acosta, Private Sector Member
Michelle Aguirre, Proxy for CEO Frank Kim
Chris Gaarder, Proxy for Supervisor Do
Jessica Guerrero, Proxy for Supervisor Chaffee

PRESENT: Shari Freidenrich, Treasurer-Tax Collector
Frank Davies, Auditor-Controller
Aggie Alonso, Internal Audit Director
Ronnie Magsaysay, Deputy County Counsel
Mari Elias, AOC Clerk

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

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 November 19, 2020

Mr. Brown asked for a motion to approve the Audit Oversight Committee Regular Meeting Minutes of November 19, 2020.

Motion to approve the Meeting Minutes of November 19, 2020 by Mr. Mark Wille, seconded by Ms. Stella Acosta.

Via roll call, six in favor; one absent.

Approved as recommended.

3. Receive Report on the County's Cybersecurity Program

Mr. Joel Golub, Chief Information Officer, introduced Mr. Rafael Linares, Chief Information Security Officer, to give OCIT's cybersecurity report. Mr. Golub added that OCIT has an obligation to notify the Board of Supervisors of any cybersecurity attack and any impact as a result of such an attack.

Mr. Golub stated that OCIT and the Internal Audit Department (IAD) collaborate on a regular basis because IAD's recommendations often lead to major implementation projects for OCIT. Mr. Golub stated that OCIT and IAD's relationship is one of sharing and accuracy.

4. 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. Eide Bailly has issued an Unmodified Opinion on the County's CAFR and three stand-alone reporting units: County of Orange Redevelopment Successor Agency, Orange County Waste and Recycling, and John Wayne Airport. An Unmodified Opinion indicates that the financial statements are fairly presented in accordance with the U.S. Generally Accepted Accounting Principles. Eide Bailly also performed an Agreed Upon Procedures of the County and Flood Control District and did not report any exceptions with those procedures. Mr. Alfaro indicated that the County adopted GASB Statement 95, which postponed the effective date of certain accounting pronouncements that would have taken effect in June 30, 2020. Due to the COVID-19 pandemic, the implementation date was delayed.

5. Approve Internal Audit Department's FY 2020-21 2nd Quarter Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended December 31, 2020

Mr. Aggie Alonso, Director of Internal Audit, presented the 2nd Quarter Status Report and Executive Summary of Internal Audit Reports for the Quarter Ended December 31, 2020. The Internal Audit Department (IAD) issued four final reports, three follow-up reports, and six draft reports during this period.

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Motion to approve the Internal Audit Department's FY 2020-21 2nd Quarter Status Report and Executive Summary of Internal Audit Reports for the Quarter Ended December 31, 2020 by Mr. Chris Gaarder, seconded by Ms. Jessica Guerrero.

Via roll call, six in favor; one absent.

Approved as recommended.

6. Receive Report on Status of External Audit Recommendations Implementation and Approve Quarterly External Audit Activity Status Report for the Quarter Ended December 31, 2020

Mr. Scott Suzuki, Assistant Director of Internal Audit, presented the External Audit Recommendations Implementation and Quarterly External Audit Activity Status Report for the Quarter Ended December 31, 2020. For the reporting period, there were no new material issues reported by departments.

Motion to approve the Quarterly External Audit Activity Status Report for the Quarter Ended December 31, 2020 by Mr. Mark Wille, seconded by Ms. Stella Acosta.

Via roll call, six in favor; one absent.

Approved as recommended.

7. Discuss the Renewal of the Existing Contract with Eide Bailly LLP for Independent Auditing and Related Services for the Year Ending June 30, 2021

Ms. Bertalicia Tapia, Auditor-Controller Financial Reporting Manager, explained that the existing contract for independent auditing services allows the Auditor-Controller (A-C) to extend the contract for two one-year terms. A-C will present the request to extend the contract for one year to the Board of Supervisors at the March 23, 2021 meeting.

8. Receive Best Practices Subcommittee Report

Mr. Brown introduced Mr. Wille, Best Practices Subcommittee Chairman, to discuss the findings from the subcommittee meeting. Mr. Wille stated that the Subcommittee minutes are thorough and many of the Action Items have already been addressed or implemented.

9. Discuss Audit Oversight Committee File Sharing Request

Mr. Alonso stated that several options were researched and IAD found that many were not cost-effective or cost neutral and indicated the use of the department's website to store this information was the recommended option. IAD shared the AOC Agenda & Meeting Information web page, which has AOC Agendas with links to the supporting documentation within the PDF file.

10. Discuss Budget Resource Requirements for Performance Audit, Auditor-Controller, and Internal Audit Department

Mr. Brown asked Ms. Michelle Aguirre, Chief Financial Officer, to provide information regarding budget resource requirements. Ms. Aguirre stated that Performance Audit has a budget that is used

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for contracts, as the department has no staff. In addition, the County Executive Office has worked with the A-C's office to identify several positions that may be filled. Ms. Aguirre had concerns regarding IAD's 2020 Strategic Financial Plan submission due to the significant budget reductions and one vacant position.

Mr. Davies stated that A-C is moving forward with filling three of the positions mentioned by Ms. Aguirre. A-C continues to work with the Budget Office to backfill vacancies but is concerned with the budget moving forward as there is a substantial impact from salary increases.

Mr. Alonso stated that the resource needs will be clearer once the FY 2021-22 Risk Assessment and Audit Plan is complete. IAD has had to redeploy audit staff to assist with administrative tasks and IAD would benefit from an administrative support position.

11. Discuss Countywide Procurement System Upgrade

Ms. Aguirre stated that she has discussed with Maria Pirona, County Procurement Officer, the need to automate and have electronic files. Ms. Aguirre stated that A-C is looking at ways to expedite payments as well. The purpose of the procurement system upgrade is to automate everything in the procurement process for efficiency.

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

Mr. Frank Davies, Auditor-Controller, provided a status update of mandated audits.

13. Receive Report on Status of Performance Audits

Mr. Brown welcomed Ms. Lilly Simmering, Deputy County Executive Officer. Ms. Simmering provided an update on the status of performance audits.

PUBLIC COMMENTS: None

AOC COMMENTS: Mr. Brown called a Special Meeting to review the County Annual Financial Report and stated that the AOC Clerk would contact the AOC members to coordinate availability.

ADJOURNMENT: Meeting adjourned at 12:10 p.m.

NEXT MEETING:

Regular Meeting, May 13, 2021, at 10:00 a.m.



Memorandum

May 13, 2021

AOC Agenda Item No. 3

TO: Audit Oversight Committee Members

Recommended Action:

Approve Audit Oversight Committee Special Meeting Minutes of March 18, 2021

Approve Audit Oversight Committee Special Meeting Minutes of March 18, 2021, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – Summary Minutes for March 18, 2021 Special Meeting

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, March 18, 2021, 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)
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Private Sector Member, Fifth District

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

SUPERVISOR ANDREW DO
BOARD CHAIRMAN
First District
Member

SUPERVISOR DOUG CHAFFEE
BOARD VICE CHAIRMAN
Fourth 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

Auditor-Controller:
Treasurer-Tax Collector:
Internal Audit Director:

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

Staff

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

Scott Suzuki, CPA
Ronnie Magsaysay
Mari Elias

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
Chris Gaarder, Proxy for Supervisor Do
Jessica Guerrero, Proxy for Supervisor Chaffee
Michelle Aguirre, Proxy for Frank Kim

PRESENT: Shari Freidenrich, Treasurer-Tax Collector
Frank Davies, Auditor-Controller
Aggie Alonso, Internal Audit Director
Ronnie Magsaysay, Deputy County Counsel
Mari Elias, AOC Clerk

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

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. Discuss the Comprehensive Annual Financial Report (CAFR)

Mr. Brown welcomed Mr. Frank Davies, Auditor-Controller, to discuss the Comprehensive Annual Financial Report (CAFR). Mr. Davies introduced Susan Munoz, Manager in Financial Reporting and Mandated Costs, to provide an introduction and timeline for the CAFR. Mr. Roger Alfaro, Partner at Eide Bailly, provided an Overview of the CAFR.

PUBLIC COMMENTS: None

AOC COMMENTS: Mr. Brown thanked the AOC members and A-C and Eide Bailly for their presentations. Mr. Wille stated that the meeting was very helpful and important so that AOC members could understand the CAFR.

ADJOURNMENT: Meeting adjourned at 11:47 p.m.

NEXT MEETING:

Regular Meeting, May 13, 2021, at 10:00 a.m.



Memorandum

May 13, 2021

AOC Agenda Item No. 4

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Required Communication from External Auditors

Receive Report on Required Communication from External Auditors, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – External Audit Update

Attachment A-1 – Projects and Timelines

Attachment B – AU-C 260 Letter



County of Orange Audit Oversight Committee

Date: May 13, 2021
Re: External Audit update

-
- 1) **Audit Plan – Refer to Attachment A:**
 - Outline of projects and timelines

 - 2) **Audits Completed:**
 - Schedule of Assets – June 30, 2020
 - Issued – Report dated 4/22/2021
 - Tobacco Settlement Funds Agreed Upon Procedures – June 30, 2020
 - Issued – Report dated 2/24/2021
 - Single Audit – June 30, 2020
 - Issued – Report dated 3/29/2021
 - 3 significant deficiencies/2 instances of non-compliance reported for federal compliance
 - Updated communication letter

Department / Agency / Division	Audit/Project	Audit/Project Date	Audit Scope	Anticipated Dates			Status
				Planning	Fieldwork	Reporting	
All	Financial Statement Audit - Comprehensive Annual Financial Report (CAFR)	6/30/2020	Financial Statements of the County CAFR, including audit of investment trust funds, and pension/OPEB trust funds	April/May 2020	May 2020 through November 2020	December 2020	Report issued - dated 12/22/2020
All	Agreed Upon Procedures (AUP) over GANN Limit calculations	6/30/2020	GANN Limit Calculation -for County and OC Flood Control District	April/May 2020	May 2020	December 2020	Reports issued - dated 12/22/2020
All	Single Audit	6/30/2020	Audit over compliance in accordance with Uniform Guidance of the County, including components of JWA, OCWR, OCDA	October 2020	January through February 2021	March 2021	Reports issued - dated 3/29/2021
John Wayne Airport (JWA)	Financial Statement Audit	6/30/2020	John Wayne Airport (JWA), including Passenger Facility Charge	April/May 2020	August through November 2020	December 2020	Reports issued - dated 12/21/2020
Orange County Waste & Recycling	Financial Statement Audit	6/30/2020	Orange County Waste & Recycling	April/May 2020	August through November 2020	December 2020	Report issued - dated 12/16/2020
OC Community Resources / Redevelopment Successor Agency	Financial Statement Audit	6/30/2020	Redevelopment Successor Agency	April/May 2020	August through November 2020	December 2020	Report issued - dated 12/16/2020
District Attorney	Grant Audits	6/30/2020	District Attorney Grant Audits	July 2020	September 2020	October 2020	Reports issued - dated 10/23/2020
CEO; HCA and Sheriff's Department	Tobacco Settlement Funds Agreed Upon Procedures	6/30/2020	HCA and Sheriff Tobacco Settlement Funds disbursements	November 2020	December 2020 through January 2021	February 2021	Reports issued - dated 2/25/2021
TTC	Agreed Upon Procedures over compliance	6/30/2019, 6/30/2020	Compliance with Government Code and Investment Policy	February 2021	April 2021	May 2021	Fieldwork in progress
TTC	Schedule of Assets	6/30/2020	Report on the Schedule of Assets	February 2021	March 2021	April 2021	Reports issued - dated 4/22/2021



March 29, 2021

To the Audit Oversight Committee,
Board of Supervisors, and
Frank Davies, Auditor-Controller
County of Orange, California

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, California (County), and the financial statements of the County of Orange Redevelopment Successor Agency, OC Waste & Recycling and John Wayne Airport as of and for the year ended June 30, 2020, and have issued our reports thereon dated as indicated below:

<u>Report</u>	<u>Audit Report Date</u>
County of Orange	December 22, 2020
County of Orange Redevelopment Successor Agency	December 16, 2020
OC Waste & Recycling	December 16, 2020
John Wayne Airport	December 21, 2020

We did not audit the financial statements of the Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima), which is included as a discretely presented component unit in the County's basic financial statements. Those financial statements were audited by other auditors as stated in our report on the County's basic financial statements. This communication does not include the results of the audit of CalOptima.

We did audit the Children and Families Commission of Orange County (CFCOC), which is included as a discretely presented component unit in the County's basic financial statements. Separately issued audit reports and communication were issued directly to the CFCOC. Accordingly, this communication does not include the results of the audit of CFCOC.

We have also provided our communication in accordance with professional standards on the audit of the financial statements in our letter dated December 22, 2020. Professional standards require that we advise you of the following matters relating to our audit of compliance under the Uniform Guidance.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*, and our Compliance Audit under the Uniform Guidance

As communicated in our letter dated May 12, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the County complied with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the County's major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards as it relates to the audit of the County's major federal program compliance, is to express an opinion on the compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, as a part of our major program compliance audit, we consider internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the County's internal control over compliance.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards dated December 22, 2020. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated March 29, 2021.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the County as it relates to the Single Audit are included in the notes to the Schedule of Expenditures of Federal Awards (SEFA). There have been no initial selection of accounting policies and no changes in significant accounting policies as it relates to the Single Audit. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates were disclosed in our letter dated December 22, 2020, and there are no changes as of March 29, 2021.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the County's financial statements were described in our letter dated December 22, 2020, and there are no changes as of March 29, 2021.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. We have previously communicated items in our letter dated December 22, 2020, and there are no changes as of March 29, 2021.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the County's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated as follow:

County of Orange	December 22, 2020
County of Orange Redevelopment Successor Agency	December 16, 2020
OC Waste & Recycling	December 16, 2020
John Wayne Airport	December 21, 2020

Additionally, we have requested certain written representations from management on the audit of compliance under the Uniform Guidance which are included in the management representation letter dated March 29, 2021.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the County, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the County's auditors.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the County's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

However, in accordance with such standards, we will review the information inputted into the data collection form and will consider whether such information, or the manner of its presentation, is materially consistent with the financial statements.

Group Audits

We have previously communicated our responsibility as it relates to the financial activity of the County's blended or fiduciary component units in our letter dated December 22, 2020, and there are no changes as of March 29, 2021.

This report is intended solely for the information and use of the Board of Supervisors, the Audit Oversight Committee, and management of the County and is not intended to be, and should not be, used by anyone other than these specified parties.



Laguna Hills, California



Memorandum

May 13, 2021

AOC Agenda Item No. 5

TO: Audit Oversight Committee Members

Recommended Action:

Approve Internal Audit Department's FY 2020-21 3rd Quarter Status Report and approve Executive Summary of Internal Audit Reports for the Quarter Ended March 31, 2021

Approve Internal Audit Department's reporting, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – Internal Audit Department Status Report Memo

Attachment B – Executive Summary of Internal Audit Reports

Attachment C – Quarterly Status Report



INTERNAL AUDIT DEPARTMENT

April 27, 2021

To: Audit Oversight Committee Members

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

Subject: Fiscal Year 2020-21 Internal Audit Department Status Report for the Quarter Ended March 31, 2021

Attached for your review and approval is Internal Audit's status report on audit activity for the quarter ended March 31, 2021. Specifically, Attachment B is our "Executive Summary of Internal Audit Reports," which provides a summary of audits and follow-up audits conducted during the reporting period with a breakdown of the finding category (i.e., critical, significant, control). Attachment C is our "Quarterly Status Report," which is a listing of all audits scheduled for the year, along with the budgeted hours, actual hours, variance between budget and actual, and milestone comments for each audit.

