

# A G E N D A



## REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE

**Thursday, August 11, 2022, 10:00 a.m.**

### **MEETING HELD IN-PERSON ONLY**

County Administration South  
601 N. Ross St. Multipurpose Rooms 103/105  
Santa Ana, CA 92701

**MARK WILLE, CPA**

AOC CHAIR

Private Sector Member, Third District

**STELLA ACOSTA, CPA**

AOC VICE CHAIR

Private Sector Member, Fourth District

**SUPERVISOR DOUG CHAFFEE**

BOARD CHAIRMAN

Fourth District

Member

**SUPERVISOR DON WAGNER**

BOARD VICE CHAIRMAN

Third District

Member

**FRANK KIM**

COUNTY EXECUTIVE OFFICER

Member

**DREW ATWATER**

Private Sector Member, First District

**YVONNE ROWDEN**

Private Sector Member, Second District

**ROBERT BROWN**

Private Sector Member, Fifth 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>Mark Wille, CPA AOC Chair</i>
2. Approve Audit Oversight Committee Regular Meeting Minutes of May 19, 2022	<i>Mark Wille, CPA AOC Chair</i>
3. Approve Audit Oversight Committee Special Meeting Minutes of June 20, 2022	<i>Mark Wille, CPA AOC Chair</i>
4. Receive Presentation by Orange County Employees Retirement Systems (OCERS) Regarding Current and Future Funding	<i>Michelle Aguirre Chief Financial Officer County Executive Office  Steve Delaney Chief Executive Officer OCERS</i>
5. Receive Report on Required Communication from External Auditors	<i>Roger Alfaro, CPA Partner, Eide Bailly LLP</i>
6. Approve Internal Audit Department's Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended June 30, 2022	<i>Aggie Alonso, CPA Director Internal Audit Department</i>
7. Approve External Audit Activity Status Report for the Quarter Ended June 30, 2022, and Receive Report on Status of External Audit Recommendations Implementation	<i>Scott Suzuki, CPA Assistant Director Internal Audit Department</i>
8. Receive Report on Status of Auditor-Controller Mandated Audits for the Quarter Ended June 30, 2022	<i>Michael Steinhaus, CPA Auditor-Controller</i>
9. Receive Auditor-Controller Internal Audit Charter and Fiscal Year 2022-23 Audit Plan	<i>Frank Davies, CPA Auditor-Controller</i>
10. Receive Report on Status of Performance Audits for the Quarter Ended June 30, 2022	<i>Lilly Simmering Deputy County Executive Officer</i>
11. Receive Update on Treasurer-Tax Collector Performance Audit Subcommittee	<i>Mark Wille, CPA AOC Chair  James Kim Assistant Treasurer-Tax Collector</i>
12. Discuss Suggested Department Head Training of the Annual Comprehensive Financial Report (ACFR)	<i>Mark Wille, CPA AOC Chair</i>
13. Receive Report on eProcurement	<i>Michelle Aguirre Chief Financial Officer</i>

# A G E N D A

## Speaker

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- |   |   |
|---|---|
| 14. Receive Internal Audit Department's Fiscal Year 2021-22 Key Performance Indicators Report | <i>Aggie Alonso, CPA<br/>Director<br/>Internal Audit Department</i> |
| <hr/>   |   |
| 15. Receive Report on Internal Audit Department's Independence                                | <i>Aggie Alonso, CPA<br/>Director<br/>Internal Audit Department</i> |
| <hr/>   |   |
| 16. Receive Update on County IT Projects Quarterly Progress Report                            | <i>KC Roestenberg<br/>Chief Information Officer</i>                 |
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**PUBLIC COMMENTS:** At this time, members of the public may address the AOC on any matter not on the agenda but within the jurisdiction of the AOC. The AOC may limit the length of time everyone may have to address the Committee.

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*Mark Wille, CPA  
AOC Chair*

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

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*Mark Wille, CPA  
AOC Chair*

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## **ADJOURNMENT:**

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## **NEXT MEETING:**

Regular Meeting, November 10, 2022, 10:00 a.m.

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# Memorandum

August 11, 2022

**AOC Agenda Item No. 2**

TO: Audit Oversight Committee Members

Recommended Action:

Approve Audit Oversight Committee Regular Meeting Minutes of May 19, 2022

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Approve Audit Oversight Committee Regular Meeting Minutes of May 19, 2022, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Summary of Regular Minutes for May 19, 2022 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 19, 2022, 10:00 A.M.**

County Administration South  
601 N. Ross St. Multipurpose Rooms 103/105  
Santa Ana, CA 92701

**MARK WILLE, CPA**

AOC CHAIR

Private Sector Member, Third District

**STELLA ACOSTA, CPA**

AOC VICE CHAIR

Private Sector Member, Fourth District

**SUPERVISOR DOUG CHAFFEE**

BOARD CHAIRMAN

Fourth District

Member

**SUPERVISOR DON WAGNER**

BOARD VICE CHAIRMAN

Third District

Member

**FRANK KIM**

COUNTY EXECUTIVE OFFICER

Member

**DREW ATWATER**

Private Sector Member, First District

**YVONNE ROWDEN**

Private Sector Member, Second District

**ROBERT BROWN**

Private Sector Member, Fifth District

**Non-Voting Members**

Auditor-Controller:

Treasurer-Tax Collector:

Internal Audit Director:

Frank Davies, CPA

Shari Freidenrich, CPA

Aggie Alonso, CPA

**Staff**

Assistant Internal Audit Director:

Deputy County Counsel:

AOC Clerk:

Scott Suzuki, CPA

Ronnie Magsaysay

Mari Elias

**ATTENDANCE:** Mark Wille, AOC Chairman, Private Sector Member  
Stella Acosta, AOC Vice Chair, Private Sector Member  
Patricia Welch-Foster, Proxy for Supervisor Wagner  
Michelle Aguirre, Proxy for CEO Frank Kim  
Yvonne Rowden, Private Sector Member  
Drew Atwater, Private Sector Member  
Robert Brown, 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. Mark Wille, 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 February 10, 2022

Mr. Wille asked for a motion to approve the Audit Oversight Committee Regular Meeting Minutes of February 10, 2022.

**Motion to approve the Meeting Minutes of February 10, 2022, by Mr. Robert Brown, seconded by Mr. Drew Atwater.**

**Seven in favor, one absent.**

**Approved as recommended.**

## 3. Approve Audit Oversight Committee Regular Meeting Minutes of February 22, 2022

Mr. Wille asked for a motion to approve the Audit Oversight Committee Regular Meeting Minutes of February 22, 2022.

**Motion to approve the Meeting Minutes of February 22, 2022, by Mr. Robert Brown, seconded by Mr. Drew Atwater.**

**Seven in favor, one absent.**

**Approved as recommended.**

## 8. Receive Report on Status of Auditor-Controller Mandated Audits for the Quarter Ended March 31, 2022

Mr. Frank Davies, Auditor-Controller, introduced Sal Lopez, Chief Deputy Auditor-Controller. Mr. Lopez provided a status report of the Mandated Audits for the quarter ended March 31, 2022.

## 14. Discuss Status of External Auditor Procurement Process

Mr. Davies stated that, in conformance with the County's procurement process, his office is requesting that the AOC Chairman confidentially appoint an AOC member for the evaluation committee to review submitted Requests for Proposals. Requests for Proposals will be published this summer.

## 17. Discuss Annual Comprehensive Financial Report (ACFR) Special Meeting/Training

Mr. Wille stated that, in an overabundance of caution to Brown Act requirements, an ACFR Special Meeting will be scheduled on June 20<sup>th</sup> from 9 AM – 10:30 AM. Mr. Davies requested that the AOC members review the ACFR and send specific questions ahead of time.

# S U M M A R Y   M I N U T E S

## **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 Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended March 31, 2022**

Mr. Aggie Alonso, Director of Internal Audit, presented the Quarterly Status Report and Executive Summary of Internal Audit Reports for the Quarter Ended March 31, 2022.

**Motion to approve Internal Audit Department's Quarterly Status Report and approve Executive Summary of Internal Audit Reports for the Quarter Ended March 31, 2022, by Mr. Robert Brown, seconded by Ms. Stella Acosta.**

**Seven in favor, one absent.**

**Approved as recommended.**

## **6. Approve Internal Audit Department's Annual Risk Assessment & Audit Plan for FY 2022-23**

Mr. Alonso presented the Internal Audit Department's Annual Risk Assessment & Audit Plan for FY 2022-23.

**Motion to approve Internal Audit Department's Annual Risk Assessment & Audit Plan for FY 2022-23, by Ms. Michelle Aguirre, seconded by Mr. Robert Brown.**

**Seven in favor, one absent.**

**Approved as recommended.**

## **7. Approve External Audit Activity Status Report for the Quarter Ended March 31, 2022, and Receive Report on Status of External Audit Recommendations Implementation**

Mr. Scott Suzuki, Assistant Director, presented the External Audit Activity Status Report for the Quarter Ended March 31, 2022. Mr. Suzuki stated there were two material findings during this reporting period.

**Motion to approve the External Audit Activity Status Report for the Quarter Ended December 31, 2021, by Mr. Drew Atwater, seconded by Ms. Yvonne Rowden.**

**Seven in favor, one absent.**

**Approved as recommended.**

## **9. Receive Report on Status of Performance Audits for the Quarter Ended March 31, 2022**

Ms. Lilly Simmering, Deputy County Executive Officer, provided a status report of Performance Audits for Fiscal Years 2019-20, 2020-21, 2021-22.

# S U M M A R Y   M I N U T E S

## 10. Receive Update on Treasurer-Tax Collector Performance Audit Subcommittee

Mr. Mark Wille provided an update on the Treasurer-Tax Collector (T-TC) Performance Audit subcommittee meetings. Mr. Wille stated that he's meeting with Ms. Aguirre, Ms. Freidenrich, and Mr. Kim on a regular basis to ensure T-TC has the resources needed to implement the recommendations.

## 11. Receive Update on Revised Reporting Process for Restricted Reports

Mr. Suzuki stated that Internal Audit re-evaluated its role in disclosing information for IT audits. Background information can be used by a threat actor and, therefore, the public information version of these reports will be further restricted. The Audit Oversight Committee Chair and Vice Chair will continue to receive a verbal update from the Director of Internal Audit.

## 12. Receive Report and Approve Revisions to the AOC Bylaws to Conform to the Bylaws Template for Use by County Boards, Commissions, and Committees

Mr. Robert Brown, Public Sector Member, stated that the AOC Chair appointed a subcommittee to review the AOC Bylaws due to the Board of Supervisors' directive to standardize all board, commissions, and committees' bylaws under its jurisdiction. In addition, the bylaws indicate they are to be reviewed no less than every 3 years and this review satisfies that requirement.

Mr. Ronnie Magsaysay, Deputy County Counsel, stated that most of the changes were administrative or practices the AOC already follows.

**Motion to approve the Revisions to the AOC Bylaws to Conform to the Bylaws Template for Use by County Boards, Commissions, and Committees, by Mr. Robert Brown, seconded by Mr. Drew Atwater.**

**Seven in favor, one absent.**

**Approved as recommended.**

## 13. COSO/Internal Control Training 2.0 Update

Mr. Alonso stated that the Auditor-Controller's office is in the process of updating policy on COSO/Internal Controls. Mr. Alonso added that the current Internal Control Training program was created within existing resources and time constraints. The upgraded training is expected to be rolled out in August of FY 2022-23, which will coincide with the release of the revisions to the COSO/Internal Controls policy.

## 15. Receive Report on eProcurement

Ms. Michelle Aguirre provided a status update on the eProcurement.

## S U M M A R Y   M I N U T E S

### **16. Receive Update on County IT Projects Quarterly Progress Report, Most Critical IT Challenge Impacting the County, and Best Practices for Password Tracking**

Mr. KC Roestenberg, Chief Technology Officer and Assistant Chief Information Officer, provided an update on the IT projects quarterly progress report and most critical IT challenge impacting the county. Mr. Rafael Linares, Chief Information Security Officer, presented on best practices for password tracking.

**PUBLIC COMMENTS:** None.

**AOC COMMENTS:** None

**ADJOURNMENT:** Meeting adjourned at 11:50 A.M.

**NEXT MEETING:**

Regular Meeting, August 11, 2022 at 10:00 A.M.



# Memorandum

August 11, 2022

**AOC Agenda Item No. 3**

TO: Audit Oversight Committee Members

Recommended Action:

Approve Audit Oversight Committee Special Meeting Minutes of June 20, 2022

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Approve Audit Oversight Committee Special Meeting Minutes of June 20, 2022, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Summary of Special Minutes for June 20, 2022 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

**Monday, June 20, 2022, 9:00 A.M.**

County Administration South  
601 N. Ross St. Multipurpose Rooms 103/105  
Santa Ana, CA 92701

**MARK WILLE, CPA**

AOC CHAIR

Private Sector Member, Third District

**STELLA ACOSTA, CPA**

AOC VICE CHAIR

Private Sector Member, Fourth District

**SUPERVISOR DOUG CHAFFEE**

BOARD CHAIRMAN

Fourth District

Member

**SUPERVISOR DON WAGNER**

BOARD VICE CHAIRMAN

Third District

Member

**FRANK KIM**

COUNTY EXECUTIVE OFFICER

Member

**DREW ATWATER**

Private Sector Member, First District

**YVONNE ROWDEN**

Private Sector Member, Second District

**ROBERT BROWN**

Private Sector Member, Fifth District

**Non-Voting Members**

Auditor-Controller:

Treasurer-Tax Collector:

Internal Audit Director:

Frank Davies, CPA

Shari Freidenrich, CPA

Aggie Alonso, CPA

**Staff**

Assistant Internal Audit Director:

Deputy County Counsel:

AOC Clerk:

Scott Suzuki, CPA

Ronnie Magsaysay

Mari Elias

**ATTENDANCE:** Mark Wille, AOC Chairman, Private Sector Member  
Jesus Gaona Perez, Proxy for Supervisor Chaffee  
Patricia Welch-Foster, Proxy for Supervisor Wagner  
Yvonne Rowden, Private Sector Member  
Robert Brown, Private Sector Member

**PRESENT:** 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. Mark Wille, Audit Oversight Committee (AOC) Chair, called the Special Meeting to order at 9:03 A.M. Attendance of AOC Members noted above. No quorum to the start of the meeting but proceeded as normal due to no voting items.

Special Meeting reached quorum at 9:23 due to Ms. Patricia-Welch Foster joining the meeting.

## 2. Discuss Annual Comprehensive Financial Report (ACFR)

Mr. Frank Davies welcomed attendees to the ACFR training and introduced Ms. Bertalicia Tapia, Financial Reporting Manager. Ms. Tapia provided an overview of the Auditor-Controller's Financial Reporting Unit and introduced Mr. Roger Alfaro and Ms. Jessica Andersen, Partners at Eide Bailly.

Mr. Alfaro provided an overview of the County's ACFR for the fiscal year ended June 30, 2021.

**PUBLIC COMMENTS:** None.

**AOC COMMENTS:** None

**ADJOURNMENT:** Meeting adjourned at 10:36 A.M.

**NEXT MEETING:**

Regular Meeting, August 11, 2022 at 10:00 A.M.





