

A G E N D A



REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE

Thursday, November 9, 2023, 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

SUPERVISOR DONALD P. WAGNER

BOARD CHAIRMAN
Third District
Member

FRANK KIM

COUNTY EXECUTIVE OFFICER
Member

LARRY HIMMEL

Private Sector Member, Fourth District

DREW ATWATER

AOC VICE CHAIR
Private Sector Member, First District

SUPERVISOR ANDREW DO

BOARD VICE CHAIRMAN
First District
Member

TIM JOHNSON, CPA

Private Sector Member, Second District

YVONNE ROWDEN

Private Sector Member, Fifth District

Non-Voting Members

Auditor-Controller:

Treasurer-Tax Collector:

Internal Audit Director:

Andrew Hamilton, CPA

Shari Freidenrich, CPA

Aggie Alonso, CPA

Staff

Deputy County Counsel:

AOC Clerk:

Ronnie Magsaysay

Stephany Franco

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 on 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 Committee Regular Meeting Minutes of August 17, 2023	<i>Mark Wille, CPA AOC Chair</i>
3. Approve Audit Oversight Committee Special Meeting Minutes of August 29, 2023	<i>Mark Willie, 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>David Showalter, CPA 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 September 30, 2023	<i>Aggie Alonso, CPA Director Internal Audit Department</i>
7. Receive Update on Internal Audit Department's Fiscal Year 2023-24 Audit Plan and Departmental Vacancies	<i>Aggie Alonso, CPA Director Internal Audit Department</i>
8. Approve External Audit Activity Status Report for the Quarter Ended September 30, 2023, and Receive Report on Status of External Audit Recommendations Implementation	<i>Gianne Morgan Audit Manager Internal Audit Department</i>
9. Receive Report on Status of Auditor-Controller Mandated Audits for the Quarter September 30, 2023	<i>Michael Steinhaus, CPA Audit Manager Auditor-Controller</i>
10. Receive Report on Status of Performance Audits for the Quarter Ended September 30, 2023	<i>Lilly Simmering Deputy County Executive Officer</i>
11. Receive Report on eProcurement	<i>Andrew Hamilton, CPA Auditor-Controller</i>
12. Receive Update on County IT Projects Quarterly Progress Report	<i>KC Roestenberg Chief Information Officer</i>
13. Discuss Magnolia School District Fraud – Impact to County Internal Controls and Policies & Procedures	<i>Shari Freidenrich, CPA Treasurer-Tax Collector</i>
14. Elections of Officers	<i>Mark Wille, CPA AOC Chair</i>

A G E N D A

Speaker

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.

*Mark Wille, CPA
AOC Chair*

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

*Mark Wille, CPA
AOC Chair*

ADJOURNMENT:

NEXT MEETING:

Regular Meeting. Thursday, February 8, 2024, 10:00 a.m.



Memorandum

November 9, 2023

AOC Agenda Item No. 2

TO: Audit Oversight Committee Members

Recommended Action:

Approve Audit Oversight Committee Regular Meeting Minutes of August 17, 2023

Approve Audit Oversight Committee Regular Meeting Minutes of August 17, 2023, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Audit Oversight Committee Regular Minutes for August 17, 2023

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



REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE
ORANGE COUNTY, CA
Thursday, August 17, 2023, 10:00 A.M.

County Administration South
601 N. Ross St. County Conference Center 104/106
Santa Ana, CA 92701

MARK WILLE, CPA

AOC CHAIR
Private Sector Member, Third District

SUPERVISOR DONALD P. WAGNER

BOARD CHAIRMAN
Third District
Member

FRANK KIM

COUNTY EXECUTIVE OFFICER
Member

LARRY HIMMEL

Private Sector Member, Fourth District

Non-Voting Members

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

Staff

Deputy County Counsel:
AOC Clerk:

DREW ATWATER

AOC VICE CHAIR
Private Sector Member, First District

SUPERVISOR ANDREW DO

BOARD VICE CHAIRMAN
First District
Member

TIM JOHNSON, CPA

Private Sector Member, Second District

YVONNE ROWDEN

Private Sector Member, Fifth District

Andrew Hamilton, CPA
Shari Freidenrich, CPA
Aggie Alonso, CPA

Ronnie Magsaysay
Stephany Franco

ATTENDANCE: Mark Wille, AOC Chairman, Private Sector Member
Patricia Welch-Foster, Proxy for Supervisor Wagner
Hung Le, Proxy for Supervisor Do
Frank Kim, County Executive Officer/Michelle Aguirre, County Financial Officer
Larry Himmel, Private Sector Member
Tim Johnson, Private Sector Member
Yvonne Rowden, Private Sector Member

PRESENT: Andrew Hamilton, Auditor-Controller
Shari Freidenrich, Treasurer-Tax Collector
Aggie Alonso, Internal Audit Director
Ronnie Magsaysay, Deputy County Counsel
Stephany Franco, 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. New AOC Member Welcome, Introductions, and Training August 29, 2023

Ms. Yvonne Rowden, Mr. Larry Himmel, and Mr. Tim Johnson each provided a brief overview of their current status and career history.

3. Approve Audit Oversight Committee Regular Meeting Minutes of February 16, 2023

Mr. Wille asked for a motion to approve the Audit Oversight Committee Regular Meeting Minutes of February 16, 2023.

Motion to approve the Regular Meeting Minutes of February 16, 2023, by Ms. Patricia Welch-Foster, seconded by Ms. Yvonne Rowden.

All in favor.