For the quarter ending March 31, 2021, Internal Audit issued nine final reports (three original reports and six follow-up reports) and four draft/pre-draft reports. The three original audits included no Critical Control Weaknesses, two Significant Control Weaknesses, and six Control Findings.

If you have any questions, please contact me at 714.834.5442, or Assistant Director Scott Suzuki at 714.834.5509.

INTERNAL AUDIT DEPARTMENT
EXECUTIVE SUMMARY – FINDING TYPE CLASSIFICATION
FOR THE QUARTER ENDED MARCH 31, 2021

CATEGORY	ISSUED THIS PERIOD	ISSUED FOR FY 2020-21
Critical Control Weaknesses 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.	0	3
Significant Control Weaknesses 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.	2	14
Control Findings These are audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.	6	40
TOTAL	8	57



EXECUTIVE SUMMARY
INTERNAL AUDIT REPORTS
FOR THE QUARTER ENDED MARCH 31, 2021

COUNTY EXECUTIVE OFFICE/OC INFORMATION TECHNOLOGY

1. Internal Control Audit: OC Information Technology Contract Administration over Science Applications International Corporation for Data Center Services

Audit No. 1624 dated February 22, 2021 for the seven-months ended August 31, 2020

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Assess internal control over OCIT's contract administration of the County's Data Center contract with SAIC to ensure: a. Contract amendments were properly processed. b. County policies listed in the contract were properly reviewed and approved. c. Service Level Requirements (SLR) reviews were properly conducted and penalties properly assessed.	<ul style="list-style-type: none"> Contract amendments were properly processed. OCIT policies listed in the contract were properly reviewed and approved. Service Level Requirements (SLR) reviews were properly conducted and penalties properly assessed. 	None	0
2. Review the contract administration process for efficiency.	The contract administration process is generally efficient.		

OC PUBLIC WORKS

2. Internal Control Audit: OC Public Works Toll Road & Transponder Usage for County Vehicles

Audit No. 2022 dated March 31, 2021 for the year ended August 15, 2020

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Evaluate the effectiveness of internal control over the toll road and transponder usage process for County vehicles to ensure compliance with County policy.	Internal control over the toll road and transponder usage for County vehicles program should be improved to ensure compliance with County policy.	Two (2) Significant Control Weaknesses 1. The process for reviewing toll road charge propriety does not ensure all toll road charges are reviewed and no reconciliation of transactional data to County vehicles is conducted. 2. License plates and transponders were not removed from toll road accounts in a timely manner when County vehicles were removed from service.	2
2. Review the toll road and transponder usage process for efficiency.	OCPW's toll road and transponder usage for County vehicles program could be more efficient.		



OC SHERIFF-CORONER**3. Internal Control Audit: Sheriff-Coroner Purchasing & Contracts**

Audit No. 1912 dated February 1, 2021 for the year ended September 30, 2019

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Evaluate the effectiveness of internal control over the purchasing and contracting process to ensure requisitions and purchase of goods are executed in accordance with management's directives; adequately supported and properly authorized; and properly recorded.	Internal control over the purchasing and contracts process was generally effective to ensure requisitions and purchase of goods and services are executed in accordance with management's directives; adequately supported; and properly authorized and recorded.	None	4
2. Review the purchasing process for efficiency.	The purchasing process is generally efficient.		



EXECUTIVE SUMMARY
INTERNAL AUDIT FOLLOW-UP REPORTS
FOR THE QUARTER ENDED MARCH 31, 2021

COUNTY EXECUTIVE OFFICE/OC INFORMATION TECHNOLOGY

4. Second Follow-Up Information Technology Audit: County Executive Office/OC Information

Technology General Controls

Audit No. 1949-F (Reference 1644-F2) dated March 11, 2021 as of February 29, 2020; original audit dated April 10, 2018

ORIGINAL AUDIT – 31 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
<p style="text-align: center;">14</p> <p>Six (6) Critical Control Weaknesses Due to the sensitive nature of the findings, details have been redacted from this report.</p> <p>Eight (8) Significant Control Weakness Due to the sensitive nature of the findings, details have been redacted from this report for two of the eight Significant Control Weaknesses. The remaining six are as follows:</p> <ol style="list-style-type: none"> 1. Change request risk assessment not consistently completed. 2. Shared Services change management tool lacked critical information. 3. Shared Services lacks service level agreements/requirements with client departments 4. Cybersecurity Framework not fully implemented 5. Security risks from lack of Countywide IT security authority 6. Lack of comprehensive IT risk management framework 	17	28	3	<p>Recommendation No. 4 (Critical Control Weakness). Due to the sensitive nature of the finding, details have been redacted from this report.</p> <p>Recommendation No. 9 (Control Finding). OCIT has indicated they are in the process of deploying Microsoft Identity Management (MIM) software, which is designed to provide more effective end-to-end management of network user account lifecycles.</p> <p>Recommendation No. 11 (Control Finding). OCIT has indicated they are in the process of deploying Microsoft Identity Management (MIM) software, which is designed to provide more effective end-to-end management of network user account lifecycles.</p>



HEALTH CARE AGENCY/PUBLIC GUARDIAN**5. Second & Final Close-Out Follow-Up Internal Control Audit: Health Care Agency Payroll**

Audit No. 2039-N (Reference 1812-F2) dated January 14, 2021 as of December 10, 2020; original audit dated June 18, 2019

ORIGINAL AUDIT – 3 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
None	3	3	0	NA

6. First & Final Close-Out Follow-Up Internal Control Audit: Health Care Agency Purchasing

Audit No. 1939-J (Reference 1819-F1) dated January 28, 2021 as of October 31, 2020; original audit dated March 23, 2020

ORIGINAL AUDIT – 2 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
None	2	2	0	NA

7. First & Final Close-Out Follow-Up Internal Control Audit: Health Care Agency Fee-Generated Revenue

Audit No. 2039-H (Reference 1915-F1) dated March 8, 2021 as of November 30, 2020; original audit dated March 23, 2020

ORIGINAL AUDIT – 2 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
None	2	2	0	NA

OC PUBLIC WORKS**8. Second & Final Close-Out Follow-Up Internal Control Audit: OC Public Works Billing of Public Works Services to County Departments**

Audit No. 2039-M (Reference 1734-F2) dated March 3, 2021 as of January 31, 2021; original audit dated September 19, 2019

ORIGINAL AUDIT – 3 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
None	3	3	0	NA



PROBATION DEPARTMENT

9. First Follow-Up Internal Control Audit: Probation Department Cal-Cards

Audit No. 1939-M (Reference 1822-F1) dated January 20, 2021 as of October 31, 2020; original audit dated March 24, 2020

ORIGINAL AUDIT – 3 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
0	3	0	3	<p>Recommendation No. 1 (Control Finding). Probation has drafted written internal policy and procedures (P&Ps) that are being reviewed by various department members to ensure accuracy and completeness. The P&Ps are estimated for completion by the end of Fiscal Year 2020-21. Probation also plans to provide training for all Cal-Card users after the P&Ps are finalized.</p> <p>Recommendation No. 2 (Control Finding). Probation has drafted written internal policy and procedures (P&Ps) that are being reviewed by various department members to ensure accuracy and completeness. The policy makes clear the appropriate use for both Cal-Card types. The P&Ps are estimated for completion by the end of Fiscal Year 2020-21. Probation continues to provide staff with procurement training and updates. The department intends to host an updated training for all Cal-Card users after the P&Ps are finalized.</p> <p>Recommendation No. 3 (Control Finding). Probation is in the process of validating the workflow through the OC Expediter training environment and revising department policy and developing procedures for the implementation of electronic travel requisitions in OC Expediter. Once the policy and procedures are complete, Probation will add users to the workflow and provide necessary staff training. The anticipated completion is the end of Fiscal Year 2020-21.</p>



EXECUTIVE SUMMARY
APPENDIX A: DRAFT REPORTS
FOR THE QUARTER ENDED MARCH 31, 2021

The following pre-draft/draft reports were issued during the reporting period:

1. **Internal Control Audit: OC Information Technology Contract Administration over Science Applications International Corporation for Data Center Services**, Audit No. 1624 (note, the final report was issued in the same quarter)
2. **Internal Control Audit: Public Defender Revolving Funds**, Audit No. 2017
3. **Information Technology Audit: District Attorney-Public Administrator Cybersecurity**, Audit No. 2041
4. **First Follow-Up Information Technology Audit: Social Services Agency**, Audit No. 1949-E





Internal Audit Department
3rd Quarter Status Report for the Audit Oversight Committee
For the Quarter Ended 3/31/21
AOC Meeting Date: May 13, 2021

Audit Category and Name ^{1,2,3}	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan										Est Remain	Budget Variance	FU Due	FU Number	Milestones & Comments ⁴
				Total Budget	Actuals To Date	Budget	Changes	Revised Budget	Actuals to Date Per Quarter				Total							
Internal Control Audits (ICA)																				
OCIT Contract Administration (FY 2017-18 carryover)	1624	3/28/20	2/22/21	500	516	200	55	255	167	92	16		275	0	20	NA	NA	Completed. Final report issued 2/22/21		
SSA Fiduciary Funds (FY 2018-19 carryover)	1823	7/29/20		690	681	300	250	550	156	229	161		546	20	16			In process		
OCPW Purchasing & Contracts (FY 2019-20 carryover)	1911	12/03/19	10/21/20	530	533	80		80	79	3	0		82	0	2	4/30/20	2039-D	Completed. Final report issued 10/21/20		
OCSD Purchasing & Contracts (FY 2019-20 carryover)	1912	10/08/19	2/1/21	610	631	80	130	210	199	22	6		227	0	17	8/31/21	2139-B	Completed. Final report issued 2/1/21		
HCA/PG CIMS (Department Request)	1914	11/20/19		620	424	120	200	320	23	72	30		125	195	0			In process		
T-TC Accounts Receivable Controls (1729)	2011	9/24/20				400		400	66	168	78		312	88	0			In process		
CEO Cash Disbursements & Payables	2012	9/03/20				400		400	61	67	15		143	257	0			In process		
JWA Cash Disbursements & Payables	2013					0		0	0	0	0		0		0			Deferred until FY 2021-22		
OCCR Cash Disbursements & Payables	2014	9/24/20				400	150	550	133	260	206		599	40	89			In process		
OCCR/OC Parks/OC Dana Point Harbor Purchasing & Contracts	2015					400	(400)	0	0	0	0		0		0			Deferred until FY 2021-22		
SSA Purchasing & Contracts	2016	9/09/20				400	100	500	52	160	219		431	80	11			In process		
PD Revolving Funds	2017	9/03/20				400	150	550	121	293	132		546	10	6			Draft report issued 3/11/21		
CEO Fiduciary & Special Revenue Funds	2018					400	(393)	7	0	0	7		7	0	0			Deferred until FY 2021-22		
OCPW Fiduciary & Special Revenue Funds	2019	12/30/20				400	100	500	0	82	267		349	151	0			In process		
CEO Contract Policy Manual Review	2020					200	(186)	14	11	2	0		13	0	(1)			To be cancelled		
OCPW Design & Construction Procurement Manual Review	2021					200	(186)	14	6	8	0		14	0	0			To be cancelled		
OCPW Toll Road and Transponder Usage for County Vehicles Compliance	2022	7/08/20	3/31/21			400	150	550	356	226	19		601	0	51	9/30/21	2139-D	Completed. Final report issued 3/31/21		
COVID Advisory (1920)	2023	4/21/20				400	(200)	200	0	0	0		0	200	0	NA	NA	In process		
Follow-Up Audits (FY 2019-20 carryover)								280		173	80	7		260	0	(20)				
OCIT Capital Assets (1732)	1939-D	7/23/20	10/16/20													NA	NA	Completed. Final close-out report issued 10/16/20		
A-C Claims (1811)	1939-F	7/31/20	9/3/20													3/31/21	2039-Q	Completed. Final report issued 9/3/20		
OCCR/Animal Care Cash Receipts (1815)	1939-I	6/12/20	12/18/20													4/30/20	2039-O	Completed. Final report issued 12/18/20		
HCA Contracts & Procurement (1819)	1939-J	11/17/20	1/28/21													NA	NA	Completed. Final close-out report issued 1/28/21		
Probation P-Card (1822)	1939-M	11/18/20	1/20/21													7/31/21	2139-N	Completed. Final report issued 1/20/21		
CEO/Real Estate Procurement/Contract Administration (1730/1939-C)	1939-S	7/13/20	7/28/20													NA	NA	Completed. Final close-out report issued 7/28/20		
First Follow-Up Audits						894	(277)	617		37	162		199	200	(218)					
OCIT Procurement/Contract Administration (1624)	2039-A	NA	NA													NA	NA	Cancelled; 1624 contained no recommendations		
A-C Fiduciary (1818)	2039-B	3/02/21																In process		
SSA Fiduciary (1823)	2039-C																	Not started; renumbered 2139-A		
OCSD Purchasing & Contracts (1911)	2039-D																	Not started; follow-up due 4/30/21		
OCSD Purchasing & Contracts (1912)	2039-E																	Not started; renumbered 2139-B		
OCDA Revolving Fund (1913)	2039-F	3/26/21																In process		
HCA Department Request (1914)	2039-G																	Not started; renumbered 2139-C		
HCA FGR (1915)	2039-H	11/18/20	3/8/21													NA	NA	Completed. Final close-out report issued 3/8/21		
OCPW Payroll (1916)	2039-I	NA	NA													NA	NA	Cancelled; 1916 contained no recommendations		
OCSD Revolving Cash Fund (1917)	2039-J																	Not started; follow-up due 4/30/21		
OCSD Cash Receipts (1918)	2039-K	3/26/21																In process		
C-R Department Request (1919)	2039-L	3/26/21																In process		
Second Follow-Up Audits																				
OCPW Billing of Public Works Services to County Departments (1734/1939-E)	2039-M	1/14/21	3/3/21													NA	NA	Completed. Final close-out report issued 3/3/21		
HCA Payroll (1812/1939-G)	2039-N	12/15/20	1/14/21													NA	NA	Completed. Final close-out report issued 1/14/21		
OCCR/Animal Care Cash Receipts (1815/1939-I)	2039-O																	Not started; follow-up due 6/30/21		
OCWR Fee Generated Revenue (1821/1939-K)	2039-P	3/26/21																In process		
A-C Claims (1811/1939-F)	2039-Q																	Not started		
Summary Close-Out						0	132	132	130	6	0		136	0	4			Completed. Final reports issued for 1818, 1913, 1917, 1918, 1919, 1839-P, 1939-G, 1939-K, 1939-L		
Total Internal Control Audits						6,354	(225)	6,129	1,733	1,807	1,325	0	4,865	1,241	(23)					
Mandated & Financial Audits (MFA)																				
Tax Redemption Officer	2024	9/21/20				0	480	480	101	113	128		342	138	0			In process		
Total Mandated & Financial Audits						0	480	480	101	113	128	0	342	138	0					
Contract Compliance Audits (CCA)																				
OCWR Franchise Contract	2071	2/17/21				0	200	200			41		41	159	0			In process		
Total Contract Compliance Audits						0	200	200	0	0	41	0	41	159	0					
Business Process Improvement (BPI)																				
General	2061	NA	NA			315	(297)	18	6	6	6		18	0	0	NA	NA	No additional work/training scheduled this FY		
Total Business Process Improvement						315	(297)	18	6	6	6	0	18	0	0					