# Memorandum

August 11, 2022

**AOC Agenda Item No. 4**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Presentation by Orange County Employees Retirement Systems (OCERS) Regarding Current and Future Funding

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Receive Presentation by Orange County Employees Retirement Systems (OCERS) Regarding Current and Future Funding, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Presentation by OCERS Regarding Current and Future Funding

# Audit Oversight Committee

August 11, 2022

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, 2021:

■ Present Value of Future Benefits	\$28,556,397,000
■ OCERS Actuarial Accrued Liability	\$24,016,073,000
■ OCERS Assets (Valuation)	\$19,488,761,000
■ OCERS Assets (Market)	\$21,738,794,000
■ Unfunded Actuarial Accrued Liability (UAAL)	\$4,527,312,000
■ Orange County UAAL	\$3,880,300,000*

\* Approximation based on County's proportional payroll

# The Unfunded Actuarial Accrued Liability (UAAL)

*as of December 31, 2021*

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

	December 31, 2021	December 31, 2020
<b>Actuarial Accrued Liability</b>	<b>\$24,016,073</b>	<b>\$22,904,975</b>
<b>Valuation Value of Assets<sup>1</sup></b>	<b>19,488,761</b>	<b>17,525,117</b>
<b>Unfunded Actuarial Accrued Liability</b>	<b>4,527,312</b>	<b>5,379,858</b>
<b>Percent Funded on Valuation Value</b>	<b>81.15%</b>	<b>76.51%</b>
<b>Market Value of Assets<sup>1</sup></b>	<b>\$21,738,794</b>	<b>\$18,494,378</b>
<b>Percent Funded on Market Value</b>	<b>90.52%</b>	<b>80.74%</b>

<sup>1</sup> Excludes County Investment Account, prepaid employer contributions, Medicare Medical Insurance Reserve and O.C. Sanitation District UAAL Deferred Account (after transfer), if any. The balance in the Medicare Medical Insurance Reserve is \$0 as of December 31, 2021.

## 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%
December 31, 2021	\$4,527,312	81.2%	90.5%



## Changes in UAAL since December 31, 2020 Valuation

<b>December 31, 2020 valuation</b>	
• Total UAAL	<b>\$5,380 million</b>
<b>Changes during calendar year 2021</b>	
• Interest minus expected payments to UAAL	<b>-\$158 million</b>
• Difference in actual versus expected contributions	<b>56 million</b>
• Additional UAAL contributions from OCFA and SJC, and anticipated payments from DOE and UCI	<b>-26 million</b>
• Investment gains (after smoothing)	<b>-767 million</b>
• Difference in actual versus expected salary increases	<b>-87 million</b>
• Effect of higher than expected COLA increases in 2022 <sup>1</sup>	<b>149 million</b>
• Other gains	<b><u>-20 million</u></b>
• Subtotal	<b>-\$853 million</b>
<b>December 31, 2021 valuation</b>	
• Total UAAL	<b>\$4,527 million</b>

<sup>1</sup> Actuarial loss from payment of higher than the 2.75% COLA assumption (3.00% expected to be paid starting on each April 1st starting 2022 and the following 4 years).

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

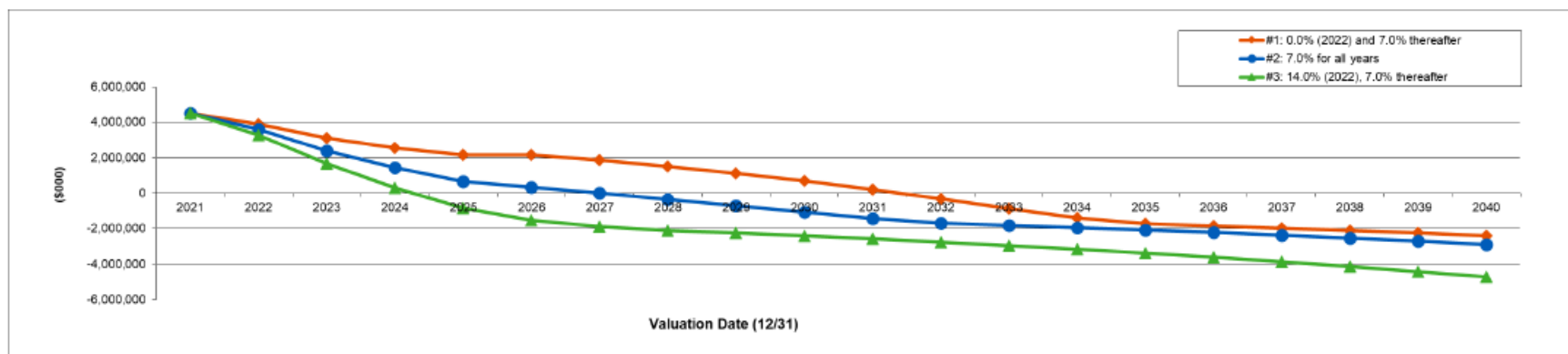
Valuation Date	Net Market Value of Assets <sup>1,2</sup>	Actuarial Value of Assets <sup>2</sup>	Valuation Value of Assets
December 31, 2007	\$7,719,690	\$7,292,205	\$7,288,900
December 31, 2008	\$6,248,558	\$7,750,751	\$7,748,380
December 31, 2009	\$7,464,761	\$8,155,654	\$8,154,687
December 31, 2010	\$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
December 31, 2021	\$21,738,794	\$19,488,761	\$19,488,761

<sup>1</sup> Net of amounts in County Investment Account, prepaid employer contributions and O.C. Sanitation District UAAL Deferred Account (after transfer), if any.

<sup>2</sup> Includes amounts in unclaimed member reserve and Medicare Medical Insurance Reserve. The balance in the Medicare Medical Insurance Reserve is \$0 as of December 31, 2021.

# PROGRESS IN 20 YEAR AMORTIZATION OF UAAL

## Projected UAAL<sup>8</sup> and Funded Ratio for Aggregate Plan

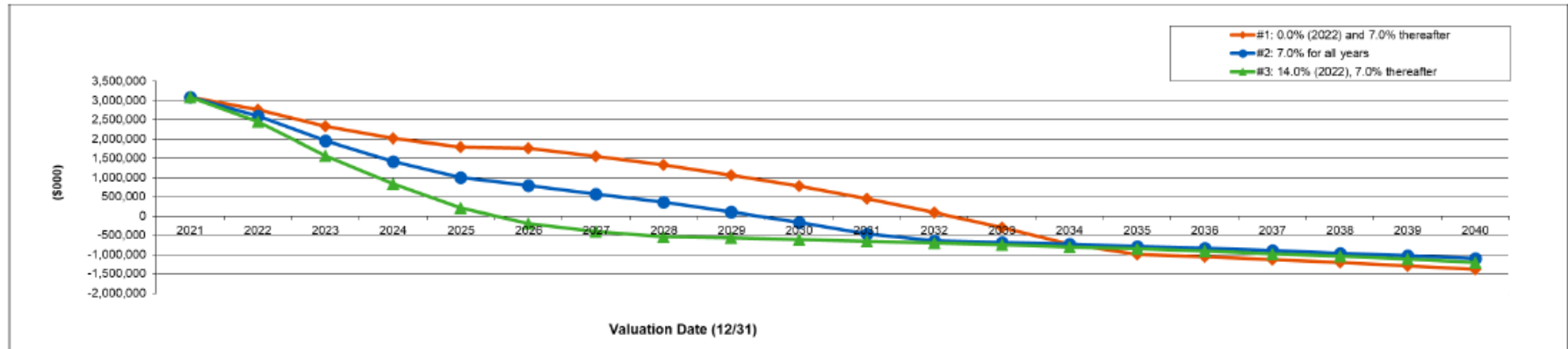


UAAL (\$000)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
#1: 0.0% (2022) and 7.0% thereafter	4,498,586	3,892,440	3,107,012	2,554,099	2,165,964	2,177,558	1,875,486	1,530,238	1,134,983	697,091	213,143	-310,501	-865,675	-1,400,050	-1,708,824	-1,828,443	-1,956,434	-2,093,384	-2,239,921	-2,396,715
#2: 7.0% for all years	4,498,586	3,589,945	2,396,149	1,439,722	676,083	333,469	3,574	-333,491	-704,044	-1,071,471	-1,433,617	-1,681,849	-1,799,578	-1,925,548	-2,060,337	-2,204,560	-2,358,879	-2,524,001	-2,700,681	-2,889,729
#3: 14.0% (2022), 7.0% thereafter	4,498,586	3,287,450	1,685,286	325,318	-824,202	-1,524,583	-1,868,015	-2,096,114	-2,242,843	-2,399,842	-2,567,831	-2,747,579	-2,939,909	-3,145,703	-3,365,903	-3,601,516	-3,853,622	-4,123,375	-4,412,012	-4,720,853

Funded Ratio	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
#1: 0.0% (2022) and 7.0% thereafter	81.2%	84.4%	88.1%	90.6%	92.4%	92.6%	93.9%	95.2%	96.6%	98.0%	99.4%	100.9%	102.3%	103.6%	104.3%	104.5%	104.7%	105.0%	105.3%	105.6%
#2: 7.0% for all years	81.2%	85.6%	90.8%	94.7%	97.6%	98.9%	100.0%	101.0%	102.1%	103.1%	104.1%	104.6%	104.8%	105.0%	105.2%	105.5%	105.7%	106.0%	106.3%	106.7%
#3: 14.0% (2022), 7.0% thereafter	81.2%	86.8%	93.5%	98.8%	102.9%	105.2%	106.1%	106.6%	106.8%	107.0%	107.3%	107.5%	107.8%	108.2%	108.5%	108.9%	109.3%	109.8%	110.3%	110.9%

<sup>8</sup> Excludes UAALs paid by O.C. Vector Control, Cypress Recreation and Parks, U.C.I. and Department of Education in Rate Group #1. If those amounts have been taken into account, the UAAL for the System would have been \$4,527,312 and the funded ratio would remain unchanged at 81.2% as of 12/31/2021.

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



UAAL (\$000)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
#1: 0.0% (2022) and 7.0% thereafter	3,097,129	2,769,166	2,333,389	2,019,400	1,790,100	1,763,647	1,563,237	1,333,671	1,070,432	778,150	454,473	96,878	-297,256	-729,122	-990,931	-1,060,296	-1,134,517	-1,213,933	-1,298,909	-1,389,832
#2: 7.0% for all years	3,097,129	2,608,532	1,956,325	1,429,216	999,556	788,392	578,386	355,721	109,730	-161,447	-459,891	-639,962	-684,760	-732,693	-783,981	-838,860	-897,580	-960,410	-1,027,639	-1,099,574
#3: 14.0% (2022), 7.0% thereafter <sup>10</sup>	3,097,129	2,447,897	1,579,249	838,918	208,758	-187,236	-406,863	-532,682	-569,970	-609,868	-652,558	-698,237	-747,114	-799,412	-855,371	-915,247	-979,314	-1,047,866	-1,121,217	-1,199,702

Funded Ratio	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
#1: 0.0% (2022) and 7.0% thereafter	76.9%	80.2%	83.9%	86.6%	88.5%	89.1%	90.6%	92.2%	94.0%	95.7%	97.6%	99.5%	101.5%	103.7%	104.9%	105.2%	105.6%	105.9%	106.3%	106.8%
#2: 7.0% for all years	76.9%	81.3%	86.5%	90.5%	93.6%	95.1%	96.5%	97.9%	99.4%	100.9%	102.5%	103.4%	103.5%	103.7%	103.9%	104.1%	104.4%	104.7%	105.0%	105.4%
#3: 14.0% (2022), 7.0% thereafter	76.9%	82.5%	89.1%	94.4%	98.7%	101.2%	102.4%	103.1%	103.2%	103.4%	103.5%	103.7%	103.8%	104.0%	104.3%	104.5%	104.8%	105.1%	105.5%	105.9%

<sup>10</sup> Starting in year 2035, the UAALs are projected to be less negative when compared to the UAALs under Scenario 1. 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.

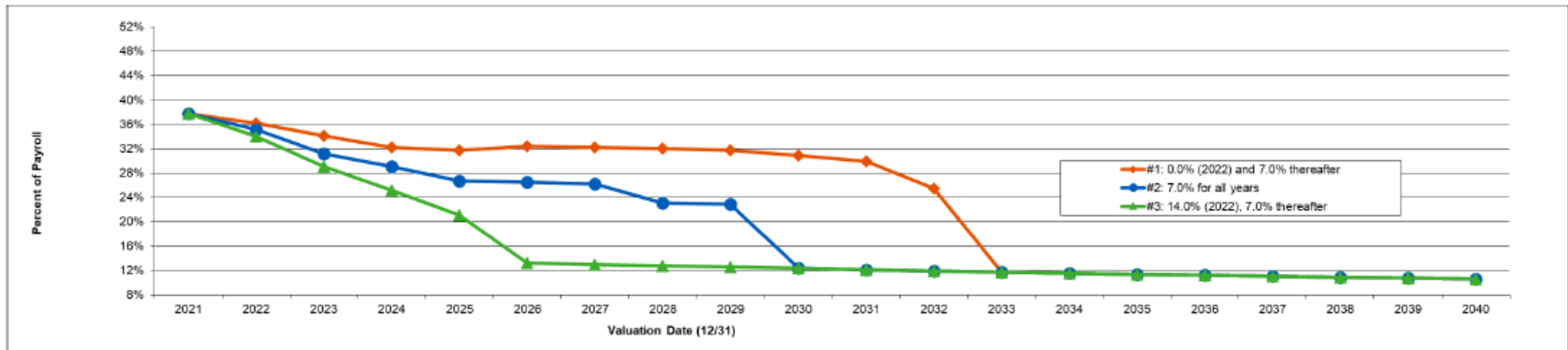
## Unfunded Actuarial Accrued Liability (\$000) and Funded Ratio by Rate Group

	UAAL	Funded Ratio
<b>Rate Group #1</b> General Plans A, B and U (County and IHSS) <sup>1</sup>	\$53,950	90.08%
<b>Rate Group #2</b> General Plans I, J, O, P, S, T, U and W (County et al.)	\$3,097,129	76.88%
<b>Rate Group #3</b> General Plans B, G, H and U (OCSD)	-\$48,071	105.76%
<b>Rate Group #5</b> General Plans A, B and U (OCTA)	\$159,372	85.10%
<b>Rate Group #9</b> General Plans M, N and U (TCA)	-\$4,231	107.50%
<b>Rate Group #10</b> General Plans I, J, M, N and U (OCFA)	\$22,370	92.54%
<b>Rate Group #11</b> General Plans M and N, future service, and U (Cemetery)	\$242	98.22%
<b>Rate Group #12</b> General Plans G, H and U (Law Library)	-\$992	108.22%
<b>Rate Group #6</b> Safety Plans E, F and V (Probation)	\$161,071	83.86%
<b>Rate Group #7</b> Safety Plans E, F, Q, R and V (Law Enforcement)	\$934,471	80.15%
<b>Rate Group #8</b> Safety Plans E, F, Q, R and V (OCFA)	\$152,001	92.70%
<b>Average Total</b>	<b>\$4,527,312</b>	<b>81.15%</b>