Approved as recommended.

4. Receive Report on Required Communication from External Auditors

Mr. Roger Alfaro, Partner at Eide Bailly, discussed attachments reflecting Eide Bailly's status on audits in progress, as well as those recently completed for March 31 and June 30, 2023.

Mr. Alfaro announced that this would be his final meeting and introduced Mr. David Showalter, who will take over.

5. Approve Internal Audit Department's Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended March 31 and June 30, 2023

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 and June 30, 2023.

Motion to approve Internal Audit Department's Quarterly Status Report and approve Executive Summary of Internal Audit Reports for the Quarter Ended March 31 and June 30, 2023, by Mr. Tim Johnson, seconded by Mr. Larry Himmel.

All in favor.

Approved as recommended.

6. Approve the Internal Audit Department's Annual Risk Assessment & Audit Plan FY 2023-24

Mr. Alonso presented the Internal Audit Department's Annual Risk Assessment & Audit Plan for FY 2023-24.

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

Motion to approve Internal Audit Department's Annual Risk Assessment & Audit Plan FY 2023-24, by Mr. Tim Johnson, seconded by Ms. Yvonne Rowden.

All in favor.

Approved as recommended.

7. Approve External Audit Activity Status Reports for the Quarters Ended March 31 and June 30, 2023, and Receive Reports on Status of External Audit Recommendations Implementation

Ms. Gianne Morgan, Audit Manager, presented the External Audit Activity Status Report for the Quarter Ended March 31 and June 30, 2023. Ms. Morgan stated there were no material findings during the third quarter reporting period and one finding for fourth quarter.

Motion to approve External Audit Activity Status Reports for the Quarters Ended March 31 and June 30, 2023, and Receive Reports on Status of External Audit Recommendations Implementation, by Mr. Tim Johnson, seconded by Mr. Larry Himmel.

All in favor.

Approved as recommended.

8. Receive Reports on Status of Auditor-Controller Mandated Audits for the Quarters Ended March 31 and June 30, 2023

Mr. Michael Steinhaus, Auditor-Controller Internal Audit Unit Audit Manager, provided status reports of Mandated Audits for the quarter ended March 31 and June 30, 2023.

9. Receive Report on Status of Performance Audits for the Quarters Ended March 31 and June 30, 2023

Ms. Lilly Simmering, Deputy County Executive Officer, provided updates of Performance Audits.

10. Receive Report on eProcurement and Impact on Audits

Mr. Andrew Hamilton, Auditor-Controller, provided a status update on eProcurement.

11. Receive Update on County IT Projects Quarterly Progress Report

Mr. KC Roestenberg, Chief Information Officer, provided an update on the IT projects quarterly progress.

12. Approve Internal Audit Department's External Quality Assessment

Mr. Alonso presented the Internal Audit Department's External Quality Assessment, which was conducted by the Institute of Internal Auditors in March of 2023. The IIA concluded that Internal Audit Department generally conformed with the IIA Standards & the IIA Code of Ethics, which is the highest level of conformance possible.

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

Motion to approve Internal Audit Department’s External Quality Assessment, by Mr. Tim Johnson, seconded by Mr. Larry Himmel.

All in favor.

Approved as recommended.

13. Receive Internal Audit Department’s Fiscal Year 2022-23 Key Performance Indicators Report

Mr. Alonso provided a summary of the results of the Fiscal Year 2022-23 Key Performance Indicators.

14. Receive Report on Internal Audit Department’s Independence

Mr. Alonso stated that for the period of July 1, 2022 through June 30, 2023, the Internal Audit Department’s internal audit activity has been free from the interference in determining the scope of internal auditing, performing work, and communicating results.

PUBLIC COMMENTS: None.

AOC COMMENTS: None.

ADJOURNMENT: Meeting adjourned at 11:57 A.M.

NEXT MEETING:

Regular Meeting, November 9, 2023 at 10:00 A.M.



Memorandum

November 9, 2023

AOC Agenda Item No. 3

TO: Audit Oversight Committee Members

Recommended Action:

Approve Audit Oversight Committee Special Meeting Minutes of August 29, 2023

Approve Audit Oversight Committee Special Meeting Minutes of August 29, 2023, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Audit Oversight Committee Special Minutes for August 29, 2023

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



SPECIAL MEETING OF THE AUDIT OVERSIGHT COMMITTEE
ORANGE COUNTY, CA
Tuesday, August 29, 2023, 9:00 A.M.

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

MARK WILLE, CPA
AOC CHAIR
Private Sector Member, Third District

DREW ATWATER
AOC VICE CHAIR
Private Sector Member, First District

SUPERVISOR DONALD P. WAGNER
BOARD CHAIRMAN
Third District
Member

SUPERVISOR ANDREW DO
BOARD VICE CHAIRMAN
First District
Member

FRANK KIM
COUNTY EXECUTIVE OFFICER
Member

TIM JOHNSON
Private Sector Member, Second District

LARRY HIMMEL
Private Sector Member, Fourth District

YVONNE ROWDEN
Private Sector Member, Fifth District

Non-Voting Members

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

Andrew Hamilton, CPA
Shari Freidenrich, CPA
Aggie Alonso, CPA

Staff

Deputy County Counsel:
AOC Clerk:

Ronnie Magsaysay
Thuy Luu

ATTENDANCE: Mark Wille, AOC Chairman, Private Sector Member
Larry Himmel, Private Sector Member
Tim Johnson, Private Sector Member
Yvonne Rowden, Private Sector Member

PRESENT: Andrew Hamilton, Auditor-Controller
Aggie Alonso, Internal Audit Director
Ronnie Magsaysay, Deputy County Counsel
Thuy Luu, 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 9:04 A.M. Attendance of AOC Members noted above. No quorum to start the meeting but since there were no voting items requiring approval, proceeded as normal as a quorum was not necessary.