Internal Audit Department
3rd Quarter Status Report for the Audit Oversight Committee
For the Quarter Ended 3/31/21
AOC Meeting Date: May 13, 2021

Audit Category and Name ^{1,2,3}	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan										FU Due	FU Number	Milestones & Comments ⁴	
				Total Budget	Actuals To Date	Budget	Changes	Revised Budget	Actuals to Date Per Quarter				Total	Est Remain	Budget Variance				
Information Technology Audits (IT)																			
TTC SunGard/Quantum upgrade (Department Request) (FY 2017-18 carryover)	1647	6/12/17			350	370	50	40	90	25	25	19		69	21	0		In process	
PTS System Implementation (FY 2017-18 carryover)	1754	7/01/18			45	50	50	(30)	20	2	2	7		11	9	0		In process	
HCA Cybersecurity (FY 2019-20 carryover)	1943						400		400	0	0	0		0	400	0		Not started	
COB Cybersecurity (FY 2019-20 carryover)	1944	NA	NA				400	(400)	0	0	0	0		0	0	0	NA	NA	Cancelled
OCDA Cybersecurity	2041	8/03/20					400	190	590	254	257	148		659	20	89		Pre-draft issued 3/1/21	
ROV Cybersecurity	2042						0		0	0	0	0		0	0	0		Deferred until FY 2021-22	
Probation Cybersecurity	2043						0		0	0	0	0		0	0	0		Deferred until FY 2021-22	
County Counsel Cybersecurity	2044	2/19/21					0	200	200	0	0	74		74	126	0		In process	
CEO/HRS Data Portal Access	2045						0		0	0	0	0		0	0	0		Deferred until FY 2021-22	
(A-C) CAPS+ Application Security	2046						400	(400)	0	0	0	0		0	0	0		Deferred until FY 2021-22	
Countywide Cybersecurity Advisory	2047	7/01/20					50	70	120	32	27	33		92	28	0		In process	
A-C Workforce/VTI Replacement	2048	6/12/20					50	(20)	30	12	8	3		23	8	1		In process	
Follow-Up Audits (FY 2019-20 carryover)																			
OCSD ITGC (1845)	1949-D	7/08/20	12/31/20				280	375	655	282	247	114		643	10	(2)	6/30/21	2059-H	Completed. Final report issued 12/31/20
SSA ITGC (1846)	1949-E	7/08/20																	Draft report issued 1/21/21
OCIT (1644/1748-A)	1949-F	2/03/20	3/11/21														TBA	TBA	Completed. Final report issued 3/11/21
First Follow-Up Audits:																			
JWA ITGC (1941)	2059-A						565	(245)	320	0	14	174		188	130	(2)			
PD Cybersecurity (1942)	2059-B																		Not started; follow-up due 6/30/21
COB Cybersecurity (1944)	2059-C	NA	NA														NA	NA	Not started; follow-up due 6/30/21
HCA Cybersecurity (1943)	2059-D																		Cancelled
Assessor ITGC (1844)	2059-E																		Not started; renumbered 2159-A
Second Follow-Up Audits																			
A-C ITGC (1741/1949-A)	2059-F	1/07/21																	Not started
C-R Department Request (1840/1949-B)	2059-G	NA	NA														NA	NA	Not started; follow-up due 6/30/21
OCSD ITGC (1845/1949-D)	2059-H																		Not started
Summary Close-Out																			
							0	200	200	119	100	0	0	219	0	19	Completed. Final reports issued for 1941, 1942		
Total Information Technology Audits							2,645	(20)	2,625	726	680	572	0	1,978	752	105			
Total Audits Before Other Activities & Administration							9,314	(62)	9,452	2,566	2,606	2,072	0	7,244	2,290	82			
Other Activities & Administration																			
Annual Risk Assessment & Audit Plan	2001						300	160	460	0	8	388		396	80	16			In process
Cash Losses	2002						100	(80)	20	0	0	0		0	20	0			In process; no referrals received for Q3
External Audit Reporting	2004						200	(20)	180	50	46	40		136	40	(4)			In process; Q3 reporting completed
On-Demand Department Advisory Services	2005						100	170	270	0	0	27		27	240	(3)			In process (1 project)
Annual Report	2006						100	(80)	20	0	0	0		0	20	0			Not started
Board & AOC Services	2007						100	880	980	501	285	119		905	80	5			In process; Q3 reporting completed; Q1 admin svc vacancy
Special Projects	2008						700	80	780	223	58	337		618	160	(2)			In process (2 projects); Ransomware (1908-F) issued 9/08/20
CWCAP	2009						100		100	100	0	0		100	0	0			Completed. Submitted to A-C
Total Other Activities & Administration							1,700	1,110	2,810	874	397	911	0	2,182	640	12			
Reserve for Board Directives/Contingency							1,658	(1,620)	38	0	0	0		0	38	0			
Total Budget							12,672	(572)	12,300	3,440	3,003	2,983	0	9,426	2,968	94			
Footnote 5																			
Productive Time Diverted to Administrative Services (in addition to 2007)											257	105	85						



Memorandum

May 13, 2021

AOC Agenda Item No. 6

TO: Audit Oversight Committee Members

Recommended Action:

Approve the Internal Audit Department's Annual Risk Assessment & Audit Plan for FY 2021-22

The Internal Audit Department is pleased to present the Annual Risk Assessment & Audit Plan for FY 2021-22. This comprehensive report details our risk-based plan for audits in FY 2021-22.

Per the County of Orange Audit Oversight Committee Bylaws, the AOC shall review and approve the risk assessment and internal audit plan. If approved by the AOC, the Risk Assessment & Audit Plan will be presented to the Board of Supervisors at the June 22, 2021 meeting.

ATTACHMENT(S):

Attachment A – Annual Risk Assessment & Audit Plan for Fiscal Year 2021-22



INTERNAL AUDIT DEPARTMENT



INTERNAL AUDIT

**Annual Risk Assessment & Audit Plan
For Fiscal Year 2021-22**

**Audit No. 2001
Report Date: April 27, 2021**

OC Board of Supervisors

CHAIRMAN ANDREW DO
1st DISTRICT

VICE CHAIRMAN DOUG CHAFFEE
4th DISTRICT

SUPERVISOR KATRINA FOLEY
2nd DISTRICT

SUPERVISOR DONALD P. WAGNER
3rd DISTRICT

SUPERVISOR LISA A. BARTLETT
5th DISTRICT



INTERNAL AUDIT DEPARTMENT

Audit No. 2001

April 27, 2021

To: Audit Oversight Committee Members

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

Subject: Annual Risk Assessment & Audit Plan for Fiscal Year 2021-22

Attached for your review and approval is our Fiscal Year 2021-22 Annual Risk Assessment and Audit Plan. On an annual basis, we perform a Countywide Risk Assessment that we use to develop our Audit Plan. The Risk Assessment, coupled with the Audit Plan, delivers a systematic approach for evaluating the effectiveness of internal controls and the efficiency of County business operations. For Fiscal Year 2021-22, we identified a total of 24 high-risk or high-priority areas in 10 County departments as follows:

DEPARTMENT	NUMBER OF HIGH-RISK (HR)/ HIGH-PRIORITY (HP) AREAS	AUDIT AREA
1. Auditor-Controller	2	Revolving Funds (HR)
		Information Technology (HR)
2. Clerk-Recorder	1	Information Technology (HR) (time permitting)
3. County Executive Office	7	Cash Disbursements & Payables (HR)
		Fiduciary & Special Revenue Funds (HR)
		Payroll (HR)
		Remote Access Security (HR)
		HRS Data Portal (HP)
		California Data Privacy Act (HR) (time permitting)
		Third-Party IT Security (HR) (time permitting)
4. Health Care Agency/ Public Guardian	2	Revolving Funds (HR)
		Information Technology (HR)

Internal Audit Department Mission

Our mission is to provide highly reliable, independent, objective evaluations, and business and financial consulting services to the Board of Supervisors and County management to assist them with their important business and financial decisions.

DEPARTMENT	NUMBER OF HIGH-RISK/ HIGH-PRIORITY AREAS	AUDIT AREA
5. John Wayne Airport	4	Purchasing & Contracts (HR)
		Cash Receipts & Accounts Receivable (HR)
		Cash Disbursements & Payables (HP)
		Payroll (HP) (time permitting)
6. OC Community Resources	4	Fee-Generated Revenue (HR)
		Purchasing & Contracts (HR)
		Revolving Funds (HR) (time permitting)
		Contract Compliance (HP)
7. OC Waste & Recycling	1	Cash Receipts/Credit Card Processing (HP) (time permitting)
8. Probation	1	Information Technology (HR)
9. Registrar of Voters	1	Information Technology (HR)
10. Treasurer-Tax Collector	1	Revolving Funds (HR)
TOTAL HIGH-RISK/HIGH-PRIORITY AREAS	24	

Due to limited staffing resources, our Audit Plan only includes audits addressing 18 of the 24 high-risk or high-priority areas. If hours become available in Fiscal Year 2021-22, we will incorporate the remaining four high-risk areas and two other high priority/department-requested (time permitting) audits into the Audit Plan. The remaining high-risk and time permitting audits that have not been incorporated by the end of Fiscal Year 2021-22, will be included in our Fiscal Year 2022-23 Audit Plan.

We look forward to a successful year of providing professional, reliable, and objective audit and advisory services to the Board of Supervisors, County Executive Office, and County departments. If you have any questions, please contact me at 714.834.5442 or Assistant Director Scott Suzuki at 714.834.5509.

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Annual Risk Assessment & Audit Plan For Fiscal Year 2021-22 Audit No. 2001

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INTERNAL AUDIT DEPARTMENT

EXECUTIVE SUMMARY

INTRODUCTION

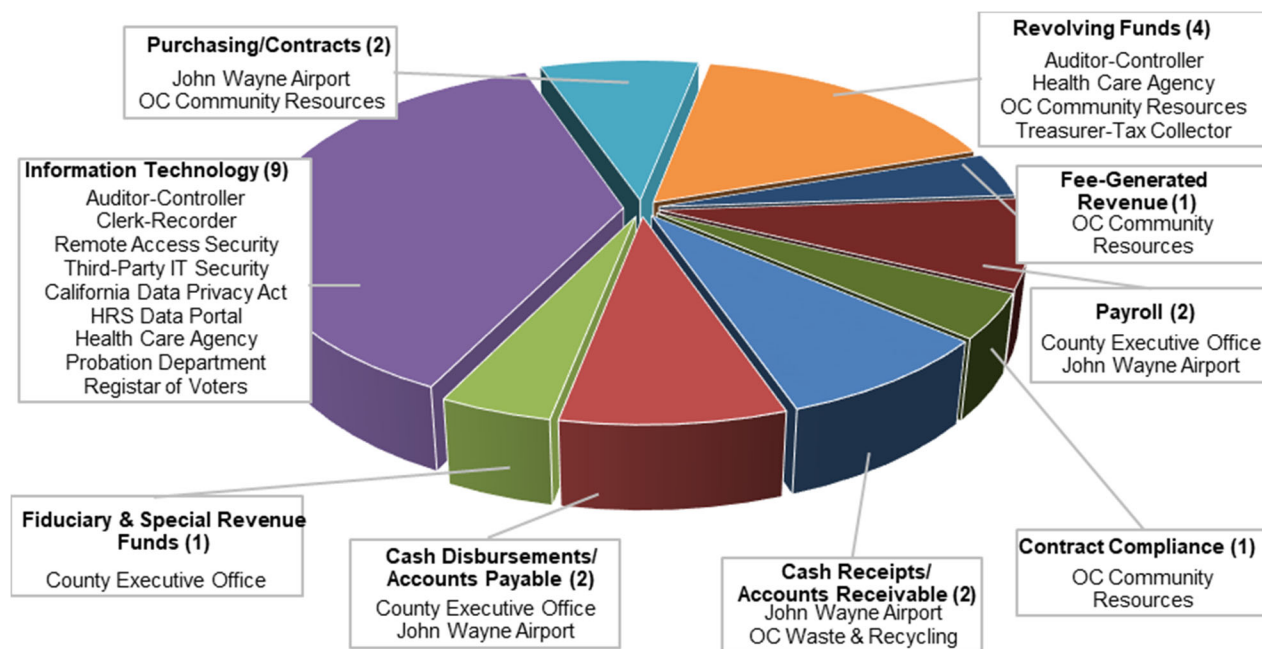
The mission of the Internal Audit Department is to provide highly reliable, independent, objective evaluations, and business and financial consulting services to the Board of Supervisors (Board) and County management to assist them with their important business and financial decisions.

We support and assist the Board and County management in the realization of their business goals and objectives. Our contribution to this effort is testing and reporting on the effectiveness of their internal control systems and processes as these relate to safeguarding the County's assets and resources, reasonable and prudent financial stewardship, accurate recording and reporting, and achieving the County's goals and objectives.

The Internal Audit Department utilizes professional standards for the development of the Audit Plan. The Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing require the chief audit executive to establish a risk-based approach to determine the priorities for internal audit activities. Our methodology is to perform focused audits that address the most critical areas of operations and to provide a quick turnaround time to the department. We strive to minimize the disruption to department operations through this approach.

We completed a risk assessment to identify and measure risk and prioritize potential audits for the Audit Plan. We are committed to auditing business activities/processes identified: (1) as high risk by our risk assessment process or (2) high priority by Board, CEO, or department head request. Our approach is to provide coverage of the most critical and sensitive aspects of the activity identified. We may make exceptions to this approach when there are carryover audits from the prior year, where there has been recent audit coverage, or if our professional judgment determines otherwise.

Our Fiscal Year 2021-22 Risk Assessment identified 24 high-risk or high-priority areas in 10 County departments as illustrated in the chart below.



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RESULTS

Our Fiscal Year 2021-22 Audit Plan includes 18 scheduled audits, nine of which are new audits and nine (seven high risk + two high-priority department requests) are carried over from Fiscal Year 2020-21.

8 NEW HIGH-RISK AUDITS SCHEDULED	+	7 CARRYOVER HIGH-RISK AUDITS SCHEDULED	+	1 NEW HIGH- PRIORITY AUDITS SCHEDULED	+	2 CARRYOVER HIGH-PRIORITY REQUEST SCHEDULED	=	18 AUDITS SCHEDULED
4 TIME PERMITTING HIGH-RISK AUDITS			+	2 TIME PERMITTING DEPARTMENT REQUESTED			=	6 TIME PERMITTING AUDITS
19 HIGH-RISK AUDITS			+	5 HIGH-PRIORITY OR DEPARTMENT REQUESTED AUDITS			=	24 TOTAL AUDITS IN PLAN

Due to limited staffing resources, our Audit Plan only includes audits addressing 18 of the 24 high-risk or high-priority areas. There are nine carryover audits, three were time permitting audits we did not get to, two were department requested delays due to COVID-19, two were due to reduced staffing resources available due to a leave-of-absence, one was due to a department request over timing issues, and one was due to our professional judgement. If hours become available in Fiscal Year 2021-22, we will incorporate the remaining four high-risk areas and the two time permitting department-requested audits into the Audit Plan. Any audits that have not been incorporated by the end of Fiscal Year 2021-22 will be included in our Fiscal Year 2022-23 Audit Plan.