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

# IMPACT ON EMPLOYER CONTRIBUTION RATES

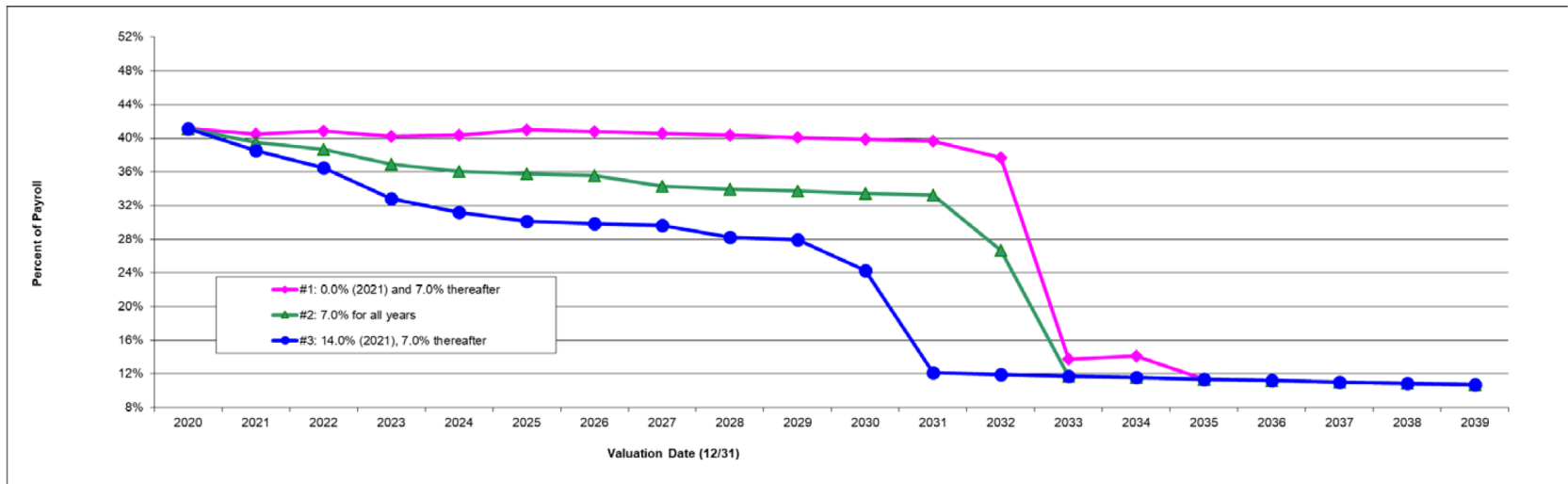
### Projected Employer Rates Aggregate Plan



Valuation Date (12/31)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
#1: 0.0% (2022) and 7.0% thereafter	37.8%	36.2%	34.2%	32.3%	31.8%	32.5%	32.2%	32.0%	31.8%	30.9%	29.9%	25.5%	11.8%	11.6%	11.4%	11.2%	11.1%	10.9%	10.8%	10.6%
#2: 7.0% for all years	37.8%	35.1%	31.2%	29.1%	26.8%	26.5%	26.3%	23.1%	22.9%	12.4%	12.2%	12.0%	11.8%	11.6%	11.4%	11.2%	11.1%	10.9%	10.8%	10.6%
#3: 14.0% (2022), 7.0% thereafter	37.8%	34.1%	29.1%	25.2%	21.1%	13.2%	13.0%	12.8%	12.6%	12.4%	12.2%	12.0%	11.8%	11.6%	11.4%	11.2%	11.1%	10.9%	10.8%	10.6%



## Projected Employer Rates Aggregate Plan



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

# History of Return on Assets

	Market Value Return	Valuation Value Return	Expected Return
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%
December 31, 2021	17.71%	11.38%	7.00%
Annualized 5-Year Average	11.13%	7.98%	
Annualized 10-Year Average	9.04%	7.13%	



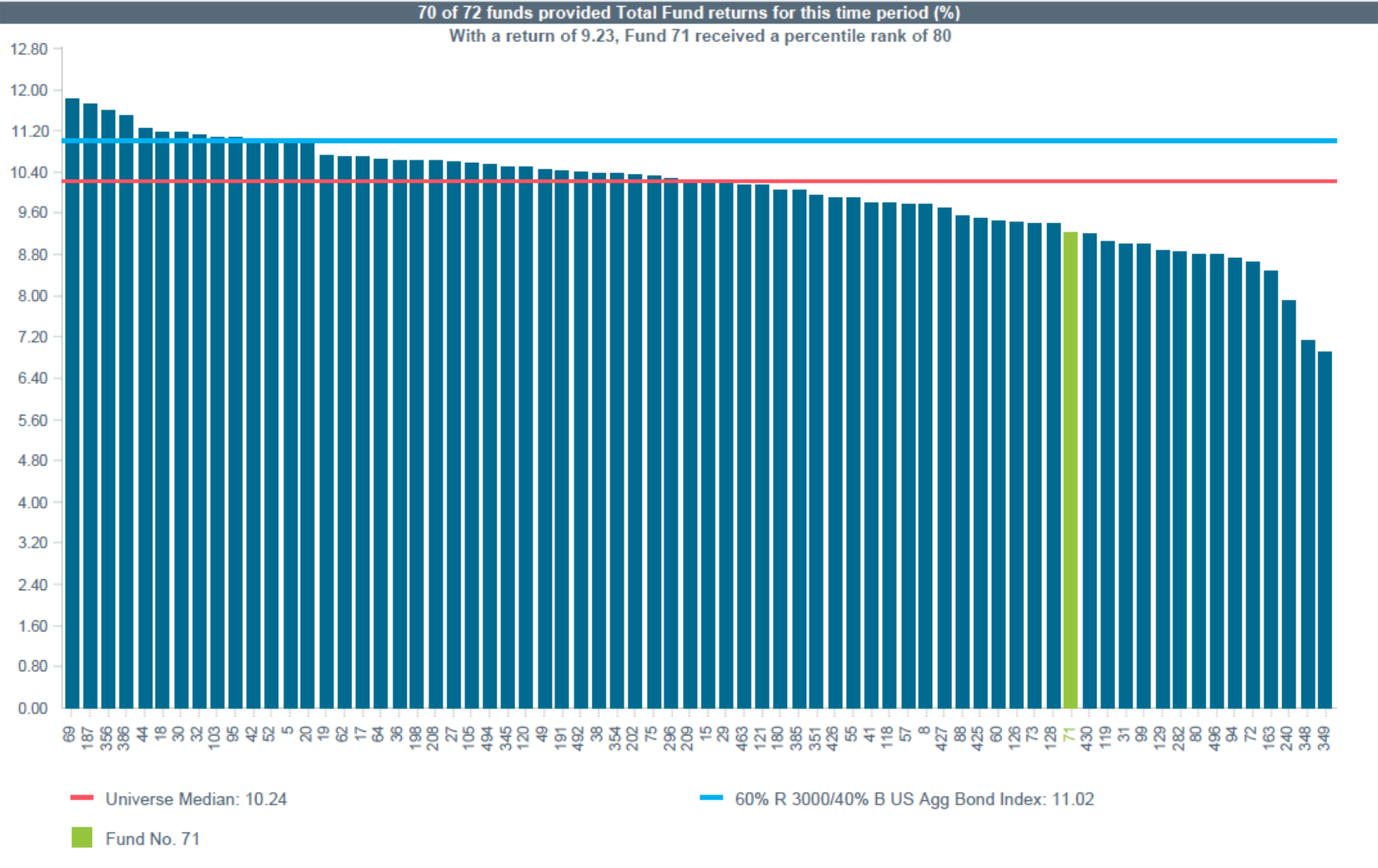
# Public Fund Universe Analysis

Orange County Employees' Retirement System

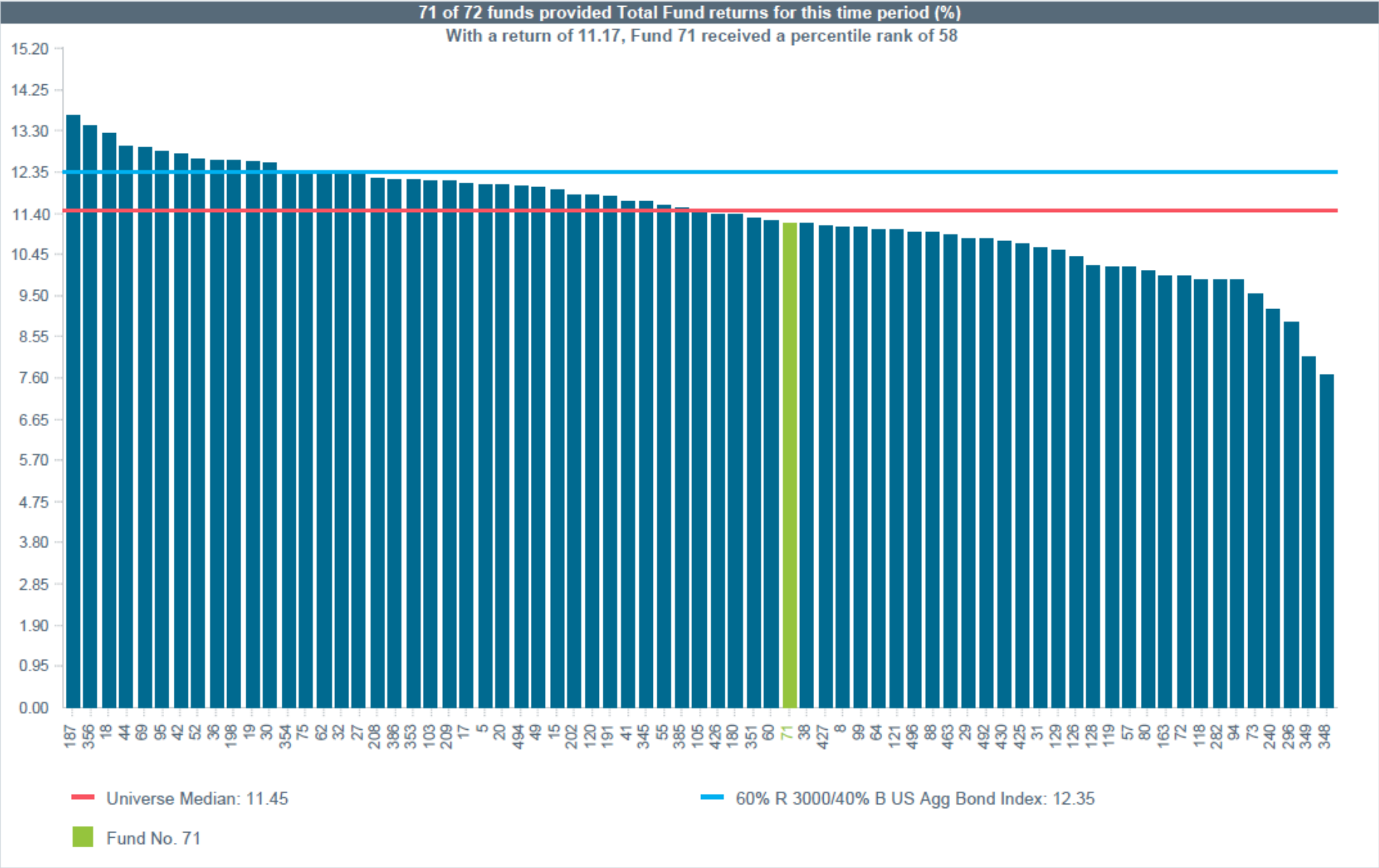
Period Ending December 31, 2021

Fund Number: 71



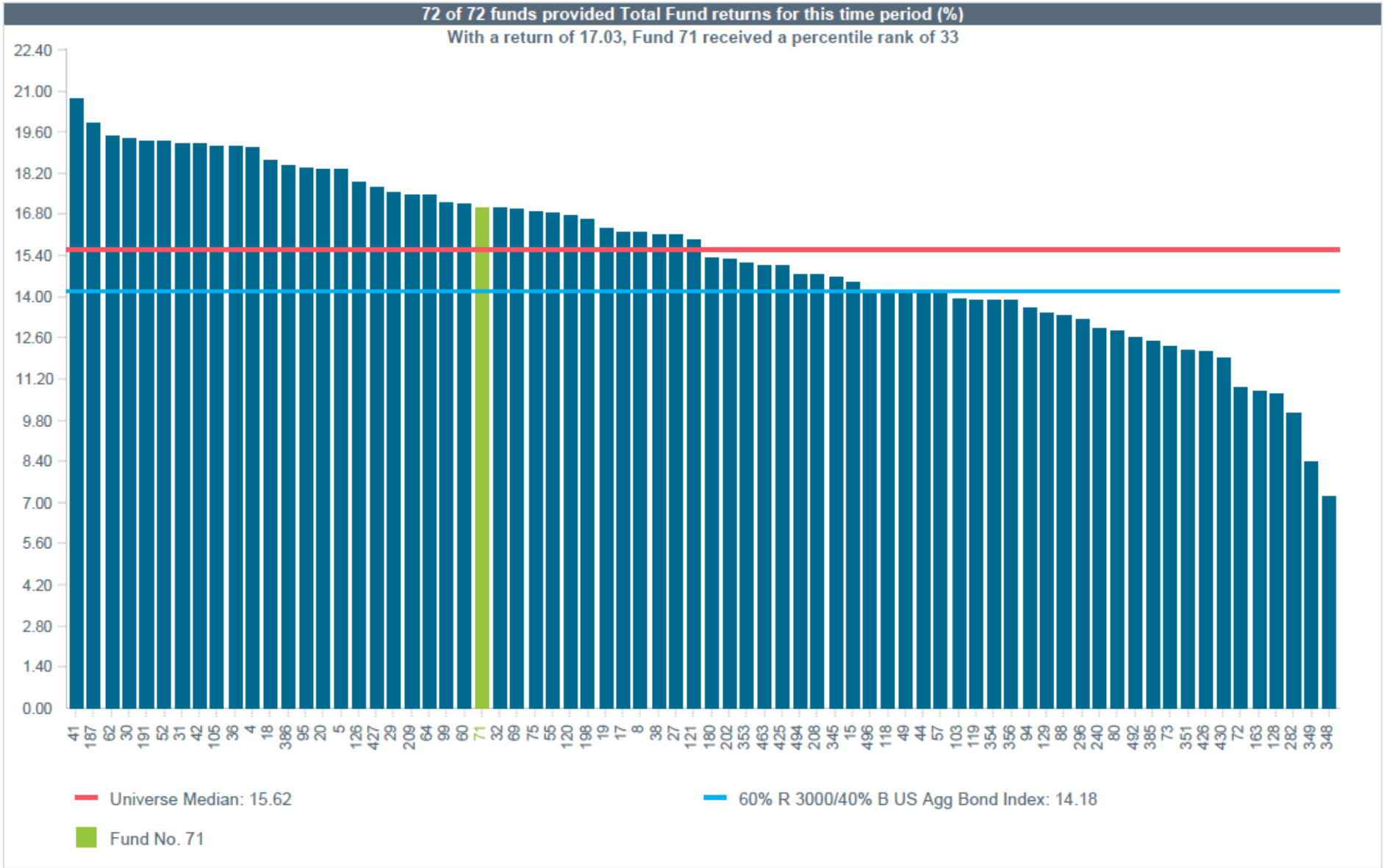


Funds with less history than the specified time period will not appear in the chart.