2. Discuss Annual Comprehensive Financial Report (ACFR)

Mr. Andrew Hamilton welcomed attendees to the ACFR training and introduced Eide Bailly and Auditor-Controller staff. Ms. Kinnaly Soukhasuem, Partner, and Mr. David Showalter, Partner provided an overview of the County's ACFR for the fiscal year ended June 30, 2022.

3. Discuss AOC Bylaws, Responsibilities, and Duties

Mr. Ronnie Magsaysay, Deputy County Counsel, discussed the articles of the AOC Bylaws and the structure of the meeting.

4. Discuss Routine AOC Meeting Items

Mr. Willie provided an overview of routine and special items typically covered at the AOC meetings, and discussed the calendar and fiscal year difference. The discussion for items 4 and 5 below were combined.

5. Discuss Special Items and Fiscal Year vs Calendar Year End

Discussion combined with item 4 above.

PUBLIC COMMENTS: None.

AOC COMMENTS: None.

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

NEXT MEETING:

Regular Meeting, November 9, 2023 at 10:00 A.M.



Memorandum

November 9, 2023

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

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

ATTACHMENT(S):

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

Audit Oversight Committee

November 9, 2023

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)

The Current State of OCERS

Total Membership (as of Dec. 2022)

50,633

2022	50,633	3.1%
2021	49,075	2.6%
2020	47,796	1.3%
2019	47,196	3.4%
2018	45,629	2.6%
2017	44,471	2.6%
2016	43,485	2.3%
2015	42,427	2.4%
2014	41,418	2.3%
2013	40,486	2.2%

OCERS and the Pension Promise:

As of December 31, 2022:

■ Present Value of Future Benefits	\$30,133,483,000
■ OCERS Actuarial Accrued Liability	\$25,386,669,000
■ OCERS Assets (Valuation)	\$20,691,659,000
■ OCERS Assets (Market)	\$19,534,631,000
■ Unfunded Actuarial Accrued Liability (UAAL)	\$4,695,010,000
■ Orange County UAAL	\$3,991,588,000*

* Approximation based on County's proportional payroll

The Unfunded Actuarial Accrued Liability (UAAL)

as of December 31, 2022

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

	December 31, 2022	December 31, 2021
Actuarial Accrued Liability	\$25,386,669	\$24,016,073
Valuation Value of Assets¹	20,691,659	19,488,761
Unfunded Actuarial Accrued Liability	4,695,010	4,527,312
Percent Funded on Valuation Value	81.51%	81.15%
Market Value of Assets¹	\$19,534,631	\$21,738,794
Percent Funded on Market Value	76.95%	90.52%

¹ 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, 2022.

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%
December 31, 2022	\$4,695,010	81.5%	77.0%

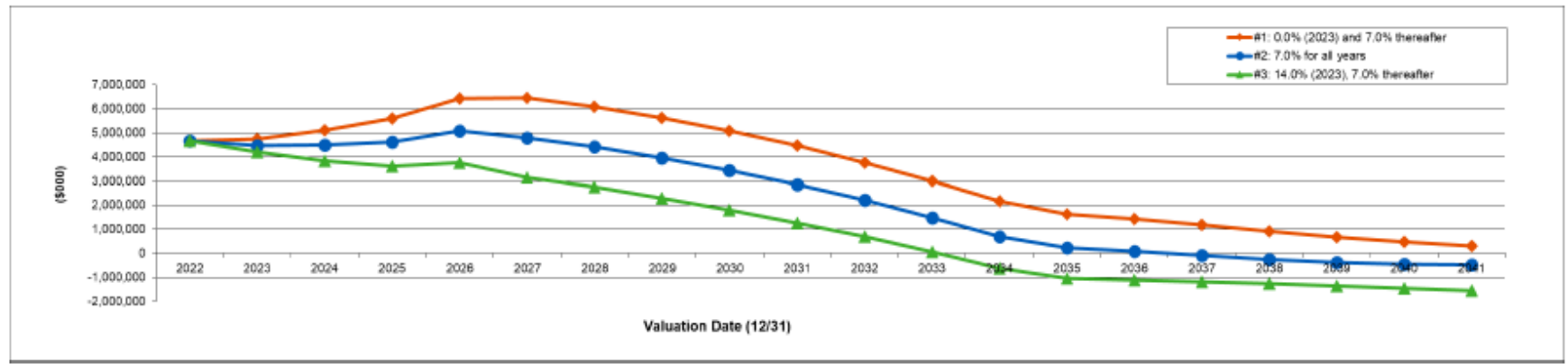
Changes in UAAL since December 31, 2022 Valuation

December 31, 2021 valuation	
• Total UAAL	\$4,527 million
Changes during calendar year 2022	
• Interest minus expected payments to UAAL	-\$184 million
• Difference in actual versus expected contributions	-1 million
• Additional UAAL contributions from OCFA, and anticipated payments from Cypress, DOE and U.C.I.	-17 million
• Investment losses (after smoothing)	60 million
• Difference in actual versus expected salary increases	27 million
• Effect of higher than expected COLA increases in 2023 ¹	261 million
• Other losses	<u>21 million</u>
• Subtotal	\$168 million
December 31, 2022 valuation	
• Total UAAL	\$4,695 million

¹ Actuarial loss from payment of higher than the 2.75% COLA assumption (3.00% expected to be paid starting on each April 1st starting 2023 and the following 18 years).