RISK ASSESSMENT

GENERAL RISK ASSESSMENT

The Internal Audit Department performed a general risk assessment that included discussion with members of the Board, the County Executive Office, and department executive management regarding risks affecting them. We distributed risk assessment questionnaires for input on risks and areas of audit interest in department business operations. We ranked and tabulated the results to develop a risk-based Audit Plan. Because of limited staffing resources, we evaluated all audit requests based on our risk assessment criteria. Special request audits from the Board and department heads were considered for inclusion in the Audit Plan.

We designed our risk-based Audit Plan to address what we considered to be the highest priority areas, while limiting the scope of work to what could realistically be accomplished with available staff resources. Our risk ratings were based on current information that fluctuates frequently given the nature, diversity, size, and impact of County operations on the public.



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A department with a high-risk score indicates the services or functions it is responsible for are a high-risk activity because of factors such as having a large amount of expenditures and/or revenues, having a high level of liquid assets such as cash, management's assessment of the control environment, or a high degree of public interest. A high-risk score indicates that if something were to go wrong, it could have a greater impact. A high-risk score does not mean that a business process is being managed ineffectively or that internal control is not adequate.

INFORMATION TECHNOLOGY RISK ASSESSMENT

Due to the complexities and widespread use of information technology throughout County operations, a separate IT risk assessment was performed to augment the general risk assessment. The IT risk assessment was conducted with a comprehensive IT survey. We distributed the survey for input on risks and areas of IT audit interest in departments' business operations and summarized the results. A risk-ranking value was assigned to each department to illustrate each risk indicator.

A department with a high-risk score indicates the services or functions it is responsible for are a high-risk activity because of factors such as departments maintaining and managing systems that process sensitive information, contract with third party vendors, on-site server rooms that host critical systems, large number of privileged user access, and/or remote access users as a result of COVID-19.

As with the general risk assessment, a high-risk score indicates that if something were to go wrong, it could have a greater impact. A high-risk score does not mean that an IT process is being managed ineffectively or that internal control is not adequate. The survey allowed an increased understanding of the department's IT environment. The result was a comprehensive and prioritized risk-based heat map of IT risks for development of the IT component of our Audit Plan.

FY 2021-22 AUDIT PLAN

Our Audit Plan is based on 12,460 productive hours to be provided by seven audit professionals and two supervising audit managers. Audit hours for the director of Internal Audit and assistant director are not included in the above total, and time for the audit managers is adjusted to allow for administrative duties. Some audits we identified as high risk are listed on the Audit Plan as "time permitting" audits. If hours become available, we will begin performing those audits. Otherwise, these audit areas will remain as high risk (unless on-going risk assessment dictates otherwise) and will be included in next year's Audit Plan.

Our Audit Plan is submitted, reviewed, and approved by the Audit Oversight Committee prior to the beginning of each fiscal year. Our audit services are focused on improving internal control in standard business processes/cycles common to all departments with our primary emphasis on financial accounts and transactions. Examples of audits in our Audit Plan include Internal Control Audits and Information Technology Audits. Please see the table below for a description of these primary service areas, related objectives, and hours allocated to the service area.



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SERVICE	OBJECTIVE	HOURS	%
Internal Control Audits	Review effectiveness and efficiency of departmental operations including the safeguarding of assets, reporting (internal and external, financial and non-financial), and compliance with laws, regulations, and procedures as related to the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework.	5,274	42%
Information Technology Audits	Review IT controls such as general controls over computer operations, access to programs and data, disaster recovery/business continuity, program development, program changes, and provide advisory services for system implementations.	3,340	27%
Business Process Improvement	Conduct facilitated workshops utilizing a balanced approach to discuss strengths, concerns and what the team can do to improve business processes. The process draws upon the expertise of employees and managers and encourages a team approach to identifying issues and problem solving.	200	2%
Contract Compliance Audits	Audit the records of businesses with leases at John Wayne Airport, OC Community Resources, and OC Public Works to ensure the correct amount of rent is paid to the County based on a percentage of gross revenue, and that internal controls are adequate to ensure the integrity of records used to report gross revenues.	280	2%
Board Requests & Contingency Reserve	Hours reserved for special request audits from the Board, position vacancies, and other unforeseen events.	1,826	15%
Other Activities & Administration	Investigate cash losses; provide advisory services and technical assistance to departments on business, accounting, internal control, compliance, and policy and procedural issues; perform the annual risk assessment; compile and present External Audit Activity Reports to the AOC; compile and present oversight reporting to the AOC and Board; complete special projects.	1,540	12%
TOTALS		12,460	100%

For each engagement in the Audit Plan, we have listed the department, preliminary audit objectives, and estimated hours to complete the audit. Please refer to Appendix A for more details on the Audit Plan methodology.

The Audit Plan is subject to change for such events where the director of the Internal Audit Department, or Board majority assesses it is warranted to substitute, postpone, or cancel a scheduled audit due to timing, priority, resources, and/or other risk considerations. Such modifications will be noted in the Quarterly Status Reports submitted to the AOC. The acceptance of the Quarterly Status Report by the AOC authorizes any changes noted.



INTERNAL AUDIT DEPARTMENT

AUDIT	PRELIMINARY AUDIT OBJECTIVES	HOURS
High-Risk Audits		
Internal Control Audits		Supervising Audit Manager: Michael Dean, Senior Audit Manager
1. CEO Cash Disbursements & Payables (2012) Carryover from FY 2020-21	To assess internal control over cash disbursements and accounts payable to ensure payments are properly reviewed and authorized, valid, supported, timely; and are compliant with County policy.	220
2. OCCR Fee-Generated Revenue	To assess internal control over fee studies and fee development processes for establishing cost-recovery fees charged to the public.	480
3. JWA Purchasing & Contracts	To assess procurement processes (other than human services) to ensure compliance with the Contract Policy Manual.	480
4. OCCR/OC Parks/OC Dana Point Harbor Purchasing & Contracts (2015) Carryover from FY 2020-21	To assess contractor compliance with the Dana Point Master Lease (Public Private Partnership) and efficiency of the lease administration by OCCR.	480
5. A-C Revolving Funds 6. HCA/PG Revolving Funds 7. T-TC Revolving Funds	To assess internal control over revolving fund expenditures to ensure they are proper and in compliance with County and departmental policy.	1,080
8. CEO Payroll	To assess internal control over payroll processing to ensure payroll is accurate, authorized, reviewed, and duties are properly segregated.	360
9. CEO Fiduciary Funds & Special Revenue Funds (2018) Carryover from FY 2020-21	To assess internal control over fiduciary or special revenue funds to ensure sources and uses of funds are proper and in compliance with County and departmental policy, procedures, and laws.	480
10. JWA Cash Receipts & Receivables	To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records	440



INTERNAL AUDIT DEPARTMENT

AUDIT	PRELIMINARY AUDIT OBJECTIVES	HOURS
High-Risk Audits (con't)		
Information Technology Audits		Supervising Audit Manager: Jimmy Nguyen, IT Audit Manager II
11. Health Care Agency Cybersecurity (1943) 12. ROV Cybersecurity (2042) 13. Probation Cybersecurity (2043) 14. Auditor-Controller CAPS+ Security (2046) Carryovers from FY 2019-20	To assess controls over the IT environment, e.g., computer operations, access to programs and data, program development, and program changes.	1,720
15. Remote Access	To assess IT controls over remote access.	360
The following high-risk engagements are time permitting audits and will be completed as audit resources become available:		
16. OCCR Revolving Funds Time Permitting Audit	To assess internal control over revolving fund expenditures to ensure they are proper and in compliance with County and departmental policy.	0
17. C-R Cybersecurity Time Permitting Audit	To assess controls over IT environment, e.g., computer operations, access to programs and data, program development, and program changes.	0
18. Third-Party IT Security Time Permitting Audit	To assess controls over IT environment for third-party vendors that directly assist with maintaining, managing, or supporting critical systems.	0
19. California Data Privacy Act Time Permitting Audit	To assess controls over countywide key business processes to ensure conformance to the California Data Privacy Act.	0
Total High-Risk Audits		6,100



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AUDIT	PRELIMINARY AUDIT OBJECTIVES	HOURS
High-Priority Department Requested Audits		
20. JWA Cash Disbursements & Payables (2013) Carryover from FY 2019-20	To assess internal control over cash disbursements and accounts payable to ensure payments are properly reviewed and authorized, valid, supported, timely; and are compliant with County policy.	440
21. HRS Data Portal Access (2045) Carryover from FY 2019-20	To assess selected information technology general controls over security management.	360
22. Ocean Institute Contract Compliance	To assess whether lessee records adequately support gross receipts reported to the county and compliance with lease terms.	280
Total High-Priority Department Requested Audits		1,080

Department Requested Audits		
23. JWA Payroll Time Permitting Audit	To assess internal control over payroll processing to ensure payroll is accurate, authorized, reviewed, and duties are properly segregated.	0
24. OCWR Credit Card Processing Time Permitting Audit	To assess internal control over credit card processing to ensure secure data processing, storage, and transmittal.	0
Total Department Requested Audits		0

Follow-Up Audits		
Follow-Up Internal Control Audits	Follow-up on management’s implementation of audit recommendations provided in prior audit reports.	813
Follow-Up Information Technology Audits		701
Total Follow-Up Audits		1,514



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AUDIT	PRELIMINARY AUDIT OBJECTIVES	HOURS
Advisory Engagements		
Business Process Improvement Workshops	Conduct facilitated workshops utilizing a balanced approach to discuss strengths, concerns and what the team can do to improve business processes.	200
VTI System Replacement (2048) Carryover from FY 2020-21	To advise on System Development Life Cycle (SDLC) internal control including project management, system functionality/integration testing, interfaces, data conversion, documentation & training, segregation of duties, and change management.	40
T-TC Quantum Upgrade (1647) Department Request Carryover from FY 2020-21	To advise on SDLC internal control including project management, system functionality/integration testing, interfaces, data conversion, documentation & training, segregation of duties, and change management.	40
Property Tax System Implementation (1754) Department Request Carryover from FY 2020-21	To advise on SDLC internal control including project management, system functionality/integration testing, interfaces, data conversion, documentation & training, segregation of duties, and change management.	40
Countywide Cybersecurity	Participate in Countywide Cybersecurity meetings related to various workgroups and committees.	80
Total Advisory Engagements		400

Other Activities & Administration	
Special Projects	500
Annual Risk Assessment & Audit Plan for Fiscal Year 2022-23	360
Board of Supervisors & Audit Oversight Committee Support	160
External Audit Reporting	200
On-Demand Department Advisory Services	80
Cash Loss Investigations	80



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Other Activities & Administration (con't)	
TeamMate+ Administration	80
Countywide Cost-Allocation Plan	80
Total Other Activities & Administration	1,540
Board-Requested Audits	580
Contingency Reserve	1,246
TOTAL HOURS	12,460

ACKNOWLEDGEMENT

We appreciate the courtesy extended to us by departments that completed our requested surveys and met with Internal Audit staff. The information provided by departments was instrumental in preparing our risk assessment.

PROJECT TEAM		
	Scott Suzuki, CPA, CIA, CISA, CFE	Assistant Director
	Michael Dean, CPA, CIA, CISA	Senior Audit Manager
	Jimmy Nguyen, CISA, CFE, CEH	IT Audit Manager II
	Scott Kim, CPA, CISA, CFE	IT Audit Manager I
	Gianne Morgan, CIA	Audit Manager
	Zan Zaman, CPA, CIA, CISA	Audit Manager
	Mari Elias, DPA	Administrative Services Manager



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APPENDIX A: AUDIT PLAN METHODOLOGY

1. DEFINE AUDIT UNIVERSE

There are several approaches to defining all the potential areas subject to risk assessment and audits, or the “audit universe”. We defined the County audit universe as 19 departments excluding Internal Audit, OC Ethics Commission, and Office of Independent Review.

We further defined our audit universe by eight standard business processes/cycles (see Table 1 below) including information technology common to all departments. This results in an audit universe consisting of 152 auditable business processes (19 departments, eight business processes/cycles).

Table 1. County Audit Universe

BUSINESS PROCESS/CYCLE (FINANCIAL ACTIVITY FOR FY 2019-20)	DESCRIPTION
1. Cash Receipts & Accounts Receivable \$16.6 Billion	Review controls over receipting, recording, transferring, depositing, safeguarding, and reconciling of monies received in departments.
2. Cash Disbursements & Payables \$6.1 Billion	Verifying receipt of goods and services, supervisory reviews and approvals adequacy, invoice processing timeliness, completeness and accuracy of payments, proper reconciliations, and safeguarding of assets.
3. Fee-Generated Revenue \$900 Million	Review department fee studies and fee-development processes, methodologies, and assumptions used for establishing cost-recovery fees charged to the public for “Licenses, Permits and Franchises,” and “Charges for Services,” and ensure they are submitted to the Board for approval.
4. Purchasing & Contracts \$1.6 Billion	County-issued purchasing cards, vendor payment review/approval processes, ensuring terms of contracts were met prior to issuing payments, reviewing justification of sole source contracts, and monitoring CPO’s oversight responsibilities.
5. Revolving Funds \$10.3 Million	Validating compliance with the County Accounting Manual, ensuring revolving cash fund disbursements are proper, approved, monitored, and safeguarded.
6. Payroll \$2.3 Billion	Review timekeeping practices, premium and overtime pay practices, payroll unit supervision and payroll reports, Central Payroll’s role in processing payroll, and monitoring for unauthorized payroll changes.
7. Fiduciary Funds & Special Revenue Funds \$1.8 Billion	Validating the purpose/objectives of fiduciary funds and special revenue funds, ensuring sources and uses of the funds are in accordance with County policy or laws and regulations, and reconciliations are prepared timely and completely to safeguard funds.
8. Information Technology (IT)	Review controls over IT and cybersecurity including general controls, application controls, system development, network security, and computer operations.



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2. APPLY WEIGHTED RISK FACTORS

Our Risk Assessment Schedule for FY 2021-22 (see Attachment B) shows the 152 auditable business processes and assigned risk ratings. We consider the following factors in assigning risk levels:

- Financial Activity (40%). Assessed department financial information for each auditable business process.
- Department Changes (15%). Assessed factors such as management and/or organizational changes, significant increases or decreases in staffing and workloads, new or eliminated programs, and significant changes in laws and regulations or IT.
- Operating Environment (15%). Assessed factors related to changes in the operating environment such as public image, laws and regulations, safety and environmental issues, sensitivity to economic factors, major crises, pending litigation, and business continuity.
- Last Audit Performed (30%). Identified all Internal Control Audits, Financial Audits & Mandates, and Information Technology Audits conducted in the last 10 years. Areas with no recent or prior audits are assessed higher risk (see Attachment C).

3. CATEGORIZE RESULTS

Using the above criteria and professional judgment, an overall risk is assigned to each auditable business process as High Risk, Moderate Risk, or Low Risk. The overall risk levels assigned determine the focus of our audit resources and audit priorities.