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





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

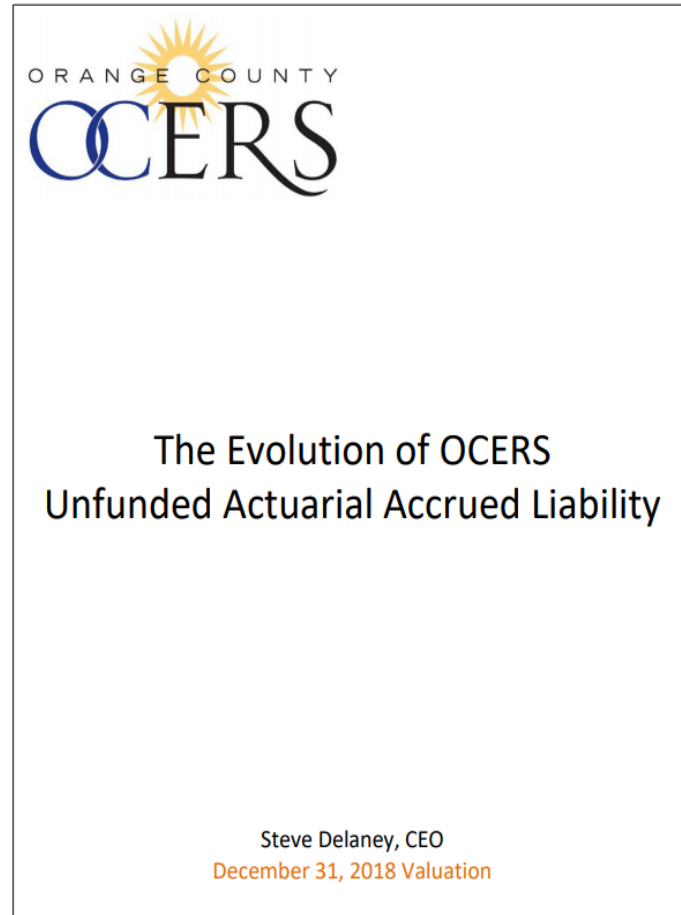


# OTHER IMPORTANT DATA POINTS

- As of May 31, 2022
  - Year to Date Returns                      -4.27%
  - 12 Month Returns                              3.36%
    - 5 Years: 8.49%
    - 10 Years: 8.22%
    - 20 Years: 7.2%
  - FUND ASSETS (MVA)                      \$21,774,395,000 (app)



# Additional Reading ([www.OCERS.org](http://www.OCERS.org))





# Memorandum

August 11, 2022

**AOC Agenda Item No. 5**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Required Communication from External Auditors

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

ATTACHMENT(S):

Attachment A – External Audit Update

Attachment A-1 – Projects and Timelines

Attachment B – County of Orange 2022 Governance Planning Letter

Attachment C – County of Orange 2021 Final SA Governance Letter



# County of Orange Audit Oversight Committee

Date: August 11, 2022  
Re: External Audit update

- 
- 1) **Audit Plan – Refer to Attachment A:**
    - Outline of projects and timelines
  - 2) **Communication Letter**
  - 3) **Audits Completed:**
    - Single Audit – June 30, 2021
      - Issued – Report dated 5/6/2022
      - 5 significant deficiencies/instances of non-compliance reported for federal compliance
      - Updated communication letter

Department / Agency / Division	Audit/Project	Audit/Project Date	Audit Scope	Anticipated Dates			Status
				Planning	Fieldwork	Reporting	
All	Financial Statement Audit - Comprehensive Annual Financial Report	6/30/2022	Financial Statements of the County, including audit of investment trust funds, and pension/OPEB trust funds	May 2022	May 2022 through November 2022	December 2022	Fieldwork in progress
All	Agreed Upon Procedures (AUP) over GANN Limit calculations	6/30/2022	GANN Limit Calculation -for County and OC Flood Control District	May 2022	May 2022	December 2022	Fieldwork in progress
All	Single Audit	6/30/2022	Audit over compliance in accordance with Uniform Guidance of the County, including components of JWA, OCWR, OCDA	October 2022	January through February 2023	March 2023	n/a
John Wayne Airport (JWA)	Financial Statement Audit	6/30/2022	John Wayne Airport (JWA), including Passenger Facility Charge	May 2022	August 2022 through November 2022	December 2022	Fieldwork in progress
Orange County Waste & Recycling	Financial Statement Audit	6/30/2022	Orange County Waste & Recycling	May 2022	August 2022 through November 2022	December 2022	Fieldwork in progress
OC Community Resources / Redevelopment Successor Agency	Financial Statement Audit	6/30/2022	Redevelopment Successor Agency	May 2022	August 2022 through November 2022	December 2022	Fieldwork in progress
District Attorney	Grant Audits	6/30/2022	District Attorney Grant Audits	August 2022	September 2022	October 2022	n/a
CEO; HCA and Sheriff's Department	Tobacco Settlement Funds Agreed Upon Procedures	6/30/2022	HCA and Sheriff Tobacco Settlement Funds disbursements	November 2022	December 2022 through January 2023	March 2023	n/a
TTC	Agreed Upon Procedures over compliance	6/30/2021	Compliance with Government Code and Investment Policy	January 2022	February 2022 through July 2022	August 2022	Reporting in progress
TTC	Schedule of Assets	6/30/2021	Report on the Schedule of Assets	January 2022	February 2022 through July 2022	August 2022	Reporting in progress



July 15, 2022

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, 2022. 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, including significant risks we have identified.

### Our Responsibilities

As stated in our engagement letter dated May 20, 2022, 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 AUP;
- Subsequent events review of CalOptima and OCERS.

## Planned Scope of the Audit

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 is designed to provide reasonable, but not absolute assurance about whether the financial statements as a whole are free of material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations. Because of this concept of reasonable assurance and because we will not examine all transactions, there is a risk that material misstatements may exist and not be detected by us.

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, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control over financial reporting. However, we will communicate to you at the conclusion of our audit, any material weaknesses or significant deficiencies identified. We will also communicate to you:

- Any violation of laws or regulations that come to our attention;
- Our views related to qualitative aspects of the entity's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures;
- Significant difficulties, if any, encountered during the audit;
- Significant unusual transactions, if any;
- The potential effects of uncorrected misstatements on future-period financial statements; and
- Other significant matters that are relevant to your responsibilities in overseeing the financial reporting process.

Professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". Although we are currently in the planning stage of our audit, we have preliminarily identified the following significant risks that require special audit consideration.

- Revenue recognition
- The potential for management override of internal control
- GASB 87, *Leases*, accounting implementation

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 purpose of our audit, we do not consider these blended component units to be significant components of the County's financial statements. Our planned audit procedures include obtaining an understanding of these components 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 we 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 May 2022, and expect to issue our report no later than December 21, 2022 for the financial statements, no later than March 31, 2023 for the Single Audit, and any remaining audits and AUPs by April 30, 2023.

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,



Laguna Hills, California



May 6, 2022

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, California (County), and the financial statements of the County of Orange Redevelopment Successor Agency, OC Waste & Recycling and John Wayne Airport as of and for the year ended June 30, 2021, and have issued our reports thereon dated as indicated below:

<u>Report</u>	<u>Audit Report Date</u>
County of Orange	December 22, 2021
County of Orange Redevelopment Successor Agency	December 17, 2021
OC Waste & Recycling	December 17, 2021
John Wayne Airport	December 17, 2021

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

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

We have also provided our communication in accordance with professional standards on the audit of the financial statements in our letter dated December 22, 2021. Professional standards require that we advise you of the following matters relating to our audit of compliance under the Uniform Guidance.

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

As communicated in our letter dated May 10, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the



County complied with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the County's major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of your respective responsibilities.

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

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

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards dated December 22, 2021. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated May 6, 2022.

### **Planned Scope and Timing of the Audit**

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

### **Compliance with All Ethics Requirements Regarding Independence**

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

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

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

### *Significant Accounting Estimates*

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

The most sensitive accounting estimates were disclosed in our letter dated December 22, 2021, and there are no changes as of May 6, 2022.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the County's financial statements were described in our letter dated December 22, 2021, and there are no changes as of May 6, 2022.

### **Significant Difficulties Encountered during the Audit**

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

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. We have previously communicated items in our letter dated December 22, 2021, and there are no changes as of May 6, 2022.

### **Disagreements with Management**

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

### **Representations Requested from Management**

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

County of Orange	December 22, 2021
County of Orange Redevelopment Successor Agency	December 17, 2021
OC Waste & Recycling	December 17, 2021
John Wayne Airport	December 17, 2021

Additionally, we have requested certain written representations from management on the audit of compliance under the Uniform Guidance which are included in the management representation letter dated May 6, 2022.

#### **Management's Consultations with Other Accountants**

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

#### **Other Significant Matters, Findings, or Issues**

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

#### **Other Information in Documents Containing Audited Financial Statements**

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

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

#### **Group Audits**

We have previously communicated our responsibility as it relates to the financial activity of the County's blended or fiduciary component units in our letter dated December 22, 2021, and there are no changes as of May 6, 2022.

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

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 11, 2022

**AOC Agenda Item No. 6**

TO: Audit Oversight Committee Members

Recommended Action:

Approve Internal Audit Department's Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended June 30, 2022

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Internal Audit Department's Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended June 30, 2022, as stated in 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

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July 20, 2022

To: Audit Oversight Committee Members

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

Digitally signed by Agripino  
Alonso  
Date: 2022.07.20 16:25:26 -07'00'

Subject: Fiscal Year 2021-22 Internal Audit Department Status Report for the Quarter  
Ended June 30, 2022

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Attached for your review and approval is Internal Audit's status report on audit activity for the quarter ended June 30, 2022. 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, 2022, Internal Audit issued seven final reports (two original reports and five follow-up reports) and eight pre-draft/draft reports. The two original audits included eight Significant Control Weaknesses and eight 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, 2022

CATEGORY	ISSUED THIS PERIOD	ISSUED FOR FY 2021-22
<b>Critical Control Weaknesses</b> 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
<b>Significant Control Weaknesses/Compliance Findings</b> 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.	8	19
<b>Control Findings</b> 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.	8	22
<b>TOTAL</b>	<b>16</b>	<b>44</b>



EXECUTIVE SUMMARY  
INTERNAL AUDIT REPORTS  
FOR THE QUARTER ENDED JUNE 30, 2022

### HEALTH CARE AGENCY

#### 1. Information Technology Audit: Health Care Agency Selected Cybersecurity Controls

Audit No. 1943 dated June 30, 2022 for the year ended July 31, 2021

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Controls for assets ensure the installation, spread, and execution of malicious applications, code, or scripts are prevented.	Content has been removed from this report due to the sensitive nature of the specific findings.	<b>Five (5) Significant Control Weaknesses</b> Due to the sensitive nature of the findings, details have been redacted from this report.	<b>3</b>
2. Controls for applications ensure only authorized applications can operate, vulnerabilities are managed, and any changes to critical systems are authorized.			
3. Controls for users to ensure accounts are properly managed and access is authorized.			
4. Controls for network to help detect and recover from an attack.			

### OC COMMUNITY RESOURCES

#### 2. Contract Compliance Audit: OC Community Resources/OC Parks – Ocean Institute

Audit No. 2171 dated June 30, 2022 for the period July 1, 2020 through September 30, 2021

OBJECTIVES	RESULTS	CRITICAL COMPLIANCE/ SIGNIFICANT COMPLIANCE FINDINGS	COMP FINDINGS
1. Determine whether Ocean Institute's records adequately support the monthly gross receipts and rent payments reported to the County.	Ocean Institute's records generally do not adequately support the monthly gross receipts and rent payments reported to the County.	<b>Three (3) Significant Compliance Findings</b> 1. Visiting vessels and event receipts under payments due to miscalculation of rent. 2. Potential misclassification of donations as receipts subject to rent payments. 3. Gross receipts not reconciled against a vessel reservation calendar.	<b>5</b>
2. Determine whether Ocean Institute complies with other provisions of the Lease Agreement, such as accounting method, payment, and annual financial statement requirements.	Ocean Institute is not in compliance with other provisions of the Agreement.		



EXECUTIVE SUMMARY  
INTERNAL AUDIT FOLLOW-UP REPORTS  
FOR THE QUARTER ENDED JUNE 30, 2022

**DISTRICT ATTORNEY-PUBLIC ADMINISTRATOR**

**3. Second & Final Close-Out Follow-Up Internal Control Audit: District Attorney-Public Administrator Revolving Funds**

Audit No. 2139-O (Reference 1913-F2) dated June 28, 2022 as of May 31, 2022; original audit dated July 30, 2020

ORIGINAL AUDIT – 10 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	
<b>One (1) Critical Control Weakness</b> 1. OCDA made inappropriate payments from its revolving fund. Also, OCDA has drafted, but not finalized, internal policy and procedures (P&Ps) for its special purpose revolving fund.	<b>6</b>	<b>10</b>	<b>0</b>	<b>NA</b>
<b>Three (3) Significant Control Weaknesses</b> 2. OCDA uses an internally developed system to process revolving fund transactions and is the system of record for reconciliations. This system has been in existence since the 1990s and has some control and efficiency shortcomings. 3. Inadequate controls over bank and fund reconciliations. 4. Inadequate controls over cash advances.				





**HEALTH CARE AGENCY****4. First & Final Close-Out Follow-Up Internal Control Audit: Health Care Agency/Public Guardian Fiduciary Fund 165**

Audit No. 2139-C (Reference 1914-F1) dated June 30, 2022 as of May 31, 2022; original audit dated September 27, 2021

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	
<b>Two (2) Significant Control Weaknesses</b> 1. System administration documentation did not agree to the actual system configuration.  2. Inventory system was not up to date.	2	4	0	NA

**JOHN WAYNE AIRPORT****5. First Follow-Up Information Technology Audit: John Wayne Airport Selected IT General Controls**

Audit No. 2059-A (reference 1941-F1) dated May 26, 2022 as of April 30, 2022; original audit dated December 17, 2020

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	
<b>One (1) Critical Control Weakness</b> Due to the sensitive nature of the finding, details have been redacted from this report.  <b>Two (2) Significant Control Weaknesses</b> Due to the sensitive nature of the findings, details have been redacted from this report.	6	4	5	Due to the sensitive nature of the findings, details have been redacted from this report.



**SOCIAL SERVICES AGENCY****6. First Follow-Up Internal Control Audit: Social Services Agency Fiduciary & Special Revenue Funds**

Audit No. 2139-A (Reference 1823-F1) dated June 20, 2022 as of May 9, 2022; original audit dated August 9, 2021

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	
<b>One (1) Significant Control Weakness</b> PII not redacted from supporting documentation.	<b>3</b>	<b>3</b>	<b>1</b>	<b>Recommendation No. 2 (Control Finding).</b> SSA is researching account balances to determine proper disposition of funds; anticipated completion by June 30, 2022.

**7. First Follow-Up Internal Control Audit: Social Services Agency Purchasing & Contracts**

Audit No. 2139-J (Reference 2016-F1) dated June 30, 2022 as of May 26, 2022; original audit dated September 23, 2021

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	
<b>0</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>Recommendation No. 3 (Control Finding).</b> SSA is updating its internal policy and procedures related to purchasing to align with the 2021 Procurement Purchasing Manual; planned completion by June 30, 2022.



