

A G E N D A



REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE

Thursday, August 19, 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 ONLY

****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****

ROBERT BROWN (2023)

AOC CHAIR

Private Sector Member, Fifth District

MARK WILLE, CPA (2025)

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 (2025)

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 for May 13, 2021	<i>Robert Brown AOC Chair</i>
3. Receive Report on Required Communication from External Auditors	<i>Roger Alfaro, CPA Partner, Eide Bailly LLP</i>
4. Receive Presentation by Orange County Employees Retirement System (OCERS) Regarding Current and Future Funding	<i>Michelle Aguirre Chief Financial Officer County Executive Office Steve Delaney Chief Executive Officer OCERS</i>
5. Approve Internal Audit Department's FY 2020-21 4 th Quarter Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended June 30, 2021	<i>Aggie Alonso, CPA Director Internal Audit Department</i>
6. Approve Quarterly External Audit Activity Status Report for the Quarter Ended June 30, 2021 and Receive Report on Status of External Audit Recommendations Implementation	<i>Scott Suzuki, CPA Assistant Director Internal Audit Department</i>
7. Approve Revised Audit Oversight Committee Administrative Procedures 1 and 2	<i>Aggie Alonso, CPA Director Internal Audit Department</i>
8. Discuss Internal Audit Department IT Auditor Recruitment	<i>Robert Brown AOC Chair Mark Wille AOC Vice Chair</i>
9. Discuss Good Governance for Oversight Compensation	<i>Robert Brown AOC Chair Mark Wille AOC Vice Chair</i>
10. Receive Report on Status of Auditor-Controller Mandated Audits	<i>Frank Davies, CPA Auditor-Controller</i>
11. Receive Report on Status of Performance Audits	<i>Lilly Simmering Deputy County Executive Officer County Executive Office</i>

A G E N D A

Speaker

12. Receive Report on eProcurement	<i>Michelle Aguirre Chief Financial Officer County Executive Office</i> <i>Maria Pirona County Procurement Officer County Executive Office</i>
13. Receive Cybersecurity Report on OCIT's Preparedness for Ransomware Attacks	<i>Joel Golub Chief Information Officer County Executive Office</i>
14. Receive Internal Audit Department's Fiscal Year 2020-21 Key Performance Indicator Report	<i>Aggie Alonso, CPA Director Internal Audit Department</i>
15. Receive Report on Internal Audit Department's Independence	<i>Aggie Alonso, CPA Director Internal Audit Department</i>
16. Discuss COVID-19 Reopening and Its Effects on Internal Controls in the County	<i>Lilly Simmering Deputy County Executive Officer County Executive Office</i> <i>Frank Davies, CPA Auditor-Controller</i> <i>Aggie Alonso, CPA Director Internal Audit Department</i>
17. Discuss Property Tax System Upgrade and Other County Critical IT Systems Upgrades	<i>Robert Brown AOC Chair</i> <i>Mark Wille AOC Vice Chair</i>
<u>PUBLIC COMMENTS:</u> 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 everyone may have to address the Committee.	<i>Robert Brown AOC Chair</i>
<u>AOC COMMENTS:</u> 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.	<i>Robert Brown AOC Chair</i>
<u>ADJOURNMENT:</u>	
<u>NEXT MEETING:</u>	
Regular Meeting, November 4, 2021, 10:00 a.m.	



Memorandum

August 19, 2021

AOC Agenda Item No. 2

TO: Audit Oversight Committee Members

Recommended Action:

Approve Audit Oversight Committee Regular Meeting Minutes of May 13, 2021

Approve Audit Oversight Committee Regular Meeting Minutes of May 13, 2021, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – Summary Minutes for May 13, 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, May 13, 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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MARK WILLE, CPA (2025)

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SUPERVISOR ANDREW DO

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Fourth District

Member

FRANK KIM

COUNTY EXECUTIVE OFFICER

Member

DREW ATWATER (2025)

Private Sector Member, First District

YVONNE ROWDEN (2023)

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
Chris Gaarder, Proxy for Supervisor Do
Jessica Guerrero, Proxy for Supervisor Chaffee
Michelle Aguirre, Proxy for CEO Frank Kim
Yvonne Rowden, Private Sector Member
Stella Acosta, 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

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 10:05 A.M. Attendance of AOC Members noted above.

Treasurer-Tax Collector Shari Freidenrich had to leave the meeting at approximately 10:55 AM. No impact to quorum.

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

Mr. Brown asked for a motion to approve the Audit Oversight Committee Regular Meeting Minutes of February 11, 2021 with an amendment noting that Public Sector Member Drew Atwater was present at the February 11, 2021 meeting.

Motion to approve the Meeting Minutes of February 11, 2021 as amended by Mr. Mark Wille, seconded by Mr. Chris Gaarder.

Via roll call, seven in favor; one absent.

Approved as recommended.

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

Mr. Brown asked for a motion to approve the Audit Oversight Committee Regular Meeting Minutes of March 18, 2021.

Motion to approve the Meeting Minutes of March 18, 2021 by Mr. Mark Wille, seconded by Ms. Jessica Guerrero.

Via roll call, seven in favor; one absent.

Approved as recommended.

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.

5. 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

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

Mr. Aggie Alonso, Director of Internal Audit, presented the 3rd Quarter Status Report and Executive Summary of Internal Audit Reports for the Quarter Ended March 31, 2021. The Internal Audit Department (IAD) issued three final reports, six follow-up reports, and four draft reports during this period.

Motion to approve the 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 by Mr. Mark Wille, seconded by Ms. Jessica Guerrero.

Via roll call, seven in favor; one absent.

Approved as recommended.

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

Mr. Aggie Alonso, Director of Internal Audit, presented the Internal Audit Department's Internal Audit Department's Annual Risk Assessment & Audit Plan for FY 2021-22. Mr. Alonso indicated that the department completes a general risk assessment and an information technology risk assessment. This Audit Plan includes 24 high priority audits and has the resources to address 18 of those audits.

Motion to approve the Internal Audit Department's Annual Risk Assessment & Audit Plan for FY 2021-22 by Mr. Chris Gaarder, seconded by Ms. Stella Acosta.

Via roll call, seven in favor; one absent.

Approved as recommended.

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

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 March 31, 2021. 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 March 31, 2021 by Mr. Mark Wille, seconded by Ms. Michelle Aguirre.

Via roll call, seven in favor; one absent.

Approved as recommended.

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

Ms. Michelle Aguirre, Chief Financial Officer, stated that the Performance Audit budget is included in the CEO budget for contract services. Auditor-Controller's budget allows the department to continue current level of service and the Budget Office is working with the department regarding the ability to fill vacant positions. Internal Audit Department will have the ability to fill a Staff Specialist position.

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

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

Mr. Frank Davies, Auditor-Controller, introduced Michael Steinhaus, Audit Manager, to present a status of Mandated Audits for the Quarter Ended March 31, 2021.

10. Receive Report on Status of Performance Audits

Ms. Lilly Simmering, Deputy County Executive Officer, provided a status update of Performance Audits.

11. Receive Report on TeamMate+ Upgrade

Mr. Scott Suzuki, Assistant Director of Internal Audit, provided an update of the TeamMate+ upgrade implementation status. The department anticipates the transition to the upgraded system to occur by the end of June 2021, allowing all FY 2021-22 audits to be in the new system.

12. Receive Report on OCIT and Internal Audit Department Collaboration

Mr. Joel Golub, Chief Information Officer, provided a report with information on current and future collaborations between OCIT and the Internal Audit Department.

PUBLIC COMMENTS: None

AOC COMMENTS: Mr. Wille asked for a status update of the eProcurement system. Ms. Aguirre indicated that the goal is to submit a request for this strategic priority during the 2021 Strategic Financial Plan (mid-October), with potential funding for FY 2022-23.

Ms. Aguirre stated that the Orange County Employees Retirement System (OCERS) valuation will be ready in August and offered to have OCERS CEO Steve Delaney present at the next Audit Oversight Committee. Mr. Brown agreed that this should be added to the next meeting's agenda.

ADJOURNMENT: Meeting adjourned at 11:52 a.m.

NEXT MEETING:

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



Memorandum

August 19, 2021

AOC Agenda Item No. 3

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 – Communication Letter



County of Orange Audit Oversight Committee

Date: August 19, 2021
Re: External Audit update

-
- 1) **Audit Plan – Refer to Attachment A:**
 - Outline of projects and timelines
 - 2) **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)	6/30/2021	Financial Statements of the County CAFR, including audit of investment trust funds, and pension/OPEB trust funds	April/May 2021	May 2021 through November 2021	December 2021	Fieldwork in progress
All	Agreed Upon Procedures (AUP) over GANN Limit calculations	6/30/2021	GANN Limit Calculation -for County and OC Flood Control District	April/May 2021	May 2021	December 2021	Fieldwork in progress
All	Single Audit	6/30/2021	Audit over compliance in accordance with Uniform Guidance of the County, including components of JWA, OCWR, OCDA	October 2021	January through February 2022	March 2022	n/a
John Wayne Airport (JWA)	Financial Statement Audit	6/30/2021	John Wayne Airport (JWA), including Passenger Facility Charge	April/May 2021	August through November 2021	December 2021	Fieldwork in progress
Orange County Waste & Recycling	Financial Statement Audit	6/30/2021	Orange County Waste & Recycling	April/May 2021	August through November 2021	December 2021	Fieldwork in progress
OC Community Resources / Redevelopment Successor Agency	Financial Statement Audit	6/30/2021	Redevelopment Successor Agency	April/May 2021	August through November 2021	December 2021	Fieldwork in progress
District Attorney	Grant Audits	6/30/2021	District Attorney Grant Audits	August 2021	September 2021	October 2021	n/a
CEO; HCA and Sheriff's Department	Tobacco Settlement Funds Agreed Upon Procedures	6/30/2021	HCA and Sheriff Tobacco Settlement Funds disbursements	November 2021	December 2021 through January 2022	February 2022	n/a
TTC	Agreed Upon Procedures over compliance	6/30/2019, 6/30/2020	Compliance with Government Code and Investment Policy	February 2021	April 2021-July 2021	August 2021	Reports expected to be issued August 2021
TTC	Schedule of Assets	6/30/2021	Report on the Schedule of Assets	September 2021*	September to November 2021*	December 2021*	*Dates to be agreed upon with TTC



July 26, 2021

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

This letter is provided in connection with our engagement to audit the financial statements and to audit compliance over major federal award programs of the County of Orange, California (County) as of and for the year ended June 30, 2021. Professional standards require that we communicate with you certain items including our responsibilities with regard to the financial statement audit, the compliance audit, and the planned scope and timing of our audits.

As stated in our engagement letter dated May 10, 2021, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), *Government Auditing Standards* of the Comptroller General of the United States of America, the requirements of the Single Audit Act, as amended; and the provisions of the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), for the purpose of forming and expressing opinions on the financial statements and on major federal award program compliance. Our audits do not relieve you or management of your respective responsibilities.

Our responsibility as it relates to the schedule of expenditures of federal awards is to evaluate its presentation for the purpose of forming and expressing an opinion as to whether it is presented fairly in all material respects in relation to the financial statements as a whole.

As part of our audit of the County's basic financial statements, we have also been engaged to perform the following:

- Audit of the investment trust funds;
- Audit of the pension and other postemployment benefit trust funds;
- Agreed Upon Procedures (AUP) for the Section 8 Cluster;
- Audit of the standalone financial statements and passenger facility charge revenue of John Wayne Airport;
- Audit of the standalone financial statements of OC Waste & Recycling;
- Audit of the standalone financial statements of the Orange County Development Agency Successor Agency;
- AUP over the Tobacco Settlement Revenue;
- AUP over the Appropriations Limit Calculations for the County of Orange and the Orange County Flood Control District;
- Audit of the Treasurer's Schedule of Assets;
- Annual Treasurer's compliance audit;
- Subsequent events review of CalOptima and OCERS.

Our audits will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our audit procedures will also include determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the entity's major programs.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or material noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS, *Government Auditing Standards* of the Comptroller General of the United States of America, the requirements of the Single Audit Act, as amended; and the provisions of the Uniform Guidance.

Our audits will include obtaining an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements, the risk of material noncompliance in the major federal award programs, and as a basis for designing the nature, timing, and extent of further audit procedures. However, we will communicate to you at the conclusion of our audit, significant matters that are relevant to your responsibilities in overseeing the financial reporting process, including any material weaknesses, significant deficiencies, and violation of laws or regulations that come to our attention. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

We plan to use personnel from the Internal Audit Division of the Auditor-Controller's office of the County to provide direct assistance to us in performing our audit procedures.

The County's financial statements include the financial activity of the Orange County Flood Control District, a blended component unit, which will be audited as a major fund. The County's financial statements also include the financial activity of the following blended component units:

- Orange County Housing Authority
- Orange County Public Financing Authority
- South Orange County Public Financing Authority
- Capital Facilities Development Corporation
- Orange County Public Facilities Corporation
- County Service Areas, Special Assessment Districts, and Community Facilities Districts
- In-Home Supportive Services (IHSS) Public Authority

For the purposes of our audit, we do not consider these blended or fiduciary component units to be significant components of the County's financial statements.

Our planned audit procedures include obtaining an understanding of these component units and their environment, including internal control, sufficient to assess the risks of material misstatement of the financial activity of the component units and other procedures considered necessary.

The financial statements of CalOptima, a discretely presented component unit, and OCERS, a fiduciary component unit, are audited by others and we will not take responsibility for the audit performed by the other auditors, rather will refer to their audits in our report. Our decision to refer to the reports of the other auditors, as it relates to CalOptima and OCERS, is based upon the following:

- The other auditors will perform an audit of the financial statements of the component in accordance with the relevant requirements of *Government Auditing Standards*,
- The other auditors will issue an auditor's report that is not restricted as to use,
- The consistency of the component's reporting framework to the County's financial statements.

Our planned audit procedures with respect to CalOptima and OCERS include required correspondence with the other auditors, obtaining and reading their auditor's report and the related financial statements, and other procedures considered necessary.

We began our audit in April 2021, and expect to issue our report no later than December 22, 2021 for the financial statements, and no later than March 31, 2022 for the Single Audit.

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

Respectfully,

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Laguna Hills, California



Memorandum

August 19, 2021

AOC Agenda Item No. 4

TO: Audit Oversight Committee Members

Recommended Action:

Presentation by Orange County Employees Retirement System (OCERS) regarding current and future funding

Presentation by Orange County Employees Retirement System (OCERS) regarding current and future funding, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – OCERS Presentation to the Audit Oversight Committee

Audit Oversight Committee

August 19, 2021

Steve Delaney, CEO



About OCERS

- Orange County Employees Retirement System Established as a defined benefit retirement program in 1945
 - 1937 Act
 - California Government Code
 - Regulates County Retirement Systems in CA
- 1 of 20 County Systems in California
- Separate from CalPERS



Who We Serve



- CITY OF SAN JUAN CAPISTRANO
- COUNTY OF ORANGE
- ORANGE COUNTY CEMETERY DISTRICT
- ORANGE COUNTY CHILDREN & FAMILIES COMMISSION
- ORANGE COUNTY DEPARTMENT OF EDUCATION
(CLOSED TO NEW MEMBERS)
- ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
- ORANGE COUNTY FIRE AUTHORITY
- ORANGE COUNTY IN-HOME SUPPORTIVE SERVICES PUBLIC
AUTHORITY
- ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION
- ORANGE COUNTY PUBLIC LAW LIBRARY
- ORANGE COUNTY SANITATION DISTRICT
- ORANGE COUNTY TRANSPORTATION AUTHORITY
- SUPERIOR COURT OF CALIFORNIA, COUNTY OF ORANGE
- TRANSPORTATION CORRIDOR AGENCIES
- UCI MEDICAL CENTER AND CAMPUS
(CLOSED TO NEW MEMBERS)

OCERS and the Pension Promise:

As of December 31, 2020:

■ Present Value of Future Benefits	\$27,332,802,000
■ OCERS Actuarial Accrued Liability	\$22,904,975,000
■ OCERS Assets (Valuation)	\$17,525,201,000
■ OCERS Assets (Market)	\$18,494,378,000
■ Unfunded Actuarial Accrued Liability (UAAL)	\$5,379,858,000
■ Orange County UAAL	\$4,480,344,000*

* Approximation based on County's proportional payroll

OTHER IMPORTANT DATA POINTS

- As of June 30, 2021

- Year to Date Returns 9.8%
- 12 Month Returns 26.2%
 - 5 Years: 9.37%
 - 10 Years: 7.28%
 - 20 Years: 7.1%
- FUND ASSETS (MVA) \$21,460,000,000 (app)

The Unfunded Actuarial Accrued Liability (UAAL)

as of December 31, 2020

Market, Actuarial and Valuation Value of Assets (\$000)

Valuation Date	Net Market Value of Assets ^{1,2}	Actuarial Value of Assets ²	Valuation Value of Assets
December 31, 2007	\$7,719,690	\$7,292,205	\$7,288,900
December 31, 2008	\$6,248,558	\$7,750,751	\$7,748,380
December 31, 2009	\$7,464,761	\$8,155,654	\$8,154,687
December 31, 2010	\$8,357,835	\$8,673,473	\$8,672,592
December 31, 2011	\$8,465,593	\$9,064,580	\$9,064,355
December 31, 2012	\$9,566,874	\$9,469,423	\$9,469,208
December 31, 2013	\$10,679,507	\$10,417,340	\$10,417,125
December 31, 2014	\$11,428,223	\$11,450,001	\$11,449,911
December 31, 2015	\$11,548,529	\$12,228,098	\$12,228,009
December 31, 2016	\$12,657,418	\$13,103,066	\$13,102,978
December 31, 2017	\$14,652,607	\$14,197,211	\$14,197,125
December 31, 2018	\$14,349,790	\$14,994,505	\$14,994,420
December 31, 2019	\$16,516,108	\$16,036,953	\$16,036,869
December 31, 2020	\$18,494,462	\$17,525,201	\$17,525,117

¹ Net of amounts in County investment account, prepaid employer contributions and O.C. Sanitation District UAAL Deferred Account (after transfer), if any.

² Includes amounts in unclaimed member reserve and Medicare medical insurance reserve.

Unfunded Actuarial Accrued Liability (\$000) and Funded Ratio

Valuation Date	UAAL	Valuation Value Funded Ratio	Market Value Funded Ratio
December 31, 2007	\$2,549,786	74.1%	78.4%
December 31, 2008	\$3,112,335	71.3%	57.5%
December 31, 2009	\$3,703,891	68.8%	62.9%
December 31, 2010	\$3,753,281	69.8%	67.3%
December 31, 2011	\$4,458,623	67.0%	62.6%
December 31, 2012	\$5,675,680	62.5%	63.2%
December 31, 2013	\$5,367,917	66.0%	67.7%
December 31, 2014	\$4,963,213	69.8%	69.6%
December 31, 2015	\$4,822,348	71.7%	67.7%
December 31, 2016	\$4,830,483	73.1%	70.6%
December 31, 2017	\$5,438,302	72.3%	74.6%
December 31, 2018	\$5,708,929	72.4%	69.3%
December 31, 2019	\$5,879,861	73.2%	75.4%
December 31, 2020	\$5,379,858	76.5%	80.7%

Unfunded Actuarial Accrued Liability (\$000) and Funded Ratio

	December 31, 2020	December 31, 2019
Actuarial Accrued Liability	\$22,904,975	\$21,916,730
Valuation Value of Assets ¹	17,525,117	16,036,869
Unfunded Actuarial Accrued Liability	5,379,858	5,879,861
Percent Funded on Valuation Value	76.51%	73.17%
Market Value of Assets ¹	\$18,494,378	\$16,516,024
Percent Funded on Market Value	80.74%	75.36%

¹ Excludes County investment account, prepaid employer contributions, Medicare medical insurance reserve and O.C. Sanitation District UAAL Deferred Account (after transfer), if any.

Changes in UAAL since December 31, 2019 Valuation

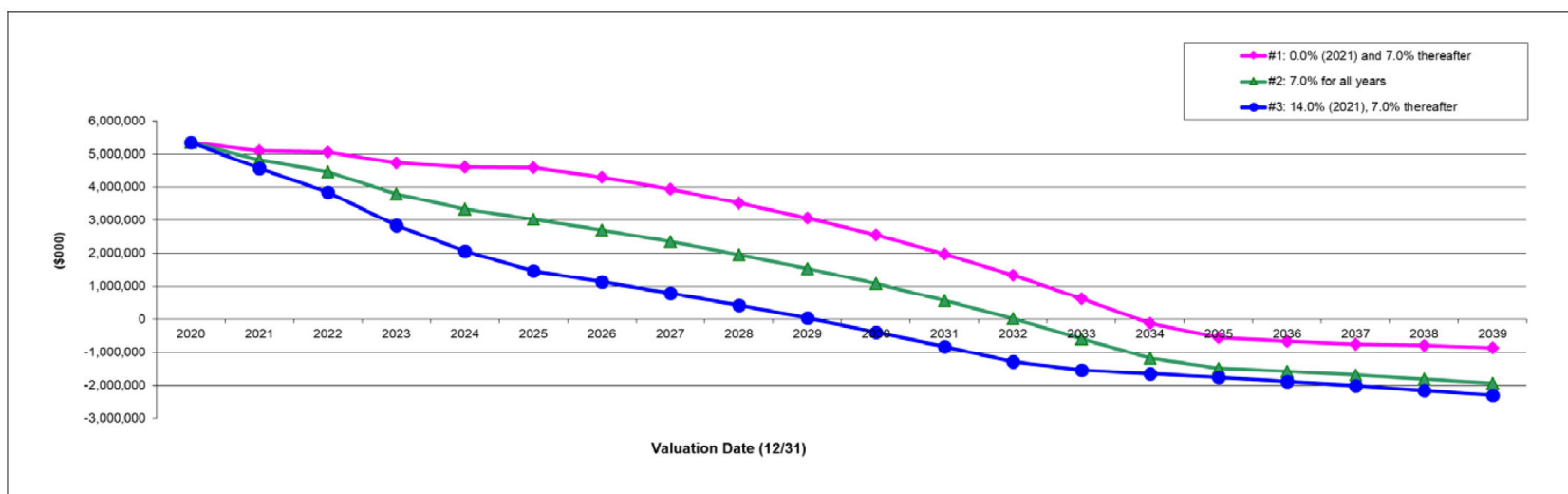
December 31, 2019 valuation	
• Total UAAL	\$5,880 million
Changes during calendar year 2020	
• Interest minus expected payments to UAAL	-\$123 million
• Difference in actual versus expected contributions	110 million
• Additional UAAL payments from OCFA, DOE and UCI	-25 million
• Investment gains (on smoothed value of assets)	-371 million
• Difference in actual versus expected salary increases	-62 million
• Effect of higher than expected COLA increases in 2020 ¹	34 million
• Effect of lower than expected COLA increases in 2021 ²	-158 million
• Changes in assumptions	24 million
• Effect of reallocating present value benefits between NC and AAL	-38 million
• Other losses	<u>109 million</u>
• Subtotal	-\$500 million
December 31, 2020 valuation	
• Total UAAL	\$5,380 million

¹ Actuarial loss from payment of an April 1, 2020 COLA 0.25% higher than the 2.75% COLA assumption.

² Actuarial gain from payment of an April 1, 2021 COLA 1.25% lower than the 2.75% COLA assumption.

PROGRESS IN 20 YEAR AMORTIZATION OF UAAL

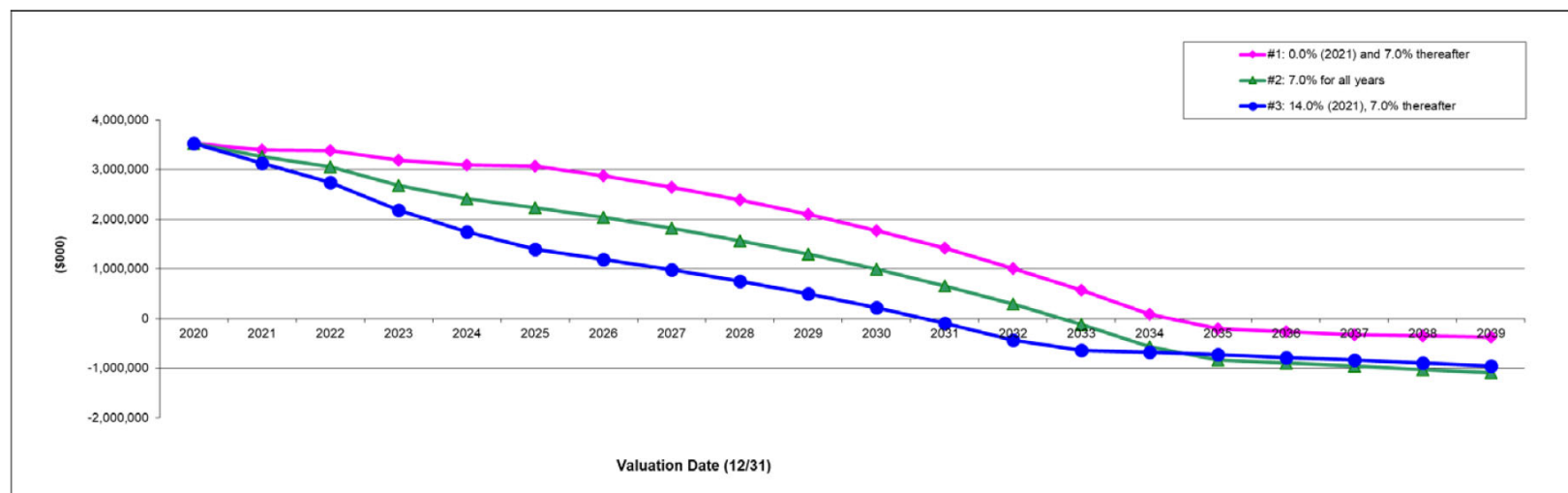
Projected UAAL⁸ and Funded Ratio for Aggregate Plan



UAAL (\$000)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
#1: 0.0% (2021) and 7.0% thereafter	5,346,780	5,086,502	5,058,782	4,734,226	4,598,779	4,591,841	4,291,105	3,934,643	3,521,973	3,059,795	2,544,177	1,970,805	1,334,988	631,696	-117,745	-551,557	-661,843	-749,512	-802,085	-858,322
#2: 7.0% for all years	5,346,780	4,829,141	4,453,982	3,786,226	3,326,110	3,017,334	2,696,010	2,343,943	1,951,252	1,527,467	1,072,459	570,782	16,906	-593,422	-1,169,311	-1,477,178	-1,580,580	-1,691,221	-1,809,607	-1,936,279
#3: 14.0% (2021), 7.0% thereafter	5,346,780	4,571,780	3,849,184	2,838,122	2,053,193	1,451,431	1,125,677	791,197	431,112	33,588	-388,427	-836,065	-1,278,588	-1,540,634	-1,648,478	-1,763,872	-1,887,343	-2,019,457	-2,160,820	-2,312,077

Funded Ratio	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
#1: 0.0% (2021) and 7.0% thereafter	76.5%	78.7%	79.7%	81.8%	83.1%	83.8%	85.5%	87.2%	89.0%	90.8%	92.6%	94.4%	96.3%	98.3%	100.3%	101.4%	101.6%	101.8%	101.9%	102.0%
#2: 7.0% for all years	76.5%	79.7%	82.2%	85.5%	87.8%	89.4%	90.9%	92.4%	93.9%	95.4%	96.9%	98.4%	100.0%	101.6%	103.0%	103.7%	103.9%	104.1%	104.3%	104.5%
#3: 14.0% (2021), 7.0% thereafter	76.5%	80.8%	84.6%	89.1%	92.5%	94.9%	96.2%	97.4%	98.6%	99.9%	101.1%	102.4%	103.5%	104.1%	104.3%	104.4%	104.6%	104.9%	105.1%	105.4%

Projected UAAL and Funded Ratio for Rate Group #2
Plans I, J, O, P, S, T, U and W (County et al.)



UAAL (\$000)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
#1: 0.0% (2021) and 7.0% thereafter	3,526,018	3,398,388	3,378,733	3,187,599	3,093,014	3,062,209	2,872,424	2,648,393	2,389,561	2,099,285	1,775,041	1,414,126	1,013,559	570,137	82,100	-198,428	-268,103	-328,105	-351,072	-375,647
#2: 7.0% for all years	3,526,018	3,261,277	3,057,122	2,684,456	2,419,237	2,231,030	2,033,013	1,814,822	1,570,690	1,298,486	995,842	660,288	289,253	-120,186	-569,321	-835,189	-893,652	-956,208	-1,023,143	-1,094,762
#3: 14.0% (2021), 7.0% thereafter ¹⁰	3,526,018	3,124,166	2,735,496	2,181,194	1,745,210	1,399,633	1,193,579	981,369	752,019	497,826	216,712	-93,477	-435,057	-638,055	-682,719	-730,509	-781,644	-836,360	-894,905	-957,549

Funded Ratio	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
#1: 0.0% (2021) and 7.0% thereafter	72.5%	74.6%	75.7%	78.0%	79.4%	80.4%	82.2%	84.1%	86.1%	88.1%	90.2%	92.4%	94.7%	97.1%	99.6%	101.0%	101.3%	101.6%	101.7%	101.8%
#2: 7.0% for all years	72.5%	75.6%	78.0%	81.5%	83.9%	85.7%	87.4%	89.1%	90.9%	92.7%	94.5%	96.5%	98.5%	100.6%	102.9%	104.1%	104.4%	104.7%	105.0%	105.3%
#3: 14.0% (2021), 7.0% thereafter	72.5%	76.6%	80.4%	84.9%	88.4%	91.0%	92.6%	94.1%	95.6%	97.2%	98.8%	100.5%	102.3%	103.3%	103.4%	103.6%	103.8%	104.1%	104.3%	104.6%

¹⁰ Starting in year 2035, the UAALs are projected to be less negative when compared to the UAALs under Scenario 2. This is primarily due to the effect of the 18-month delay between the date of the valuation and the fiscal year contribution rate implementation where the last UAAL contribution requirement before the rate group becomes fully funded is greater than the UAAL outstanding balance.

Unfunded Actuarial Accrued Liability (\$000) and Funded Ratio by Rate Group

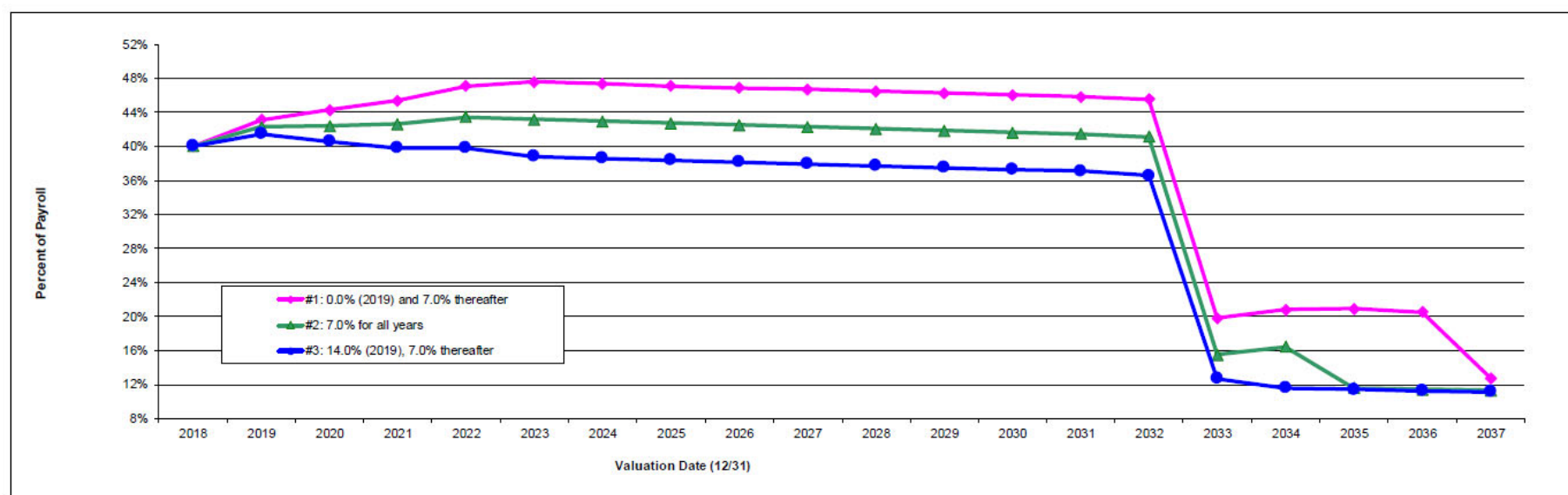
	UAAL	Funded Ratio
Rate Group #1 General Plans A, B and U (County and IHSS) ¹	\$75,790	85.72%
Rate Group #2 General Plans I, J, O, P, S, T, U and W (County et al.)	\$3,526,018	72.50%
Rate Group #3 General Plans B, G, H and U (OCSD)	-\$24,920	103.17%
Rate Group #5 General Plans A, B and U (OCTA)	\$215,409	79.32%
Rate Group #9 General Plans M, N and U (TCA)	-\$1,333	102.48%
Rate Group #10 General Plans I, J, M, N and U (OCFA)	\$34,229	87.82%
Rate Group #11 General Plans M and N, future service, and U (Cemetery)	\$642	94.89%
Rate Group #12 General Plans G, H and U (Law Library)	-\$507	104.44%
Rate Group #6 Safety Plans E, F and V (Probation)	\$207,237	78.22%
Rate Group #7 Safety Plans E, F, Q, R and V (Law Enforcement)	\$1,105,871	75.26%
Rate Group #8 Safety Plans E, F, Q, R and V (OCFA)	\$241,422	87.57%
Aggregate Total	\$5,379,858	76.51%

¹ Includes payees from Vector Control, Cypress Parks and Recreation, U.C.I. and DOE.

IMPACT ON EMPLOYER CONTRIBUTION RATES

As of Dec 31, 2018

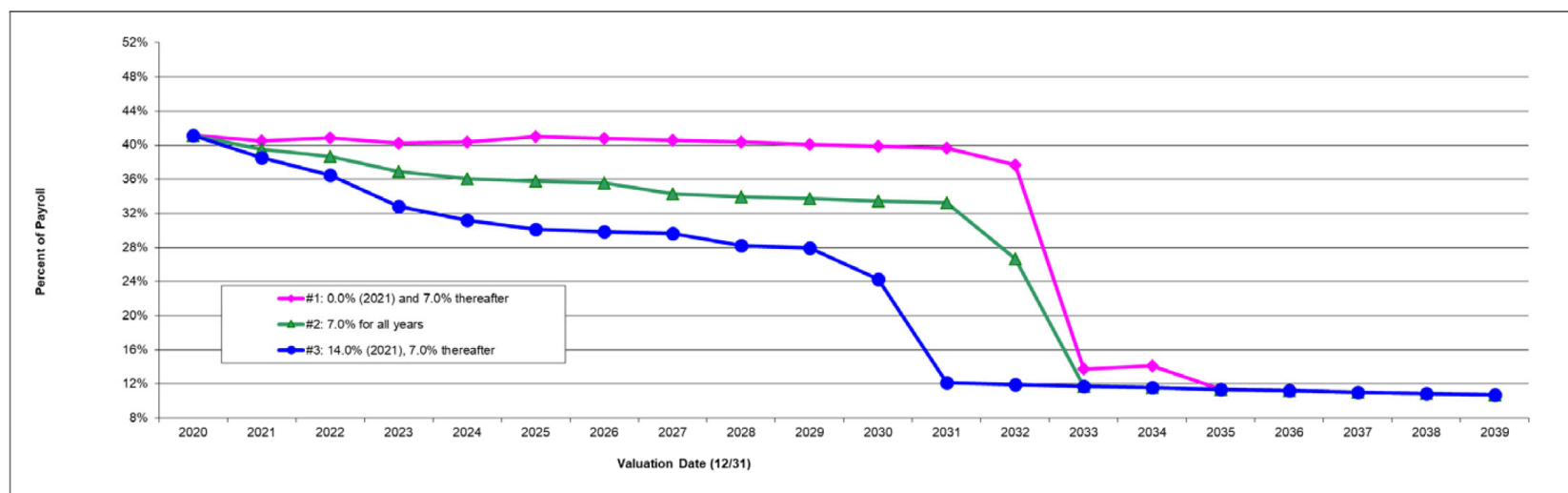
Attachment A
Projected Employer Rates
Aggregate Plan



Valuation Date (12/31)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
#1: 0.0% (2019) and 7.0% thereafter	40.0%	43.1%	44.3%	45.4%	47.1%	47.6%	47.3%	47.1%	46.9%	46.7%	46.5%	46.2%	46.0%	45.8%	45.5%	19.8%	20.8%	20.9%	20.5%	12.7%
#2: 7.0% for all years	40.0%	42.3%	42.4%	42.6%	43.5%	43.2%	43.0%	42.7%	42.5%	42.3%	42.1%	41.9%	41.7%	41.5%	41.1%	15.5%	16.5%	11.6%	11.4%	11.3%
#3: 14.0% (2019), 7.0% thereafter	40.0%	41.5%	40.6%	39.8%	39.8%	38.8%	38.6%	38.4%	38.1%	37.9%	37.7%	37.5%	37.3%	37.1%	36.6%	12.7%	11.6%	11.4%	11.3%	11.1%

Projected Employer Rates Aggregate Plan

As of Dec 31, 2020

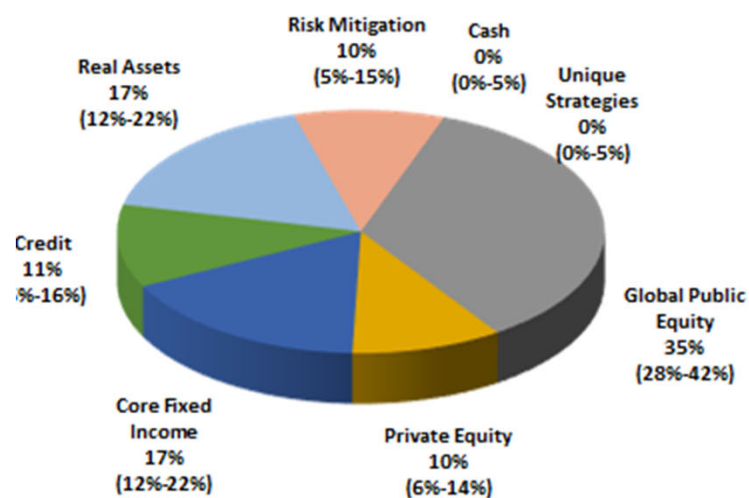


Valuation Date (12/31)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
#1: 0.0% (2021) and 7.0% thereafter	41.2%	40.5%	40.9%	40.2%	40.3%	41.0%	40.8%	40.6%	40.3%	40.1%	39.9%	39.7%	37.7%	13.7%	14.1%	11.4%	11.2%	11.0%	10.9%	10.7%
#2: 7.0% for all years	41.2%	39.5%	38.7%	36.9%	36.0%	35.8%	35.5%	34.3%	33.9%	33.7%	33.5%	33.3%	26.7%	11.7%	11.6%	11.4%	11.2%	11.0%	10.9%	10.7%
#3: 14.0% (2021), 7.0% thereafter	41.2%	38.6%	36.5%	32.8%	31.2%	30.1%	29.9%	29.6%	28.2%	28.0%	24.3%	12.2%	11.9%	11.7%	11.6%	11.4%	11.2%	11.0%	10.9%	10.7%

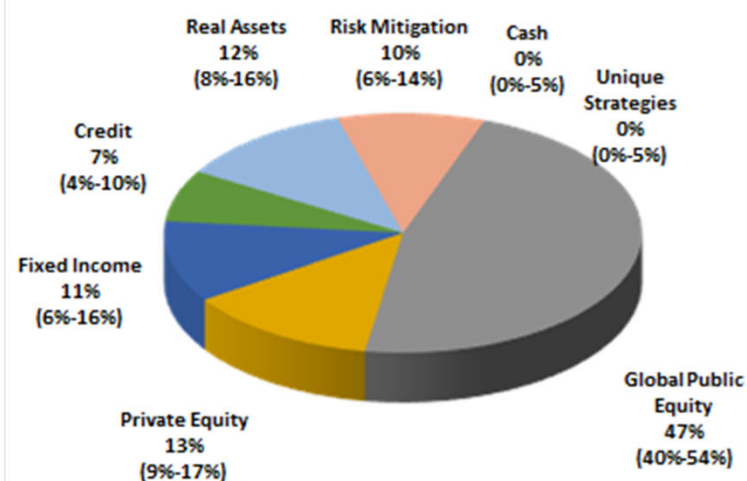
HOW The OCERS BOARD OF RETIREMENT HAS ACCOMPLISHED IMPROVEMENT IN FUNDING STATUS

ASSET ALLOCATION

Previous Target Allocation
Prior to April 2020



Current Target Allocation



History of Return on Assets

	Market	Valuation	Expected
December 31, 2011	0.04%	3.29%	7.75%
December 31, 2012	11.92%	3.49%	7.75%
December 31, 2013	10.73%	9.11%	7.25%
December 31, 2014	4.52%	7.34%	7.25%
December 31, 2015	-0.45%	5.26%	7.25%
December 31, 2016	8.72%	6.33%	7.25%
December 31, 2017	14.79%	7.44%	7.25%
December 31, 2018	-2.46%	5.20%	7.00%
December 31, 2019	14.79%	6.66%	7.00%
December 31, 2020	12.01%	9.31%	7.00%
Annualized 5-Year Average	9.37%	6.98%	
Annualized 10-Year Average	7.28%	6.32%	

Public Fund Universe Analysis

Orange County Employees' Retirement System

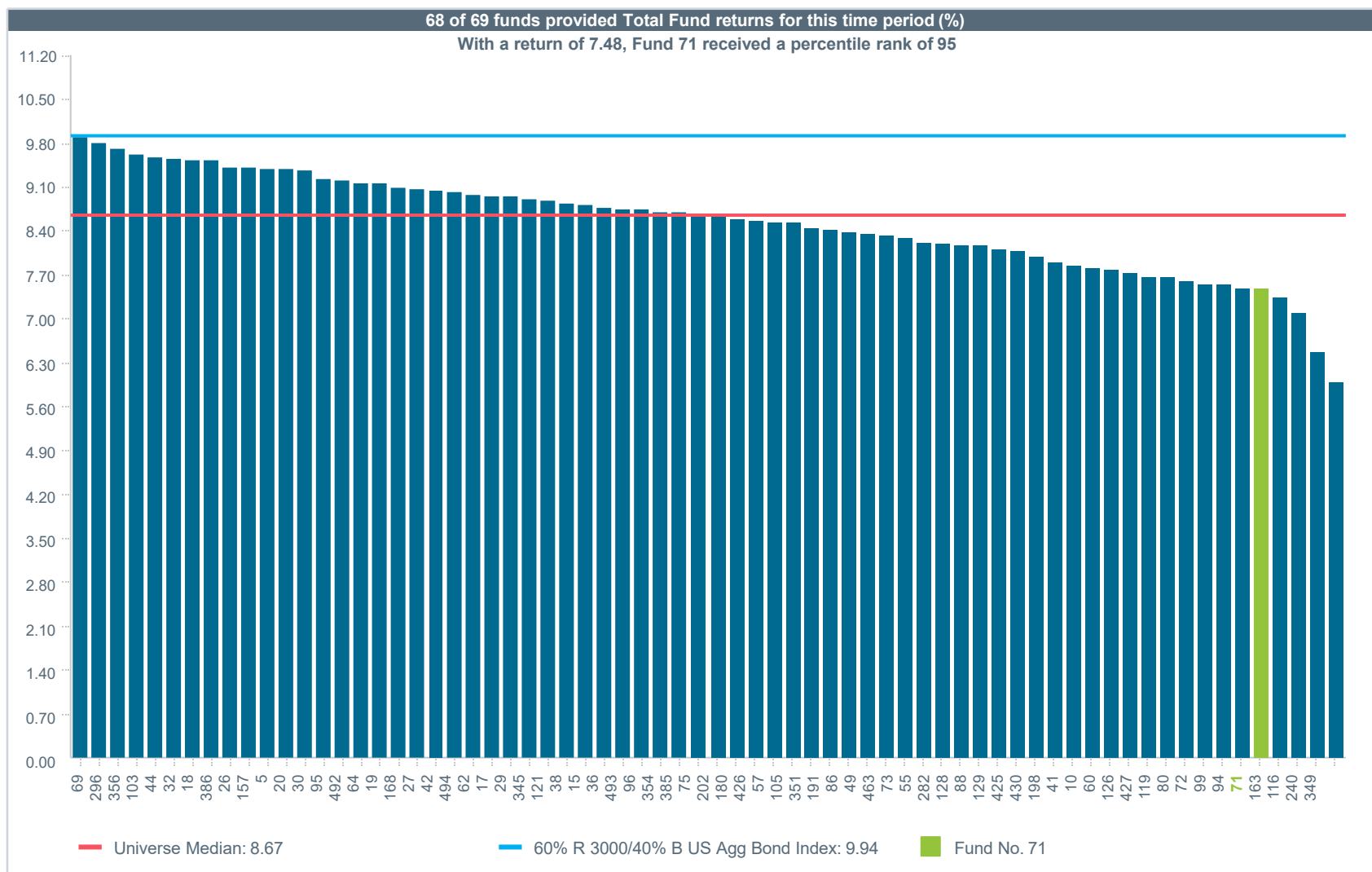
Period Ending June 30, 2020

Fund Number: 71



10 Year Annualized Total Fund Returns

As of June 30, 2020

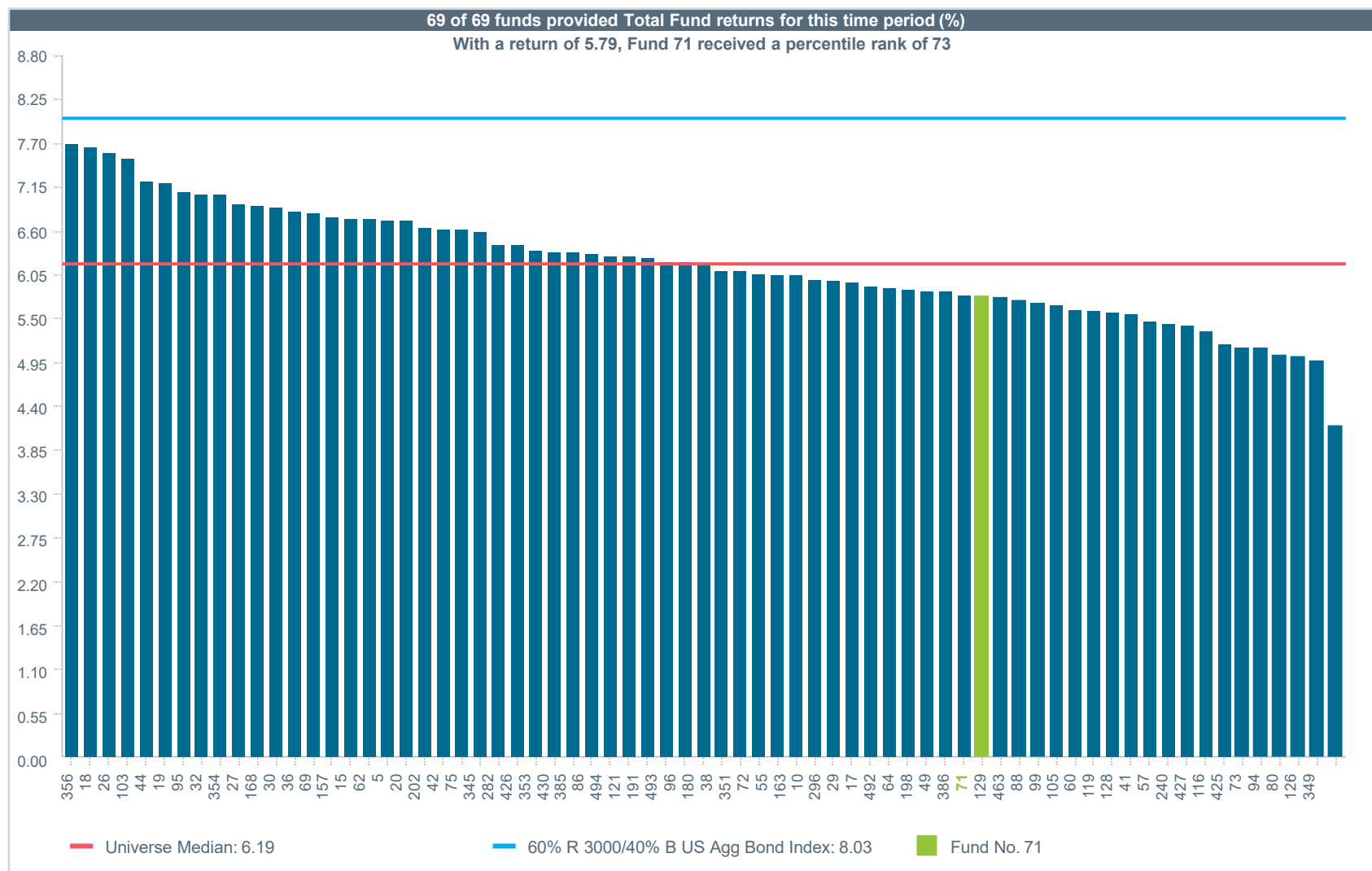


Funds with less history than the specified time period will not appear in the chart.



5 Year Annualized Total Fund Returns

As of June 30, 2020

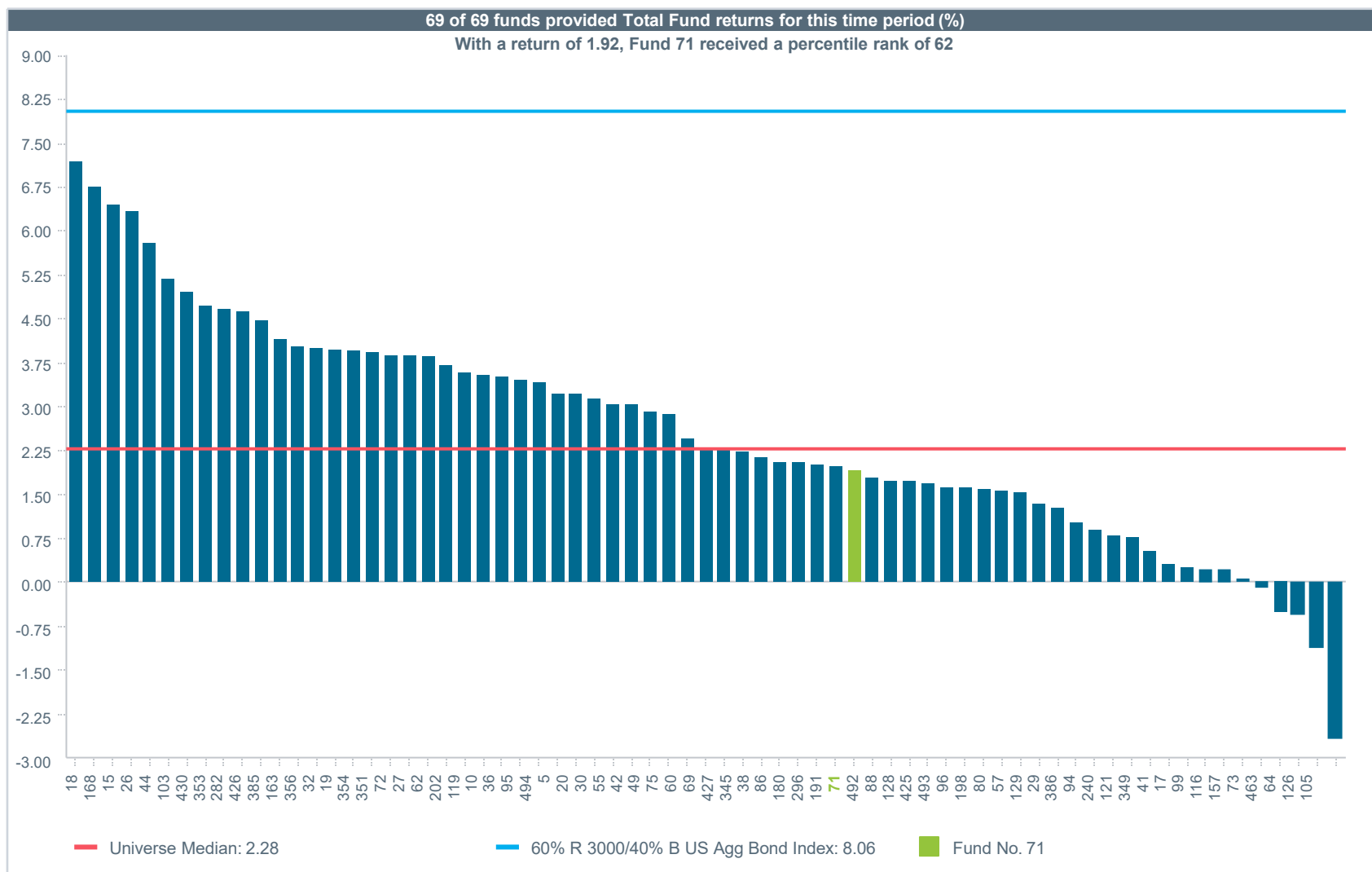


Funds with less history than the specified time period will not appear in the chart.



1 Year Annualized Total Fund Returns

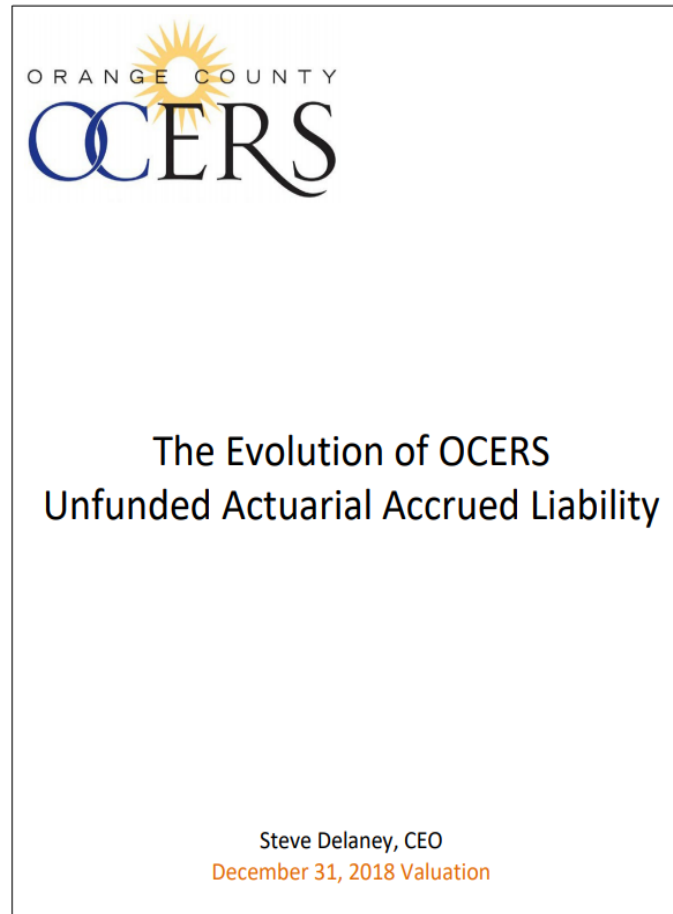
As of June 30, 2020



Funds with less history than the specified time period will not appear in the chart.



Additional Reading (www.OCERS.org)





Memorandum

August 19, 2021

AOC Agenda Item No. 5

TO: Audit Oversight Committee Members

Recommended Action:

Approve Internal Audit Department's FY 2020-21 4th Quarter Status Report and approve Executive Summary of Internal Audit Reports for the Quarter Ended June 30, 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

July 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 June 30, 2021

Attached for your review and approval is Internal Audit's status report on audit activity for the quarter ended June 30, 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 June 30, 2021, Internal Audit issued 11 final reports (three original reports and eight follow-up reports) and eight pre-draft/draft reports. The three original audits included no Critical Control Weaknesses, one Significant Control Weakness, and seven 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 JUNE 30, 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.	1	15
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.	7	47
TOTAL	8	65



EXECUTIVE SUMMARY
INTERNAL AUDIT REPORTS
FOR THE QUARTER ENDED JUNE 30, 2021

OC COMMUNITY RESOURCES

1. Internal Control Audit: OC Community Resources Cash Disbursements & Payables

Audit No. 2014 dated June 30, 2021 for the year ended August 31, 2020

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Evaluate the effectiveness of internal control over the cash disbursements and payables process to ensure transactions are accurate, adequately supported, processed timely, properly recorded, and authorized in compliance with County and departmental policy.	OCCR's internal control over the cash disbursements and payables process was generally effective to ensure transactions are accurate, adequately supported, processed timely, properly recorded, and authorized in compliance with County and departmental policy.	One (1) Significant Control Weakness 1. Certain personally identifiable information (PII) was found in disbursement supporting documentation.	2
2. Evaluate the effectiveness of internal control over Board of Supervisors' event disbursements made by OCCR to ensure transactions are accurate, adequately supported, processed timely, properly recorded, and authorized in compliance with County and departmental policy.	OCCR's internal control over the Board of Supervisors' event disbursements was generally effective to ensure transactions are accurate, adequately supported, processed timely, properly recorded, and authorized in compliance with County and departmental policy.		
3. Review the cash disbursements and payables process for efficiency.	OCCR's disbursements and payables process is generally efficient.		

PUBLIC DEFENDER

2. Internal Control Audit: Public Defender Revolving Funds

Audit No. 2017 dated June 29, 2021 for the year ended August 31, 2020

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Evaluate the effectiveness of internal control over the revolving funds process to ensure revolving fund transactions are complete (recorded/reported), accurate, valid (authorized), processed timely, and in compliance with County policy; and duties are adequately segregated, and assets are adequately safeguarded.	Public Defender's internal control over the revolving funds process was generally effective to ensure revolving fund transactions are complete (recorded /reported), accurate, valid (authorized), processed timely, and in compliance with County policy; and duties are adequately segregated, and assets adequately safeguarded.	None	5
2. Review the revolving funds process for efficiency.	The revolving funds process is generally efficient.		



TREASURER-TAX COLLECTOR**3. Audit of Tax Redemption Officer Records & Accounts**

Audit No. 2024 dated June 22, 2021 for the three years ended June 30, 2020

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
Determine whether T-TC's redemption records and accounts complied with R&T Part 7 (Sections 4101 through 4379); specifically, to determine if:	Redemption amounts and fees were calculated, charged, and collected appropriately.	None	0
1. Redemption amounts and fees were calculated, charged, and collected appropriately.			
2. Accounts on installment plans were accounted for and redeemed appropriately.	Accounts on installment plans were accounted for and redeemed appropriately.		
3. T-TC appropriately maintained the delinquent roll and Auditor-Controller (A-C) charged the T-TC with the amounts shown on the delinquent roll.	T-TC appropriately maintained the delinquent roll and (A-C) charged the T-TC with the amounts shown on the delinquent roll.		



EXECUTIVE SUMMARY
INTERNAL AUDIT FOLLOW-UP REPORTS
FOR THE QUARTER ENDED JUNE 30, 2021

AUDITOR-CONTROLLER**4. First & Final Close-Out Follow-Up Internal Control Audit: Auditor-Controller Fiduciary & Special Revenue Funds**

Audit No. 2039-B (Reference 1818-F1) dated April 26, 2021 as of February 28, 2021; original audit dated August 28, 2020

ORIGINAL AUDIT – 4 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	
1 One (1) Significant Control Weakness 1. Fund transaction support included personally identifiable information (PII).	3	4	0	NA

5. Second Follow-Up Internal Control Audit: Auditor-Controller Claims

Audit No. 2039-Q (Reference 1811-F2) dated June 8, 2021 as of April 30, 2021; original audit dated December 30, 2019

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	1	1	Recommendation No. 1 (Control Finding). Auditor-Controller Inform departments of the Accounts Payable, Payments and Refunds procedure; consider providing departmental training regarding the Accounts Payable, Payments and Refunds procedure, live or on-line via Eureka; and consider creating a CAM for the claims/accounts payable process.

CLERK-RECORDER**6. First & Final Close-Out Follow-Up Internal Control Audit: Clerk-Recorder Senate Bill 2 Building Homes & Jobs Act Review**

Audit No. 2039-L (Reference 1919-F1) dated May 4, 2021 as of April 22, 2021; original audit dated August 19, 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**7. First & Final Close-Out Follow-Up Internal Control Audit: OC Public Works Purchasing & Contracts**

Audit No. 2039-D (Reference 1911-F1) dated June 29, 2021 as of April 30, 2021; original audit dated October 21, 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	
None	3	3	0	NA

OC WASTE & RECYCLING**8. Second & Final Close-Out Follow-Up Internal Control Audit: OC Waste & Recycling Fee-Generated Revenue**

Audit No. 2039-P (Reference 1821-F2) dated May 5, 2021 as of March 31, 2021; original audit dated September 23, 2019

ORIGINAL AUDIT – 1 FINDING		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	1	1	0	NA

SHERIFF-CORONER**9. First & Final Close-Out Follow-Up Internal Control Audit: Sheriff-Coroner Revolving Funds**

Audit No. 2039-J (Reference 1917-F1) dated June 29, 2021 as of June 4, 2021; original audit dated October 23, 2020

ORIGINAL AUDIT – 6 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	
1	5	6	0	NA
One (1) Significant Control Weakness 1. There are issues with OCSD fund and bank reconciliations including discrepancies, long outstanding checks, and improper supervisory review.				