PROGRESS IN 20 YEAR AMORTIZATION OF UAAL

Projected UAAL⁹ and Funded Ratio for Aggregate Plan

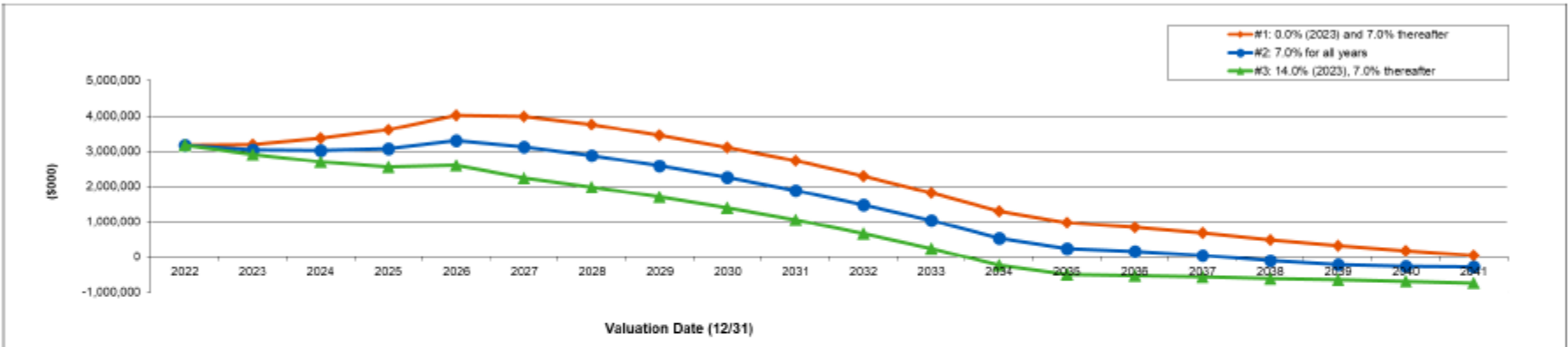


UAAL (\$000)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
#1: 0.0% (2023) and 7.0% thereafter	4,665,845	4,736,844	5,107,894	5,601,534	6,433,275	6,457,225	6,092,772	5,618,023	5,070,073	4,455,537	3,769,169	3,005,093	2,159,795	1,626,585	1,429,760	1,186,629	915,629	670,988	478,805	314,324
#2: 7.0% for all years	4,665,845	4,465,664	4,480,943	4,618,742	5,089,950	4,796,931	4,415,058	3,951,879	3,433,084	2,854,219	2,210,523	1,496,738	709,907	236,296	100,711	-69,801	-240,890	-372,298	-439,674	-472,052
#3: 14.0% (2023), 7.0% thereafter	4,665,845	4,194,482	3,843,680	3,619,868	3,768,015	3,158,547	2,757,287	2,301,836	1,807,448	1,272,705	699,664	71,650	-617,970	-1,022,532	-1,099,176	-1,176,204	-1,258,582	-1,346,683	-1,440,952	-1,541,818

Funded Ratio	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
#1: 0.0% (2023) and 7.0% thereafter	81.5%	82.0%	81.4%	80.4%	78.3%	79.0%	80.9%	82.9%	85.1%	87.2%	89.5%	91.8%	94.2%	95.7%	96.3%	97.0%	97.7%	98.3%	98.8%	99.2%
#2: 7.0% for all years	81.5%	83.0%	83.7%	83.8%	82.8%	84.4%	86.1%	88.0%	89.9%	91.8%	93.8%	95.9%	98.1%	99.4%	99.7%	100.2%	100.6%	100.9%	101.1%	101.2%
#3: 14.0% (2023), 7.0% thereafter	81.5%	84.1%	86.0%	87.3%	87.3%	89.7%	91.3%	93.0%	94.7%	96.4%	98.0%	99.8%	101.6%	102.7%	102.8%	103.0%	103.2%	103.4%	103.6%	103.9%

⁹ 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 \$4,895,010 and the funded ratio would remain unchanged at 81.5% as of December 31, 2022.

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



UAAL (\$000)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
#1: 0.0% (2023) and 7.0% thereafter	3,178,711	3,194,271	3,372,704	3,609,867	4,016,955	3,992,003	3,757,165	3,458,677	3,115,661	2,731,080	2,301,669	1,823,759	1,295,226	967,600	843,654	675,856	487,868	315,521	174,774	50,506
#2: 7.0% for all years	3,178,711	3,050,440	3,034,902	3,080,984	3,308,417	3,117,783	2,874,397	2,582,153	2,254,649	1,889,054	1,482,337	1,031,159	533,660	241,742	158,675	37,368	-98,041	-211,211	-263,907	-282,381
#3: 14.0% (2023), 7.0% thereafter	3,178,711	2,906,608	2,697,094	2,652,145	2,600,022	2,243,718	1,991,794	1,705,884	1,394,072	1,047,579	663,594	239,189	-227,141	-490,887	-525,249	-562,016	-601,357	-643,452	-688,494	-736,689