EXECUTIVE SUMMARY  
APPENDIX A: DRAFT REPORTS  
FOR THE QUARTER ENDED JUNE 30, 2022

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

1. **Internal Control Audit: OC Community Resources Fee-Generated Revenue**, Audit No. 2112
2. **Internal Control Audit: Sheriff-Coroner Fee-Generated Revenue**, Audit No. 2121
3. **Second Follow-Up Information Technology Audit: Sheriff-Coroner Selected IT General Controls**, Audit No. 2059-H
4. **First Follow-Up Internal Control Audit: Social Services Agency Fiduciary & Special Revenue Funds**, Audit No. 2139-A (the final report was also issued this period)
5. **First & Final Close-Out Follow-Up Internal Control Audit: Health Care Agency/Public Guardian Fiduciary Fund 165**, Audit No. 2139-C (the final report was also issued this period)
6. **First Follow-Up Internal Control Audit: Social Services Agency Purchasing & Contracts**, Audit No. 2139-J (the final report was also issued this period)
7. **Second & Final Close-Out Follow-Up Internal Control Audit: District Attorney-Public Administrator Revolving Funds**, Audit No. 2139-O (the final report was also issued this period)
8. **Third & Final Close-Out Follow-Up Information Technology Audit: County Executive Office/OC Information Technology General Controls**, Audit No. 2159-L





Internal Audit Department  
4th Quarter Status Report for the Audit Oversight Committee  
For the Quarter Ended 6/30/22  
AOC Meeting Date: August 11, 2022

Audit Category and Name <sup>1,2,3</sup>	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan										FU Due	FU Number	Milestones & Comments <sup>4</sup>
				Total Budget	Actuals To Date	Budget	Changes	Revised Budget	#1	Actuals to Date Per Quarter				Total	Est Remain			
Internal Control Audits (ICA)																		
T-TC Accounts Receivable Controls (FY 2020-21 carryover)	2011	9/24/20		840	821	0	360	360	137	107	25	86	355	0	(5)			Pre-draft report issued. Additional testwork necessary.
CEO Cash Disbursements & Payables (FY 2020-21 carryover)	2012	9/03/20		600	575	220	140	360	51	33	8	252	344	0	(16)			In process
JWA Cash Disbursements & Payables (FY 2020-21 carryover)	2013	3/03/22		NA	NA	440	(160)	280	15	4	113	130	262	0	(18)			In process
OCCR/Dana Point Harbor P3 (FY 2020-21 carryover)	2015			131	130	480	(380)	100	46	53	0	0	99	0	(1)			Deferred until FY 22-23
CEO Fiduciary & Special Revenue Funds (FY 2020-21 carryover)	2018	10/19/21		247	243	480	(240)	240	87	77	18	54	236	0	(4)			In process
HCA/PG Revolving Funds	2111					360	(360)	0					0	0	0			Canceled
OCCR Fee-Generated Revenue	2112	10/22/21				480	40	520	6	140	214	161	521	0	1			Pre-draft report issued 6/29/22
CEO Payroll	2113	10/19/21				360	(40)	320	86	42	11	178	317	0	(3)			In process
T-TC Revolving Funds	2114					360	(360)	0					0	0	0			Canceled
JWA Purchasing & Contracts	2115	10/19/21				480	0	480	7	180	109	176	472	0	(8)			In process
JWA Cash Receipts & Accounts Receivable	2116	3/03/22				440	(160)	280	9	0	148	112	269	0	(11)			In process
A-C Revolving Funds	2117					360	(360)	0					0	0	0			Canceled
OCCR Revolving Funds	2118					0	0	0					0	0	0			Canceled
JWA Payroll (department request)	2119					0	0	0	3	0	0	0	3	0	3			Deferred until FY 23-24
OCCR Purchasing & Contracts	2120					0	0	0					0	0	0			Deferred until FY 22-23
OCSD Fee-Generated Revenue	2121	10/25/21				0	520	520	93	173	150	96	512	0	(8)			Pre-draft report issued 6/29/22
Follow-Up Audits (FY 2020-21 carryover)						60	60	120	50	49	3	0	102	0	(18)			
OCCR/Animal Care Cash Receipts (1815/1939-I)	2039-O	7/21/21	1/20/22													NA	NA	Completed; final close-out report issued 1/20/22
First Follow-Up Audits						753	(193)	560	75	128	125	244	572	0	12			
SSA Fiduciary (1823)	2139-A	4/07/22	6/20/22													1/1/23	2239-J	Completed; final report issued 6/20/22
OCSD Purchasing & Contracts (1912)	2139-B	9/08/21	1/27/22													NA	NA	Completed; final close-out report issued 1/27/22
HCA Department Request (1914)	2139-C	4/27/22	6/30/22													NA	NA	Completed; final close-out report issued 6/30/22
OCPW Toll Road and Transponder Usage for County Vehicles Compliance (2022)	2139-D	10/05/21	12/13/21													NA	NA	Completed; final close-out report issued 12/13/21
T-TC Accounts Receivable Controls (2011)	2139-E																	Not started; renumbered 2239-A
CEO Cash Disbursements & Payables (2012)	2139-F																	Not started; renumbered 2239-B
JWA Cash Disbursements & Payables (2013)	2139-G																	Not started; renumbered 2239-C
OCCR Cash Disbursements & Payables (2014)	2139-H	2/15/22	3/30/22													10/1/22	2239-L	Completed; final report issued 3/30/22
OCCR/Dana Point Harbor P3 (2015)	2139-I																	Canceled pending 2015
SSA Purchasing & Contracts (2016)	2139-J	4/27/22	6/30/22													1/1/23	2239-M	Completed; final report issued 6/30/22
PD Revolving Funds (2017)	2139-K	1/25/22	3/31/22													NA	NA	Completed; final close-out report issued 3/31/22
CEO Fiduciary & Special Revenue Funds (2018)	2139-L																	Not started; renumbered 2239-D
OCPW Fiduciary & Special Revenue Funds (2019)	2139-M	3/10/22	3/31/22													10/1/22	2239-O	Completed; final report issued 3/31/22
Second Follow-Up Audits																		
Probation P-Card (1822/1939-M)	2139-N	8/24/21	12/30/21													NA	NA	Completed; final close-out report issued 12/30/21
OCDA Revolving Fund (1913/2039-F)	2139-O	6/09/22	6/28/22													NA	NA	Completed; final close-out report issued 6/28/22
OCSD Cash Receipts (1918/2039-K)	2139-P	12/10/21	12/30/21													NA	NA	Completed; final close-out report issued 12/30/21
Summary Close-Out						0	20	20	14	0	0	0	14	0	(6)			Completed; final reports issued for 1914, 2019, 1823, 2016, 2039-F
Total Internal Control Audits						5,273	(1,113)	4,160	679	986	924	1,489	4,078	0	(82)			
Mandated & Financial Audits (MFA)																		
None						0		0					0		0			NA
Total Mandated & Financial Audits						0	0	0	0	0	0	0	0	0	0			
Contract Compliance Audits (CCA)																		
OCCR/OC Parks Ocean Institute	2171	9/08/21	6/30/22			280	520	800	185	232	349	16	782	0	(18)	1/1/23	2289-A	Completed; final report issued 6/30/22
OCWR Waste Management	2172	10/19/21				0	120	120		14	107	18	139	0	19			Draft report issued 6/24/22
Summary Close-Out						0	40	40	29	0	1	0	30	0	(10)			Completed; final report issued for 2071
Total Contract Compliance Audits						280	680	960	214	246	457	34	951	0	(9)			
Business Process Improvement (BPI)																		
General		NA	NA			200	(200)	0					0	0	0	NA	NA	Canceled
Total Business Process Improvement						200	(200)	0	0	0	0	0	0	0	0			
Information Technology Audits (ITA)																		
TTC SunGard/Quantum Upgrade (Department Request) (FY 2017-18 carryover)	1647	6/12/17		NA	456	40	40	80	35	14	0	20	69	0	(11)			In process
PTS System Implementation (FY 2017-18 carryover)	1754	7/01/18		NA	88	40		40	11	4	6	8	29	0	(11)			In process
HCA Cybersecurity (FY 2019-20 carryover)	1943	6/17/21	6/30/22	1,280	1,295	280	800	1,080	751	276	44	24	1,095	0	15	1/1/23	2259-A	Completed; final report issued 6/30/22
ROV Cybersecurity (FY 2020-21 carryover)	2042	12/10/21		NA	NA	480	240	720		37	651	43	731	0	11			Draft report issued 6/28/22
Probation Cybersecurity (FY 2020-21 carryover)	2043	5/04/22		NA	NA	480	(240)	240		17	0	238	255	0	15			In process
CEO/HRS Data Portal Access (FY 2020-21 carryover)	2045			NA	NA	360	(360)	0					0	0	0			Deferred until FY 22-23



Internal Audit Department

4th Quarter Status Report for the Audit Oversight Committee

For the Quarter Ended 6/30/22

AOC Meeting Date: August 11, 2022

Audit Category and Name <sup>1,2,3</sup>	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan										Est Remain	Budget Variance	FU Due	FU Number	Milestones & Comments <sup>4</sup>
				Total Budget	Actuals To Date	Budget	Changes	Revised Budget	#1	Actuals to Date Per Quarter				Total						
Information Technology Audits (ITA)(CON'T)																				
(A-C) CAPS+ Application Security (FY 2020-21 carryover)	2046			NA	NA	480	(480)	0					0	0	0			Deferred until FY 22-23		
A-C Workforce/VTI Replacement (FY 2020-21 carryover)	2048	6/12/20		NA	52	40	(20)	20	12	1	4	3	20	0	0			In process		
C-R Cybersecurity	2151					0		0					0	0	0			Deferred until FY 22-23		
OCIT Remote Access Security	2152					360	(360)	0					0	0	0			Deferred until FY 22-23		
OCIT Third-Party IT Security	2153					0		0					0	0	0			Deferred until FY 22-23		
OCIT California Data Privacy Act	2154					0		0					0	0	0			Canceled		
OCWR Credit Card Processing (department request)	2155					0		0					0	0	0			Deferred until FY 22-23; renumbered 2218		
OCIT CJTF	2156	7/01/21				80	40	120	32	25	28	32	117	0	(3)			In process		
Follow-Up Audits (FY 2020-21 carryover)						350	450	800	66	405	154	176	801	0	1					
JWA ITGC (1941)	2059-A	9/09/21	5/26/22													12/1/22	2259-G	Completed; final report issued on 5/26/22		
PD Cybersecurity (1942)	2059-B	9/09/21	1/27/22													8/1/22	2259-H	Completed; final report issued on 1/27/22		
Assessor ITGC (1844)	2059-E	5/18/21	12/30/21													7/1/22	2259-I	Completed; final report issued on 12/30/21		
OCSD ITGC (1845/1949-D)	2059-H	8/31/21																Draft report issued 6/23/22		
First Follow-Up Audits:						351	(231)	120	7	0	0	134	141	0	21					
HCA Cybersecurity (1943)	2159-A																	Not started; renumbered 2259-A		
OCDA Cybersecurity (2041)	2159-B	5/17/22																In process		
ROV Cybersecurity (2042)	2159-C																	Not started; renumbered 2259-B		
Probation Cybersecurity (2043)	2159-D																	Not started; renumbered 2259-C		
County Counsel Cybersecurity (2044)	2159-E																	Not started; renumbered 2259-D		
CEO/HRS Data Portal Access (2045)	2159-F																	Canceled pending 2045		
(A-C) CAPS+ Application Security (2046)	2159-G																	Canceled pending 2046		
Second Follow-Up Audits																				
SSA ITGC (1846/1949-E)	2159-H	5/10/22																In process		
JWA ITGC (1941/2059-A)	2159-I																	Not started; renumbered 2259-E		
PD Cybersecurity (1942/2059-B)	2159-J																	Not started; renumbered 2259-F		
Assessor ITGC (1844/2059-E)	2159-K																	Not started; renumbered 2259-G		
OCIT (1644/1644/1748-A)	2159-L	6/15/21																Draft report issued 6/30/22		
Summary Close-Out							100	100	35	60	6	16	117	0	17			Completed; final reports issued for 2044, 2059-F		
Total Information Technology Audits						3,341	(21)	3,320	949	839	893	694	3,375	0	55					
Total Audits Before Other Activities & Administration						9,094	(654)	8,440	1,842	2,071	2,274	2,217	8,404	0	(36)					
Other Activities & Administration																				
Annual Risk Assessment & Audit Plan	2101					360	240	600	90	29	423	66	608	0	8			Completed; approved by Board		
Cash Losses	2102					80	120	200	33	50	18	90	191	0	(9)			1 completed; 2 in process		
TeamMate+ Administration	2103					80	80	160	67	39	15	30	151	0	(9)			Completed; migration to TM+		
External Audit Reporting	2104					200		200	84	32	29	47	192	0	(8)			Completed; Q4 submitted		
On-Demand Department Advisory Services	2105					80	(40)	40	0	0	22	0	22	0	(18)			2 completed		
Board & AOC Services	2107					160	160	320	125	73	87	53	338	0	18			Completed; Q4 completed		
Special Projects	2108					500	(300)	200	6	19	0	209	234	0	34			2 in process		
CWCAP	2109					80	40	120	111	0	0	0	111	0	(9)			Completed; submitted to A-C		
Total Other Activities & Administration						1,540	300	1,840	516	242	594	495	1,847	0	7					
Reserve for Board Directives/Contingency						1,826	(1,826)	0					0	0	0					
Total Budget						12,460	(2,180)	10,280	2,358	2,313	2,868	2,712	10,251	0	(29)					
Footnote 5																				
Productive Time Diverted to Administrative Services (in addition to 2107)									110	116	34	32	292							

**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 other County audit functions. 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 2021-22 Annual Audit Plan of 12,460 hours is based on 9,094 direct hours to be provided by seven senior auditors/audit manager Is, one audit manager II, and one senior audit manager plus 1,540 hours for other activities and administration/special projects and 1,826 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 2,180 hours to accommodate a senior auditor vacancy and productive time diverted to administrative services.



# Memorandum

August 11, 2022

**AOC Agenda Item No. 7**

TO: Audit Oversight Committee Members

Recommended Action:

Approve External Audit Activity Status Report for the Quarter Ended June 30, 2022, and Receive Report on Status of External Audit Recommendations Implementation

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External Audit Activity Status Report for the Quarter Ended June 30, 2022, and Receive Report on Status of External Audit Recommendations Implementation, as stated in recommended action.

ATTACHMENT(S):

- Attachment A – External Audit Activity Status Report
- 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

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July 21, 2022

To: Audit Oversight Committee Members

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

Digitally signed by Agripino  
Alonso  
Date: 2022.07.21 15:13:15 -07'00'

Subject: External Audit Activity Status Report for the Quarter Ended June 30, 2022

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Attached for your review and approval is our External Audit Activity Status Report for the Quarter ended June 30, 2022. 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, 2022, no new material issues were reported.

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

## EXECUTIVE SUMMARY OF EXTERNAL AUDIT ACTIVITY

### For the Quarter Ended 6/30/22

<b><u>SUMMARY ACTIVITY</u></b>	
Total Audits Prior Quarter (3/31/22)	<b>61</b>
Additions: In Progress	<b>15</b>
Planned	<b>0</b>
Started and Completed	<b>4</b>
Deletions	<b><u>11</u></b>
(Completed, Canceled, and Removed in Prior Quarter)	
Total Audits Current Quarter (6/30/22)	<b><u>69</u></b>
(In Progress, Planned, and/or Completed this Quarter)	

#### **Results for the Quarter:**

Completed	<b>18</b>
Canceled	<b>0</b>
Removed for Other Reasons	<b>0</b>

New Findings/Issues Reported by the Departments	<b>5</b>
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<b><u>Material Issues:</u></b> (Includes Disallowances over \$100K)	<b>0</b>
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**EXTERNAL AUDIT ACTIVITY**  
**Quarterly Status Report**  
**4th Quarter FY 2021-22 (6/30/22)**

**Results:**

No material issues were reported to the Internal Audit Department this quarter.