Risk levels for the 152 auditable business processes we identify in our Risk Assessment Schedule for FY 2021-22 (see Attachment B) are as follows:

- 17 (11%) are High Risk
- 119 (78%) are Moderate Risk
- 16 (11%) are Low Risk

Note, there are 19 high-risk audits in the 17 high-risk processes as the single CEO IT high-risk box represents three separate audits.

4. IDENTIFY ENGAGEMENTS AND ALLOCATE AVAILABLE RESOURCES

Our Audit Plan is based on 8,614 available audit hours (12,460 productive hours less 200 hours for business process improvement, 280 hours for contract compliance audits, 1,040 hours for other activities and administration, 580 hours for Board requested audits, 500 hours for special projects, and 1,246 hours for contingency reserve) to be provided by seven audit professionals and two supervising audit managers. We ensure the ratio of gross hours to available audit hours aligns with industry norms. The contingency reserve is for position vacancies and other unforeseen events.

We judgmentally select the highest risk audits we can realistically address with existing resources. Because of budget and staffing constraints, we evaluate all audit requests based on our risk assessment criteria. Audits that cannot be accommodated are noted for future consideration.



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Our follow-up audit process ensures that our audit recommendations are implemented satisfactorily. Our first follow-up audit generally begins about six months following the release of an audit report. If necessary, a second follow-up audit will generally be conducted about six months following the issuance of the first follow-up audit report.



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APPENDIX B: ACRONYMS

Acronym	Definition
A-C	Auditor-Controller
AOC	Audit Oversight Committee
C-R	Clerk-Recorder
CEO	County Executive Office
CPO	County Procurement Office
HCA	Health Care Agency/Public Guardian
JWA	John Wayne Airport
OCCR	OC Community Resources
OCWR	OC Waste & Recycling
ROV	Registrar of Voters
T-TC	Treasurer-Tax Collector



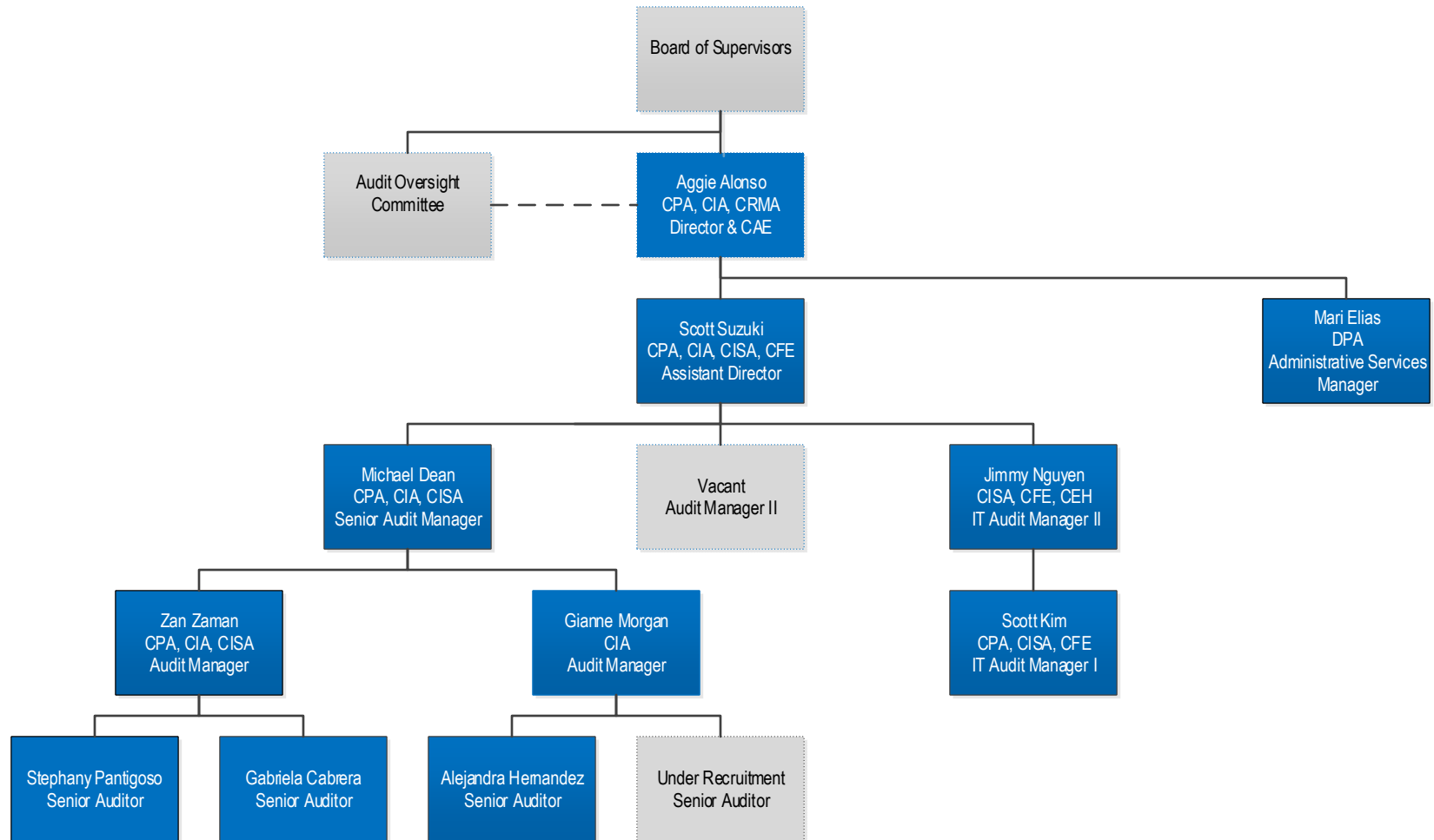


INTERNAL AUDIT

As of 5/01/2021

ATTACHMENT A: ORGANIZATION CHART

Attachment A



PROFESSIONAL CERTIFICATIONS/GRADUATE DEGREE

Certified Public Accountant (CPA)

Certified Internal Auditor (CIA)

Certified Information Systems Auditor (CISA)

Certified Fraud Examiner (CFE)

Certified Ethical Hacker (CEH)

Certification in Risk Management Assurance (CRMA)

Deputy Purchasing Agent (DPA)

ATTACHMENT B: RISK ASSESSMENT SCHEDULE FOR FISCAL YEAR 2021-22

BUSINESS PROCESS/CYCLE Financial Activity for FY 2019-20	1. Assessor	2. Auditor-Controller	3. Child Support Services	4. Clerk of the Board	5. Clerk-Recorder	6. County Counsel	7. County Executive Office	8. District Attorney-Public Administrator	9. Health Care Agency/Public Guardian	10. John Wayne Airport	11. OC Community Resources	12. OC Public Works	13. OC Waste & Recycling	14. Probation Department	15. Public Defender	16. Registrar of Voters	17. Sheriff-Coroner	18. Social Services Agency	19. Treasurer-Tax Collector	COMMENTS
CASH RECEIPTS & ACCOUNTS RECEIVABLE \$16.6 billion	M	M	M	M	M	M	M	M	M	H	M	M	M	M	M	M	M	M	M	Reflects all cash receipt transactions posted to 8010 Cash Account by the department that processed the transaction. A/R reported as year-end balances.
CASH DISBURSEMENTS & PAYABLES \$6.1 billion	L	M	M	L	M	L	H	M	M	M	M	M	M	L	M	M	M	M	M	Reflects all cash disbursements including automatic (A/P) disbursements, manual disbursements, and EFT/Wire disbursements.
FEE-GENERATED REVENUE \$900 million	M	M	L	M	L	M	M	M	M	M	H	M	M	L	M	M	M	M	M	Reflects revenue from cost-recovery fees (licenses, permits, franchises and charges for services) that are charged to the public and require BOS approval.
PURCHASING & CONTRACTS \$1.6 billion	M	M	M	M	M	M	M	M	M	H	H	M	M	M	M	M	M	M	M	Reflects all purchases and contracts processed by departments including purchase orders, price agreements, and negotiated contracts.
REVOLVING FUNDS \$10.3 million	L	H	M	M	M	L	M	M	H	M	H	M	M	M	L	M	M	M	H	Reflects the total revolving fund replenishments to all departments.
PAYROLL \$2.3 billion	M	M	M	M	M	M	H	M	M	M	M	M	M	M	M	M	M	M	M	Reflects total payroll for our audit population of all departments shown.
FIDUCIARY & SPECIAL REVENUE FUNDS \$1.8 billion	M	M	M	M	M	L	H	M	M	M	M	M	M	M	M	M	M	M	M	Reflects year-end balances in Agency Funds and Private Purpose Trust Funds designated for restricted purposes and use.
INFORMATION TECHNOLOGY	L	H	M	M	H	L	H (1)	M	H	L	M	M	M	H	L	H	M	L	M	Includes IT controls and cybersecurity including general controls, application controls, system development, network security, and computer operations.
AUDITS ON FY 2021-22 PLAN See Appendix A for Audit Plan Methodology DR = Department requests CO = Carryover audits TP = Time-permitting audits		Revolving Funds CAPS+ Application Security (CO)			Cybersecurity (TP)		Cash Disbursements & Payables (CO); Payroll Fiduciary & Special Revenue (CO); Remote Access Security, 3rd Party IT Security (TP), CA Data Privacy Act (TP); HRS Data Portal (DR/CO)		Revolving Funds Cybersecurity (CO)	Cash Receipts & Accounts Receivable Payroll (DR/TP) Purchasing & Contracts	Fee-Generated Revenue Purchasing & Contracts (CO) Revolving Funds (TP) Contract Compliance (DR)		Credit Card Processing (DR/TP)	Cybersecurity (CO)		Cybersecurity (CO)			Revolving Funds	

High-Risk Processes:	17	11%	High-risk audit areas (as determined by risk assessment)
Moderate-Risk Processes:	119	78%	Moderate-risk audit areas (as determined by risk assessment)
Low-Risk Processes:	16	11%	Low-risk audit areas (as determined by risk assessment)
Total Auditable Business Processes/Cycles:	152		

Note, there are 19 high-risk audits in the 17 high-risk processes as the single CEO IT high-risk box represents three audits.

(1) four audits including Remote Access Security, HRS Data Portal (department request), California Data Privacy Act (time permitting), and Third-Party IT Security (time permitting)

ATTACHMENT C: SCHEDULE OF 10-YEAR PRIOR AUDIT COVERAGE
For The Period July 2011 through June 2021

	1. Assessor	2. Auditor-Controller	3. Child Support Services	4. Clerk of the Board	5. Clerk-Recorder	6. County Counsel	7. County Executive Office	8. District Attorney-Public Administrator	9. Health Care Agency/Public Guardian	10. John Wayne Airport	11. OC Community Resources	12. OC Public Works	13. OC Waste & Recycling	14. Probation Department	15. Public Defender	16. Registrar of Voters	17. Sheriff-Coroner	18. Social Services Agency	19. Treasurer-Tax Collector
CASH RECEIPTS & ACCOUNTS RECEIVABLE		#1249, #1315 & #1415 Quarterly Reconciliation Compliance; #1818 Fiduciary Funds			#1159 Fund 12D		#1317 Community Facilities Districts	#1325 Fiduciary Funds; 2011-2016 Annual Grants	#1325 Fiduciary Funds; #1018 Medical Billing; #1420 Fund 13Y; #1619 Unearned Revenue		#1456 OC Parks Ticket Sales; #1578 Animal Care; #1579 Library; #1655 OC Parks; #1619 Unearned Revenue; #1815 AC Cash Receipts	#1619 Unearned Revenue; #1734 Billing	#1525 Cash Receipts	2011 GPS Programs; #1567 Juvenile; #1724 Mandate			#1123 Inmate Welfare Fund; #1918 Cash Receipts	#1619 Unearned Revenue	#2011, #2014, #2017, #2020 Audits of Tax Redemption Officer; 2011-2017 Annual TFA; 2011-2016 Annual Compliance; #2011 AR
CASH DISBURSEMENTS & PAYABLES	#1626 Travel	#1259, #1315 & #1415 Quarterly Reconciliation Compliance; #1626 Travel; #1811 Claims; #1818 Fiduciary Funds		#1626 Travel	#1159 Fund 12D		#1216 and #1318 OCEA Pension Enhancement; #1316 Retiree Medical; #1317 Community Facilities Districts; #1626 Travel; #2012 Cash Disbursements	#1325 Fiduciary Funds; 2011-2016 Annual Grants	#1325 Fiduciary Funds; #1420 Fund 13Y; #1728 Mental Health Services Disbursements		#1122 Disbursements; #2014 Cash Disbursements	#1223 Disbursements; #1626 Travel; #2022 Toll Usage		#1127 GPS Programs; #1323 AB109; #1567 Juvenile; #1724 Mandate; #1822 Cal Cards		#1626 Travel	#1123 Inmate Welfare Fund; #1626 Travel	#1626 Travel; #1625 CalWorks / Rescare Contract	2011-2017 Qrtly TFA; 2011-2017 Annual TFA; #1583 Wire Transfers
FEE-GENERATED REVENUE					#1159 Fund 12D; #1919 Senate Bill 2		#1627 OCIT Billing		#1024 Fee Dev; #1327 Env. Health Fees; #1915 FGR		#1222 Fee Dev	#1820 FGR	#1023 Fee Dev; #1821 OCWR FGR	#1841 Compliance SB-190			#1632 Billing of Law Enforcement Services for DPH & JWA		
PURCHASING & CONTRACTS		#1522 Procurement					#1521 Procurement; #1730 CEO/Real Estate Revenue Generating Lease Administration Process; #1732 OCIT Capital Assets; #1624 OCIT Contract Admin		#1631 Procurement; #1819 Contracts & Procurement	#1125 Change Orders	#1455 Expediter; #1426 Human Services Contracts	#1225 Contract Admin.; #1455 Expediter; #1911 Purchasing & Contracts	#1334 La Pata Contract; #1455 Expediter				#1126 ICE Contract Admin; #1158 City Contracts; #1912 Purchasing & Contracts	#1224 Contract Admin; #1625 CalWorks / Rescare Contract; #2016 Purchasing & Contracts	
REVOLVING FUNDS	#1626 Travel	#1626 Travel					#1626 Travel	#1913 Revolving Fund			#1578 Animal Care; #1579 Library	#1626 Travel		#1567 Juvenile; #1822 Cal Cards	#2017 Revolving Funds	#1626 Travel	#1626 Travel; #1917 Revolving Fund	#1633 Revolving Funds; #1626 Travel	
PAYROLL		#1350-B Payroll						#1629 Payroll	#1350 Payroll CAATs; #1812 Payroll		#1813 Payroll	#1916 Payroll		#1630 Payroll			#1350 Payroll CAATs; #1632 Billing of Law Enforcement Services for DPH & JWA	#1350 Payroll CAATs; #1814 Payroll	
FIDUCIARY FUNDS & SPECIAL REVENUE FUNDS		#1259, #1315 & #1415 Quarterly Reconciliation Compliance; #1337 Fiduciary Funds; #1818 Fiduciary Funds	#1519 Fiduciary Funds		#1159 Fund 12D; #1519 Fiduciary Funds		#1317 CFDs; #1519 Fiduciary Funds	#1325 Fiduciary Funds; #1519 Fiduciary Funds; #1523 PA	#1325 Fiduciary Funds #1420 Fund 13Y; #1519 Fiduciary Funds; #1524 PG; #1914 PG Fund 165		#1423 DPH; #1519 Fiduciary Funds	#1421 Flood Fund; #1519 Fiduciary Funds; #2019 Special Revenue Funds		#1323 AB109; #1519 Fiduciary Funds		#1519 Fiduciary Funds	#1519 Fiduciary Funds; #1520 Special Revenue Funds	#1336 Special Revenue Funds; #1823 Fiduciary Funds	2011-2017 Qtrly TFA & 2011-2017 Annual TFA; 2011-2016 Annual Compliance Audit; #1519 Fiduciary Funds
INFORMATION TECHNOLOGY	#1844 Cybersecurity	#1357 ARA; #1741 ITGC	#1644 ITGC	#1644 ITGC	#1840 Vital Records Index Access System	#2044 Selected Cybersecurity	#1454 Off-Site Data Backup; #1455 Expediter; #1644 ITGC; #1945 OCIT Cybersecurity	#1143 ITGC; #2041 Selected Cybersecurity		#1444 ITGC; #1941 ITGC	#1644 ITGC	#1354 ITGC; #1644 ITGC	#1445 Paradigm; #1644 ITGC		#1942 ITGC		#1353 ITGC; #1845 ITGC	#1142 ITGC; #1644 ITGC; #1846 ITGC	#1583 Wire Transfers

10-Year Prior Audit Coverage (2011 to June 2021)	5-Year Prior Audit Coverage (2016 to June 2021)	Current/In-Progress Audits	No Audit Coverage Within 10 Years
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Memorandum

May 13, 2021

AOC Agenda Item No. 7

TO: Audit Oversight Committee Members

Recommended Action:

Approve Quarterly External Audit Activity Status Report for the Quarter Ended March 31, 2021 and Receive Report on Status of External Audit Recommendations Implementation

Approve Quarterly External Audit Activity Status Report for the Quarter Ended March 31, 2021 and Receive Report on Status of External Audit Recommendations Implementation, as stated in the recommended action.