10. First Follow-Up Internal Control Audit: Sheriff-Coroner Concealed Carry Weapon Licensing & Records Units Cash Receipts

Audit No. 2039-K (Reference 1918-F1) dated May 20, 2021 as of April 30, 2021; original audit dated August 17, 2020

ORIGINAL AUDIT – 6 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	
1 One (1) Significant Control Weakness 1. Removed due to the sensitive nature of the finding.	5	4	2	Recommendation No. 1 (Significant Control Weakness). Removed due to the sensitive nature of the finding. Recommendation No. 3 (Control Finding). OCSD establish a written policy and procedure detailing a business continuity plan in the event the in-house financial system or the licensing software become inoperable.

SOCIAL SERVICES AGENCY

11. First Follow-Up Information Technology Audit: Social Services Agency IT Logical Security & Change Management

Audit No. 1949-E (Reference 1846-F1) dated May 12, 2021 as of July 31, 2020; original audit dated October 23, 2019

ORIGINAL AUDIT – 9 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	
5 One (1) Critical Control Weakness Due to the sensitive nature of the findings, details have been redacted from this report. Four (4) Significant Control Weaknesses Due to the sensitive nature of the findings, details have been redacted from this report for two of the eight Significant Control Weaknesses.	4	3	6	Recommendation No. 2, 4 & 5 (Significant Control Weakness). Due to the sensitive nature of the finding, details have been redacted from this report. Recommendation No. 6 (Control Finding). SSA recently consolidated its IT functions with OCIT Shared Services and we were informed that a new change management process was adopted subsequent to fieldwork. As a result of this new process, there were insufficient testing samples in the follow-up audit period to confirm those processes met the recommendation. We will examine testing samples during our second follow-up audit.



				<p>Recommendation No. 7 (Control Finding). SSA recently consolidated its IT functions with OCIT Shared Services and we were informed that a new change management and testing documentation process was adopted subsequent to our fieldwork. As a result of this new process, there were insufficient testing samples in the follow-up audit period to confirm those processes met the recommendation. We will examine testing samples during our second follow-up audit.</p> <p>Recommendation No. 9 (Control Finding). SSA recently consolidated its IT functions with OCIT Shared Services and indicated they have begun to use OCIT Shared Services IT Service Management System (SMS) to document the provisioning of user access requests and authorization to critical systems for SSA personnel.</p> <p>However, this process does not include non-SSA personnel (i.e., other County department users) that request and obtain access to SSA's critical applications. We were informed by SSA they will re-evaluate the process to include these users.</p>
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EXECUTIVE SUMMARY
APPENDIX A: DRAFT REPORTS
FOR THE QUARTER ENDED JUNE 30, 2021

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

1. **Internal Control Audit: Social Services Agency Fiduciary & Special Revenue Funds**, Audit No. 1823
2. **Internal Control Audit: Health Care Agency/Public Guardian Fiduciary Fund 165**, Audit No. 1914
3. **Internal Control Audit: OC Community Resources Cash Disbursements & Payables**, Audit No. 2014 (note, the final report was issued in the same reporting period)
4. **Internal Control Audit: Social Services Agency Purchasing & Contracts**, Audit No. 2016
5. **Internal Control Audit: OC Public Works/OC Road Special Revenue Funds**, Audit No. 2019
6. **Information Technology Audit: County Counsel Selected Cybersecurity**, Audit No. 2044
7. **Audit of Tax Redemption Officer Records & Accounts**, Audit No. 2024 (note, the final report was issued in the same reporting period)
8. **First Follow-Up Internal Control Audit: District Attorney Revolving Funds**, Audit No. 2039-F





Internal Audit Department
4th Quarter Status Report for the Audit Oversight Committee
For the Quarter Ended 6/30/21
AOC Meeting Date: August 19, 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	525	516	200	80	280	167	92	16	0	275	0	(5)	NA	NA	Completed. Final report issued 2/22/21		
SSA Fiduciary Funds (FY 2018-19 carryover)	1823	7/29/20		700	725	300	260	560	156	229	161	44	590	0	30			Draft report issued 5/26/20		
OCPW Purchasing & Contracts (FY 2019-20 carryover)	1911	12/03/19	10/21/20	530	533	80	0	80	79	3	0	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	640	631	80	160	240	199	22	6	0	227	0	(13)	8/31/21	2139-B	Completed. Final report issued 2/1/21		
HCA/PG CIMS (Department Request)	1914	11/20/19		580	567	120	160	280	23	72	30	143	268	0	(12)			Pre-draft report issued 6/29/20		
T-TC Accounts Receivable Controls (1729)	2011	9/24/20				400	80	480	66	168	78	154	466	0	(14)			In process		
CEO Cash Disbursements & Payables	2012	9/03/20				400	(160)	240	61	67	15	88	231	0	(9)			In process		
JWA Cash Disbursements & Payables	2013					0	0	0	0	0	0	0	0	0	0			Deferred until FY 2021-22		
OCCR Cash Disbursements & Payables	2014	9/24/20	6/30/21			400	200	600	133	260	206	17	616	0	16	12/30/21	2139-H	Completed. Final report issued 6/30/21		
OCCR/OC Parks/OC Dana Point Harbor Purchasing & Contracts	2015					400	(369)	31	0	0	0	31	31	0	0			Deferred until FY 2021-22		
SSA Purchasing & Contracts	2016	9/09/20				400	160	560	52	160	219	144	575	0	15			Pre-draft report issued 6/9/20		
PD Revolving Funds	2017	9/03/20	6/29/21			400	160	560	121	293	132	16	562	0	2	12/30/21	2139-K	Completed. Final report issued 6/29/21		
CEO Fiduciary & Special Revenue Funds	2018					400	(393)	7	0	0	7	0	7	0	0			Deferred until FY 2021-22		
OCPW Fiduciary & Special Revenue Funds	2019	12/30/20				400	80	480	0	82	267	115	464	0	(16)			Draft report issued 6/8/20		
CEO Contract Policy Manual Review	2020					200	(187)	13	11	2	0	0	13	0	0			Cancelled		
OCPW Design & Construction Procurement Manual Review	2021					200	(186)	14	6	8	0	0	14	0	0			Cancelled		
OCPW Toll Road and Transponder Usage for County Vehicles Compliance	2022	7/08/20	3/31/21			400	200	600	356	226	19	1	602	0	2	9/30/21	2139-D	Completed. Final report issued 3/31/21		
COVID Advisory (1920)	2023	4/21/20				400	(400)	0	0	0	0	0	0	0	0	NA	NA	Closed for FY		
Follow-Up Audits (FY 2019-20 carryover)							280	0	280	173	80	7	0	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	(334)	560		37	162	358	557	0	(3)				
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	1/28/21													NA	NA	Completed. Final close-out report issued 1/28/21		
SSA Fiduciary (1823)	2039-C																	Not started; renumbered 2139-A		
OCSD Purchasing & Contracts (1911)	2039-D	5/17/21	6/28/21													NA	NA	Completed. Final close-out report issued 6/28/21		
OCSD Purchasing & Contracts (1912)	2039-E																	Not started; renumbered 2139-B		
OCDA Revolving Fund (1913)	2039-F	3/26/21																Draft report issued 6/29/21		
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	5/10/21	6/29/21													NA	NA	Completed. Final close-out report issued 6/29/21		
OCSD Cash Receipts (1918)	2039-K	3/26/21	5/20/21													NA	NA	Completed. Final close-out report issued 5/20/21		
C-R Department Request (1919)	2039-L	3/26/21	5/4/21													NA	NA	Completed. Final close-out report issued 5/4/21		
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	5/5/21													NA	NA	Completed. Final close-out report issued 5/5/21		
A-C Claims (1811/1939-F)	2039-Q	4/28/21	6/8/21													TBA	TBA	Completed. Final report issued 6/8/21		
Summary Close-Out						0	139	139	130	6	0	3	139	0	0			Completed. Final reports issued for 1818, 1913, 1917, 1918, 1919, 1839-P, 1939-G, 1939-K, 1939-L		
Total Internal Control Audits						6,354	(350)	6,004	1,733	1,807	1,325	1,114	5,979	0	(25)					
Mandated & Financial Audits (MFA)																				
Tax Redemption Officer	2024	9/21/20	6/22/21			0	480	480	101	113	128	112	454	0	(26)	NA	NA	Completed. Final report issued 6/22/21		
Total Mandated & Financial Audits						0	480	480	101	113	128	112	454	0	(26)					
Contract Compliance Audits (CCA)																				
OCWR Franchise Contract	2071	2/17/21				0	120	120			41	65	106	0	(14)			In process		
Total Contract Compliance Audits						0	120	120	0	0	41	65	106	0	(14)					
Business Process Improvement (BPI)																				
General	2061	NA	NA			315	(297)	18	6	6	6	0	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
4th Quarter Status Report for the Audit Oversight Committee
For the Quarter Ended 6/30/21
AOC Meeting Date: August 19, 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						
									#1	#2	#3	#4	Total							
Information Technology Audits (IT)																				
TTC SunGard/Quantum upgrade (Department Request) (FY 2017-18 carryover)	1647	6/12/17		340	387	50	30	80	25	25	19	17	86	0	6			In process		
PTS System Implementation (FY 2017-18 carryover)	1754	7/01/18		45	59	50	(30)	20	2	2	7	9	20	0	0			In process		
HCA Cybersecurity (FY 2019-20 carryover)	1943	6/17/21				400	(200)	200	0	0	0	200	200	0	0			In process		
COB Cybersecurity (FY 2019-20 carryover)	1944	NA	NA			400	(400)	0	0	0	0	0	0	0	0	NA	NA	Cancelled		
OCDA Cybersecurity	2041	8/03/20				400	280	680	254	257	148	25	684	0	4			Draft report issued 4/5/21; response due 6/7/21; extension granted to 6/21/21; response overdue as of 6/30/21		
ROV Cybersecurity	2042					0		0	0	0	0	0	0	0	0			Deferred until FY 2021-22		
Probation Cybersecurity	2043					0		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	130	204	0	4			In process		
CEO/HRS Data Portal Access	2045					0		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	0			Deferred until FY 2021-22		
Countywide Cybersecurity Advisory	2047	7/01/20				50	70	120	32	27	33	33	125	0	5			In process		
A-C Workforce/VTI Replacement	2048	6/12/20				50	(30)	20	12	8	3	3	26	0	6			In process		
Follow-Up Audits (FY 2019-20 carryover)															(12)					
OCSD ITGC (1845)	1949-D	7/08/20	12/31/20													6/30/21	2059-H	Completed. Final report issued 12/31/20		
SSA ITGC (1846)	1949-E	7/08/20	5/12/21													11/30/21	2159-H	Completed. Final report issued 5/12/21		
OCIT (1644/1748-A)	1949-F	2/03/20	3/11/21													11/30/21	2159-L	Completed. Final report issued 3/11/21; 3rd follow-up requested		
First Follow-Up Audits:								565	(165)	400	0	14	174	194	382	0	(18)			
JWA ITGC (1941)	2059-A																	Not started; follow-up due 6/30/21		
PD Cybersecurity (1942)	2059-B																	Not started; follow-up due 6/30/21		
COB Cybersecurity (1944)	2059-C	NA	NA													NA	NA	Cancelled		
HCA Cybersecurity (1943)	2059-D																	Not started; renumbered 2159-A		
Assessor ITGC (1844)	2059-E																	Not started		
Second Follow-Up Audits																				
A-C ITGC (1741/1949-A)	2059-F	1/07/21																In process		
C-R Department Request (1840/1949-B)	2059-G	NA	NA													NA	NA	Not required, all recommendations implemented		
OCSD ITGC (1845/1949-D)	2059-H																	Not started; follow-up due 6/30/21		
Summary Close-Out						0	219	219	119	100	0	0	219	0	0			Completed. Final reports issued for 1941, 1942		
Total Information Technology Audits						2,645	(26)	2,619	726	680	572	636	2,614	0	(5)					
Total Audits Before Other Activities & Administration						9,314	(193)	9,241	2,566	2,606	2,072	1,927	9,171	0	(70)					
Other Activities & Administration																				
Annual Risk Assessment & Audit Plan	2001					300	140	440	0	8	388	58	454	0	14			Completed. Approved by Board and AOC		
Cash Losses	2002					100	(100)	0	0	0	0	0	0	0	0			Completed. One referral received for Q4		
External Audit Reporting	2004					200	(40)	160	50	46	40	25	161	0	1			Completed. Q4 reporting completed		
On-Demand Department Advisory Services	2005					100	300	400	0	0	27	383	410	0	10			In process (1 project)		
Annual Report	2006					100	(100)	0	0	0	0	0	0	0	0			Cancelled		
Board & AOC Services	2007					100	860	960	501	285	119	79	984	0	24			Completed. Q4 reporting completed; Q1 admin svc vacancy		
Special Projects	2008					700	260	960	223	58	337	344	962	0	2			In process (2 projects); Ransomware (1908-F) issued 9/08/20		
CWCAP	2009					100		100	100	0	0	0	100	0	0			Completed. Submitted to A-C		
Total Other Activities & Administration						1,700	1,320	3,020	874	397	911	889	3,071	0	51					
Reserve for Board Directives/Contingency						1,658	(1,619)	39	0	0	0		0	0	(39)					
Total Budget						12,672	(492)	12,300	3,440	3,003	2,983	2,816	12,242	0	(58)					
Footnote 5									257	105	85	59	506							
Productive Time Diverted to Administrative Services (in addition to 2007)																				



Internal Audit Department
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For the Quarter Ended 6/30/21
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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					Est Remain	Budget Variance				
									#1	#2	#3	#4	Total						
Footnotes																			
1. The mission of the Internal Audit Department (IA) 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. The director of Internal Audit shall report directly to the Board and be advised by the Audit Oversight Committee (AOC) designated by the Board. The director of Internal Audit and staff shall have complete and unrestricted access to all of the County's financial records, files, information systems, personnel, and properties, except where prohibited by law. The AOC is an advisory committee to the Board and provides oversight of IA and the external auditors. The scope of IA shall include reviews of the reliability and integrity of financial, compliance, property and business systems, and may include appraising the efficiency of operations and the achievement of business and program goals and objectives.																			
2. IA generates several different types of reports including audit reports, summary reports, and status reports. In addition, IA undertakes several different projects including audits of internal controls, audits of lessee compliance with County contracts, and audits of IT controls. IA also serves the AOC by providing clerk services (meeting agenda preparation, minutes, etc.) and by preparing summary reports.																			
3. The annual Audit Plan is subject to change for such events where the director of Internal Audit or Board majority assesses it is warranted, to substitute, postpone, or cancel a scheduled audit due to timing, priority, resource, or risk considerations. Such modifications will be noted in the Milestones & Comments section of this Quarterly Status Report for review by the AOC. The acceptance of the Quarterly Status Report by the AOC authorizes both the content herein and any changes noted. During the course of the year, the director of Internal Audit has discretion to research issues of interest to members of the Board, AOC, or County management and provide them with Technical Assistance. When charged, these projects will be directed either to advisory services or to a separate project. Assistance of this nature generally involves between 10 and 80 hours and results are generally communicated through discussions, memos, or a written report for public distribution.																			
4. For purposes regarding fiscal year-end reporting, we consider assignments completed (Completed) as of the official release of an audit report to the department head, and are shown as such in our Milestones & Comments column of this Quarterly Status Report.																			
5. The initial FY 2020-21 Annual Audit Plan of 12,672 hours is based on 9,314 direct hours to be provided by seven senior auditors/audit manager I's, one audit manager II, and one senior audit manager plus 1,700 hours for other activities and administration/special projects and 1,658 hours reserved for Board directives/contingency. The direct hours exclude time charges for vacation, sick leave, holidays, training, administrative time, and other time not directly charged to an engagement. The audit plan has been reduced by 372 hours to 12,300 hours to accommodate the Q4 vacancy for one senior auditor and a LOA for one audit manager.																			



Memorandum

August 19, 2021

AOC Agenda Item No. 6

TO: Audit Oversight Committee Members

Recommended Action:

Approve Quarterly External Audit Activity Status Report for the Quarter Ended June 30, 2021 and Receive Report on Status of External Audit Recommendations Implementation

Approve Quarterly External Audit Activity Status Report for the Quarter Ended June 30, 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

July 29, 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 June 30, 2021

Attached for your review and approval is our External Audit Activity Status Report for the Quarter ended June 30, 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 June 30, 2021, one new material issue was 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 6/30/21

<u>SUMMARY ACTIVITY</u>	
Total Audits Prior Quarter (3/31/21)	86
Additions: In Progress	10
Planned	1
Started and Completed	4
Deletions: Canceled	0
Completed	15
Removed	<u>4</u>
Total Audits Current Quarter (6/30/21)	<u>82</u>
(In Progress, Planned, and/or Completed this Quarter)	

Results for the Quarter:

Audits Completed, Canceled and to be Removed Next Quarter **39**

New Findings/Issues Reported by the Departments **1**

Material Issues: (Includes Disallowances over \$100K, see Att C pg. 3) **1**

The Department of Health Care Services (DHCS) conducted an audit of the Health Care Agency's (HCA) Short-Doyle/Medi-Cal Cost Reporting and Data Collection (CR/DC) for the fiscal period ended June 30, 2012. The audit resulted in a variance of \$1,514,306 due to the methodology used to calculate administrative costs and the State's Federal Financial Participation (FFP) percentage usage.

EXTERNAL AUDIT ACTIVITY
Quarterly Status Report
4th Quarter FY 2020-21 (6/30/21)

Results:

One material issue was reported to the Internal Audit Department this quarter. See page 3 below.

The schedule below identifies the status of external audits as of 6/30/21, including any significant findings, as reported to us by Orange County Departments/Agencies. This schedule does not include reviews performed by the OC Grand Jury.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of June 30, 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. (Reported 3/31/21)	See Attachment D for corrective actions taken related to findings from this audit.
		Eide Bailly	Comprehensive Annual Financial Report	Annual	6/30/2020	Annual Financial GAAP Audit	In progress.	
		Eide Bailly	Agreed Upon Procedures (AUP) over GANN Limit calculations	Annual	6/30/2020	GANN Limit Calculation - for County and OC Flood Control District	In progress.	
		Eide Bailly	Single Audit	Annual	6/30/2020	Uniform Guidance Expenditures of Federal Assistance	In progress.	
		CA Department of Finance	Coronavirus Relief Fund (CRF) - State Allocation	FY 19/20 One time	N/A	Ensure funding allocations and uses are in compliance with CRF guidelines.	Completed.	None.
Child Support Services	Child Support Services	No audits in progress.						
	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.	
Clerk of the Board of Supervisors		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 June 30, 2021	Significant Findings
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.	Completed.	None.
County Counsel		No audits in progress.						
County Executive Office	Finance	NIGP	County Procurement Office	One-Time	07/14	Performance/ Operations Audit	Completed.	None.
	Risk Management	AON Risk Solutions, Inc.	Risk Management Workers' Compensation Program - Third Party Administrator/ Sedgwick CMS	FY 19/20 Annual	04/20	Performance/ Best Practice Audit	Completed.	None.
		USI Insurance	Risk Management Workers' Compensation Program - On Site Nurse Case Manager	One-Time	N/A	To evaluate performance, cost effectiveness, and results	In progress.	
	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	Completed.	None.
		Bureau of Justice Assistance U.S. Department of Justice	SAKI Federal Grant	10/1/16-12/31/20	2018	Grant Monitoring	Completed.	None.
		Eide Bailly	Grant Audits	Annual	6/30/2020	Grant 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 June 30, 2021	Significant Findings
Health Care Agency	Administration	Eide Bailly	Tobacco Settlement Funds Agreed Upon Procedures	Annual	6/30/2020	HCA and Sheriff Tobacco Settlement Funds disbursements	In progress.	
	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.	Completed.	None.
	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	Completed.	One (1) New Material Issue: Variance of \$1,514,306 due to the methodology used to calculate administrative costs and the State's Federal Financial Participation (FFP) percentage usage.
		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 June 30, 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	Completed.	None.
	Public Health	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	Completed.	None.
		Gilbey and Associates	Community and Nursing Services Division	FY19/20 Annual	FY 18/19	Fiscal and 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.	
		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 07/2021: 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).

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of June 30, 2021	Significant Findings
John Wayne Airport	Finance Administration	Eide Bailly	Financial Statement Audit	2021 Annual	6/30/2020	Audit of Financial Statements, including Passenger Facility Charge Revenue and Expenditures	In progress.	
	Operations	Tevora Business Solutions	US Department of Homeland Security Cyber Resiliency Review	2021	2018	Examination of operational resilience and cybersecurity practices	Planned.	
		Transportation Security Administration	Airport Security	Annual	03/20	Compliance with Title 49, Code of Federal Regulations, Part 1542, Airport Security	Completed.	None.
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.	
		Eide Bailly	Financial Statement Audit	Annual	6/30/2020	Redevelopment Successor Agency	In progress.	
	Orange County Housing Authority (OCHA)	No audits in progress.						
	Office on Aging (OoA)	California Dept of Aging	Office on Aging	FY 15/16 - FY 17/18 Triennial	FY 14/15	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	Planned.	
		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.	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 June 30, 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 June 30, 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	To determine OCDB's compliance with applicable federal and state laws, regulations, and policies specific to program operations and systems related to WIOA-Slingshot 2.0. 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.	
		Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	Enhanced Desk Monitoring Review WIOA-Slingshot 2.0	FY 19/20 One-Time	N/A	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 Fiscal & Procurement	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.	
		Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	Enhanced Desk Monitoring Review WIOA 85% Formula Grant	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.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of June 30, 2021	Significant Findings
	OC Parks	No audits in progress.						
	OC Libraries	No audits in progress.						
	OC Animal Care	No audits in progress.						
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	Completed.	None.
		Independent Office of Audits and Investigations (formerly part of California Department of Transportation)	- Santiago Canyon Road from Live Oak Canyon Rd to SR 241/SR261 - Live Oak Canyon Road from the T-intersection of El Toro Rd/Santiago Canyon Rd - OC Loop El Cajon (Segment H) Bikeway Gap Closure - OC Loop Segment OPQ Coyote Creek Bikeway	7/1/2017 - 3/31/2021	N/A	Audit of incurred 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.	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 June 30, 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.	To be deleted next quarter. Audit not performed.
		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.	To be deleted next quarter. Audit not performed.
	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.	To be deleted next quarter. Audit not performed.
		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.	To be deleted next quarter. Audit not performed.
		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.	To be deleted next quarter. Audit not performed.
		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.	To be deleted next quarter. Audit not performed.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of June 30, 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.	To be deleted next quarter. Audit not performed.
		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.	To be deleted next quarter. Audit not performed.
	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.	To be deleted next quarter. Audit not performed.
		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.	To be deleted next quarter. Audit not performed.
		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.	To be deleted next quarter. Audit not performed.
		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.	To be deleted next quarter. Audit not performed.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of June 30, 2021	Significant Findings
OC Waste & Recycling	Accounting	Eide Bailly	Financial Statement Audit	6/30/2021 Annual	6/30/2020	Financial and Compliance Audit	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, OCSO 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.
		US Department of Justice (DOJ) Office of the Inspector General (OIG)	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	No audits in progress.						
	Orange County Crime Lab	ANSI National Accreditation Board (ANAB)	OC Crime Lab (OCCL) Accreditation Update	03/21 to 04/21	2021	Policies and procedures	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 June 30, 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.	To be deleted next quarter. Audit not performed.
		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.	To be deleted next quarter. Audit not performed.
		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.	To be deleted next quarter. Audit not performed.
		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.	To be deleted next quarter. Audit not performed.
		CDSS Civil Rights	Civil Rights	Every 2-3 years	04/18	CDSS Compliance review of SSA's Civil Rights implementation.	Planned.	To be deleted next quarter. Audit not performed.
		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.	To be deleted next quarter. Audit not performed.
	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.	Completed.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of June 30, 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.	To be deleted next quarter. Audit not performed.
		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.	To be deleted next quarter. Audit not performed.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of June 30, 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.	To be deleted next quarter. Audit not performed.
		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 be conducted based on the California Department of Education (CDE) Audit Guide for Child Care and Development Programs Attendance and Fiscal Reports.	Completed.	None.
		California Department of Social Services (CDSS), Quality Assurance Monitoring & Reimbursements Bureau, Adult Programs Policy & Quality Assurance Branch	In-Home Supportive Services	April 5-9, 2021 Annual	04/21	Audit of focuses on the QA program and the IHSS needs assessment process as mandated by WIC sections 12305.70 and 12305.71 which provide that county QA staff perform routine, scheduled case reviews to ensure uniformity of the authorization of services and accurate assessments of needs and hours.	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 June 30, 2021	Significant Findings
Treasurer-Tax Collector	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 June 30, 2021

No.	Department	Audit Name	Finding	Recommendation	Material or Significant	Implementation Status* & Actions Taken or Planned
2020-001	Health Care Agency	Single Audit YE 6/30/20	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative: No evidence of verification that the entity was not suspended or debarred or otherwise excluded.	We recommend that Health Care Agency adhere to their procurement procedures requiring the suspension or debarment verification is performed prior to entering into a covered transaction.	Significant	Implemented. Training to staff continues to be provided to reinforce the importance of adhering to HCA Procurement and Contract Services procedures. Last training was conducted during the Division's All Hands Meeting in April 2021.
2020-002	County Executive Office	Single Audit YE 6/30/20	Coronavirus Relief Fund: The required evaluation of the subrecipient's risk of noncompliance was not documented.	We recommend that the CEO Office follow the implemented policies and procedures to ensure that the required evaluation of the subrecipient's risk of noncompliance be documented in accordance with 2 CFR section 200.332(b).	Significant	Implemented. The County Executive Office developed the County of Orange Subrecipient Survey in documenting the evaluation of subrecipient's risk of non-compliance and implemented the use of it in early June 2021 for the distribution of CARES Act and/or American Rescue Plan Act (ARPA) funding in response to COVID-19. The Risk Assessment in place will continue to be utilized for all future County-wide subrecipient funding distributions to ensure consistency in the evaluation process and maintain compliance in accordance with 2 CFR section 200.332(b).
2020-003	Sheriff-Coroner	Single Audit YE 6/30/20	Coronavirus Relief Fund: Program overtime expenditures totaling \$5,329 were also reported for reimbursement through the Tobacco Settlement Fund.	We recommend that the Sheriff's Department modify and strengthen its current policies and procedures to ensure that program expenditures are not claimed for reimbursement under multiple programs.	Significant	Implemented. After meeting with the various Financial units (Budget, Financial grants, and Cost) an Excel spreadsheet was created to record expenditures claimed under different State and Federal programs. The information will be shared amongst the OCSD's Financial units to prevent claiming under multiple programs.

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



Memorandum

August 19, 2021

AOC Agenda Item No. 7

TO: Audit Oversight Committee Members

Recommended Action:

Approve changes to the Audit Oversight Committee Procedures.

The Audit Oversight Committee (AOC) has two administrative procedures, one for audit report distribution and another for external audit reporting. These procedures were created in 1996 and Procedure No. 1 was updated in 2000. The following changes are recommended for 2021 approval.

1. AOC Procedure No. 1. Departments currently have 60 days to submit a management response to an Internal Audit draft report. It is recommended to reduce this to 30 days, which will result in more timely final report issuance.
2. AOC Procedure No. 2. Departments are required to submit annual lists to Internal Audit itemizing all expected external audits. It is recommended to eliminate this requirement and simply rely on current quarterly reporting of external audit activity. This will eliminate a non-value-added step, resulting in time savings for departments and Internal Audit.

If approved by the AOC, proposed changes will be presented for Board of Supervisors approval.

ATTACHMENT(S):

Attachment A – Audit Oversight Committee Procedure No. 1 (redline)

Attachment B – Audit Oversight Committee Procedure No. 1 (proposed)

Attachment C – Audit Oversight Committee Procedure No. 2 (redline)

Attachment D – Audit Oversight Committee Procedure No. 2 (proposed)

**COUNTY OF ORANGE
AUDIT OVERSIGHT COMMITTEE
ADMINISTRATIVE PROCEDURE**

Effective Date: May 22, 1996
 Revision Date: March 1, 2000 Subject: **Audit Report Distribution**
 Authority: Board of Supervisors

(Supersedes CAO Administrative Procedure 0112-003)

PURPOSE

To provide a uniform procedure for (1) issuing and distributing Internal Audit Department audit reports, and (2) departmental/agency replies to audit recommendations.

SCOPE

The procedure is applicable to all County departments/agencies governed by the Board of Supervisors.

PROCEDURES

1. Within ~~sixty~~ thirty days after receiving a draft copy of the Internal Audit Department's audit report and recommendations, the department/agency will file a written reply to the report with the Internal Audit Department. In the event there are special circumstances, a ~~An~~ additional thirty-day extension may be granted by the Internal Audit Director, upon written justification by the department/agency. The departmental/agency reply shall contain a ~~statement of the status of action intended response to~~ on each recommendation as follows:

- ~~Adopted and implemented~~ Concur, including actions taken or planned and the actual or estimated implementation date.
- ~~Adopted with implementation at a specified date~~
- Under study
- ~~Not adopted~~ Partially concur or do not concur.
- ~~If a recommendation is under study at the time of the reply, an approximate date for the study should be given. W~~ When a department/agency chooses not to adopt the fully concur with the recommendation, the reasons for such action should be clearly stated.

2. Notwithstanding the Internal Audit Department's Restricted Reporting Policy, ~~T~~he Internal Audit Department will issue a final report, incorporating the departmental/agency reply in the report. The final report will be filed with each member of the Audit Oversight Committee, with a copy to the District Attorney if

required by Government Code Section 26883. One copy of the audit report will also be forwarded to the CEO, each member of the Board of Supervisors, the Grand Jury and the Clerk of the Board. An appropriate number of copies will be forwarded to the audited department/agency.

3. When departments/agencies have advised that recommendations have been concurred with and actions have been or will be implemented, the Internal Audit Department will verify the current conditions of implementation. The Internal Audit Department may do this directly or on a sample basis, by performing follow-up audits as provided in the Annual Audit Plan. The follow-up audits may be budgeted within the Annual Audit Plan as a category, as a specific item, as part of the scheduled audit coverage of the department/agency or within the hours set aside in the Annual Audit Plan for special request audits.

The current status of recommendations will be followed up no later than ~~the end of the second fiscal one~~-year after the audit report has been issued. The Internal Audit Department will report the results of the follow-up audits ~~periodically, but not less than annually quarterly~~ to the Audit Oversight Committee.

~~When departments/agencies have advised that recommendations are under study, follow-up will be determined on a case by case basis; however, the recommendations will be revisited no later than six months after the issuance of the audit report.~~

**COUNTY OF ORANGE
AUDIT OVERSIGHT COMMITTEE
ADMINISTRATIVE PROCEDURE**

Effective Date: May 22,1996
Revision Date: March 1, 2000 Subject: **Audit Report Distribution**
Authority: Board of Supervisors

(Supersedes CAO Administrative Procedure 0112-003)

PURPOSE

To provide a uniform procedure for (1) issuing and distributing Internal Audit Department audit reports, and (2) departmental/agency replies to audit recommendations.

SCOPE

The procedure is applicable to all County departments/agencies governed by the Board of Supervisors.

PROCEDURES

1. Within thirty days after receiving a draft copy of the Internal Audit Department's audit report and recommendations, the department/agency will file a written reply to the report with the Internal Audit Department. In the event there are special circumstances, an additional thirty-day extension may be granted by the Internal Audit Director, upon written justification by the department/agency. The departmental/agency reply shall contain a response to each recommendation as follows:
 - Concur, including actions taken or planned and the actual or estimated implementation date.
 - Partially concur or do not concur. When a department/agency chooses not to fully concur with the recommendation, the reasons for such action should be clearly stated.
2. Notwithstanding the Internal Audit Department's Restricted Reporting Policy, the Internal Audit Department will issue a final report, incorporating the departmental/agency reply in the report. The final report will be filed with each member of the Audit Oversight Committee, with a copy to the District Attorney if required by Government Code Section 26883. One copy of the audit report will also be forwarded to the CEO, each member of the Board of Supervisors, the Grand Jury and the Clerk of the Board. An appropriate number of copies will be forwarded to the audited department/agency.

3. When departments/agencies have advised that recommendations have been concurred with and actions have been or will be implemented, the Internal Audit Department will verify the current conditions of implementation. The Internal Audit Department may do this directly or on a sample basis, by performing follow-up audits as provided in the Annual Audit Plan. The follow-up audits may be budgeted within the Annual Audit Plan as a category, as a specific item, as part of the scheduled audit coverage of the department/agency or within the hours set aside in the Annual Audit Plan for special request audits.

The current status of recommendations will be followed up no later than one-year after the audit report has been issued. The Internal Audit Department will report the results of the follow-up audits quarterly to the Audit Oversight Committee.

**COUNTY OF ORANGE
AUDIT OVERSIGHT COMMITTEE
ADMINISTRATIVE PROCEDURE**

Effective Date: May 22, 1996
 Revision Date: N/A
 Authority: Board of Supervisors
 Subject: **Reporting On External Audits**

PURPOSE

To provide a uniform procedure for County departments/agencies so that the Internal Audit Department can report on audits, ~~other than the "All Funds Audit"~~, performed by third party auditors and can communicate significant audit findings (weaknesses or suggestions for improvement) to the Audit Oversight Committee. This procedure includes the requirements for 1) written communications between the Internal Audit Department and the department/agency being audited, 2) preparation of a log by the Internal Audit Department to track the third party audits, 3) quarterly certification by Departments Heads that, based on all external audits conducted during the period, either (a) there were no significant findings or (b) a written discussion of the significant findings/recommendations and that no other significant findings were noted, and 4) communication by the Internal Audit Department of significant findings/recommendations noted in the Department's communication, to the Audit Oversight Committee.

For purposes of this procedure a "third party auditor" is defined as 1) any organization, company, firm or individual hired by a County department/agency to perform a financial audit, review or compilation of the department's/agency's books or records or to perform an organizational or operational review or management audit of the department/agency or 2) any organization, company, firm or individual hired by an organization, company, firm or individual outside the County which has the contractual or statutory right to perform or require to be performed a financial audit, review or compilation of the department's/agency's books or records or to perform an organizational or operational review or management audit of the department/agency.

SCOPE

This procedure is applicable to all County departments/agencies governed by the Board of Supervisors, except third-party audits contracted by the County Executive Office and reported to the AOC under separate item.

PROCEDURES

1. All County Departments/Agencies are required to notify the Internal Audit Director, in writing, of all third-party audits. ~~This procedures requires that:~~

- a. ~~By March 31st of each fiscal year, the Internal Audit Department will send a letter to each County department/agency requesting a written list of all third party audits expected to be performed during the upcoming fiscal year and any other potential third party audits. The list shall be submitted to the Internal Audit Department by April 15th and should contain the following information:~~
- ~~— Department/Agency name~~
 - ~~— Name of third party auditor~~
 - ~~— Program/process or area to be audited~~
 - ~~— Audit period and frequency~~
 - ~~— Date last audited~~
 - ~~— Audit scope~~
- b. ~~County departments/agencies will immediately notify Internal Audit about any additional third party audits to be conducted during the year.~~
2. Department/Agency Heads or designated representatives will provide a quarterly ~~certification-report~~ to the Internal Audit Department indicating all audits planned, in-progress, or completed ~~conducted~~ during the period and either that there were no significant findings/recommendations or a brief discussion of the significant items and a statement that there were no other significant items noted. The report shall indicate how:
- Department/Agency name
 - Name of third-party auditor
 - Program/process or area to be audited
 - Audit period and frequency
 - Date last audited
 - Audit scope
3. The Internal Audit Department will maintain a log detailing ~~the information received in 1. and 2. above~~ external audit information.
4. The Internal Audit Department shall provide a summary of the information received ~~in 1. 3. above~~ from departments to the Audit Oversight Committee at least once ~~every year~~ quarter.

**COUNTY OF ORANGE
AUDIT OVERSIGHT COMMITTEE
ADMINISTRATIVE PROCEDURE**

Effective Date: May 22, 1996
Revision Date: N/A
Authority: Board of Supervisors
Subject: **Reporting On External Audits**

PURPOSE

To provide a uniform procedure for County departments/agencies so that the Internal Audit Department can report on audits performed by third party auditors and can communicate significant audit findings (weaknesses or suggestions for improvement) to the Audit Oversight Committee. This procedure includes the requirements for 1) written communications between the Internal Audit Department and the department/agency being audited, 2) preparation of a log by the Internal Audit Department to track the third party audits, 3) quarterly certification by Departments Heads that, based on all external audits conducted during the period, either (a) there were no significant findings or (b) a written discussion of the significant findings/recommendations and that no other significant findings were noted, and 4) communication by the Internal Audit Department of significant findings/recommendations noted in the Department's communication, to the Audit Oversight Committee.

For purposes of this procedure a "third party auditor" is defined as 1) any organization, company, firm or individual hired by a County department/agency to perform a financial audit, review or compilation of the department's/agency's books or records or to perform an organizational or operational review or management audit of the department/agency or 2) any organization, company, firm or individual hired by an organization, company, firm or individual outside the County which has the contractual or statutory right to perform or require to be performed a financial audit, review or compilation of the department's/agency's books or records or to perform an organizational or operational review or management audit of the department/agency.

SCOPE

This procedure is applicable to all County departments/agencies governed by the Board of Supervisors, except third-party audits contracted by the County Executive Office and reported to the AOC under separate item.

PROCEDURES

1. All County Departments/Agencies are required to notify the Internal Audit Director, in writing, of all third-party audits.

2. Department/Agency Heads or designated representatives will provide a quarterly report to the Internal Audit Department indicating all audits planned, in-progress, or completed during the period and either that there were no significant findings/recommendations or a brief discussion of the significant items and a statement that there were no other significant items noted. The report shall indicate:
 - Department/Agency name
 - Name of third-party auditor
 - Program/process or area to be audited
 - Audit period and frequency
 - Date last audited
 - Audit scope
3. The Internal Audit Department will maintain a log detailing external audit information.
4. The Internal Audit Department shall provide a summary of the information received from departments to the Audit Oversight Committee at least once every quarter.



Memorandum

August 19, 2021

AOC Agenda Item No. 8

TO: Audit Oversight Committee Members

Recommended Action:

Discuss Internal Audit Department IT Auditor Recruitment

Discuss Internal Audit Department IT Auditor Recruitment, as stated in the recommended action.



Memorandum

August 19, 2021

AOC Agenda Item No. 9 (Revised)

TO: Audit Oversight Committee Members

Recommended Action:

Discuss Good Governance for Oversight Compensation

Discuss Good Governance for Oversight Compensation, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – LA Times article: “She was a watchdog over L.A. politicians. But they had power over her raise”

Attachment B – Executive Manager Salary Summary

She was a watchdog over L.A. politicians. But they had power over her raise

By [EMILY ALPERT REYES](#), [DAVID ZAHNISER](#)

JULY 6, 2021 4 AM PT

Heather Holt had an important job at City Hall and felt she deserved a significant raise.

For nearly a decade, Holt had been in charge of the Los Angeles City Ethics Commission, which serves as a watchdog over L.A.'s politicians, lobbyists and others. Her agency's duties kept growing, and she believed the salary for her position should go up as well.

But to get that increase, she needed approval from the city's elected officials. So she turned to a top aide to Mayor Eric Garcetti, the highest-level elected official regulated by her agency.

Holt "wants a champion," wrote City Administrative Officer Rich Llewellyn in a December 2019 email to Ana Guerrero, Garcetti's chief of staff. "She would love it to be you."

"Got it," Guerrero replied. "I would be happy to have our office play that role."

Holt never received that raise, which became a casualty of the economic crisis that enveloped City Hall following the outbreak of COVID-19. But her behind-the-scenes campaign highlights an uncomfortable fact about the city's ethics agency: It operates at the mercy of officials it is charged with policing.

Garcetti and the council have final say over Ethics Commission budgets and hiring powers. They decide whether to greenlight reform measures prepared by the agency. And they approve requests to change the salary of the commission's top executive.

Critics question whether that power dynamic undermines the agency's role as a watchdog.

"If you require Ethics Commission employees to be beholden to the City Council for their salaries, for the department's funding, you give them no power," said attorney Grace Yoo, who ran unsuccessfully for City Council last year.

Yoo argued during the campaign that the agency needs a dedicated source of funding that cannot be cut by the mayor or council. Holt's dependence on those politicians for her proposed pay increase only strengthens the case for change, she said.

Holt pushed for a higher salary during a period when she was receiving other types of pay increases. The Engineers and Architects Assn. struck a salary agreement in 2019 that provided Holt and thousands of other city workers — including those not represented by a union — a package of raises and one-time payments.

The agreement helped boost Holt's total pay from nearly \$224,000 in 2019 to around \$247,000 in 2020, according to figures provided by Llewellyn. Still, Holt also wanted to increase the compensation for her position specifically, arguing that her pay should be set at the same level as a senior assistant city attorney.

Asked about the request for a higher pay, Garcetti spokesman Alex Comisar said the mayor did not authorize an increase for Holt or any other department head during the COVID-19 crisis. Garcetti also believes Holt's agency provides independent oversight that is "vital to preserving public trust in city government," Comisar said.

Additional duties

Holt did not respond to interview requests. But her push for a pay increase is spelled out in correspondence obtained by The Times through public records requests.

In those emails, Holt said her position's duties had increased substantially over the decades. Since the position was created, the agency has taken responsibility for an array of new regulations, including restrictions on campaign donations from developers and city contractors.

Holt wrote repeatedly to Guerrero and asked for guidance on the process of changing her salary.

Guerrero, Garcetti's top aide, told her she would help prepare Garcetti to advocate for the salary changes at the Executive Employee Relations Committee, which is made up of the mayor, City Council President Nury Martinez and three other council members.

The Ethics Commission is responsible for investigating allegations that the mayor or council members have violated ethics laws that govern political fundraising, acceptance of gifts and misuse of government resources. The agency can seek financial penalties against officials found to have violated the rules. And it routinely audits the mayor and council members' campaign committees.

Even if Holt managed to keep her salary request from interfering with her duties, "the appearance of influence is a problem," said Miriam Krinsky, who served on the Ethics Commission from 1998 to 2003.

"The Ethics Commission needs to stay above the fray and have the trust of the voters," Krinsky said. "When they don't have that trust, their ability to stand for what the city needs is eroded."

David Tristan, who [replaced Holt as executive director](#) in January, said Holt followed the city's process for reassessing the salary range for her position.

Under the [city charter](#), the City Administrative Officer can recommend a salary increase after assessing the position's responsibilities. That increase would then require approval from the mayor and council.

"The responsibilities and authority of the executive director position had not been reviewed since 1990, despite the fact that many additional duties and expanded authority had been vested in the position through the adoption of new laws," Tristan said.

Tristan said that Holt did not communicate with any elected officials about her salary request.

'Super weirdness'

Loyola Law School professor Jessica Levinson, who served on the Ethics Commission from 2013 to 2018, said the system left Holt with no choice but to seek the support of the mayor and council if she wanted her proposed increase to go through. But that put her in a tough position as a government watchdog, Levinson said.

“If you are the executive director, of course you know there’s super weirdness with having to ask for a pay raise from the officers you’re overseeing,” she said.

Holt stepped down from her post in January after reaching the city’s 10-year term limit. She now works as the agency’s second-highest executive, taking the position Tristan previously held.

Tristan did not answer questions about whether it is a problem for the city’s elected officials to control his department’s budget. But concerns about the agency’s financial independence have come up before.

Earlier this year, The Times [reported](#) on the existence of a whistleblower complaint about allegations of political pressure over the agency’s budget.

In her 2018 complaint, Ethics Commission staffer Alexandria Latragna alleged that Holt told staffers they would need to soften their advice on gifts for politicians because an unnamed council member had threatened to cut their budget.

Latragna later left the agency and Holt denied being threatened by any elected official. Tristan, asked about the complaint earlier this year, told The Times that the agency always provides policy advice based on facts and the law.

The Ethics Commission was created in 1990 to help ensure that politicians, lobbyists and others comply with laws on gifts, lobbying, conflict-of-interest rules and political giving.

When L.A.’s ethics agency was being developed, a commission recommended that its funding be protected from political interference, shielding it from “budget battles with the political officials who are subject to its rulings.”

Los Angeles voters ultimately took a more modest step, approving a ballot measure that only required the council to appropriate money for the Ethics Commission one year in advance. The idea was that “if we took an action that made people angry, they couldn’t immediately act to cut the budget,” said Rebecca Ávila, a former executive director of the Ethics Commission.

Those protections did not prove meaningful, Ávila said, because the council retained the power to release money to the commission each year. Llewellyn, the City Administrative Officer, said city officials set aside money in advance only for the executive director’s salary, not the entire agency’s budget — a practice dating back more than a decade, he said.

Bad timing

Holt spent more than a year in talks with city budget analysts about increasing her salary, arguing that the position should be compensated at the level of a senior assistant city attorney.

In January 2020, Dana Brown, who was then employee relations chief, asked Holt about having the president of the Ethics Commission — the five-member panel that imposes ethics fines — obtain support from Garcetti and the council president for the salary hike.

Holt replied that she had instead reached out directly to Guerrero, Garcetti’s top aide, after being told that deputy mayors “take up the torch” for department heads.

Weeks later, Brown told Holt her office was looking at recommending a roughly 15% increase in Holt's salary, along with some back pay. The change would need to go to a committee, then to the full council for approval.

Holt repeatedly inquired with Brown about scheduling a vote on the proposal in the city's negotiating committee, made up of Garcetti and four councilmembers. But by May 2020, the pandemic had hit and the city's budget was in freefall, with Garcetti recommending employee furloughs.

Brown told Holt the timing for a vote was bad.

"If the next agenda isn't good timing," Holt replied, "do you know when it will be good timing?"

"When this virus/furlough/budget thing has passed," Brown said.

City budget analysts did not finalize a proposal for increasing Holt's salary, largely due to the pandemic, said Llewellyn, the city administrative officer.

Asked if the salary hike is still being considered, Llewellyn said: "Likely not in the short term."

<https://www.latimes.com/california/story/2021-07-06/ethics-commission-executive-pay-increase-needed-politicians-signoff>



Executive Salary Administration/Authority

The state Constitution expressly vests in the board of supervisors the power to prescribe the "number, compensation, tenure, and appointment of employees." (Cal. Const., art. XI, § 1, subd. (b)). State general law enacted pursuant to constitutional mandate provides that the board of supervisors shall prescribe the compensation of all county officers and shall provide for the number, compensation, tenure, appointment and conditions of employment of county employees. (Gov. Code, § 25300). The Personnel and Salary Resolution ("PSR") generally sets compensation, benefits, and salary adjustments for Elected Officials and County Executives which are reviewed and processed by CEO/HRS per the attached Executive Manager Salary Adjustment Policy.

Executive Group	Title Description(s)	Salary Increase Language	Approved By	Authority
Group I/A - Elected Officials (E1, EA)	Assessor, Auditor-Controller, County Clerk/Recorder, District Attorney-Public Administrator, Sheriff-Coroner, and Treasurer-Tax Collector	Whenever the Judicial Council makes a future adjustment to the salaries of Superior Court judges, the salaries of elected County department heads shall be adjusted by the same percentage as Superior Court judges	Board of Supervisors	Resolution No.07-016, Item 47 -1, Elected officials salary adjustments
Group II - Appointed Agency/Department Heads (E2, E4)	See Attached List	Increase or decrease based on consideration of such factors as position responsibilities, performance, external market data and internal salary relationships	County Executive Officer	Article XXIV, Section 10 of the Personnel and Salary Resolution (PSR)
Group II - Appointed Agency/Department Heads W/ Contract (E2)	Airport Director	Silent. Amendment 2/21 did not include salary adjustment language.	County Executive Officer	Employment Contract
	Clerk of the Board of Supervisors	Tied to E2 General Increases authorized in 4th contract amendment	Board of Supervisors	Employment Contract
	County Executive Officer	Tied to E2 General Increases - authorized in 1st contract amendment	Board of Supervisors	Employment Contract
	County Counsel	Tied to OCAA	Board of Supervisors	Employment Contract
	Director of Internal Audit	Tied to E2 General Increases - authorized in contract	Board of Supervisors	Employment Contract
	Director of OIR	Tied to E2 General Increases authorized in 1st contract amendment	County Executive Officer	Employment Contract
	Director, OC Campaign Finance & Ethics Commission	Tied to E2 General Increases - authorized in 3rd contract amendment	Board of Supervisors	Employment Contract
	Public Defender	Tied to OCAA	Board of Supervisors	Employment Contract
Group III - Agency/Department Principal Assistants (E3, EB)	See Attached List	Increase or decrease based on consideration of such factors as position responsibilities, performance, external market data and internal salary relationships	County Executive Officer	Article XXIV, Section 10 of the Personnel and Salary Resolution (PSR)

APPENDIX A

Classes designated as Executive Management as of April 29, 2014.

Group I/A - Elected Officials

0005E1 Assessor
 0010EA Auditor-Controller
 0010E1 Auditor-Controller
 0182EA County Clerk/Recorder
 0182E1 County Clerk/Recorder
 0030E1 District Attorney
 0065E1 Public Administrator
 0070E1 Sheriff-Coroner
 0087E1 Treasurer-Tax Collector

Group II - Appointed Agency/Department Heads

8324E2 Airport Director
 8013E2 Assistant to County Executive Officer
 8012E2 Chief Financial Officer
 8525E2 Chief Human Resources Officer
 8011E2 Chief Information Officer
 0642E2 Clerk of the Board of Supervisors
 2325E2 County Counsel
 8145E2 County Executive Officer
 7421E4 County Probation Officer
 8014E2 Deputy County Executive Officer
 6560E2 Director, Child Support Services
 8015E2 Director, Dana Point Harbor
 4578E2 Director, Health Care Agency
 7840E2 Director, Internal Audit
 2131E2 Director, OC Community Resources
 8120E2 Director, OC Waste & Recycling
 8180E2 Director, Public Works
 7039E2 Director, Social Services Agency
 8010E2 Executive Manager
 7843E2 Performance Audit Director
 2373E2 Public Defender
 0656E2 Registrar of Voters

(Note: Department Heads and other executive management not appointed by the Board of Supervisors are included in Appendix C.)

Group III/B Agency/Department Principal Assistants

4576E3 Assistant Director, HCA*
 2342E3 Assistant District Attorney
 6146EB Assistant Sheriff
 7848E3 Assistant Treasurer-Tax Collector
 2322E3 Chief Assistant County Counsel*
 2344E3 Chief Assistant District Attorney
 6539EB Chief, Bureau of Investigation, District Attorney
 7823E3 Chief Deputy Auditor-Controller*
 7038E3 Chief Deputy Director, SSA*
 7420E8 Chief Deputy Probation Officer
 2372E3 Chief Deputy Public Defender*
 2547E3 County Librarian
 6148EB Commander
 8173E3 Deputy Director/Chief Engineer, OCPW
 7033E3 Director of Adult and Employment Services
 8322E3 Director of Agency Administration
 7032E3 Director of Agency Financial Assistance
 7031E3 Director of Children and Family Services
 2132E3 Director of Housing and Redevelopment
 4575E3 Director of Medical Services
 4563E3 Director of Mental Health
 4579E3 Director of Public Health
 8010E3 Executive Manager
 6145EB Undersheriff*

* Share with agency/department heads authority over all major agency/department functions.

**HUMAN RESOURCES DEPARTMENT
POLICIES & PROCEDURES**

EXECUTIVE MANAGER SALARY ADJUSTMENT POLICY*Effective October 4, 2011*

PURPOSE To provide specific guidelines for Group II and Group III Executive Manager Salary/Equity Adjustments.

AUTHORITY Article XXIV, Section 10 of the [Personnel and Salary Resolution \(PSR\)](#)

POLICY Applies to all regular (not temporary) County of Orange Executive Managers (Group II and Group III) who may be considered for a discretionary salary/equity increase under the following terms and conditions:

Guidelines:

The salary/equity increase shall be based on consideration of such factors as position responsibilities, performance, external market data and internal salary relationships. Salaries shall not be greater than the maximum or less than the minimum of the assigned salary range. Discretionary salary/equity increases must be approved by the County Executive Officer prior to the effective date and can only be granted per the following:

- The employee must have served in the Executive Manager position for a minimum of one-year prior to being considered for a discretionary salary increase.

An Executive Manager may only be granted one discretionary salary/equity increase within a twelve month period while serving in the same job assignment. However, this does not include an Executive Manager who may obtain a significant increase in responsibility while in their job assignment. For example, an Executive Manager who absorbs a new functional responsibility outside of the normal scope of their job assignment would be eligible for a discretionary salary increase.

Continue on next page

HUMAN RESOURCES DEPARTMENT POLICIES & PROCEDURES

PROCEDURE The table below describes the process for discretionary salary adjustments or equity increases for Executive Managers.

Stage	Who?	Does What?
1	Agency/Department	Prepares justification and data that supports the request, using the guidelines above, and forwards the request to the appropriate Human Resources Department (HRD) Service Team Manager.
2	Human Resources Department	Reviews justification and data and makes recommendation to the County Executive Officer for consideration.
3	County Executive Officer (CEO)	Reviews recommendation and determines whether the salary adjustment is approved or denied. If the request is approved, the CEO signs the request in concurrence.
4	Human Resources Department	Enters approved salary adjustments into CAPS+ system and justification information into OnBase. Once input is completed, the Compliance Team notifies the appropriate HR unit that the personnel action has taken place. Denied requests are returned to Agency/Department with a copy maintained on file by the HRD.

CONTACT If you have any questions or need more information, please contact the respective Human Resources Service Team Manager.



Memorandum

August 19, 2021

AOC Agenda Item No. 10

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 June 30, 2021



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of June 30, 2021
 AOC Meeting Date: August 19, 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	4/22/2021	Completed
Audit of Schedule of Assets as of 6/30/21	N/A	N/A	N/A	N/A	N/A		Not started
Cash Shortages FY 20-21	2001	100	126	-26	N/A	N/A	2 in process, 8 complete
JPA's and Special Districts FY 18-19*	1913	100	115	-15	N/A	N/A	Collection in process
JPA's and Special Districts FY 19-20*	2012	100	118	-18	N/A	N/A	Collection in process
Review of Schedule of Assets as of 12/31/20	2007	280	273	7	5/5/2021	5/19/2021	Completed
Review of Schedule of Assets as of 3/31/21	2008	280	179	101			Fieldwork in process

*We collect copies and post them online.



Auditor-Controller Internal Audit
Status of Mandated Audits
As of June 30, 2021
AOC Meeting Date: August 19, 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.	Report was issued by Eide Bailly on April 22, 2021.	0	0

Audit of Schedule of Assets as of 6/30/21

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.	Not started.	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.	2 investigation(s) in process and 8 complete. Department(s) in process: Child Support Services and OC Public Works	0	0



Auditor-Controller Internal Audit
Status of Mandated Audits
As of June 30, 2021
AOC Meeting Date: August 19, 2021

JPs and Special Districts FY 18-19

Objective	Status/Results	Number of Modified Reports Reviewed	
To ensure all JPs 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. JPs remaining: 2 of 73. Special Districts remaining: 0 of 34.	0	

JPs and Special Districts FY 19-20

Objective	Status/Results	Number of Modified Reports Reviewed	
To ensure all JPs 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. JPs remaining: 18 of 73. Special Districts remaining: 9 of 34.	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.	Final report was issued on May 19, 2021. Management Letter was issued on June 8, 2021.	1	0



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of June 30, 2021
 AOC Meeting Date: August 19, 2021

Review of Schedule of Assets as of 3/31/21

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

August 19, 2021

AOC Agenda Item No. 11

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 & Fiscal Year 2021-22 New Audits (Revised)

Attachment B – Performance Audit of the Auditor-Controller's Office Final Report

Attachment C – Auditor-Controller Responses to Performance Audit of the Auditor-Controller's Office

Attachment D – Performance Audit of Resources Allocated to AB 109 Final Report

Attachment E – Department Responses to the Final Report of the Performance Audit of County Resources Allocated to AB 109

Attachment F – Performance Audit of the Treasurer-Tax Collector Final Report

Attachment G – Treasurer-Tax Collector Responses to Performance Audit of the Treasurer-Tax Collector's Office

PERFORMANCE AUDIT ACTIVITY
Quarterly Status Report
August 19, 2021

Department	Division/Program	Third Party Auditor	Previous Audit	Audit Scope	Status	Notes
FY 2019-20						
Auditor-Controller	Department-Wide	Moss Adams LLP	N/A	Review organizational structure, operations, staffing levels, mandated vs. non-mandated services, policies/practices/procedures, use of technology, training	Completed	Attachment B - Moss Adams LLP "Performance Audit of the Auditor Controller's Office" Attachment C - June 17, 2021 Auditor-Controller Responses
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	Completed	Attachment D - Arroyo Associates, Inc. "Performance Audit of County Resources Allocated to AB 109" Attachment E - May 4, 2021 Department Responses
Treasurer-Tax Collector	Department-Wide	Arroyo Associates, Inc.	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	Completed	Attachment F - Arroyo Associates, Inc. "Performance Audit of the Treasurer-Tax Collector" Attachment G - August 4, 2021 Department Responses
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	Completed and scheduled for transmittal to Board of Supervisors by 8/31/21	

Department	Division/Program	Third Party Auditor	Previous Audit	Audit Scope	Status	Notes
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	Macias Gini & O'Connell LLP	N/A	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	In progress	
Probation	Administration	MGT of America Consulting LLC	N/A	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	In progress	
Public Defender	Administration	Moss Adams LLP	N/A	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	In progress	

FY 2021-22 NEW AUDITS

The FY 2021-22 Budget includes \$802,765 for the cost of performance audits performed by third party consultants.

Department	Scope Summary
Child Support Services (CSS)	General performance audit and strategic review of CSS administrative operations/functions (including accounting, budgeting, facilities management, human resources, information technology, procurement, etc.). Consultant services are requested to review current administrative operations, policies, practices, and procedures and make recommendations to identify opportunities for streamlining processes, expanding efficiencies, applying best practices, and establishing performance metrics and measures.
Sheriff-Coroner Procurement	General performance audit and strategic review of Sheriff-Coroner procurement functions, including process mapping to address the effectiveness of procurement functions for compliance with County policies and procedures, and government procurement-related statutes, to provide the basis for recommendations for streamlining and improving efficiencies and establishing performance metrics and measures.
Health Care Agency (HCA)/ Environmental Health Food Safety	Performance audit and strategic review of HCA Environmental Health Food Safety to evaluate its compliance with applicable policy and procedures; quantity and quality of inspections; output costs, mission achievement; customer satisfaction; and readiness for disaster or emergency declaration to provide the basis for recommendations for improving its effectiveness and efficiency and establishing performance metrics and measures.
Health Care Agency (HCA)/Behavioral Health Services (BHS)	Performance audit and strategic review of HCA/BHS's current Mental Health Services Act (MHSA) programming to evaluate, among other things, the effectiveness of the MHSA governance structure (MHSA Steering Committee and MHSA Advisory Board), BHS's ability to identify and track appropriate performance measures for each MHSA program; compliance with MHSA mandates, goals, and objectives; alignment with County of Orange strategic priorities and initiatives such as OC Cares, Be Well Initiative, and Homelessness; and overall client experience such as outreach, navigation, referrals, assessments, warm hand-offs, linkages.



FINAL REPORT

County of Orange
PERFORMANCE AUDIT OF THE AUDITOR-CONTROLLER'S OFFICE

May 5, 2021

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This report is intended for the internal use of the County of Orange,
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I. EXECUTIVE SUMMARY

A. BACKGROUND, SCOPE, AND METHODOLOGY

The Orange County Auditor-Controller's Office (A-C or A-C's Office) is part of General Government Services within the County of Orange (the County) with a mission to promote public oversight, provide accountability, and support financial decision-making for the County. The A-C's Office has oversight of five distinct divisions, which are each made up of several sections. The County of Orange contracted with Moss Adams LLP (Moss Adams) to conduct a performance audit of the A-C's Office with a goal of identifying opportunities to increase efficiency, improve effectiveness and achieve economy in the employment of available resources. The performance audit focused on the following areas:

- The A-C's Office current organization structure
- Existing position/staffing levels across the various sections
- Policies and procedures, as well as desk manuals across the A-C's Office
- Use of technology
- The level and quality of CAPS+ training and other training programs available to A-C Office employees

The performance audit was conducted between July and November 2020 and included conducting interviews, reviewing documents, assessing system reports, performing staffing analysis and budget trend analysis, conducting an employee survey of all A-C Office employees, and other procedures to assess performance.

B. SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Based on the input gathered from interviews, document review and testing, and the employee survey, as well as comparisons to peers and best practices, we prepared a comprehensive set of observations and recommendations.

OBSERVATIONS AND RECOMMENDATIONS		
Organizational Structure		
1	Observation	There are hundreds of desk procedures across the A-C's Office, and there appears to be the misconception that those desk procedures are consistently documented, current, and reviewed at the individual section level. A formalized process of tracking desk procedures and accountability, as well as performing quality assurance on them, is not in place.
	Recommendation	Identify all desk procedures that are required across all sections, develop a means of tracking required desk procedures and accountability for them, define quality assurance requirements, and implement an ongoing monitoring process to ensure that all desk procedures are documented, current, and reviewed.