Funded Ratio	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
#1: 0.0% (2023) and 7.0% thereafter	77.5%	78.2%	77.8%	77.1%	75.3%	76.2%	78.2%	80.5%	82.8%	85.3%	87.8%	90.5%	93.3%	95.1%	95.7%	96.6%	97.5%	98.4%	99.1%	99.7%
#2: 7.0% for all years	77.5%	79.2%	80.0%	80.4%	79.7%	81.4%	83.4%	85.4%	87.6%	89.8%	92.2%	94.6%	97.3%	98.8%	99.2%	99.8%	100.5%	101.1%	101.4%	101.5%
#3: 14.0% (2023), 7.0% thereafter	77.5%	80.2%	82.3%	83.8%	84.0%	86.6%	88.5%	90.4%	92.3%	94.4%	96.5%	98.8%	101.2%	102.5%	102.7%	102.9%	103.1%	103.3%	103.7%	104.0%

Under the return scenarios that give rise to actuarial surplus, the continued growth in that surplus is attributable to the assumption made in preparing these illustrations that no surplus would be amortized to reduce the employer's normal cost until the System as a whole is 120% funded.

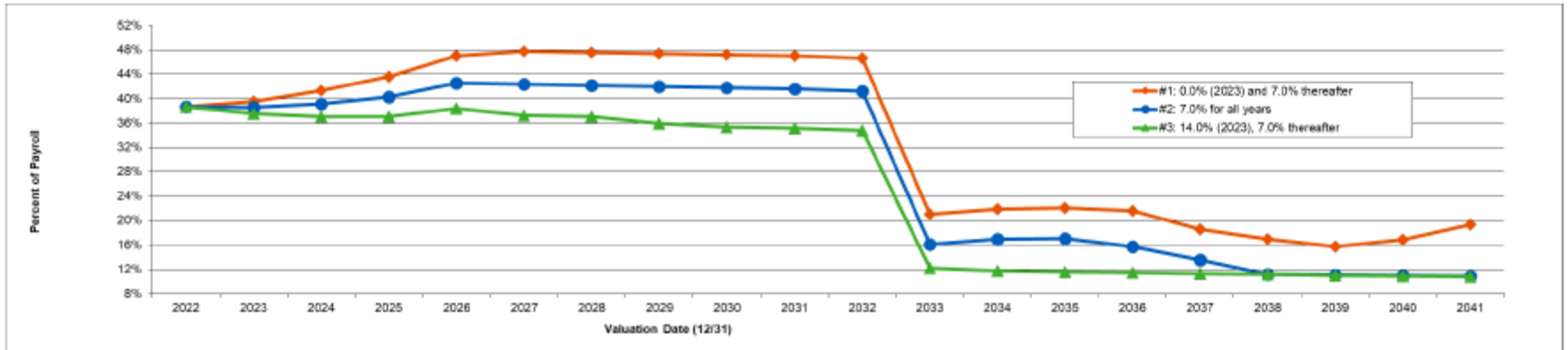
Unfunded Actuarial Accrued Liability (\$000) and Funded Ratio by Rate Group

	UAAL	Funded Ratio
Rate Group #1 General Plans A, B and U (County and IHSS) ¹	\$53,112	90.47%
Rate Group #2 General Plans I, J, O, P, S, T, U and W (County et al.)	\$3,178,711	77.45%
Rate Group #3 General Plans B, G, H and U (OCSD)	-\$25,368	102.84%
Rate Group #5 General Plans A, B and U (OCTA)	\$189,122	83.59%
Rate Group #9 General Plans M, N and U (TCA)	-\$3,069	105.06%
Rate Group #10 General Plans I, J, M, N and U (OCFA)	\$22,526	92.90%
Rate Group #11 General Plans M and N, future service, and U (Cemetery)	\$572	96.10%
Rate Group #12 General Plans G, H and U (Law Library)	-\$1,128	108.98%
Rate Group #6 Safety Plans E, F and V (Probation)	\$175,151	83.63%
Rate Group #7 Safety Plans E, F, Q, R and V (Law Enforcement)	\$969,473	80.60%
Rate Group #8 Safety Plans E, F, Q, R and V (OCFA)	\$135,908	93.86%
Average Total	\$4,695,010	81.51%

¹ 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)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
#1: 0.0% (2023) and 7.0% thereafter	38.7%	39.5%	41.3%	43.6%	47.1%	47.8%	47.6%	47.4%	47.2%	47.1%	46.7%	21.0%	21.9%	22.1%	21.6%	18.6%	17.0%	15.7%	16.9%	19.3%
#2: 7.0% for all years	38.7%	38.6%	39.2%	40.3%	42.6%	42.4%	42.2%	42.1%	41.8%	41.7%	41.3%	16.1%	17.0%	17.0%	15.7%	13.5%	11.2%	11.1%	10.9%	10.8%
#3: 14.0% (2023), 7.0% thereafter	38.7%	37.6%	37.1%	37.1%	38.4%	37.3%	37.1%	35.9%	35.4%	35.2%	34.8%	12.2%	11.8%	11.6%	11.4%	11.3%	11.1%	11.0%	10.9%	10.8%

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, 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%
December 31, 2022	-9.71%	6.69%	7.00%
Annualized 5-Year Average	5.92%	7.83%	
Annualized 10-Year Average	6.72%	7.46%	