ATTACHMENT(S):

- Attachment A – External Audit Activity Status Report Memo
- Attachment B – Executive Summary of External Audit Activity
- Attachment C – External Audit Activity Quarterly Status Report
- Attachment D – External Audit Report, Implementation Status of Prior Quarter Significant & Material Issues



INTERNAL AUDIT DEPARTMENT

April 27, 2021

To: Audit Oversight Committee Members

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

Subject: External Audit Activity Status Report for the Quarter Ended March 31, 2021

Attached for your review and approval is our External Audit Activity Status Report for the Quarter ended March 31, 2021. Pursuant to Audit Oversight Committee (AOC) Administrative Procedure Number 2, Reporting on External Audits, County departments are required to communicate the status of all third-party audits, including any significant audit findings identified, to Internal Audit on a quarterly basis. The procedure was established to keep the AOC informed of all third-party audits being performed and any significant findings identified. In addition, as requested by the AOC at its May 9, 2019 meeting, we have included County department reported corrective action taken to implement recommendations related to significant audit findings identified.

To facilitate the AOC's review, we are pleased to include an Executive Summary that presents the total audit additions and deletions from the prior quarter, the total current audits in process, references any new significant findings, and provides a summary of any material issues reported for the quarter, please see Attachment B. For individual report details, see Attachment C. Finally, for corrective action taken to implement recommendations, see Attachment D.

For the quarter ended March 31, 2021, no new material issues were reported.

If you have any questions, please contact me at 714.834.5442, or Assistant Director Scott Suzuki at 714.834.5509.

EXECUTIVE SUMMARY OF EXTERNAL AUDIT ACTIVITY

For the Quarter Ended 3/31/21

<u>SUMMARY ACTIVITY</u>	
Total Audits Prior Quarter (12/31/20)	102
Additions: In Progress	6
Planned	2
Started and Completed	2
Deletions: Canceled	0
Completed	19
Removed	<u>7</u>
Total Audits Current Quarter (3/31/21)	<u>86</u>
(In Progress, Planned, and/or Completed this Quarter)	

Results for the Quarter:

Audits Completed, Canceled and to be Removed Next Quarter **19**

New Findings/Issues Reported by the Departments **4**

Material Issues: (Includes Disallowances over \$100K) **0**

EXTERNAL AUDIT ACTIVITY
Quarterly Status Report
3rd Quarter FY 2020-21 (3/31/21)

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2021	Significant Findings
Assessor		State Board of Equalization	All Property Assessment and Valuation Practices	Every 5 Years	2015	Compliance with property tax legal requirements and samplings of property valuation data.	In progress.	
Auditor-Controller	Financial Reporting	Eide Bailly, LLP	Single Audit	6/30/20 Annual	6/30/2019	Uniform Guidance Expenditures of Federal Assistance	Completed.	Three (3) New Findings: #2020-001 (HCA): No evidence of verification that the entity was not suspended or debarred or otherwise excluded; #2020-002 (CEO): The required evaluation of the subrecipient's risk of noncompliance was not documented; #2020-003 (OCSD): Program overtime expenditures totaling \$5,329 were also reported for reimbursement through the Tobacco Settlement Fund.
		Moss Adams	Department-wide	FY 19/20	N/A	Performance/ Operations Audit	In progress.	To be deleted next quarter. Performance Audit now reported by the County Executive Office.
Child Support Services	Child Support Services	Department of Child Support Services (DCSS), Program Monitoring and Compliance Unit (PMCU)	Policy & Process Management	10/1/19 - 9/30/20 Annual	01/21	Case Review	Completed.	None.
	Program Support Services	Office of Audits and Compliance State of California Department of Child Support Services (DCSS)	Review of Local Child Support Agency CS 356 Administrative Expense Claim.	Every 4 Years	11/16	Review of expenditures, abatements, internal control, and records related to Child Support Program claims for FY 2014-15. Also, review of walk up payments.	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2021	Significant Findings
Clerk of the Board of Supervisors		No audits in progress.						
Clerk-Recorder	Information Systems	Lawrence R. Halme	SECURE: Modified System Audit	As Needed	05/20	Review substantive changes to the SECURE Multi-County ERDS system for compliance with the CA Attorney General ERDS certified system requirements.	Planned.	
County Counsel		No audits in progress.						
County Executive Office	Finance	NIGP	County Procurement Office	One-Time	07/14	Performance/ Operations Audit	Completed.	None.
		Eide Bailly, LLP	Single Audit - Coronavirus Relief Funds	6/30/20 Annual	6/30/2019	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2020-002 under Auditor-Controller Single Audit.
	Information Technology	KPMG	Information Technology	One-Time	N/A	IBM Mainframe License Usage & Installation	In progress.	
	Corporate Real Estate	No audits in progress.						
	Human Resource Services	No audits in progress.						
District Attorney		State of CA, Office of Program Oversight & Accountability	CA Witness Relocation Program	7/01/14 - 6/30/19	FY 15/16	Program Audit	In progress.	
		Bureau of Justice Assistance U.S. Department of Justice	SAKI Federal Grant	10/1/16- 12/31/20	2018	Desk Review	In progress.	
		Bureau of Justice Assistance U.S. Department of Justice	SAKI Federal Grant	10/1/16- 12/31/20	2018	Grant Monitoring	In progress.	
		Eide Bailly, LLP	Single Audit - Coronavirus Relief Funds	6/30/20 Annual	6/30/2019	Uniform Guidance Expenditures of Federal Assistance	Completed.	None.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2021	Significant Findings
Health Care Agency	Administration	Eide Bailly LLP	Measure H - Tobacco Settlement Revenue	FY 19/20 Annual	FY 18/19	Ensure funding allocations are in compliance with Measure H	Completed.	None.
	Finance & Administrative	CA Department of Finance	Coronavirus Relief Fund (CRF) - State Allocation	FY 19/20	N/A	Ensure funding allocations and uses are in compliance with CRF guidelines.	In progress.	
	Behavioral Health	State Department of Health Care Services	Mental Health Cost Report; Short-Doyle/Medi-Cal Cost Report	FY 11/12 Annual	FY 10/11	Adjusting Short Doyle Medi-Cal units of service/time, the distribution of administrative costs between Medi-Cal and non-Medi-Cal, the distribution of utilization review costs between Medi-Cal and non-Medi-Cal, crossover revenues, contract maximums, and the overall accuracy of computations in the cost report	In progress.	
		State Department of Health Care Services (DHCS)	Mental Health Cost Report; Short-Doyle/Medi-Cal Cost Report	FY 12/13 Annual	FY 11/12	Adjusting Short Doyle Medi-Cal units of service/time, the distribution of administrative costs between Medi-Cal and non-Medi-Cal, the distribution of utilization review costs between Medi-Cal and non-Medi-Cal, crossover revenues, contract maximums, and the overall accuracy of computations in the cost report.	In progress.	
		State Department of Health Care Services (DHCS)	Mental Health Cost Report; Short-Doyle/Medi-Cal Cost Report	FY 13/14 Annual	FY 12/13	Adjusting Short Doyle Medi-Cal units of service/time, the distribution of administrative costs between Medi-Cal and non-Medi-Cal, the distribution of utilization review costs between Medi-Cal and non-Medi-Cal, crossover revenues, contract maximums, and the overall accuracy of computations in the cost report.	In progress.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2021	Significant Findings
Health Care Agency (continued)	Behavioral Health (continued)	Board of State Community Corrections (BSCC)	Prop 47 Comprehensive Monitoring Visit - Cohort 2	Biennial	05/19	Fiscal and Program Compliance	Planned.	
	Correctional Health	Board of State Community Corrections (BSCC)	Juvenile Hall/Camps	Biennial	FY 17/18	State Compliance of Title 15 Minimum Standards for Juvenile Correctional Facilities	In progress.	
	Public Health	Eide Bailly, LLP	Single Audit - Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative	6/30/20 Annual	6/30/2019	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2020-001 under Auditor-Controller Single Audit.
		CDPH Childhood Lead Poisoning Prevention Branch	Childhood Lead Poisoning Prevention Program (CLPPP)	FY 18/19 Every 3-5 years	05/15	Contract Cycle Site Review compliance and enforcement review	In progress.	
		Gilbey and Associates	Community and Nursing Services Division	FY19/20 Annual	FY 18/19	Fiscal and Program Compliance	In progress.	
		California Office of State Controller	Environmental Health Services - Local Oversight Program (LOP)	FY 17/18 & FY 18/19 Biennial	FY 15/16 & FY 16/17	Financial, not program. Program costs claimed by local agencies under the LOP program.	Completed.	One (1) New Finding: \$718 disallowance due to unallowable indirect cost claimed. Amount was remitted to State Water Board on 3/4/21.
		State WIC Program	Family Health, Women, Infants and Children (WIC) program	FFY 18/19 Biennial	FFY 17/18	Program Compliance	Completed.	None.
		California Department of Health Care Services, Cancer Detection and Treatment Branch	Health Promotion Division, Every Woman Counts (EWC)	Annual	FY 18/19	Non-monetary Program Monitoring site visit which includes: PWPT and training materials presentation, PHI storage/HIPPA compliance, Patient navigation	In progress.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2021	Significant Findings
Health Care Agency (continued)	Public Health (continued)	DHCS Audits & Investigations - Targeted Case Management	Targeted Case Management, Program Financial Audit of the TCM Cost Report	FY 16/17 Annual	FY 15/16	All aspects related to fiscal compliance for charges claimed on the cost report	Completed.	None.
		DHCS Audits & Investigations - Targeted Case Management	Targeted Case Management, Program Financial Audit of the TCM Cost Report	FY 17/18 Annual	FY 16/17	All aspects related to fiscal compliance for charges claimed on the cost report.	In progress.	
	Regulatory / Medical Services	California Emergency Management Agency (Cal EMA)	Health Disaster Management - State Homeland Security Funds; HCA is subrecipient through OCSD	GY 2006; Varies	N/A	Compliance field review - Grant Year 2006, 2007 and 2008 Note: OCSD is the lead on this audit and is coordinating all findings and responses.	Draft report issued 2/2/12. As of 01/2021, OCSD has continued to contact Cal OES and requested a status of the close out for this audit. Cal OES' final determination of the matter is pending and on hold until post COVID. As of 03/2021: No updates.	Reported in Prior Quarters: Estimated findings total \$742,852 (\$183,101.51 leases and \$559,750.23 equipment), of which HCA requests clarification of approximately \$41,000 pertaining to subgrantee charged expenditures belonging to another grant year. HCA does not concur with the remaining estimated findings of \$701,852. Since the draft report is being discussed with the State and HCA disagrees, we will not yet consider this a finding (same status as several prior fiscal years).
John Wayne Airport	Finance Administration	No audits in progress.						
	Operations	Federal Aviation Administration	Airport Certification Inspection	Annual	01/20	Compliance with Title 14, Code of Federal Regulations, Part 139, the Airport Certification Manual and the Airport Operation Certificate	Completed.	None.
		Tevora	Common Use Passenger Processing System	Annual	12/19	Compliance with Payment Card Industry Data Security Standard	Completed.	None.
		Transportation Security Administration	Airport Security	Annual	03/20	Compliance with Title 49, Code of Federal Regulations, Part 1542, Airport Security	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2021	Significant Findings
OC Community Resources	Housing Community Development	HUD	CDBG & ESG Financial & Procurement	FY 17/18	N/A	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	
		Measured Resource Company	Grant-related Operations	FY 19/20	N/A	Review effectiveness in drawing down competitive funding for homeless services, and affordable and permanent supportive housing relative to other California counties	In progress.	To be deleted next quarter. Performance Audit now reported by the County Executive Office.
	Orange County Housing Authority (OCHA)	Eide Bailly LLP	Orange County Housing Authority (OCHA)	FY 19/20 Annual	03/20	Attestation of Annual Financial Statements	Completed.	None.
	Office on Aging (OoA)	California Dept of Aging	Office on Aging	FY 16/17 - FY 18/19 Triennial	FY 15/16	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	
		California Dept of Aging	Office on Aging	FY 18/19 - FY 19/20 Biennial	FY 17/18	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2021	Significant Findings
OC Community Resources (continued)	Community Investment Division	Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA - Fiscal and Procurement	FY 16/17 Annual	FY 15/16	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	
		Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA - Fiscal and Procurement	FY 17/18 Annual	FY 16/17	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, methods of procurement, property management, etc.	In progress.	
		Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA Fiscal & Procurement	FY 18/19 Annual	FY 17/18	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	
		Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA (NEG Fire) - Fiscal and Procurement	FY 17/18 One-Time	N/A	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	
		Employment Development Department (EDD), Department of Labor (DOL), & Office of Inspector General (OIG)	WIOA (NEG Fire) - Fiscal and Procurement	FY 17/18 N/A	N/A	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2021	Significant Findings
OC Community Resources (continued)	Community Investment Division (continued)	Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA Fiscal & Procurement	FY 19/20 Annual	18/19	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	
		Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA Fiscal & Procurement	FY 20/21 Annual	FY 19/20	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	Planned.	
		Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA Section 188 Nondiscrimination and Equal Employment	FY 20/21 Annual	FY 19/20	To determine level of compliance by OCDB with applicable federal and state laws, regulations and direction related to WIOA grant regarding nondiscrimination and equal opportunity provision. Interviews with representatives, policies and procedures, and review of documentation retained by CID.	Planned.	
		Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA Program Monitoring PY	FY 20/21 Annual	FY 19/20	To determine OCDB's compliance with applicable federal and state laws, regulations, and policies specific to program operations and systems related to WIOA. Interviews with OCDB staff, training and service providers staff, and participants, review of selected participant case files, review of policies and procedures pertaining to program operations.	Planned.	
	OC Parks	No audits in progress.						
	OC Libraries	No audits in progress.						
	OC Animal Care	No audits in progress.						