OBSERVATIONS AND RECOMMENDATIONS		
Staffing		
2	Observation	The A-C Office's approved FTEs have decreased by 8% between 2018 and 2021, resulting in a loss of 37 positions. Employees widely report that workloads are high, and that department staffing is insufficient to meet current demands.
	Recommendation	Take steps to address reductions in staff, inefficient processes, and a lack of management capacity.
3	Observation	The A-C's Office is at risk for further staffing shortages in key areas due to eligible retirements in FY 2020 to FY 2025.
	Recommendation	Expand on current succession planning efforts to ensure cross-training has occurred, adequate desk procedures to define the details of key processes and functions are developed, and a formal plan to fill key positions when a retirement occurs is in place.
CAPS+ and Technology		
4	Observation	CAPS+ has limited capability for integrating with the internally developed Mileage Claim system, resulting in the need for manual intervention, and the current process for other employee reimbursements is completely paper based. Manual processes result in inefficiencies throughout the County.
	Recommendation	The County should consider exploring providers to develop a means of integrating an employee reimbursement system. Until this is possible, continue to evaluate the fillable PDF format for opportunities for improvement or efficiencies in processing.
5	Observation	Employees reported using outside processes to compensate for certain analysis and reporting needs that cannot be performed directly in the CAPS+ or other systems.
	Recommendation	IT should continue to work with sections to identify where outside or other manual processes can be reduced through using CAPS+ or the Data Warehouse, and for those cases where there are CAPS+ system limitations that cannot be resolved, sections should implement controls to ensure data integrity is not compromised.
Training		
6	Observation	New employees do not receive overall CAPS+ system training or CAPS+ training specific to the A-C's Office; therefore, employees learn through hands-on training provided by existing employees when they enter a new role.
	Recommendation	Consider developing a new hire training on the overall CAPS+ functionalities to get employees oriented with the system and to provide a high-level understanding of its functionality and capabilities. Additionally, consider developing yearly training for new and existing employees to encourage efficient sharing of information across the A-C's Office.

OBSERVATIONS AND RECOMMENDATIONS		
7	Observation	New hires joining the A-C's Office do not receive specific onboarding/new hire training outside of the general County HR training; therefore, new employees rely solely on hands-on training from their group. In addition, Leadership development and training has not been provided consistently to supervisor/manager employees across the A-C's Office.
	Recommendation	<p>The A-C's Office should consider investing more staffing resources toward internal training to support new employee onboarding and strategic staff development.</p> <p>A leadership development program should be established to further support new and developing leaders within the A-C's Office.</p>

C. COMMENDATIONS

Based on the insights gathered through interviews, survey responses, and document review, it is evident that the A-C's Office has many commendable attributes. Some examples are provided below:

- **Satisfaction with Leadership:** Based on interviews, employees reported positive feedback toward leadership and the leadership structure in place since the appointment of the Auditor-Controller in October 2019. They consistently identified that transparent communication has led to higher employee morale and feelings of support.
- **Desk Procedures:** Employees rely on desk procedures to guide most of their job responsibilities and view them as resources that they take ownership for.
- **Staff Benefits and Recruitment:** Employees across sections and staffing levels reported being pleased with the benefits offered, employee evaluation process, ability to give feedback to leadership, and the overall recruitment and retention efforts by the County.
- **Technology:** Overall satisfaction with technology and the CAPS+ system was high across all survey respondents.

II. BACKGROUND, SCOPE, AND METHODOLOGY

A. BACKGROUND

The Orange County Auditor-Controller's Department (A-C or the A-C's Office) is part of the General Government Services within the County of Orange (the County) and is comprised of five divisions: Central Accounting Operations, Satellite Accounting Operations, Executive and Administration Services, Information Technology, and Internal Audit (not to be confused with the Internal Audit Department). In October 2019, the Board of Supervisors requested a performance audit of the A-C Department considering the appointment of Frank Davies to the Auditor-Controller position and given that an audit had not recently been performed.

Moss Adams was contracted to conduct a performance audit of the A-C Department, focusing on the following key areas:

- Review the current A-C organizational structure and operations and make recommendations for enhanced efficiency within existing resources. This includes review of each unit within A-C and review the working relationships between each of the units to identify areas for improvement.
- Review existing A-C position/staffing levels for adequacy in completing mandated work. Identify resources dedicated to non-mandated functions that could be reallocated to mandated functions.
- Review A-C policies, practices, and procedures for consistency with statute and County policy and procedures.
- Review A-C policies and procedures for consistent application across all County departments.
- Review A-C current use of technology and make recommendations for improvements and enhanced efficiency.
- Review the level and quality of CAPS+ and other training provided by A-C to County departments for adequacy and satisfaction. Review department satisfaction with the level/quality of services/leadership provided by A-C.

B. SCOPE AND METHODOLOGY

This performance audit evaluated selected processes, organization, and management of the A-C's Office to assess efficiency, effectiveness, and economy in the employment of available resources. The analysis focused on:

- Overall organization, workload, and capacity of staff
- Potential constraints, redundancies, and inefficiencies in the current organizational structure
- Consistency in desk procedure coverage between the various A-C units and departments and overall consistency with County policies and procedures
- Current use of technology for possible improvements and enhancements
- The age, support provided, and utilization of software systems, including CAPS+
- Overall department satisfaction
- Opportunities for best practice implementation

The performance audit was conducted between July and November 2020. Analysis was informed by interviews, document review, cost-benefit analysis, an employee survey, and research into best practices from similar governmental entities. The project consisted of four major phases:

1. **Project Initiation and Management:** This phase concentrated on comprehensive project planning and management, including identifying interview participants, identifying documents to review, developing recommendations and evaluating their practicality, communicating results, and regular reporting on project status.
2. **Fact Finding:** This phase included interviews, conducting an employee survey, document review, and research related to technology/software and best practices. We worked with A-C leadership and sections to obtain the most currently available information and insights.
 - *Interviews:* We conducted interviews with A-C staff and leadership from all five divisions.
 - *Employee Survey:* A-C Office employees were invited to participate in a confidential survey that asked about their satisfaction with leadership, technology, and staffing of the A-C's Office. Of the 381 survey requests sent, we received 182 responses, a 48% response rate. Complete survey results are included in Appendix C.
 - *Document Review and Analysis:* We reviewed documents that included A-C policies, desk procedures, staffing reports, and others. Specifically, we performed the following:
 - *Desk Procedures:* Initially, we requested all current policies and procedures utilized across the A-C's Office to assess for consistency and overall coverage. However, based on the volume of desk procedures, we opted to select three key functions for review: accounts payable (A/P), journal voucher entries, and payroll processing/audits.
 - For each of the three functional areas, we requested that all sections within the A-C's Office provide all relevant desk procedures. We utilized these documents to evaluate coverage across nine sections.
 - For payroll specifically, we identified key processes, such as timecard reviews, time adjustments, leave processing, etc., and compared the desk procedure coverage for these processes in greater detail.
 - *Software Systems:* We obtained a listing of all significant software utilized within the A-C's Office along with the current version or last update. We used this information to identify outdated software. We assessed the various training tools and needs for the CAPS+ system and assessed the last update date for the modules utilized.
 - *Staffing Levels:* To evaluate staffing levels across the A-C's Office, we performed the procedures described below:
 - We performed a five-year analysis (2017 through 2021) on budgeted employees, authorized positions, and vacant positions to assess for significant changes in staffing levels.
 - We evaluated the number of retirements for five key areas over the next five years to identify significant anticipated gaps and succession planning.
 - We evaluated the number of employees, by section, at each position level (i.e., Technician, Staff, Senior, Supervisor, etc.) to identify any potential gaps.
 - *Best Practice Research:* Based on the opportunities for improvement identified, we conducted research to ascertain best practices.

3. **Performance Assessment:** Based on the information gathered, we evaluated the importance, impact, and scope of our observations in order to develop recommendations designed specifically to improve operations of the A-C's Office, including gap and alternatives analysis.
4. **Reporting:** This phase concluded the project by providing a report to the Auditor-Controller and the Chief Deputy Auditor-Controller.

This performance audit was performed in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accounts.

III. OBSERVATIONS AND RECOMMENDATIONS

Based on the input gathered from interviews, document review, analysis, and surveys, as well as comparisons to best practices, we prepared a comprehensive set of observations and recommendations.

A. ORGANIZATIONAL STRUCTURE

A-C's Office Policies and Procedures

1.	Observation	There are hundreds of desk procedures across the A-C's Office, and there appears to be the misconception that those desk procedures are consistently documented, current, and reviewed at the individual section level. A formalized process of tracking desk procedures and accountability, as well as performing quality assurance on them, is not in place.
	Recommendation	Identify all desk procedures that are required across all sections, develop a means of tracking required desk procedures and accountability for them, define quality assurance requirements, and implement an ongoing monitoring process to ensure that all desk procedures are documented, current, and reviewed.

The current decentralized organizational structure of the A-C's Office serves to empower employees and allow for decisions to be made based on the needs of an individual section. To support the various sections of the A-C's Office, many key functions, such as accounting, are serviced at the individual section level. While this model of operations can have many benefits and can recognize the variations of accounting needs across the different sections of the A-C's Office, it also increases the importance of well-documented, comprehensive policies and procedures for employees to rely upon as resources and guidance for development of the section desk procedures.

Following the decentralized model, the A-C's Office relies on the sections to develop their own desk procedures, detailing the procedures followed in the key functional areas. These desk procedures are meant to provide more detailed, sometimes step-by-step, guidance for each position and job responsibility at the individual section level. Based on interviews, this model has resulted in hundreds of individual desk procedures across the various sections of the A-C's Office.

We conducted a high-level review of the desk procedures for three key functional areas, including A/P, journal vouchers, and payroll processing, obtaining all desk procedures (which included 55 across the 10 sections). It appears that there is inconsistent coverage of the various procedural areas carried out by each section. Not all functions were covered by each section; however, each section had some portions of each function documented. Refer to Appendix A for a detailed table of the desk procedures reviewed. Given the lack of formal documented guidance defining which sections must have each process/function covered by desk procedures and the minimum information that must be

included in each, it was difficult to determine where true gaps in coverage existed. Given the volume of desk procedures, we performed a more focused review of the desk procedures obtained for the payroll and timekeeping functions. This more detailed review further supported that individual sections do not consistently have current desk procedures for key functional areas. Refer to Appendix B for detail on the gaps identified specific to payroll and timekeeping desk procedures.

There appears to be a misconception that all sections of the A-C's Office are consistently ensuring that all key functions are supported by current, comprehensive desk procedures. The responsibility for maintaining desk procedures is placed on the individual sections, without a formal quality assurance process in place for ensuring management reviews are performed and documented and without a centralized tracking process for ensuring desk procedures are drafted, updated and reviewed consistently. Given the volume of potential desk procedures required, ensuring a standardized quality assurance review process is in place is important.

Consider implementing the following steps to provide for efficiencies and consistency across the A-C's Office:

- Develop a process for identifying and tracking all required desk procedures by section. Tracking should include all areas that must be supported by desk procedures and the assigned accountability for drafting/updating and the last update date. To begin this process, consider performing a full updated inventory of all desk procedures to identify all existing gaps in coverage across all sections.
- Define a quality assurance process for monitoring desk procedures, which should include assigning accountability for each section for ensuring current desk procedures are in place and that the required reviews are performed and documented.
- Define the expectations for performing desk procedure reviews and updating. Best practices require that procedures are updated at least annually, or when any significant changes (i.e., roles/responsibilities, systems used, etc.) occur.
- Create or update existing templates for employees to utilize when they are tasked with documenting desk procedures in a specific area. These templates could incorporate the detailed coverage areas required and provide a starting point to ensure consistent coverage.

B. STAFFING

Staff Capacity

2.	Observation	The A-C Office's approved FTEs have decreased by 8% between 2018 and 2021, resulting in a loss of 37 positions. Employees widely report that workloads are high, and that department staffing is insufficient to meet current demands.
	Recommendation	Take steps to address reductions in staff, inefficient processes, and a lack of management capacity.

During interviews, personnel from nearly every section reported that they were understaffed, and workloads were unsustainably high. There are several factors that may have contributed to this situation, including a reduction in overall staff, inefficient processes, and a lack of management capacity.

Reduction in Staffing

An analysis of the A-C Office's budget over the last five years demonstrates that overall staffing has decreased during this time period.

The A-C's Office incurred a budget cut of 20% between fiscal year (FY) 2018 and FY 2019 (going from approximately \$20.5 million down to \$16.4 million). While there have been increases since then, the A-C's Office is yet to get back to the level it was in FY 2018 (approximately \$18.2 million for FY 2021).

As a result of budget cuts and restructuring across the organization, the A-C's Office incurred a reduction in its approved full-time equivalents (FTEs) budget of 3% between FY 2018 and FY 2019 (448 budgeted FTEs for FY 2018 and 433 for FY 2019). While there was a minimal increase in FY 2020 (up to 435), there is an additional 6% cut seen in FY 2021 (down to 411 FTEs). Based on discussions with A-C Office leadership, some of this reduction in FTEs can be attributed to reorganization. However, the group has experienced a net loss of 37 positions.

In addition to the budget cuts described above, the A-C's Office also sustained average position vacancy rates of 8% to 10% each fiscal year. In FY 2020, the vacancy rates resulted in 392 actual FTEs compared to 435 approved budgeted FTEs (variance of 43 FTEs). The vacancy rate is directly tied to the County's practice of establishing a vacancy factor that is applied unilaterally to each organization County-wide, which allocates a specific number of vacancies that each organization must maintain, based on a percentage of total FTEs, in order to balance the County budget.

Taken as a whole, staff report that the decrease in approved staffing and high vacancy rates has increased workloads and created issues around burn-out and employee engagement.

At the end of 2019, the A-C's Office developed a staffing action plan, which included performing a review of all vacancies and the development of strategies for hiring considering budget cuts. In addition, the A-C's Office performs staffing analysis, at some level, as part of the annual budget assessment and on an ad hoc basis for when a section identifies a need to hire. The A-C's Office should continue to update the staffing action plan each year to prioritize new and backfilled positions using an enterprise-prioritization approach. As new hiring needs arise during the year, the plan should be updated accordingly to ensure hiring needs are assessed holistically.

In addition, the County should reconsider the use of the vacancy factor to balance budgets. Industry best practice recommends using vacancy rates to create accurate budget estimates based on historical vacancies by department, rather than using it as a unilateral tool to balance budgets. By using vacancy rates in this manner, the County is obscuring the true staffing needs within departments and creating challenges to appropriately staff key functions.

Inefficient Processes

Key operational functions within the A-C Office—including A/P, journal entry processing and payroll/timekeeping, and others—are decentralized. This model gives individual sections the flexibility to build processes that align with their specific business and operational needs. However, this decentralized structure has also resulted in redundant work and the potential for some inefficient processes across the organization. For example, as noted in Observation #1, staff that fill similar functions across the various sections have independently developed hundreds of desk manuals, even though many cover similar topics.

In March of 2020, the A-C's Office adjusted the organizational structure to provide more effective and efficient operations, including elimination of the Government & Community Relations division, which produced an organizational structure that is better aligned with the mission of the A-C's Office, and the reassignment of the related staff to operational positions in other divisions.

In addition to streamlining some desk procedures (see Observation #1), the A-C's Office should consider performing a staffing study to evaluate whether there are opportunities to either centralize some repetitive processes or specific functions, or further streamline functions across the A-C's Office. For instance, some of the A/P, journal entry, payroll and other accounting-related processes that various sections within the A-C Office perform, could benefit from some level of centralization or streamlining and result in efficiency gains and reduce overall staff workloads. While the current decentralized model appears to be popular among staff and may be beneficial for those functions that have a high-degree of variability between sections, it may not be the most cost-effective method for the County for all functional areas.

Management Capacity

Staff widely reported, in nearly every section interviewed, that there was a gap in front-line employee positions, and that managers were frequently required to engage in highly tactical, daily operations. Without appropriate delegation of work, it can be difficult for managers to have enough bandwidth to engage in more strategic work. In turn, this can increase workloads for individual managers and reduce the A-C Office's capacity to perform process improvement work and other proactive initiatives that could increase efficiency.

An evaluation of the A-C Office's staffing, by employee level, revealed that the ratio of supervisor/leadership to non-supervisory/independent contributor positions is approximately 1:2. While that ratio does not indicate a significant gap in front-line workers, the frequency of concerns raised by interviewed staff suggest that there may be ongoing challenges to ensuring managers can appropriately delegate work.

The A-C Office should consider performing a workload analysis (or utilize other methods) to determine whether managers throughout the A-C's Office are engaged in the correct level and type of work. Workload analyses typically include the following steps:

- **Identify Roles and Work Activities:** Create a comprehensive list of major activities for the given management position.
- **Obtain Time Estimates for Workload Activities:** Using a worksheet that lists each major activity, managers track their time over the course of two to four weeks. It can also be helpful for managers to report the tasks they were unable to accomplish during the timeframe due to bandwidth constraints.
- **Analyze Activities:** Once tracked, the data can be aggregated to get a sense of overall workload for the specific role, time associated with particular functions, and activity gaps.
- **Take Action:** Once the analysis is complete, it should provide actionable data about areas of success, workload challenges, and staff capacity.

Although performing a workload analysis, as outlined above, provides information about potential resource needs, it does not take the quality of work into consideration. As such, it should not be used as a stand-alone metric, but rather part of a wider conversation around management capacity.

Succession Planning

3.	Observation	The A-C's Office is at risk for further staffing shortages in key areas due to eligible retirements in FY 2020 to FY 2025.
	Recommendation	Expand on current succession planning efforts to ensure cross-training has occurred, adequate desk procedures to define the details of key processes and functions are developed, and a formal plan to fill key positions when a retirement occurs is in place.

Many sections throughout the A-C's Office rely heavily on personnel who have been in their current role, or with the County, for much of their career. Due to hiring freezes, these positions may not be filled or adequately backfilled prior to these long-standing employees retiring. To evaluate the potential risk around retirements of personnel in key positions across the A-C's Office, we performed an analysis of individuals that recently became eligible to retire and those that will be eligible to retire in the next five years. Based on this analysis:

- Between FY 2017 and FY 2020, an average of 15 employees became eligible for retirement each year.
- Between FY 2021 and FY 2025, based on current employees, an average of 13 employees will become eligible for retirement each year.
- In assessing several key areas of the A-C's Office, the following three sections were identified as having elevated risk related to eligible retirements:
 - The CAPS+ Support team had 12 of 35 (34%) employees that became eligible to retire in FY 2020 and have another four (11%) who will become eligible for retirement in the next four years.
 - The Claims & Compliance unit had four of 14 (29%) employees that became eligible to retire in FY 2020 and have another three of 14 (21%) who will become eligible for retirement in the next four years.

- The Social Services Agency Accounting unit had 17 of 78 (22%) employees that became eligible to retire in FY 2020 and have another nine (12%) who will become eligible for retirement in the next four years.

Based on the information provided, we were unable to determine the number of employees that actually did retire from these three sections during FY 2020 to fully assess the potential risk of those that were eligible in FY 2020 compounding the newly eligible retirements in future years. The A-C's Office should further evaluate these areas of increased risk to evaluate the impact of the large number of FY 2020 employees who became eligible for retirement in these areas. Succession planning should be a key focus for all areas, as the current and required vacancy rates, along with the recent budget constraints, further compound the risk of losing long-standing employees in key operational roles throughout the A-C's Office. In evaluating and prioritizing upcoming staffing needs, succession planning should be considered to ensure that staffing is adequate to perform the minimum mandated duties.

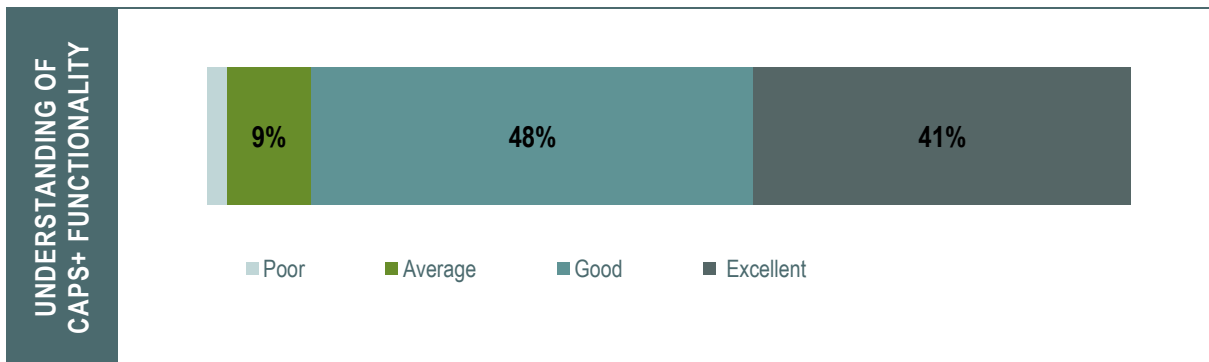
Notably, the CAPS+ Support team began internal succession planning during calendar year 2020 to ensure that they had a plan in place if the 12 eligible retirees did retire in the near term; however, efforts to ensure seamless transition in these succession plans was limited due to the inability to adequately plan for backfill and training for these upcoming vacant positions. The A-C's Office should ensure adequate cross-training is in place and desk procedures are adequately documented in key functional areas to ensure the continuity of operations.

C. CAPS+ AND TECHNOLOGY

Manual Processes

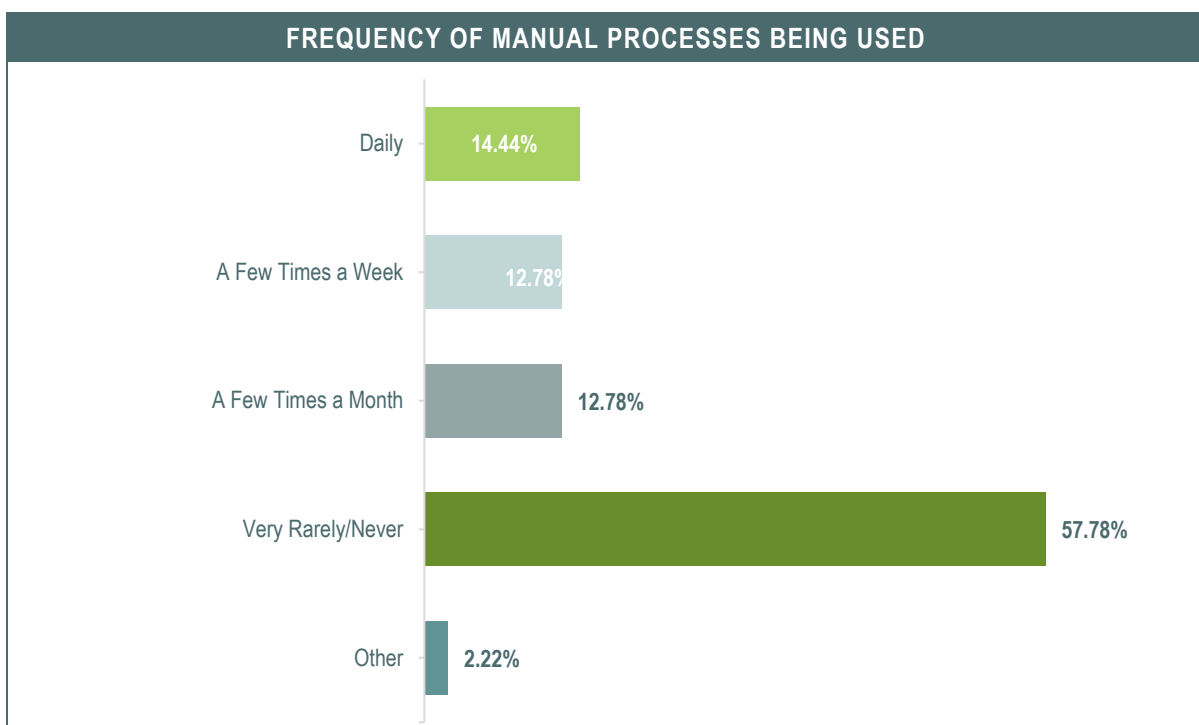
4.	Observation	CAPS+ has limited capability for integrating with the internally developed Mileage Claim system, resulting in the need for manual intervention, and the current process for other employee reimbursements is completely paper based. Manual processes result in inefficiencies throughout the County.
	Recommendation	The County should consider exploring providers to develop a means of integrating an employee reimbursement system. Until this is possible, continue to evaluate the fillable PDF format for opportunities for improvement or efficiencies in processing.

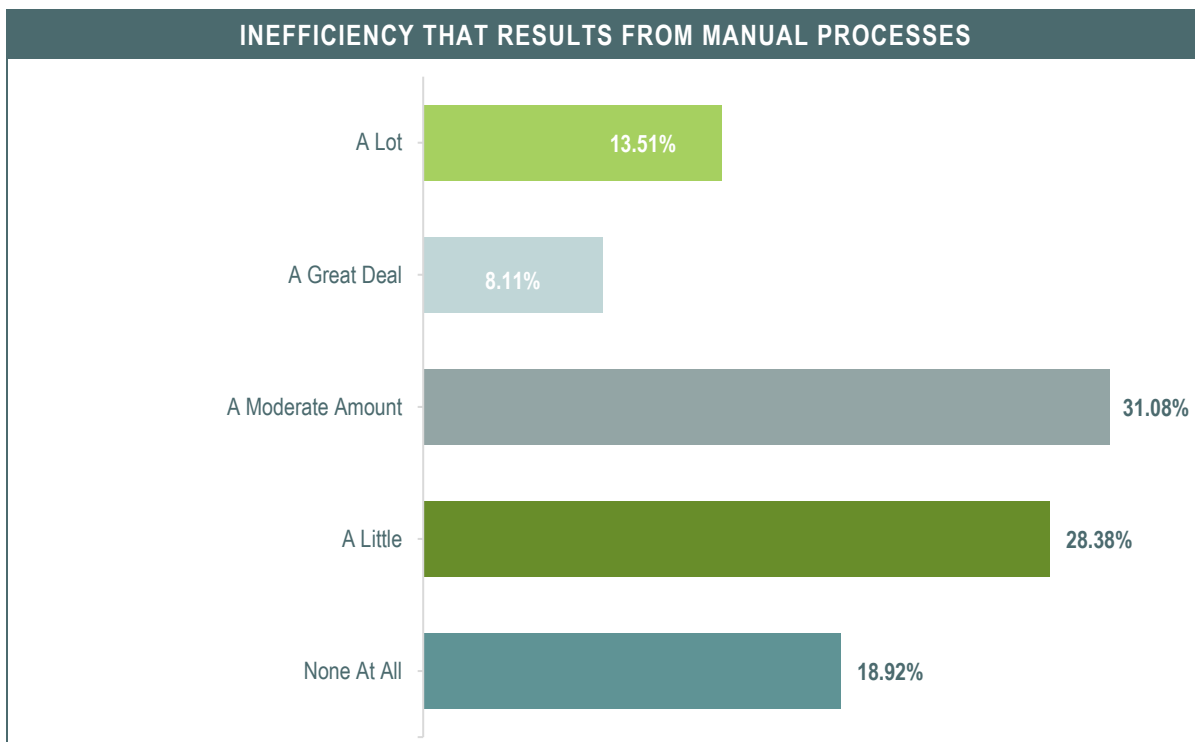
The A-C's Office Information Technology (IT) needs are serviced by the IT Division, which is made up in part, by the CAPS+ Support team. The A-C's Office uses several systems to support its operations including CAPS+, Assessment Tax System, Mileage Claim, Microsoft Office Suite products, and others. According to employee interviews, hardware is not always replaced in order to avoid breakdowns, and software is outdated and does not integrate seamlessly with CAPS+ for ease of use. However, per employee survey results, 98% of respondents said that the usability and functionality of the CAPS+ system was average or better, as presented in the graph below.



In addition, during interviews, employees expressed concerns over the age, version, and capability of the software systems in use; however, it appears that the systems the CAPS+ Support team manages are being maintained with adequate upgrades. Specific to CAPS+, the County has two contracts with CGI Inc. for maintenance and support for both the human resources (HR) and financial systems. Of the 29 systems/software we assessed, we identified that most systems had been upgraded within the last five years and were due for license renewal between October 2020 and March 2022.

Based on feedback received, there are certain time-consuming and inefficient manual processes involved with mileage and travel reimbursement claims and other employee reimbursement processing. These two areas were identified as being highly manual, requiring a lot of work by either the requesting employee or the accounting/payroll teams. Forty percent of survey respondents stated that they have job functions that require manual processing a few times a month or more, and 53% reported that manual processes create a moderate or greater amount of inefficiencies. The details of these responses are presented in the tables below.





The Mileage Claim system is only in use by seven departments throughout the County due to old technology and limited ability to integrate with CAPS+, leaving much of the County to process completely manual mileage and travel reimbursement claims. Additionally, the employee reimbursement process, for items such as tuition reimbursement, is a completely paper-based process. Both manual processes require a form to be filled out, routed for review and approval, and given a wet signature prior to a reimbursement being processed. These processes are creating significant inefficiencies that have only been exacerbated by COVID-19 remote working where employees are unable to turn in these hard copy forms, and the steps required for reviewing, approving, and processing have become even more time-consuming.

In our analysis, we attempted to perform benchmarking for other counties in California and throughout the country that use the CAPS+ system; however, we were not able to identify other counties using the systems, or using systems that were similar, for comparison. While other counties in California, like Los Angeles County, use a version of the CAPS system, it appears that the systems have been highly modified for each county, making it difficult to use them for a comparison. In addition, based on the minimal information available online from the software developer, we were unable to identify any reimbursement-type systems that would integrate with CAPS+.

The County should consider partnering with either the current CAPS+ support provider, or another provider identified who has the needed expertise/capabilities, to determine if they can help develop a program that will integrate with CAPS+ to eliminate the manual processes and reduce the risk for errors. If this is not possible in the near future, the County should consider, at a minimum, converting the forms to fillable PDF formats that allow for electronic approvals.

Outside Processes

5.	Observation	Employees reported using outside or other manual processes to compensate for certain analysis and reporting needs that cannot be performed directly in the CAPS+ or other systems.
	Recommendation	IT should continue to work with sections to identify where outside or other manual processes can be reduced through using CAPS+ or the Data Warehouse, and for those cases where there are CAPS+ system limitations that cannot be resolved, sections should implement controls to ensure data integrity is not compromised.

During interviews, employees stated that they use outside or other manual processes to compensate for certain analysis or reporting needs that cannot be performed directly in the CAPS+ system. For the purposes of this finding, the use of “outside or other manual processes” refers to the use of processes outside of CAPS+ and the Data Warehouse, such as Excel files and internally developed systems and processes. In many cases, employees are exporting data from CAPS+ and then using the data to allow for specific analysis to be performed for certain reporting needs. This sort of process is prone to error and typically results in redundancies and inefficiencies; however, it was unclear how pervasive the use of outside or other manual processes may be. Based on survey results, there may be systems currently utilized by employees that are not supported by IT, as 11% of employees reported that unsupported systems were used. However, it was unclear what systems outside of CAPS+ or the Data Warehouse the respondents were referring to. IT referred to the use of these types of systems and it is unclear how pervasive this issue really is. Through analyzing the desk procedures submitted, many described the manual processes related to the use of Excel worksheets for functions such as accounts receivable reconciliations, budget to actual tracking and analysis, Waste & Recycle fee calculations, accrual calculations, job costing analysis, etc.

The use of outside or other manual processes can result in inefficiencies and creates the risk of increased errors. IT should continue to work with the A-C Office’s sections to identify these systems and work to identify system capabilities that can reduce their use or other potential workarounds. In those instances where these outside systems or processes must be used, controls should be put into place by the user section, such as checking figures, additional levels of reviews, etc., to ensure the integrity of the data/information is not compromised.

D. TRAINING

CAPS+ Training

6.	Observation	New employees do not receive overall CAPS+ system training or CAPS+ training specific to the A-C's Office; therefore, employees learn through hands-on training provided by existing employees when they enter a new role.
	Recommendation	Consider developing a new hire training on the overall CAPS+ functionalities to get employees oriented with the system and to provide a high-level understanding of its functionality and capabilities. Additionally, consider developing yearly training for new and existing employees to encourage efficient sharing of information across the A-C's Office.

Throughout interviews, concerns were communicated regarding the lack of training provided to new employees on the functionalities of the CAPS+ system, and the lack of tailored training provided throughout the course of employee tenure with the A-C's Office. Based on the employee survey, 73% of employees who responded reported that they have not received any training specific to CAPS+. The A-C's Office has historically relied on hands-on training of the CAPS+ system. When a new employee starts, the section they join is typically responsible for training them in their new role, and they learn the CAPS+ system as they go. While online tools are available to support all employees, the philosophy has typically been to reach out to other sections when there is a question on CAPS+.

The County does have a CAPS+ Online Learning System that is available to all employees, which provides quick online training on a variety of topics. In addition, there have been a few hands-on trainings in the past to supplement the online system, as well as a few trainings related to the purchasing module, year-end financial close process, system changes, and system basics.

However, only 27% of employees who responded to the survey stated that they received online and/or in-person CAPS+ training, and 89% of those respondents felt that the training was good or better. Although on-the-job training is common in many industries for a variety of roles, the lack of training provided to new hires specific to CAPS+ may lead to inefficiencies in getting an employee trained in a new role, as well as inconsistent guidance on CAPS+ functionalities and a steeper learning curve for new system capabilities or changes.

The A-C's Office should consider developing a new hire training on the overall CAPS+ functionalities to get employees oriented with the system and to provide a high-level understanding of the different modules and capabilities. This training could also be provided as a refresher course for existing personnel. In addition, given the decentralized model of operations of the A-C's Office, a yearly training related to CAPS+ to cover new or changed system capabilities or tools, as well as to encourage the sharing of information among the various groups, could be beneficial and increase efficiency.

Employee Training and Onboarding

7. Observation	New hires joining the A-C's Office do not receive specific onboarding/new hire training outside of the general County HR training; therefore, new employees rely solely on hands-on training from their group. In addition, Leadership development and training has not been provided consistently to supervisor/manager employees across the A-C's Office.
Recommendation	<p>The A-C's Office should consider investing more staffing resources toward internal training to support new employee onboarding and strategic staff development.</p> <p>A leadership development program should be established to further support new and developing leaders within the A-C's Office.</p>

New Hire Training

County HR provides a general onboarding overview for new hires on topics such as timekeeping, benefits, direct deposit setup, etc. However, an A-C Office-focused training for new hires has not been developed. While there have been efforts in the past to provide orientation for new A-C Office employees, a formal and consistent training process was not achieved. Many employees mentioned that a standard new hire training for employees new to the County, or just new to the A-C's Office, would be very helpful to provide an overview of the structure of the Office, the various roles and responsibilities, technology utilized, standard procedures for routine processes, etc., to reduce the levels of inconsistency amongst training received.

Additionally, most sections do not attend industry-specific trainings or conferences. These types of training opportunities are a valuable tool to keep the A-C's Office on the cutting edge of trends, improvements, and innovations in specific areas. Without exposure to these ideas and the ability to learn from others who have implemented new practices to streamline processes, the A-C's Office may fall behind.

The A-C's Office should consider investing more staffing resources toward internal training to support strategic staff development. To better support employee orientation and development, the A-C's office should consider incorporating employee orientation trainings and annual growth and development planning into their standard employee review process. These new employee trainings could be offered semi-annually or quarterly in order to welcome and orient groupings of new employees at once and reduce burden that training development and implementation can have on an already strained staffing base.

Leadership Development

Given the significant changes in supervisor and manager level roles within the A-C's Office in the last several years, which occurred through internal movement and promotion of employees, leadership training and development has become increasingly important among employees. Based on interviews, there have not been opportunities for leadership training and development provided for

new or existing managers/supervisors to ensure that consistent leadership practices and approach are being applied across the A-C's Office. Similar to new employee onboarding and training, these offerings could be found online so that leadership can access them on-demand or they can be provided to a group of leadership semi-annually or quarterly in order to reduce the burden of training development and implementation on the A-C's Office.

The County offers a County-wide leadership training once a year, which A-C Office employees could attend; however, given the cost of the training, current budget constraints to not always permit attendance. Consider continuing to strategically identify one or a few up-and-coming leaders that could attend each year, when possible, and potentially bring back information to present the larger A-C Office leadership group. In addition, help facilitate a uniform leadership approach, the A-C's office should consider implementing an internal (i.e. A-C Office-specific) leadership development program, given this is an area that employees are interested in, that focuses on standardized training for several purposes. The programs outlined below could be done informally as part of "lunch & learns" or as part of the existing mentorship program:

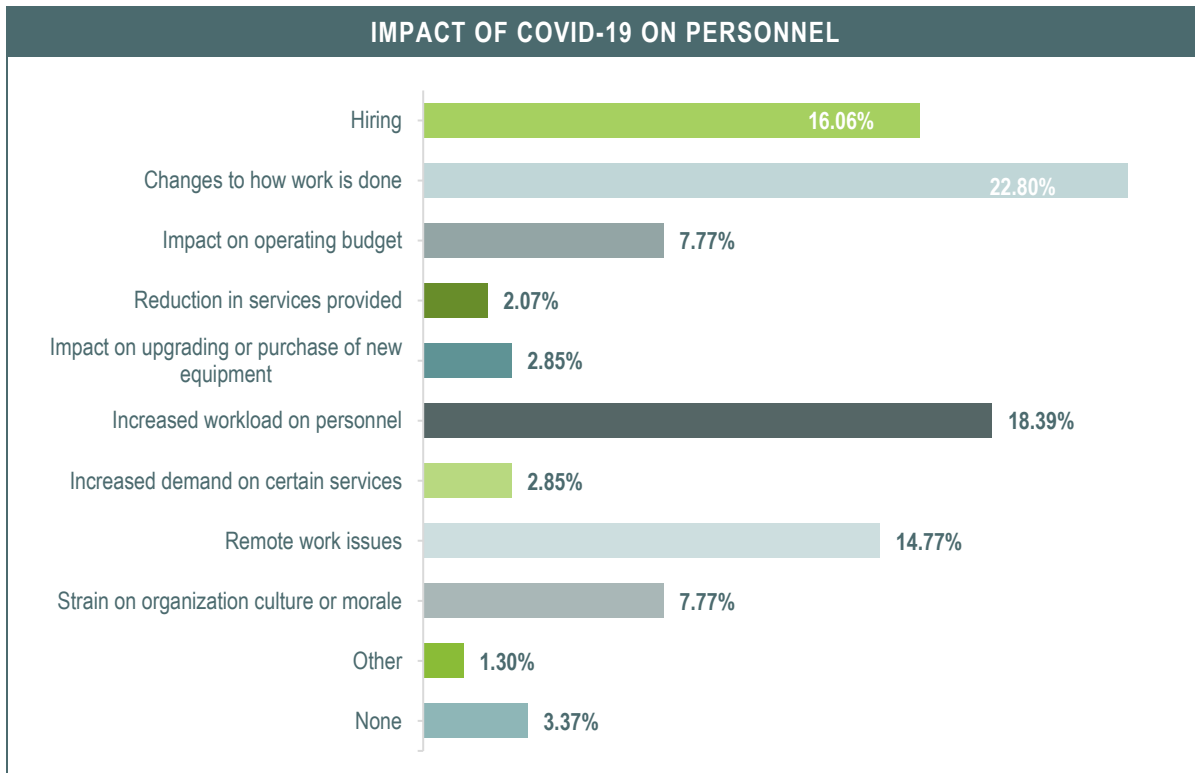
- **New Managers/Supervisors:** Training and development should focus on employees who are new to a management or supervisor role with the intent of helping them to understand their new role and responsibilities. This training should also include topics including, but not limited to:
 - Creating an inclusive workforce
 - Conflict resolution
 - Hiring and firing
 - Nurturing talent
 - Coaching and employee retention
- **Existing Management/Supervisor Development:** Managers need a broad variety of skills in leadership, supervision, and communication. Providing ongoing management training will ensure that there are higher levels of management and employee engagement and retention. This form of training could include topics including, but not limited to:
 - County-specific processes, offerings, and changes
 - Internal ethics discussions
 - Performance management and motivating employees
 - Conflict management
 - Team building
 - Career development

E. DEPARTMENT SATISFACTION

In general, employees surveyed reported positive feedback towards the A-C's Office as a whole and current leadership since the appointment of the current Auditor-Controller in October 2019 and the subsequent installation of the Chief Deputy Auditor-Controller. Employees reported that the transparent communication and open-door policy has been helpful. It was also reported that the current leadership approach and recent organization expansion has led to higher employee morale and feelings of support.

F. COVID-19 IMPACT

Given the current COVID-19 environment, we included questions in the employee survey to gauge the overall impact and the areas of increased concern to employees. The table below presents the responses, which can be utilized by management to identify areas of focus for the upcoming year.



APPENDIX A: DESKTOP PROCEDURE COVERAGE

We reviewed the County's Accounting Manual, as well as selected desk procedures from all sections that specifically addressed accounts receivable, journal voucher entries, and payroll processing/audit functions to ensure adequate coverage of responsibilities in each area. The table below depicts the coverage by function/service area across the sections under the oversight of the A-C's Office.

SERVICE/FUNCTION	SECTION									
	Accounting & Reporting	Central Accounting Operations	Claims & Compliance Accounting	OC Community Resources Accounting	Health Care Agency Accounting	IT	Central Payroll	OC Public Works Accounting	Social Services Agency Accounting	OC Waste & Recycling Accounting
1099 Reporting			X					X		X
Accruals			X		X			X		X
ACH Payments									X	
AP		X	X		X	X		X		X
AP – Stop Notice	X		X							X
AR	x			X				X	X	X
AR – Negotiable Instruments	X							X		X
Asset Management Standards						X				
Authorized Signature Approval			X							
Bank Reconciliation								X		
Billing	X				X			X		X

SERVICE/FUNCTION	SECTION									
	Accounting & Reporting	Central Accounting Operations	Claims & Compliance Accounting	OC Community Resources Accounting	Health Care Agency Accounting	IT	Central Payroll	OC Public Works Accounting	Social Services Agency Accounting	OC Waste & Recycling Accounting
Bonds								X		X
Budget	X	X						X		
Capital Assets	X	X								X
Cash Procedures	X		X					X		X
Cash Receipts	X	X			X			X	X	X
Check Procedures	X							X	X	X
Check Writing			X				X	X	X	
Claims	X				X			X	X	X
Contracts		X	X					X		X
Cost Accounting		X								
Credit Reference										X
Deferred Payments										X
Deposits	X								X	X
EBT (Electronic Benefit Transfer)									X	
EFT Procedures			X						X	
Encumbrances	X							X		X

SERVICE/FUNCTION	SECTION									
	Accounting & Reporting	Central Accounting Operations	Claims & Compliance Accounting	OC Community Resources Accounting	Health Care Agency Accounting	IT	Central Payroll	OC Public Works Accounting	Social Services Agency Accounting	OC Waste & Recycling Accounting
Expense Payments					X		X	X		
General Accounting	x	X			X			X	X	X
Hiring		X			X			X		
Invoice Procedures			X		X			X		X
Job Corrections		X		X	X			X		X
Journal Vouchers	X	X		X				X	X	X
Leases			X					X		X
Leave – FLSA Overtime							X	X		
Leave Pay		X		X	X		X	X	X	
Mail Procedures									X	X
Master Agreements		X			X					
Mileage & Expense Claims			X		X					X
NSF Procedures									X	X
Overtime and Straight Overtime (OT/SOT)				X	X				X	
Payroll		X		X		X	X	X	X	

SERVICE/FUNCTION	SECTION									
	Accounting & Reporting	Central Accounting Operations	Claims & Compliance Accounting	OC Community Resources Accounting	Health Care Agency Accounting	IT	Central Payroll	OC Public Works Accounting	Social Services Agency Accounting	OC Waste & Recycling Accounting
Payroll – Separation Pay		X		X			X	X		
Payroll Adjustments		X							X	X
Payroll System									X	
P-cards			X						X	X
Personnel Actions Forms		X		X				X		
Petty Cash			X							X
Procurement		X				X				
Revenue	X									X
Timesheet Adjustments				X	X		X	X	X	X
Timesheets				X	X		X	X	X	X
VTI System				X	X			X	X	X
Wire Payments			X							X
Workers' Comp							X	X	X	X

APPENDIX B: PAYROLL PROCEDURE COVERAGE

We reviewed the County’s Accounting Manual, as well as desk procedures for eight sections that have responsibility for payroll processing and payroll auditing to ensure adequate coverage of function responsibilities. The table below depicts the coverage by function/service area across the sections.

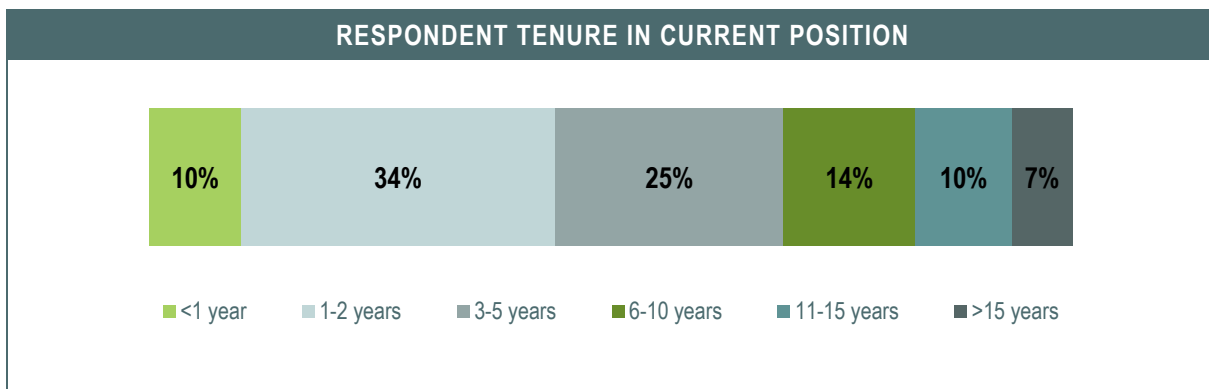
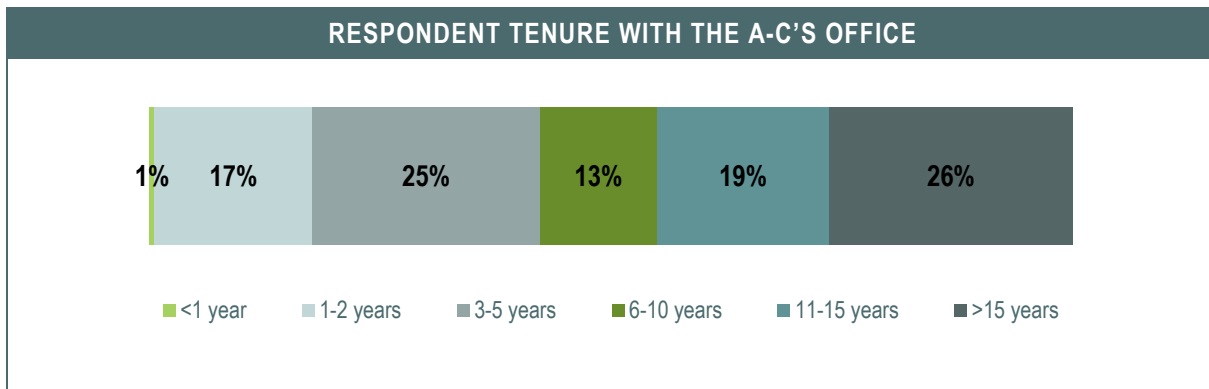
PROCESS	SECTIONS								
	Accounting Manual	Accounting & Reporting	Central Accounting Operations	OC Community Resources Accounting	Health Care Agency Accounting	Central Payroll	OC Public Works Accounting	Social Services Agency Accounting	OC Waste & Recycling Accounting
Active Employee Changes								X	
Annual Leave				X				X	
Blank Timecards/Error Reports								X	
Catastrophic Leave						X		X	
FMLA						X	X		
Holiday Pay				X		X	X		
Jury Duty	X	X		X		X			
Leave Audit/Review				X				X	
Leave Payouts			X		X	X	X	X	
Merit Increases & Promotions	X	X	X	X		X	X	X	
Missing Timecards				X	X			X	
Payroll Adjustments	X		X			X	X	X	X
Payroll System Procedures								X	

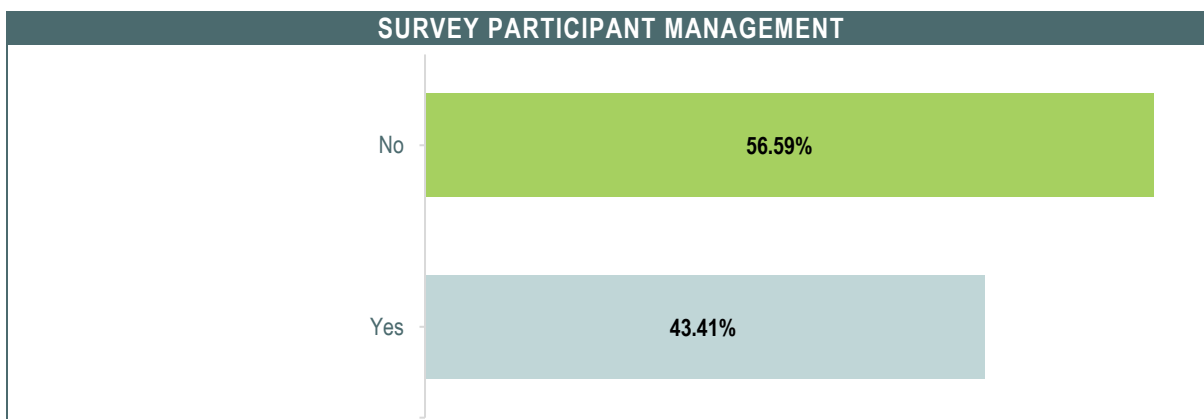
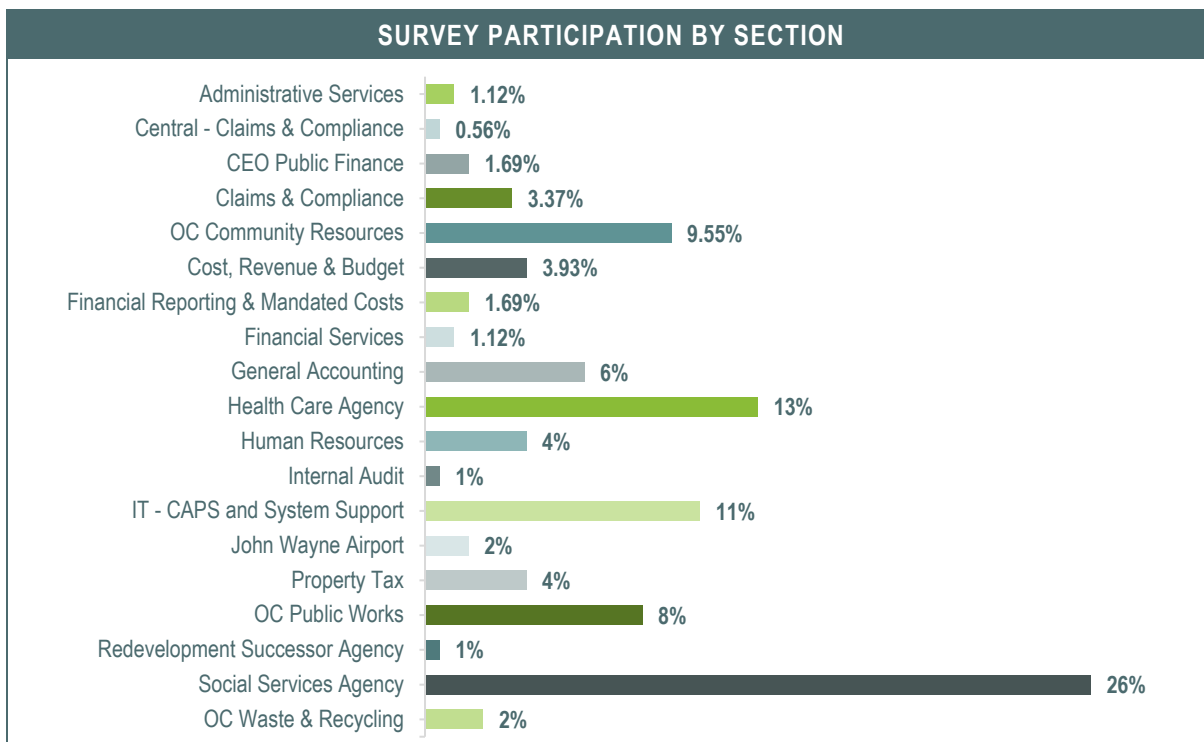
PROCESS	SECTIONS								
	Accounting Manual	Accounting & Reporting	Central Accounting Operations	OC Community Resources Accounting	Health Care Agency Accounting	Central Payroll	OC Public Works Accounting	Social Services Agency Accounting	OC Waste & Recycling Accounting
Personnel Action Changes			X						
Position Changes	X	X	X						
Protected Leave					X	X		X	
Review of Timecards	X			X	X				X
Review OT/SOT Hours				X		X		X	
Separation Pay			X	X		X			
Timecard Audit				X	X	X	X	X	
Timesheet Adjustments				X	X	X	X	X	X
Unused Leave / 457 Accounting					X	X	X	X	
Uploading Timecards in VTI				X			X	X	X
User Access in VTI					X		X	X	
Vacation Time						X			
Workers' Compensation						X		X	X

APPENDIX C: EMPLOYEE SURVEY RESULTS

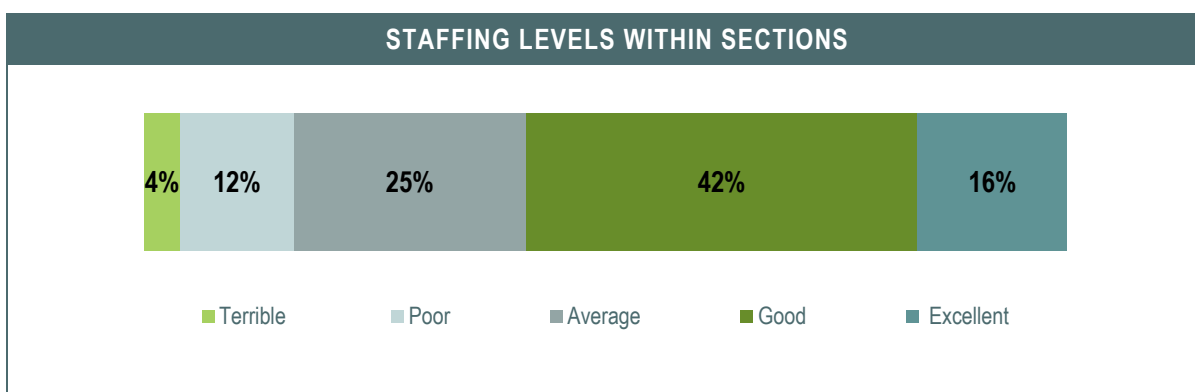
As part of this engagement, Moss Adams designed an online questionnaire and distributed it to all A-C Office employees via the survey platform Qualtrics. Out of the 381 emails sent to the contact distribution list provided by the A-C's Office, 182 individuals submitted either full or partial responses to the survey (a high participation rate of 48%).