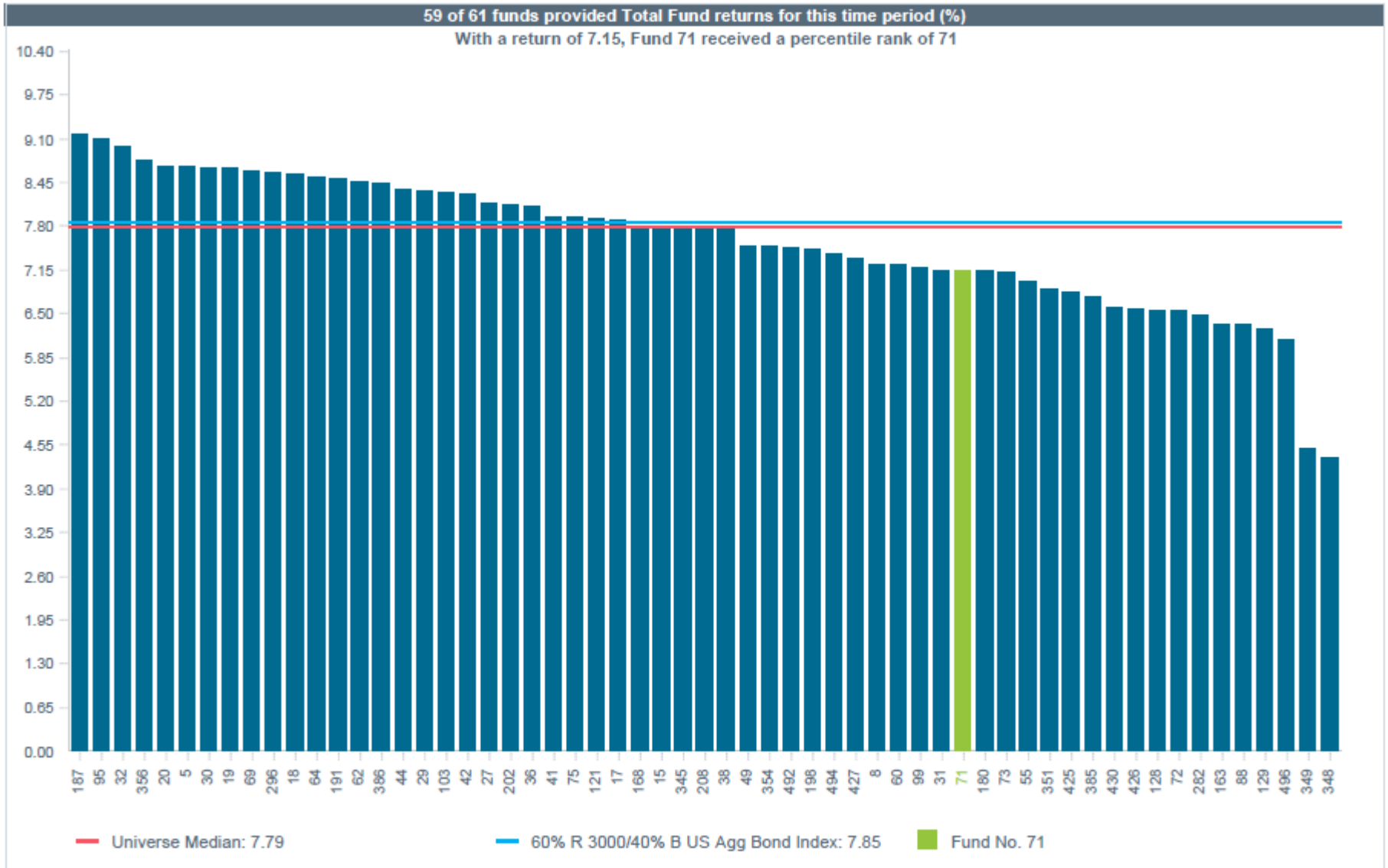
Public Fund Universe Analysis

Orange County Employees' Retirement System

Period Ending December 31, 2022

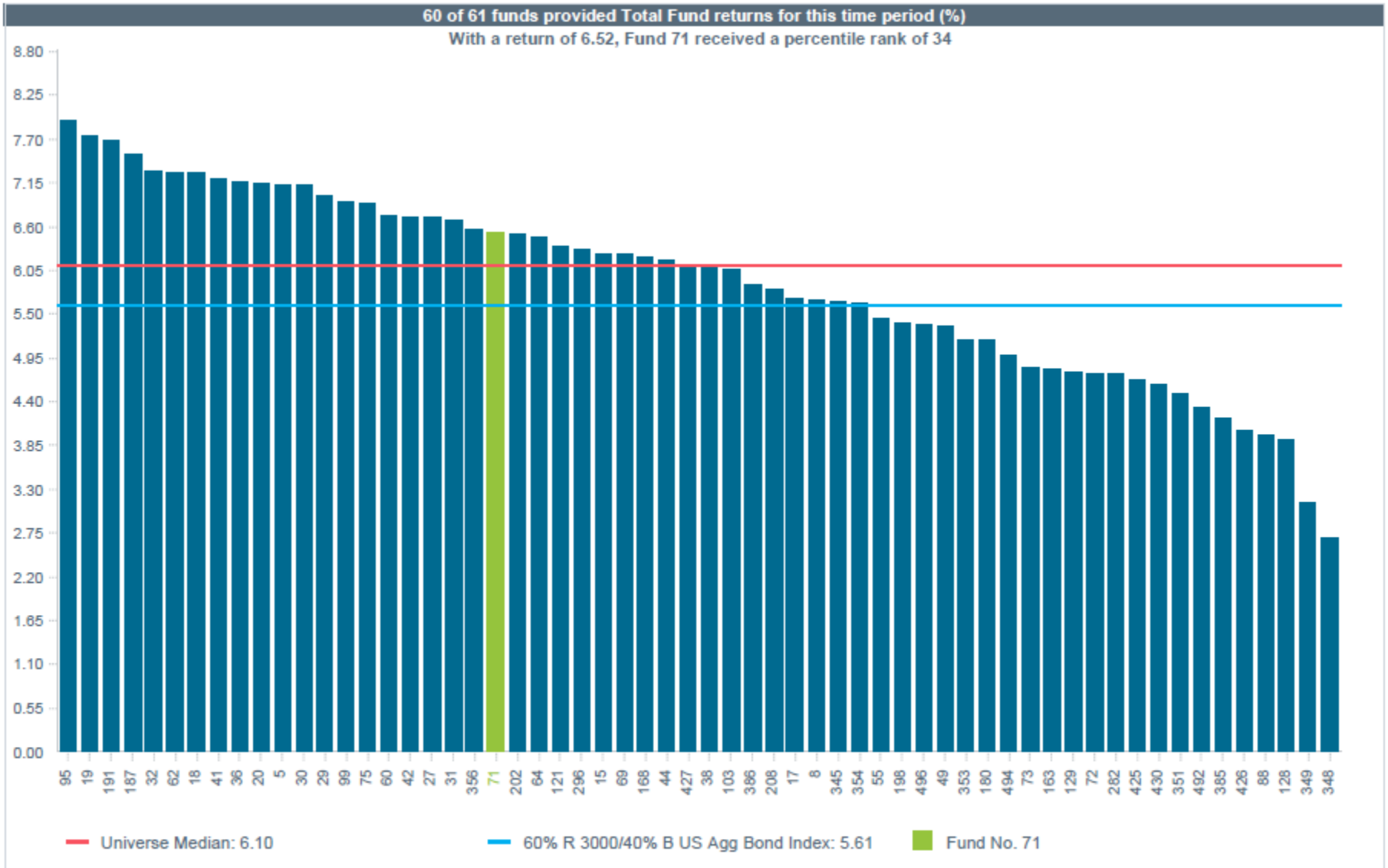
