

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****

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

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
Drew Atwater, Private Sector Member

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

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1. Roll call

Mr. Robert Brown, Audit Oversight Committee (AOC) Chair, called the meeting to order at 10:00 A.M. Attendance of AOC Members noted above.

Private Sector Member Drew Atwater joined the meeting after the vote on Item 6.

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.

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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.

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.

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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 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.

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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.