SURVEY RESPONDENT PROFILE

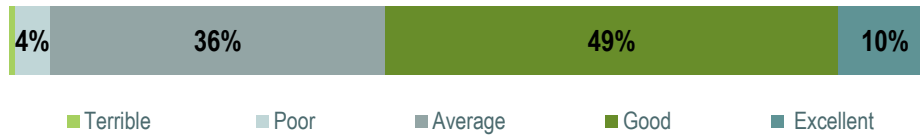




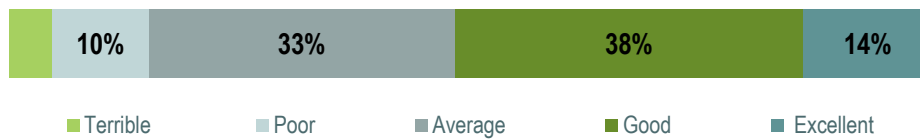
STAFFING, EMPLOYEE RECRUITMENT, AND RETENTION



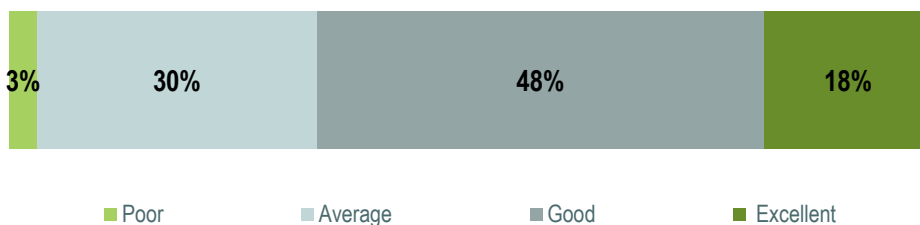
STAFFING LEVELS ACROSS SECTIONS



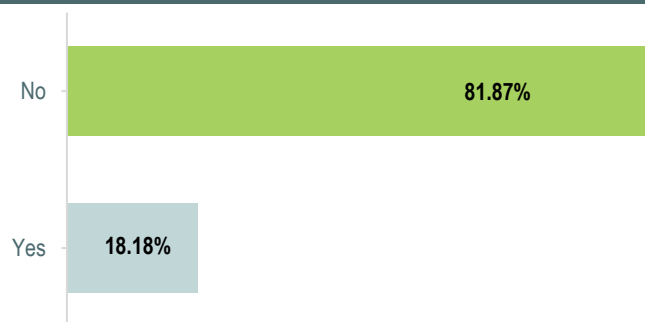
COUNTY EFFORT TO RETAIN/ATTRACT EMPLOYEES

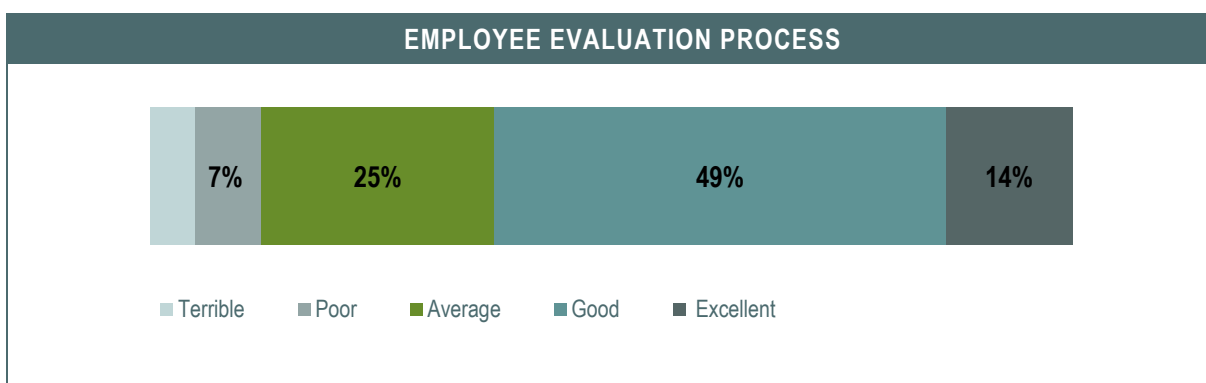
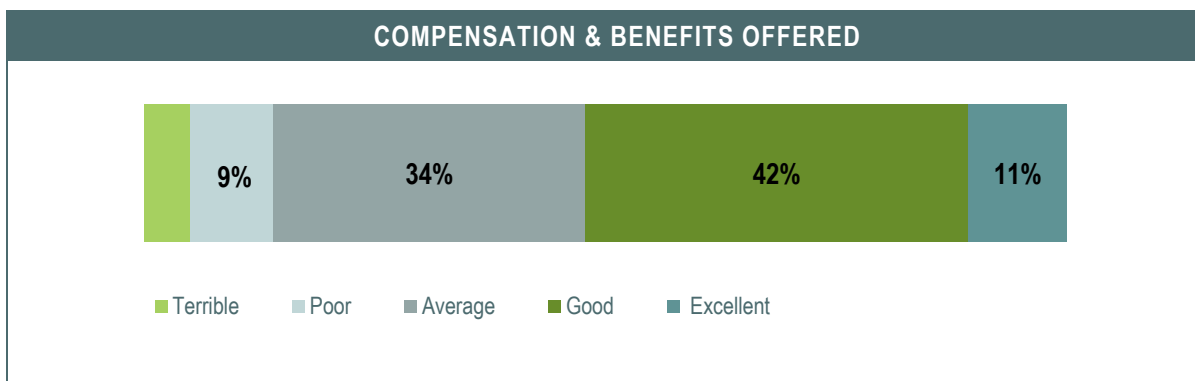


RECRUITMENT/HIRING PROCESSES

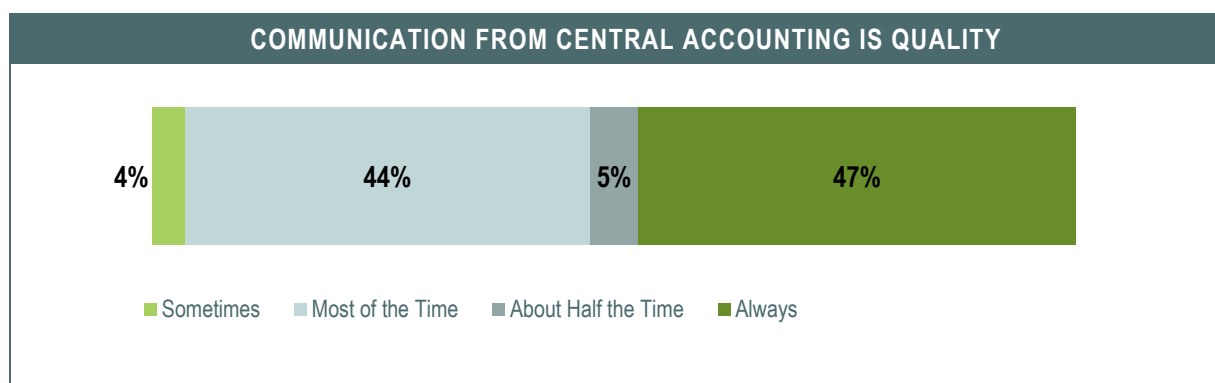
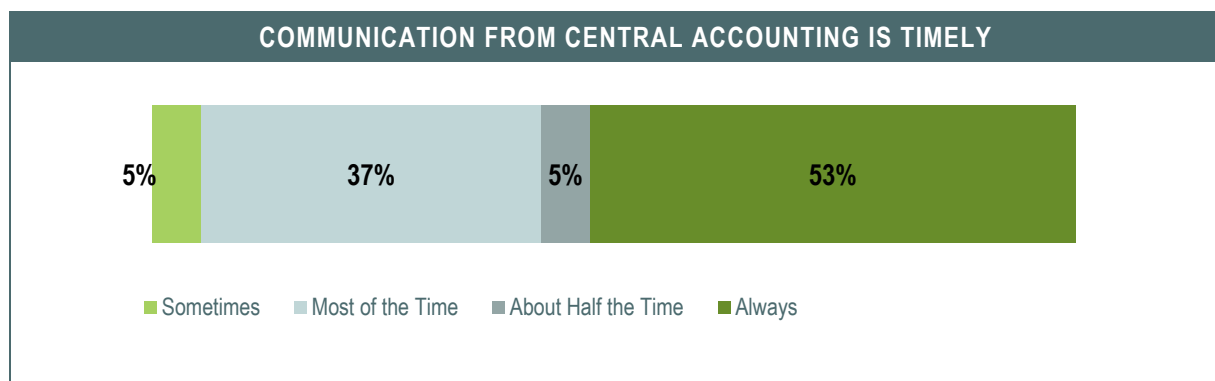
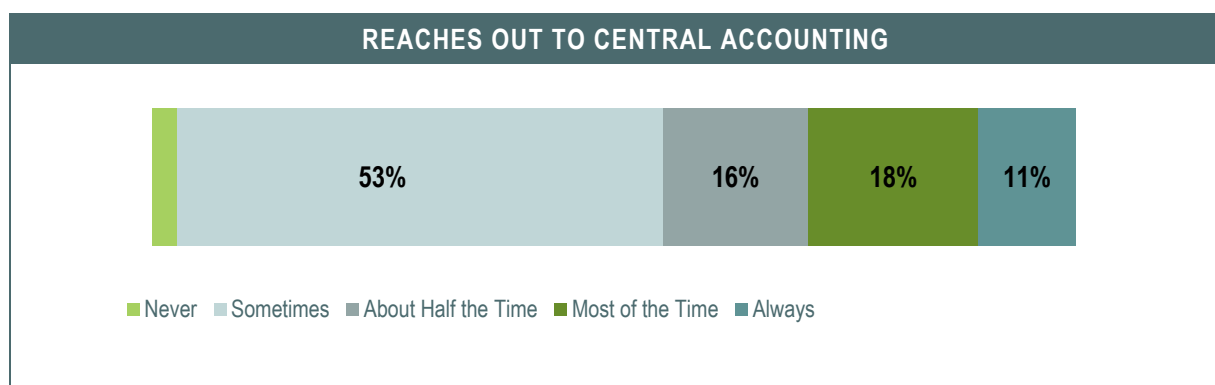
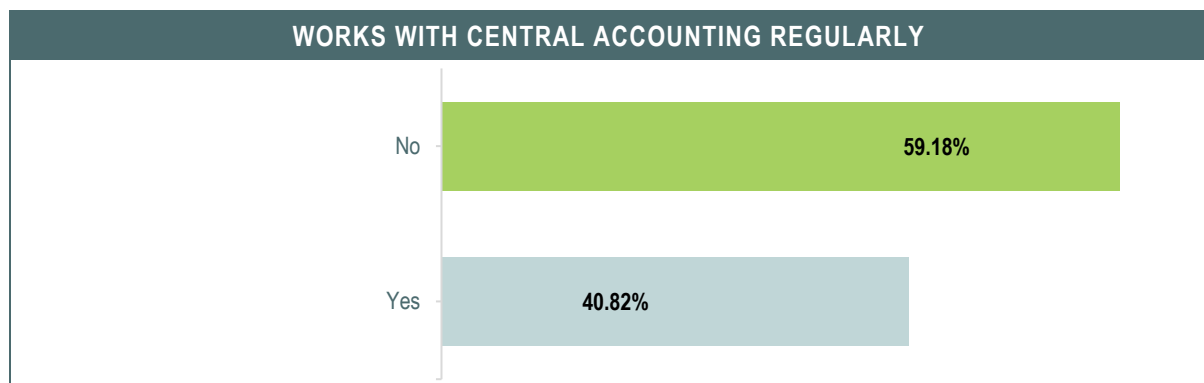


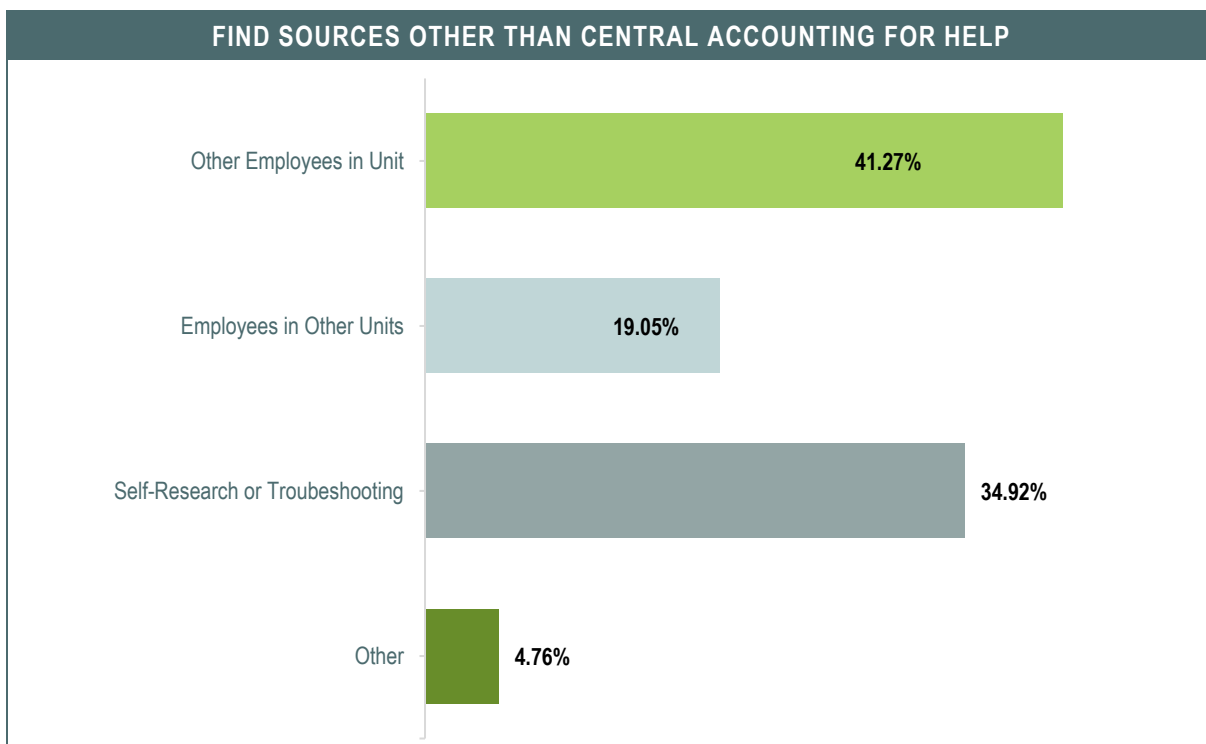
ACTIVELY INVOLVED IN RECRUITING



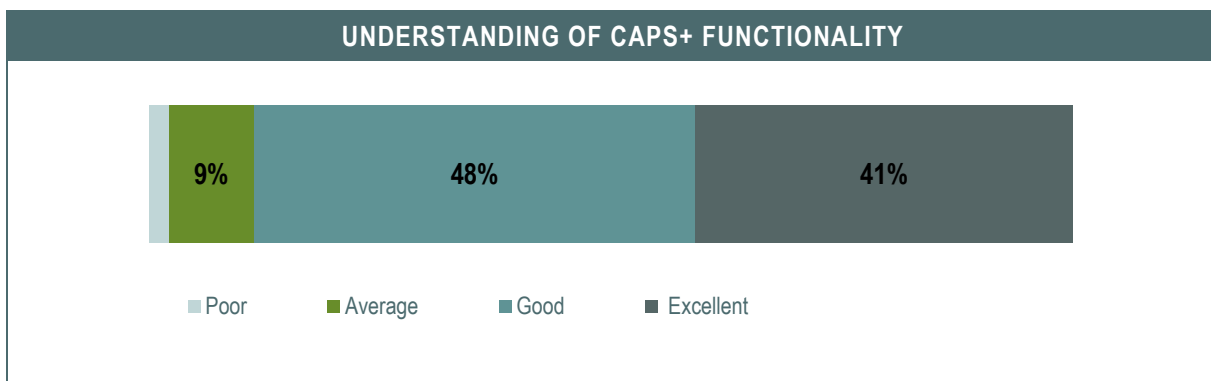
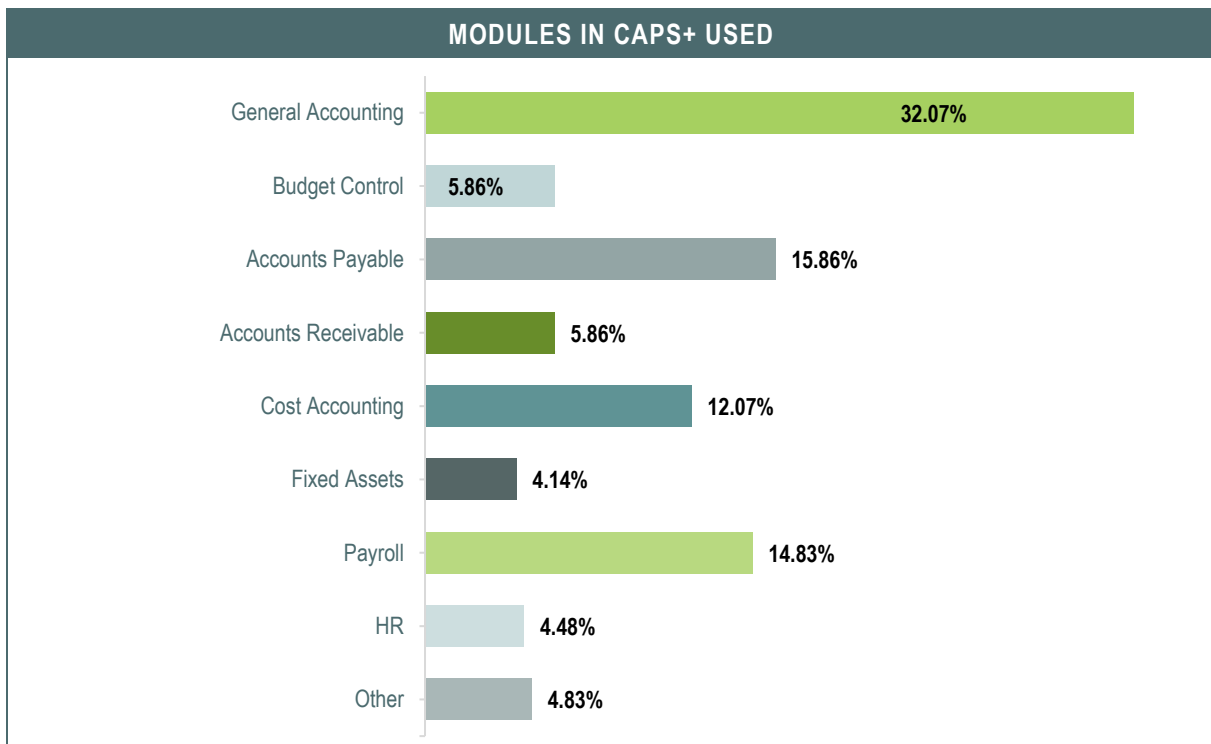


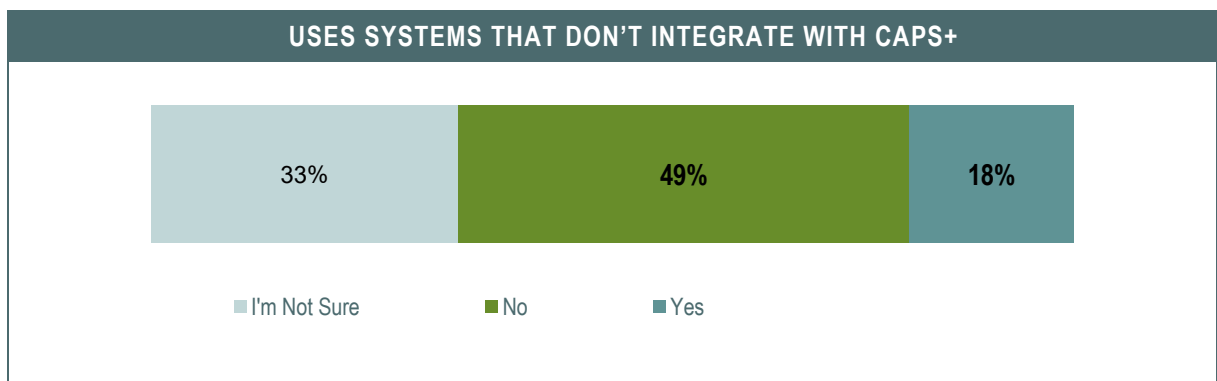
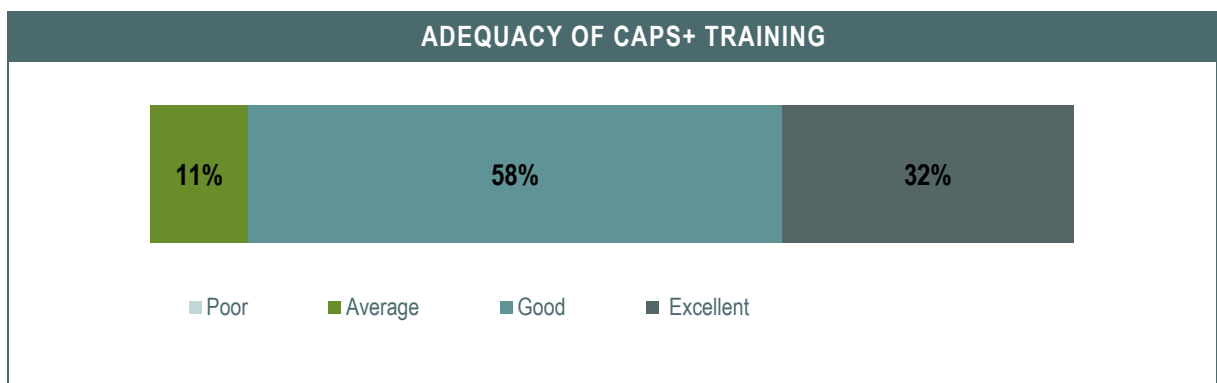
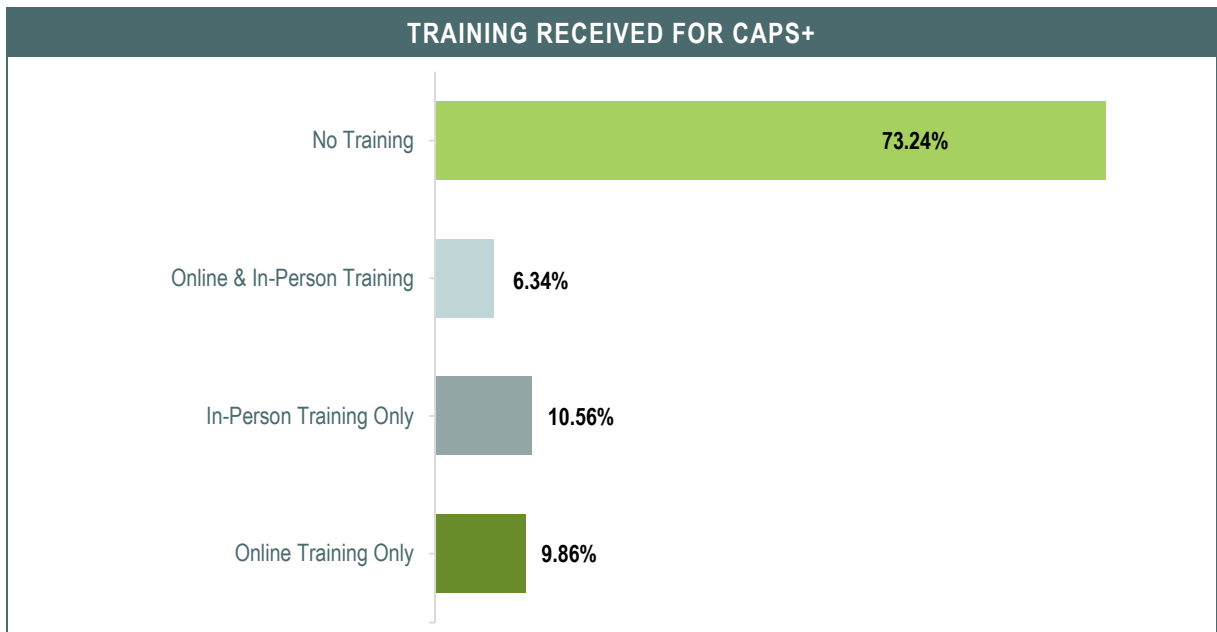
COMMUNICATION WITH CENTRAL ACCOUNTING

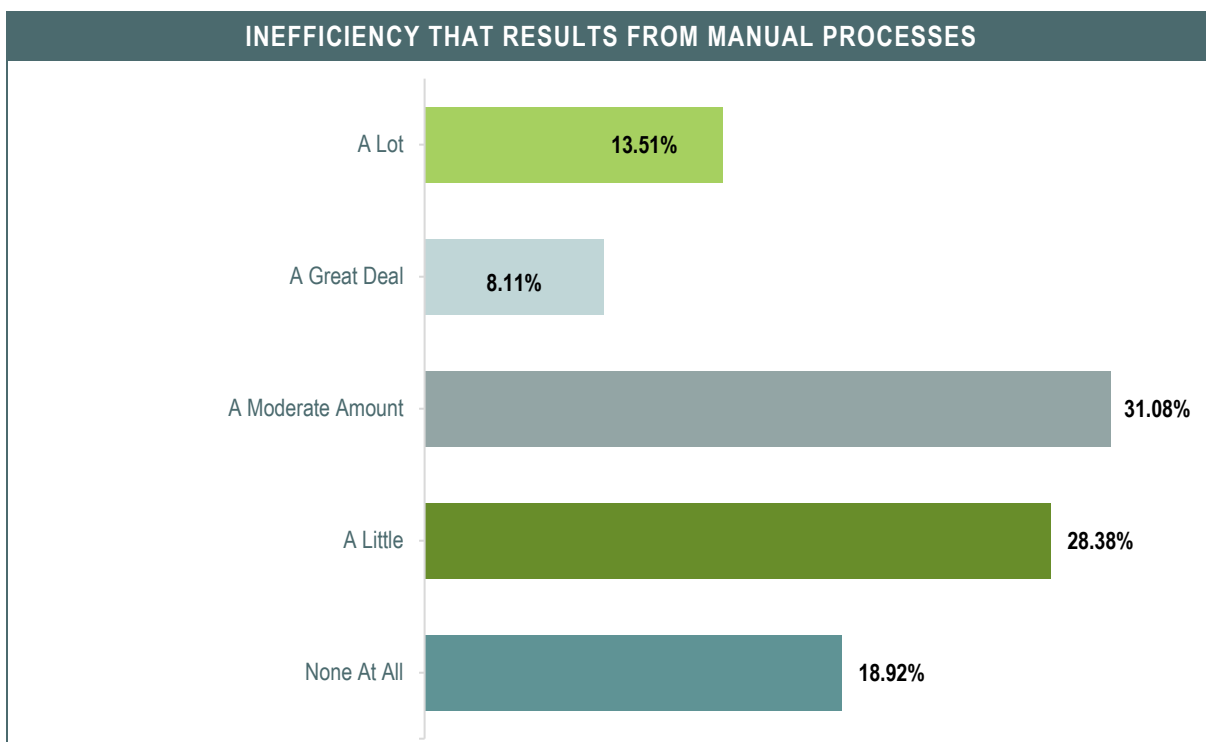
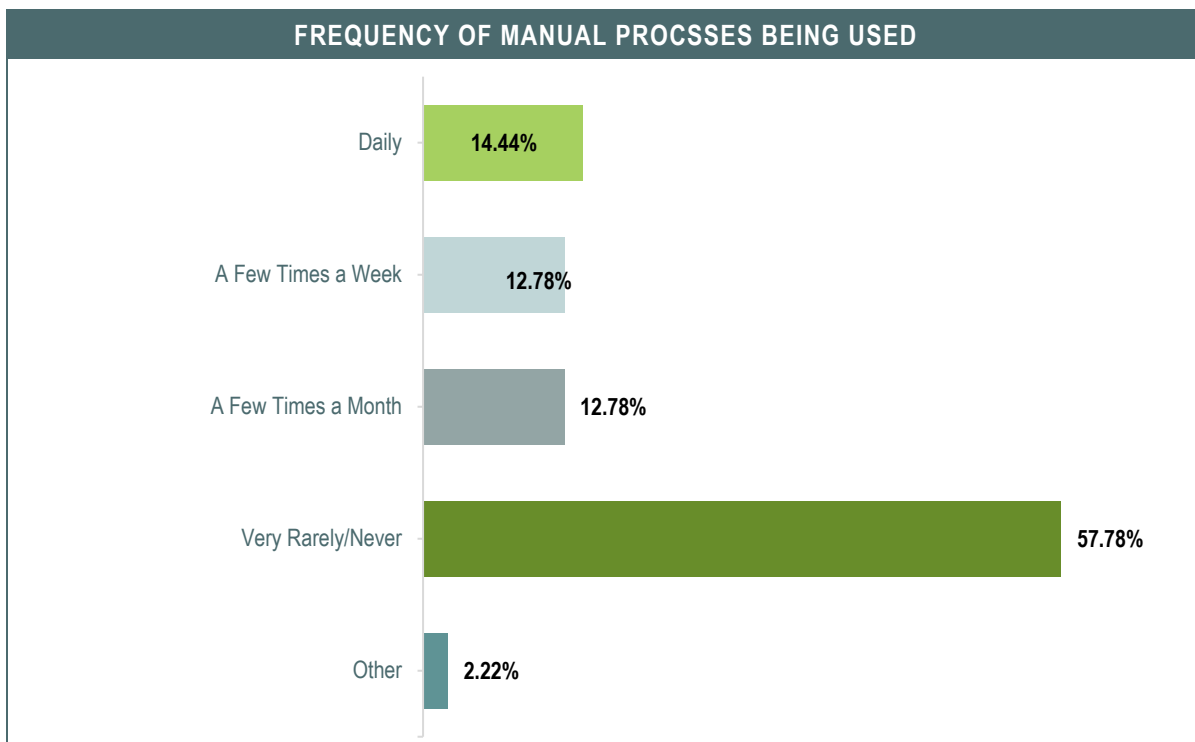


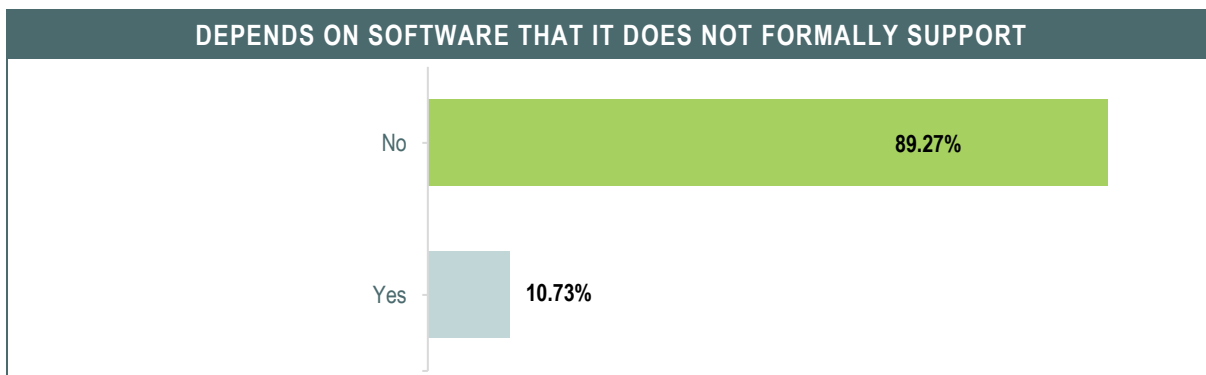


CAPS+

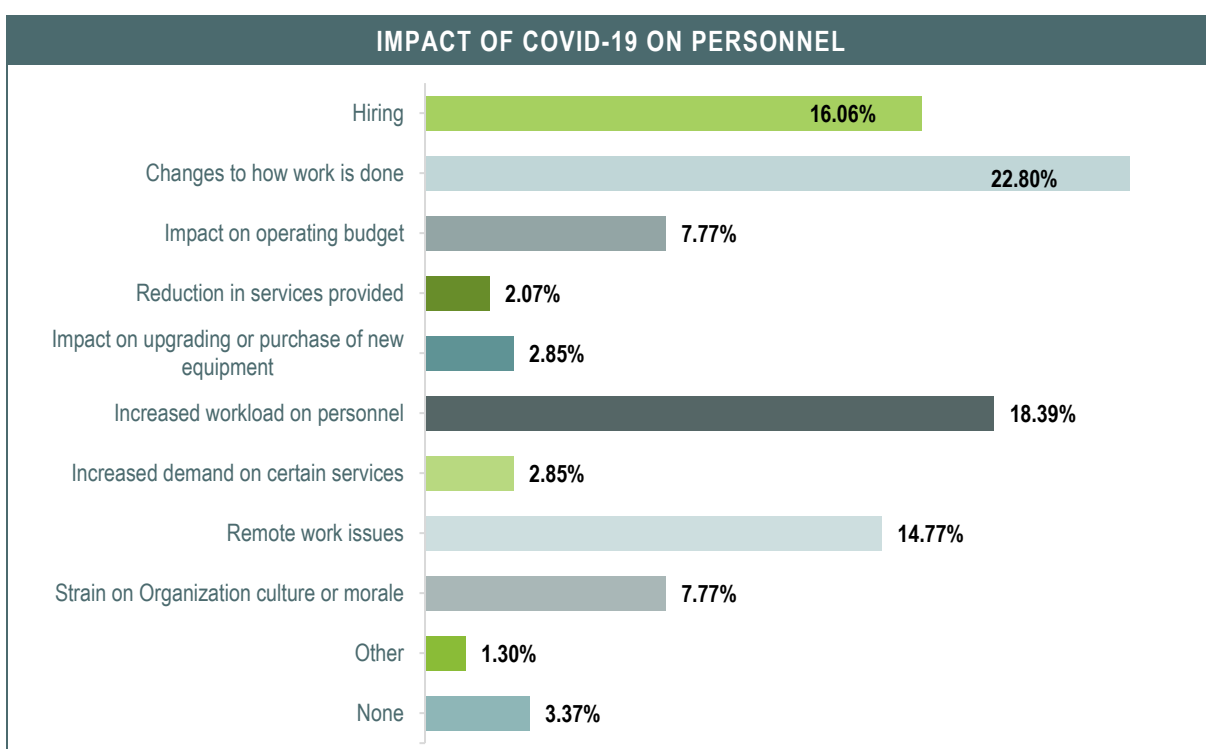








COVID-19 IMPACT





MOSSADAMS




OFFICE OF THE
ORANGE COUNTY AUDITOR-CONTROLLER

FRANK DAVIES, CPA
AUDITOR-CONTROLLER

DATE: June 17, 2021

TO: Lilly Simmering, Deputy County Executive Officer

FROM: Frank Davies, Auditor-Controller 

SUBJECT: Performance Audit of the Auditor-Controller's Office

Attached you will find the Auditor-Controller's responses to the observations and recommendations resulting from the performance audit conducted by Moss Adams and documented by them on their report dated May 5, 2021.

We thank Moss Adams for also including commendations in their report, stating that it is evident that the Auditor-Controller's Office has many commendable attributes.

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

cc: Lala Oca Ragen, Director, Performance Management and Policy
Salvador Lopez, Chief Deputy Auditor-Controller

Performance Audit of Auditor-Controller's Office Responses to Observations and Recommendations

Observation 1: A-C disagrees with first item, agrees with second item.

A-C management strongly disagrees that it has a misconception regarding desk procedures.

In fiscal year 2013-14, an Officewide desk procedure project was initiated. The objective of this project was to ensure that every task in the A-C had a written desk procedure by the end of that fiscal year. Desk procedures were inventoried, drafted or updated as needed, then reviewed and finalized.

Since the completion of the project and to present day, managers at the individual section level have been delegated, tasked, and empowered with ensuring that desk procedures are consistently documented, current, and reviewed. The project ensured that there would not be significant gaps in desk procedure coverage at the individual section level.

The auditors point out, "Not all functions were covered by each section..." The auditors have a misconception that all sections perform the same accounting functions. However, not all sections perform all accounting functions and therefore do not require desk procedures for functions they do not perform.

The auditors have a misunderstanding that all sections perform the same accounting functions. Appendix A, prepared by the auditors, displays a sampling of A-C sections and the accounting functions performed by them and claims to illustrate gaps in desk procedure coverage. However, each section provides unique accounting support. As examples, Claims & Compliance Accounting does not provide budget support nor does it process Electronic Benefit Transfers (EBT). Information Technology (IT) does not process journal vouchers nor does it process cash receipts. Not performing those functions means desk procedures are not required.

The A-C has a long-standing business model of providing decentralized accounting support to County departments through its Satellite Accounting Operations Division. Each Satellite Accounting section provides accounting support to its host County department/agency, and develops its own specific, detailed procedures (as evidenced by the auditors) that adhere to general policies and procedures. As the auditors point out "...this model of operations can have many benefits and can recognize the variations of accounting needs across the different sections..." Those accounting needs can vary from one County department/agency to another. For example, a function OC Public Works Accounting performs is to bill for services on behalf of OC Public Works Department, whereas OC Community Resources Accounting does not perform billing

for OC Community Resources Department. This does not mean there is a gap in desk procedure coverage at the individual Satellite Accounting section level.

The auditors have a misunderstanding that all sections perform payroll procedures. Appendix B, prepared by the auditors, displays payroll procedure coverage by process area for a sampling of A-C sections and claims to illustrate gaps in desk procedure coverage. However, there are no gaps because not all sections perform all payroll procedures. For example, OC Community Resources Accounting reviews employees' timecards to ensure they are correct, whereas Central Payroll does not review individual employees' timecards. Additionally, Central Payroll's desk procedures focus on an overall payroll process from a County-wide perspective, whereas departmental payroll units focus on individual employee and departmental timekeeping requirements. This does not mean there is a gap in desk procedure coverage between payroll processes.

A-C management does agree that a formalized process of tracking desk procedures is not in place.

Recommendation 1: A-C partially concurs.

Identification of required desk procedures across all A-C sections has been performed. A-C management will consider drafting and implementing a formalized process for desk procedures that will provide for documentation, tracking, accountability, quality assurance, and review.

Observation 2: A-C agrees.

Like all County departments, the A-C has had impacts to staffing levels due to budget constraints. This has led to higher workloads for employees, backlogs and delays.

Recommendation 2: A-C partially concurs.

As staff reductions occur, the A-C will take steps to address them and evaluate the ability to fill the positions. If unable to fill, alternative options are considered to ensure the accomplishment of work.

As mentioned in the response to Observation 1, the A-C's business model purposely incorporates decentralization of accounting functions at County departments. Although this is viewed by the auditors as inefficient processes resulting in redundant work, it is the most efficient model to ensure conformity and adherence to accounting policies and procedures at County departments.

There are times when managers will need to step in and complete work because of limited staffing due to vacancies, leave of absence, or staff taking time off. This does not indicate management's inability to delegate work. Management is expected to ensure section work is performed accurately and timely.

Observation 3: A-C agrees.

Recommendation 3: A-C partially concurs.

The A-C has consistently utilized succession planning to ensure the continuation of work as staff leave the County. Expansion of those efforts can be implemented through the emphasis of cross training staff. Desk procedures have already been developed for key processes and functions as the auditors point out. Formalizing a plan when a retirement occurs is difficult because of changing factors which make up a plan, including County budget constraints that prevent a plan from being implemented. Although eligible, staff may not retire at that eligibility point. Also, with lean staffing levels it is difficult to move possible candidates into areas as backups to provide training and experience. Furthermore, the A-C Office has historically utilized a rotation policy for professional and management level staff to ensure cross-training and knowledge transfer is obtained by various employees. In more recent years the Office has implemented a voluntary rotational interest survey twice a year for all classifications.

Observation 4: A-C agrees

Recommendation 4: A-C partially concurs.

The A-C has considered exploring providers for an integrated employee reimbursement system.

The current internally developed Mileage Claim System is utilized by seven County departments. Due to its reliance on outdated technology which is no longer supported, the system's life expectancy is in question. This outdated technology also poses problems in integrating the system with CAPS+.

A Request for Proposal (RFP) for a system which would include mileage and tuition expense reimbursement was issued in 2019. The project has been part of the A-C Strategic Financial Plan (SFP) and annual budget requests as a strategic priority in prior years, including the current FY 21/22 request. Using the cost determined by the RFP, the A-C has brought forward the request to develop and implement an employee reimbursement system to the Investment Review Committee (IRC) each year since 2019. Although the IRC agrees there is a need for the system, it has not been approved for funding.

A fillable PDF reimbursement form has been in place for many years, however, due to the internal controls required for the various approvals necessary the form is not practical for any secure electronic workflow process.

Observation 5: A-C agrees.

Recommendation 5: A-C partially concurs

CAPS+ is a transactional ERP system and is the system of record for financial and personnel data. It is not a system in which those records can be manipulated for analysis. Outside systems or processes utilized for those analyses use downloaded CAPS+ data from reports from ERMI or the CAPS+ Data Warehouse. The A-C IT Division has a mechanism in place where staff identify and suggest the need to develop new reports and/or queries using Data Warehouse or other outside systems. Those possible projects are evaluated for feasibility in conjunction with IT. As suggested in the audit report, Excel is a key tool utilized to analyze and summarize downloaded data from CAPS+ for financial purposes and projects. However, the CAPS+ system and associated system reports remain as the official system of record.

The integrity of data could only be compromised after it was downloaded, manipulated to allow for analysis, and then re-entered into CAPS+ through a subsequent journal entry. If re-entry is needed (such as the re-allocation of costs) the process and new journal entry requires review by appropriate staff. Controls are in place to ensure data integrity at all times.

Observation 6: A-C neither agrees nor disagrees.

A CAPS+ 101 pre-recorded training exists at the CAPS+ Learning Center (CLC) for general navigation. The A-C's Office provides annual CAPS+ training for year-end processes and transactions, however, the Office does not have ongoing overall CAPS+ training.

Recommendation 6: A-C does not concur

A training program, which included in-person classes, was developed for CAPS+ when it was first implemented and included as part of the system implementation project. As the auditors pointed out, the County does have a CAPS+ Online Learning System that is available to all employees. The CLC was relied on to provide training guides and material to reduce costs.

Development and staffing of an in-person training program for CAPS+ requires dedicated resources which are scarce. So, the reliance of online and on-the-job training.

CAPS+ as the County's Enterprise Resources Plan (ERP) system is nearing the end of its useful life. The A-C Strategic Financial Plan outlines the need to perform an analysis of the County's ERP needs and what technologies are currently available that will meet those needs. This may result in either an upgrade of the current version of CAPS+ or an entirely new system. Being at this juncture, it would be unwise to spend resources

on a training program for the current version of CAPS+ when, at minimum, there will be an upgrade to a new version with resulting changes.

Observation 7: A-C agrees.

Recommendation 7: A-C concurs.

Although resources are currently limited, the feasibility of A-C specific onboarding training will be evaluated in conjunction with the availability of appropriate resources. A-C leadership has and will continue to offer some level of training for new and existing A-C employees including the continuation of our existing A-C Mentorship program.

Historically, leadership development for A-C staff has been reliant on programs developed and provided by the County. The A-C will consider enrolling staff in those programs when available and financially possible.



Performance Audit of County Resources Allocated to AB 109 Final Report

County of Orange

February 5, 2021



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I. EXECUTIVE SUMMARY

Introduction

The Assembly Bill (AB) 109 “Criminal Justice Alignment” or “2011 Realignment Legislation,” was passed in 2011 to alleviate the overcrowding found in state prison populations by giving the responsibilities of “new non-violent, non-serious, and non-high risk sex offenders” to county jails throughout California. State funding for AB 109 Public Safety Realignment funds, was allocated to counties to off-set the cost of managing the increase of the inmate and probation/community supervision populations at the county level. The State has authorized, within each county, Community Corrections Partnerships to develop their own implementation plans for allocation of the funds, allowing the funding of a broad range of public safety activities, as long as it is in agreement with the Community Corrections Partnership implementation plans, and local agencies do not use the funds to supplant other funding for Public Safety Services.

The allocation of AB 109 Public Safety Realignment funds to counties is based on a funding formula along with growth funds as incentives for lowering incarceration rates. The FY 2019-20 allocations received by the County of Orange (County) was \$90.7 million. The County allocates resources to various departments in order to provide for incarceration, community supervision by Probation and related services as directed by AB 109. The County departments directly impacted by AB 109 include the Sheriff-Coroner (Sheriff), Probation, the Health Care Agency, District Attorney, and Public Defender. Other County agencies, such as the Social Services Agency and OC Community Resources, are also indirectly impacted as the AB 109 population is often referred to County services managed by these departments.

The purpose of this project is to document the financial impact of AB 109 on the County and potentially to determine if the County is receiving proper funding to cover the increased costs of providing services to the AB 109 population. The County would also like to understand if there are Net County Costs associated with the AB 109 programs and services and if so, to determine those costs.

One of the primary challenges that we faced in conducting our evaluation is the question of how to define and identify the AB 109 population. Currently, each department has slightly different definitions of the AB 109 population that they serve. The definitions of the AB 109 populations for the Sheriff’s Department and Probation Department are designated by a judge at the time of sentencing or by the California Department of Corrections and Rehabilitation (CDCR). The Health Care Agency’s Correctional Health Services can serve any inmate, regardless of status. Thus, it finds it difficult to define its AB 109 populations because pre-sentenced inmates can switch into an AB 109 status after their sentencing, during the course of their treatments. The Health Care Agency’s Behavioral Health Services processes AB 109 individual referrals from Probation, but if an individual seeks treatment outside of the referral process, their status as AB 109 would be unknown. The District

Attorney and Public Defender manage caseloads of AB 109 probation and parole violators, categorizing both of these caseloads as AB 109 cases.

For the Sheriff's Department, those in the AB 109 population includes someone who is currently convicted under Penal Code (PC) § 1170(h) and has been sentenced to serve their time in County jail. However, other than the notation on their County record, they receive the same treatment and services as other inmates. The Probation Department's definition of an AB 109 person is someone on Postrelease Community Supervision (PCS) or Mandatory Supervision (MS). Most of those on Probation's MS caseload have completed their time in County Jail and/or are serving their time under Probation's supervision. Probation's PCS caseload includes those who have completed time in State prison and are required to complete their sentence under the supervision of County Probation rather than by the State Parole Board. As a result of AB 109, Probation created a separate AB 109 Field Supervision Division within the Adult Operations Bureau to manage the supervision of the County's AB 109 population.

While the initial identification of a person in the AB 109 population is fairly clear, a person in this population may find themselves back in the system related to a different infraction. For purposes of this project, we will define the County's AB 109 population as those whom pre-AB 109 (e.g. pre-Realignment Legislation 2011) would have been designated a PC 1170(h) felony and sentenced to state prison and under supervision of State Parole officers. Those that are flash incarcerated because of a probation violation will be considered part of the AB 109 population, while those who are awaiting trial for a new crime will not be considered as part of the AB 109 population, even if they were previously counted, just prior to the new arrest. Pre-AB 109, if the same person served their PC 1170(h) felony time in State prison or parole, it is likely they would have been in their home county committing the same new crime, ending up in a county jail awaiting their trial.

Since the passage and implementation of AB 109 in 2011, the AB 109 population being served by the County has also fluctuated as various state legislation changed penal codes and felony definitions. The biggest impact on the AB 109 population was Proposition 47 (2014), reducing many criminal acts from felonies to misdemeanors; thus significantly lowering the AB 109 population incarcerated in County jail and subject to supervision by Probation. Conversely this resulted in additional caseloads for the District Attorney and Public Defender as court hearings were required to reduce prior felonies to misdemeanors. Other significant legislation included Senate Bill (SB) 266 (2016), allowing for the use of flash incarceration for the violation of probation, eliminating some of the caseloads of court hearings by the District Attorney and Public Defender. SB 266 also allows for the period of flash incarceration to be included as credits earned, if an additional sentence is to be served, reducing the number or days sentenced for any new AB 109 sentences served in County jail.

Methodologies

We used a combination of methodologies that serve to support our findings and recommendations. Below is a summary of each method we utilized:

- **Interviews.** We conducted small group meetings and interviews with County management staff as well as financial/budget management staff from the following departments:
 - CEO/Budget staff – Public Safety
 - Sheriff's Department
 - Probation Department
 - Health Care Agency – Correctional Health Services
 - Health Care Agency – Behavioral Health
 - District Attorney
 - Public Defender
 - OC Community Resources
 - Social Services Agency
 A list of interviewees is included in Appendix II.
- **Data and Document Review.** We reviewed data received from the departments and the County, including annual reports of the OC Community Corrections Partnership, Quarterly Reports submitted to the Board of State and Community Corrections (BSCC), departmental financial reports, and other reports received from Departments regarding services for the AB 109 population. A list of documents reviewed are included in Appendix II.
- **Smart Practices and Benchmark Analysis.** We conducted research and collected information regarding smart policies and practices of neighboring counties related to programs and services being funded by county AB 109 Public Safety Realignment (PSR) funding. In particular, we reviewed services being reported for PSR funding for Los Angeles, San Diego, Riverside, and San Bernardino counties.

Calculating Net County Costs

The County utilizes the term “Net County Cost” to signify the amount of a department’s budget being supported by the County’s General Fund rather than other revenue sources. The Net County Cost is determined to be the difference between the total cost of operations less departmental revenues. With AB 109 PSR expenditures, any costs that are determined to not be sufficiently funded by the AB 109 PSR funding allocation or other revenue sources received by the department are determined to be a Net County Cost. We analyzed the budgets, AB 109 PSR expenditures, and the AB 109 PSR funding for each department to determine if the AB 109 PSR funding allocation was sufficient to cover the identified costs of providing services to the identified AB 109 population served by the department.

The State allows AB 109 PSR funding received by a county to be used for a broad range of public safety services. Each county has a developed plan for the use of the funds for public safety services that is developed by a county Community Corrections Partnership. Those funds are reported to the State annually in a Community Corrections Partnership Survey that includes goals, the general allocation of funds, and the allocation of funds devoted to services and programs. There is no requirement to ensure that the allocation of funds is being used towards the AB 109 population, specifically; only that it be used towards public safety services. E.g., each year in Orange County various police agencies and the Sheriff's public safety contracted cities, collectively Local Law Enforcement (LLE), receive 2% of the projected PSR funding revenue. Each city police department reports on the use of the funds received. While some cities use these funds to provide staff support to conduct compliance checks with a County Probation Officer from the AB 109 Field Services Division, others report that they use their funds towards their city's Automated License Plate Reader program or to offset unbudgeted overtime costs. The State allows the use of the funds as long as the allocation is approved by the county's Community Corrections Partnership, and aligns with the community corrections partnership plan approved by each county.

Senate Bill 678 (2009) required each county to establish a "Community Corrections Partnership" (CCP). For Orange County, the local CCP (OCCCP) was charged with advising on the implementation of SB 678 funded initiatives and AB 109 Realignment Programs. AB 109 (2011) Realignment tasked the OCCCP to develop and recommend an implementation plan for consideration and adoption by the Orange County Board of Supervisors. Within Orange County, the CCP approves the allocation of funds for programs from the annually allocated AB 109 PSR funding.

The OCCCP "discuss[es] how to enhance public safety by holding offenders accountable and reducing recidivism by utilizing fiscally responsible, quantifiable, evidenced based and promising practices that support victims and community restoration" (OCCCP Mission Statement). The Chief Probation Officer is the Chair of the OCCCP and the voting members of the committee consist of the heads of the Sheriff-Coroner, Health Care Agency, Public Defender, District Attorney, and a police chief of a local law enforcement agency in the County. Each year the OCCCP establishes priorities for the County allocation of AB 109 PSR funding, and any participating department or organization is given an opportunity to submit a request for AB 109 PSR funding from the OCCCP. CEO/Budget proposes its recommendation for the annual allocation to the OCCCP. The OCCCP reviews funding allocation requests, the CEO/Budget recommendations, and provides a recommendation to the Board of Supervisors for approval.

The County's AB 109 PSR funding is then allocated and distributed accordingly. Annually, a financial report and survey of the current and planned annual allocations is required to be submitted to the Board of State and Community Corrections (BSCC). Actual expenses are not required in the financial reporting process.

Some departmental AB 109 PSR expenditures in the County were easier to track than others. The Probation Department's AB 109 Field Supervision Division has its own separate budget

unit within the department. The Sheriff-Coroner Department uses AB 109 PSR funding to support the costs of the AB 109 inmates in the Custody Division. The District Attorney and the Public Defender track some AB 109 PSR expenditures, but incur other expenditures that are not tracked. The Health Care Agency collect counts of the services for the AB 109 population in order to provide information for quarterly and annual reports to the OCCCP.

In addition to AB 109 PSR funding, some departments directly receive other 2011 Realignment Local Revenue funds not directly tied to the AB 109 population. We attempted to compare the overall population served by the Department to the average of the AB 109 population served in order to conduct our best estimate of Net County Costs in comparison to AB 109 PSR funding allocated to each of the County departments. We also noted where departmental expenditures of AB 109 PSR funding were also used to support the non-AB 109 population. It was noted that some departments provided us with numbers that slightly differed from the Community Corrections AB 109 PSR funding from the OCCCP Annual Reports, likely because of the co-mingling of other 2011 Realignment funds within County departments such as in the case of the District Attorney and Public Defender subaccount. Other County departments also receive direct allocations of other 2011 Realignment funds, such as from the Mental Health and Law Enforcement Activities Subaccount.

Our analysis is primarily based on population figures and expenditures that we requested and received from the departments. If they were not provided, we utilized the OCCCP annual and quarterly reports. Departmental expenditures and population numbers utilized were primarily gleaned from the County's budget reports.

Benchmarking County Use of Public Safety Realignment Fund Allocations

We benchmarked the AB 109 PSR funding allocations and programs of four other counties in southern California, including Los Angeles, Riverside, San Diego, and San Bernardino for FY 2018-19. Of these four other counties, Riverside, San Diego, and San Bernardino are fairly similar in population size and annual allocations. We also found it useful to provide a comparison to Los Angeles, as scope of services is similar to the other counties. Though a much larger county, with larger allocations and resources, its approach to services provided and its allocation process is consistent with our peer group.

Department (in \$ millions)	Los Angeles	Orange	Riverside	San Bernardino	San Diego
Sheriff	\$ 215.56	\$ 47.60	\$ 29.74	\$ 48.72	\$ 44.88
Probation	\$ 119.07	\$ 18.33	\$ 19.57	\$ 36.80	\$ 37.40
Health Services	\$ 78.40	\$ 18.07	\$ 29.84	\$ 6.07	\$ 6.90
District Attorney	\$ 7.32	\$ 0.88	\$ 0.09	\$ 3.72	\$ 2.10
Public Defender	\$ 6.27	\$ 0.88	\$ 0.42	\$ 2.85	\$ 0.88
Local PDs	\$ -	\$ 1.76	\$ 1.62	\$ -	\$ -
Other Programs	\$ 6.87	\$ 0.62	\$ -	\$ -	\$ -
Total Annual Allotment	\$ 433.48	\$ 88.14	\$ 81.29	\$ 98.58	\$ 92.16

Table I-1

Comparison of Benchmarked Counties of Public Safety Realignment Funding Allocations for FY 2018-19

By comparing the allocations of other counties, we see that Orange County's allocation for the Sheriff's Department is higher than that of other counties. In addition, we also see that the allocation for Probation is significantly lower than other counties. Additionally in Orange County, a portion of the Probation allocation also pays for services provided by Health Care Agency (HCA) for substance use disorder related programs that are cost applied from HCA to Probation. The allocation to Health Services sees a large variation. It is likely that those on the lower end of the allocation, such as San Bernardino and San Diego counties, include Correctional Health Services as part of their Sheriff's Department's custody expenditures. Their Health Care Services allocations are primarily for Behavioral Health programs and services. The District Attorney for Orange County, receives a lower percentage of the AB 109 PSR funding allocation than the other benchmarked counties except for Riverside County. Local police departments are given allocations in Orange and Riverside counties, while the other three counties do not directly provide local agencies with AB 109 PSR funding.

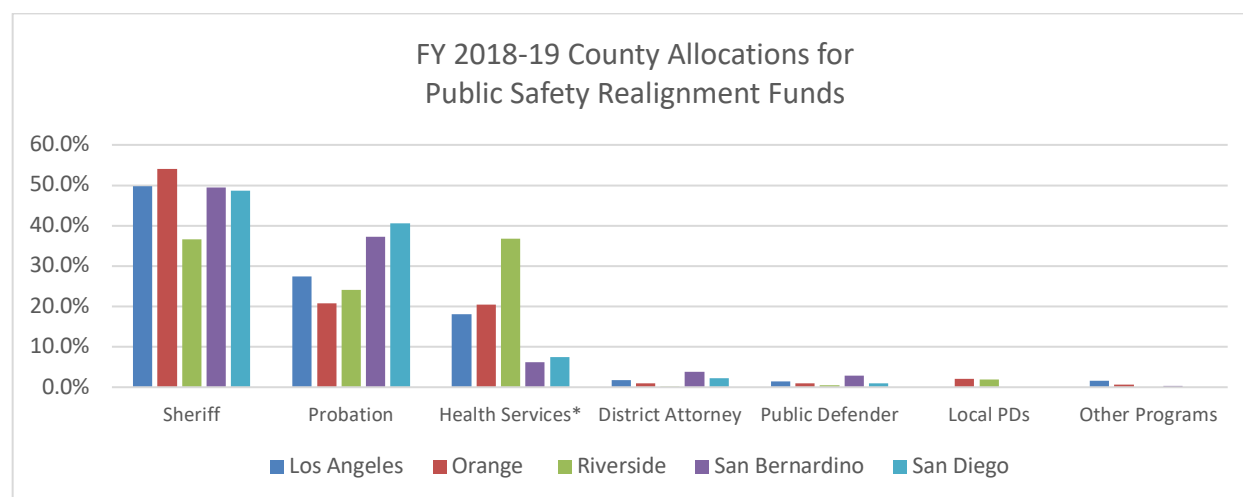


Figure I-1
FY 2018-19 County Allocations for Public Safety Realignment Funds

Summary of Issues

There were several issues and challenges that we found related to tracking the financial impact of AB 109 on County Resources.

Challenge #1: There are varying labels and definitions of the AB 109 population used by the departments.

In the Sheriff's Custody Division, there are three primary categories of the AB 109 population. These include inmates that are serving a PC 1170(h) felony sentence, which may require up to three years in County jail. Another classification of the AB 109 population comes from probation violations, either those serving a flash incarceration (FLSH) in which they may serve up to 10 days in custody, or on an AB 109 probation violation, which may

require serving up to 180 days in County jail. Lastly, there is a third smaller population of AB 109 probation violators that are waiting for a revocation hearing (REXH) and may have their PCS or MS probation status revoked.

In the Probation Department, the AB 109 population includes individuals on PCS and MS. Those that are PCS are those being released from State prison into their local community and are being supervised by the County Probation Department. Those that are MS have completed their sentences in the County jail and are released to the Probation Department for community supervision.

Other County Departments generally utilize one of the two definitions; however, they have also included other non-AB 109 populations in their reporting of numbers. The Health Care Agency utilizes the definition of both departments to provide AB 109 counts. Correctional Health Services primarily utilizes the Sheriff's Custody Division of those on the PC 1170(h) felony as a count. Behavioral Health Services, primarily utilizes Probation's AB 109 definition, but only count those that are referred to services through the AB 109 Field Supervision Division. The District Attorney's Office and the Public Defender's Office utilize the Probation Department's definition of AB 109 individuals, but they additionally count individuals with parole violations as part of the AB 109 caseloads.

Challenge #2: People move in and out of the AB 109 category while receiving County services.

Using the Sheriff's Custody Division and the Probation Department definitions of AB 109, people can move in and out of the AB 109 category making it difficult to keep track of the costs for County services that one person receives. Correctional Health Services (CHS) has a challenge with identifying costs related to services for AB 109 inmates. To report on its service level counts for AB 109 inmates, it relies on the Sheriff's Department's data, and its definition of a PC 1170(h) conviction. Upon receipt of inmate files, CHS notes the designation as AB 109. Utilizing this determination method, they look to see if there is a PC 1170(h) conviction on the inmate's record as well as FLSH or REXH at the time of service. Parolees, not part of the original AB 109 population, have also been included in these counts in reports provided for this report. Some inmates may begin medication or treatment prior to a PC 1170(h) conviction.

While being supervised under Probation's PCS or MS programs, an individual convicted of a new crime is no longer supervised by Probation's AB 109 Field Services Division if they are incarcerated. While incarcerated in the County jail awaiting a new trial they would no longer classified as an AB 109 inmate on a PC 1170(h) conviction. After their court date, they could once again be designated and counted as in the County's AB 109 population. The HCA would be challenged to allocate costs for services between Behavioral Health Services and Correctional Health Services, while a remaining a patient.

Challenge #3: Departments self-report

Currently, there is not a county-wide system to track current and former AB 109 inmates and probationers every time the person utilizes an Orange County service or gets placed in the system. This makes it difficult to track costs for services provided by the Health Care Agency, OC Community Resources, Social Services Agency or other departments which are not directly involved in the County's Public Safety services. While Probation noted that they send monthly lists to Health Care Agency to track AB 109 clients, Behavioral Health Services may not check those lists prior to services, only counting those who have been referred by Probation. Community Resources and Social Services are unaware of any AB 109 status of clients. It would aid the County to better understand its AB 109 population by developing a system to automatically keep track of this limited population, especially as it looks to aiding recidivism for this population; however, confidentiality issues may be a challenge.

Also, because the self-reporting system relies on counts for various units within a department, asking for counts during our performance audit yielded different results from the Annual Reports to the OCCCP. We have also noted that the reporting period of the Annual Report to the OCCCP changed between 2017 and 2018 from a federal fiscal year to the County's fiscal year to align with the funding period, capturing slightly different populations during these time periods.

Challenge #4: There are various funding sources for Realignment in addition to the AB 109 PSR funding

There are a variety of funding sources that are received by County departments under 2011 Realignment in addition to the AB 109 PSR funding that is allocated by the OCCCP. These include various sources for counties such as funding for enhancing law enforcement activities, a District Attorney and Public Defender Subaccount for revocation activities, a Mental Health Account, and a Behavioral Health Subaccount. Over the course of our engagement with the County, departments provided information that co-mingled AB 109 PSR funding and its activities with other Realignment funding.

Summary of Findings

Financial

- (1) There were no identifiable net county costs to County departments, with the exception of the Probation Department.*** The County's overall financial system does not readily report the direct AB 109 expenditures with the allocations of funds for departments. We have conducted evaluations of the overall departmental populations to the AB 109 population to determine share of departmental costs. While the budgeted expenses for the AB 109 Field Supervision Division were fully offset by allocated AB 109 funds, the portion of budgeted expenses for Probation's Adult Court Services Division associated with AB 109 direct activities were not

funded. The Probation Department utilize Net County Cost provided to fund those services.

- (2) The departments' revenue records for PSR funding do not always match with the CEO/Budget revenues.** Since each department manages their own financial records, typically outside of main accounting system (CAPS+). As such, the revenue amounts that were provided to us by the departments sometimes differed from the CEO Budget records.

Policy

There exist opportunities to utilize the AB 109 PSR funding allocation to increase community supports to the AB 109 population to decrease recidivism. One of the legislative intents is that non-serious, non-violent, and non-high risk sex offenders can be better rehabilitated at the community level with community support and services rather than serving time at a state prison. We have found that there are currently a few opportunities for the AB 109 population to receive community support with Probation's Day Reporting Centers partially funded by AB 109 PSR funding. Behavioral Health Services is also able to provide community supportive services to AB 109 clients. These services are available to the AB 109 probation community if the client is able to pursue the opportunities utilizing the Probation referrals and navigating barriers (e.g. transportation or housing needs, lack of knowledge about County systems, etc.) to obtaining those services. Additional County supportive services are currently provided to AB 109 individuals after they return to County jail with a probation violation through the Public Defender's Recidivism Reduction Unit where social service workers are able to follow-up services to the AB 109 client to help to eliminate barriers to receiving those services.

Summary of Recommendations

Develop a singular coordinated tracking system for AB 109 individuals in the County. Currently, AB 109 individuals enter the County's system from multiple agencies, sometimes at multiple points in time. A coordinated system would meet the AB 109 definitions utilized by the Sheriff and Probation Departments and provide a tracking method for the AB 109 individuals. It would allow each County department that interacts with the AB 109 individual to track County services already provided by other County agencies. It could also be used to develop individualized service plans for AB 109 individuals as well as improve the tracking of departmental AB 109 expenditures.

Enhance additional recidivism reduction programs for the County jails and Probation, i.e. intervention programs. Currently, the District Attorney's Office and the Public Defender's Office have Recidivism Reduction Units which focus on individuals with probation and parole violations. There are a few limited opportunities for services and programs available to the AB 109 inmate while in County jail, with no significant changes in programs and services as a result of AB 109 PSR funding from the state. The Day Reporting Centers have

had some success with AB 109 probationers and could be expanded with intervention programs in County jails.

Coordinate the development of longer term intervention services that begin in the County jails and move through Probation. Consider services that last several years, e.g. develop a partnership for enrollment into the Orange County community colleges. In light of COVID-19, many educational programs have been moved online. Should a classroom/study space become available, longer term inmates could begin educational programs, such as a GED or other community college programs that they could continue once being released from County jail.

Enhance community partnerships. A primary purpose of AB 109 was to help enable the felony violator to be continually supported at the local level. Developing local partnerships with schools or community colleges that can begin in-custody and continue post-custody is likely to have a greater impact on recidivism than the currently separate custody and supervision programs.

We have noted that the Probation Department and the Public Defender's Office have programs to develop community partnerships for their AB 109 population. Probation's Day Reporting Centers rely on the AB 109 clients to be self-motivated to utilize the community partnerships offered through the Day Reporting Centers. The Public Defender's Recidivism Reduction Unit primarily offers connections to services after there has already been a probation violation. We found that the opportunity to develop community partners for AB 109 inmates while in custody is an untapped opportunity to start bridging community partnerships that could reduce recidivism.

Pursue funding opportunities with community partnerships. Post-custody behavioral health programs for substance use disorders have multiple funding sources in addition to AB 109 PSR funding. Currently, the post-custody services offered by the Behavioral Health Services are further subsidized by other grants and external programs. The County should identify other external resources allowing it to further fund the programs that benefit the PCS and MS populations, and as well as other adults with mental and substance abuse issues. Such funding sources would allow enhancement of services without additional costs to the County.

II. SHERIFF-CORONER DEPARTMENT

Description of Services

The Sheriff-Coroner (Sheriff's) Department is directly impacted by the AB 109 requirement to house sentenced inmates convicted of non-serious, non-violent, and non-sexual felonies under PC 1170 (h) in County facilities. As a direct result of AB 109, the Sheriff's Department now houses inmates that pre-AB 109 would have served out their sentence in a State prison, categorized by the Sheriff's Department as State Prison OC Custody ("SPOC"). Tables II-1 and II-2 are based on Monthly Jail Statistics provided by the Sheriff's Department. While daily jail populations fluctuate, they give us a general picture of the jail population that is affected by AB 109.

The Sheriff's Department provided statistics of the average nightly jail population count by month. The "2400 Count" is a count of the entire jail population at midnight of each night and represents the average count each month. For Table II-1, in order to compare populations, we looked at the median of the monthly averages of the populations. The "Sentenced" population counts are the portion of the 2400 Count that have completed their trials and are serving sentences. "SPOC/AB 109 inmates" is a portion of the Sentenced that have been convicted of a PC 1170(h) felony. FLSH/AB 109 and REVH/AB 109 are a portion of the 2400 Count and are not considered to be part of the Sentenced population.