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2021	Significant Findings
OC Public Works	Accounting	California Department of Transportation	San Juan Creek Bike Trail, 17th Street at Esplanade, Antonio Parkway	12/31/13	N/A	Audit of incurred costs	In progress.	
	Accounting/ Construction / Infrastructure Programs	California Department of Transportation	La Pata Avenue Phase I	12/1/2013-12/31/2018 One-time	N/A	1. Prop 1b expenditures were incurred and reimbursed per program guidelines. 2. Deliverables/ outputs were consistent with the project scopes and schedules. 3. Benefits/outcomes were achieved and reported in Final Delivery Reports. 4. La Pata Avenue Phase I construction costs	In progress.	
	Accounting and Infrastructure Programs	N/A	Live Oak and Trabuco Canyon	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Grant project completed in FY 19/20.	Planned.	
		N/A	Department of Water Resources - Trabuco Creek Channel (L02) Levee Protection Phase 7	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Grant project completed in FY 19/20.	Planned.	
	Administrative Services / Revenue Streams	Transportation Corridor Agency (TCA)	Road Fee Programs (TCA Fees specific)	CY 2020 Annual	May 2020	TCA Fee Program for CY 2020. Audit of major thoroughfare fees collected by the County of Orange.	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2021	Significant Findings
OC Public Works (continued)	OC Environmental Resources / Watershed	N/A	Proposition 84 Integrated Regional Water Management Implementation Grant Round 2	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Final Retention payment received 1/30/19.	Planned.	
		N/A	Proposition 84 Integrated Regional Water Management (IRWM) 2014 Drought Grant	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Final Retention payment received 12/28/18.	Planned.	
	OC Environmental Resources / Agricultural Commissioner	N/A	Certified Farmers Market Program	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Closed in FY 18/19 as last claim for FY 18/19 agreement was sent to the State on 7/25/19.	Planned.	
		N/A	High Risk Pest Exclusion	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Closed in FY 18/19 as last claim for FY 18/19 agreement was sent to the State on 7/25/19.	Planned.	
		N/A	Organic Program	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Closed in FY 18/19 as last claim for FY 18/19 agreement was sent to the State on 7/25/19.	Planned.	
		N/A	Sudden Oak Death	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Closed in FY 18/19 as maxed out award on the March 2019 claim.	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2021	Significant Findings
OC Public Works (continued)	OC Environmental Resources / Agricultural Commissioner (continued)	N/A	Asian Citrus Psyllid	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Closed in FY 18/19 as last claim for FY 18/19 agreement was sent to the State on 7/25/19.	Planned.	
		N/A	Nursery Inspection Program	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Closed in FY 18/19 as last claim for FY 18/19 agreement was sent to the State on 7/25/19.	Planned.	
	OC Environmental Resources	N/A	Weighmaster Program	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Closed in FY 18/19 as last claim for FY 18/19 agreement was sent to the State on 7/25/19.	Planned.	
		N/A	Petroleum Products Program	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Closed in FY 18/19 as last claim for FY 18/19 agreement was sent to the State on 7/25/19.	Planned.	
		N/A	Light Brown Apple Moth	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Closed in FY 18/19 as maxed out award on the March 2019 claim.	Planned.	
		N/A	Bee Safe	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Closed in FY 18/19 as last claim for FY 18/19 agreement was sent to the State on 7/25/19.	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2021	Significant Findings
OC Waste & Recycling	Accounting	No audits in progress.						
Probation	Administrative and Fiscal	No audits in progress.						
Public Defender		No audits in progress.						
Registrar of Voters		No audits in progress.						
Sheriff-Coroner	Financial/ Administrative Services	Cal EMA / Grants Management Section	Homeland Security Grants	FY 06 through 08	FY 06/07	Financial / Compliance	In progress. As of 12/2020, OCSD has contacted Cal OES and requested a status of the close out for this audit. A response from Cal OES is pending.	This audit is also reported under HCA / Regulatory/Medical Services.
		Eide Bailly, LLP	Single Audit - Coronavirus Relief Funds	6/30/20 Annual	6/30/2019	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2020-003 under Auditor-Controller Single Audit.
		Arroyo Associates	AB 109	FY 14/15 - FY 18/19	N/A	Performance Audit	Completed.	None.
		Eide Bailly LLP	Tobacco Settlement Fund	FY 19/20	FY 18/19	Agreed Upon Procedures	Completed.	None.
		OCERS	Payroll Transmittals	01/20 to 10/20	N/A	Compliance	Completed.	None.
		US Department of Justice (DOJ) Office of the Inspector General	Equitable Sharing Funds	FY 18/19 - FY 19/20	06/13	Compliance	In progress.	
	Custody Operations	Disability Rights Commission (DRC)	Theo Lacy, Central Men's Jail, Intake Release Center, James A Musick Facility	Current	N/A	Disability Rights	In progress.	
		BSCC	Theo Lacy, Central Men's Jail, Intake Release Center, James A Musick Facility	Biannual FY 20/21 - FY 21/22	N/A	Compliance	In progress.	
	Technology	Tech Advisory Committee (TAC)	IT	10/19 to 03/20	2017	Operational Review	In progress.	
	Records	Federal Bureau of Investigation (FBI)		Triennial	2013	Adherence to Criminal Justice Information System (CJIS) Security Policy	Planned.	To be deleted. Audit performed in prior FY.
	Orange County Crime Lab	ANSI National Accreditation Board (ANAB)	OC Crime Lab (OCCL) Accreditation	Annual	2020	Policies and procedures, Quality Manual	Completed.	None.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2021	Significant Findings
Social Services Agency	Administrative Services	CDSS Fiscal Monitoring Bureau	County Expense Claim (CEC) and Assistance Claims	As Needed	12/16	Review of the CEC and Assistance Claims.	Planned.	
		Social Security Administration	Supplemental Security Income (SSI) Retirement and Survivors Disability Insurance (RSDI)	TBD Every 3 to 4 years	04/17	Review of compliance with Children & Family Services representative payee responsibilities for SSI. RSDI eligible dependent children in and out of home care.	Planned.	
		California Department of Social Services (CDSS) Welfare Fraud Bureau (WFB)	Administrative Services, Adult Services & Assistance Programs, and Family Self-Sufficiency	Varies	04/19	Determine County's effectiveness in processing Income & Eligibility Verification System (IEVS) matches, identifying and collecting CalWORKs Overpayments and CalFresh Over Issuances, and reviewing SSA processes intersecting with District Attorney Public Assistance Division (DAPAD).	Planned.	
		California Office of Emergency Services (CalOES)	Child Abuse and Treatment (CHAT)	Varies	05/17	Review of County's grant processes and documentation related to Grant sub awards.	Planned.	
		CDSS Civil Rights	Civil Rights	Every 2-3 years	04/18	CDSS Compliance review of SSA's Civil Rights implementation.	Planned.	
		CDSS	Welfare Fraud	Every 3 years	11/17	To review welfare fraud processes and processing IEVS criminal matches to ensure compliance with Federal and State regulations.	Planned.	
	Assistance Programs	California Department of Social Services (CDSS)	CalFresh Employment & Training (CF E&T)	3/27/19 Annual	N/A	Management evaluation of the County's CF E&T program to determine the compliance of the program rules and regulations, and the County's approved CF E&T plan.	In progress.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2021	Significant Findings
Social Services Agency (continued)	Family Self-Sufficiency & Adult Services	California Department of Social Services (CDSS)	Adoption Assistance Program (AAP)	Annual	09/19	Monitoring to ensure the AAP program administration eligibility determination to benefit issuance is in compliance with federal and state regulations, which includes the review of AAP eligibility and AAP case files to verify appropriateness and accuracy of forms being used.	Planned.	
		California Department of Social Services (CDSS)	Foster Care Title IV-E Audit	Every 3 years	07/18	To ensure compliance with Title IV-E of the Social Security Act program requirements. The review elements include the determination of appropriate documentation for meeting requirements of authority for placement and care; Aid to Families with Dependent Children-Foster Care (AFDC-FC) eligibility of the home of removal (based on July 16, 1996 requirements); placement in an approved foster family home or child care institution; criminal records check and other safety requirements for foster care providers, etc.	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2021	Significant Findings
Social Services Agency (continued)	Family Self-Sufficiency & Adult Services (continued)	Administration for Children, Youth and Families (ACYF)	Foster Care Title IV-E Audit	Every 3 years	07/18-08/18	Eligibility Review to ensure compliance with Title IV-E of the Social Security Act program requirements. The review elements include the determination of appropriate documentation for meeting requirements of authority for placement and care; Aid to Families with Dependent Children-Foster Care (AFDC-FC) eligibility of the home of removal (based on July 16, 1996 requirements); placement in an approved foster family home or child care institution; criminal records check and other safety requirements for foster care providers, etc.	Planned.	
		Christy White Associates, Inc.	California State Preschool Program (CSPP) Grant for Tustin Family Campus Child Development Center	FY19/20 Annual	10/19	Financial audit to conducted based on the California of Department of Education (CDE) Audit Guide for Child Care and Development Programs Attendance and Fiscal Reports.	In progress.	
		California Department of Social Services (CDSS) County Partnership and Performance Monitoring (CCPM) Research, Automation, and Data Division	Work Incentive Nutritional Supplement (WINS) Work Participation Rate (WPR)	FFY2019	02/19	To ensure compliance with federal WINS data reporting requirements and work verification procedures, CPPM reviewed county's procedures and case files to determine the accuracy of the WPR data reported to CDSS for Federal Fiscal Year 2019.	Completed.	None.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2021	Significant Findings
Social Services Agency (continued)	Family Self-Sufficiency & Adult Services (continued)	California Department of Social Services (CDSS), Family Engagement & Empowerment Division, CalWORKs Early Engagement & Eligibility Bureau	CalWORKs Eligibility Case File Review	10/20 Every 5 years	05/15	Assess Temporary Assistance for Needy Families (TANF) eligibility determinations, redeterminations and terminations of benefits made by counties and to monitor the implementation of recent CalWORKs eligibility policy changes.	Completed.	None.
Treasurer-Tax Collector	All	Arroyo Associates	Department-wide	FY 19/20	N/A	Performance Audit	In progress.	To be deleted next quarter. Performance Audit now reported by the County Executive Office.
	Treasury and Investments	Eide Bailly, LLP	Annual IPS Compliance	FY 18/19 Annual	6/30/2018	Required Annual Examination of the Treasurer's Investment Compliance with Government Code 27130-27137 and County Investment Policy Statement	In progress.	
		Eide Bailly, LLP	Annual IPS Compliance	FY 19/20 Annual	6/30/2018	Required Annual Examination of the Treasurer's Investment Compliance with Government Code 27130-27137 and County Investment Policy Statement	In progress.	

EXTERNAL AUDIT REPORT
Implementation Status of Prior Quarter Significant & Material Issues
Quarter Ended March 31, 2021

No.	Department	Audit Name	Finding	Recommendation	Material or Significant	Implementation Status* & Actions Taken or Planned
				All prior recommendations noted have been implemented.		

* Implementation status reported as (1) implemented, (2) in progress, or (3) not yet implemented.



Memorandum

May 13, 2021

AOC Agenda Item No. 8

TO: Audit Oversight Committee Members

Recommended Action:

Discuss Budget Resource Requirements for Performance Audit, Auditor-Controller, and Internal Audit Department

Discuss Budget Resource Requirements for Performance Audit, Auditor-Controller, and Internal Audit Department, as stated in the recommended action.



Memorandum

May 13, 2021

AOC Agenda Item No. 9

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Auditor-Controller Mandated Audits

Receive Report on Status of Auditor-Controller Mandated Audits, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – Status of Mandated Audits as of March 31, 2021



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of March 31, 2021
 AOC Meeting Date: May 13, 2021

Audit Name	Audit No.	Budget Hours	Actual Hours	Variance	Draft Report	Final Report	Status
Audit of Schedule of Assets as of 6/30/20	N/A	N/A	N/A	N/A	N/A		Audit in process
Cash Shortages FY 20-21	2001	100	105	-5	N/A	N/A	1 in process, 5 complete
JPAs and Special Districts FY 18-19*	1913	100	114	-14	N/A	N/A	Collection in process
JPAs and Special Districts FY 19-20*	2012	100	108	-8	N/A	N/A	Collection in process
Review of Schedule of Assets as of 9/30/20	2006	280	255	25	1/25/2021	2/3/2021	Completed
Review of Schedule of Assets as of 12/31/20	2007	280	188	92			Fieldwork in process

*We collect copies and post them online.



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of March 31, 2021
 AOC Meeting Date: May 13, 2021

Audit of Schedule of Assets as of 6/30/20

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Control Deficiencies
To perform an annual audit to express an opinion on whether the Schedule of Assets is presented fairly, in all material respects, in accordance with the modified-cash basis of accounting. This engagement has been contracted out to Eide Bailly LLP.	Audit by Eide Bailly is in process.	0	0

Cash Shortages FY 20-21

Objective	Status/Results	Critical/Significant Control Weaknesses	Control Findings
To perform an investigation to determine whether to approve replenishment of cash shortages.	1 investigation(s) in process and 5 complete. Department(s) in process: Clerk-Recorder	0	0

JPA's and Special Districts FY 18-19

Objective	Status/Results	Number of Modified Reports Reviewed	
To ensure all JPAs and Special District within the County file their annual audits within 12 months of their fiscal year end.	Collection of audited financial statements is in process. JPAs remaining: 3 of 73. Special Districts remaining: 0 of 34.	0	



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of March 31, 2021
 AOC Meeting Date: May 13, 2021

JPA's and Special Districts FY 19-20

Objective	Status/Results	Number of Modified Reports Reviewed	
To ensure all JPAs and Special District within the County file their annual audits within 12 months of their fiscal year end.	Collection of audited financial statements is in process. JPAs remaining: 19 of 73. Special Districts remaining: 10 of 34.	0	

Review of Schedule of Assets as of 9/30/20

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Control Deficiencies
To perform a quarterly review to express a conclusion on whether we are aware of any material modifications that should be made to the Schedule of Assets for it to be in accordance with the modified-cash basis of accounting.	Final report was issued on February 3, 2021.	0	0

Review of Schedule of Assets as of 12/31/20

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Control Deficiencies
To perform a quarterly review to express a conclusion on whether we are aware of any material modifications that should be made to the Schedule of Assets for it to be in accordance with the modified-cash basis of accounting.	Fieldwork in process.	0	0



Memorandum

May 13, 2021

AOC Agenda Item No. 10

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Performance Audits

Receive Report on Status of Performance Audits, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – Performance Audit Activity Quarterly Status Report

PERFORMANCE AUDIT ACTIVITY
Quarterly Status Report
May 13, 2021

Attachment A

Department	Division/Program	Third Party Auditor	Previous Audit	Audit Scope	Status	Significant Findings
FY 2019-20						
Auditor-Controller	Department-Wide	Moss Adams	N/A	Review organizational structure, operations, staffing levels, mandated vs. non-mandated services, policies/practices/procedures, use of technology, training	In progress	
OC Community Resources	Grant-related Operations	Measurement Resources Company	N/A	Review effectiveness in drawing down competitive funding for homeless services, and affordable and permanent supportive housing relative to other California counties	In progress	
Treasurer-Tax Collector	Department-Wide	Arroyo Associates	N/A	Review operations, policies, practices, and procedures to identify opportunities for enhancing service delivery, streamlining processes, expanding efficiencies, applying best practices, etc.; review existing staffing levels for adequacy	In progress	
Sheriff, Probation, District Attorney, Public Defender, Health Care Agency, Social Services Agency, and OC Community Resources	AB109-Related Operations	Arroyo Associates	N/A	Identify resources allocated to the AB109 population above and beyond that provided by the State through 2011 Realignment	Complete and in review to send final to the Board of Supervisors	

PERFORMANCE AUDIT ACTIVITY
Quarterly Status Report
May 13, 2021

Attachment A

Department	Division/Program	Third Party Auditor	Previous Audit	Audit Scope	Status	Significant Findings
FY 2020-21						
OC Community Resources	Procurement	National institute of Governmental Purchasing (NIGP)	N/A	Review procurement functions for compliance with County policy and procedures, compliance with government statutes, and recommendation for streamlining	In progress	
OC Public Works	Administration	TBD	N/A	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	In contract execution stage with recommended provider	
Probation	Administration	TBD	N/A	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	In contract negotiations with recommended provider	
Public Defender	Administration	TBD	N/A	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	In contract negotiations with recommended provider	



Memorandum

May 13, 2021

AOC Agenda Item No. 11

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on TeamMate+ Upgrade

Receive Report on TeamMate+ Upgrade, as stated in the recommended action.



