

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



REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE
ORANGE COUNTY, CA

Thursday, August 19, 2021, 10:00 A.M.

Meeting Held by Teleconference

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

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

MARK WILLE, CPA (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, 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
Jessica Guerrero, Proxy for Supervisor Chaffee
Michelle Aguirre, Proxy for CEO Frank Kim
Yvonne Rowden, Private Sector Member
Stella Acosta, Private Sector Member

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

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1. Roll call

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

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

Mr. Brown asked for a motion to approve the Audit Oversight Committee Regular Meeting Minutes of May 13, 2021.

Motion to approve the Meeting Minutes of May 13, 2021 by Mr. Mark Wille, seconded by Ms. Jessica Guerrero.

Via roll call: five in favor, two absent, one abstention.

Approved as recommended.

3. 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.

4. Receive Presentation by Orange County Employees Retirement System (OCERS) Regarding Current and Future Funding

Ms. Michelle Aguirre, Chief Financial Officer, introduced Mr. Steve Delaney, Chief Executive Officer of OCERS. Mr. Delaney provided an overview of who OCERS serves, current and future funding, and the impact on employer contribution rates.

5. 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

Mr. Aggie Alonso, Director of Internal Audit, presented the 4th Quarter Status Report and Executive Summary of Internal Audit Reports for the Quarter Ended June 30, 2021. The Internal Audit Department (IAD) issued three final reports, eight follow-up reports, and eight pre-draft/draft reports during this period.

Internal Audit will report back to the AOC on one recommendation related to their Auditor-Controller Claims Review that was in process after the Second Follow-Up Audit, but no report will be issued.

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

Via roll call: six in favor, two absent.

Approved as recommended.

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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

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 June 30, 2021. For the reporting period, there was one material issue reported by the Health Care Agency, which resulted in a variance of \$1.5 million. The variance was due to the methodology used to calculate administrative costs and the State's Federal Financial Participation percentage usage.

Motion to approve the Quarterly External Audit Activity Status Report for the Quarter Ended June 30, 2021 by Mr. Mark Wille, seconded by Ms. Michelle Aguirre.

Via roll call: six in favor, one absent.

Approved as recommended.

7. Revised Audit Oversight Committee Administrative Procedures 1 and 2

Mr. Alonso discussed the proposed changes to the Administrative Procedures for the Audit Oversight Committee. The change to Procedure 1 changes the management response deadline from 60 days to 30 days, which will result in more timely final report issuance. The change to Procedure 2 removes the annual requirement of having departments report expected audits. Eliminating this requirement will result in time savings for departments and Internal Audit, as External Audit activity will still be reported quarterly.

8. Discuss Internal Audit Department IT Auditor Recruitment

Mr. Alonso stated that IAD is still in the process of recruiting a Senior Auditor. Based on preliminary reviews, none of the applicants had a background in IT, which makes it hard to hire someone with IT experience at that level. Mr. Alonso stated that IAD is also working on filling the Staff Specialist position.

Ms. Stella Acosta, Public Sector Member, suggested that IAD consider offering an internship program so that students have an opportunity to learn and the department benefits from not having to make a long-term staffing commitment. Mr. Alonso stated that IAD will explore the County of Orange's internship program.

9. Discuss Good Governance for Oversight Compensation

Mr. Alonso introduced Tom Hatch, Chief Human Resources Officer, who provided an overview of the Executive Salary Administration/Authority and the Executive Manager Salary Adjustment Policy.

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

Mr. Frank Davies, Auditor-Controller, provided a status report of the Mandated Audits for the quarter ended June 30, 2021.

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11. Receive Report on Status of Performance Audits

Ms. Lala Ragen, Director, Performance Management and Policy, provided a status report of Performance Audits for Fiscal Year 2019-20. Mr. Brown appointed a subcommittee for the Performance Audit of the Treasurer-Tax Collector that would ensure the recommendations are implemented.

The subcommittee for the Treasurer-Tax Collector Performance Audit consists of four voting members: Mr. Robert Brown, Mr. Mark Wille, Ms. Stella Acosta, and the Chief Executive Officer (proxy Michelle Aguirre); two non-voting members: Shari Freidenrich and Aggie Alonso; and County Counsel: Ronnie Magsaysay.

12. Receive Report on eProcurement

Ms. Aguirre provided an overview of the County's eProcurement status. Ms. Aguirre indicated that each county classifies eProcurement differently and based on recent San Jose State University research, the County of Orange would be considered an "Advanced Level" eProcurement county.

13. Receive Cybersecurity Report on OCIT's Preparedness for Ransomware Attacks

Mr. Joel Golub, Chief Information Officer, introduced Mr. Rafael Linares, Chief Information Security Officer, who provided a report with information on OCIT's preparedness for ransomware attacks.

14. Receive Internal Audit Department's Fiscal Year 2020-21 Key Performance Indicator Report

Mr. Alonso presented the results of IAD's Key Performance Indicators (KPI) for fiscal year 2020-21 and indicated that IAD met 10 of 12 KPIs and provided plans to meet those KPIs in the future.

15. Receive Report on Internal Audit Department's Independence

Mr. Alonso presented the Internal Audit Department's (IAD) Report on Independence. Mr. Alonso stated that for the period of June 1, 2020 to June 30, 2021, the IAD activity was free from interference in determining the audit scope, performing the work, and issuing the results. IAD will be communicating their independence report to the highest governing body in accordance with standards. The report will be presented to the Board of Supervisors at the meeting to be held on September 28, 2021.

16. Discuss COVID-19 Reopening and Its Effects on Internal Controls in the County

Ms. Aguirre stated that the County Executive Office worked with departments to develop their reopening plans. Each department has discretion on when and how to return to the office.

17. Discuss Property Tax System Upgrade and Other County Critical IT Systems Upgrades

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Mr. Davies stated that the Property Tax System Upgrade is requiring a lot of manual programming, which is causing the significant delays. The Auditor-Controller's Office is cautiously optimistic that the October 2021 production date will be met.

PUBLIC COMMENTS: None

AOC COMMENTS: None

ADJOURNMENT: Meeting adjourned at 12:43 P.M.

NEXT MEETING:

Regular Meeting, November 4, 2021 at 10:00 A.M.