	FY 2016-17	FY 2017-18	FY 2018-19
2400 Count	6271	6266	6125
Sentenced	3085	3147	3002
SPOC/AB 109 inmates	528	479	487
FLSH/AB 109 probation violators	60	65	74
REVH/AB 109 probationers awaiting revocation hearings	98	133	156

Table II-1
Median of Monthly Jail Counts

	FY 2016-17	FY 2017-18	FY 2018-19
Sentenced	49.2%	50.2%	49.0%
SPOC (AB 109 inmates)	8.4%	7.6%	7.9%
FLSH (AB 109 probation violators)	1.0%	1.0%	1.2%
REVH (AB 109 probationers awaiting revocation hearings)	1.6%	2.1%	2.5%

Table II-2
Percentages of Sentenced, SPOC, FLSH, and REVH to 2400 Population Count

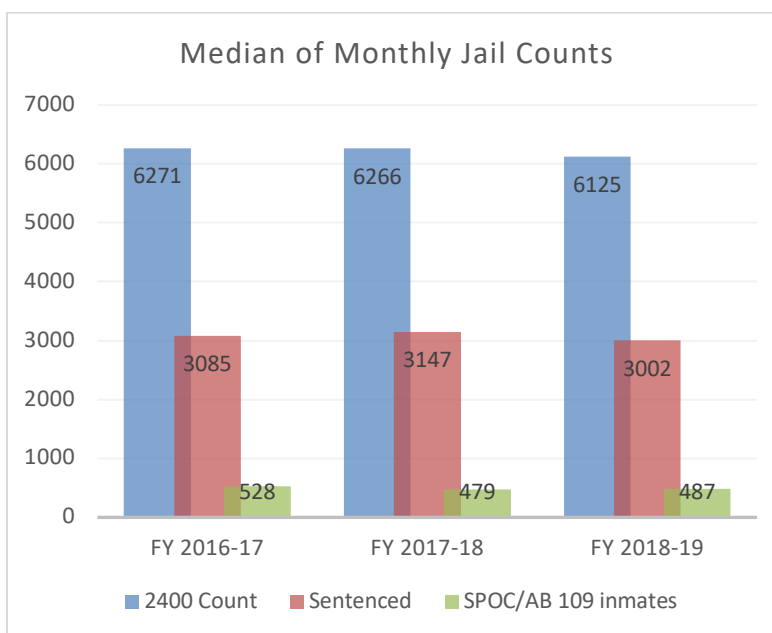


Figure II-1:
Comparison of Median Monthly Populations in County Jails by Fiscal Year

Between FY 2016-17 through FY 2018-19, the SPOC population has remained approximately 8% of the total inmate population.

SPOC inmates, or AB 109 inmates, typically serve 180 days in a County Jail facility (FY 2018-19), while the average of all sentenced inmates in Orange County facilities is 98 days.

In FY 2018-19, an AB 109 inmate served nearly twice as much as the average stay of a sentenced inmate.

In addition to housing inmates serving sentences, the Sheriff's Department is also impacted by AB 109 from the populations of those being supervised by County Probation. As a result of AB 109, Probation began supervision of MS and PCS. The Sheriff's Department supports Probation by sending Sheriff Deputies with Probation Officers for compliance checks, sweeps, warrant services and surveillance operations for those under MS and PCS. The County jail also houses those under MS and PCS supervision for Flash Incarcerations and those awaiting Revocation Hearings for those who are under consideration for having their community supervision revoked. In FY 2018-19, flash incarcerations of those on MS and PCS, made up 1.2% of the total population count, typically staying 6 days. Those awaiting MS and PCS Revocation Hearings in County jail made up 2.5% of the monthly population count typically staying 57 days.

While the jail population of AB 109 inmates comprise 7.9% (FY 2018-19) of the total jail population, AB 109 inmates can receive a sentence of up to three years. County jail facilities were not built for inmates to serve out multi-year sentences as State prisons and do not offer many amenities and services. State prisons traditionally offer inmates more services such as long term education programs, libraries, and open space/prison yards.

In Orange County jails offer programs that are open to all inmates. Programs include courses on substance abuse, behavioral modification, reentry, life skills, educational classes, and vocational classes. In FY 2018-19, AB 109 inmate participants made up 19.2% of the program participants while comprising 16.3% of the sentenced population. The number of program participants has not changed significantly over the past five years. Program participants are allowed to take more than one class. Approximately 11% of the AB 109 inmates over the past three years participated in inmate programs, whereas 9% of all of the sentenced population participated in inmate programs. Jail Services noted that their programming is often limited due to availability of space to hold classes.

AB 109 inmates participate in jail services programming at a slightly higher rate than the total sentenced jail population.

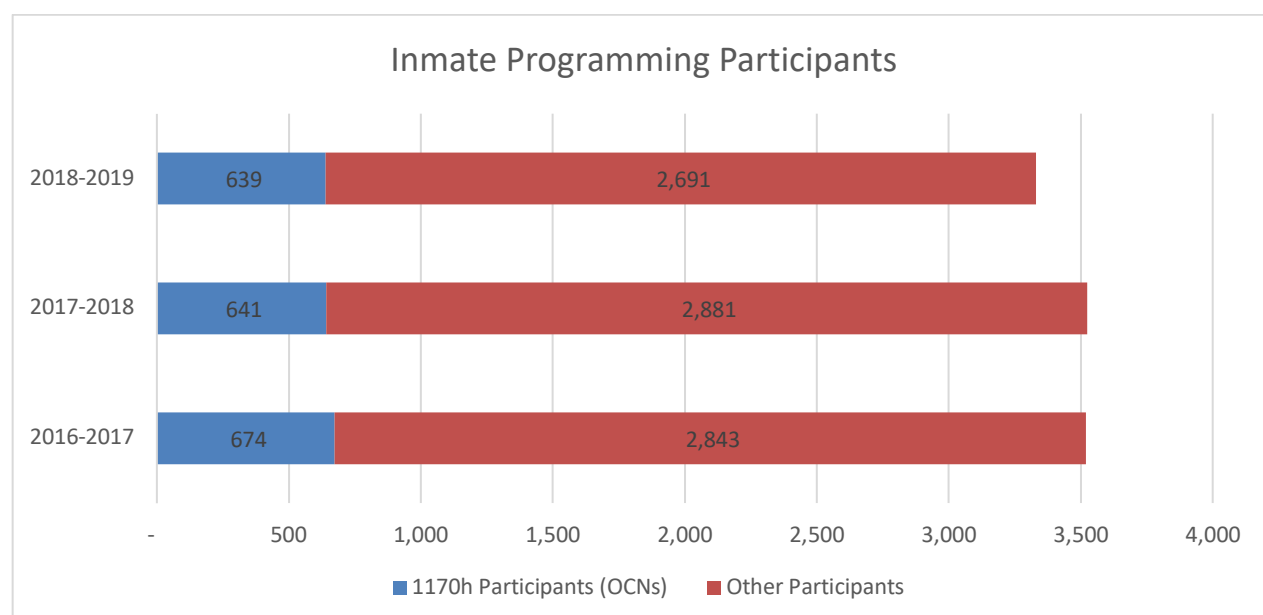


Figure II-2:
Annual Participants in Educational Programs in County Jail Facilities of
PC 1170h Participants (AB 109 Participants) to Other Inmate Participants

While the OCCCP Annual Reports note that there are programs allowing job service opportunities outside of the jail such as the Fire Camp Program or Community Work Program, there are no indications that these programs are currently being utilized by AB 109 inmates.

The Sheriff's and the Probation Departments have voiced concern that there is a higher risk of violence from inmates and probationers that they serve in the County. For the Sheriff's Custody Division, this has required rethinking overall risk management and housing of more sophisticated criminals. For example, this created a need to separate gangs from other gangs to ensure safety of the inmates, and increasing sworn deputies to staff the County jail facilities. The number of violent incidents has increased in County jails over the past ten years as shown in Figure II-3. Approximately 13.4% of the violent incidents in 2018 involved AB 109 inmates. Coincidentally, the number of overall incidents seem to be rising faster than the number of incidents from AB 109 inmates, the total AB 109 population (SPOC, FLSH, and REVH) is 11.7% (FY 2018-19) of the total inmate population.

The number of violent incidents in the County jails have increased over the past 4 years primarily by non-AB 109 inmates. Over those years, AB 109 inmates participated in up to 13% – 19% of all violent incidents, while comprising approximately 11% of the inmate population during the same time period.

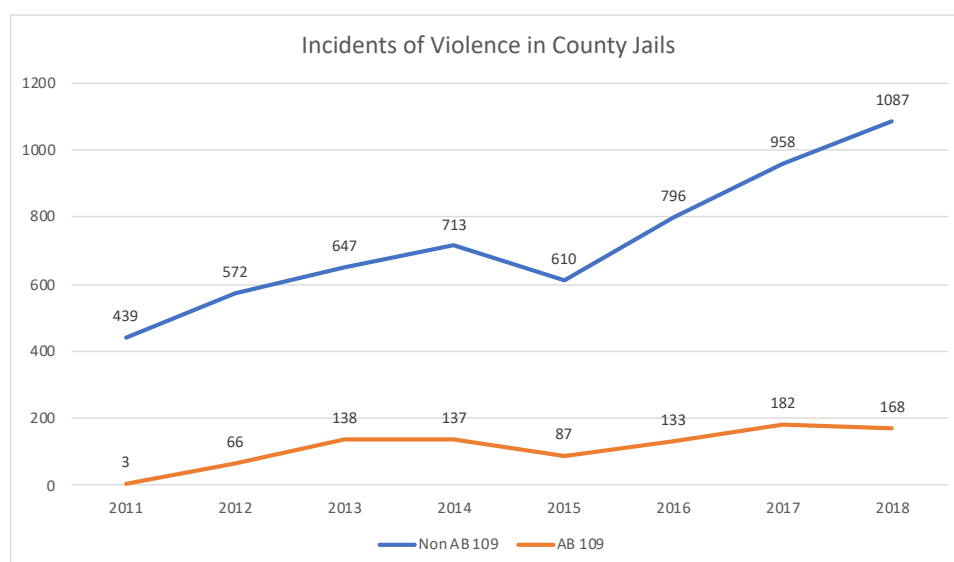


Figure II-3:
Incidents of Violence in OC County Jails

Financial Analysis

The Sheriff's Department responsibility for housing AB 109 inmates and AB 109 probation violators in the County jail facilities is a significant expenditure. As a result, they have been allocated the largest County allocation of the AB 109 PSR funding. In FY 2018-19 the allotment was 54.0% of the County's AB 109 PSR funding while the other benchmarked counties allocated their Sheriff's Departments between 36.6% – 49.7% of their AB 109 PSR funding. When compared to the other benchmark counties, its percentage is the highest of the counties.

Finding: Of the five benchmarked southern California counties, Orange County provides the largest allocation (54.0%) of the AB 109 PSR funding to the Sheriff's Department.

Finding: While the number of SPOC inmates has slightly decreased by 7.8% since FY 2016-17, the amount of AB 109 PSR funding to the Sheriff-Coroner's Department has increased by 12.0%.

The Sheriff's Department is not required to designate the annual allocation of PSR funds directly to the costs of AB 109 inmates. We analyzed the budget and expenditures of the Custody Division comparing it with the AB 109 revenues, noting that the revenue comprised 19.4% of the expenditures of the Division over the past two fiscal years. In order to estimate the cost of providing inmate housing to the AB 109 inmates, we sought to use the same percentage of the AB 109 inmates to the overall inmate population to the expenditures of the Custody Division.

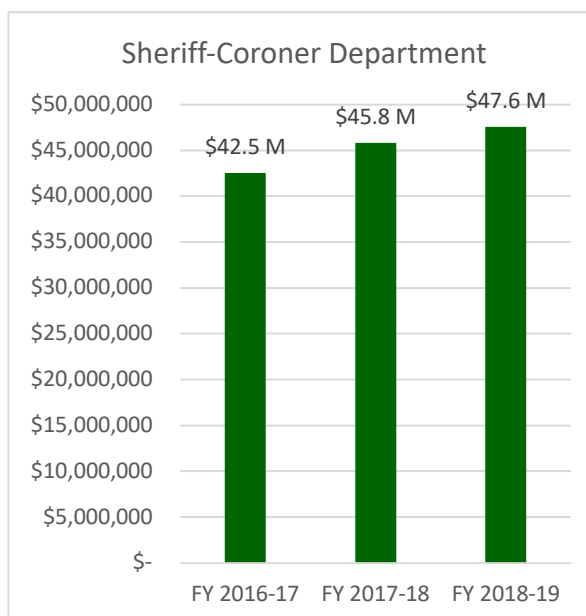


Figure II-4:
Sheriff-Coroner Department Annual Allocations of
AB 109 PSR Funding

	(millions of \$)	FY 2016-17	FY 2017-18	FY 2018-19
AB 109 Revenues	\$	42.6	45.9	47.6
Custody Division Expenditures	\$	222.5	236.8	244.9
AB 109 Revenues/Total Division Expenditures		19.1%	19.4%	19.4%

Table II-3
Analysis of AB 109 Revenue to Actual Custody Division Annual Expenditures

In Table II-4 below, analyzing the AB 109 populations (SPOC, FLSH, and REVH) to the total inmate population, we note that the AB 109 population has been between 10.8 – 11.7% of the jail population compared to AB 109 revenue providing 19.1 – 19.4% of the revenue for the overall Custody Division.

Median Jail Population	FY 2016-17	FY 2017-18	FY 2018-19
2400 Count	6271	6266	6125
All AB 109 (SPOC, FLSH, and REVH)	686	677	716
AB 109 Populations/2400 Count	10.9%	10.8%	11.7%

Table II-4
Comparison of AB 109 Inmate Populations in the County Jails

Table II-5, shows the estimated cost of the AB 109 inmates from Custody Division based on the AB 109 inmate populations in Table II-4. We note that this estimate does not take into consideration any weighted costs for accommodating longer term, high risk criminals. This

calculation would lead to an estimated AB 109 PSR revenue of \$18.3 - \$20.3 Million to support the additional AB 109 costs within the Sheriff's Department.

	<i>in \$ Millions</i>	FY 2016-17	FY 2017-18	FY 2018-19
Custody Division expenditures		\$ 222.5	\$ 236.8	\$ 244.9
Estimated cost of AB 109 inmates from Custody Division		\$ 24.3	\$ 25.6	\$ 28.6
Sheriff PSR funding revenue		\$ 42.6	\$ 45.9	\$ 47.6
Net estimated cost of AB 109 inmates from PSR funding		\$ 18.3	\$ 20.3	\$ 19.0

Table II-5

Net Estimated Cost of AB 109 Inmates from AB 109 PSR Funding

Interviews with the Sheriff's Department noted that AB 109 inmates were generally considered higher risk inmates and required additional supervision compared to the average inmate. In the OCCCCP Agenda from February 27, 2020, the Department provided an estimated cost per AB 109 bed rate (\$142.41) citing an average daily AB 109 population of 762 in FY 2018-19. Utilizing this rate, the annual estimated cost of AB 109 inmates to the Custody Division should be \$39.6 Million for FY 2018-19, allowing \$8.0 Million for managing other departmental costs of AB 109 activities.

Our analysis finds that for FY 2018-19, the Sheriff's Department should have excess AB 109 PSR funding revenue beyond the expenditures of the Custody Division to provide support for AB 109 inmates. The Department carries administrative costs which includes meeting costs for participation in AB 109 and recidivism reduction meetings with other departments and agencies. The Department also provides support for activities carried by the other departments including Probation and the District Attorney. This includes serving warrants and providing public safety activities related to PCS and MS populations. Some of these public safety services are compensated through AB 109 PSR funding allocated to the Local Law Enforcement (LLE); however, the Department has not tracked time and costs for the support of these AB 109 activities.

Finding: There is no identifiable Net County Costs for AB 109 inmate expenses in the Sheriff's Department.

Reviewing FY 2019-20 Community Corrections Partnership Survey from around the California, the surveys from the benchmarked counties noted that they utilized AB 109 PSR funding to expand programming in the jails. They also noted increased coordination between the Sheriff's Department and Probation to improve the management of the AB 109 population's experience as they transitioned between jail and being released into the community.

Recommendations

Recommendation II-1: Utilize AB 109 PSR funding to implement additional services and programming for intervention in the Custody Division.

The jail services programming has not changed significantly since the implementation of AB 109. One of the purposes of AB 109 was to provide an opportunity for people who have committed AB 109 felonies to be housed in their own counties for improved community support. Other counties utilized AB 109 PSR funding to implement new jail programs. These not only supported AB 109 inmates, but also other sentenced inmates in the jails as well.

Much of the overall County's current recidivism reduction programming focuses on the incarceration of those that have probation violations/flash incarcerations or have committed another crime since serving their AB 109 sentence or probation. In contrast, programs focused on life improvement, educational, or job readiness developed in partnership with community programs, such as the programming at the Day Reporting Centers, are much less costly per individual than additional time in County jails. Focusing on the development of additional programming and services and community interventions during the first time sentences in County jail (prior to recidivating) could reduce the number of those committing crimes in the future.

We recommend that the Sheriff's Department consider the development of programs in partnership with reentry services, homeless shelter programs, and recovery homes, to eliminate gaps in services between jail and community supervision. A focus on developing educational partnerships with Adult Educational Programming and Community College could help to provide more in-depth learning opportunities to incarcerated AB 109 individuals. Research on such programs from other benchmarked counties by University of Southern California Master of Public Administration students recommended that the Sheriff's Department consider the following:

- **Partnering with Job Centers:** In partnership with the Workforce Development, Aging, and Community Services (WDACS) Department, the Los Angeles Sheriff's Department implemented a job center pilot program at Pitchess Detention Facility, the men's jail, in 2018 (BSCC, 2019) and plans expanding this model to co-locate a career center at Century Regional Detention Facility (CRDF), one of the nation's largest women's jails.
- **Partnering with Educational Programs:** Incarcerated offenders that enter the San Bernardino County jail's InROADS program without a high school diploma are required to attend classes and earn their GED while they are in custody. This requirement is significant, because one of the biggest challenges to recidivism reduction is that many offenders lack a high-school education; there is often a direct correlation between their lack of educational attainment and resulting incarceration (Rutherford Report, 2013). The San Bernardino Sheriff's Department also partners with several other agencies and organizations, such as Chaffey Adult School, Cal State San Bernardino, San Bernardino County Superintendent of Schools, and the County Department of Workforce Development to offer a variety of other occupational training programs.

III. PROBATION DEPARTMENT

Description of Services

The Probation Department changed its organizational structure in 2011, as a result of AB 109. The Probation Department formed what is now known as the AB 109 Field Supervision Division within the Adult Operations Bureau. This Division provides supervision to individuals on PCS and MS.

Individuals on PCS have completed their time in state prison and are supervised at the county probation level rather than by state parole. They have been released from state prison and had been incarcerated for a non-serious offense, pursuant to PC § 1192.7(c), a non-violent offense, pursuant to PC § 667.5(c), or a sex offender deemed not high-risk, as defined by California Department of Corrections and Rehabilitation. PCS are released to a local jurisdiction based on their county of residence at time of conviction for supervision under PCS. These individuals may have prior violent or serious offenses, or be registered sex offenders. PCS supervision cannot exceed three years.

Individuals on MS have served their felony sentences, pursuant to PC § 1170(h), in the county's jail system and are provided supervision by county probation. Those sentenced to MS have typically served felony sentences in county jail, with some bypassing sentences in county jail. MS individuals fall within the category of "non-serious, non-violent, or non-sexual" even as they may have previously served time for non-AB 109 felonies. Interviews with the Executive Management of Probation, have noted that many of those being supervised by the Division are deemed to be at high risk of receiving a new criminal conviction.

The summary on the Chief Probation Officers of California (CPOC) California County Probation Data Dashboard notes that the Orange County Probation Department supervised over 26,060 adult and juvenile offenders on court-ordered probation in June 2018. Of those, 3,087 or 11.8%, were on PCS and MS probation, being supervised by Probation's AB 109 Division. The number of individuals under AB 109 active supervision fluctuates in a number of ways. Individuals can complete their period of supervision, violate their terms and conditions and/or commit new crimes that could result in revocations or abscond (which could lead to the issuance of warrants).

Annual counts of new cases show that the number of new cases has decreased since the passage of California Proposition 47, where many crimes that were previously defined as felony conviction were moved to a misdemeanor conviction, lowering the number of AB 109 felony convictions. Since FY 2016-17, new cases each fiscal year have hovered around 1,100 – 1,200 new cases a year.

AB 109 Division New Clients	FY 2016-17	FY 2017-18	FY 2018-19
PCS Releases from Prison	775	822	827
MS Convictions	395	361	416
Total AB 109 Division	1170	1183	1243

Table III-1:
AB 109 Supervision New Cases by Fiscal Year

We reviewed Probation's AB 109 Monthly Stats reports from OCCCP meeting minutes. The ratio of actively supervised PCS individuals to those who absconded supervision and are on warrant status is 3 to 1. The actively supervised to warrants ratio for individuals on MS is worse, approximately 5 to 4.

The AB 109 Field Supervision Division deals with both the actively supervised individuals and provides some follow-up on those out on warrants for violating their probation. Investigating and locating those out on warrants requires more time and effort by the Deputy Probation Officer (DPO). The probation checks may also require the aid of local police and sheriff deputies.

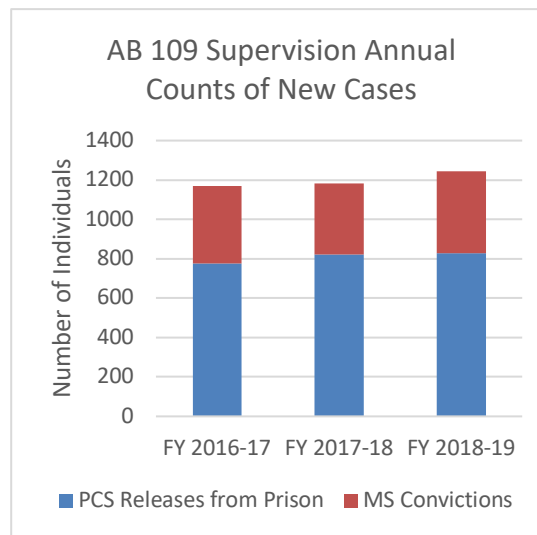


Figure III-1
New AB 109 Cases by Fiscal Year

Quarterly reports to the OCCCP show that in addition to the total actively supervised AB 109 individuals, there are approximately 43% more individuals who absconded supervision and have been subsequently placed on warrant status.

As a result of AB 109 PSR funding, Probation was able to contract for the operation of Day Reporting Centers (DRC). This allowed the County to provide constructive programs and support services for PCS and MS individuals being supervised by the AB 109 Field Supervision Division. The first DRC in Santa Ana opened in 2012, near a Probation Regional Office. The second DRC opened in 2017 in Westminster, CA in the same building as a Probation Regional Office. In 2015, the DRC began accepting probation clients on formal probation, in addition to those on AB 109 supervision. The DRC's have capacity for up to 140 clients in the Santa Ana site and 75 clients in the Westminster site. For the last two fiscal years, they have served close to 500 clients each year. The DRC contracts are now a part of both the AB 109 Field Supervision Division and the Adult Field Supervision Division's budgets, with 38.1% of clients being PCS and MS participants in FY 2018-19.

The formal probation (non-AB 109) participants in the DRCs are funded by SB 678 as part of the Adult Field Supervision Division's budget.

Both DRCs are contracted out to BI Inc., a GEO Group company. Programs include developing individual plans for each client referred to the Day Reporting Centers and holding support group meetings for clients with regards to family reintegration, substance abuse, employment, anger management, transportation, housing, and community connections. The programs and services aid in the transition of adult probationers, connecting them with services after they complete their court ordered supervision. GEO Group also works with community partners and County departments, such as the Public Defender's Office and the Health Care Agency, to help bring awareness to programs and services that are available to clients. The main objective for the participants is to increase their self-sufficiency. The staff at the DRC promote positive changes in behavior through delivering evidence-based practices and programs to reduce recidivism (Day Reporting Center Status Report, Feb 2020.)

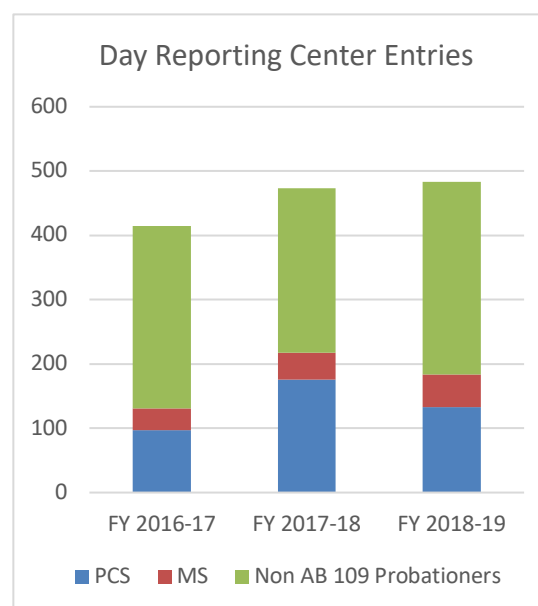


Figure III-2:
Day Reporting Centers Entries

Day Reporting Centers - Entries	FY 2016-17	FY 2017-18	FY 2018-19
PCS	97	176	133
MS	34	41	51
Non AB 109 Probationers	284	256	299
Total	415	473	483

Table III-2:
Day Reporting Center Entries per Fiscal Year

Day Reporting Centers, initiated with AB 109 PSR funding, primarily serviced non-AB 109 adult probationers over the last three fiscal years.

One particular issue regarding the supervision of AB 109 probationers noted by the Probation Department, is that individuals on probation for AB 109 violations tend to have longer and/or more intense criminal records. A majority of the adults on PCS and MS supervision are at a high risk of committing a new crime requiring court appearances thus can create a larger caseload for services by the Adult Court Services Division. The caseloads may be for probation violations, a new crime that has not yet been convicted, or may be for a crime unrelated to the AB 109 crime and conviction. The Adult Court Services Division is not funded with AB 109 PSR funding.

Financial Analysis

The allocation of AB 109 PSR funding has fluctuated between 17% – 22% annually and in FY 2018-19, Probation received 20.3% of the County's AB 109 PSR funding. The allocation of funds to the Probation Department has fully funded a dedicated AB 109 Field Supervision Division as part of the Adult Operations Bureau. This division supervises AB 109 probationers and also funds a portion of the Day Reporting Centers serving the PCS and MS probationers, a contracted service that was set up to provide additional supportive services for AB 109 probationers.

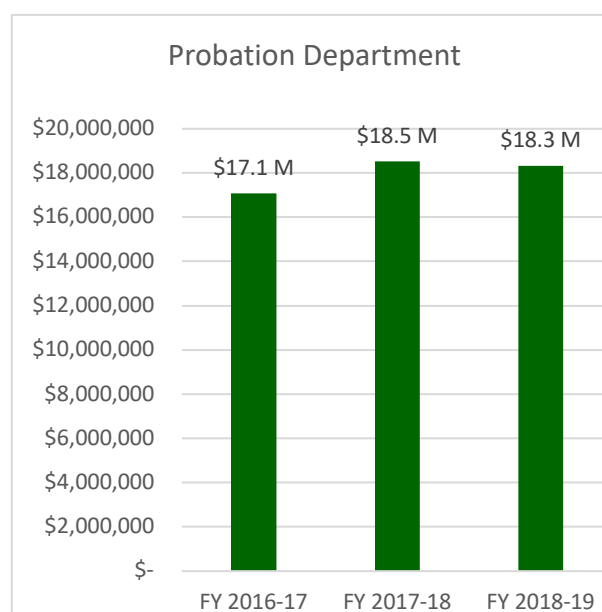


Figure III-1:
Probation Department Annual Allocation of
AB 109 PSR Funding

The AB 109 population in the Probation Department fluctuates with new cases, those who have completed probation, and probation violators. The Quarterly and Annual reports of the Probation Department to the OCCCCP reported monthly new cases of PCS and MS. The County's Annual Budget Reports note annual probation caseloads. The California County Probation Data Dashboard, which includes current and new cases, shows numbers that are more than twice as high for AB 109 Probation and four times higher for Total Probation.

Population	FY 2016 - 17	FY 2017 - 18	FY 2018 - 19
AB109 Probation - new cases	1,170	1,183	1,243
Total Probation - cases Adult and Juvenile	5,919	5,939	6,043
AB 109/Total new cases	19.8%	19.9%	20.6%

Table III-3:
Analysis of New Cases Reported by Probation Department

	\$Millions	FY 2016 - 17	FY 2017 - 18	FY 2018 - 19
AB109 Revenues	\$	17.08	18.51	18.33
AB 109 Division Expenditures	\$	11.25	16.56	14.82
<i>Net AB 109 revenues for AB 109 Division</i>	\$	5.83	1.95	3.51
Total Department Expenditures	\$	179.52	183.15	189.02
AB109 Revenue/ Total Deptment Expenditures		9.5%	10.1%	9.7%

Table III-4:
Analysis of AB 109 Revenues to Unit Expenditures vs. Total Department Expenditures

The two Day Reporting Centers (DRC) are partially funded with AB 109 PSR funding through the AB 109 Field Supervision Division. In FY 2018-19, 62.0% of the participants in programs in the DRCs were not AB 109 probationers. Through the use of SB 678 revenue, additional formal supervision offenders, not currently under AB 109 supervision, have

benefited from DRC services. In FY 2018-19, SB 678 funded 67.2% of the DRC costs to cover the costs of services for the non-AB 109 participants.

While the number of new cases of AB 109 has remained about 20% of the total number of new cases managed by the Probation Department for the past three years, interviews with Probation have revealed that it is a challenging caseload, a majority of which are at high risk for recidivism as well as violating their probation as previously discussed. Despite the high-risk of new crimes, the AB 109 revenues offset approximately 10% of the overall Department expenditures, requiring the AB 109 Division to function with a smaller budget, in comparison to its caseload (Table III-3 & 4). The AB 109 Field Supervision Division manages its resources within this constrained budget.

The AB 109 Field Supervision Division is currently fully funded by its AB 109 PSR funding. After considering AB 109 Field Supervision Division expenses, there is a net allocation of AB 109 PSR funding to the Probation Department. For FY 2018-19, there was \$3.51 Million that could be utilized for other AB 109 related expenditures. Since FY 2017-18, the Probation Department has allocated a portion of its administrative cost to its various operating divisions. While much of the AB 109 related administrative costs are included in the AB 109 Field Supervision Division expenditures, other AB 109 related expenses have not, including such costs as the service of the Chief Probation Officer as chair of the OCCCP. A significant and increasing AB 109-related expense for the Department has been for the processing of PCS and MS in the Adult Court Services Division. The total annual expenditures of the AB 109 Field Supervision Division and the AB 109 related expenses of the Adult Court Services Division have exceeded the AB 109 PSR funding revenue allocated to the Probation Department over the period reviewed in this study.

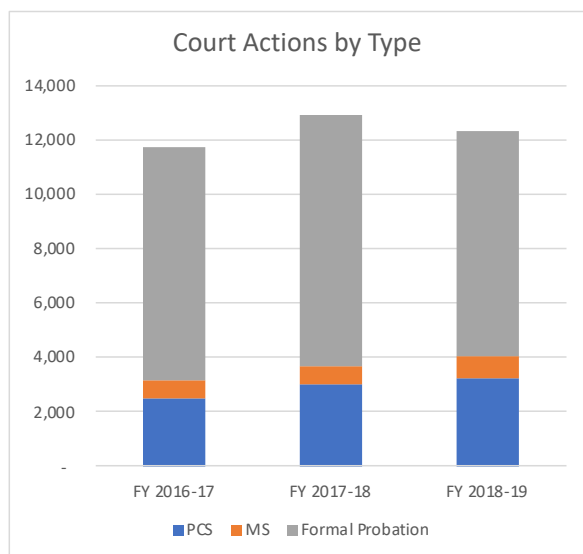


Figure III-2:
Court Actions of the Adult Court Services Division

Finding: While the AB 109 Field Supervision Division is fully funded through AB 109 PSR funding, the Probation Department's large caseloads of high risk probationers have led to additional Court Actions of Probation Department's Adult Court Services Division.

The Probation Department has identified PCS and MS probationers as having an increasingly significant impact on the caseload of the court actions of the Adult Court Services Division. The expenses to support court actions are currently not funded through AB 109 PSR funding. Over the last three fiscal years, the percentage of court actions by PCS and MS has increased from 27.3% to 33.1%. The expenditures for the Adult Court Services

Division have increased significantly over the three fiscal years examined. The Department has noted that this was primarily due to a change in the methodology of recording indirect

costs. Currently, Probation is allocating administrative cost to all of the Divisions. This approach began in FY 2017-18. While these cost were not captured in the budgeting process in prior years, the future budgets will include the indirect expenditure in all Divisions. It is expected that these costs should remain relatively constant going forward. The costs of the court actions by PCS and MS have previously not been considered as an AB 109 cost for the County. Net County Cost has been utilized to fund the Adult Court Services Division expenditures for PCS and MS.

	\$ Millions	FY 2016-17	FY 2017-18	FY 2018-19
Adult Court Services Division Expenditures	\$	6.94	\$ 11.29	\$ 13.94
% of AB 109 Court Actions		27.3%	28.4%	33.1%
Estimated Share of Costs of AB 109 Court Actions	\$	1.89	\$ 3.21	\$ 4.61

Table III-5
County Costs of AB 109 Court Actions

Recommendations

Recommendation III-1: Enhance staffing in the AB 109 Field Supervision Division.

We have also noted that the Probation Department's AB 109 Field Supervision Division's budget and programs are constrained by limited AB 109 PSR funding, the smallest share of the county allocated AB 109 PSR funding of all of benchmarked counties. The county with the second smallest Probation allocation was Riverside County, which receives a smaller county allocation of AB 109 PSR funding than Orange County, allocated \$1.3 Million more to their Probation Department, than Orange County. In order for the Probation Department to provide more effective supervision to the AB 109 high risk probation population, the Probation Department could use additional allocation for Deputy Probation Officers (DPOs) and programming. Should additional funds be allocated for this unit, more DPOs could be hired to lessen the caseloads per DPO, to provide a higher level of supervision. Lower caseloads would allow the DPOs to provide increased active supervision for the higher risk PCS and MS probationers, increasing the opportunities to follow up with probationers that are missing required probation supervision visits and out on warrant. According to a study done from the American Probation and Parole Association Caseload Standards (APPA, 2006), lower caseloads for DPOs correlate with lower probation violations, especially for higher risk probationers.

Recommendation III-2: Enhance programming in the AB 109 Field Services Division by providing additional connections to community services.

Currently, many PCS and MS do not take advantage of services that are available to them. While a new AB 109 individual may be provided with material and referrals for services at their first meeting with their DPO, the AB 109 individual must follow up services on their own initiative. AB 109 probationers could be offered individualized case management to navigate services of the Health Care Agency, Social Services, Community Services, and Workforce Development prior to their transition from prison or jail to community

supervision. The Public Defender's Office, through its Recidivism Reduction Unit, has provided Recidivism Reduction Advisors (RRA) to offer these types of services to those who are in jail again on a probation violation. This type of case management should be offered to all PCS and MS, rather than waiting for the Public Defender's RRA services when PCS and MS find themselves back in County jail.

Recommendation III-3: Enhance services for reentry into the community from County jail facilities and State Prisons.

The Probation Department represents that transitioning an inmate, either from a State Prison or County Jail, to community supervision has been a challenge for individuals. An AB 109 Reentry Team assesses an individual's basic needs at the time of release from County jail and reentry into the community. This AB 109 Reentry Team can provide probationers with basic necessities such as hygiene kits, food gift cards, bus passes, housing referrals, and other necessities and services to help them appear at their first meeting with their DPO. These items are provided through AB 109 PSR funding. Recent changes in the daily release time for inmates from a night release to morning release have allowed Probation and other services to be provided to inmates upon release from jail. Since then, the AB 109 Reentry Team has utilized a desk just outside of the County's Inmate Release Center to greet those requiring MS probation. This opportunity for meeting with the AB 109 Reentry Team occurs outside the facility (due to lack of internet access for Probation in the Intake Release Center lobby); however, it may be easily bypassed after an AB 109 inmate is released from jail.

Prior to release, Probation offers an optional transition program for those going into probation to provide guidance and answer questions. Even with this service there is not much incentive for probationers to show up for probation checks, absent a threat of being served a warrant. Educational, behavioral, and health programs, such as those being offered by the Day Reporting Centers could be started on an in-custody basis. This could make it easier for programs to be continued while individuals are being supervised in the community, easing the transition into the community.

A smart practice with an 84% success rate of completion has been utilized for MS by San Diego County since 2017. It instituted a supervision model called the "Blueprint for Success," in which MS clients are provided an intensive supervision model to increase their chances of successful reintegration into the community upon release. To manage this population, the probation department prepares an MS pre-release plan, which includes an assessment and case plan depending on the particular client's identified risk and needs, that begins at sentencing. The increased community supervision plans are ramped up one month prior to release in a MS Court. This is carried forward through partnerships with Probation, District Attorney, and Public Defender offices.

Recommendation III-4: Provide Probation with AB 109 PSR funding for Adult Court Services.

The Adult Court Services Division has been managing an increasing caseload of court actions by PCS and MS and is currently a Net County Cost of the AB 109 population in the

Probation Department. The current caseload of PCS and MS is approximately a third of the caseload of the Division.

IV. HEALTH CARE AGENCY

Description of Services

The Health Care Agency provides both in-custody services and post-custody mental and medical services to AB 109 inmates and probationers. A majority of the funds that the Health Care Agency receives is primarily allocated to Correctional Health Services for services provided to AB 109 inmates while in-custody. Post-custody, AB 109 individuals on community supervision are eligible for Medi-Cal and can seek out treatment for any health or substance use disorder services provided by the County. The Health Care Agency's Behavioral Health Services provides some mental health services through their Adult Services programs. AB 109 PSR funding is used to fund some of the services for post-custody services. There are also a variety of other funding sources available to fund programs, such as residential treatment for substance abuse and other outpatient treatment for mental health and substance abuse. During FY 2018-19, OCCCP began allocating a single amount to the Health Care Agency, consistent with other departments' allocations, rather than providing separate allocations to Correctional Health Services (In-Custody) and Behavioral Health Services (Post-Custody). Our discussion in this section is broken down by In-Custody and Post-Custody.

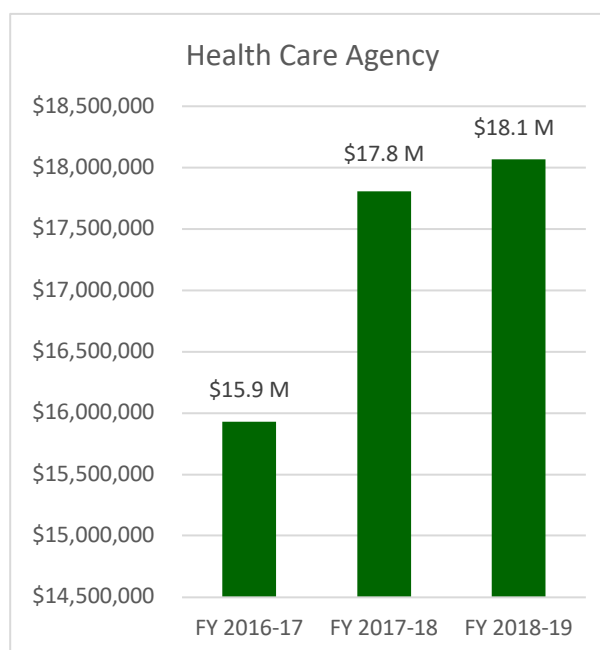


Figure IV-1:
Health Care Agency Annual Allocation of
AB 109 PSR Funding

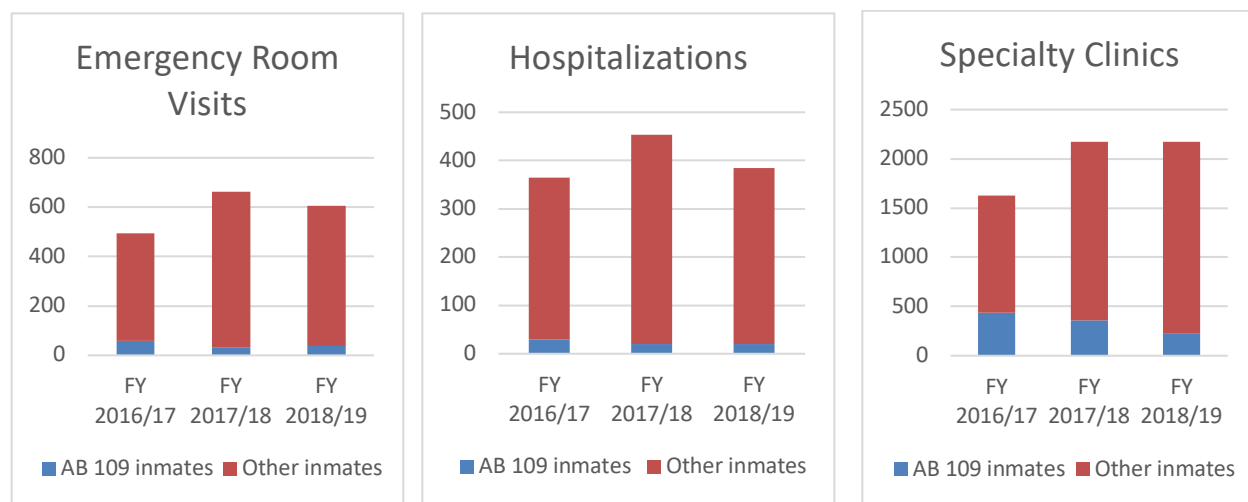
Description of Services: In-Custody

Correctional Health Services (CHS) provides medical and mental health services to inmates in the County jails. Correctional Health Services does not track the number of AB 109 status of inmates while providing services. Tracking for AB 109 costs is a challenge for many reasons, including that an inmate's medical care may often begin upon intake into the County jail facilities, prior to having an AB 109 conviction. Due to AB 109, County jail healthcare programs are now straddled with costs of treatment which previously were less costly and/or for a much shorter duration. For our analysis, we primarily utilized the Sheriff's Department's annual population numbers for AB 109 inmates, with the assumption that AB 109 receive treatments as frequently and average the same costs as the general inmate population from in-custody Correctional Health Services.

The OCCCP Annual Reports has reported on AB 109 activity via services provided to AB 109 inmates through outside specialty services since January 2016. Correctional Health has the ability to count the number of outside specialty services, by going back and manually reviewing the status of the patient at the time of the treatment. These services are provided to inmates by non-County contractors. The services delivered are then invoiced to the Health Care Agency per treatment administered. Figures IV: 2 – 4 show the number of emergency room visits, hospitalizations, and specialty clinic visits that are provided to inmates that are in addition to the primary care visits given by the in-house Correction Health Services workers in the jail clinics.

	FY 2016-17	FY 2017-18	FY 2018-19
Emergency Room Visits			
AB 109	58	34	38
All inmates	495	663	607
<i>Percentage of AB 109 treatments</i>	<i>11.7%</i>	<i>5.1%</i>	<i>6.3%</i>
Hospitalizations			
AB 109	30	20	20
All inmates	364	453	384
<i>Percentage of AB 109 treatments</i>	<i>8.2%</i>	<i>4.4%</i>	<i>5.2%</i>
Specialty Clinics			
AB 109	438	359	227
All inmates	1628	2170	2170
<i>Percentage of AB 109 treatments</i>	<i>26.9%</i>	<i>16.5%</i>	<i>10.5%</i>
Total Specialty Treatments			
AB 109	526	413	285
All inmates	2487	3286	3161
<i>Percentage of AB 109 treatments</i>	<i>21.1%</i>	<i>12.6%</i>	<i>9.0%</i>

Table IV-1
Correctional Health Services Receiving Outside Services



Figures IV: 2 – 4

Emergency Room Visits, Hospitalizations, and Specialty Clinic visits by AB 109 inmates versus all other inmates

Figures IV:2-4 compares the number of AB 109 inmates to all other inmates receiving outside services. In two of the three years in which we evaluated outside services, AB 109 inmates received total outside services at levels similar to the general inmate population. Many AB 109 inmates, however, were receiving more specialty services, but made less

emergency room and hospital visits. During FY 2016-17, AB 109 inmates received proportionally more outside services than the general inmate population, when AB 109 inmates comprised of 11.2% of the inmate population, but received 26.9% of all of the specialty clinic services.

In FY 2016-17, AB 109 inmates comprised of 11.2% of the inmate population, but received 26.9% of the specialty clinic services.

In providing counts for AB 109 inmates for reporting purposes, Correctional Health Services reviews Sheriff booking records to determine if they are AB 109 inmates. Some of the records included counts of parole violations. For our analysis, we included counts to match the Sheriff-Coroner records for AB 109 inmates (SPOC, FLSH, and REVH) and eliminated other counts.

Mental health and substance abuse issues can also be addressed by Correctional Health Services for AB 109 clients. The County jail is in the process of creating in-custody modules for enhancing mental health treatment services. While the issue of increased mental health and substance abuse services are not singularly attributable to AB 109 inmates, detoxification of chemical and alcohol dependence can be treated effectively. However, it is not known if these mental and behavioral health treatments are more frequently or less frequently utilized by AB 109 inmates.

Counts and types of treatment for primary care visits to the in-house clinic have not been tracked for AB 109 inmates. Counting these services may enable the County to better track costs of services; however, because they have not been counted, we are only able to estimate the costs of the service based on services to the total inmate population.

Financial Analysis: In-Custody

For the financial analysis of in-custody health services, we assumed that the health care costs of AB 109 inmates are similar to that of the rest of the County jail inmates, since In-Custody health services applies to the whole jail population and the type of health care offered does not depend on status. We could not analyze the actual cost of the services because the cost and frequency of the particular services by AB 109 inmates are not tracked by CHS.

Median Jail Population	FY 2016-17	FY 2017-18	FY 2018-19
2400 Count	6271	6266	6125
All AB 109 (SPOC, FLSH, and REVH)	686	677	716
AB 109 Populations/2400 Count	10.9%	10.8%	11.7%

Table II-4 (from section II Sheriff-Coroner Department)
Comparison of AB 109 inmate populations in the County jails

From our analysis of the AB 109 revenues to the Correctional Health Service expenditures, we see that the AB 109 PSR funding revenue provided by CHS covers 17.8 – 19.7% of all correctional health expenditures, while the AB 109 inmate population is a smaller percentage of the in-custody population.

	\$ Millions	FY 2016-17	FY 2017-18	FY 2018-19
AB 109 Revenues (Dept Revenue Detail 6830 0122 for 3330 and 3360)	\$	12.4	\$ 13.9	\$ 13.7
Total Correctional Health Services Expenditures	\$	69.6	\$ 70.4	\$ 72.7
AB 109 Revenues/Total Department Expenditure		17.7%	19.7%	18.8%

Table IV-2

AB 109 Revenues to Correctional Health Services Division Expenditures

We were able to utilize a weighted-average formula to expenditures for the AB 109 inmate population receiving outside services (specialty clinics, emergency rooms, and hospitalizations) in Table IV-3 below. These expenditures were shown in the budget detail as Professional/Specialized Services. The estimated share of health care expenditures of the AB 109 population from both the in-house jail clinics and the outside services was approximately \$8.0 – 10.0 Million for the last three years. Correctional Health Services received \$12.4 - \$13.7 Million in AB 109 PSR funding revenue, leaving an estimated \$2.4 - \$5.8 Million each year for other eligible AB 109 PSR funding expenses.

	in millions \$	FY 2016-17	FY 2017-18	FY 2018-19
Correctional Health Services Annual Expenditures	\$	69.6	\$ 70.4	\$ 72.7
Specialized Services (Outside providers)	\$	24.0	\$ 22.9	\$ 21.7
Net In House CHS Expenditures	\$	45.6	\$ 47.6	\$ 51.0
% of AB 109 population in Custody Division (Table II-4)		10.9%	10.8%	11.7%
Estimated AB 109 share of In House CHS Expenditures	\$	5.0	\$ 5.1	\$ 6.0
% of Specialized Services received by AB 109 inmates (Table IV-1)		21.1%	12.6%	9.0%
Estimated AB 109 share of Specialized Services Expenditures	\$	5.1	\$ 2.9	\$ 2.0
Total estimated AB 109 (In House + Specialized Services) Expenditures	\$	10.0	\$ 8.0	\$ 7.9

Table IV-3

AB 109 Correctional Health Expenditures for % of Population

Finding: There are no identifiable Net County Costs for the Correctional Health Services.

Description of Services: Post-Custody

Behavioral Health Services (BHS) for AB 109 clients are provided in partnership with the Probation Department. A DPO can make a referral to BHS for AB 109 clients to receive behavioral health services. A BHS AB 109 screener will seek to provide an assessment of the client and will offer to place those clients in an appropriate treatment program. The Probation Department can make several referrals for a single client, leading to a high annual caseload for referrals that exceed the actual number of AB 109 clients.

The annual caseload of referrals from the Probation Department has regularly exceeded the number of annual new AB 109 clients to the Probation Department.

The reporting and comparisons of referrals made to BHS and admission/placements to BHS programs were reported for the past two fiscal years, FY 2017-18 and FY 2018-19. Both years, over half of the referrals that BHS made for services to clients (66% and 52% respectively) resulted in admission into BHS funded programs. BHS staff noted that the low rate of admissions for clients, despite being approved for services, often is the result of the client not following through with receipt of the service. Multiple referrals for programs can be made for clients at any point during PCS and MS.

The majority of services provided by BHS for AB clients have primarily included both Outpatient and Residential Substance Use Disorder (SUD) Treatment, Recovery Residences, and Social Model Detox with a majority of the services offered to AB 109 clients are for treating substance abuse. For AB 109 clients struggling with mental health issues, BHS offers Outpatient Mental Health Services, Full-Service Partnerships, Mental Health Shelter Beds, and psychiatrist services.

BHS services offered to AB 109 clients are primarily for the treatment of substance abuse (89.5% of offers to clients.)

BHS Admissions	FY 2017-18	FY 2018-19
Outpatient SUD Treatment	534	296
Residential SUD Treatment	297	296
Recovery Residences	244	152
Social Model Detox	155	145
Outpatient Mental Health	85	55
Full-Service Partnership	17	28
Medical Detox	4	5
MH Shelter Beds	10	1
Methodone Detox	1	3
Methadone Maintenance	2	1
Clients seen by Psychiatrist	66	23
Total	1415	982

Table IV-4
Admissions of AB 109 Probationers to BHS Programs

There exists a possibility that AB 109 clients could be receiving services from BHS without a referral from Probation, and thus are unknown to BHS as AB 109 clients. The Public Defender's Office noted that they have provided referrals to BHS services from AB 109 inmates serving time as flash incarceration or waiting for revocation hearings. Because these services are referred from the Public Defender's Office and not the Probation Department, they may not get counted as an AB 109 referral.

Financial Analysis: Post-Custody

There are a variety of behavioral and mental health services available to AB 109 clients. HCA's AB 109 PSR funding is used where no other funding is available to provide needed services to this population. Where possible, BHS claims and collects Medi-Cal funds for services provided to eligible clients. AB 109 PSR funding is able to support some of the services provided to AB 109 clients that is not covered by Medi-Cal or other funding sources. There are a variety of funding sources available for Behavioral Health Services offered to AB 109 clients. Other significant sources of funds include: The Mental Health Service Act, 1991 Realignment Funds (for mental health programs), Medical Federal Financial Participation Funds, Drug-Medical Federal Financial Participation Funds, Substance Abuse Prevention and Treatment Block Grant, among other grants. Interviews with Behavioral Health Services managers noted that Net County Costs that are not covered by Medi-Cal or other grant programs is approximately 1% of the Division Expenses.

Behavioral Health Services	FY 2016 - 17	FY 2017 - 18	FY 2018 - 19
AB109 Clients (from Probation Referrals)	1,038	1,104	1,219
Total Correctional Health Services Recipients	37,418	40,301	40,276
AB109 Clients/Total Population	2.8%	2.7%	3.0%

Table IV-5

Behavioral Health Services AB 109 Clients vs. All Department Clients

The HCA utilized excess BHS revenue from AB 109 PSR funding allocations for CHS AB 109 expenditures. Since FY 2018-19, AB 109 PSR funding has been allocated to the Health Care Agency rather than allocating AB 109 PSR funding separately to CHS and BHS. BHS has many funding sources for services to its clients with only 1 – 1.5% of the overall Unit's budget relying on Net County Costs. While AB 109 clients have been approximately 3% of its caseload and funds allocated to BHS have been between 1.4 – 2.2% of the allocation for the last three fiscal years, AB 109 expenditures have not exceeded its funding allocation.

	\$ Millions	FY 2016 - 17	FY 2017 - 18	FY 2018 - 19
AB 109 Expenditures	\$	3.6	\$ 3.9	\$ 4.3
AB 109 Funding Allocation	\$	6.9	\$ 5.1	\$ 6.2
Total Unit Expenditures	\$	316.1	\$ 371.2	\$ 408.8
AB 109 Funding Allocation/Unit Expenditures		2.2%	1.4%	1.5%

Table IV-6

AB 109 Client Expenditures vs. Unit Expenditures

Finding: There are no identifiable Net County Costs for the Behavioral Health Services.

The Probation Department has noted that HCA charges the Probation Department for their Mental Health and Alcohol & Drug Assessment staff in addition to the cost of Recovery Residences and bus passes provided to PCS and MS clients from the AB 109 Field Services Division. The costs of the services over the past three years are shown in Table IV-7.

DESCRIPTION	FY 2016-17	FY 2017-18	FY 2018-19
AMHS Outpatient Assessment Staff (MH AB109)	\$ 270,951	\$ 331,683	\$ 332,491
Alcohol & Drug Abuse Assessment Staff	\$ -	\$ 239,541	\$ 105,970
Alcohol & Drug Abuse Sober Living Agreements	\$ 572,077	\$ 358,758	\$ 367,000
Alcohol & Drug Abuse Bus Passes	\$ -	\$ -	\$ 1,710
Total Cost Apply to Probation/AB 109 Field Services Division	\$ 843,028	\$ 929,982	\$ 807,171

Table IV-7
Cost Apply for Services to AB 109 Field Services Division

Finding: While HCA receives AB 109 PSR funding for AB 109 service provision, they have also additionally utilized a cost apply for BHS to the AB 109 Field Services Division.

Recommendations

We realize that our analysis utilizes estimates of the funds expended on the AB 109 populations served by the HCA. While the HCA currently does not have the ability to track costs of AB 109 clients, should the County desire to have more accurate data, we would encourage the Health Care Agency to add information while providing patient services that would allow for the tracking of AB 109 patient expenses.

Recommendation IV-1: Add data field for flagging all current patients as AB 109 persons for improved tracking of all medical care costs.

Medical care costs have been increasing across the board. In CHS, it is difficult to assess whether much of the cost increases is due to AB 109 inmates or the general jail inmate population. The costs associated with specialized services and prescription medications can vary greatly. It is difficult to determine the costs for specialty clinic visits and difficult to account for all the costs without differentiating the costs by types of treatment, such as for dialysis and radiology since CHS does not currently track the costs for services specifically to AB 109 inmates.

Recommendation IV-2: Improve partnerships between with in-custody and post-custody medical and mental health services to provide services that could begin in-custody and continue post-custody.

A majority of services provided by BHS are funded through other revenue streams. Developing program treatments that begin in-custody and continue as post-custody treatments may help reduce recidivism by providing consistent community point of contacts. Currently, much of the medical and mental health services that begin in-custody need to be individually sought post-custody, generally without much community support post-custody. BHS has a peer navigator for the County jails that works with a CHS nurse to review discharge plans and connect inmates to services post-custody. Prior to release, CHS staff are able to provide resources and links to needed services. Despite some assistance

prior to release from custody, the responsibility remains with the client to pursue and navigate County services and treatments, once post custody.

Substance abuse programs, which are often addressed during incarceration, could potentially be assessed and, if needed, be continued subsequent to release from jail, providing a better management of health care needs between in-custody and post-custody. A program from one of the benchmarked counties, Los Angeles County has begun utilizing this form of care by developing a Pre-Release Video Conferencing program utilized by probation officers and the Los Angeles County Department of Mental Health (DMH). Clinical staff from DMH assess the inmates' needs and review medical information--such as medications and past hospitalizations--in order to create an aftercare plan. By initiating contact with the individual before his or her release, local agencies such as DMH can better prepare to meet the needs of individual inmates. Moreover, local agencies and other service providers can proactively make arrangements to ensure that upon release, the individual will be linked to needed services.

Recommendation IV-3: Utilize HCA AB 109 PSR funding for PCS and MS clients for Behavioral Health Services.

Behavioral Health Services had been allocated AB 109 PSR funding that has not been fully expended by services to AB 109 clients. BHS has also charged a cost to the Probation Department for AB 109 Field Services Division for Assessment Services, Recovery Residences and bus passes despite receiving AB 109 PSR funding to service AB 109 clients. HCA additionally receives a direct allocation of Realignment Funds for Mental Health Services, separate from the PSR allocation. We recommend that HCA not require a reimbursement from the Probation Department for AB 109 services being rendered to PCS and MS individuals and utilize the funds available through HCA's AB 109 PSR funding allocation.

V. DISTRICT ATTORNEY

Description of Services

The Orange County District Attorney's (OCDA) office is the chief prosecutor for the County. As such, they are responsible for the prosecution of probation and parole violators. Individuals caught for simple violations can receive flash incarcerations that do not require hearings. For more serious violations, Probation can request a probation revocation. Those cases are brought to the OCDA to process for a revocation hearing.

While Probation's quarterly reports to the OCCCCP note that there are warrants for a third of all PCS and MS clients not being actively supervised, not all of the warrants result in necessary action from the OCDA. OCDA tracks AB 109 expenses for revocation hearings, which includes parole, PCS, and MS violations. The definitions for the AB 109 population utilized by the Sheriff's Department and Probation Department do not include parole violators. In 2013, the state mandated that counties begin to manage the administration of parole violations for the California Department of Correction and Rehabilitation (CDCR). Because of the similar court processes of probation revocation petitions and hearings, OCDA also counts parole violators with PCS and MS violations for OCCCCP reporting.

Within the OCDA's Office, the Prosecution Operations I Division manages the Branch Court Units, which through the Central Justice Center, has a dedicated unit that supports submission of petitions for revocation of PCS and MS violations. While OCDA has reported on the number of petitions and hearings to the OCCCCP Quarterly and Annual Reports, these case numbers are more relevant to the District Attorney and Public Defender Subaccount (Subaccount) that is a separate state realignment funding source from the countywide shared AB 109 PSR funding. The Subaccount is a source of dedicated funding for revocation hearings for parole, PCS, and MS violators while the AB 109 PSR funding is for other AB 109 realignment activities.

The reporting of revocation petitions and hearings for the OCDA's report to the OCCCCP has created a false sense that the AB 109 PSR funding allocated to the OCDA is utilized for the revocation cases.

Finding: Revocation petitions and hearings have been reported to the OCCCCP as evidence of AB 109 PSR funding activities for Annual Reports, despite having a separate source of funding revenue for revocation activities.

Within the DA's Office, they have recently formed a Recidivism Reduction Unit (RRU) that addresses the issues of reducing the number of individuals that come through the OCDA's Office for multiple probation or parole violations as well as and new crimes. The Probation Department has regularly reported that a third or more of those probationers on PCS and MS are missing from active supervision. While the OCDA is not immediately involved in those missing from active supervision, having a large number of PCS and MS in the community that are not being actively supervised can lead to new crimes, especially for

PCS and MS who tend to be high-risk probationers. New crimes require investigation and prosecution by the OCDA. The OCDA has not reported the number of new crimes of current PCS and MS.

Financial Analysis

Over the past few years, the OCDA's Office has been allocated 1% or less of the AB 109 PSR funding. The allocation of the annual funds is noted in Figure V-1. OCDA also receives additional funding from the State for processing revocation hearings. Our financial analysis utilizes actual revenue reports received from OCDA. These reports include Community Partnership AB 109 PSR funding allocations along with drawdowns from the Realignment funding from the District Attorney and Public Defender Subaccount (Subaccount).

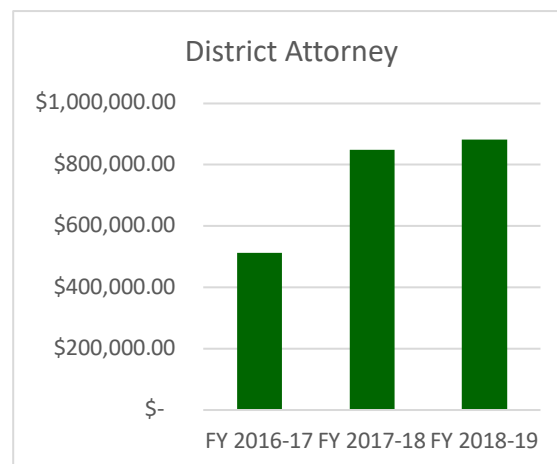


Figure V-1
Annual Allocation of AB 109 PSR Funding for the OCDA

In all of the annual reports of the OCCCP, OCDA described their AB 109 activity by the number of PCS, MS, and parole violation caseloads for AB 109 revocation petitions and hearings. While these are AB 109 activities, there is a separate funding source dedicated to revocation hearings separate from AB 109 PSR funding. *“The District Attorney and Public Defender Subaccount and the District Attorney and Public Defender Growth Special Account, shall be used exclusively to fund costs associated with revocation proceedings involving persons subject to state parole and the Postrelease Community Supervision Act of 2011 (Title 2.05 (commencing with Section 3450) of Part 3 of the Penal Code), and may be used to fund planning, implementation, and training costs for those proceedings (Local Revenue Fund 2011).”* Because of this purpose of the Subaccount and the dedicated source for revocation petitions and hearings, AB 109 PSR funding should not be used towards this activity as long as the Subaccount funding is sufficient to fund all of the revocation activities, including investigations and filing of petitions.

Finding: OCDA combines AB 109 PSR funding and the Subaccount funding in its budget revenues (Revenue Object 6830 0000), despite the Subaccount funding having a dedicated purpose.

OCDA tracks job code numbers for expenditures in the Department's AB 109 Cost Summary worksheet. CEO Budget office separately tracks funding for the Subaccount, which is shared with the Orange County Public Defender (OCPD). In the Department revenue sources, OCDA has combined Subaccount and AB 109 PSR funding revenue to fund these AB 109 court activities.

Our analysis, partially shown in Table V-1 below, has found that while the AB 109 PSR funding may have incurred Net County Costs in FY 2014-15 and FY 2015-16 due to

caseloads as a result of Proposition 47, involving changing felony convictions to misdemeanors, the current allocation of AB 109 PSR funding has provided excess funding for other eligible public safety activities of the OCDA not directly related to AB 109 clients.