The schedule below identifies the status of external audits as of 6/30/22, 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, 2022	Significant Findings
Assessor	Computer Systems	Tevora	Department of Homeland Security's CRR - Self Assessment	FY 2020	05/22	Cyber Resilience Review	Completed	None.
Auditor-Controller	Financial Reporting	Eide Bailly	Single Audit	FY 2021 Annual	6/30/2021	Uniform Guidance Expenditures of Federal Assistance	Completed.	<b>Five (5) New Findings:</b> <b>#2021-001 (ROV &amp; OCPW):</b> No evidence of verification that the entity was not suspended or debarred or otherwise excluded; <b>#2021-002 (CEO, OCCR, &amp; HCA):</b> The required evaluation of the subrecipient's risk of noncompliance was not documented; <b>#2021-003 (HCA, CEO, &amp; OCCR):</b> Certain required information was not provided at the time of the subaward; <b>#2021-004 (OCCR):</b> Subrecipient monitoring was not performed; <b>#2021-005 (HCA):</b> Reports were prepared on the cash basis, but reports indicated that the costs were reported on the accrual basis of accounting.
		Eide Bailly	Annual Comprehensive Financial Report (ACFR)	Annual	6/30/2021	Financial Statements of the County, including audit of investment trust funds, and pension/OPEB trust funds	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.	
	Cost, Revenue & Budget	State Controller's Office	Trial Court	FY 16/17 - FY 19/20	FY 09/10 - FY 13/14	Court Revenues	In progress.	
	Property Tax	State Controller's Office	Property Tax State Audit	FY 17/18 - FY 19/20	FY 13/14 - FY 16/17	Property Tax Allocation and Apportionment System	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, 2022	Significant Findings
<b>Auditor-Controller (continued)</b>	<b>General Accounting</b>	Internal Revenue Service (IRS)	1099 Forms	CY 2020	UNK	1099 transactions, Vendor listings, W-9s and bank information	In progress.	
<b>Child Support Services</b>	<b>Program Support Services</b>	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	FY 16/17	Review of expenditures, abatements, internal control, and records related to Child Support Program claims for FY 2019-2020. Also, review of walk-in payments.	In progress.	
<b>Clerk of the Board of Supervisors</b>		No audits in progress.						
<b>Clerk-Recorder</b>		No audits in progress.						
<b>County Counsel</b>		No audits in progress.						
<b>County Executive Office</b>	<b>Finance</b>	Eide Bailly	Single Audit - COVID-19 Coronavirus Relief Fund	6/30/2021	6/30/2020	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2021-002 and 2021-003 under Auditor-Controller Single Audit.
	<b>Risk Management</b>	No audits in progress.						
	<b>Information Technology</b>	No audits in progress.						
	<b>Corporate Real Estate</b>	No audits in progress.						
	<b>Human Resource Services</b>	CalHR	HRS - All Divisions	Since last audit in 2016	2016	Merit System Audit conducted by the State of California to confirm the County's adherence to the six federal merit principles: recruitment & selection; compensation; training; employee retention; fair treatment; and political rights & prohibitions.	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, 2022	Significant Findings
County Executive Office (continued)	Human Resource Services (continued)	OCERS (Moss Adams)	HRS - Employee Records	Annual	N/A	Census Data Testing: 45 employees, proof of identity to support the individual's Social Security Number, last name/first name (i.e., driver's license, W-9, passport, employment application signed by the individual), DOB, and date of hire.	Completed.	None.
	Office of Care Coordination	U.S. Department of Housing and Urban Development	Continuum of Care Program - Coordinated Entry System Grant	Every few years	N/A	Program management and implementation, as well as fiscal management.	Completed.	None.
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.	
Health Care Agency	Administration	Eide Bailly	Single Audit - COVID-19 Epidemiology and Laboratory Capacity for Infectious Disease; Block Grants for Prevention and Treatment of Substance Abuse; and COVID-19 Epidemiology and Laboratory Capacity for Infectious Disease	FY 2021 Annual	6/30/2021	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2021-002, 2021-003, and 2021-005 under Auditor-Controller Single Audit.
	Correctional Health Services	Board of State and Community Corrections (BSCC)	Coronavirus Emergency Supplemental Funding (CESF)	FY 21/22 Annual	N/A	Financial and compliance review	In progress.	
	Mental Health & Recovery Services	Department of Health and Human Services (DHHS) / Substance Abuse and Mental Health Services Administration (SAMHSA)	SABG/MHBG Virtual Site Visit	FY 2016, 2017, 2018	N/A	Financial and compliance review	In progress.	
		State Department of Health Care Services (DHCS) County Compliance Unit	Substance Abuse Block Grant (SABG) and Drug Medi-Cal Organized Delivery System (DMC-ODS)	FY 21/22 Annual	FY 20/21	Financial and compliance review	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, 2022	Significant Findings
Health Care Agency (continued)	Mental Health & Recovery Services (continued)	Board of State Community Corrections (BSCC)	Prop 47 Comprehensive Monitoring Visit - Cohort 2	Biennial	05/19	Financial and compliance review	In progress.	
		State Department of Health Care Services (DHCS)	Mental Health Services Act	CY 2022 Triennial	FY 19/20	Review of County MHSA program	In progress.	
	Office of Care Coordination	U.S. Department of Housing and Urban Development	Coordinated Entry System (CES) - CoC Grant No. CA1439L9D022005	FY 21/22 Annual	N/A	Financial and compliance review	Completed.	None.
	Public Health	CalEPA	Environmental Health - CUPA Program	FY 21/22 into FY 22/23 Triennial	FY 18//19	Review of inspections, enforcement and compliance activities of electronic records in CERS; field audit of staff is TBD	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	Desk review of documents and all aspects related to fiscal compliance for charges claimed on the cost report.	Completed.	None.
		DHCS Audits & Investigations - Targeted Case Management	Targeted Case Management, Program Financial Audit of the TCM Cost Report	FY 18/19 Annual	FY 17/18	Desk review of documents and all aspects related to fiscal compliance for charges claimed on the cost report.	In progress.	
		Department of Food and Nutrition Services, Western Regional Office (FNSWRO)	Nutrition Education and Obesity Prevention (NEOP) / Supplemental Nutrition Assistance Program Education (SNAP-Ed)	FY 20/21	01/15	Management Evaluation - Determine how nutrition education and obesity prevention interventions are provided and how the program is run in each state. FNSWRO will examine the following areas: program planning and implementation; fiscal integrity; staffing; reporting; communication and coordination; civil rights; edu materials, curricula, and reinforcements; and program evaluation.	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, 2022	Significant Findings
<b>Health Care Agency (continued)</b>	<b>Public Health (continued)</b>	State Office of AIDS	HIV Planning and Coordination - Ryan White Part B	FY 20/21 Annual	02/20	Programmatic Site visit to ensure compliance with Ryan White legislation.	Completed.	None.
		State Department of Resources Recycling and Recovery (CalRecycle)	Environmental Health - Solid Waste, Local Enforcement Agency	Every 2-3 years	12/18	Program review. Ensure LEA's implement effective programs in accordance with laws, regulations, and Enforcement Program Plan and verify LEA compliance with certification requirements.	In progress.	
		Gilbey and Associates (First 5)	Community and Nursing Services Division	FY 20/21 Annual	FY 19/20	Fiscal and Program Compliance.	Completed.	None.
	<b>Medical Health Services</b>	California Emergency Management Agency (Cal EMA)	Health Disaster Management - State Homeland Security Funds; HCA is subrecipient through OCSO	GY 2006; Varies	N/A	Compliance field review - Grant Year 2006, 2007 and 2008 Note: OCSO is the lead on this audit and is coordinating all findings and responses.	Completed. Received CalOES/CalEMA's 5/13/22 close-out letter. Findings reversed.	None.
<b>John Wayne Airport</b>	<b>Finance Administration</b>	Eide Bailly	Internal Control over Financial Reporting for Airport Improvement Program	2021	2020	Compliance with Title 2, Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards	Completed.	None.
		Eide Bailly	Financial Statements, including Passenger Facility Charge Revenue and Expenditures	2022 Annual	2021	Audit of Financial Statements	In progress.	
	<b>Operations</b>	Federal Aviation Administration	Airport Certification Inspection	2022	2021	Compliance with Title 14, Code of Federal Regulations, Part 139, the Airport Certification Manual and the Airport Operation Certificate	Completed.	None.
		Tevora Business Solutions	Common Use Passenger Processing System and Parking Revenue and Access Control System	2021	2020	Compliance with Payment Card Industry Data Security Standard	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, 2022	Significant Findings
<b>John Wayne Airport (continued)</b>	<b>Operations (continued)</b>	Transportation Security Administration	Airport Security	2022	2021	Compliance with Title 49, Code of Federal Regulations, Part 1542, Airport Security	Completed.	None.
<b>OC Community Resources</b>		Eide Bailly	Single Audit - COVID-19 Coronavirus State and Local Fiscal Recovery Funds; COVID-19 Coronavirus Relief Fund; and Aging Cluster	FY 2021 Annual	6/30/2021	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2021-002, 2021-003, and 2021-004 under Auditor-Controller Single Audit.
	<b>Housing Community Development</b>	Eide Bailly	OC Housing Finance Trust	FY20/21 Annual	FY 19/20	Financial Statements Audit	Completed.	None.
	<b>Orange County Housing Authority (OCHA)</b>	Eide Bailly	HCV, CoC, FSS Coordinator, FSS Study, Mainstream, VASH, FUP, EHV and CARES Act	FY 20/21 Annual	03/21	Agreed-upon procedures for attestation of Section 8 cluster to the US Department of Housing & Urban Development	Completed.	None.
	<b>Office on Aging (OoA)</b>	California Dept of Aging	Office on Aging	FY 19/20	N/A	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	
		California Dept of Aging	Office on Aging	FY 18/19 - FY 19/20 Biennial	FY 17/18	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	
	<b>Workforce &amp; Economic Development Division</b>	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.	

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, 2022	Significant Findings
OC Community Resources (continued)	Workforce & Economic Development Division (continued)	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.	
		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.	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, 2022	Significant Findings
OC Community Resources (continued)	Workforce & Economic Development Division (continued)	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.	In progress.	
		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.	In progress.	
		Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	Enhance 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.	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, 2022	Significant Findings
<b>OC Community Resources (continued)</b>	<b>Workforce &amp; Economic Development Division (continued)</b>	Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	COVID-19 National Dislocated Worker Grant Review	FY 21/22 One-Time	N/A	To determine OCDB's compliance with applicable federal and state laws, regulations, and policies specific to program operations and systems related to WIOA-COVID-19 National Dislocated Worker Grant # 1194. 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.	In progress.	
	<b>OC Parks</b>	No audits in progress.						
	<b>OC Libraries</b>	No audits in progress.						
	<b>OC Animal Care</b>	Macias, Gini & O'Connell LLP	City Billing	FY 20/21 Triennial	FY 17/18	Contracted examination of calculation of cost recovery from contracted cities.	In progress.	
	<b>Redevelopment Successor Agency</b>	Eide Bailly	Financial Statement Audit	Annual	6/30/2021	Redevelopment Successor Agency	In progress.	
<b>OC Public Works</b>	<b>Accounting</b>	Eide Bailly	Single Audit - Flood Plain Management Services	6/30/2021	6/30/2020	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2021-001 under Auditor-Controller Single Audit.
		California Department of Transportation	San Juan Creek Bike Trail, 17th Street at Esplanade, Antonio Parkway	12/31/13	N/A	Audit of incurred costs	Completed.	None.
		Eide Bailly	Santa Ana River Flood Protection Agency (SARFPA)	FY 17/18 & 18/19 and FY 19/20 & 20/21 Every 4 years	2018	Bi-Annual Audits of the Santa Ana River Flood Protection Agency's Financials Statements	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, 2022	Significant Findings
OC Public Works (continued)	Accounting/ Construction / Infrastructure Programs	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 & OC Fleet Services	BCA Watson Rice LLP	South Coast Air Quality Management District AB-2766 Fund (Fund 140)	FY 19/20 & FY 20/21 Bi-annual	01/22	A Financial and Compliance Audit to determine if recipient is in compliance with provisions of Assembly Bill 2766 Chapter 1705 [44220 through 44247].	Planned.	
	Administrative Services / Revenue Streams	Transportation Corridor Agency (TCA)	Road Fee Programs (TCA Fees specific)	CY 2021 Annual	05/21	TCA Fee Program for CY 2021. Audit of major thoroughfare fees collected by the County of Orange.	In progress.	
OC Waste & Recycling	Accounting	Eide Bailly	OCWR Accounting	FY 2022 Annual	FY 2021	Financial and Compliance Audit	In progress.	
Probation	Administrative and Fiscal	California Department of Education - Nutrition Services Division	Breakfast/ Lunch School Program	FY 20/21 Every 5 years	01/17	Audit of Revenue and Programatic Procedures	In progress.	
Public Defender		No audits in progress.						
Registrar of Voters		Eide Bailly	Single Audit - COVID-19 2018 HAVA Election Security Grants	6/30/2021	6/30/2020	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2021-001 under Auditor-Controller Single Audit.
Sheriff-Coroner	Financial/ Administrative Services	Cal EMA / Grants Management Section	Homeland Security Grants	FY 06 through 08	FY 06/07	Financial / Compliance	Closed.	This audit is also reported under HCA / Medical Health Services.  No findings.

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, 2022	Significant Findings
<b>Sheriff-Coroner (continued)</b>	<b>Financial/Administrative Services (continued)</b>	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.	
	<b>Custody Operations</b>	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.	
	<b>Crime Lab</b>	ANSI National Accreditation Board (ANAB)	ISO/IEC 17025:2017 and AR 3125, Forensic Science Testing and Calibration	Every 4 years	07/10	Conformance	In progress.	
	<b>Technology</b>	Tech Advisory Committee (TAC)	IT	10/19 to 03/20	2017	Operational Review	In progress.	
		Motorola	800MHz CCCS Network and Program	One Time	N/A	Cybersecurity assessment	In progress.	
	<b>Records</b>	California Department of Justice	California Law Enforcement Telecommunications System (CLETS) Policy and Security Audit	2020-2022 Triennial	03/19	Ensure adherence to CLETS policies and security requirements	In progress.	
		California Department of Justice	Criminal Offender Record Information (CORI)/ Interstate Identification Index (III) Audit	2020-2022 Triennial	08/19	Ensure "need to know" CORI, review theRoute To Field and Purpose Codes.	In progress.	
	<b>Inmate Services Division</b>	BSCC (Board of State and Community Corrections)	Coronavirus Emergency Supplemental Funding (CESF) Grant Program	7/1/21-12/31/21	N/A	Monitoring Visit	In progress.	
<b>Social Services Agency</b>	<b>Administrative Services</b>	California State Auditor	CACI Grievance	11/21 - 03/22	1st time in last 6 years	Evaluate Orange County SSA grievance process to ensure sufficient P&P's to receive and review objections to individuals listed on CACI. Further, from period of 1997 to present, assess whether OC SSA complied with state law CACI reporting requirements.	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, 2022	Significant Findings
Social Services Agency (continued)	Children & Family Services	Community Care Licensing/CDSS	Annual Inspection of our licensed facility. Youth files/ employee files/grounds inspection.	Annual	04/19	All buildings and grounds/client files and employee files	In progress.	
		Nutrition Service Division California Department of Education National School Lunch Program	Audit of school reimbursement documentation	03/22 Annual	2019	Review of menu, meal prep practices, documentation of residents and number of meals served daily in month of March 2022	In progress.	
	Assistance Programs	California Department of Social Services (CDSS)	CalFresh Employment & Training (CF E&T)	03/22 Annual	03/21	Management Evaluation (ME) of OC's CF E&T program to determine the compliance of the program rules and regulations, and the county's approved CF E&T plan.	In progress.	
	Family Self-Sufficiency & Adult Services	California Department of Social Services (CDSS)	IEVS Audit	Every 3 Years	04/19	-Ensure IEVS matches are processed as required by State and Federal laws -Verify that County procedures include all regulation requirements pertinent to eligibility, as it pertains to IEVS and collections of Overpayment/Overissuance -Ensure that all reporting requirements are being complete timely and accurately	In progress.	
Treasurer-Tax Collector	Treasury and Investments	Eide Bailly, LLP	Annual IPS Compliance	FY 20/21 Annual	6/30/2020	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, 2022

No.	Department	Audit Name	Finding	Recommendation	Material or Significant	Implementation Status* & Actions Taken or Planned
1	Health Care Agency	Short-Doyle/Medi-Cal Cost Reporting and Data Collection for Fiscal Period Ended June 30, 2013	The audit resulted in disallowed costs totaling \$4,183,469 due to Medi-Cal units of service and administrative cost adjustments.	The audit report did not contain a recommendation; however, the disallowance is monies due back to the State.	Material	<b>Implemented.</b> Payments disbursed to the State in March and April 2022.
2	Health Care Agency	Short-Doyle/Medi-Cal Cost Reporting and Data Collection for Fiscal Period Ended June 30, 2014	The audit resulted in disallowed costs totaling \$5,487,703 due to Medi-Cal units of service and administrative cost adjustments.	The audit report did not contain a recommendation; however, the disallowance is monies due back to the State.	Material	<b>Implemented.</b> Payments disbursed to the State in April 2022.