Fund Number: 71





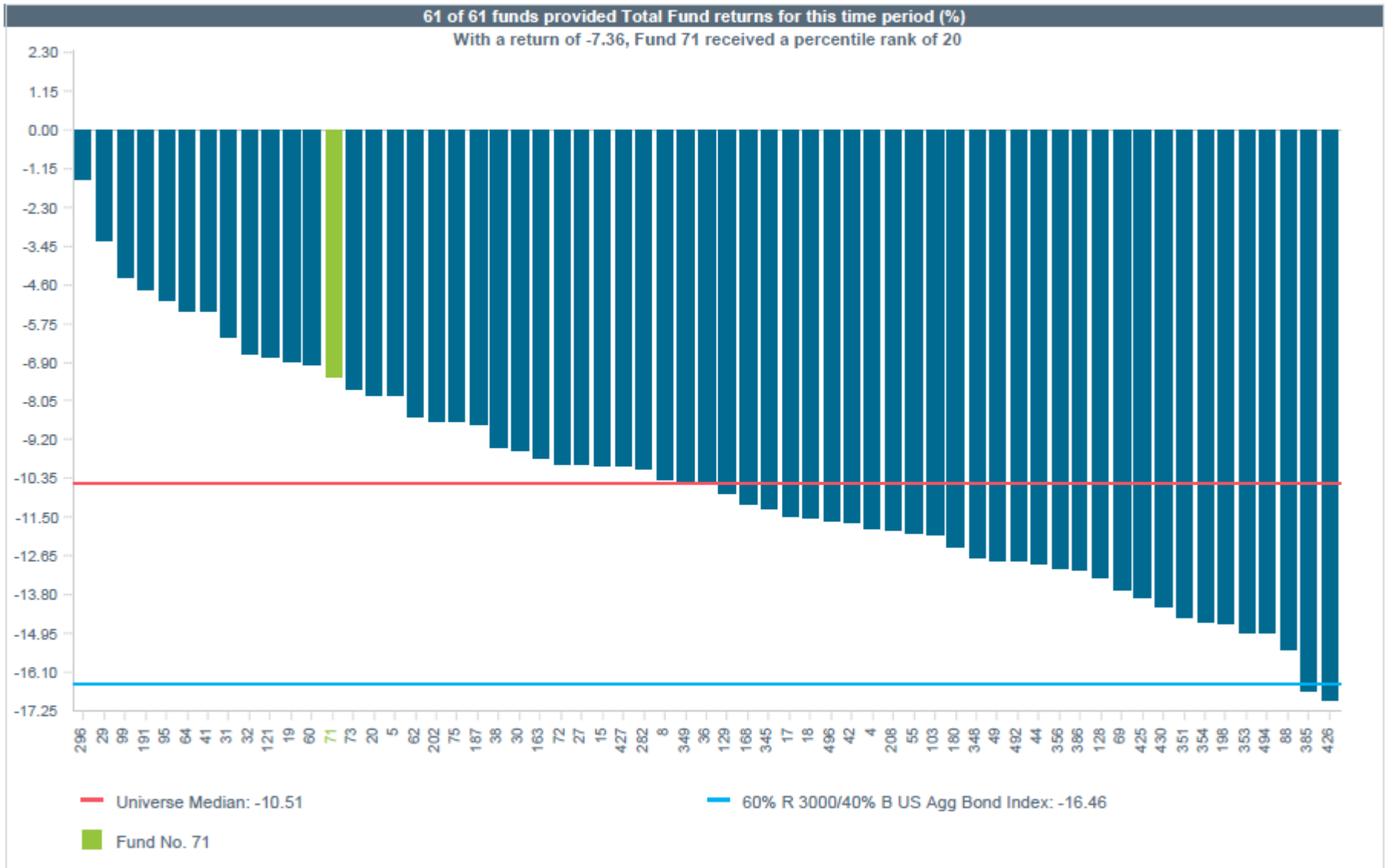
Funds with less history than the specified time period will not appear in the chart.