DESCRIPTION	FY 2016 - 17	FY 2017 - 18	FY 2018 - 19
AB109 Revenues (from OCDA)	\$ 1,508,262	\$ 1,627,798	\$ 2,291,939
Subaccount Revenues (from CEO/Budget)	\$ 1,031,068	\$ 1,242,084	\$ 1,376,593
Revocation Expenditures (DA0079)	\$ 872,055	\$ 712,449	\$ 894,123
Net Subaccount Revenues	\$ 159,013	\$ 529,635	\$ 482,470
PSR Funding Revenues (from CEO/Budget)	\$ 512,936	\$ 848,017	\$ 881,410
Other Realignment (non-revocation) Expenditures (DA0081)	\$ 994,393	\$ 793,021	\$ 500,365
Net PSR Funding Revenues	\$ (481,457)	\$ 54,996	\$ 381,045
AB 109 Revenues for other OCDA Public Safety Activities	\$ (322,443)	\$ 584,631	\$ 863,515

Table V-1

Analysis of OCDA AB 109 Revenues from Funding Sources with Activity Expenditures

The scope of work for this Performance Audit only includes AB 109 PSR funding. While Subaccount funding may have been utilized for non-revocation purposes, we also note that while there has been an excess of AB 109 PSR funding to departmental AB 109 expenditures. In other departments we have noted that the excess could be used for departmental administrative costs; however, OCDA's AB 109 Cost Summary also includes indirect costs. We also note that AB 109 PSR funding is eligible for any public safety expenditures, which activities within the OCDA meet this requirement.

The OCDA's Bureau of Investigations has also recently taken the lead in developing an AB 109 Task Force. This multi-agency task force, includes the Probation Department and the Santa Ana police department. It was formed to track increases in crime by AB 109 current and former participants. In order to fund this new AB 109 Task Force, OCCCCP allocated special, one time funding for two Investigators and one Research Analyst from the OCDA's Office, as well as one Deputy Probation Officer from the Probation Department starting in FY 2020-21. The expenditures of the AB 109 Task Force should be tracked and reported to the OCCCCP on future AB 109 PSR funding allocation activities.

Finding: While there have been Net County Cost in FY 2014-15 and FY 2015-16, there are currently no identifiable Net County Cost for the District Attorney's Office for PCS and MS (non-revocation) activities.

While we have found evidence for the use of Net County Cost for AB 109 activities in FY 2014-15 and FY 2015-16 due to the passage of Proposition 47, there is no evidence of the use of Net County Cost since then. New violations and the County costs for prosecuting those new crimes committed by current and former AB 109 probationers are an unknown factor to AB 109 costs to the OCDA. A study on recidivism for the County would likely provide better answers on new violations of AB 109 inmates and probationers than is currently known. Expenditures for the prosecution of new crimes for PCS and MS should be continued to be monitored for possible needs for AB 109 PSR funding allocations. The

expenditures for the RRU should be also be monitored in order to potentially allocate AB 109 PSR funding for the unit as part of the OCDA funding allocation.

Recommendations

Recommendation V-1: OCDA should utilize two subcodings for AB 109 PSR funding, one for the Subaccount and one for the AB 109 PSR funding and provide reports to OCCCP for AB 109 PSR funding activities separate from revocation petition and hearings.

Currently, OCDA combines the two separate revenues under one revenue code, making it difficult for the OCDA to accurately track the two revenue sources and the separate activities, and blurring costs needed to justify the use of the AB 109 PSR funding and Subaccount funded activities. OCDA's reporting on revocation petitions and hearings to the OCCCP are relevant to the Subaccount, but not the AB 109 PSR funding allocation. These funds should be recorded separately and thus reported separately and utilized for its intended purposes.

The Subaccount should be utilized for revocation hearings and drawn down for expenditures for Job No. DA0079, AB 109 Specific – Revocation Hearings, as is the legislative intent for the Subaccount. The revocation petition and hearing activities should not be reported in the OCCCP Quarterly and Annual Reports, but should be required for separate Subaccount reporting to CEO/Budget who manages the Subaccount. The Subaccount should not be utilized for other AB 109 activities.

OCDA should report on activities for Job No. DA0081 – Generic Realignment Services to the OCCCP. Activities for OCDA for these activities were severely impacted in 2014 due to Proposition 47, which reduced many criminal acts from felonies to misdemeanors, requiring a significant caseloads and expenditures for FY 2015-16. The activities for Job No. DA0081 have dropped in activity since then, with SB 266 (2016) allowing the use of flash incarcerations for processing probation violations. Moving forward, activities for the OCDA's Recidivism Reduction Unit should be monitored and reported to the OCCCP for OCDA AB 109 PSR funding activities.

Recommendation V-2: Continue to utilize a separate job number for expenditures related to AB 109 that are not related to revocation hearings, including the addition of RRU activities.

Expenditures related to the RRU and the prosecution of new crimes by MS and PCS individuals should be monitored by OCDA for possible needs for future AB 109 PSR funding allocation requests.

Recommendation V-3: CEO/Budget should provide training to new financial managers for all Public Safety Realignment funds.

New financial managers of any department that manages Public Safety Realignment funds should be briefed on the different purposes and uses of those funds. This is particularly

important for the departments that receive multiple sources of Public Safety Realignment funds so that funds and uses are not co-mingled.

VI. PUBLIC DEFENDER

Description of Services

The Orange County Public Defender's Office (OCPD) provides representation to those individuals in need of legal representation in criminal or mental health cases but are unable to afford a private attorney. OCPD's Recidivism Reduction Unit (RRU) offers services to the AB 109 population (PCS and MS) as well as the County's parole population, typically when they are in-custody at the County jail during a flash incarceration or other in-custody probation violation. Clients can also be referred to the RRU, through word of mouth while in-custody, from Day Reporting Centers, and substance use disorder (SUD) programs through the Health Care Agency.

New Cases Opened	FY 2017-18		FY 2018-19	
	Cases	% of Total Adult Supervision Cases	Cases	% of Total Adult Supervision Cases
Post Community Supervision	1,881	56.6%	2,011	59.1%
Mandatory Supervision	779	23.4%	696	20.5%
Parol/State Supervision	662	19.9%	695	20.4%
Total	3,322	100.0%	3,402	100.0%

Table VI-1
New Cases Opened in OCPD by Population Type

The OCPD RRU has three dedicated attorneys. They offer assistance to clients who have violated their PCS, MS, or parole requirements as shown in Table VI-1 above. In addition to legal assistance for revocation hearings or other legal assistance, they have also found that many AB 109 clients and parole violators also need a variety of non-legal assistance in order to navigate life in the County. These needs include assistance for substance abuse, medical needs, housing needs, as well as resources for employment such as cell-phones and IDs. While these clients have likely been referred for similar services from their DPO, they may not have followed through with receiving the services. In addition to providing clients with legal services, OCPD seeks to offer personal assistance to help their client gain access to other County programs and services where Probation typically provides a referral. Because of the frequent request for assistance to non-legal services, OCPD has requested the addition of social service workers to assist in providing these additional services.

Since June 2019, the OCCCCP additionally funded the OCPD's Recidivism Reduction Advisors (RRA) pilot project where two social services workers visit the County jail facilities or other County agencies to provide individualized assistance to those waiting for petitions for their probation and parole violations. This pilot project has enabled increased outreach, resulting in being able to providing support services for twice as many clients prior to the pilot project, averaging 26 clients/month in 2020. Because the RRA has brought OCPD services into the County jail facilities as well as outreach through the Day Reporting Centers, it has also allowed for the increasing of awareness of resources and services to clients at a rate of over four times than before. Clients are often hesitant to request services of their DPO or Parole Officer for fear of being reported for a violation.

Frequent changes in legislation have continually impacted the workload of the AB 109 RRU in OCPD since the passage of AB 109 in 2011. Proposition 47 in 2014 implemented changes to felony law and many AB 109 inmates and probationers sought to have their felony sentences changed to misdemeanors that have requested OCPD representation. AB 1115 in 2017 expanded expungement relief for clients who were previously sentenced to state prison to have their guilty convictions withdrawn and dismissed if they would have qualified under the 2011 Public Safety Realignment. These legislative changes have increased the caseloads for the OCPD's RRU as current and former AB 109 inmates and probationers, seek to overturn felony convictions. This significantly increased the caseloads for the RRU. Should AB 109 felony sentenced be reduced to misdemeanors, the County should see cost savings from reducing days sentenced in County correctional facilities, cost reduction to Correctional Health for any medical and mental health programs received in a correctional facility, and possibly a reduction to Probation supervision costs. A successful reintegration back into the community would reduce the costs of public safety.

Financial Analysis

Over the past few years, the Public Defender, like the OCDA, has been allocated 1% or less of AB 109 PSR funding. The allocation of the annual funds is noted in Figure VI-1. Our financial analysis utilizes AB 109 actual revenues from OCPD, rather than these allocation figures from the OCCCP Annual Reports of the allocations to the State. The AB 109 revenues provided by the OCPD are different from the CEO Budget PSR funding revenue records.

The OCPD's RRU has three dedicated attorneys and they also utilize other attorneys and staff when needed. The workload of other OCPD staff and resources are not tracked by the Department. The AB 109 OCPD caseloads are as reported in the OCCCP Annual Reports. (The number provided for FY 2016-17 is from the 2016 Annual Report.) The AB 109 caseloads also include parole caseloads that require similar services to the PCS and MS cases.

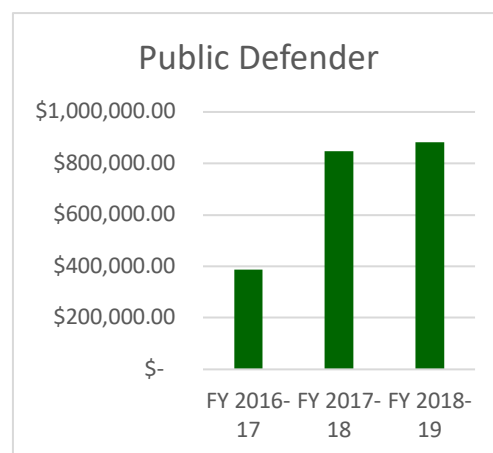


Figure VI-1
OCPD Annual Allocations of
AB 109 PSR Funding

Public Defender Caseloads	FY 2016 - 17	FY 2017 - 18	FY 2018 - 19
AB109 Public Defender Caseload	2,617	3,313	3,402
Total Public Defender Caseload	66,000	62,000	60,000
AB 109 cases/Total Department cases	3.97%	5.34%	5.67%

Table VI-2
Caseloads of AB 109 to all Department Caseloads

	\$ Millions	FY 2016 - 17	FY 2017 - 18	FY 2018 - 19
Recidivism Reduction Unit Budget	\$	0.44	\$ 0.81	\$ 0.91
AB109 Revenues Received	\$	0.39	\$ 0.85	\$ 0.91
Total Public Defender Expenditures	\$	71.99	\$ 74.90	\$ 76.79
AB109 Revenue/Total OCPD Expenditures		0.54%	1.13%	1.19%

Table VI-3

Comparative AB 109 Revenue to Total Department Actual Expenditures

The caseload of the AB 109/RRU unit is approximately 3-6% of the caseload for all of the department, however, the allocated and received AB 109 PSR funding amounts to only 1% of the revenue for the department. Because OCPD relies on Net County Costs for 94% of the funding, there is potential that some Net County Costs are being utilized for AB 109 costs. The financial statements from the OCPD noted that they do not track specific AB 109 expenditures. In addition to the RRU, an AB 109 client can be involved in Assisted Intervention Court, Drug Court, Veterans Court, Homeless Outreach Court, Whatever It Takes court (WIT), Military Court, Opportunity Recovery court, etc. These additional court costs have not been tracked as AB 109 expenditures.

Finding: There are no identifiable Net County Costs for the Public Defender, however, because the department relies on 94% of Net County Costs and does not track AB 109 services beyond the RRU, we find that there is potential for their AB 109 caseload to be utilizing Net County Costs in addition to the AB 109 PSR funding.

Recommendations

Recommendation VI-1: Track AB 109 expenditures by budgeting an RRU unit and activities within the Public Defender's Office.

Currently, OCPD does not specifically track the total costs of serving its AB 109 clients. It is unknown if OCPD's allotment of AB 109 PSR funding is sufficient for AB 109 client expenditures. Any tracking of staff and other expenditures allocated to AB 109 clients would allow the County to gain a better understanding of the actual costs associated with managing AB 109 clients. Any specific expenditures by the RRU for the AB 109 caseloads related to revocation hearings should be separately tracked for the District Attorney and Public Defender Subaccount to draw down eligible revenue from the Subaccount.

Recommendation VI-2: Enhance the RRA program to provide social service workers to AB 109 inmates as well as PCS and MS to manage their re-entry process.

The development of an RRA pilot program has demonstrated that there is a need for clients to have individualized assistance in order to be able to access the existing programs of the County. The OCPD attorneys are more suited to helping prepare for hearings and filing legal documents than providing access to social services. The current social service workers in the Recidivism Reduction Advisors (RRA) in OCPD's RRU, allow the attorneys to focus

on the legal issues while the advisors can help to direct the clients to available programs. While the AB 109 client may have been told about the programs and provided referrals, the OCPD RRAs are able to provide more personal attention, helping the client to fill out paperwork or make community connections for the client.

The County has other access points to provide this level of assistance and may find it more cost effective to provide RRAs to AB 109 clients prior to accessing OCPD services prior to returning to County jail due to a flash incarceration or a revocation hearing. Should RRAs be accessible prior to the completion of jail sentence or any time during supervision with Probation, it would make it less likely for an AB 109 client to violate their supervision because of a basic need for food, housing, communication, or transportation. RRAs would be able to help with navigating life after serving a sentence.

VIII. OTHER COUNTY DEPARTMENTS

County services, such as the Social Services Agency and OC Community Resources are available to anyone who lives in the County, including AB 109 adult offenders. While in custody, many services that an AB 109 inmate had previously, such as Medi-Cal, food, housing, or other social services and programs, would have been cancelled and would need to be reapplied. After reentry into the community, the applications would require review. Interviews with managers from OC Community Resources and the Social Services Agency note that they are constantly receiving applications for eligible services for anyone in the County and that the managers are not aware of any significant differences in workload due to the passage of AB 109 in 2011.

Other County departments do not identify or count AB 109 adult offenders. We also find it likely that pre-AB 109, the County would still need to accommodate the inmates reentering the community from state prison for the same crimes therefore not impacting the total number of applicants. While there may be a few more applications of services directed through the Day Reporting Centers or the Public Defenders' RRU unit, it was noted that a few hundred applications are a "drop in the bucket" compared to the number of applications the departments process each year for the County.

Finding: Since the same AB 109 individuals under supervision in the community would have been serving parole supervision in the community, there are no identifiable Net County Costs for other County Departments.

Appendix I – List of Recommendations

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 - Oana Cosma, Public Protection Budget Manager
 - Dat Thomas, Budget Support Analyst
- Sheriff's Department
 - Brian Wayt, Administrative Services Command
 - Patrick Rick, Theo Lacy Facility Captain
 - Greg Boston, Inmate Services Director
 - Martin Ramirez, Intake Release Center Captain
 - Joe Balicki, Custody Services Commander
 - Lisa Von Nordheim, Central Jails Captain
 - Noma Crook, Financial/Administrative Services
 - Ryan Van Otterloo, Budget Officer
- Probation Department
 - Sue Delacy, Chief Deputy Probation Officer
 - Stacey McCoy, AB 109 Division Director
 - Cheryl Sannebeck, Research Analyst
 - Jon Baello, Research Analyst
 - Marya Forster, Research Manager for Probation
 - Steve Sandoval, AB 109 Assistant Division Director
 - Kim Olgren-Potter, Budget Manager
 - Dana Schultz, Division Director - Administration and Fiscal Division
 - Nancy Ehlers, Budget Analyst – Adult Operations Bureau
 - Day Reporting Centers/GEO Group
 - Alejandra Martinez, Program Manager at the Santa Ana DRC
 - Maribel Contreras, Program Manager at the Westminster DRC
 - Jessica Mazlum, Partnership Development for GEO Group
- Health Care Agency
 - April Thornton, Program Manager
 - Chi Lam, Collaborative Services
 - Erin Winger, Correctional Health Services, Deputy Agency Director
 - Joanne Lim, Correctional Health Services, Chief of Operations
 - Anthony Le, Administrative Manager for Financial Services
 - DeeDee Franks, Financial Services Manager
- District Attorney
 - Glenn Robinson, Acting Director of Administration
 - Jess Rodriguez, Deputy District Attorney
 - Kalpana Chakrabarti, Budget Manager
 - John Follo, Bureau of Investigations Commander
- Public Defender
 - Sharon Petrosino, Public Defender

- Frank Bittar, Assistant Public Defender
- Laura Jose, Sr. Assistant Public Defender
- Peter Perera, Administration and Finance Manager
- Community Services
 - Kathleen Reza, Manager of OC Community Services
 - Lillian Naruda, Grants and Programs Administration
 - Erica Danza – Veterans Office
 - Eddie Falcon – Veterans Affairs
- Social Services Agency
 - Mike Edmundson, Deputy Division Director of Assistance Programs Operations & Policy Team

DOCUMENTS AND DATA

American Probation and Parole Association Caseload Standards, American Probation and Parole Association, 2006.

Board of State and Community Corrections various data (bscc.ca.gov)

California State Association of Counties & County Administrative Officers Association of California: Realignment Allocation Committee. ***Final Recommendation of the Realignment Allocation Committee (RAC) Distribution of AB 109 Funds: Community Corrections and District Attorney/Public Defender Subaccounts 2014-15 and beyond. Briefing Packet – Updated September 2015.***

FY 2019-20 Community Corrections Partnership Survey: Reports from California Counties (bscc.ca.gov)

Orange County Recommended Budget (FY 2014-15, 2015-16, 2017-18, 2018-19, & 2019-20)

Orange County Public Safety Realignment and Postrelease Community Supervision: 2011 Implementation Plan

Orange County Public Safety Realignment and Postrelease Community Supervision: 2013 Update Report

Orange County Public Safety Realignment and Postrelease Community Supervision 2014 Update

Public Safety Realignment in Orange County: The 4th Annual Report 2015

Public Safety Realignment in Orange County: 5th Annual Report 2016

Public Safety Realignment in Orange County FY 2017-18 Annual Report

Public Safety Realignment in Orange County Annual Report FY 2018-19

By-laws of the Orange County Corrections Partnership

Orange County Grand Jury Report 2014-15 ***AB 109 Offenders: Are Current Probation Strategies Effective?***

Orange County Probation Department Day Reporting Center Status Report 2017 (May 2018)

Orange County Day Reporting Center Status Report (February 2020)

Turner, Susan; Fain, Terry; and Hunt, Shirley. ***Public Safety Realignment in Twelve California Counties.*** RAND Corporation. 2015.

Realignment 101: The Basics of 1991 and 2011 Realignment (www.csacinstitute.org)

Realignment 301: Fund Flows in Public Safety Realignment (www.csacinstitute.org)

Appendix III – Glossary of Terms

PC 1170 (h) Penal Code felony conviction for non-serious, non-violent, and non-sexual offenses

AB 109 Public Safety Realignment Act of 2011 that moved responsibility for those convicted of lower level felonies to serve time and be supervised at the County level

DPO Deputy Probation Officer

DRC Day Reporting Center

HCA Health Care Agency

LLE Local Law Enforcement

MS Mandatory Supervision - Felony conviction sentence that includes time served in County Jail with time supervised by County Probation after County Jail. Can also include only time supervised by County Probation.

OCCCP Orange County Community Corrections Partnership

OCDA Orange County District Attorney

OCPD Orange County Probation Department

PC Penal Code

PCS Postrelease Community Supervision – Supervision at the County level after release from State Prison

AB 109 PSR funding Community Corrections Public Safety Realignment allocated funding for AB 109 services



County Executive Office

Memorandum

May 4, 2021

To: Lilly Simmering, Deputy County Executive Officer

From: Michelle Aguirre, Chief Financial Officer *Michelle Aguirre*

Subject: **Department Responses to the Final Report of the Performance Audit of County Resources Allocated to AB 109**

The following are the departments' responses to the recommendations contained in the Final Report of the Performance Audit of County Resources Allocated to AB 109 dated February 5, 2021, and performed by Arroyo Associates, Inc.

Sheriff-Coroner Department

Recommendation II-1: Utilize AB 109 PSR funding to implement additional services and programming for intervention in the Custody Division.

Sheriff-Coroner Department Response: Concur. OCSD is in the process of designating specific modular housing for male and female AB 109 inmates in one area of the jail to efficiently deploy staffing for intensive intervention programming. OCSD is also designing targeted educational, job skills, and behavioral strategies which will assist AB 109 inmates with education deficiencies, behavioral modification and substance use disorder needs. Additionally, OCSD will assist these clients with pre-release and discharge planning to aid them in their successful transition back into the community.

Probation Department

Recommendation III-1: Enhance staffing in the AB 109 Field Supervision Division.

Probation Department Response: Concur. According to internal research findings, caseload sizes have a direct relationship to new crime conviction rates. Probation's Post-release Community Supervision (PCS) and Mandatory Supervision (MS) population recidivates at a higher rate than the department's adult probation clients. Furthermore, data also supports that when the caseloads per Deputy Probation Officer (DPO) were less than the current average, the reconviction rate was approximately 13% lower. The Department will analyze current staffing models and consider increasing staffing as needed in the AB 109 Field Supervision Division to reduce client caseload.

Recommendation III-2: Enhance programming in the AB 109 Field Services Division by providing additional connections to community services.

Probation Department Response: Concur. A significant obstacle for AB 109 clients, including PCS and MS individuals, is navigating the services available through both formal and informal system partners. Currently, PCS and MS individuals that experience diagnosed mental health, substance use disorder, or a combination of both (i.e., dually diagnosed) receive additional support (including housing options) through the Health Care Agency. AB 109 individuals that do not experience these concerns cannot easily access these programs and would benefit from a coordination of services and a dedicated resource specialist that could assist with linkages and address barriers. At this time, the coordination and linkages are limited to what the Reentry and Supervising DPOs can provide while also maintaining their caseloads. The Department will explore the addition of a dedicated resource specialist and development of an easily accessible inventory of available resources with eligibility requirements and contacts to assist with timely linkages to needed services.

Recommendation III-3: Enhance services for reentry into the community from County jail facilities and State Prisons.

Probation Department Response: Concur. Probation has actively worked with other county agencies to determine how existing probation resources can support the Board of Supervisors' Integrated Services for Community Corrections. Namely, Probation's underutilized juvenile facilities space has been identified as a potential location for an adult reentry center. When fully operational, the new reentry center will offer transportation options for adults transitioning from state prisons back to Orange County. Additionally, the new center will offer a host of reentry services including temporary housing for adults released from the County's jail system, or the State penal institutions.

Recommendation III-4: Provide Probation with AB 109 PSR funding for Adult Court Services.

Probation Department Response: Concur. Based on statistics provided by the Superior Court, in the AB 109 Quarterly Report for January to March 2021, 34% of the court actions processed/handled by the Probation Department in court are PCS and MS related. It is understood that the composite of this caseload can vary based on the individuals in the court process. The Department has used its Net County Cost (NCC) to cover the costs of this function. The Probation Department will explore the funding model to determine if a modification would benefit the department and County.

Health Care Agency

Recommendation IV-1: Add data field for flagging all current patients as AB 109 persons for improved tracking of all medical care costs.

Health Care Agency Response: Concur, with clarification. HCA believes this recommendation is referring to addition of a data field in the TechCare electronic health record system used by

Correctional Health Services (CHS) to document provision of health care services. In order for this field to be useful, all agencies involved in treatment of AB 109 persons should reach agreement on a standardized definition of who qualifies as AB 109. OCSD could then track that status in their Automated Jail System (AJS) which would feed that information into the TechCare system. This would allow HCA CHS to better identify AB 109 related healthcare costs.

Recommendation IV-2: Improve partnerships between in-custody and post-custody medical and mental health services to provide services that could begin in-custody and continue post-custody.

Health Care Agency Response: Concur, with clarification. HCA believes there are already strong partnerships between in- and post- custody health care services, both internally and with our community providers, and consistently seeks to improve on and enhance these partnerships.

Behavioral Health Services (BHS) and Correctional Health Services (CHS) continue to collaborate to create a seamless system for incarcerated individuals with behavioral health issues to re-enter the community. Currently, a BHS peer navigator funded by the California Community Reinvestment Grant (CalCRG) works with CHS nurses to review discharge plans and connect individuals to services post custody. The Full Service Partnership programs have case managers/Personal Service Coordinators who coordinate with CHS staff for follow up care, provide in reach and make contact with individuals before release, and coordinate for transportation and enrollment at time of release. BHS also has three Prop 47 funded staff who follow up with CHS referral list, conduct in reach, provide resources, and link individuals to needed services upon release. Additionally, the Jail to Community Reentry Program (JCRP) provides case managers for individuals with severe mental illness who develop comprehensive discharge plans and linkages to community resources to provide a seamless transition back into the community upon release. Specific to substance use services, BHS expanded the Medication Assisted Treatment (MAT) program for inmates and the program provides post-custody linkage to support continuity of care in the community. BHS also recently implemented an In-Custody Substance Use Disorder Treatment Program that not only provides intensive substance use recovery services, but also post release continuing care and case management services to support community linkage to ongoing services and provide interim services to individuals while they are attempting to link to ongoing community treatment.

Recommendation IV-3: Utilize HCA AB 109 PSR funding for PCS and MS clients for Behavioral Health Services.

Health Care Agency Response: Do not concur. HCA has fully expended its AB 109 allocation every year. Without the Probation Cost Apply, current AB 109 services to BHS would need to be reduced, including recovery residence services and access to bridge medication services. Additionally, there would be less BHS staff embedded at Probation offices which will significantly affect timeliness of assessments, post custody linkage and service coordination with Probation and treatment providers. It would also undermine HCA's ability to improve partnerships between in-custody and post-custody services as listed in Recommendation IV-2. HCA utilizes Realignment funds in accordance with State Realignment requirements to best maximize all available funding sources to provide behavioral health services.

District Attorney

Recommendation V-1: OCDA should utilize two subcodings for AB 109 PSR funding, one for the Subaccount and one for the AB 109 PSR funding and provide reports to OCCCP for AB 109 PSR funding activities separate from revocation petition and hearings.

District Attorney Response: Concur. DA was tracking funding separately internally, however, there were no separate sub-revenue codes. DA has now set up the two sub-revenue codes that will separate AB 109 PSR funding and one for the Subaccount. Some reports are currently being provided as requested, and additional reports will be provided when requested by OCCCP.

Recommendation V-2: Continue to utilize a separate job number for expenditures related to AB 109 that are not related to revocation hearings, including the addition of RRU activities.

District Attorney Response: Concur. OCDA is currently using separate job codes for revocation hearings and will continue to utilize separate job numbers including RRU.

Recommendation V-3: CEO/Budget should provide training to new financial managers for all Public Safety Realignment funds.

District Attorney Response: Concur. This finding is not for OCDA to address. If training is provided by CEO/Budget, OCDA will participate in sending our fiscal and revenue manager to the training.

Public Defender

Recommendation VI-1: Track AB 109 expenditures by budgeting an RRU unit and activities within the Public Defender's Office.

Public Defender Response: Do not concur. The recommendation fails to recognize that PSR funding is not limited to AB 109 clients. The Department of Finance has made it clear that PSR funds can be used generally to reduce the recidivism of offenders, within the broad definition of public safety services, who are not on AB 109 supervision so long as the funds do not supplant funding.

Recommendation VI-2: Enhance the RRA program to provide social services workers to AB 109 inmates as well as PCS and MS to manage their re-entry process.

Public Defender Response: Concur. The Department intends to address this through the Community Corrections Partnership Working Group.

cc: Lisa Bohan-Johnston, Director of CEO/Finance & Budget
Kim Engelby, Public Protection & Community Services Manager
Dat Thomas, Budget Support Analyst



Performance Audit of the Treasurer-Tax Collector Final Report

County of Orange

May 19, 2021



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I. EXECUTIVE SUMMARY

Introduction

The Orange County's Office of the Treasurer-Tax Collector (TTC) plays an important role in the financial health of the County. The County elects the Treasurer-Tax Collector (elected Treasurer) for a four-year term. The TTC has three distinct roles, (i) safe-keeping and accounting for the County's funds in the treasury, (ii) investing the County's funds, and (iii) billing and collecting County taxes on secured and unsecured property. The elected Treasurer ensures that the County is fulfilling these roles guided by federal, state and county regulations.

Performance audits are useful for determining the efficiency and effectiveness of current operations and looking for opportunities for improvement. The specific purpose of the performance audit of the TTC is:

- Review of the current operations for compliance with the governing laws and policies;
- Review of the policies, procedures, and practices for compliance with governing statutes, as well as adherence to County policies and procedures;
- Conduct an organizational assessment of workload and staffing ability and capacity;
- Review policies, procedures, and practices of neighboring counties (Riverside, San Bernardino, and San Diego) as well as other counties utilizing best practices; and
- Provide findings and recommendations for improving the efficiency and effectiveness of the department.

Methodologies

We used a combination of methodologies that serve to support our findings and recommendations. Below is a summary of each method utilized:

- **Interviews with Management and Stakeholders.** We conducted one-on-one interviews with all of the Directors, Managers, and Supervisors of the TTC as well as several key Department stakeholders. We typically conduct management interviews on-site, but due to the COVID-19 pandemic, all interviews were conducted online or via phone.
- **Employee Survey.** We provided an online survey to all TTC employees that received an 84% response rate. The survey allowed employees to respond to pre-defined questions and provide comments in order to provide insight into the organization, workload, equipment and understanding of policy and procedures of the Department. The survey, and its questions, were finalized after input from the elected Treasurer.

- **Data and Document Review.** We reviewed departmental data provided from the elected Treasurer such as an organizational chart, procedures, and MOUs. In addition, we reviewed materials from the department available online including budget reports, Treasurer's Monthly Investment reports, the annual investment policy, and audit reports noted in the Treasurer's Monthly Investment reports. Some stakeholders also provided additional data.
- **Smart Practices and Benchmark Analysis.** We conducted research and collected information regarding smart policies and practices of other California counties, in particular with neighboring counties related to programs and services offered by the TTC including Los Angeles, San Diego, Riverside, and San Bernardino counties.

Summary of Findings and Issues

Our findings and recommendations in this report are based on documents and information gathered about the department. Due to delays at the start of the project and the COVID-19 pandemic, we were unable to conduct site visits where we typically are able to assess the working environment in person. To assess the adequacy of the TTC's procedures, its practices, and the resources available to the Department, we relied on the information that was directly provided by the elected Treasurer, interviews, and the employee survey.

In general, we found that the TTC provides mandated services that are consistent with Governing Laws and Policies. The services provided by the TTC are consistent with State policies, procedures, and practices. The stakeholders we interviewed included the voluntary pool investors, the school districts, and the agencies that utilize collection services. Stakeholders reported that they were satisfied with the services they received.

Department regularly provides additional services for the County beyond the State of California Government Code for Treasurer-Tax Collectors. The TTC provides services that are not required by State and local policy and regulations; however, it is typical for other county Treasurer-Tax Collectors to provide a variety of services for a county beyond state mandated regulations. Some non-mandated services provided by the TTC support County financial management functions, while other non-mandated services support school districts and other County departments and agencies. A shared services business plan is in place to provide services to other departments and agencies, but we did not assess whether costs are being appropriately recovered.

Vacant positions have increased workloads and responsibilities for remaining staff. The staff separation/transfer-out rate for the TTC was 34% in 2019, significantly higher than other benchmarked departments provided to us by the County's Human Resource Department. Fifty-four percent of write-in comments on the employee surveys noted being affected by staffing inadequacies. Practically, the responsibilities of unfilled positions have been assumed by other line staff. More significant, to the extent staff cannot fully cover needed roles, supervisors, and managers are filling in to complete activities in addition to their supervisory and management responsibilities. The constant practices of "filling in" for

staffing vacancies, training of new staff, and training temporary hires have created inefficiencies in the department.

The investment in technology is not keeping pace with current technology. The TTC uses older technology for its financial systems and software systems are in need of upgrades. The current lack of integrated systems requires a reporting process that relies on manual inputs from a variety of sources. There have been ongoing upgrades for the treasury and investment accounting system (Quantum) since 2017, which has yet to solve these system integration issues.

There is a lack of measurable goals used by the TTC that are typically set by agencies to measure effectiveness and efficiency. While the TTC publicizes performance measures, the TTC should include measurable goals that demonstrate progress towards improvements. Typical metrics for other county Treasurer-Tax Collectors include benchmarking of investment performance to other pooled funds, collection rates of delinquent payments, timeliness of processing remittance, etc. Metrics are used to measure whether or not the department is performing up to expectations for meeting the stated goals for the County.

Summary of Recommendations

Departments with elected officials should have a long-term hired director of the department with long-term experience and knowledge of the department's processes and functions within a county. The elected official should be expected to lead a department by steering the overall direction of the department within the county while allowing a director of the department to manage the divisions and units to continue in their regular operations. For the TTC, the elected Treasurer should be steering the direction of the department while empowering the divisions and units within the department to continue in the day-to-day regular responsibilities, ensuring that they have proper resources to fulfill those responsibilities. The organizational structure of the TTC should allow the elected Treasurer to set the policies within the County while a non-elected "Chief of Staff" or an Assistant Treasurer-Tax Collector should ensure the regular responsibilities of the TTC.

While the TTC is currently in compliance with stated State and County regulations and is meeting the needs and expectations of its stakeholders, the vacancies are currently at a critical level for the department. With the reliance on detailed manual procedures to comply with regulations, there is a potential for failure should the attrition in staffing of the TTC continue at its current rate.

Our key recommendations are summarized in Figure I-1.

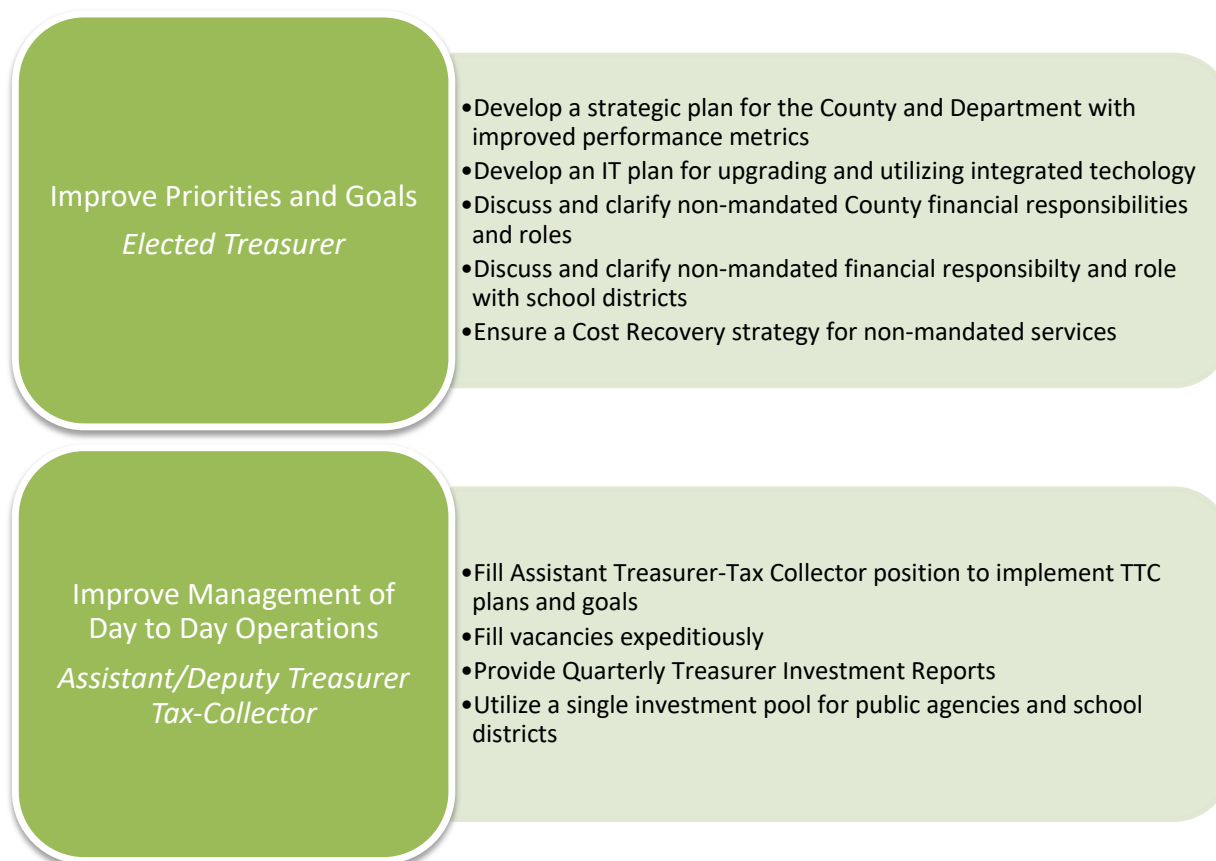


Figure I-1
Summary of Key Recommendations

I. Improve the Department's Priorities and Goals

- ***Develop a strategic plan for the County and Department with improved performance metrics.*** While the TTC currently has strategic goals, the listed goals do not seek to improve performance of the department. Measurable goals would help clarify purpose to staff to meet benchmarks to improve the efficiency and effectiveness of services, not only within the TTC, but in providing services for the County.
- ***Develop an IT plan for updating and utilizing integrated technology.*** The current TTC procedures rely on manual inputs from a variety of sources. Some staff reported that they were utilizing outdated technology. The TTC's financial tracking system has been in the process of a major upgrade since May 2020 that requires testing and training of TTC staff. It was noted in previous TTC audits that upgrades were being made to the systems since May 2017. It has been difficult for staff to support the implementation and testing of the financial tracking system while addressing the demands of their regular duties and filling in for vacant positions. Reducing daily workload will allow proper resources to be devoted to the system implementation. The implementation of upgraded technology systems should include fully utilizing

integrated system features to reduce the current levels of manual production of the Treasurer Reports and the Daily Cash Positioning Reports.

- ***Discuss and clarify non-mandated County financial responsibilities and roles with County financial officers and departments.*** Currently, there are some County financial roles undertaken by the TTC that are often handled by other departments. While it is not unusual for county Treasurer-Tax Collectors to manage various county financial services beyond those defined by CA Government Code, these roles should be clearly defined and understood within the County. One role pertains to Auditor-Controller type functions regarding conducting the County's banking functions including preparing bank reconciliations. Another is maintaining account reconciliations in the County's CAPS+ system and the Fund Accounting System (FAS). Another is coordinating all outgoing wires for the County. The last relates to the County's functions of investments for debt service that are currently managed by Public Finance/CFO but had been designated by the BOS in 2010 for TTC responsibility. All the financial roles should be evaluated based on unit capabilities, discussed, and documented in County departments so that County financial responsibilities are clear, and each County department has the proper resources to manage its responsibilities, with sufficient budgeted resources. County-wide financial policies and procedures should define financial responsibilities of each department.
 - ***Discuss and clarify non-mandated financial responsibility and role with the school districts.*** Currently, the TTC provides unreimbursed services to the school districts. The TTC spends a significant amount of time reviewing and providing bond service recommendations to school districts. In addition to administering bond service payments, required by Government Code, the TTC manages detailed accounts on school district bond funds. The TTC should discuss with the school districts, what services are requested of the County and the TTC and what services should be performed by the school districts. Should the TTC continue to provide support services to the school districts beyond what is mandated, the TTC should negotiate cost recovery fees.
 - ***Ensure a Cost Recovery strategy for non-mandated services provided to other agencies.*** A Cost Recovery strategy should take into account staff time allotted to these services including the slowing down of mandated services, should staff vacancies continue. Cost recovery of services should be re-evaluated regularly to determine the actual costs of services being provided to other agencies as well as the impact on mandated TTC services.
- II. Improve management of day-to-day operations of the TTC utilizing an Assistant/Deputy Treasurer-Tax Collector**
- ***Fill the Assistant Treasurer-Tax Collector position, allowing that position to run the day-to-day activities of the Department.*** It is common in large government agencies

and departments with elected officials, to have a lead professional position to ensure technical long-term continuity as a county department. This key position would also allow the elected Treasurer to focus on policy goals and inter-departmental relationships, rather than procedural issues. The position should provide oversight of the management of the daily operations of the Department. Divisions and units should be managed by the directors, managers, and supervisors of those units. This provides for continuity of service when the elected-Treasurer position changes hands. Since the Department currently has a vacant position of Assistant Treasurer-Tax Collector, we recommend that this position to be filled and play a key role in managing the day-to-day operations.

- ***Vacant positions should be filled expeditiously.*** Division Directors should finalize and approve the hiring process for all budgeted positions for their division along with the Supervisors and Managers of the subunits. Since staffing resources are at a critical level, consider paring down services to focus on developing efficient core state requirements. It has been noted that current hiring practices have taken approximately 12 months to fill a position, many times waiting for various approval processes.
- ***Provide Quarterly Treasurer Investment reports.*** Evaluate the cost/benefit of providing monthly investment reports to stakeholders. Monthly reports currently require manual inputs from the use of multiple systems, requiring a significant amount of staff time. At quarterly meetings, the Treasurer Oversight Committee currently reviews three Treasurer's Monthly Investment reports each month. Quarterly reports are required by statute.
- ***Utilize a single investment pool for schools and public agencies.*** Currently, the County utilizes three separate investment pools, which takes a considerable amount of time when the other benchmarked counties utilizing a single investment pool for a county, school districts, and voluntary investment pool participants. Under both models, individual account holdings are tracked through the accounting system. All of the benchmarked counties utilize a single pool structure for investments. A consultant had evaluated and discussed these pool options for County in May 2015, but no action had been taken on utilizing the options.

II. ORGANIZATION AND OPERATIONS

Description of Services and Organization

The TTC is divided into three divisions or operating units. These include the Investment Division, the Treasury Division, and the Tax and Central Collections Division. Each of these divisions is led by a Division Director. The three units perform different roles within the Department, and they work together to manage revenue and investments for the County. The Treasury Division has the responsibility of the banking functions for the County, the Board of Education, and school districts, managing the cash flow needs for the County as well as the public agency clients that utilize the County's Pooled Investment Funds. The Investment Division is responsible for maintaining the County investment policy and investment activities of the County's three Pooled Investment Funds. The Tax and Central Collections Division, the largest division within the department, is responsible for the collection and processing of taxes for secured and unsecured property. Additionally, it handles other billings and collection services for the County per MOUs.

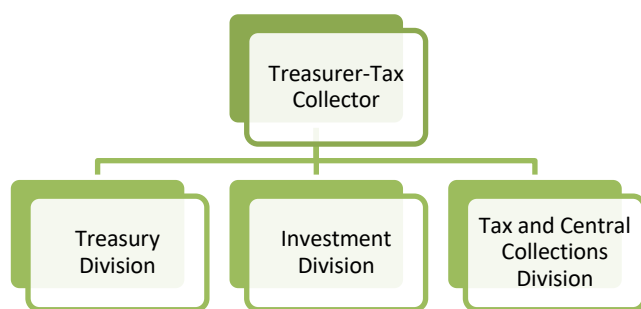


Figure II-1
Organizational Structure of the TTC

Other benchmarked counties of Los Angeles, Riverside, and San Diego have similarly organized functions in a Treasurer-Tax Collector Department, with the exception of San Bernardino County, which integrates the Auditor-Controller function with the Treasurer-Tax Collector activities. Some differences in organizations also include utilizing a separate Admin/Executive unit to manage administration of the Department, while the County has these functions under the Treasury unit.

The benchmarked counties all have a Treasury unit that includes the Investment function, rather than as a separate unit, as currently utilized in the County. We have found that while the essential functions are adequately organized, an overlap in organization of the Treasury and Investments Division exists. Both the Investments Division and the Treasury Division work on the County's daily cash position and provide input to the Monthly Treasurer's Investment Reports. The Treasury Division also manages some of the administrative functions for the Department along with the County's cash management/banking functions under a singular management function.

Operations

The TTC's office operates under a number of State mandates found in both the Government Code and Education Code, as well as mandates from the County's municipal code. There are separate sets of mandates in the Government Code, one for a County Treasurer and one for the County Tax-Collector. The Government Code allows for the combination of these

roles as a Treasurer-Tax Collector. As the Treasurer-Tax Collector, the mandates for the county treasurer in the Government Code 53646 include, but are not limited to:

- Accounting, banking, and payment requirements
- Investment guidance and reporting requirements
- Apportionment of interest to pool participants
- Limits of fees and charges for service to agencies investing in the county pool
- Establishment of county treasury oversight committee and requirements

Overall, we have found that the TTC understands and follows these State mandates and is structured to track and adhere to them. In some cases, the County has opted for more stringent enforcement (e.g., investment reports and interest allocation) than legally required. These areas are addressed in other recommendations.

The TTC's office is focused on its legal mandates and operates within the confines of the laws that cover this office.

Each county Treasurer-Tax Collector that we benchmarked for this performance audit has taken on slightly different roles for their county, including many roles that are important to the financial health of a county. For example, the Treasurer-Tax Collector for the County of San Diego manages the Deferred Compensation programs for county employees and the Treasurer-Tax Collector for the County of Los Angeles manages Business Licenses and acts at the Public Administrator for estates. The responsibility for designating the county Treasurer-Tax Collector roles is determined by each county.

Each benchmarked county Treasurer Tax-Collector manages additional county financial responsibilities, not required by state mandates.

Staffing Levels

In FY 2020-21, the department has 71 budgeted positions, down 29% from ten years prior. The TTC's office has consistently reduced authorized full-time employee equivalents (FTEs) over the last ten years (see chart). The Department has frequently had new separations/vacancies. In addition, the County has had several budgetary challenges that led to implementing County

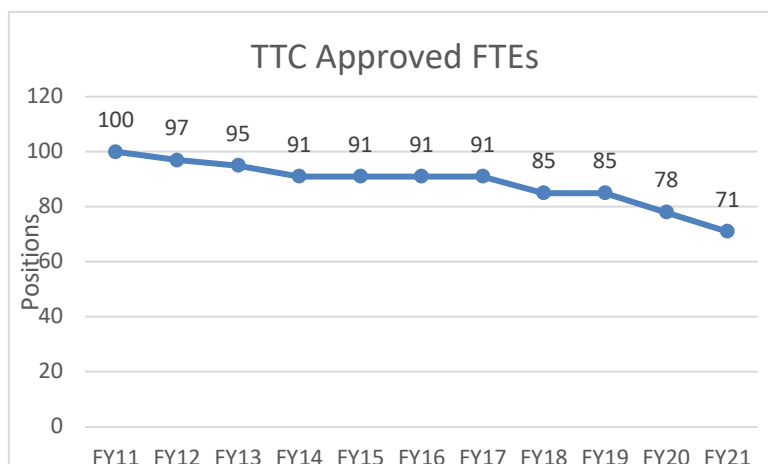


Figure II-2
Trend in Budgeted FTEs

policy to automatically freeze vacant positions. While there were allowances made for the TTC to unfreeze positions, the extra administrative processes have made it difficult for the TTC to reach its fully budgeted staffing level.

Finding II-1: The number of budgeted FTE's have decreased by 29% over the past ten years.

Our analysis of other county Treasurer and Tax Collector departments shows that the Orange County TTC has the lowest level of FTEs of the benchmarked counties. The County also has the lowest budgeted staffing levels per capita of the benchmarked TTCs with 24 FTEs per 100,000 population versus 37 FTEs per 100,000 population in San Diego County, which has the second smallest FTEs per capita.

Counties with TTC Departments	Population (Millions)	Budgeted FTEs	FTE per 100K
Los Angeles	10.2	531	52
Orange	3.2	78	24
Riverside	2.4	111	46
San Diego	3.3	123	37

Table II-1
Budgeted FTEs of Benchmark Counties for FY 2019-20

The Department has also experienced high vacancy rates, in addition to the low level of budgeted staffing versus the TTCs of the benchmarked counties. When we began our engagement with the Department in August 2020, there were 13 vacancies (18.3% of the Department's authorized positions), including five retirements. We have noted that additional staff have transferred out during the course of our engagement. Vacancies, shown below, mostly affected the Tax and Central Collections Division; however, key vacancies in the Treasury Division include several key management positions. All of these management positions are filled by managers who have been in their current positions for less than a year when we interviewed them. The County has a policy to freeze vacated positions. This County-wide policy has prevented the TTC from being able to quickly hire vacant positions. Vacated positions require a review of the position to be unfrozen. Division directors have noted a lengthy hiring process.

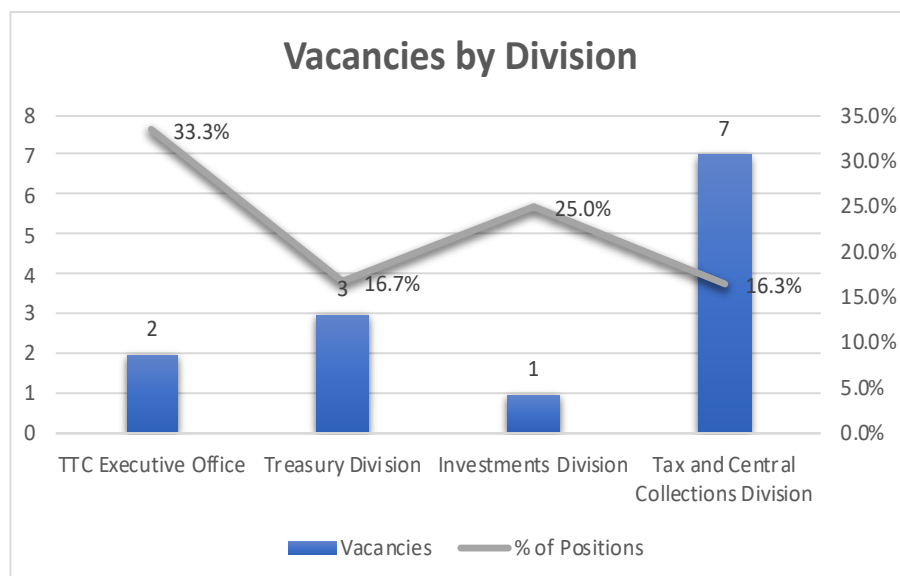


Figure II-3
TTC Office Vacancies by Department as of July 2020

The Assistant TTC position was also vacated recently as a result of the Voluntary Incentive Program (VIP). While the County VIP policy requires positions recently vacated to remain vacant for at least 12 months, the Budget Office indicated that this position has received an exception to this rule. The overall County perspective is that this position is critical to addressing the perceived need to support the TTC.

The Department also has experienced significant employee turn-over in the past few years. The County's Human Resources Department provided a six-year comparison of two departments for comparison of employees that separated or transferred out of the departments. In the six years evaluated, the TTC has had the largest percentage of employees who have left their departments, with percentages twice as high than the other two departments in the past two years. Most significantly, in 2019, 34% of TTC employees separated or transferred out of the department.

All of the managers and supervisors in the TTC noted that they are understaffed due to vacancies. They did note that staffing at the current County budget approved level should be adequate to support the current workload. The consequences of not filling staffing vacancies included the inability to take vacations or take time off. This is because the employee's work responsibilities cannot be picked-up by others in their unit, as they have no additional capacity. In addition to current vacancies, another noted workload challenge included the lack of capacity of staff or management to train recent hires.

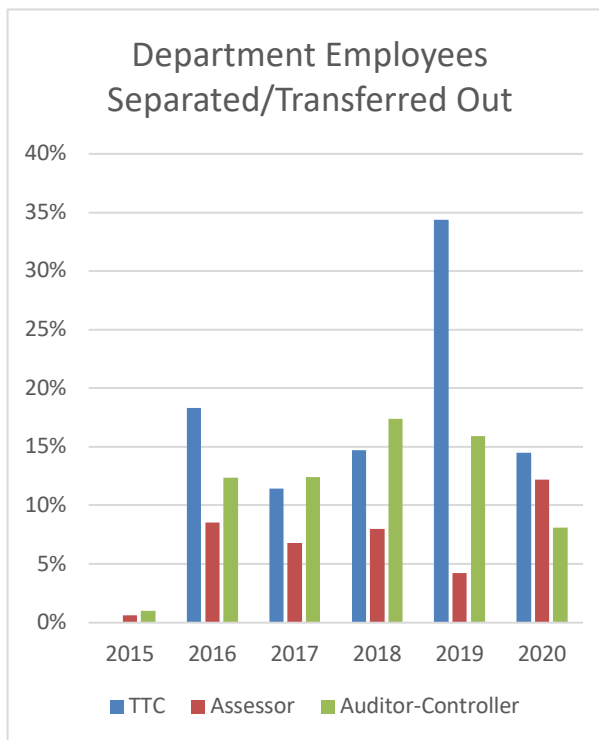


Figure II-4
Comparison of TTC to Assessor and Auditor-Controller rates of Employees Separated/Transferred Out

During our interviews, Department managers and supervisors expressed concern over this issue. They also expressed frustration over the pace at which new vacancies are filled, or lack of positions being filled. Over the past few years, the average count of filled TTC positions was well below its authorized positions. For example, the Department averaged 64 employees in 2019, despite an approved budget of 85 positions in FY 2018-19. The Department is in need of significant human resource support to meet its staffing needs, and the TTC staff responsible for hiring need to make it a top priority.

Recommendation II-1: The County should assist the TTC to recruit and hire an Assistant Treasurer-Tax Collector to manage the operations of the Department.

The Assistant Treasurer-Tax Collector position was vacated in July 2020. The position, however, is integral to managing the day-to-day activities of the Office of the Treasurer-Tax Collector. Since the Treasurer is an elected position, it should have a policy and strategic focus. Key activities of an elected position would typically include interfacing with other departments, interfacing with other government agencies, and representing the Department to the public. The elected Treasurer should provide policy directions for the Department and the County. In contrast, the appointed Assistant Treasurer Tax-Collector should focus on, and have the ability to, manage the department's day-to-day activities in the long term to ensure that the regular procedures of the Department are being fulfilled for the County. This will ensure that the daily activities of the Department are able to function smoothly for the County, regardless of changes in the elected position.

The County CEO and Human Resources should provide assistance to the TTC to recruit and hire an Assistant Treasurer-Tax Collector for the County. While Human Resources will coordinate the recruitment, executives from the CEO can participate in the selection process. We recommend that an Assistant Treasurer-Tax Collector be someone with Executive Management experience for the County that could work with both the elected Treasurer and the Division Directors. It is important this role receive County support as well as support from the Executive Management of the TTC in order to be successful in providing organizational and technical management to the Department.

Recommendation II-2: The TTC should work with Human Resource Services to develop a recruitment and hiring plan for all vacant positions within the next six months.

The TTC is currently understaffed due to vacancies and interviews with management and supervisors noted that workload is an issue. They did note that the workload was manageable if the vacant positions are filled, despite having a much smaller staff than other benchmarked county Treasurer-Tax Collectors. An expedited process should allow for each Division Director, along with the Assistant TTC, to make hiring decisions so that the hiring process can be moved quickly to provide for each Division's staffing needs.

County Responsibilities of TTC

Each county Treasurer-Tax Collector takes on slightly different roles for their county that are not state mandated responsibilities. Because the TTC is understaffed, some of the non-mandated responsibilities should be re-evaluated. An example of this is the bank reconciliation/accounting process. State mandates require that the Treasury must track the receipt and payment of funds from the County's bank account. The Treasury Division has noted that they spend a significant amount of time on reconciling the County's general ledger account to bank statements and coding those funds to the County's general ledger for the County's accounting of those funds. The Tax and Central Collections Division has noted that there are sometimes County-wide issues with finding deposits into the County's account that have not been coded. A department may be waiting for certain funding, but unable to track any deposits into the account, they need to rely on the TCC to let them know

if funds have been received. A review of the County's bank account structure should be completed to determine responsibilities of each department.

The TTC has responsibility of reconciling the bank accounts with the general ledger in CAPS+, which is not a state requirement for Treasurer-Tax Collectors.

The role of the Treasury Division is to manage the investments of the County's treasury, but currently, part of its role includes reconciling the bank accounts, which is typically an Auditor-Controller responsibility. This is an unmandated responsibility currently being conducted by the TTC.

The TTC does not currently have responsibility for investment of all public funds including debt services investments for the County as delegated by County Ordinance in December 2010.

Another role that is currently not a part of the TTC is that the TTC does not have the responsibility of investment of all the public funds including debt service reserves. This role was specifically delegated to the TTC in the County Ordinances as of December 2010. While the TTC does not invest nor manage these debt service investments, the TTC is charged with reporting the funds.

Recommendation II-3: The TTC should work with the County Counsel, Chief Financial Officer, and Auditor-Controller to coordinate specific financial roles for the County.

It is not unusual for other county Treasurer-Tax Collectors to take on various financial responsibilities for the county. The elected Treasurer should engage with other County departments to designate financial responsibilities and determine that sufficient resources for each role and responsibility exists. Each department should know all responsibilities in order to be able to provide needed support.

Developing Strategic Goals

The TTC maintains a set of goals as a part of its overall Mission Statement to "Ensure safe and timely receipt, deposit, collection and investment of public funds." The goals are:

- Invest public funds in a manner that provides for maximum security of principal and maintains the public trust
- Maintain sufficient liquidity to enable participants to meet their operating cash requirements
- Obtain a stable market rate of return throughout budgetary and economic cycles

- Provide timely, cost-effective, accurate and courteous customer service
- Invest resources to develop and maintain knowledgeable and competent staff
- Act in an ethical and professional manner while maintaining honest, respectful and open communications
- Streamline cashiering and collection processes to increase timely collection of public revenues for the benefit of Orange County citizens

Finding II-2: Each of the current TTC goals is appropriate to the TTC office and work; however, they do not provide measurable goals to quantify improvements to the TTC.

Without a measurement for each goal, the strategic goals will not help guide the department's work. One form of setting metrics is the acronym of SMART—specific, measurable, actionable, reliable, time-bound. Examples of this type of metric could include: 1) setting benchmark returns to measure “stable market returns,” 2) conducting annual customer surveys to measure “timely, cost-effective, accurate, and courteous customer service,” or 3) define a process to streamline cashiering within a set window of time with specific outcomes that measure “benefit of Orange County citizens.”

Recommendation II-4: The TTC should establish and publish additional specific plans and measurements to implement its strategic goals.

A primary role of an elected Treasurer should be to lead the Department by developing general policies and directions for the Department, setting expectations for the role of the TTC in the County. The elected Treasurer should lead the department in developing a Strategic Plan with Specific Goals and achievable objectives with metrics while maintaining a policy direction that fits in with the County. An Assistant TTC should know and understand the County government, the mandated duties of the TTC, and be charged with managing and guiding the Department to achieving those goals and objectives.

Below are some examples of strategic goals utilized by other benchmarked county Treasurer-Tax Collectors that the County may want to consider:

- Executive Office
 - Provide a learning platform and forum to address current government finance issues.
 - Provide training for all Department and County staff in finance management.
- Treasury Unit
 - Provide accurate recording of all funds on deposit and facilitated daily reconciliation of funds.
 - Recruit and provide training for Department staff.

- Investment Unit
 - Maximize return on Cash resources without sacrificing the principles of safety or liquidity.
 - Set benchmarks of expected rate of return for investment pools with other county investment pools included in the investment reports
- Tax Collection Unit
 - Develop a goal for achievable collection rates from past due invoices
 - Develop an acceptable rate for payment processing time
 - Set a goal for average days to reconcile auto refunds
 - Set a goal for percentage of positive customer service surveys

III. TREASURY DIVISION

Description of Services and Organization

The role of the Treasury units/divisions within counties is to primarily manage the bank-related activities for the county. California Government Code Section 27000 notes that “the county treasurer shall receive and keep all money belonging to the county and all other money directed by law to be paid to him and apply and pay it out, rendering the account as required by law.” For Orange County, responsibilities of the Treasury Division also include supervising the following units according to the County budget documents:

- Accounting/Compliance Unit
- Budget Unit
- Administration Unit
- Cash Management Unit
- Human Resources and Information Technology Units
- Procurement Unit

Finding III-1: Treasury Division units comprised of both County responsibilities and Department responsibilities and units are not distinct in their roles.

The units and their functions listed in the County Budget are not distinct in responsibilities. Because of vacancies in management personnel in this Division, the organizational structure is constantly in flux. We based our description of the organizational structure on an organizational chart and interviews of the TTC in July and August 2020 and acknowledge that the organizational structure has changed since the completion of this report. The Director of Treasury along with the elected Treasurer supervises the units in the Division. The Accounting/Compliance Unit is responsible for the Monthly Treasurer’s Investment Reports and ensuring compliance of the Investment Policy for the Investment Division. The Budget Unit coordinates and manages the budget for the Department and also prepares the property tax roll reconciliations for the County. The Cash Management Unit primarily conducts banking functions for the County and has some Department functions, such as providing procurement and budgeting services for the Department.

The Human Resources and Information Technology Units provide on-site services to the TTC, but staff are retained by other Departments per agreements with other County departments. The Human Resources Manager helps with recruiting and hiring, as well as other human resource support for employees, but is supervised by the County’s Human Resource Services. The Information Technology Unit is a service agreement provided and managed by the Auditor-Controller’s IT Unit. Staff from the Auditor-Controller’s IT unit is sent to provide support services to the TTC.