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



# Memorandum

August 11, 2022

**AOC Agenda Item No. 8**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Auditor-Controller Mandated Audits for the Quarter Ended June 30, 2022

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Receive Report on Status of Auditor-Controller Mandated Audits for the Quarter Ended June 30, 2022, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Status of Mandated Audits as of June 30, 2022



Auditor-Controller Internal Audit  
 Status of Mandated Audits  
 As of June 30, 2022  
 AOC Meeting Date: August 11, 2022

Audit Name	Audit No.	Budget Hours	Actual Hours	Variance	Draft Report	Final Report	Status
Audit of Schedule of Assets as of 6/30/21	N/A	N/A	N/A	N/A	N/A		Fieldwork completed
Cash Shortages FY 20-21	2001	100	186	-86	N/A	N/A	2 in process, 8 completed
Cash Shortages FY 21-22	2101	120	61	59	N/A	N/A	2 in process, 8 completed
JPA's and Special Districts FY 20-21*	2112	120	66	54	N/A	N/A	Collection in process
Review of Schedule of Assets as of 12/31/21	2107	300	254	46	3/22/2022	4/6/2022	Completed
Review of Schedule of Assets as of 3/31/22	2108	300	210	90	6/22/2022		Reporting in process

\*We collect copies and post them online.



Auditor-Controller Internal Audit  
Status of Mandated Audits  
As of June 30, 2022  
AOC Meeting Date: August 11, 2022

### 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.	Fieldwork has been completed.	0	0

### Cash Shortages FY 20-21

Objective	Status/Results	Critical or 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 completed. Department(s) in process: Child Support Services and OC Public Works	0	0

### Cash Shortages FY 21-22

Objective	Status/Results	Critical or Significant Control Weaknesses	Control Findings
To perform an investigation to determine whether to approve replenishment of cash shortages.	2 investigation(s) in process, 8 completed, and 1 withdrawn. Department(s) in process: Sheriff's Department and Treasurer-Tax Collector	0	0





Auditor-Controller Internal Audit  
Status of Mandated Audits  
As of June 30, 2022  
AOC Meeting Date: August 11, 2022

### JPA's and Special Districts FY 20-21

Objective	Status/Results	Number of Modified Reports Reviewed	
To ensure all JPAs and Special District within the County file their annual audits within 12 months of their fiscal year end.	Collection of audited financial statements is in process. JPAs remaining: 2 of 73. Special Districts remaining: 2 of 34.	0	

### Review of Schedule of Assets as of 12/31/21

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.	Final report was issued on April 6, 2022.	0	0

### Review of Schedule of Assets as of 3/31/22

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.	Draft report and draft management letter sent to the Treasurer-Tax Collector on June 22, 2022 and June 27, 2022.	0	0



# Memorandum

August 11, 2022

**AOC Agenda Item No. 9**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Auditor-Controller Internal Audit Charter and Fiscal Year 2022-23 Audit Plan

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Receive Auditor-Controller Internal Audit Charter and Fiscal Year 2022-23 Audit Plan, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Auditor-Controller Internal Audit Charter and FY 2022-23 Audit Plan



OFFICE OF THE  
**ORANGE COUNTY AUDITOR-CONTROLLER**

**FRANK DAVIES, CPA**  
AUDITOR-CONTROLLER

August 11, 2022

TO: Audit Oversight Committee

SUBJECT: Auditor-Controller Internal Audit Charter and FY 2022-23 Audit Plan

The Auditor-Controller Internal Audit Charter and FY 2022-23 Audit Plan are attached for your receipt and filing.

If you have any questions please contact me at 714-834-2457 or Michael Steinhaus, Audit Manager, at 714-834-6106.

Frank Davies, CPA  
Auditor-Controller



OFFICE OF THE  
**ORANGE COUNTY AUDITOR-CONTROLLER**

**FRANK DAVIES, CPA**  
AUDITOR-CONTROLLER

## Orange County Auditor-Controller Internal Audit Charter

### Purpose and Mission

The purpose of the Orange County Auditor-Controller's Internal Audit Unit is to provide independent, objective assurance and consulting services designed to add value and improve Orange County's operations. The Auditor-Controller Internal Audit Unit performs the Auditor-Controller's mandated audit and review requirements as prescribed by Government Code and Welfare & Institution Code statutes. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit Unit helps the Auditor-Controller's Office and the County of Orange accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

### Standards for the Professional Practice of Internal Auditing

The Internal Audit Unit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Internal Audit Manager will report periodically to the Auditor-Controller and senior management regarding the Internal Audit Unit's conformance to the Code of Ethics and the *Standards*.

### Authority

Authority for the Auditor-Controller to conduct certain audits is granted by the legislature under various code sections including *Government Code Section 26881*, *Government Code Section 26920*, and *Welfare and Institutions Code Section 275*.

The Internal Audit Manager will report functionally to the Auditor-Controller and administratively (i.e., day-to-day operations) to the Chief Deputy Auditor-Controller. To establish, maintain, and assure that Auditor-Controller's Internal Audit Unit has sufficient authority to fulfill its duties, the Auditor-Controller will:

- Approve the Internal Audit Charter.
- Approve the risk-based internal audit plan.
- Approve the Internal Audit Unit's budget and resource plan.
- Receive communications from the Internal Audit Manager on the Internal Audit Unit's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Internal Audit Manager.
- Approve the remuneration of the Internal Audit Manager.
- Make appropriate inquiries of management and the Internal Audit Manager to determine whether there is inappropriate scope or resource limitations.

The Internal Audit Manager will have unrestricted access to, and communicate and interact directly with, the Auditor-Controller, including in private meetings without management present.

The Auditor-Controller authorizes the Internal Audit Unit to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of Orange County, as well as other specialized services from within or outside Orange County in order to complete the engagement.

### Independence and Objectivity

The Internal Audit Manager will ensure that the Internal Audit Unit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Internal Audit Manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for Orange County or its affiliates.
- Initiating or approving transactions external to the Internal Audit Unit.
- Directing the activities of any Orange County employee not employed by the Internal Audit Unit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Internal Audit Manager has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Internal Audit Manager will confirm to the Auditor-Controller, at least annually, the organizational independence of the Internal Audit Unit.

The Internal Audit Manager will disclose to the Auditor-Controller any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

### Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Auditor-Controller, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for Orange County. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the Auditor-Controller's and the County of Orange's strategic objectives are appropriately identified and managed.
- The actions of Orange County's officers, directors, employees, and contractors comply with Orange County's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Auditor-Controller's Office or the County of Orange.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Internal Audit Manager will report periodically to the Auditor-Controller and senior management regarding:

- The Internal Audit Unit's purpose, authority, and responsibility.
- The Internal Audit Unit's plan and performance relative to its plan.
- The Internal Audit Unit's conformance with The IIA's Code of Ethics and *Standards*, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Auditor-Controller.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the Auditor-Controller's Office or the County of Orange.

The Internal Audit Manager also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Internal Audit Unit may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Internal Audit Unit does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

## Responsibility

Government Code 1236 requires that all County employees that conduct audits or that conduct audit activities of the County shall conduct their work under the general and specified standards prescribed by the Institute of Internal Auditors (IIA) or the Government Auditing Standards issued by the Comptroller General of the United States, as appropriate. The Internal Audit Unit conducts its work under the IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)*.

The Internal Audit Manager has the responsibility to:

- Submit, at least annually, to the Auditor-Controller and senior management a risk-based internal audit plan for review and approval.
- Communicate to the Auditor-Controller and senior management the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in Orange County's business, risks, operations, programs, systems, and controls.
- Communicate to the Auditor-Controller and senior management any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to the Auditor-Controller and senior management any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the Internal Audit Unit collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact Orange County are considered and communicated to the Auditor-Controller and senior management as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit Unit.
- Ensure adherence to the Auditor-Controller's Office and the County of Orange's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to the Auditor-Controller and senior management.
- Ensure conformance of the Internal Audit Unit with the *Standards*, with the following qualifications:
  - If the Internal Audit Unit is prohibited by law or regulation from conformance with certain parts of the *Standards*, the Internal Audit Manager will ensure appropriate disclosures and will ensure conformance with all other parts of the *Standards*.
  - If the *Standards* are used in conjunction with requirements issued by other authoritative bodies, the Internal Audit Manager will ensure that the Internal Audit Unit conforms with the *Standards*, even if the Internal Audit Unit also conforms with the more restrictive requirements of other authoritative bodies.

### Quality Assurance and Improvement Program

The Internal Audit Unit will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Unit. The program will include an evaluation of the Internal Audit Unit's conformance with the *Standards* and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the Internal Audit Unit and identify opportunities for improvement.

The Internal Audit Manager will communicate to the Auditor-Controller and senior management on the Internal Audit Unit's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside County of Orange.



**I. Effective Date**

This charter and the policies therein become effective immediately upon approval by the Auditor-Controller.



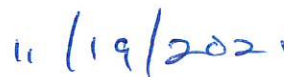
Michael Steinhaus, Internal Audit Manager  
Auditor-Controller Internal Audit Unit



Date



Frank Davies, Auditor-Controller



Date



## Auditor-Controller Internal Audit FY 2022-23 Audit Plan

### MISSION STATEMENT

The mission of the Auditor-Controller Internal Audit unit (Internal Audit) is to perform statutorily mandated audits and reviews, and to provide independent, objective assurance and management consulting services designed to add value and improve the Auditor-Controller's Office and County operations.

### BACKGROUND

The Orange County Auditor-Controller is an elected official with legislative mandated audit responsibilities which includes the performance of reviews and audits of the County Treasury and a biennial audit of the Probation Department juvenile books and accounts pursuant to Government Code Section 26920 and the Welfare and Institutions Code Section 275, respectively. In February 2007, Internal Audit was established to perform the Auditor-Controller's mandated audits and to be an ongoing technical resource to assist the Auditor-Controller with management advisory projects, investigations, and special projects delegated to the Auditor-Controller's Office.

### INDEPENDENCE

In order to preserve auditor independence, Internal Audit is functionally and structurally independent of Auditor-Controller operations. The Audit Manager is the Chief Audit Executive (CAE) for Internal Audit and is responsible for the audit planning, audit management, and administrative functions of the unit. The Audit Manager reports functionally to the elected Auditor-Controller and administratively to the Chief Deputy Auditor-Controller.

### AUDIT OVERSIGHT COMMITTEE

The County of Orange has an Audit Oversight Committee (AOC) which serves as an advisory committee to the Board of Supervisors (BOS), providing oversight of the County's internal and external audit coverage. The AOC's meetings are open to the public and must comply with the provisions of the Brown Act.

The Audit Manager attends the quarterly AOC meetings and provides a status of mandated audits. Internal Audit submits its Charter and Audit Plan annually, and the results of its external quality assessment, performed every five years, to the AOC as receive and file agenda items.

### AUDIT PLAN

Internal Audit limits its audit plan to activities under the Auditor-Controller's authority. The Internal Audit FY 2022-23 Audit Plan allocates internal audit hours between four main areas:

- I. Mandated Audits and Reviews
- II. Special Request Projects
- III. Risk-Based Projects
- IV. Other Projects

### TYPES OF ASSIGNMENTS

California law directs county auditors to ensure specific audits are performed in accordance with appropriate professional auditing standards. The Treasury Oversight Committee also contracts with Internal Audit to perform compliance monitoring of the Treasury investment portfolio.



## Auditor-Controller Internal Audit FY 2022-23 Audit Plan

### I. MANDATED AUDITS AND REVIEWS

#### **Treasury Audit and Reviews:**

Internal Audit performs quarterly reviews and an annual audit of the Treasurer's Schedule of Assets in accordance with Government Code Section 26920. As of December 31, 2021, assets held by the Orange County Treasury totaled approximately \$13.2 billion. The reports for these engagements are addressed to the BOS and copied to the AOC, County Executive Officer (CEO), Treasurer-Tax Collector (T-TC) management, Grand Jury, the Clerk of the Board (COB), and the County's external auditor.

#### **Probation Audit:**

Welfare and Institutions Code Section 275 requires that the Auditor-Controller (Internal Audit) audit the Probation Department's juvenile books and accounts once every two years. The last audit was performed in fiscal year 2021-22 and the next is scheduled for fiscal year 2023-24. The report for this engagement is addressed to the Presiding Judge of the Superior Court and copied to the BOS, AOC, CEO, Probation Department management, COB, Grand Jury, and the County's external auditor.

#### **Special Districts and Joint Powers Authorities:**

Pursuant to Government Code Section 26909, Internal Audit collects and reviews the audited financial reports for the Special Districts within Orange County. If a Special District does not hire a CPA firm to perform a financial statement audit, the Auditor-Controller must perform or cause to be performed a financial statement audit at the Special District's expense. The Auditor-Controller also receives copies of Joint Powers Authorities audited financial statements pursuant to Government Code Section 6505. Both of these reports are posted on the Auditor-Controller's internet site for public viewing as an added layer of transparency to Orange County citizens.

#### **Cash Shortage Investigations:**

Pursuant to Government Code Section 29390.1, the BOS may adopt a resolution to provide that cash shortage investigations and replenishment be performed by the Auditor-Controller instead of the BOS. Per Board Resolution 05-033, the Auditor-Controller can authorize relief of accountability and replenishment of cash shortages up to \$2,500. The investigation of the cash shortage is performed by Internal Audit. The Auditor-Controller created the County Accounting Manual, Procedure C-3, to document the specific procedures performed by Auditor-Controller to meet the requirements of Board Resolution 05-033.

#### **Fraud Hotline Investigations:**

Pursuant to Government Code Section 53087.6, the elected Auditor-Controller may maintain a whistleblower hotline to receive information from people regarding fraud, waste, or abuse by local government employees. On August 4, 2015, the Board of Supervisors transferred responsibility for the Hotline to the Office of County Counsel, with the Fraud Hotline manager reporting to County Counsel, and investigations performed with assistance from the Auditor-Controller.

### II. SPECIAL REQUEST PROJECTS

Internal Audit performs special projects in response to requests from County departments, agencies or committees. Special request projects from the BOS go to the Internal Audit Department (IAD).





## Auditor-Controller Internal Audit FY 2022-23 Audit Plan

### **Treasury Compliance Monitoring:**

Pursuant to an agreement with the Treasury Oversight Committee documented by an Engagement Letter, Internal Audit performs quarterly compliance monitoring engagements of the Treasury investment portfolio based on a sample of five business days per month. The objective of the engagement is to determine whether the Treasury investment portfolio complies with certain provisions of the Treasurer's Investment Policy Statement. Internal Audit staff utilizes Computer Assisted Auditing Technique Software (CAATS), which is an audit best practice, when performing these audits. The reports for these engagements are addressed to the Treasury Oversight Committee and copied to the BOS, AOC, CEO, T-T management, Grand Jury, COB, and the County's external auditor.

### **Assistance to External Auditors:**

Per our current contract with the external auditors, Internal Audit provides 600 hours of County staff assistance per audit year to the external auditors to help them with the Annual Comprehensive Financial Report (ACFR), Single Audit, and other audit engagements for the County.

### **III. RISK-BASED PROJECTS**

Internal Audit performed a risk assessment of all sections of the Auditor-Controller's Office in January 2022 and have included below those sections that resulted in high or medium risk.

- **High Risk A-C Sections**
  - Claims and Compliance
  - HCA Accounting
  - Payroll and Employee Benefits
- **Medium Risk A-C Sections**
  - CEO Public Finance Accounting
  - OCCR Accounting
  - OCPW Accounting
  - JWA Accounting
  - OCWR Accounting
  - Property Tax/Countywide Oversight Board

### **IV. OTHER PROJECTS**

Other projects, or work, includes preparing and presenting AOC status reports, managing the Auditor-Controller Office CPA Certification Program, preparing the risk-based annual audit plan, and training. They may also include assisting other County departments, entities, or counties on behalf of the Auditor-Controller's Office, such as providing information to other auditors and performing external quality assessment of other counties.

A handwritten signature in blue ink, appearing to read "Frank Davies", is located below the text of the signature block.