Memorandum

May 13, 2021

AOC Agenda Item No. 12 (Revised)

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on OCIT and Internal Audit Department Collaboration

Receive Report on OCIT and Internal Audit Department Collaboration, as stated in the recommended action.

ATTACHMENT(S):

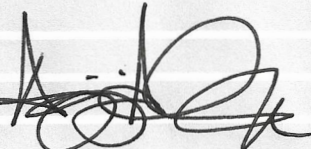
Attachment A – B-4-1 Restricted Information Reporting Policy

Attachment B – OCIT and Internal Audit Collaborations



INTERNAL AUDIT DEPARTMENT

ADMINISTRATIVE & AUDIT POLICY & PROCEDURES MANUAL

NUMBER/SUBJECT	B-4-1 Restricted Information Reporting
DATE	April 12, 2021
VERSION	2.0 (supersedes 1.0)
APPROVED BY	Internal Audit Director 
OWNER/INQUIRIES	Assistant Director

A. PURPOSE

To provide policy and procedures for preparing and issuing all reports with restricted information.

B. OVERVIEW

Certain reports contain restricted information that will require redaction from public release due to the risk that restricted information could be used for illegal or improper purposes that could impact the County.

C. POLICY

1. Report content will be analyzed to determine if any information is sensitive in nature, i.e., restricted information.
2. Restricted information will not be released in any public-facing report.
3. A public information report will be issued whenever a restricted information report is required.
4. Reports with restricted information will have limited distribution and be distributed in a secure manner.
5. Pre-draft/draft reports with restricted information shall be issued in a secure manner and with limited distribution.

D. PROCEDURES

1. Restricted Information Identification

1.1. To determine whether a finding should be redacted and included in "Appendix A" of the report, the finding information should not provide details that an attacker could leverage to perform a cybersecurity attack against the County. These types of findings are typically categorized as "Critical Control Weakness" or "Significant Control Weakness" depending on various risk factors and the likelihood of impacting County operations. Findings that normally meet these criteria include the identification of control weaknesses over the following areas of IT including, but not limited to:

- Excessive privileged user access
- De-provisioning of user access upon termination
- Password and authentication configurations
- Utilizing vendor default accounts
- Utilizing generic user accounts
- Data recovery capabilities
- Change management controls
- Oversight over 3rd party user access rights
- Remote access technologies

- Inventory/asset management
- Maintenance, monitoring of audit logs
- Malware defenses
- Wireless network technologies
- Incident response plan
- Personally identifiable information (PII)
- County-specific applications

1.2. The engagement team should collaborate with the client to discuss what report content should be subject to redaction.

2. Restricted Information Report Preparation

2.1. Any finding determined to be restricted should be documented in “Appendix A” of the final report and subsequently redacted from the public report. However, show the finding in the results section of the report with only the finding number and following text: “Removed due to the sensitive nature of this finding.”

2.2. Ensure a red bar is applied on the top of each page of the audit report (including cover page) and include the text “RESTRICTED INFORMATION” within the red bar in white letters.

RESTRICTED INFORMATION

2.3. On the cover letter of the report, perform the following:

- (a) Insert as 2nd paragraph, in bold font, “*Recipients of this restricted information must exercise due care in electronic and non-electronic storage, distribution/transportation, and retention/destruction of this report. Furthermore, the restricted information in this report IS NOT subject to disclosure under the California Public Records Act.*”
- (b) Under the “Other recipients of this report” section at the bottom, include the following distribution:
 - Members, Board of Supervisors
 - Chair, Audit Oversight Committee
 - [Name], County Executive Officer
 - [Name], Chief Information Officer

2.4. In “Appendix D”, insert images of the complete official department management response letter head.

2.5. For the draft report, include “DRAFT REPORT – NOT FOR PUBLIC DISTRIBUTION” in the header. Additionally, annotate “RESTRICTED INFORMATION” on the Draft Report Routing Checklist header.

2.6. For the final report, on the Final Report Routing Checklist, annotate “RESTRICTED INFORMATION” in the header. Under section “DEPARTMENT DISTRIBUTION”, populate all relevant department staff for distribution of the public information version.

2.7. Create a minimum of a 16-character password and use the Adobe Acrobat protect feature to encrypt with password by requiring a password to open document. Save the password in text file in the report routing directory. Passwordsgenerator.net can be used and should include symbols, numbers, lower case letters, upper case letters, and exclude similar characters.

3. Public Information Report Preparation

The public information version of the report will be based upon the restricted information version.

- 3.1. On the restricted version of the audit report file, perform a "Save As" function (File > Save As).
- 3.2. Give the report a new file name (e.g., "XXXX.A-1 Final report PUBLIC").
- 3.3. Change the red bar on top of the report to color green. Also, change the text from "RESTRICTED INFORMATION" to "PUBLIC INFORMATION".

PUBLIC INFORMATION

- 3.4. Perform same tasks (steps 3.1 to 3.3) for the audit report cover page. However, give it a unique name (e.g., XXXX Final Cover PUBLIC)
- 3.5. On the cover letter of the report, perform the following:
 - (a) Remove paragraph "Recipients of this restricted information must exercise due care in electronic and non-electronic storage, distribution/transportation, and retention/destruction of this report. Furthermore, the restricted information in this report IS NOT subject to disclosure under the California Public Records Act."
 - (b) The CCs listed on the Public Information transmittal are in accordance with AOC Procedure No. 1. Public Information reports are issued in the same manner as standard audit reports. Under "Other recipients of this report" at the bottom, include the following:
 - Members, Board of Supervisors
 - Members, Audit Oversight Committee
 - CEO Distribution (for appointed departments)
 - [Insert Department Name] Distribution
 - Auditor-Controller Satellite Accounting Operations Distribution (when applicable)
 - Foreperson, Grand Jury
 - [Name], Clerk of the Board of Supervisors
 - [Name], County External Auditor
- 3.6. On the "Appendix A: RESTRICTED INFORMATION" section of the audit report, remove all findings information and replace with the text: *"Content in Appendix A has been removed from this report due to the sensitive nature of the specific findings."*
- 3.7. On the "Appendix D" section of the audit report, remove all management response images and replace with the text: *"Content in Appendix D has been removed from this report due to the sensitive nature of the management response."*
- 3.8. On the Final Report Routing Checklist, under section "DEPARTMENT DISTRIBUTION", include the appropriate deputy COO if the department head is appointed (non-elected department head).

4. Report Distribution

Distribution of reports with restricted information are prepared differently than regular reports.

- 4.1. For department distribution:
 - (a) For the restricted information version, send an e-mail to the department executive secretary or other designee with the Acknowledgment of Audit Report Receipt & Handling Advisory and request a signed and scanned copy via e-mail which will be placed in the final report folder. Alternatively, an electronic signing app can be used provided a record is generated and saved similar to the traditional method.
 - (b) Once confirmation is received, send the restricted information version via e-mail (use secure e-mail when available) to the department head's executive secretary or other designee. Forward the password to open the report via separate e-mail.
- 4.2. For Board and CEO distribution (all reports):
 - (a) Contact the Clerk of the Board and CEO executive secretary and make arrangements to submit the report via e-mail to them. Forward the password to open the report via separate e-mail.
 - (b) Obtain a signed Acknowledgment of Audit Report Receipt & Handling Advisory form and release the report. Scan the form (or save the e-signed file) into the final report folder of the appropriate project and discard the original.
- 4.3. For public information version distribution, send via regular e-mail to the distribution list shown on the cover memo.
- 4.4. At the request of the AOC Chair, the director shall provide a verbal report to the AOC Chair and Vice-Chair on the restricted information report during quarterly meeting planning sessions.
 - (a) Should the AOC Chair desire to view the restricted report, it will be made available at the Internal Audit office. An entry shall be made in the restricted report viewing log indicating the AOC Chair, report viewed, date, and time in/out.
 - (b) No copy of the restricted information report shall be provided for viewing to the AOC Vice-Chair and no copy shall be allowed to be taken by the AOC Chair from the Internal Audit office.
- 4.5. While the Orange County Grand Jury (OCGJ) is not formally shown as a recipient of the restricted information report, copies of restricted information reports shall be made available to the OCGJ at its request.
 - (a) The OCGJ may view a copy of the restricted information report at the Internal Audit office. An entry shall be made in the restricted report viewing log indicating the OCGJ member, report viewed, date, and time in/out.
 - (b) If the OCGJ desires a copy of a restricted report, one shall be provided and a signed acknowledgement of audit report receipt and handling advisory form obtained.
- 4.6. Notwithstanding the above sections, the director shall have the discretion to further restrict restricted report distribution, including not distributing it to anyone, e.g., require viewing of restricted reports to take place at the Internal Audit office.

5. Pre-Draft/Draft Reports

Distribution of draft/pre-draft reports is limited to client key points of contact. Only the restricted information version of the report is issued for draft/pre-draft purposes.

- 5.1. Draft/pre-draft reports shall be clearly identified as such by including the following text on the top of each page of the audit report (including cover page) "CONFIDENTIAL DRAFT REPORT – NOT FOR PUBLIC DISTRIBUTION" within the red bar in white letters.

CONFIDENTIAL DRAFT REPORT – NOT FOR PUBLIC DISTRIBUTION

- 5.2. For draft reports, the supervising audit manager shall issue the report to the department head only. No acknowledgement of receipt form is required for the draft report.
- 5.3. For pre-draft reports, the supervising audit manager shall issue the report to the client key point of contact only. No acknowledgement of receipt form is required for the draft report.

E. DEFINITIONS

Public Information	Report content that can be released to the public; regular audit reporting.
Restricted Information	Report content that is not subject to public disclosure due to the sensitivity of information.

F. REFERENCES

Government Code 6250	California Public Records Act
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G. ATTACHMENTS

1. Acknowledgment of Audit Report Receipt & Handling Advisory



INTERNAL AUDIT DEPARTMENT

ACKNOWLEDGEMENT OF AUDIT REPORT RECEIPT & HANDLING ADVISORY

I acknowledge receipt of the audit report identified below which contains **RESTRICTED INFORMATION**.

The Internal Audit Department hereby advises the recipient: **due to the sensitive nature of information contained in this report, all recipients must exercise due care in electronic and non-electronic storage, distribution/transportation, and retention/destruction of this report.**

Furthermore, this report is not subject to disclosure under the California Public Records Act. Another version of the report without sensitive information will be released separately.

AUDIT: Audit Name and Audit No.

RECEIVED & ACKNOWLEDGED

SIGNATURE

DATE

PRINTED NAME

POSITION/TITLE

**Audit Oversight Committee
OCIT and Internal Audit Collaborations**

#	Activity	Description & Benefit of Collaboration
CURRENT COLLABORATIONS		
1	Change Advisory Board (CAB)	OCIT/SAIC host a weekly countywide meeting to discuss IT changes performed or planned that impact the County networking environment. Internal Audit serves CAB in an advisory capacity and benefits from the knowledge of significant IT changes being performed throughout the County.
2	Cybersecurity Joint Task Force	OCIT hosts a monthly countywide meeting to provide cybersecurity updates, and to discuss current threats, vulnerabilities, and other relevant information. Internal Audit serves the Task Force in an advisory capacity and benefits from being able to use this information and knowledge to consider risks in planning and performing future IT audit engagements.
3	Microsoft Identity Management (MIM) Project	As a result of a recommendation from Internal Audit's IT Review of OCIT, OCIT implemented MIM to address the risk of unauthorized access to the County network environment. Internal Audit serves in an advisory capacity.
4	Business Continuity Disaster Recovery (BCDR)	OCIT meets with departments/agencies to discuss disaster recovery and business continuity in the event of a disaster and is helping departments develop a formalized plan. Internal Audit benefits from getting knowledge on current developments/status of BCDR throughout the County and is a key IT control considered during pre-audit planning.
NEW COLLABORATIONS		
1	CIO access to Internal Audit Restricted IT Reports	The CIO was added as a recipient to Internal Audit's Restricted IT Reports as reflected in the revised Restricted Report Policy. The CIO will now be aware of all critical and significant IT findings identified in Internal Audit's reports and will ensure that departments are aware of common critical and significant findings identified in the audits. This will assist the County in addressing and minimizing IT vulnerabilities and risk to ensure they are addressed and mitigated.
2	IT audit engagements - Pre-meet with OCIT	OCIT & Internal Audit will meet prior to start of an IT audit engagement to discuss and share any known/potential high-risk IT areas. Internal Audit resources would be used more effectively by focusing and addressing the most critical IT areas.
3	Internal Audit Risk Assessment and Audit Plan - Formalized Meetings with OCIT	In addition to the current survey we provide OCIT as part of our risk assessment, OCIT & Internal Audit will have a formalized meeting during the development of Internal Audit's risk assessment to ensure OCIT's knowledge of IT risk throughout the County is incorporated to better assess and score County department/agency's IT risk.
4	Privileged Access Management	As a result of a recommendation from Internal Audit's IT Review of OCIT, OCIT implemented this workgroup to ensure that there is a limit to the number of users with administrative privileged access to Countywide critical systems. Internal Audit serves in an advisory capacity and provides feedback in establishing or enhancing additional controls.
5	Best Practices Group	OCIT is establishing a Best Practices Group focused on the following areas: 1) Asset Management - how to better track the County's assets 2) External Dependencies - evaluate dependencies on third party vendors and securing critical relationships 3) Business Continuity Disaster Recovery Internal Audit will serve in advisory capacity and will provide feedback on effective IT internal controls to mitigate risk over critical IT business processes.
6	IT Controls Training Video	OCIT will review and make recommendations to Internal Audit's new IT Internal Control Training class before Internal Audit rolls out the training program to County departments by the end of Fiscal Year 2021-22.