Treasury Division Organizational Structure

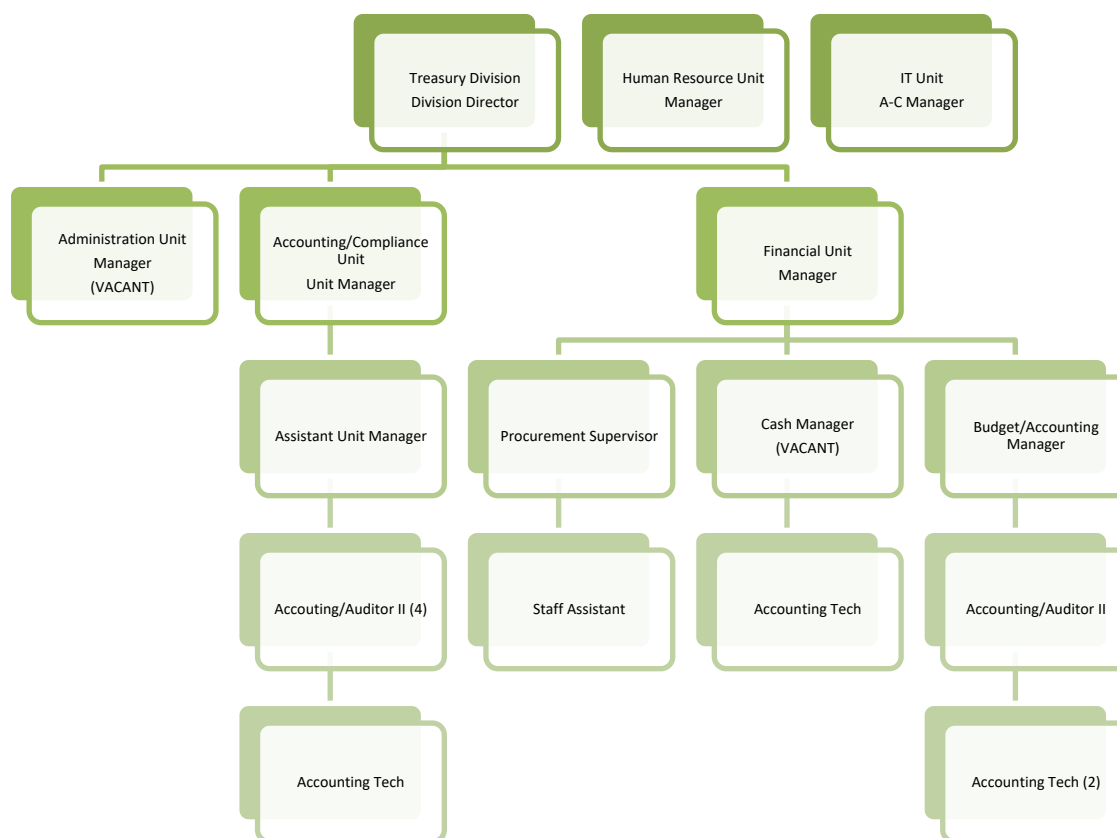


Figure III-1
Treasury Division Organization Chart (as of July 2020)

Finding III-2: Although the County Budget Book (FY 2019-20) describe multiple units within the Treasury Division, the Treasury Division only has two distinct units as of July 2020.

Due to management vacancies in the units, the Division has been restructured. Functionally, we have found that for the organization chart provided to us by the TTC, the Treasury Division no longer has the same distinct units described in the FY 2020-21 County Budget Book. For example, the County Budget Book mentions multiple units of the Treasury Division that includes an Accounting/Compliance Unit, Budget Unit, Administrative Unit, Cash Management Unit, Human Resources and Information Technology Units, and a Procurement Unit. However, there were only two functioning units with manager positions in the Treasury Division occupied at the beginning of the engagement: an Accounting/Compliance Unit and a Financial Management Unit. There was a third unit, the Administrative Unit with no manager or staff. The Budget and the Procurement staff is

supervised by Financial Management Unit Manager even though they primarily provide administrative services for everyone in the Department.

Two units in the Treasury Division manage the investment accounting of the County's funds. The Accounting/Compliance Unit primarily processes the monthly Treasurer's Investment Reports and assist with the banking reconciliation. It is also critical in the implementation of the upgrade of the Quantum software system. The Financial Management Unit has both Department-wide responsibilities, including administrative functions of the Department such as budget and purchasing, as well as County-wide responsibilities, such as managing the County's cash position and bank reconciliations, as well as processing wires and other payments for the County and the County's pooled investors.

Administrative Functions of the Department

Some of the Department's overall administrative functions can be found spread out among different units within the Treasury Division. There is currently a vacant Administrative Unit Manager position in the Treasury Division and the Budget and Purchasing functions for the Department are staffed in the Financial Management Unit. The Financial Management Unit additionally provides accounting for County-wide banking functions. The housing of various administrative functions and budget management under various units in the Treasury Division has caused the administrative functions to become less effective in providing administrative services to the Department.

The Human Resource unit as well as the IT unit are positions delegated via MOUs with other County departments, the Human Resource Services and the Auditor-Controller IT unit, respectively. These positions are managed by other County departments and do not report to the Treasury Division Director as indicated in the FY 2019-20 County Budget Book.

Finding III-3: The Department's actual expenditures have been significantly below its budgeted levels for the past few years.

Fiscal Year	Budgeted Expenditures	Actual Expenditures	Unspent Budget	% Unspent Budget
FY 2015-16	\$ 13,502,609	\$ 12,992,753	\$ 509,856	3.8%
FY 2016-17	\$ 13,889,904	\$ 12,590,275	\$ 1,299,629	9.4%
FY 2017-18	\$ 13,869,677	\$ 12,452,719	\$ 1,416,958	10.2%
FY 2018-19	\$ 13,146,317	\$ 11,413,871	\$ 1,732,446	13.2%
FY 2019-20	\$ 13,569,075	\$ 12,540,542	\$ 1,028,533	7.6%

Table III-1

Comparison of Department Budgeted vs. Actual Expenditures/Encumbrances from County Budget Books

The actual level of expenditures for the Department have been significantly below budget for the past few years as demonstrated in Table III-1, with a high of 13.2% of an unspent budget in FY 2018-19. Unspent budgets for FY 2016-17, FY 2017-18, and FY 2019-20 also

have experienced expenditures significantly below budget with unspent annual budgets of over one million dollars.

Finding III-4: The Department has significantly underspent its budgeted Net County Costs (NCC) for the past few years.

The budget for the TTC has relied on Net County Costs (NCC) for 14.1% to 18.1 % of its annual budget. Our analysis in Table III-2 demonstrates that much of the Net County Costs was not utilized by the Department over the past few years. The TTC did not utilize 60.4% of NCC in FY 2017-18 and 94.9% in FY 2018-19. While some of the budgeted expenditure savings could be explained by vacancies in FY 2016-17 and FY 2017-18, the Budget Books demonstrated much of the underspending has been in Services & Supplies. In addition, for some of the smaller budgeted expenditure categories, e.g., Equipment; three of the five fiscal years analyzed did not include any actual expenditures with underspending in the two remaining years in which less than half the budget was spent.

Fiscal Year	Budgeted NCC	Actual NCC	Unspent NCC	% Unspent NCC
FY 2015-16	\$ 1,904,004	\$ 1,544,190	\$ 359,814	18.9%
FY 2016-17	\$ 2,085,054	\$ 1,452,248	\$ 632,806	30.3%
FY 2017-18	\$ 2,235,905	\$ 885,317	\$ 1,350,588	60.4%
FY 2018-19	\$ 1,844,387	\$ 94,783	\$ 1,749,604	94.9%
FY 2019-20	\$ 2,458,115	\$ 1,924,175	\$ 533,940	21.7%

Table III-2
Comparison of Department's Budgeted Net County Costs (NCC) vs. Actual NCC

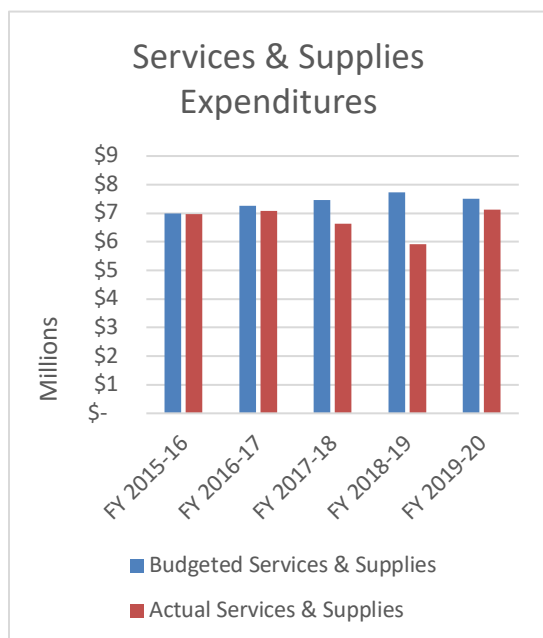


Figure III-1
Department Services & Supplies Expenditures

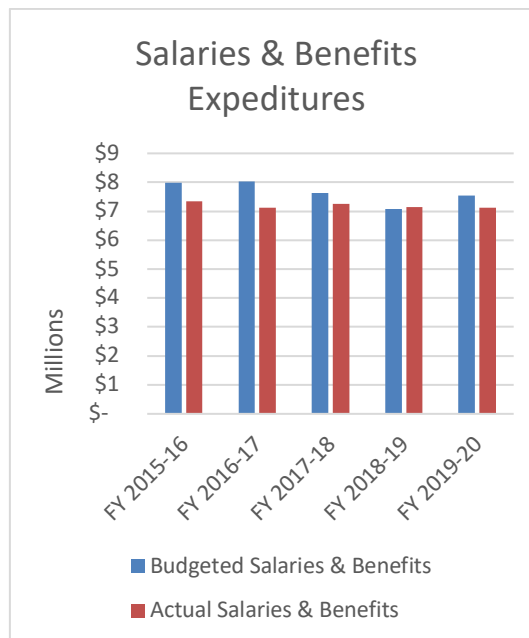


Figure III-2
Department Salary & Benefit Expenditures

Interviews and surveys mentioned that there were many administrative issues that were not addressed. The spending in the TTC department was not evaluated relative to activity goals, and the budget has been significantly underspent. Interviews and surveys noted material/supplies needs were not met, typically an administrative function. A separate Administrative Division would allow for clearer management and oversight of the Department's administrative needs and budget. For the TTC, an Administrative Division would work with the Human Resource Manager and IT services, as well as the Department budget and procurement needs. Department administrative needs should be a separate Division from the managing of County-wide responsibilities.

Recommendation III-1: Utilize a separate Administrative Division from the Treasury Division to manage the budgeting, finances, and general administration of the TTC.

Proposed TTC Division Organization

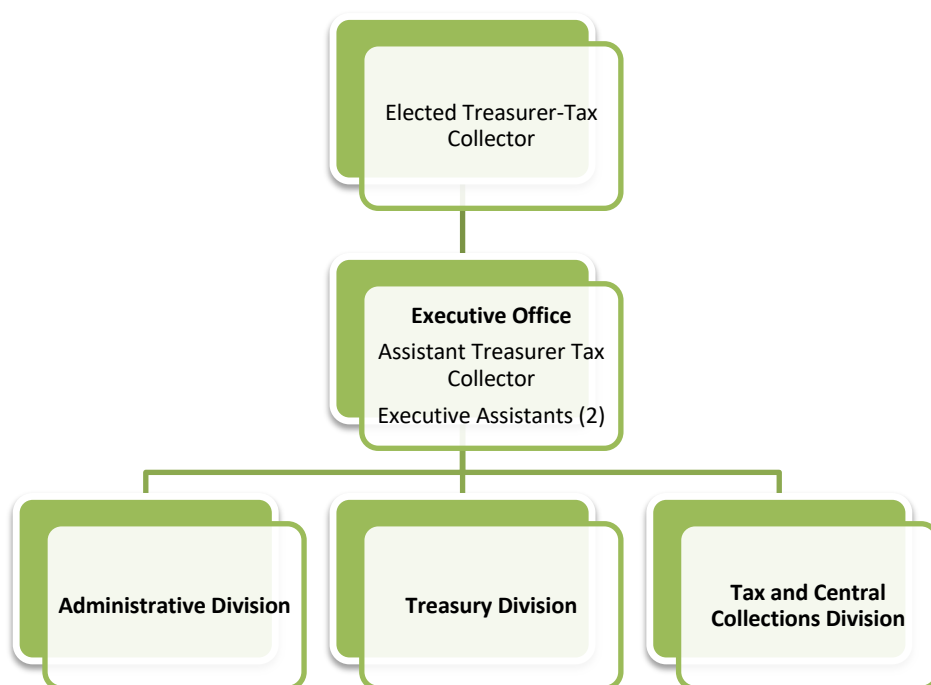


Figure III-3

Proposed TTC Division Structure with new Administrative Division (Update of Figure II-1)

Other county Treasurer-Tax Collector departments, such as Los Angeles and San Diego counties utilize an Administrative Division to separate the administrative functions for the Department. Other County departments also utilize separate administrative units to separate the departmental functions from the County's core functions that it provides for the County. Payroll could also be managed in this Administrative Division, rather than outsourcing this function to Human Resource Services which has less knowledge of staff activities (e.g., vacation requests, medical leaves, etc.) and payroll needs. Other County departments are able to manage this function internally for their employees, utilizing the

County's VTI payroll system. This would also ensure that the accounting responsibilities for the Department are separate from the accounting of the County's Treasury and services.

Operations and Technology

Interviews with stakeholders noted that, overall, the services provided by the TTC were adequate. The Voluntary Investment Pool participants noted that they are generally able to deposit and receive their funds in a timely manner and have no issues with investing in the County's Investment Pool. They also noted no reporting issues. The CFO and Auditor-Controller departments also did not note any issues with the services provided by the TTC.

Finding III-5: Much of the County's Treasury recordkeeping currently relies on several manual inputs from staff.

We reviewed the procedures for the daily cash positioning reports and the procedures for reports contained within the Treasurer's monthly investment report. These procedures included multiple procedural steps for taking individual reports from multiple sources to add into one report. This multi-step/manual approach could lead to errors, should one of the manual steps be left out.

We were given access to audit reports included in the Monthly Treasurer's Investment. While most audit reports contained no compliance issues, in the 2018 TOC Annual Report, there was a noted prior control deficiency from 2017 related to due to non-pooled bank demand accounts, bank account reconciliations, and audit trail documentation for accounting entries and software changes. The reason given for this is that the Quantum system was unable to hold this information but will be allowed to do so once an upgrade to the system is performed. The contract to upgrade Quantum that began in 2017, was amended in May 2020 to undergo an additional upgrade. Many financial software and applications used in the industry today, utilize integrated solutions that allow various applications to "speak" to each other without requiring manual inputs. While the upgraded Quantum is intended to be integrated, these upgraded features that would automate reports have not yet been utilized by the Department.

Finding III-6: The current Quantum system should provide automation of Treasury banking operations, but current operations have not been set up to automate processes.

Quantum has been utilized by the TTC since 2002. With respect to equipment and technology needs of the Department, some staff have noted that they utilize Microsoft Office 2010, an older software that is often incompatible with other County departments' more recent Microsoft Office Suite of programs. Others noted the lack of automation and other software features readily accessible at previous positions prior to coming to working at the TTC. Deferring upgrades and the use of outdated technology can hinder the Department's ability to take advantage of current financial and banking technology along with their

security systems. The use of outdated technology requires time-consuming manual inputs for reporting requirements that is subject to human error.

Recommendation III-2: Implement an IT policy for the TTC to be able to utilize current financial and security systems.

Technology is constantly changing. It is especially important that the County's financial systems and security are well maintained by utilizing and implementing upgrades to systems when recommended. The TTC must plan and budget for technology upgrades so that systems do not become obsolete, requiring a critical overhaul of key systems.

Understaffing may be contributing to the timeliness of the current Quantum upgrade which was noted in the audit from December 2018. BOS minutes indicate that a Quantum upgrade that was begun in May 2017 required an amendment in May 2020 to upgrade to a newer version of Quantum. Staff have reported that they needed to forgo their regular duties to devote time to develop and test the system upgrade. They noted that their regular duties would not be difficult if they were properly staffed, rather than having to participate in Quantum development and testing and covering duties due to vacant positions.

There are challenges with the current upgrade of the Quantum accounting software. The program update requires staff to participate in the testing of the new software, in addition to normal work. The software transition causes two staffing issues:

- 1) The antiquated systems require additional work by double entry and inability to get valid data from a program in a downloadable format. This causes additional work and could potentially lead to errors in data coding.
- 2) Staff resources are needed to help programmers create new business processes (programs) within the updated accounting software, to validate that the programs are working as intended, and to train staff once the programs go online.

Recommendation III-3: Fill all vacant positions to have the staffing ability to focus on the Quantum and other IT upgrades.

Currently, the Department is stuck in a cyclical spiral, where inefficient, but mandated accounting procedures should become more efficient from a system upgrade. Because there is not much time to devote to development and testing of a County proprietary system, staff continue to devote much of their time to the mandated manual accounting procedures. Hiring permanent staff and filling vacant positions would alleviate the cycle that hinders the Quantum and other IT upgrades.

The Treasury Division has utilized several short-term, temporary staff in order to fulfill responsibilities in the division. Temporary staff require additional supervision because they are generally not familiar with the role of the department. Long term hires should be able to conduct routine work independently, allowing staff to also move forward on the Quantum and other IT upgrades.

Cash Management

An important function of the Treasury Division is to manage the County's cash funds so that the County has sufficient liquidity to pay obligations. Additionally, any excess funds will be invested, some for shorter terms and some for longer terms. While there are procedures established within the Department for developing daily Cash Positioning Reports, we were unable to test whether those procedures were appropriate and effective and whether the reports were accurate. The reviewed procedures relied heavily on downloading various reports with manual input into existing files. Human error of importing data could lead to the incorrect forecasting of County liquidity needs for County investments.

From our interviews, it was noted that cash management concerns were expressed by several staff. Because of the manual procedures required, bank reconciliations were not always current. The process often required searching throughout the County to match deposit receipts rather than having the individual County departments identify funding sources. Another manual process was calculating and assessing investment administrative fees for investment pool participants. Interviewees noted that the Cash Manager position had been vacant since September 2019, requiring Division Directors and Unit Managers to forgo other responsibilities to fill in the required development of the Cash Positioning Reports for the County investments.

Finding III-7: There is a lack of a designated Cash Manager within the Treasury Division.

While Treasury Division staff has noted that other members have pitched in to develop a Daily Cash Position Report, the lack of designated staff for this responsibility is cause for concern. In particular because the current procedures require several manual steps, including downloading reports from several different sources. While the manual steps can be followed according to procedures, there is a limitation to cash forecasting and short-term liquidity needs of the County without designated staff that are able to regularly manage and anticipate the County's cash flow needs. This unit should be well staffed by several people to ensure there is adequate liquidity for the County as well as knowledge of the funding that is available for investments.

Recommendation III-4: Prioritize the hiring of Cash Management staff.

Investment Reports

The County prepares Monthly Treasurer's Investment Reports. Each of the reports is approximately 100 pages. Procedures on the preparation of individual reports within the monthly report note the manual nature of the reports. We have noted that the preparation of these reports is time consuming and is hampered by:

- Outdated financial systems – the investment team gets information from Quantum, FAS, and CAPS+.

- Data not always able to be downloaded to Excel, and often must be captured by screen shots and data input manually into Excel.
- Systems having to be run multiple times to get data needed.

The monthly reports are posted to the TTC website online and disseminated to the Treasury Oversight Committee (TOC). The TOC only meets quarterly and has three reports to review per meeting. This is less efficient and effective than providing a single report for quarterly review.

Finding III-8: The TTC produces time consuming monthly investment reports despite the Government Code allowing for the production of quarterly reports.

The Government Code states that the County “may provide quarterly reports” [GC 53648 (b)] but may provide monthly reports with explicit direction from the County Board. This creates additional work for staff on a monthly basis, using software programs that are difficult to extract information from. The TOC only meets quarterly, so there is no pressing reason to create monthly reports. While the benchmarked counties for this report utilize monthly investment reports, counties such as Kern County, San Luis Obispo County, Santa Clara County, and Santa Barbara County utilize Quarterly Investment Reports.

Recommendation III-5: The TTC should consider providing Treasurer Investment Reports on a quarterly basis.

Once the Quantum has been sufficiently upgraded and fully operational, the use of monthly reporting may be re-evaluated. Another option would be to allow for the outsourcing of the monthly investment reports, an option utilized by the County of San Bernardino.

Allocation of Interest

The County is required to allocate interest earnings to the various participants in its different investment accounts. This allocation is required at least on a quarterly basis [GC 53684 (b)]; however, the County currently allocates interest monthly.

Finding III-9: Staff reported that it is a challenge to allocate interest by the 10th of the following month.

Based on interviews with TTC staff, outdated software systems and staffing vacancies hinder the allocation of interest, making it difficult at times to allocate interest by the 10th of the following month. Furthermore, there are ongoing issues with back-dated work that needs attention from TTC staff (e.g., expense allocations, balancing of clearing accounts) that could be tackled by staff if interest allocation is moved to a quarterly basis. In discussions with a local-agency voluntary pool representative, a move to quarterly interest allocation does not present an issue, while late interest allocation is problematic.

Recommendation III-6: The TTC should move to a quarterly allocation of interest in its investment accounts.

Once the new accounting software systems are up and running, a return to monthly reporting may be reconsidered.

School Funds

Several issues were raised on the relationship between the school districts and the County. These issues included the payment of school district debt service and the school district accounting by the County. The financial relationship between school districts and a county is described specifically in Education Code 41000 et. seq. Under the provisions of this code section:

- *“The governing board of every school district shall pay all moneys received or collected by it from any source and all moneys apportioned to it from taxes levied and collected under the authority of city councils for school purposes, into the county treasury to be placed to the credit of the proper fund of its district.” [EC 41001]*
- *“All moneys received by any school district or paid into the county or city and county treasury to the credit of the district from state apportionments, county, district or municipal taxes, other than moneys required to be placed in a separate fund of the school district, shall be deposited in the general fund of the district, which fund shall be in existence in each county and city and county treasury.” [EC 41002]*

Additionally, GC 15140 (b) lays out the requirement for a county to:

- Levy and collect taxes
- Pay bonds
- Hold bond proceeds and tax funds

These code sections set out the general parameters of the financial relationship between schools and a county and, by implication, the accounting relationship created by these code sections.

Finding III-10: The TCC staffing workload includes providing detailed accounting services of school district funds prior to releasing funds to school districts, not mandated by State or County codes.

According to Education and Government Codes, a county must deposit and invest monies from a school district. Those monies need to be accounted for in the different funds (e.g., General Fund for general revenues and a Bond Fund or Bond Interest Redemption Fund). A county must account for these revenues in the appropriate fund location; however, there is no direct requirement that can be found that requires counties to provide any detailed accounting services to school districts beyond the funds created to track revenues. Currently, the County has required additional approvals for wires and EFTs prior to releasing

funds to the school districts. The County does not require these such certifications for Voluntary Pool Participants.

In 2012, the California Debt and Investment Advisory Commission (CIDIAC) conducted a survey and analysis of the “County Treasurer’s Role in School District General Obligation Bond Financing.” This paper looked at the major functions of both a school district and a county and had the following conclusions:

- “There is no legal requirement under either the Education or Government Code for the County Treasurer to oversee the expenditure of bond proceeds after the bonds are issued—that is the responsibility of the school district.”
- “...there is no statutory requirement under either the Education or Government Code for the County Treasurer to monitor the bonds after issuance.”
- “School boards have a legal responsibility for oversight of school district GO bond issues. County Treasurers do not play a significant role in oversight, disclosure, or monitoring, and are under no legal requirement to do so.”

Recommendation III-7: The TTC should engage with school districts to discuss any discretionary oversight functions and either negotiate a fee for these services or discontinue the services.

The elected Treasurer and TTC staff indicated a desire to cut back on the amount of accounting and oversight provided for school districts in bond accounting, payment of debt service, and other accounting services. Beyond its normal investment role, the County does not have a legal requirement to engage in any business related to a school district’s accounting function. The elected Treasurer should engage with school districts to discuss any discretionary oversight functions and compensation for those services.

Finding III-11: There is a lack of long tenured staff in management positions in the Treasury Division.

Internal Audits of the Department and Department stakeholders did not note any failures in the Treasury Division’s key responsibilities. With many managerial positions open, there is a potential for critical failure should the current staffing levels continue. Since the start of the engagement in July 2020, there were two vacant positions out of six total management positions in the Treasury Division with 50% of the filled positions having less than two years of tenure. There have since been further departures by managers from the Treasury Division. Over the course of our interviews and employee surveys, many of the staff commented that they were requested to perform additional responsibilities beyond their normal responsibilities.

Recommendation III-8: Each Division Director and current management staff should prioritize the hiring of permanent staff in its Division.

An Assistant TTC should work closely with County Human Resource Services to manage the hiring process along with the Treasury Division Director for an expedited hiring process. The vacant managerial positions within the Treasury Division are particularly concerning for the potential for critical failure of the County's Treasury. Such managerial vacancies warrant the County Human Resource Services to provide resources and support to the TTC for expedited hiring process.

Recommendation III-9: Encourage and provide funding for proper training.

With staffing vacancies and recent hires in the TTC, nearly half (45%) of the employee survey respondents have been with the Department for under 5 years. Only 22% of the respondents noted that they have proper training for their job. The largest type of training desired from the survey noted was computer/software training (43%), specific job duty skill training (37%), and training from professional conferences (37%). While the TTC is currently able to perform its mandated responsibilities and functions, this indicates that while they are able to follow procedures to meet their responsibilities, they may not fully understand the technology and extent of their jobs duties to provide support to the TTC. Professional conferences would allow the County TTC to learn from other county treasurers and gather awareness of other technology being used that may automate some of the current Treasury manual processes. Other training desired included writing skills (27%) and supervisor/management training (24%).

Additional training supports may also be needed to provide training for the new management hires, particularly in the Treasury Division, but also in the other Divisions as well. Without providing adequate training, it is difficult to expect managers and other staff to be able to succeed in their roles beyond doing what they are told to do. Participating in State organizations of other county treasurers and financial managers would also help to provide the Department with various perspectives of best practices for managing county treasuries.

IV. INVESTMENTS DIVISION

Description of Services and Organization

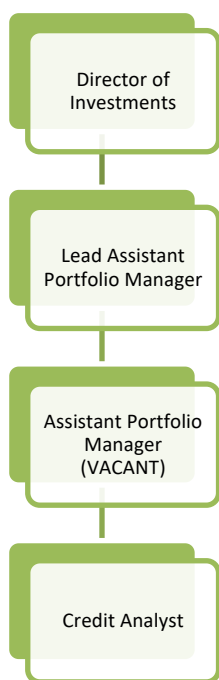


Figure IV-1
Organization of
Investment Division

The Investments Division of the TTC manages the investment of the County's pooled and non-pooled investments. They ensure that there is adequate liquidity with funds available to the County and the pooled investors in the County's three investment pools while investing the remaining funds in secure investments. Annually, an investment policy is reviewed by the Treasury Oversight Committee and approved by the Board for a guide for their investments. Additionally, they assist with school district general obligation bond issuances and invest school bond proceeds.

The organization of the Investments Division consists of 4.0 FTE, fashioned in a hierarchical function. The Division is managed by a Director of Investments and has a Lead Assistant Portfolio Manager, an Assistant Portfolio Manager, and a Credit Analyst. Currently, the Assistant Portfolio Manager position is vacant.

The Investment Division performs daily functions alongside the other Treasury Division units that perform Compliance, Monthly Investment Reports, and Daily Cash Positioning. It would make sense for it to be part of the Treasury Division, rather than a separate division. Currently, the TTC's Investment Division functions independently, despite requiring necessary communication with units within the Treasury Division. The workload within the

Investment unit was reported to be regular and manageable, while staff in the Treasury Division units seem to struggle with workload. Combining the units within the Treasury Division would allow the staff to provide support to the Division when needed. All of the other benchmarked counties are organized with the investment unit within a Treasury Division.

Recommendation IV-1: Consider housing the Investment Section within the Treasury Division.

The Investment Division requires the preparation of a Cash Positioning report daily prior to being able to conduct any investment transactions. The current responsibility of this lies within the Cash Manager position of the Treasury Division. This key position, however, has been vacant for some time. The Investment Division Director has been compiling a Cash Positioning report prior to the start of every day. Additional Cash Positioning reports are prepared by the Treasury Division Director along with the Finance Manager later in the day. There should be a Cash Manager with more knowledge of the manual process of developing the Cash Positioning report. Additionally, they would keep tabs of any future liquidity needs

in order to allow for the most efficient and effective use of investments of the County pooled funds.

Investments

There are several investment types managed by the County's Investment Division:

- Orange County Investment Pool (OCIP);
- Orange County Educational Investment Pool (OCEIP);
- John Wayne Airport Investment Fund (JWA); and
- Various other specific non-pooled investment funds.

Both the OCIP and the OCEIP have part of their money in three different funds, two in money-market-fund like portfolios that are managed by the Investment Division, the Orange County Money Market Fund (OCMMF) and the Orange County Educational Money Market Fund (OCEMMF), and a longer "Extended Fund" portfolio that can invest out to five years. Each of the funds are utilized according to the needs of each of the pooled funds. JWA is managed independently.

Finding IV-1: Utilizing two separate investments pools creates inefficiencies in workload.

State law allows county treasurers to pool all investor funds for management into one portfolio. Within the Investment Division, the management of two pooled funds is split among three different funds, requiring periodic transfers between similar funds depending on the liquidity and investment needs of each of the participants within each of the pools. All of the benchmarked county treasurers for this study utilize a single pool option, including the County of Los Angeles. They manage one treasury pool that includes invested funds for the county, special districts, school districts, community colleges, and other voluntary pooled participants. The Los Angeles County investment fund is over three times as large as Orange County's.

The PFM Asset Management LLC produced a memo regarding the Orange County Pool Structure dated May 5, 2015. They recommended that the County consider consolidating the two pooled funds (OCIP and OCEIP) in order to achieve efficiencies. We conducted a public records request from the TTC and the Clerk of the Board and have been unable to locate any County policies which precludes the County from utilizing a single County Pool.

Recommendation IV-2: Consider consolidating the OCIP and the OCEIP into a singular pooled fund.

School Bonds

TTC staff indicated that managing General Obligation (GO) bonds sold by school districts takes up a large portion of staff time. The Investment Division noted that the sale of GO bonds take a significant amount of time. This includes the review of the official statement, discussions with District staff, and time on pricing calls.

State law gives the county the authority to allow school districts to sell their own GO bonds. A county's role regarding school bonds is to: 1) calculate the annual tax rate to pay the bonds, 2) collect and disseminate the tax revenue, 3) invest the bonds funds and tax revenues, 4) distribute bond fund revenues as requested by the school district, 5) review the sections of a draft official statement relating to the county's operations, and 6) transfer money to the bond paying agent as requested to pay the bond debt service. State law states that the funding for the state mandated services is provided in the county's property tax administration fees and in the administrative cost associated with investment fees; however, the services provided to school districts related to bonding financing on GO bonds is considered a non-property tax service.

Finding IV-2: The TTC office provides services beyond those that which is mandated for school districts for GO Bond issues.

School districts are required to hire and compensate a municipal advisor for GO bonds. The County's options could be to discontinue any service not required by law, continue with its current practices with no compensation for service, or to notify the school districts that they will start charging for bond financing services. An interview with a school district noted that they appreciated the support and knowledge of the TTC on pricing calls but have found it to be unnecessary because the school district utilize other contracted services for pricing calls.

Recommendation IV-3: The TTC should review its current practices and determine if there are adequate resources to continue providing additional services to the school districts. If not, the TTC should modify its current practices and limit services to those required by law.

County Investments

In addition to the County Pooled Funds, since December 2010, the TTC was given the authority to invest and reinvest the funds of the County of Orange and all other depositors in the County treasury according to the current OC Government Sec. 1-2-320.

In accordance with California Government Code Section 53608, and any amendments or successors thereto, this Board of Supervisors does hereby delegate its authority to deposit for safekeeping, in those institutions permitted by Section 53608, the bonds, notes, bills, debentures, obligations, certificates of indebtedness,

warrants, or other evidence of indebtedness, in which the money of the county is invested.

Finding IV-3: There is a separate County Public Finance unit that manages the debt service investments for the County, rather than the TTC.

According to the above County code, the TTC was given the authority to manage the debt service investments for the County.

Recommendation IV-4: The TTC should work with Public Finance and County Counsel to determine responsibility and debt service investments for the County.

Should the TTC take on the debt service investments for the County, they may require additional resources.

V. CENTRAL AND TAX COLLECTION DIVISION

Description of Services and Organization

The Tax and Central Collection Division primarily provides tax collection services for the County for both secured and unsecured property. This Division manages the customer service and remittance process of the TTC. They are located on the first floor of the County Administration North building in the Customer Service Center with a customer service counter to provide in person assistance to the public for any property tax or billing questions or concerns. The Division is currently divided into two primary units, the Taxpayer Services section and the Billing and Collections section.

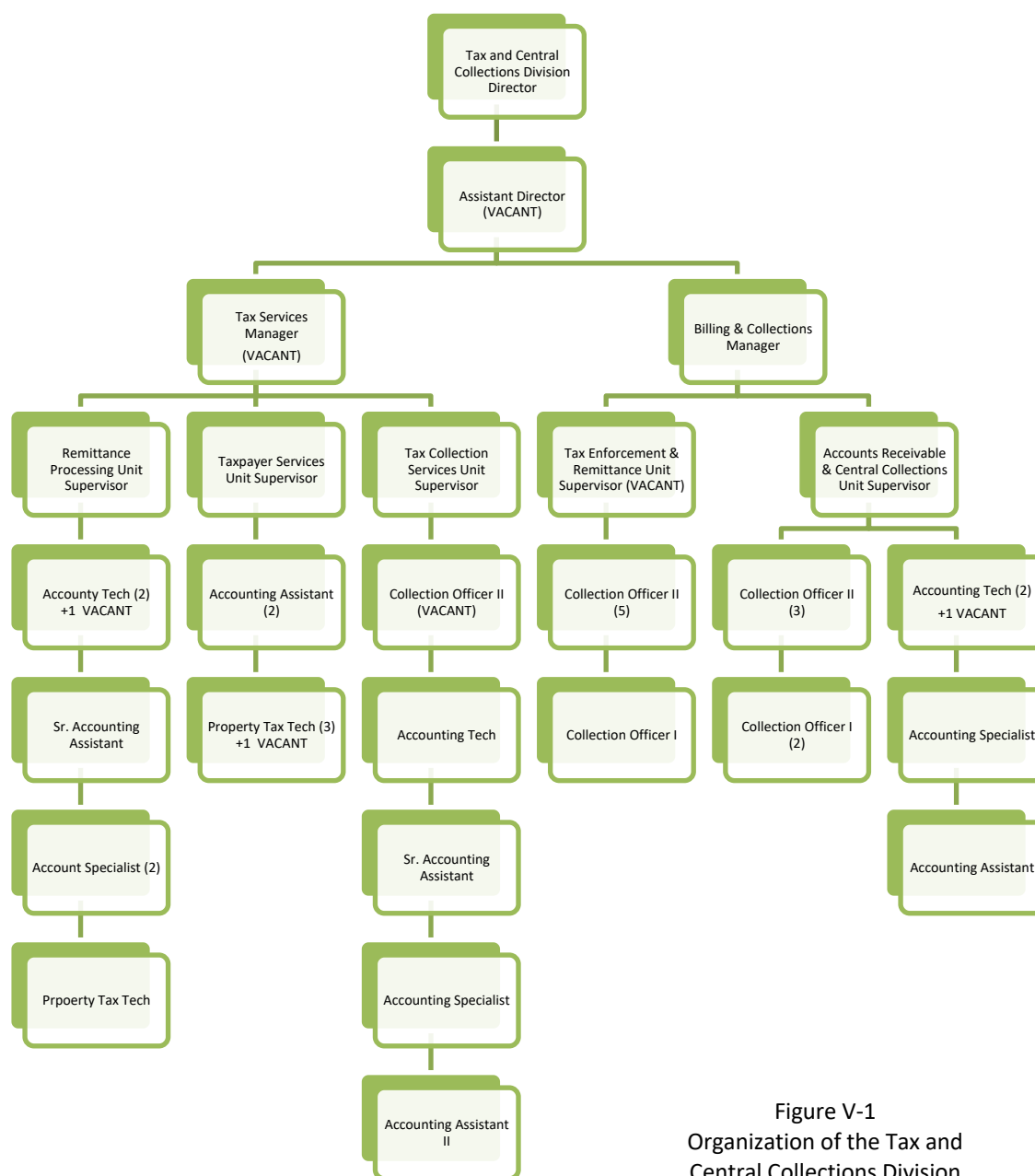


Figure V-1
Organization of the Tax and
Central Collections Division

Core services of a county's tax collection department includes administering the billing, collection, and reporting of property tax revenues levied annually throughout California for not only the county, but also cities, schools, and special districts. Statutes are principally codified in the Revenue and Taxation Code; however, the level of effort for collections is not indicated in the government code, leaving individual collections policies to the local governments.

There are no state regulations regarding the level of effort needed to collect on delinquent secured and unsecured property taxes or for other delinquent County invoices.

In the County, the Taxpayer Services section primarily manages the processing of taxpayer funds received by the County. It is divided into three smaller units, Tax Collections Services, Taxpayer Services, and Remittance Processing. The Tax Collections Services unit processes property taxes and perform cashiering services for property taxes and other County invoices. The Taxpayer Services unit provides customer service, providing service in person, via phone, or online. Primarily, for the processing of County secured and unsecured property taxes, the Remittance Processing unit provides automated remittance processing, refund accounting, and imaging and payment processing. The TTC developed a Shared Business Plan to provide services for other County departments and has opened its remittance processing services to other public agencies for contracted services.

The Billings and Collections section manages billing and collection services of past due invoices for the County. This section includes two smaller units, a Tax Enforcement & Bankruptcy unit and Accounts Receivable & Collections unit. The Tax Enforcement & Bankruptcy unit provides collections services for delinquent unsecured property taxes and manage results of taxpayer bankruptcies within the County and processes claims for unpaid invoices for recovery of any public funds. The Accounts Receivable & Collections unit provide account receivable services for some County departments including real estate leases, franchise fees, and other County fees. Responsibilities of Accounts Receivable includes tracking down deposits, typically for other Departments, that are unidentified and not able to be matched to cash receipts by the Treasury Division. They also provide in-house collections services for various delinquent invoices for other County departments on contracted charges for service basis.

As of July 2020, there were seven unfilled vacancies in the Division. Additionally, over the past several years, the Tax & Central Collections Division has had staff positions removed from the County budget when the positions remained vacant for a significant period. Many staff in the Division noted that the staffing shortages and vacancies have created an inability to complete their workload in a timely manner. For the TTC, this has required staff to shift responsibilities as well as for managers and supervisors to take on responsibilities of line staff.

Finding V-1: There are no established metrics regarding accounts receivable and collections for the TTC and therefore it is difficult to determine adequate staffing levels.

Since there are no state codes for timeliness of tax and central collections beyond the due dates for the collection of property taxes. Tax Collectors in other counties utilize metrics to establish minimum service levels and departmental goals. Examples of metrics include rates for payment processing time and rates for refund processing. Without policies or metrics in place and no customer service goals, we are unable to determine an acceptable service level for the County.

Online property tax payments have allowed for the collection of property taxes without requiring manual input from staff. While staff has reported that the workload is manageable when fully staffed, because there are no metrics in place regarding timeliness especially for those that require staff time and attention, it is unknown if actual workload has increased or if there is a perceived increase of workload because there is less staff.

Recommendation V-1: Establish Departmental policies for billing and collections metrics as well as service levels.

Accounts Receivable

Accounts Receivable and Central Collections is a Unit within the Tax and Central Collections Division. This unit is responsible for non-property tax billings and collections. One of the responsibilities given to the unit is tracking down the appropriate GL coding for deposits that had not previously been coded by accounting staff within the Treasury Division. Staff in this unit may be notified by the Treasury Division of the lack of coding for deposit in the County's bank account. They are charged with researching the proper coding by contacting likely recipient departments for the funding sources. While this may be seen as a tax collections function, we find this responsibility does not match up with the Tax and Central Collections mandated role of processing accounting transactions related to tax revenue for the department. They have noted that often, Departments have contacted the Treasury Division to check bank activity for expected receipt of funds, but the Treasury Division does not relay that information to the Tax and Central Collections staff.

Finding V-2: The Central and Tax Collection Division's current workload and responsibilities includes cash matching, typically an Auditor Controller responsibility.

The responsibility on the Tax and Central Collection Division to research unmatched revenue in the County bank accounts has created an inefficiency in the Division because the Division does not have direct access to the County bank accounts and does not communicate with Departments that are expecting revenue. The County should develop a system in which the Department can identify revenues for the department responsible for bank reconciliations and general ledgers, whether it be by Auditor-Controller or the TTC.

For example, the Department of Public Works manages many grants and utilizes many sources of funding. Allowing the County department to have view-only access to the deposits would allow the department to match possible revenues for verification, rather than requiring Accounts Receivable to research the funds.

Recommendation V-2: Provide bi-monthly County bank deposit reports to departments expecting funds to identify funds in CAPS+.

It would provide additional efficiencies in the County to create a process for departments expecting funding in the County bank accounts to work with someone in the A-C office to match bank account revenues.

Collection Services

Collection services have become a major financial services industry. Many public agencies outsource their collections services because it can be time consuming but producing limited results. For the County, uncollected secured and unsecured taxes can lead to a consistent loss of revenue for the County. The TTC reported that for FY 2019-20 it had a 99.2% collection rate on secured property taxes and a 97.8% collection rate for unsecured property taxes. Collecting on the remainder of the taxes can depend on the level of effort taken by the collectors. Collection can mean sending out past due notices. Additional collection efforts can be pursuing other means for obtaining debt, including placing liens, and pursuing payment via bankruptcy court when applicable.

The TTC also provides collection services for other County departments when they have unpaid invoices. While Departments, such as Animal Care Services, have noted that the TTC is able to collect on past due invoices, many go uncollected. Interviews and the employee survey noted that lower numbers of collections staffing hinder the ability to utilize allowable non-automated procedures to enforce collections. Because the collected amounts are returned to the Department to which they are owed, the TTC does not keep track of amounts collected from year to year. The revenue from the County Budget in Fines, Forfeitures, and Penalties has been decreasing for the past four years. We were unable to verify whether the decrease is a result of poorer collection results, more on time payments, or the State placing a cap on fines. Many municipalities utilize collections services for the enforcement of collections because it can be time intensive without much return.

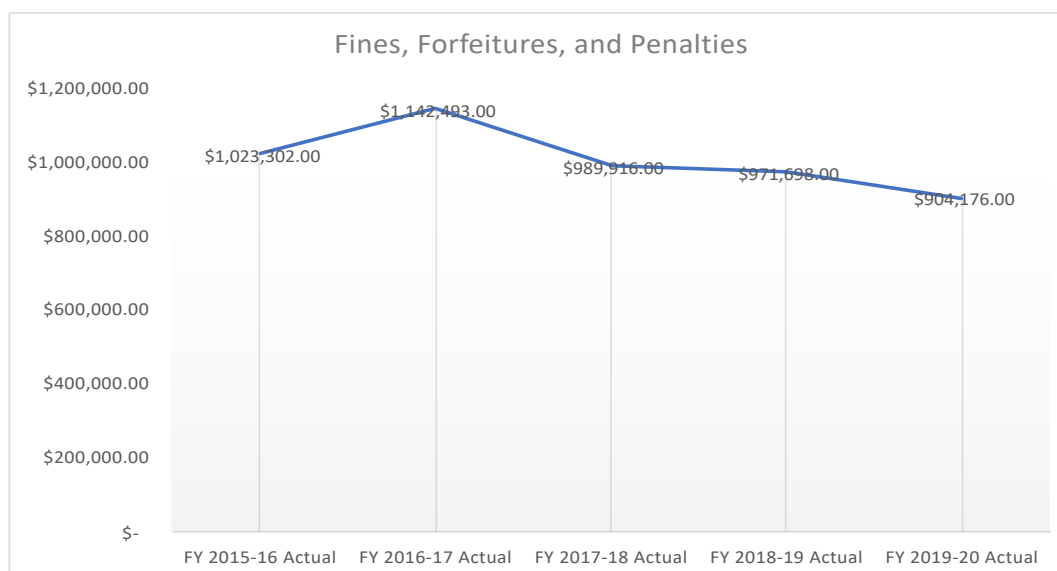


Figure V-2
Revenue from Fines, Forfeitures, and Penalties in TTC

Recommendation V-3: Should there be a continuation of the trend of decreasing of revenue for fines, forfeiture, and penalties, the County should consider outsourcing certain collection services.

The TTC is mandated to collect County funds and other taxes, including Transient Occupancy Tax (TOT) of hotels, inns, bed and breakfasts, and other short-term rental properties, such as home vacation rentals (Revenue and Taxation Code) in the unincorporated parts of the County. The County currently has only a handful of registrants and is not actively searching for properties that may be providing short-term property rentals without registering and filing as an operator. The County's Uniform Transient Occupancy Tax Ordinance mandates that it is the Tax Collector's responsibility to collect this tax from hotel operators, including short-term property rentals which are popular around the County.

Finding V-3: The TTC only collects TOTs from a small handful of operators in the unincorporated areas of the County.

The 33 unincorporated sectors of Orange County present a challenge to finding hotel or short-term rental operators who may not be registered and paying the Transit Occupancy Tax owed to the County. The researching of violators of short-term rental operators should be done once or twice a year. Searching information online for any advertised short-term rentals could be done regularly of the unincorporated islands should be a regular part of the Tax and Central Collections responsibilities especially with the popularity of vacation rentals and other short-term property rentals. As the County tax collectors, the TTC should notify non-registered owners of their obligation to pay the Transit Occupancy Tax owed to the County.

Recommendation V-4: Designate a role in the tax collections unit or utilize contracted services to search for unregistered hotels and short-term properties semi-annually.

A semi-annual online search of any new short-term rental listings could be easily done and compared to a list of current registrants. While the County Code does not outline a level of effort to search for possible operator violators, it is the TTC responsibility to collect on taxes owed to the County. Contracted services can also provide TOT auditing services which could be utilized by the County to identify additional TOT payers not in the system.

The TTC has typically held annual property auctions in March to dispose of foreclosed properties. These real properties were taken due to non-payment of at least one property tax installment that has been delinquent for five or more years as provided by the Revenue and Taxation Code 3691.

Finding V-4: The annual auction of seized properties has been cancelled for the last three years.

Despite holding onto properties, the auctions for the last few years were cancelled. The last auction was cancelled due to the pandemic. Other reasons for the cancellations were not noted in the County Budget Book. The TTC should be seizing and auctioning property with long-term delinquencies on property taxes to collect on funds owed the County. If there are no properties with this status, the TTC should provide an announcement with this fact. Any properties being held by the TTC is unclaimed revenue for the County and prevents needed housing inventory to be properly utilized for housing and property taxes for the County.

Recommendation V-5: The TTC should hold annual property auctions unless there are no properties with delinquent properties taxes for five or more years.

Shared Services Business Plan

The Tax and Central Collection Division also provides some non-essential services for the County as part of the TTC's Shared Services Business Plan. The Shared Services Business Plan is allowable, according to GC 23008 and GC 51350, passing on the costs of the shared business services to the departments and any public agency utilizing the shared services. The Shared Services business plan has allowed other County departments to utilize the TTC's collection services including OC Animal Care, OC Public Works, OC Sheriff's Department, the OC Health Care Agency's Mental Health Services, and OC Social Services. The City of Westminster also participates in the TTC shared services program, by having the TTC managing the invoicing and remittance for Utility Services for the city. The TTC is able to provide low-cost services to the City of Westminster for utility billing because it already has equipment for billing and remittance that is heavily utilized twice a year for property taxes. The sharing of services has allowed for a revenue stream for TTC to reduce its Net County Costs.

Finding V-4: Staffing vacancies in the Tax and Central Collections could be hindering the cost-effectiveness of providing shared services.

Staff in the Tax and Central Collections division have noted that during periods of increased workload, they are unable to fully process the physical payments in a timely manner. Not processing payments in a timely manner can lead to loss of income for the County (e.g., millions of dollars of unprocessed checks for a few days can lead to loss of interest income for those days left unprocessed). The TTC does not utilize timeliness goals for payment processing and does not keep track of the timing of remittance payments received and processed to understand the full scope of any impacts of vacancies on the timeliness of processing payments.

Recommendation V-6: Reconsider the use of shared services should staffing shortages negatively affect the TTC's ability to provide its core services for the County.

It is recommended that the services under the MOU be reviewed and evaluated to determine if these services are the highest and best use of the department's resources. Should the shared services processes be found to be negatively affecting the cost effectiveness for the County, the TTC should reconsider the MOUs for its shared business plan. Implementing metrics for the billing, remittance, and collections will allow the TTC to better understand its effectiveness primarily as tax collectors for the County. Secondly, it will help to determine the costs required and the staffing levels required to perform with expected service levels for other agencies.

Recommendation V-7: Conduct regular Cost Recovery analysis of shared service to ensure that the TTC is accurately recovering costs for services to the County.

A cost recovery analysis should include the staff and material costs for conducting services for other departments and agencies. The interviewed stakeholders utilizing the shared services noted that costs for services by the TTC was significantly less costly than other contracted services for collections, billing, and remittance. Should it be found that the costs of services to other agencies is not being recovered, this represents a cost to the County and the TTC should amend its MOUs to ensure that the full costs for services are being covered by the departments and agencies utilizing the services or cease offering the services.

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II-4: The TTC should establish and publish specific plans and measurements to implement its strategic goals.	13
III-1: Utilize a separate Administrative Division from the Treasury Division to manage the budgeting, finances, and general administration of the TTC.	19
III-2: Implement an IT policy for the TTC to be able to utilize current financial and security systems.	21
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III-9: Encourage and provide funding for proper training.	26
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IV-2: Consider consolidating the OCIP and the OCEIP into a singular pooled fund.	28
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Appendix II – Lists of Interviews and Documents

LIST OF INTERVIEWEES

- Management and supervisors in the TTC
- External stakeholders
 - Orange County Animal Care (Shared Services – Collections)
 - Orange County Auditor-Controller Information Technology
 - Orange County Auditor-Controller Property Tax
 - Orange County Chief Executive Office/Budget Office
 - Orange County Chief Financial Office
 - Orange County Department of Education
 - Orange County Department of Human Resources
 - City of Huntington Beach (Voluntary Investment Pool Participant and Treasury Oversight Committee Member)
 - City of Lake Forest (Voluntary Investment Pool Participant)
 - City of Westminster (Shared Services - Utility Billing)

DOCUMENTS AND DATA

Documents provided by Department

- Organization Chart
- Mission Statements
- Annual Investment Policy
- Procedure documents (various)
- MOU's between TTC and other agencies for services

Audit Reports as provided in the Treasurer's Monthly Reports

- Report on Review of the Schedule of Assets Held by the County Treasury as of September 30, 2017 (Internal Audit) March 2018
- Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended December 31, 2017 (Internal Audit) March 2018
- Report on Review of the Schedule of Assets Held by the County Treasury as of December 31, 2017 (Internal Audit) June 2018
- Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended March 31, 2018 (Internal Audit) June 2018
- Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended June 30, 2018 (Internal Audit) Sept 2018
- Report First Follow-Up Audit: Management Letter on Audit of Schedule of Assets Held by the County Treasury as of June 30, 2016 (Internal Audit) January 2019 Monthly
- Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended September 30, 2018 (Internal Audit) January 2019 Monthly

- Report Second Follow-Up Audit: Management Letter on Audit of Schedule of Assets Held by the County Treasury as of September 30, 2016 (Internal Audit) February 2019 Monthly
- Review of the Schedule of Assets Held by the County Treasury as of September 30, 2018 (Internal Audit) March 2019 Monthly
- Independent Accountant's Report on Applying Agreed-Upon Procedures Related to Investment Compliance for the Twelve-Month Period Ended December 31, 2016 and the Six-Month Period Ended June 30, 2017 (MGO) April 2019 Monthly
- Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended December 31, 2018 (Internal Audit) April 2019 Monthly
- Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended March 31, 2019 (Internal Audit) June 2019 Monthly
- Second & Final Follow-Up Internal Control Audit: Electronic Funds Transfer Process – Treasurer-Tax Collector as of May 2, 2019 (Internal Audit) August 2019 Monthly
- Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended June 30, 2019 Sept 2019 Monthly
- Review of the Schedule of Assets Held by the County Treasury as of March 31, 2019 (Internal Audit) Oct 2019 Monthly
- Report on Review of the Schedule of Assets Held by the County Treasury as of March 31, 2018 (Internal Audit) Oct 2019
- Report of the Schedule of Assets Held by the County Treasury as of June 30, 2017 (Internal Audit) Nov 2019
- Report of the Schedule of Assets Held by the County Treasury as of June 30, 2017 (Internal Audit) Dec 2019
- Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended September 30, 2019 (Internal Audit) January 2020 Monthly
- Review of the Schedule of Assets Held by the County Treasury as of September 30, 2019 (Internal Audit) February 2020 Monthly
- Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended December 31, 2019 (Internal Audit) March 2020 Monthly
- Management Letter on Review of the Schedule of Assets Held by County Treasury as of September 30, 2019 (Internal Audit) March 2020 Monthly
- TOC Annual Report to the Board of Supervisors for The Period January 1, 2019 to December 31, 2019 March 2020 Monthly
- Independent Accountant Report on Agreed-Upon Procedures Related to Investment Compliance for the 82 Fiscal Year Ended June 30, 2018 (Eide Bailly) April and May 2020 Monthly
- Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended March 31, 2020 (Internal Audit) May 2020 Monthly
- Report of the Schedule of Assets Held by the County Treasurer as of June 30, 2018 (Eide Bailly) – July 2020 Monthly
- Review of the Schedule of Assets Held by the County Treasury as of March 31, 2020 (Internal Audit) August 2020 Monthly

- Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended June 30, 2020 (Internal Audit) September 2020 Monthly

State and Local Regulations

- CA Government Code
- CA Revenue and Taxation Code
- County of Orange Ordinances
- California County Treasurer's Reference Manual (California Association of County Treasurers and Tax Collectors)
- Orange County Board of Supervisory minutes (various)

Appendix III – Employee Survey Instrument

OC Performance Audit of Treasurer-Tax Collector - Department Employees

Introduction

Arroyo Associates, Inc. is conducting a survey of all employees in the Office of the Treasurer-Tax Collector (TTC) for Orange County. This survey is primarily to solicit your opinion on how the TTC is performing in its critical role for the County. An objective of the performance audit is to review the current operations and procedures and to identify whether current staffing levels are adequate in completing its mandated responsibilities.

Your individual responses will be kept confidential. The responses we receive will be compiled in a report to provide findings and recommendations to the County to improve the overall performance of the Department.

Thank you for taking the time to complete this survey.

* 1. What is your name?

* 2. Which division are you in?

- ☐ Investment Division
- ☐ Treasury Division
- ☐ Tax and Central Collections Division
- ☐ Other

* 3. What is your working job title and/or job classification?

* 4. How long have you been working for the County?

- ☐ Less than one year
- ☐ 1 - 2 years
- ☐ 2 - 5 years
- ☐ 5 - 10 years
- ☐ More than ten years

* 5. How long have you been working for the Treasurer-Tax Collector?

- ☐ Less than one year
- ☐ 1 - 2 years
- ☐ 2 - 5 years
- ☐ 5 - 10 years
- ☐ Over ten years

OC Performance Audit of Treasurer-Tax Collector - Department Employees

Organizational Structure

6. I am able to meet my job duties/responsibilities in a timely manner during my regularly scheduled hours.

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly disagree

7. My supervisor always responds to my questions/requests in a timely manner.

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly disagree

8. Is there anything else you would like to add about the adequacy of staffing levels in completing your tasks/responsibilities?

OC Performance Audit of Treasurer-Tax Collector - Department Employees

Work Tasks

9. I understand how my work impacts the organization's business goals.

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly disagree

10. I know the State law(s) or County resolution(s) that governs the work product(s) that I produce as part of my job tasks/responsibilities.

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly disagree

11. I have clearly written policies and procedures for my job tasks.

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly disagree

12. What kind of training or training resources would you like to receive in order to improve your job performance? (Check all that apply.)

- ☐ Professional conferences
- ☐ Writing skills training
- ☐ Computer/software training
- ☐ Supervisor/management training
- ☐ Specific job duty skill training
- ☐ I have received all of the training that I need
- ☐ Other (please specify)

13. I have the proper resources/equipment to complete my job efficiently and effectively.

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly disagree

14. I am able complete my job efficiently and effectively with the current software/technology.

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly disagree

15. Which resources could you use to do your job more efficiently and effectively? (Check all that apply.)

- ☐ Office supplies
- ☐ Updated equipment
- ☐ Updated desktop software (e.g. Microsoft Office, Adobe, etc.)
- ☐ Updated enterprise applications (e.g. Quantum, CAPS+, etc.)
- ☐ Other equipment and/or software (please specify)

OC Performance Audit of Treasurer-Tax Collector - Department Employees

Additional comments

Arroyo Associates is researching areas to improve efficiency and effectiveness for the TTC. These questions are open ended questions in order to allow for you to provide us with any additional thoughts you may have that we may find helpful in improving the department.

16. Which of your job tasks, if any, do you believe may not be State or County mandated tasks?

17. What suggestions do you have for improving the efficiency and effectiveness of your unit and your department?

Thank you for taking the time to respond to the survey! Your confidential response will be analyzed by the Arroyo Associates team in order to provide recommendations for improvement to the Department.



OFFICE OF THE TREASURER-TAX COLLECTOR
SHARI L. FREIDENRICH, CPA, CCMT, CPFA, ACPFIM

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 ttc.ocgov.com



INTERDEPARTMENTAL COMMUNICATION

Date: August 4, 2021

To: Lilly Simmering, Deputy County Executive Officer

From: Shari L. Freidenrich, Treasurer-Tax Collector

Subject: Response to Performance Audit of the Treasurer-Tax Collector Final Report

Summary Response to Report Objectives: The TTC is providing mandated services that are consistent with governing laws and policies, and stakeholders interviewed were satisfied with the services that they received. An organizational assessment was conducted and concluded that staffing at the current County budget approved level in FY 2020-21 should be adequate to support the current workload once a review of the non-mandated duties being done by the TTC is completed and vacant positions are filled. Lastly, the report identified some findings and recommendations for improving the efficiency and effectiveness of operations. The Treasurer-Tax Collector (TTC) responses to each Recommendation are noted below.

Recommendation II-1: The County should assist the TTC to recruit and hire an Assistant Treasurer-Tax Collector to manage the operations of the Department.

Response: The HRS Department and the TTC have been working together on this vacant position recruitment. Together, they finalized the job flyer, and HRS opened the recruitment for this position. The applicants are currently being screened for required skillsets in anticipation of oral board interviews.

Recommendation II-2: The TTC should work with Human Resource Services to develop recruitment and hiring plan for all vacant positions within the next six months.

Response: The TTC, TTC management and HRS have been working together for the past year on filling vacant positions and are currently working on the recruitments for the highest priority vacant positions and expect to continue opening additional vacant position recruitments as these priority positions recruitments are started.

Recommendation II-3: The TTC should work with the County Counsel, Chief Financial Officer, and Auditor-Controller to coordinate specific financial roles for the County.

Response: It is beyond the TTC's scope of responsibility to coordinate specific financial roles for other County departments. However, TTC will coordinate with the County Executive Office (CEO) to work with County Counsel and Auditor-Controller related to the specific financial roles of the departments.

Recommendation II-4: The TTC should establish and publish specific plans and measurements to implement its strategic goals.

Response: The TTC and the Executive Directors already provide at least one key outcome indicator for their Division in the County Annual Budget and measures each of them several times a year during budget updates. TTC Management will consider adding additional key outcome indicators for each

Division and either include them in the County's Annual Budget or identify them separately to track performance of each Division.

Recommendation III-1: Utilize a separate Administrative Division from the Treasury Division to manage the budgeting, finances, and general administration of the TTC.

Response: In 2020, TTC had requested that HRS review the TTC organizational structure and as part of that review, will discuss with HRS, the CFO, and TTC management whether these duties should be included within the Treasury Division or in a separate Division reporting to the Assistant Treasurer-Tax Collector.

Recommendation III-2: Implement an IT policy for the TTC to be able to utilize current financial and security systems.

Response: The TTC is in the middle of two major upgrades to its treasury and tax collector software systems. The TTC management has already identified a number of processes in the treasury software to fully utilize integrated system features and automation of business processes available in the upgraded software that they expect to implement after go-live and may require additional one-time funding.

Recommendation III-3: Fill all vacant positions to have the staffing ability to focus on the Quantum and other IT upgrades.

Response: The TTC, TTC management and HRS are working to fill all vacant positions and have already requested to have some positions that the County required to be deleted this last year during COVID-19 to be added back.

Recommendation III-4: Prioritize the hiring of Cash Management staff.

Response: The Treasury Division Director hired the Cash Manager in April 2020 and other current manager and vacant position recruitments in the Treasury Division are focusing on identifying applicants that have treasury, banking and cash management operational experience.

Recommendation III-5: The TTC should consider providing Treasurer Investment Reports on a quarterly basis.

Response: The TTC will consider updating the Investment Policy Statement (IPS) to provide for quarterly investment reports along with simplifying the pooled funds investment report. The TTC also plans to update the IPS to require performing daily compliance on the pooled funds in total versus on all individual pools, consistent with other Counties to further streamline operations and may require one-time funding.

Recommendation III-6: The TTC should move to a quarterly allocation of interest in its investment accounts.

Response: The TTC and TTC management plan to move to a quarterly allocation of interest, consistent with other peer Counties, once the OCIP and OCEIP are consolidated into a single pooled fund to streamline operations, consistent with other peer counties and may require one-time funding.