Frank Davies, CPA  
Auditor-Controller  
July 12, 2022



# Memorandum

August 11, 2022

**AOC Agenda Item No. 10**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Performance Audits for the Quarter Ended June 30, 2022

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Receive Report on Status of Performance Audits for the Quarter Ended June 30, 2022, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Performance Audits Status Report

**PERFORMANCE AUDITS QUARTERLY STATUS REPORT**

**August 11, 2022**

**Attachment A**

Department	Division/Program	Third Party Auditor	Previous Audit	Audit Scope	Status
<b>FY 2020-21</b>					
OC Public Works	Administration/Department Head Transition	Macias Gini & O'Connell LLP (MGO)	N/A	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	Draft report review in progress for discussion with OC Public Works and MGO
Probation	Administration/Department Head Transition	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	Completed; MGT report and department responses under review by newly appointed Chief Probation Officer prior to Board and AOC transmittals.
<b>FY 2021-22</b>					
Sheriff Coroner	Procurement	National institute of Governmental Purchasing (NIGP)	N/A	Review of 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	In progress; draft report anticipated mid-August.
Child Support Services	Administration/Department Head Transition	To Be Determined	N/A	Review 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	Potential contractors under review based on Request for Qualifications recently completed by County Procurement Office

**PERFORMANCE AUDITS QUARTERLY STATUS REPORT**  
**August 11, 2022**

**Attachment A**

<b>Department</b>	<b>Division/Program</b>	<b>Third Party Auditor</b>	<b>Previous Audit</b>	<b>Audit Scope</b>	<b>Status</b>
Health Care Agency	Behavioral Health Services (BHS)	To Be Determined	N/A	Review of BHS' Mental Health Services Act (MHSA) programming to evaluate effectiveness of the MHSA governance structure (MHSA Steering Committee and MHSA Advisory Board), BHS' ability to identify and track appropriate performance measures for each MHSA program; compliance with MHSA mandates, goals, and objectives; alignment with County 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	RFP issued on 7/20/22, scheduled to close 8/10/22
Social Services Agency	Case Management Services under Temporary Aid to Needy Families (TANF) and California Work Opportunity and Responsibility to Kids Act (CalWORKs)	To Be Determined	N/A	As directed by the Board on 5/24/22, performance audit to examine performance metrics related to case management services provided by Maximus and SSA staff.	Potential contractors under review based on Request for Qualifications recently completed by County Procurement Office
<b>FY 2022-23</b>					
Registrar of Voters	Administration/Department Head Transition	To Be Determined	N/A	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	Potential contractors under review based on Request for Qualifications recently completed by County Procurement Office

**PERFORMANCE AUDITS QUARTERLY STATUS REPORT**

**Attachment A**

**August 11, 2022**

<b>Department</b>	<b>Division/Program</b>	<b>Third Party Auditor</b>	<b>Previous Audit</b>	<b>Audit Scope</b>	<b>Status</b>
John Wayne Airport	Administration/Department Head Transition	To Be Determined	N/A	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	Potential contractors under review based on Request for Qualifications recently completed by County Procurement Office
Social Services Agency	Administration/Department Head Transition	To Be Determined	N/A	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	Potential contractors under review based on Request for Qualifications recently completed by County Procurement Office
<b>IMPLEMENTATION STATUS OF RECOMMENDATIONS FOR COMPLETED PERFORMANCE AUDITS</b>					
<b>FY 2021-22</b>					
Health Care Agency	Environmental Health	EHA Consulting Group, Inc.	N/A	Evaluate 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	Completed; follow up in six months for status of implementation of recommendations
<b>FY 2020-21</b>					
Public Defender	Administration/Department Head Transition	Moss Adams LLP	N/A	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	Completed; follow up in six months for status of implementation of recommendations
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 recommendations for streamlining	Completed; follow up in six months for status of implementation of recommendations



**PERFORMANCE AUDITS QUARTERLY STATUS REPORT**

**August 11, 2022**

**Attachment A**

Department	Division/Program	Third Party Auditor	Previous Audit	Audit Scope	Status
<b>FY 2019-20</b>					
Auditor-Controller	Department-Wide	Moss Adams	N/A	Review organizational structure, operations, staffing levels, mandated vs. non-mandated services, policies/practices/procedures, use of technology, training	Completed; follow up in six months for status of implementation of recommendations
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; follow up in six months for status of implementation of recommendations
Office of Care Coordination, OC Community Resources, CEO Legislative	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; follow up in six months for status of implementation of recommendations
Sheriff, Probation, District Attorney, Public Defender, Health Care Agency, Social Services Agency, and OC Community Resources	AB109-Related Operations	Arroyo Associates, Inc.	N/A	Identify resources allocated to the AB109 population above and beyond that provided by the State through 2011 Realignment	Completed; follow up in six months for status of implementation of recommendations
<b>FY 2018-19</b>					
Clerk of the Board	Department-Wide	Arroyo Associates, Inc.	N/A	Review of current operations, policies, practices and procedures to identify areas for improvement, streamlining, enhanced efficiencies	Preparing follow-up responses for Board transmittal
County Executive Office/Human Resources Services	Department-Wide	CPS HR Consulting	2012	Determine if 2012 recommendations were implemented and revisit for relevance; identify other recommendations for improvement	Preparing follow-up responses for Board transmittal

**PERFORMANCE AUDITS QUARTERLY STATUS REPORT**  
**August 11, 2022**

**Attachment A**

Department	Division/Program	Third Party Auditor	Previous Audit	Audit Scope	Status
County Executive Office/Risk Management	Department-Wide	CPS HR Consulting	2012	2012 recommendations were implemented; identify other recommendations for improvement	Preparing follow-up responses for Board transmittal
OC Sheriff's Department	Department-Wide	Arroyo Associates, Inc.	2008, 2011	Identify current reasons for increasing cost of overtime and identify recommendations to reduce overtime costs without increasing number of positions	Preparing follow-up responses for Board transmittal



# Memorandum

August 11, 2022

**AOC Agenda Item No. 11**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Update on Treasurer-Tax Collector Performance Audit Subcommittee

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Receive Update on Treasurer-Tax Collector Performance Audit Subcommittee, as stated in recommended action.



# Memorandum

August 11, 2022

**AOC Agenda Item No. 12**

TO: Audit Oversight Committee Members

Recommended Action:

Discuss Suggested Department Head Training of the Annual Comprehensive Financial Report (ACFR)

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Discuss Suggested Department Head Training of the Annual Comprehensive Financial Report (ACFR), as stated in recommended action.



# Memorandum

August 11, 2022

**AOC Agenda Item No. 13**

TO: Audit Oversight Committee Members

Recommended Action:  
Received Report on eProcurement

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Received Report on eProcurement, as stated in recommended action.



# Memorandum

August 11, 2022

**AOC Agenda Item No. 14**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Internal Audit Department's fiscal Year 2021-22 Key Performance Indicators Report

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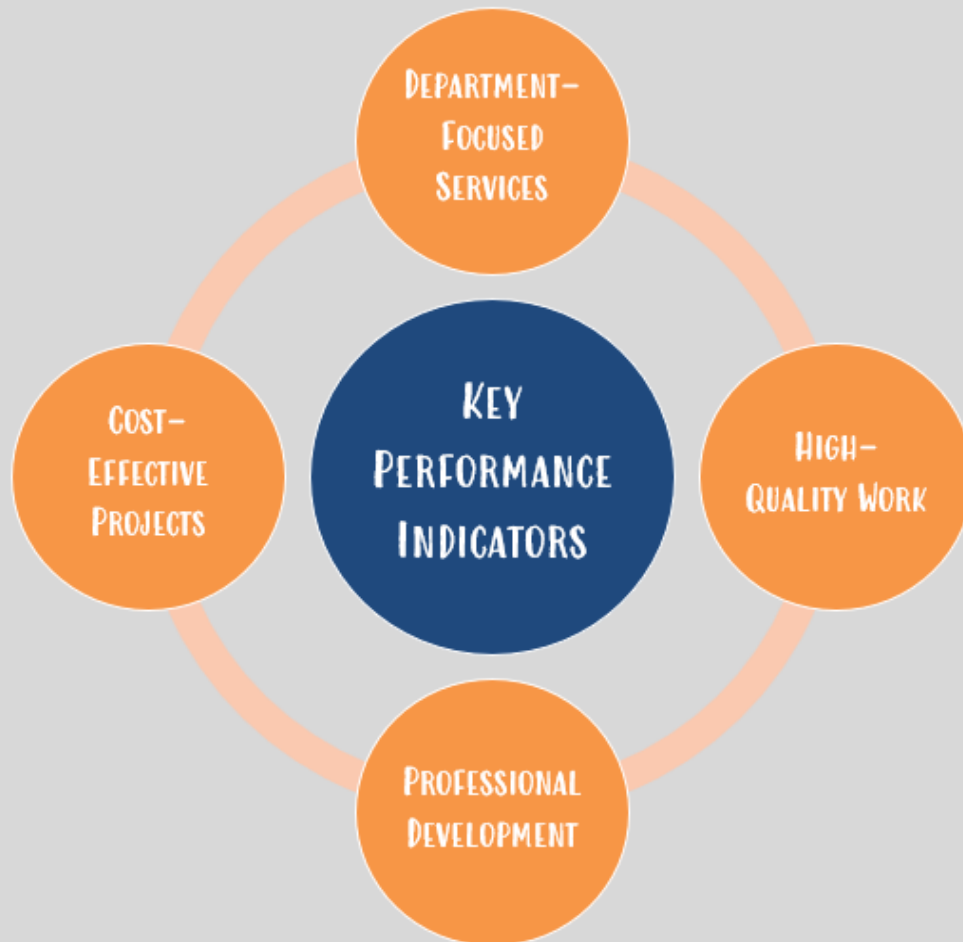
Receive Internal Audit Department's fiscal Year 2021-22 Key Performance Indicators Report, as stated in recommended action.

ATTACHMENT(S):

Attachment A – KPI Status Report Fiscal Year 2021-22



# INTERNAL AUDIT DEPARTMENT



## Key Performance Indicators Results For the Fiscal Year 2021-22

**Report Date: June 28, 2022**

### OC Board of Supervisors

CHAIRMAN DOUG CHAFFEE  
4th DISTRICT

VICE CHAIRMAN DONALD P. WAGNER  
3rd DISTRICT

SUPERVISOR ANDREW DO  
1st DISTRICT

SUPERVISOR KATRINA FOLEY  
2nd DISTRICT

SUPERVISOR LISA A. BARTLETT  
5th DISTRICT

## Director's Message

We measure our performance utilizing 12 Key Performance Indicators (KPI) that align with our mission statement and cover the following four areas:



During Fiscal Year 2021-22, Internal Audit met 8 (73%) out of the 11 applicable KPIs. The three KPIs not met were: "Risk-Based Audit Coverage," under *Department-Focused Services*, "Reporting," under *High Quality Work*, and "Chargeable Time," under *Cost-Effective Projects*.

Internal Audit has had a long-vacant Staff Specialist position, which required reassignment of Operations staff to assist with mission critical Administrative Services duties. Accordingly, all available auditors were not assigned to high-risk or high-priority areas. In addition, as Internal Audit continues to grow the Information Technology Audit (ITA) function, several auditors were trained on performing IT audits. This cross-training, coupled with a vacant Senior Auditor position, contributed to issuance of a draft report within six months of fieldwork commencement in only 63% of audit engagements. The goal of this KPI is to issue a draft report for 80% of our engagements within six months of fieldwork. Finally, 76% of staff productive work hours were charged to audit or advisory engagements, which is short of our 80% goal.

As of May 2022, Internal Audit filled the two long-vacant positions. We are confident that with these positions filled, Internal Audit will meet all 12 KPIs in Fiscal Year 2022-23.

Sincerely,

Agripino Alonso, CPA, CIA, CRMA

Internal Audit Department Director





## Department-Focused Services

### Customer Service

We request departments complete a customer service survey after every audit. Departmental feedback helps ensure we maintain professional courtesy and provide value added services.

MET. Average rating was **4.7.**

Our goal is to achieve an average overall rating of 4.0 or higher.

### Risk-Based Audit Coverage

Allocating resources to high-risk areas and business processes helps ensure effective allocation of limited audit resources.

**NOT MET.** Approximately 292 hours were diverted from auditing high-risk or high-priority areas.

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.

### Transparency of Audit Function

Posting reports demonstrates accountability for our work to the public and that we are transparent with respect to the work we perform.

MET. All reports issued were posted to the department website within five business days of release.

Our goal is to have 100% of reports issued posted to the department website for public viewing within five business days of release.

"The auditor was great to work with and was very understanding. She worked with us on time frames of getting documents back to her whenever it conflicted with our hard deadlines. Her manager was also very helpful in listening to any concerns we had."

*Customer Survey Response for Audit No. 1823: Social Services Agency Fiduciary & Special Revenue Funds*



## High-Quality Work

### RECOMMENDATIONS CONCURRED WITH BY MANAGEMENT



Demonstrates our commitment to partner with departments to improve operations and that our recommendations add value and have merit.

Our goal is to have 80% of audit recommendations receive a management response of concur or partially concur.

**MET.** All 44 recommendations issued received a management response of concur.

### AUDIT PLAN APPROVALS



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.

Our goal is to receive approval from the Audit Oversight Committee (AOC) and Board of Supervisors (Board) on the Annual Risk Assessment & Audit Plan and receive quarterly approval from the AOC for any adjustments/updates.

**MET.** The FY 2021-22 audit plan and all quarterly status updates were appropriately approved by the AOC and Board.

### QUALITY ASSESSMENT REVIEWS



Quality assessments are required by professional audit standards and help ensure the audit function is performing its duties in an effective and efficient manner.

Our goal is to cause an external quality assessment to be completed every five years and receive a Generally Conforms opinion.

**N/A.** As a new department, the next external quality assessment will not be due until June 2023.





## FOLLOW-UP AUDITS



Follow-up of initial audit recommendations is required by professional standards and helps ensure departments address agreed-upon audit recommendations in a timely manner.

Our goal is to have 90% of audit engagements followed-up on within one year of the initial audit report issuance date.

**MET.** 92% of first follow-up audits had draft reports issued within one year of the initial audit report issuance date.

## REPORTING



Prompt issuance of draft reports to departments can demonstrate effective engagement management and provides timely recommendations to enable faster corrective action.

Our goal is to have 80% of audit engagements result in issuance of a draft report within six months of fieldwork commencement.

**NOT MET.** 63% of audit engagements resulted in issuance of a draft report within six months of fieldwork commencement.





## Cost-Effective Projects

### AUDIT BUDGETS



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.

**MET.** 100% of engagements were completed within 125% of the approved budget.

### CHARGEABLE TIME



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.

**NOT MET.** 76% of staff productive work hours were charged to audit or advisory engagements.

## Professional Development

### CPA License or Professional Certifications Management



Staffing the department with licensed or certified managers helps provide assurance to departments there is appropriate knowledge and skill in those charged with leading the County audit function.

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.

**MET.** 100% of audit managers and the executive manager possess a CPA license or audit-related certification.

### Professional Training for Staff



Training helps ensure staff skills are current and relevant to our mission.

Our goal is to have 100% of staff complete at least 40 hours of continuing professional education or training per fiscal year.

**MET.** 100% of staff have completed at least 40 hours of continuing professional education or training during the fiscal year.





# Memorandum

August 11, 2022

**AOC Agenda Item No. 15**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Internal Audit Department's Independence

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Receive Report on Internal Department's Independence, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Report on Internal Audit Department's Independence

INTERNAL AUDIT DEPARTMENT

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July 13, 2022

To: Audit Oversight Committee Members

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

Digitally signed by  
Agripino Alonso  
Date: 2022.07.13 13:39:44  
-07'00'

Subject: Report on Internal Audit Department's Independence

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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, 2021 through June 30, 2022, 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 2022-23, 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 27, 2022 meeting.



# Memorandum

August 11, 2022

**AOC Agenda Item No. 16**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Update on County IT Projects Quarterly Progress Report

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Receive Update on County IT Projects Quarterly Progress Report, as stated in recommended action.