Recommendation III-7: The TTC should engage with school districts to discuss any discretionary oversight functions and either negotiate a fee for these services or discontinue the services.

Response: The TTC will meet with the School District management to discuss Government Code mandated requirements and negotiate a fee for any mandated and non-mandated duties currently being

performed by the TTC related to school accounting, ensuring that proper oversight of funds is maintained as the Treasurer is the banker for the School and Community College Districts.

Recommendation III-8: Each Division Director and current management staff should prioritize the hiring of permanent staff within its Division.

Response: Each Division Director is currently working closely with HRS to fill all vacant positions in their Division.

Recommendation III-9: Encourage and provide funding for proper training.

Response: Training is critical to staff performance and excellence, and the TTC budget has included funding for training/tuition reimbursement in each year's budget, including in this year's budget. However, because of vacant positions, some of these positions were staffed with temporary help plus the COVID-19 impacts this past year, the Divisions have not been able to have staff attend significant amounts of training due to their workload. The TTC will encourage Division to utilize these training/tuition dollars to develop and enhance employees' skillsets.

Recommendation IV-1: Consider housing the Investment Section within the Treasury Division.

Response: Due to the large portfolio size of public funds, to maintain separation of duties and to mitigate risk of loss, most large public entities do not have the Investment functions within the Treasury Division. Both the City of Los Angeles and the County of Los Angeles, the two largest public entities in California, have separated the Treasury and Investment Divisions. The current organizational structure at TTC mirrors these best practices, and TTC and TTC management do not expect to consider this recommendation.

Recommendation IV-2: Consider consolidating the OCIP and the OCEIP into a singular pooled fund.

Response: The TTC and TTC management agree that the efficiencies of a single pool will significantly benefit both the Investment and Treasury Divisions, streamline and simplify operations, reduce overall risk, and improve overall portfolio performance benefitting all pool participants. The TTC will plan to make this a priority for this fiscal year and may need one-time funding to assist with changing the software set-up.

Recommendation IV-3: The TTC should review its current practices and determine if there are adequate resources to continue providing additional services to the school districts. If not, the TTC should modify its current practices and limit services to those required by law.

Response: Districts and bond financing disclosure documents require that TTC provide disclosures on funds invested on behalf of the district. In addition, some district bond financings are required to be approved by the Board of Supervisors, and the TTC prepares and takes these agenda items to the Board of Supervisors on behalf of the districts. The TTC requires that School and Community College District Bond Financing resolutions provide for recoupment of all TTC costs as part of the costs of issuance for participating in the bond financing. However, TTC also processes districts' debt service payments after the bonds are sold, which are not currently recouped and will be added to the discussion of non-mandated duties in recommendation II-3.

Recommendation IV-4: The TTC should work with Public Finance and County Counsel to determine responsibility and debt service investments for the County.

Response: The TTC will meet with these parties and the CEO to determine if these investments should be invested by the TTC, with the client as the Public Finance Division, similar to other specific

investments. The TTC is the Board of Supervisors delegated expert on investments and due to this delegation, has all contracts in place to purchase investments for public funds at competitive rates.

Recommendation V-1: Establish Departmental policies for billing and collections metrics as well as service levels.

Response: The TTC management currently has collections metrics in place that go into the County's Annual Budget report as a key outcome indicator. The TTC will review with TTC management whether to add additional metrics for billing and whether to include service levels to track performance.

Recommendation V-2: Provide bi-monthly County bank deposit reports to departments expecting funds to identify funds in CAPS+.

Response: The Treasury Division management currently provides electronic bank account access to all departments sub bank accounts to assist them in preparing cash receipts in CAPS+ for their incoming funds. However, certain incoming funds in the Tax and Central Collections Divisions are being deposited to a Treasury Division bank account versus a Tax and Central Collections sub bank account. TTC management will work with Tax & Central Collection management to deposit these funds to their own sub bank account where they currently have electronic access.

Recommendation V-3: Should there be a continuation of the trend of decreasing revenue for fines, forfeiture, and penalties, the County should consider outsourcing certain collection services.

Response: TTC only receives revenue from fines, forfeiture and penalties from property taxes. Decreases in these revenues have resulted from higher collection rates on current property taxes. The TTC does provide collection services for other departments and plans to contract with a third-party collection agency to assist in increasing collections after TTC has performed certain collection services and the debts still remain outstanding.

Recommendation V-4: Designate a role in the tax collections unit or utilize contracted services to search for unregistered hotels and short-term properties semi-annually.

Response: Transient Occupancy Tax (TOT) billing and reporting is currently managed by the Treasury Division and due to staffing restraints, additional research for unreported TOT has only been done on a periodic basis. Updated TOT forms are now on the website that should increase compliance with the existing County resolutions. TTC management is currently evaluating whether to outsource this to a vendor using a proposed new state law and also whether this process should be moved to the Tax & Central Collection Division.

Recommendation V-5: The TTC should hold annual property auctions unless there are no properties with delinquent properties taxes for five more years.

Response: The TTC annually goes to the Board of Supervisors to get approval for a property tax auction. The auction has been cancelled the last several years as only a few unimproved properties have remained unpaid the day before the auction, and it would not be cost-effective to hold an auction. The TTC will continue to request approvals for annual auctions and this year is moving to an online tax auction for all tax-defaulted properties.

Recommendation V-6: Reconsider the use of shared services should staffing shortages negatively affect the TTC's ability to provide its core services for the County.

Response: The TTC management has one shared service contract with the City of Westminster for processing their utility billing payments. This contract currently has not had any negative effect on the

TTC ability to provide core services. The TTC management evaluates and reviews costs for this shared service every time the contract comes up for renewal.

Recommendation V-7: Conduct regular Cost Recovery analysis of shared service to ensure that the TTC is accurately recovering costs for the services to the County.

Response: The TTC Management recently extended the City of Westminster contract, the only shared service contract, and determined that costs for the services were being recovered at that time.



Memorandum

August 19, 2021

AOC Agenda Item No. 12

TO: Audit Oversight Committee Members

Recommended Action:
Receive Report on eProcurement

Receive Report on eProcurement, as stated in the recommended action.

ATTACHMENT(S):
Attachment A – County of Orange Current eProcurement Environment



County of Orange Current eProcurement Environment

County Procurement Officer (CPO)

Maria Pirona

August 19, 2021 ¹



County Procurement Officer

■ Maria Pirona, MBA, CPPO

- ❑ Appointed Dec 2020 (7 months)
- ❑ 14.5 Years with County of Orange
 - CPO, OCWR, OCPW, HCA
- ❑ 20+ Years Government Contracting
 - Previously with Raytheon for 7 years



Maria Pirona 2



County eProcurement History

- 2012 – AC submitted eProcurement Business Case as Strategic Initiative
- 3/14/2012 - A/C RFI-003-614504-MR (James Christiansen)
- 12/15/2014 - A/C RFP-003-614685-AS (Alice Sinclair)
- 2018 - CPO found eProcurement Cooperative Agreements available and invited vendors in for demos
- Outside Audits/Studies – Grand Jury, NIGP
- 1/26/21 – AC, IA, and CPO kicked off the “eProcurement Environment Workgroup”



Workgroup Findings

- 2015 – San Bernardino County implemented an eProcurement solution described as having the following most utilized features:
 - ❑ web-based vendor registration
 - ❑ bid notification, online solicitations
 - ❑ electronic purchase orders
 - ❑ county vendors the ability to respond to bids online
 - ❑ adjust proposals prior to the closing date as often as needed in response to addendums or market changes
 - ❑ upload certifications and bid documentation
 - ❑ attend bid openings remotely

- Los Angeles County canceled the implementation of a full eProcurement system due to legal and vendor issues and moved toward a phased procurement automation model implementing functionality in a phased approach without an entire robust system.



Advanced eProcurement Environment

Other Counties also have eProcurement environments in place. However, each County classifies eProcurement differently. According to the table below (from a recent 2020 CSU govt procurement study), County of Orange would be considered an “Advanced” eProcurement County.

Table 2: Mokken Scale

e-Procurement Implementation		
<i>E-Procurement Implementation Stage</i>	<i>E-Procurement Features</i>	<i>Evaluation Questions</i>
Basic Level	- Downloadable solicitations	Does the county provide access to downloadable solicitation documents (.doc or .pdf)?
	- Information for Online Bid Submission	Does the county procurement website provide information on bid proposal submission?
	- Procurement Information Contact for Suppliers	Does the county procurement website provide procurement professional contacts?
Intermediate Level	- e-Procurement Portal for Online Bidding	Does the county support an online bidding e-procurement portal for suppliers and procurement professionals?
	- e-Procurement Technical Support for Suppliers	Does the county provide supportive technical issues with the e-procurement system?
Advanced Level	- e-Procurement Procedures and Policies	Does the county have procedures or policies related to internet bidding?



County's "Advanced" eProcurement Environment

The County's Current eProcurement Environment



Online Bidding System

- Online vendor registration, full technical support and automated bid notifications
- Downloadable solicitations and online Question-and-Answer and bid submission processes
- Fully electronic Invitation for Bid (IFB) submissions
- Paperless tabulation, awarding and notification
- All policies & procedures available online to Deputy Purchasing Agents

OC Expediter

- Paperless requisition routing and approval processes
- Automated workflow (request-to-payment) tracking and reporting
- Launched in 2015
- Collaborative County Procurement Office-OC Information Technology development

Purchasing System

- County-Wide Accounting and Purchasing System (CAPS+) - electronic contract management and payment tracking since 2009
- Automated insurance management and tracking (50% of County implemented)
- Automated Cal-Card payment processing (75% of County implemented)
- Automated invoice processing (75% of County implemented)

Additional eProcurement Features

On-demand vendor education videos & virtual vendor/DPA networking and informational sessions

Electronic signatures for all business documents (50% of County implemented)

Electronic invoice submittal and Automated Clearing House (ACH) transfer payments available to vendors

2021/22 eProcurement Goals

Complete implementation of insurance management and tracking system **Completed**

Complete implementation of electronic signatures **80% Complete**

Countywide standardized and fully automated solicitation documents **In Progress**

Further expand automating invoices and Cal-Card payment processing (Auditor-Controller) **65% Complete**

Implementation of electronic procurement file folders **Completed**

Countywide centralized contract and vendor profile repositories for ease of Countywide accessibility **In Progress**

As of 7/20/2021



Questions





Memorandum

August 19, 2021

AOC Agenda Item No. 13

TO: Audit Oversight Committee Members

Recommended Action:

Receive Cybersecurity Report on OCIT's Preparedness for Ransomware Attacks

Receive Cybersecurity Report on OCIT's Preparedness for Ransomware Attacks, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – Cybersecurity Updates Presentation

Attachment B – County IT Projects Quarterly Progress Report

Cybersecurity Updates

- OCIT – Enterprise Privacy & Cybersecurity
August 2021



Agenda

- Ransomware
 - The Evolution
 - Recent High-Profile Incidents
- OCIT's Preparedness Against Ransomware
- Our Risk Profile (Lack of consistency of Cybersecurity program controls across all agencies is still a risk)
- Strengthening Our Defenses (Ongoing as the threat landscape changes)



Ransomware - The Evolution

- In Sept 2013 CryptoLocker made its debut with estimates of making \$27M in payments during the first month
- CryptoWall then followed, which apparently made as much as \$325M within 18 months of its release
- The above were just the beginnings of Cryptographic malware. Many other variants have emerged since then
- The Ransomware methods have also evolved. In addition to encrypting data, they are also exfiltrating it, and demanding payment in exchange for not releasing the information
- Other attack vectors such as Distributed Denial Of Service (DDOS) and Telephony Denial Of Service (TDOS) are also being used for ransom

Ransomware – Recent High- Profile Incidents

- Buffalo Public Schools
- ACER
- CNA Financials
- Quanta Computer
- ExaGrid
- Continental Pipeline
- Ireland's Health Service Executive (HSE)
- JBS Meat Processing

Our Preparedness Against Ransomware

- Based on NIST 800-53 principles of Protection, Detection, and Response
- Protection
 - Educate our first line of defense (Employees)
 - Consistent execution and testing of backups
 - Defense in depth
 - Simulated attacks, Penetration Testing, and Incident Response Exercises
 - End Point Protections
 - Web Content and Electronic Mail Capabilities
- Detection
 - 24X7 Security Operations Center (SOC). Most attacks are launched on Friday evenings & on long weekends
 - Ongoing Log Collection and Event Correlation
 - Threat Intelligence
 - Analysis of Indicators of Compromise (IOC)s and Execution of Cybersecurity Playbooks
 - Incident Response Plan Maintenance

Our Preparedness Against Ransomware (Continued)

- Based on NIST 800-53 principles of Protection, Detection, and Response
- Response
 - Containment and Forensics
 - Isolate system(s) and identify/close point(s) of entry
 - Prepare a new device(s) build and scan/verify backups
 - Restore files and investigate all systems in contact with impacted resource
 - Root Cause Analysis
 - Post-Incident Review

Strengthening our defenses

- Email Security & Threat Protection System
- Privileged Access Management (PAM)
- Distributed Denial Of Service (DDOS) and Web Application Firewalls (WAF)
- Artificial Intelligence (AI) – User Entity and Behavior Analytics (UEBA)

Questions?



County IT Projects

Quarterly Progress Report

3rd Quarter, FY20-21

January 1 – March 31, 2021



The Quarterly OC Information Technology (OCIT) Project Progress Report provides the status of all County IT projects with a budget of \$150,000 or more and/or that have been identified as meriting the Board of Supervisors' attention.

The IT projects included in this report reflect the County's ongoing commitment to align IT with the County's business values. Projects included in the portfolio cover the upgrade or replacement of aging infrastructure and end-of-life systems and investment in new, innovative, and reliable technology and platforms. These projects also enhance the County's ability to maintain critical business operations, improve productivity, and deliver more and better services to constituents.

In addition to project status updates, this report also describes the County's IT overall project performance trends over the last 12 quarters.

Highlights



At a Glance

The number of projects in this reporting period is 16, a decrease from 17 projects reported in the previous quarter (one project was completed last quarter, and no new project was added this quarter). The total budget decreased to \$56,365,930 from \$58,851,597.



Key Accomplishment

The Health Care Agency completed implementation of its ePrescription for Controlled Substances system, which replaces the use of paper prescriptions. John Wayne Airport completed the upgrade of both hardware and software for its emergency phone system.

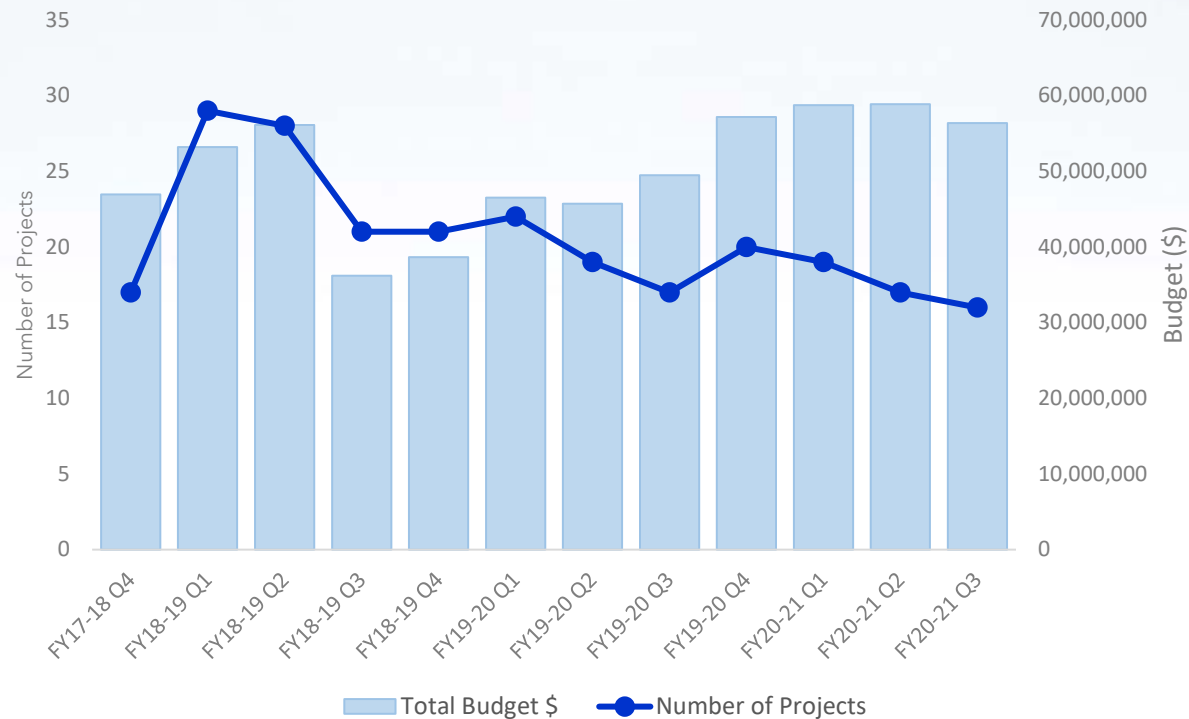
IT Portfolio Size and Budget

Attachment A



Attachment B

This chart depicts the County's IT project portfolio size and budget trends over the last 12 quarters.

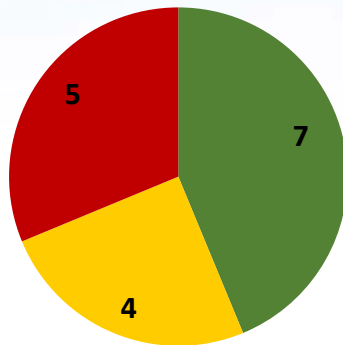


- The number of active projects is 16, a decrease from 17 projects reported in the previous quarter.
- Project data from the last 12 quarters show an average of 21 and a median of 20 projects.
- The total portfolio budget decreased by \$2,485,667.

The chart above reflects projects that were active or completed during each quarter.

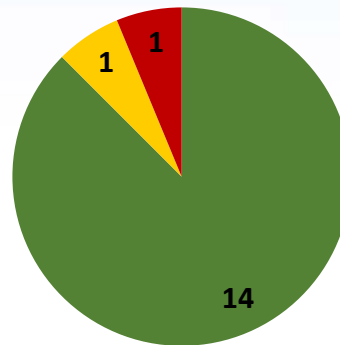
The charts below depict the County's IT project portfolio schedule and budget performance of the active and completed projects during the reporting period.

Schedule



- On Schedule
- At risk; 10% - 20% over schedule
- Critical; >20% over schedule

Budget



- On Budget
- At risk; 10% - 20% over budget
- Critical; >20% over budget

During this reporting period, nine projects are experiencing schedule delays, and two projects exceed their original budget.

The COVID-19 pandemic response and the reassignment of resources to priority initiatives continue to be contributing factors to project schedule delays.

Portfolio Performance Trend

Attachment A

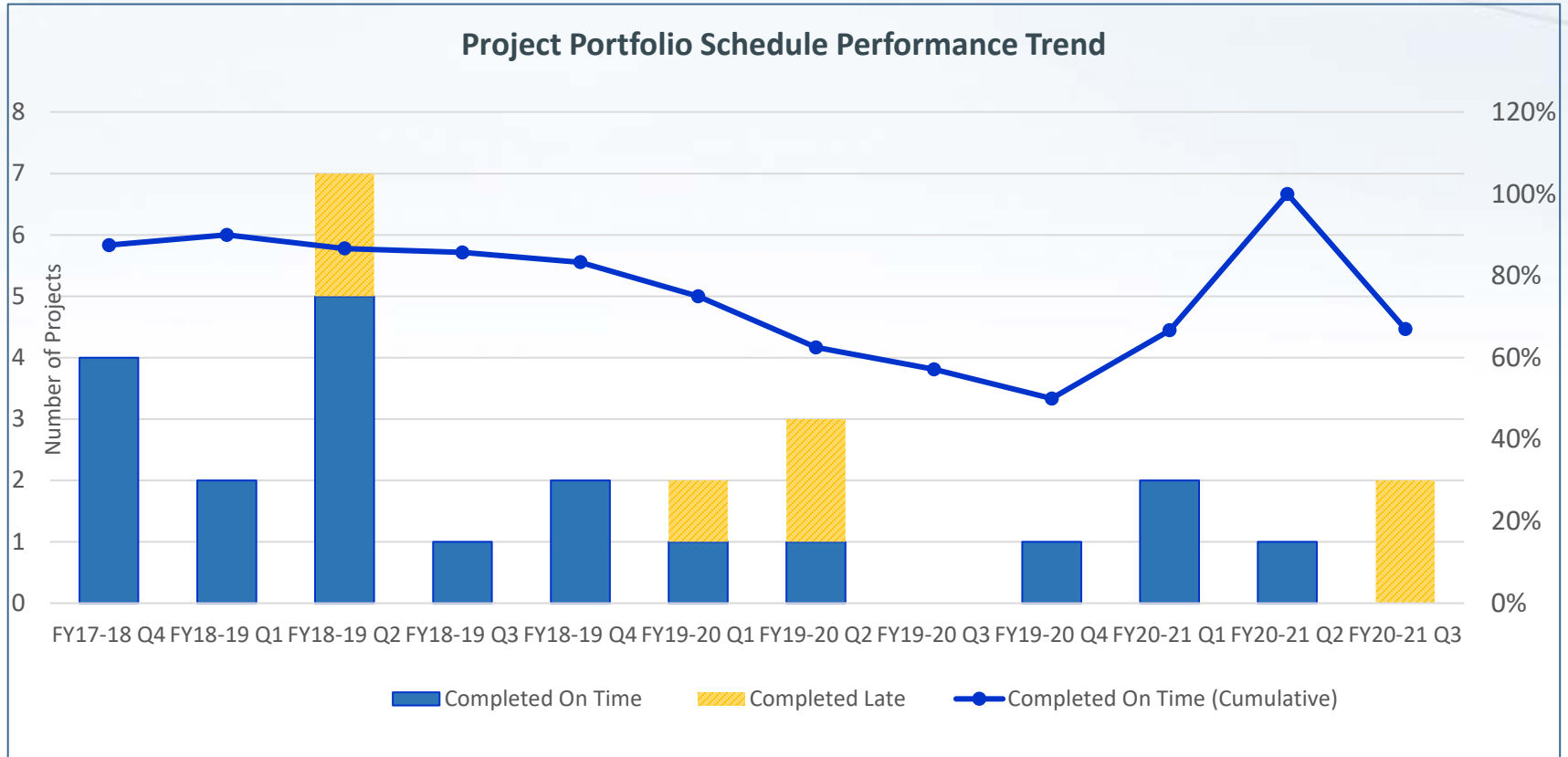


Attachment B

The chart below depicts the County's IT project schedule performance trend for the projects that were completed over the last 12 quarters.

The bars reflect the total number of projects completed in each quarter and the number completed on schedule.

The line reflects the percentage of projects completed on schedule over four consecutive quarters.



All projects completed in the last twelve quarters were on budget. This portfolio budget performance trend may reflect the County's cost-schedule tradeoff decisions to stay within resource and budget constraints at the expense of schedule.

Project Investment Trends

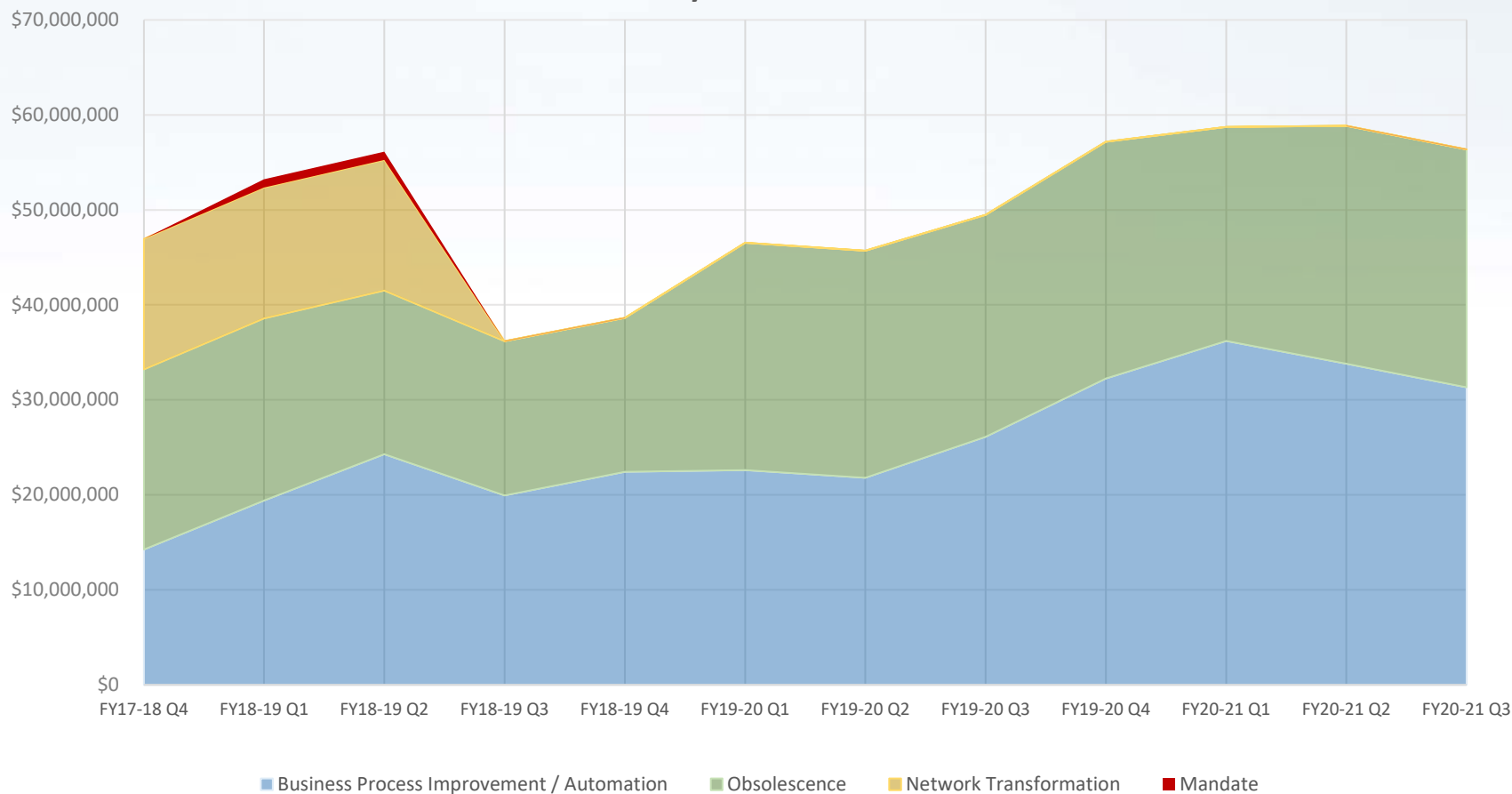
Attachment A



Attachment B

The projects aimed to improve or automate business processes account for more than half the share (56%) of the County's IT budget this quarter. The remaining projects are for replacing end-of-life or obsolete systems and account for 44% of the budget.

Investment by Business Justification



The chart above reflects projects that were active or completed during each quarter.

Investment by Service Area

Attachment A



Attachment B

Projects that cross multiple departments account for the largest share of the County's IT project investments. Health Care Services, including Care Coordination, also have a large share of the IT project budget.



The chart above reflects projects that were active or completed during this reporting period.

IT Project Dashboard (1 of 10)

Attachment A



					Attachment B	
Managing Dept.	Business Owner	Project Description	Budget	Schedule	Project Phase - Status as of End of Reporting Period Key Highlights Since End of Reporting Period	% Completed
A-C	Multi	Property Tax System - Transform the County's Property Tax System from a legacy mainframe system to an open-architecture platform.	*	*	<p>Execution - Completed phases 0 through 7, JCL Replacement, and Control-M Transformation. Phases 8 (performance testing, system integration testing, and User Acceptance Testing) is in progress. Both project budget and schedule are in red status. User Acceptance Testing (UAT) production platform in place; test plan development complete. System Integration Testing complete for COB; in progress for A-C and TTC.</p> <p>Risk Mitigation</p> <p>Budget Status On November 17, 2020, the Board approved two contract amendments: one for the primary vendor, Perspecta, in the amount of \$2,117,109 for the continuing modernization of the legacy Property Tax System, and one in the amount of \$397,927 for the vendor, ARK Technologies, that has supported the legacy system and assisted with the modernization effort.</p> <p>Schedule Status The Board approved the October 31, 2021, production-ready cutover date on November 17, 2020. The schedule has been impacted by the following:</p> <ul style="list-style-type: none"> COVID-19: There has been an impact to the project from COVID-19 and its remote working requirements. Though the project continues to move forward, a certain level of productivity and synergy have been lost due to the remote working model. The team is not as effective or efficient as when combined as a single unit at one County managed location. Additionally, team members have contracted the coronavirus, which has had some impact upon testing and UAT script preparation. System defect identification: The County's AC and TTC testers are finding a significant number of defects during the System's Integration Testing process. The identification of these defects has impacted the schedule as they must be addressed as part of the effort. 	85%

List is ordered by Managing Dept., then by Business Owner.

* Project has been rebaselined.

** Project will be baselined after initiation or procurement activities are complete.



On track; within 10% of budget/schedule



At risk; 10% - 20% over budget/schedule



Critical: >20% over budget/schedule

IT Project Dashboard (2 of 10)

Attachment A



Managing Dept.	Business Owner	Project Description	Budget	Schedule	Schedule / Budget	Project Phase - Status as of End of Reporting Period Key Highlights Since End of Reporting Period	% Completed
A-C	Multi	Workforce Time and Attendance Implementation - Replace the current Virtual Timecard Interface with three modules: Time & Attendance, Absence Compliance Tracker, and Advanced Scheduling, providing the County with an efficient online timecard tracking tool that meets federal and state regulations.			Planned Start: 04/29/20 Planned End: 12/31/21 02/21/22 03/08/21 Budget: \$ 4,899,728 Expended: \$ 947,863 Encumbered: \$ 1,412,326 Balance: \$ 2,539,540 Source: General Fund	Project Phase / Status Execution - Solution design and gap analysis documents delivered, reviewed, and approved. Application configuration initiated. Next steps include implementation of system interfaces; development of test plan and test cases; development of deployment plan; complete training schedule. Risk Mitigation - Orange County team members are carrying a heavy workload. This creates a risk to meeting County deliverables in a timely manner. Project manager will closely monitor activities and deadlines and be in close communication with both OC team members and vendor to make sure project deliverables are completed on time. - The project end date has been revised to 03/8/2022 to reflect a more realistic timeline. Schedule status is flagged "yellow."	27%
HCA	HCA	Business Intelligence & Analytics - Implement a system to allow for data mining, analytics, online analytical processing, monitoring, visibility of key historical and predictive modeling based data. System benefits include timely availability of key information, decision support systems, increased development and standardization of best practices, performance and outcomes measurement and improvements, more efficient and meaningful collaboration, production of reliable and accurate key metrics, and increased overall data accuracy, security and governance.	**	**	Planned Start: 07/01/18 Planned End: 12/31/21 Budget: \$ 3,000,000 Expended: \$ 0 Encumbered: \$ 0 Balance: \$ 3,900,000 Source: MHSA	Execution - Initiated project. Acquired Tableau and SAS applications and implemented on County servers. Provided initial training to technical staff. Conducted internal discussions on use cases with all program stakeholders. Made both systems available to limited staff for limited use. Upcoming work includes expansion of functional requirements and solution design. Risk Mitigation - Budget re-baselined and percent complete rebaselined downward from prior report after project delay due to COVID-19.	10%

List is ordered by Managing Dept., then by Business Owner.

* Project has been rebaselined.

** Project will be baselined after initiation or procurement activities are complete.



On track; within 10% of budget/schedule



At risk; 10% - 20% over budget/schedule



Critical: >20% over budget/schedule

IT Project Dashboard (3 of 10)

Attachment A



					Attachment B	
Managing Dept.	Business Owner	Project Description	Budget	Schedule	Project Phase - Status as of End of Reporting Period Key Highlights Since End of Reporting Period	% Completed
HCA	HCA	Electronic Health Records (EHR) Interoperability - Implement an acceptable and industry standards-driven interoperability solution for the EHR with HCA behavioral health service contract providers and other partners to allow a better integration of services and the sharing of key clinical and financial data, resulting in better care coordination, elimination of duplicate data entry and maintenance, easier collaborations and transitions of care amongst the provider community, and access to a more comprehensive clinical dataset for shared clients. This will also enable a more standardized approach to data definitions, terminology, vocabulary, security standards, and compliance.	**	**	<p>Execution - Conducted various technical and non-technical meetings with HIE vendor OCPRHIO and EHR vendor Cerner; budgetary quotes were submitted to HCA for review. Current HIE contract to be expanded to include related additional services. CHOC (Children's Hospital Orange County) had been identified as the initial contract provider to participate in this initiative, but based on focus and availability of CHOC resources, shifted focus now to a different provider, South Coast Community.</p> <p>Next steps include working with the vendor on data exchange requirements to meet specifications from Cerner and OCPRHIO.</p> <p>Risk Mitigation</p> <ul style="list-style-type: none"> - Consider potential impact of other County-driven data sharing initiatives and related connectivity and integration requirements. Continue collaboration and communication with all stakeholders. - Ensure participation by contract providers. Communicate and collaborate with contract providers to ensure adoption and use. In addition, engage in discussions and contract negotiation with CHOC to secure contract provider for the project. - The COVID-19 pandemic may require resources to be re-assigned to work on COVID-19 projects. Focus is shifting back to this project from pandemic-related activities. - Budget is based on MHSA funding. Unused budget at end of each fiscal year is no longer available for this project and will be reallocated to other BHS projects. Previous budget has been adjusted to reflect the amount of funds that can be expended on this project in FY20-21. 	50%

List is ordered by Managing Dept., then by Business Owner.

* Project has been rebaselined.

** Project will be baselined after initiation or procurement activities are complete.



On track; within 10% of budget/schedule



At risk; 10% - 20% over budget/schedule



Critical: >20% over budget/schedule

IT Project Dashboard (4 of 10)

Attachment A



Attachment B

Managing Dept.	Business Owner	Project Description	Budget	Schedule	Schedule / Budget	Project Phase - Status as of End of Reporting Period Key Highlights Since End of Reporting Period	% Completed
HCA	HCA	ePrescription for Controlled Substances - Implement a system to enable physicians to electronically prescribe controlled substances including opioids through the electronic health record system. This replaces the use of paper prescriptions, decreases risk of fraud and abuses of controlled substances, enables interaction checks and medication alerts, increases accuracy, efficiency, and promotes overall safety and quality of care.			Planned Start: 07/01/18 Planned End: 06/01/20 08/01/20 10/01/20 02/26/21 Budget: \$ 250,000 Expended: \$ 250,000 Encumbered: \$ 0 Balance: \$ 0 Source: MHSA	Closing - Development and staff training completed and project has gone live.	100%
HCA	Multi	System of Care Data Integration System (SOCDIS) - In examining the causes of homelessness and what can be done to address it, the County has identified the need to strengthen care coordination throughout five (5) systems that touch on individual care: Behavioral Health, Health Care, Housing, Benefits and Supportive Services, and Community Corrections. Collectively, these five (5) systems are referred to as the System of Care ("SOC"). In an effort to improve the performance of the County's SOC, the County is pursuing a strategy of Inter-Departmental collaboration and Data Systems Integration. System of Care Data Integration System ("SOCDIS") capability from IBM and to organize the products and implementation services as a project. SOCDIS consists of three releases - 1a, 1b, and 1c.			Planned Start: 03/25/20 Planned End: 06/30/21 Budget: \$ 12,905,154 Expended: \$ 9,829,217 Encumbered: \$ 0 Balance: \$ 3,075,937 Source: NCC & MHSA, CARES Act, WPC	Execution - Completed Virtual Client Record design for Release 1c. Established report design for Key Performance Indicators. Completed design sessions for AJS, Housing Pro and Techcare. Completed automatic referrals. Implemented Single Sign On. Next steps include completion of data migration, System Integration, User Acceptance testing for release 1c; User Acceptance Testing; training for users; and launch of release 1c. Risk Mitigation - ICMS (Probation data) "Seal and Destroy" requirement may need additional effort from IBM; contingency funds will be utilized if necessary.	85%

* Project has been rebaselined.

** Project will be baselined after initiation or procurement activities are complete.



On track; within 10% of budget/schedule



At risk; 10% - 20% over budget/schedule



Critical: >20% over budget/schedule

IT Project Dashboard (6 of 10)

Attachment A



Managing Dept.	Business Owner	Project Description	Budget	Schedule	Schedule / Budget	Project Phase - Status as of End of Reporting Period Key Highlights Since End of Reporting Period	% Completed
JWA	JWA	Building Automation System - This project is an upgrade to the existing Building Automation System at JWA which controls temperature and airflow to interior spaces of the Terminal building.			Planned Start: 08/07/19 Planned End: 10/30/20 12/16/20 02/26/21 06/30/21 Budget: \$ 452,695 Expended: \$ 362,156 Encumbered: \$ 0 Balance: \$ 90,539 Source: JWA	Execution - Completed installation of graphic user interface; conducted training for key staff; completed testing and system acceptance. Next steps include final revisions of graphics with technicians; conduct training for system startup and shutdown. Risk Mitigation - Vendor eliminated its in-house graphics production team in the middle of this project (presumably for cost savings). Vendor has provided an on-site graphics technician who is currently working with the JWA tech team for finalization of graphics. - Key vendor project lead unavailable to complete training until mid-May. Confirmed that project lead will be on-site at JWA the week of May 16 to complete training for system startup/shutdown and user account management. Project end date moved to June 30th.	95%
JWA	JWA	Emergency Phones - This project is an upgrade to both hardware and software of the existing emergency phone system at JWA.			Planned Start: 11/01/19 Planned End: 02/21/21 03/31/21 Budget: \$ 475,707 Expended: \$ 237,854 Encumbered: \$ 0 Balance: \$ 237,853 Source: JWA	Closing - Completed power and network connections; completed training for identified individuals; performed system testing and cutover to new system. Vendor to invoice for remainder of project funding.	100%

List is ordered by Managing Dept., then by Business Owner.

* Project has been rebaselined.

** Project will be baselined after initiation or procurement activities are complete.



On track; within 10% of budget/schedule



At risk; 10% - 20% over budget/schedule



Critical: >20% over budget/schedule

IT Project Dashboard (7 of 10)

Attachment A



Managing Dept.	Business Owner	Project Description	Budget	Schedule	Schedule / Budget	Project Phase - Status as of End of Reporting Period Key Highlights Since End of Reporting Period	% Completed
JWA	JWA	Network Redesign for John Wayne Airport - Implement a new network infrastructure, using the latest industry standard and technology, to address increasing network traffic volume, eliminate network congestion issues, and provide system redundancy. Scope includes Phase 1, recommendations for network remediations and deployment plan, and Phase 2, network refresh implementation.			Planned Start: 01/07/19 Planned End: 06/30/21 11/23/21 Budget: \$ 4,330,000 Expended: \$ 1,154,878 Encumbered: \$ 852,099 Balance: \$ 2,323,023 Source: JWA	Execution - Finished procurement of equipment. Fiber run in progress. Procured three additional cabinets for IDF (Intermediary Distribution Frame). Next steps include completion of power for UPS at IDF; completion of fiber run; core build out; and initiation of migration of admin users. Risk Mitigation <ul style="list-style-type: none"> - Fiber run and power for UPS delayed; County changed cabling vendors to fulfill the fiber requirements; OCPW to complete power install by Q4 FY20-21. - Boingo and AT&T integration at risk; technical discussions continue with vendors to mitigate. - Re-baselined schedule due to project delays outside of County control. 	52%
JWA	JWA	Video Management System (VMS) - This project is the video recording and storage system for the CCTV system. It is a component of the P409 capital project to upgrade the Airport's Sheriff Control Center and the Airport's Service Desk and have them co-located.			Planned Start: 02/20/20 Planned End: 10/15/20 11/23/20 01/31/21 03/31/21 06/30/21 Budget: \$ 4,788,162 Expended: \$ 4,619,365 Encumbered: \$ 168,797 Balance: \$ 0 Source: JWA	Execution - Completion of network and stabilization activities; completed camera migration/cutovers. Project to be completed in next quarter. Risk Mitigation <ul style="list-style-type: none"> - Due to impacts from COVID-19 and coordination with JWA IT projects, delivery of certain materials are impacted. Substantial completion is now anticipated in late June 2021. Project schedule has been extended to June 30, 2021. - Issues have arisen associated with software configuration with existing systems and other JWA software being introduced by other projects. - Client continues to request additional scope items. Evaluate additional scope items and approve only scope necessary to complete VMS work. 	97%

List is ordered by Managing Dept., then by Business Owner.

* Project has been rebaselined.

** Project will be baselined after initiation or procurement activities are complete.



On track; within 10% of budget/schedule



At risk; 10% - 20% over budget/schedule



Critical: >20% over budget/schedule

IT Project Dashboard (8 of 10)

Attachment A



Managing Dept.	Business Owner	Project Description	Budget	Schedule	Schedule / Budget	Project Phase - Status as of End of Reporting Period Key Highlights Since End of Reporting Period	% Completed
OCIT	County wide	eGov - Web Content Management System - Develop corporate style guides and website templates; design and migrate all legacy public-facing websites to the new platform.			Planned Start: 02/04/20 Planned End: 09/13/21 Budget: \$ 1,100,000 Expended: \$ 548,462 Encumbered: \$ 74,704 Balance: \$ 476,834 Source: General Fund/ NGF	Execution - New website development, legacy website content migration, testing and production go-live completed for four additional agencies/departments: Probation, Treasurer-Tax Collector, Office of Independent Review, and Health Care Agency. Next steps include discovery, website design, legacy content migration, search engine configuration, testing and production go-live for OC Community Resources, OC Animal Care, OC Parks, OC Housing and Community Development, and OC Housing Authority.	67%
OCIT	County wide	Identity Governance & Administration - consists of four phases: Phase 1: Global Address List (GAL) synchronization; Phase 2: Self-Service Password Reset; Phase 3: Portal for user and group management; Phase 4: Automated user-provisioning and de-provisioning using HR database as the authoritative source			Planned Start: 07/01/18 Planned End: 05/14/21 Budget: \$ 800,000 Expended: \$ 840,587 Encumbered: \$ 0 Balance: \$ (40,587) Source: General Fund	Execution - Completed the last project phase, HR integration. Upcoming tasks include project close-out and post-production deployment support. Risk Mitigation - Documentation for end users and administrators incomplete, putting product adoption at risk. To initiate workgroup to document user manual and FAQs; initiate awareness campaign. These will be post-deployment activities and not formally part of this project.	99%

List is ordered by Managing Dept., then by Business Owner.

* Project has been rebaselined.

** Project will be baselined after initiation or procurement activities are complete.



On track; within 10% of budget/schedule



At risk; 10% - 20% over budget/schedule



Critical: >20% over budget/schedule

IT Project Dashboard (9 of 10)

Attachment A



Managing Dept.	Business Owner	Project Description	Budget	Schedule	Schedule / Budget	Project Phase - Status as of End of Reporting Period Key Highlights Since End of Reporting Period	Attachment B	% Completed
OCIT	County wide	OC Agenda - Implement an Agenda Management replacement solution that meets the County's requirements of the agenda process lifecycle (creating Agenda Staff Reports (ASRs), compiling ASRs/publishing agendas, posting meeting minutes, and archiving).			Planned Start: 05/07/20 Planned End: 06/30/21 Budget: \$ 1,515,789 Expended: \$ 331,844 Encumbered: \$ 52,000 Balance: \$ 1,131,945 Source: General Fund	Execution - Pre-Meeting functionality – User Acceptance Testing (UAT) in progress. Requirements finalized for In-Meeting & Post-Meeting functionality; configuration in process with vendor. Finalized product roadmap items for go-live. Product in development. Next steps include finalizing custom workflow requirements for all departments; testing data migration; completion of UAT; completion of training. Risk Mitigation - Vendor continues to work through a myriad of issues related to the integration with Microsoft to seamlessly interface with MS Word. The remaining roadblock is the interoperability with the govt. licensing. This is a critical path issue that puts this project schedule at severe risk. Until the County sees a resolution the overall project progress is in jeopardy. The County continues to work closely with the vendor on this critical path item. In addition to escalating within Microsoft, the vendor and the County are working through a proof of concept to use OneDrive as the collaboration solution. - Vendor assumption is that OC's functional requirements will be met with product configuration. If a gap between the product and County requirement is identified, the County and vendor will need to work out an acceptable solution. Vendor to directly engage with the stakeholders as much possible during the information gathering and gap analysis.		40%
OCIT	Multi	Computerized Maintenance Management System (CMMS) - Replace the existing legacy systems with a centralized repository for all County's real estate assets, starting with OCSD, OCPW and CEO/Real Estate.		*	Planned Start: 12/06/17 Planned End: 05/31/20 10/31/20 06/30/21 Budget: \$ 6,595,299 Expended: \$ 5,689,452 Encumbered: \$ 113,066 Balance: \$ 792,781 Source: General Fund	Execution - 12 of 12 O&M customer interfaces developed and in final phase of testing. AiMCAD module: all drawing services completed, uploaded in AIM with position data. Data Conversion: County sign-off of final ETLs; data uploads on-going. O&M module: County sign-off of final SOPs; final walkthrough of SOPs with the project teams & AssetWorks. ReADY module: module completed and ready for Go Live. CPPM module: business process analysis is approved; finalizing SOPs. Upcoming tasks include completion of custom interfaces and all remaining modules. Risk Mitigation - The risk of a non-integrated solution was escalated to AssetWorks executives. In response, AssetWorks assigned an additional resource to serve as the County Enterprise Product Manager to review the overall solution holistically to ensure that all the modules and data will work as an Enterprise system. The County is confident that AssetWorks now understands the enterprise solution and has a clear path to move forward.		85%

* Project has been rebaselined.

** Project will be baselined after initiation or procurement activities are complete.

On track; within 10% of budget/schedule

At risk; 10% - 20% over budget/schedule

Critical: >20% over budget/schedule

IT Project Dashboard (10 of 10)

Attachment A



					Attachment B	
Managing Dept.	Business Owner	Project Description	Budget	Schedule	Project Phase - Status as of End of Reporting Period Key Highlights Since End of Reporting Period	% Completed
OCIT	Multi	OCCR & OCPW Voice Migration - Migrate voice system to the County's enterprise solution		Planned Start: 06/05/20 Planned End: 04/16/21 07/31/21 Budget: \$ 320,302 Expended: \$ 297,881 Encumbered: \$ 0 Balance: \$ 22,421 Source: General Fund	Execution - Completed voice migrations for OCCR, OCPW, and Parks Aruba locations. e911 testing underway. Next steps are to complete e911 testing and port numbers to AT&T. Risk Mitigation - Schedule re-baselined due to delays in e911 testing outside of County control.	90%
OCIT	Multi	ServiceNow for Shared Services - Implement a single ticketing system for all Shared Services departments; transition Shared Services departments to a unified call center model; deploy automated discovery tools to capture infrastructure components; and modify ServiceNow portal and service catalog to provide for an efficient and user-friendly customer service experience.		* Planned Start: 07/01/17 Planned End: 06/30/20 12/31/20 06/30/21 Budget: \$ 490,000 Expended: \$ 245,204 Encumbered: \$ 0 Balance: \$ 244,796 Source: General Fund	Execution - Completed configuration and implementation of ServiceNow for Probation; cutover date is 4/2/21. Added self-service password reset (SSPR) feature to ServiceNow test portal. Initiated discovery for Service Catalog requirements gathering. Next steps to include deployment of SSPR to ServiceNow production environment; review of Service Catalog metrics to eliminate unused service items. Risks and Issues - Began discovery on Service Catalog metrics in January 2021. Catalog revisions delayed to June 2021. Target deployment pushed to late summer 2021. No impact will be experienced by customer. New end date to be determined in FY20-21 Q4.	82%

List is ordered by Managing Dept., then by Business Owner.

* Project has been rebaselined.

** Project will be baselined after initiation or procurement activities are complete.



On track; within 10% of budget/schedule



At risk; 10% - 20% over budget/schedule



Critical: >20% over budget/schedule

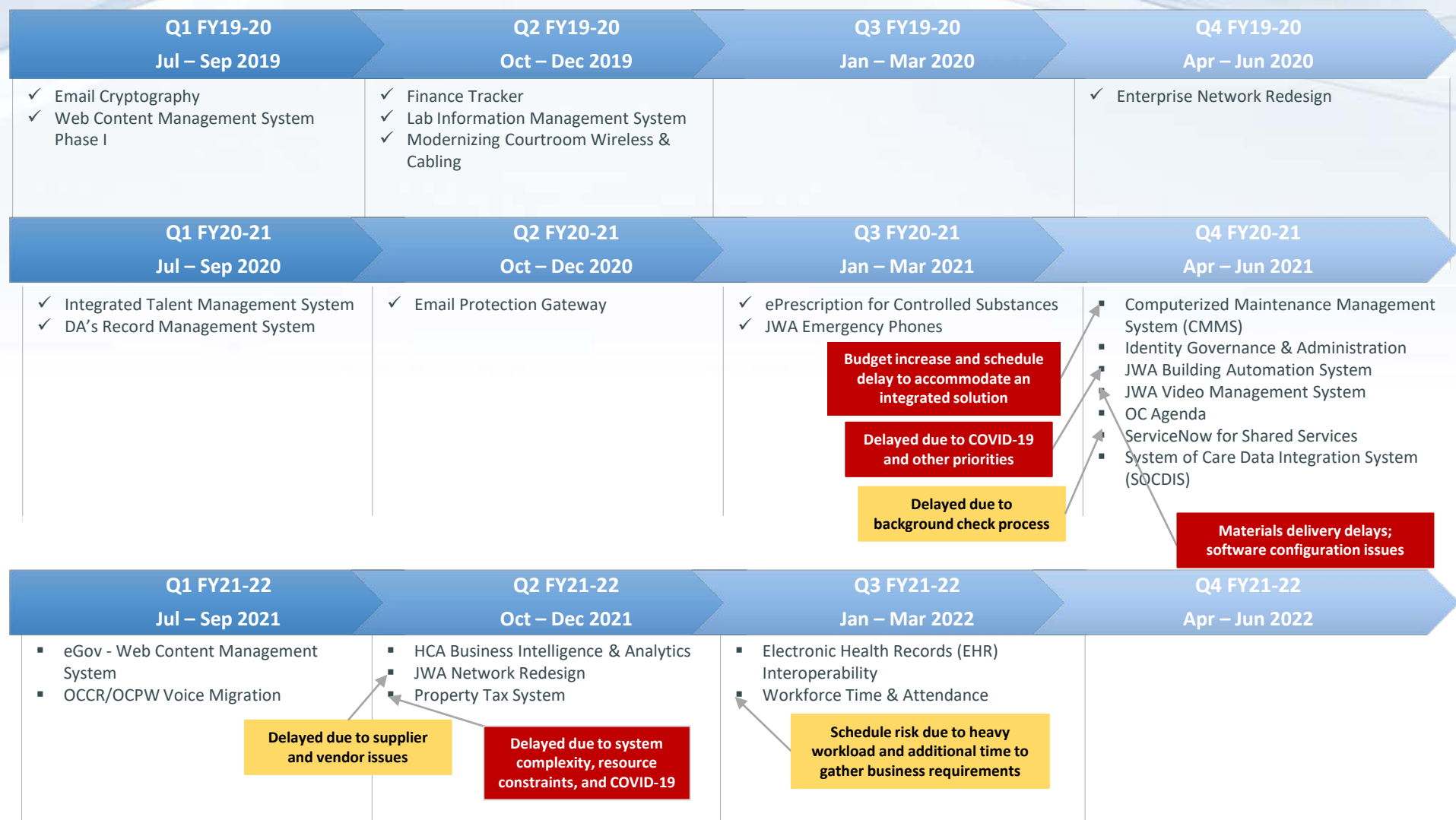
Project Landing Map

Attachment A



Attachment B

The map below depicts when project benefits are realized.



✓ Project has been completed.
 ** Project will be baselined after initiation or procurement activities are complete.



Memorandum

August 19, 2021

AOC Agenda Item No. 14

TO: Audit Oversight Committee Members

Recommended Action:

Receive Internal Audit Department's Fiscal Year 2020-21 Key Performance Indicator Report

Receive Internal Audit Department's Fiscal Year 2020-21 Key Performance Indicator Report, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – KPI Status Report Fiscal Year 2020-21



INTERNAL AUDIT DEPARTMENT



Key Performance Indicators – Fiscal Year 2020-21 Results

Report Date: July 28, 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

July 28, 2021

To: Audit Oversight Committee Members

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

Subject: Key Performance Indicators – Fiscal Year 2020-21 Results

Attached for your review are the results of Internal Audit Department's (IAD) Key Performance Indicators (KPI) for Fiscal Year 2020-21. We measure our performance utilizing 12 KPIs that align with our mission statement and cover the following four areas:

1. Providing Department-Focused Services
2. Executing High Quality Work
3. Facilitating Cost-Effective Projects
4. Promoting Professional Development

During Fiscal Year 2020-21, IAD met 10 (83%) out of the 12 KPIs. The two KPIs not met related to "Risk-Based Audit Coverage," under Providing Department-Focused Services, and "Reporting," under Executing High Quality Work. Specifically, IAD was not able to allocate all available audit staffing to high-risk or high-priority areas due to audit staff assisting in handling administrative duties as a result of vacancies in our administrative services section. In addition, we did not meet our KPI to issue a draft report for 80% of our engagements within six months of fieldwork. Specifically, we only met our target for 67% of our engagements due to two field staff being unavailable part of the year and staff assisting in handling administrative duties. IAD is working on recruitments for a staff specialist and a senior auditor and anticipates filling both positions by September 2021. We are confident that with these positions filled, IAD will meet all 12 KPIs in Fiscal Year 2021-22.

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



INTERNAL AUDIT DEPARTMENT

KEY PERFORMANCE INDICATORS – FISCAL YEAR 2020-21 RESULTS

The mission of the Internal Audit Department (IAD) 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.

The IAD supports and assists the Board and County management in the realization of their business goals and objectives. The IAD's contribution to this effort is testing and reporting on the effectiveness of their internal control systems and processes. County management relies on these systems and processes for safeguarding the County's assets and resources, reasonable and prudent financial stewardship, accurate recording and reporting, and achieving the County's goals and objectives.



Our KPIs align with our mission and are focused on four areas.

PROVIDE DEPARTMENT-FOCUSED SERVICES

1. Customer Service: We request that departments complete a customer service survey after every audit. Our goal is to achieve an average overall rating of 4.0 or higher.

MET. Average rating was **4.7**

NOT MET. During FY 2020-21, IAD was not able to allocate 506 hours of available audit staffing to high-risk or high-priority areas.

2. Risk-Based Audit Coverage:

Allocating resources to high-risk areas and business processes helps ensure effective allocation of limited audit resources. Our goal is to have 100% of available staffing resources applied to high-risk business processes or high-priority areas as requested by the Board, CEO, or department heads.

3. Transparency of Audit Function:

Posting reports we issue demonstrates accountability for our work to the public. Our goal is to have 100% of reports issued, posted to the department website for public viewing within five business days of release.

MET. All reports issued were posted to the department website within five business days of release.



INTERNAL AUDIT DEPARTMENT

KEY PERFORMANCE INDICATORS – FISCAL YEAR 2020-21 RESULTS

EXECUTE HIGH-QUALITY WORK

4. RECOMMENDATIONS CONCURRED WITH BY MANAGEMENT

80% of audit recommendations receive a management response of concur or partially concur.

MET. All recommendations issued received a management response of concur or partially concur.

Demonstrates our commitment to partner with departments to improve operations and that our recommendations add value and have merit.

5. AUDIT PLAN APPROVAL

Receive approval from the Audit Oversight Committee (AOC) and Board of Supervisors on the Annual Risk Assessment & Audit Plan, and receive quarterly approval from the AOC for any adjustments/updates.

MET. The FY 2020-21 audit plan and all quarterly status updates were appropriately approved by the AOC and the Board.

Preparation of a risk-based audit plan provides a road map for audit coverage and provides resource allocation information to stakeholders and those charged with oversight.

6. QUALITY ASSESSMENT REVIEWS

Cause an external quality assessment to be completed every five years and receive a generally conforms opinion.

MET. The next assessment will not be due until June 2023.

Quality assessments are required by professional audit standards and help ensure the audit function is performing its duties in an effective and efficient manner.

7. FOLLOW-UP AUDITS

90% of audit engagements are followed-up on within one year of the initial audit report issuance date.

MET. 93% of first follow-up audits had draft reports issued within one year of the initial audit report issuance date.

Follow-up of initial audit recommendations is required by professional standards and help ensure departments address agreed upon audit recommendations in a timely manner.

8. REPORTING

80% of audit engagements result in issuance of a draft report within six months of fieldwork commencement.

NOT MET. 67% of audit engagements resulted in issuance of a draft report within six months of fieldwork commencement. Two of seven field staff were not available the entire year, impacting our ability to issue draft reports timely.

Prompt issuance of draft reports to departments can demonstrate effective engagement management and provides timely recommendations to enable faster corrective action.



INTERNAL AUDIT DEPARTMENT

KEY PERFORMANCE INDICATORS – FISCAL YEAR 2020-21 RESULTS

FACILITATE COST-EFFECTIVE PROJECTS



9. AUDIT BUDGETS

93%

MET. 93% of engagements were completed within 125% of the approved budget.

Effective management of audit operations requires ensuring engagements adhere to approved budgets. Our goal is to have 80% of engagements completed within 125% of the approved budget.



10. CHARGEABLE TIME

82%

MET. 82% of staff productive work hours were charged to audit or advisory engagements.

Time charged directly to audit or advisory engagements demonstrates resources being applied to the benefit of County departments and minimizing non-chargeable "overhead". Our goal is to have 80% of staff productive work hours charged to audit or advisory engagements.

PROMOTE PROFESSIONAL DEVELOPMENT

11. CPA LICENSE OR PROFESSIONAL CERTIFICATIONS FOR MANAGEMENT

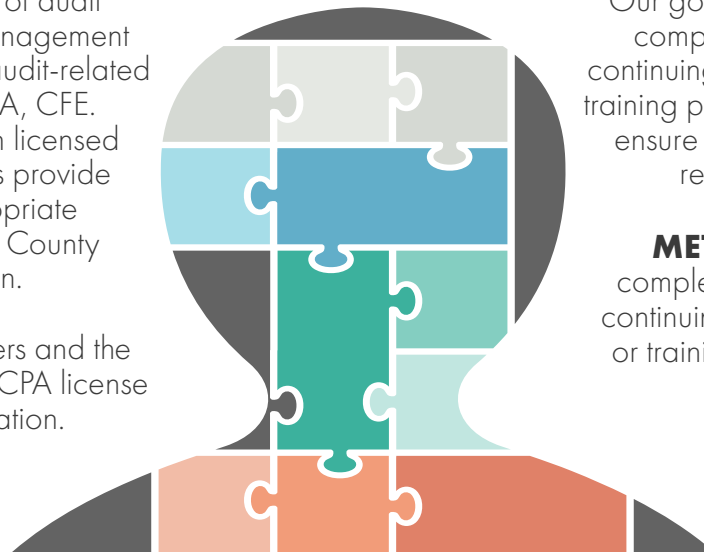
Our goal is to have 100% of audit managers and executive management possess a CPA license or an audit-related certification, e.g. CIA, CISA, CFE. Staffing the department with licensed or certified managers helps provide assurance there is appropriate knowledge and skill in the County internal audit function.

MET. 100% of audit managers and the executive manager possess a CPA license or audit-related certification.

12. PROFESSIONAL TRAINING FOR STAFF

Our goal is to have 100% of staff complete at least 40 hours of continuing professional education or training per fiscal year. Training helps ensure staff skills are current and relevant to our mission.

MET. 100% of staff have completed at least 40 hours of continuing professional education or training during the fiscal year.





Memorandum

August 19, 2021

AOC Agenda Item No. 15

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Internal Audit Department's Independence

Receive Report on Internal Audit Department's Independence, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – Report on Internal Audit Department's Independence



INTERNAL AUDIT DEPARTMENT

July 27, 2021

To: Audit Oversight Committee Members

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

Subject: Report on Internal Audit Department's Independence

The International Standards for the Professional Practice of Internal Auditing (Standards) of the Institute of Internal Auditors requires that the chief audit executive confirm to the Board, at least annually, the organizational independence of the internal audit activity (Standard 1110).

To that end, this memo serves to confirm that for the period of July 1, 2020 through June 30, 2021, the Internal Audit Department's internal audit activity has been free from interference in determining the scope of internal auditing, performing work, and communicating results. For example, during this period, the Board of Supervisors and Audit Oversight Committee approved the Annual Risk Assessment & Audit Plan for FY 2021-22, appropriately received communications from the chief audit executive regarding the internal audit activity's performance relative to its plan and other matters, and made appropriate inquiries of management and the chief audit executive to determine whether there were inappropriate scope or resource limitations.

This report on independence will also be presented to the Board of Supervisors at its September 28, 2021 meeting.



Memorandum

August 19, 2021

AOC Agenda Item No. 16

TO: Audit Oversight Committee Members

Recommended Action:

Discuss COVID-19 Reopening and Its Effects on Internal Controls in the County

Discuss COVID-19 Reopening and Its Effects on Internal Controls in the County, as stated in the recommended action.



Memorandum

August 19, 2021

AOC Agenda Item No. 17

TO: Audit Oversight Committee Members

Recommended Action:

Discuss Property Tax System Upgrade and Other County Critical IT Systems Upgrades

Discuss Property Tax System Upgrade and Other County Critical IT Systems Upgrades, as stated in the recommended action.