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

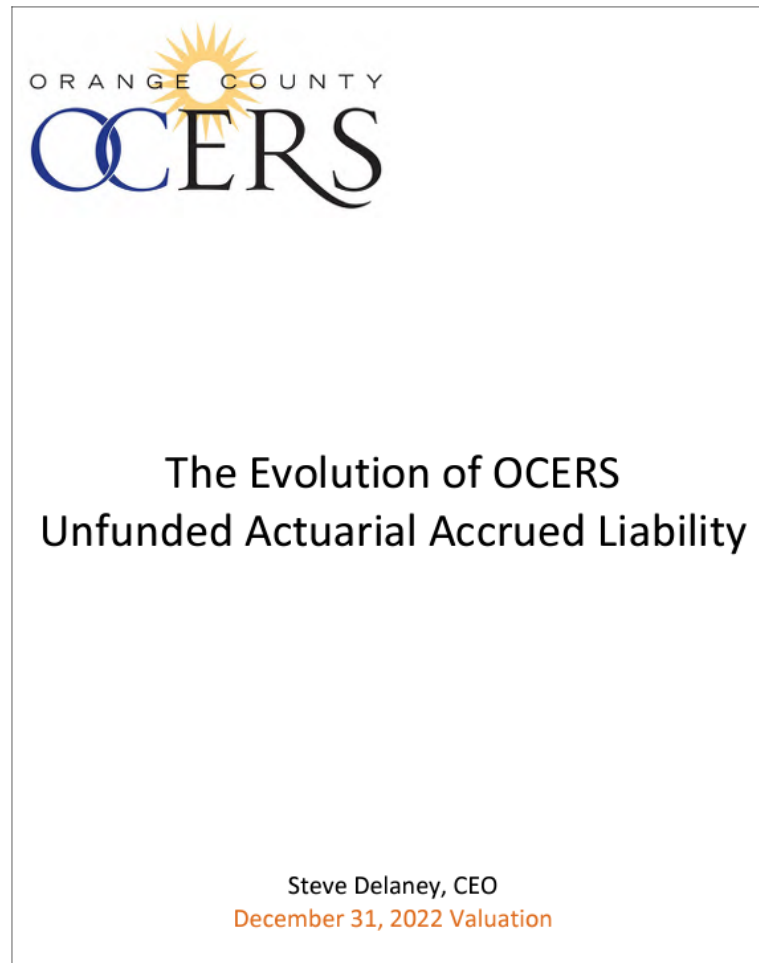




Funds with less history than the specified time period will not appear in the chart.



Additional Reading www.OCERS.org





Memorandum

November 9, 2023

AOC Agenda Item No. 5

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Required Communication from External Auditors

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

ATTACHMENT(S):

Attachment A – External Audit Update

Attachment A-1 – Projects and Timelines

Attachment B – Governance Letter



County of Orange Audit Oversight Committee

Date: November 9, 2023
Re: External Audit update

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

- 2) **Audits Completed:**
 - Gann Limit Calculation for the County and OC Flood Control District – June 30, 2023
 - Issued – AUP report dated September 18, 2023
 - District Attorney Grant Audits – June 30, 2023
 - Issued – October 12, 2023

- 3) **Required Communications:**
 - Communication letter – Refer to Attachment B

Department / Agency / Division	Audit/Project	Audit/Project Date	Audit Scope	Anticipated Dates			Status
				Planning	Fieldwork	Reporting	
All	Financial Statement Audit - Annual Comprehensive Financial Report	6/30/2023	Financial Statements of the County, including audit of investment trust funds, and pension/OPEB trust funds	May 2023	May 2023 through November 2023	December 2023	Fieldwork in progress
All	Agreed Upon Procedures (AUP) over GANN Limit calculations	6/30/2023	GANN Limit Calculation -for County and OC Flood Control District	May 2023	May 2023	December 2023	AUP reports issued September 18, 2023
All	Single Audit	6/30/2023	Audit over compliance in accordance with Uniform Guidance of the County, including components of JWA, OCWR, OCDA	October 2023	January 2024 through February 2024	March 2024	Planning in progress
John Wayne Airport (JWA)	Financial Statement Audit	6/30/2023	John Wayne Airport (JWA), including Passenger Facility Charge	May 2023	August 2023 through November 2023	December 2023	Fieldwork in progress
Orange County Waste & Recycling	Financial Statement Audit	6/30/2023	Orange County Waste & Recycling	May 2023	July 2023 through November 2023	December 2023	Fieldwork in progress
OC Community Resources / Redevelopment Successor Agency	Financial Statement Audit	6/30/2023	Redevelopment Successor Agency	May 2023	September 2023 through November 2023	December 2023	Fieldwork in progress
District Attorney	Grant Audits	6/30/2023	District Attorney Grant Audits	August 2023	September 2023	October 2023	Report issued October 12, 2023
CEO; HCA and Sheriff's Department	Tobacco Settlement Funds Agreed Upon Procedures	6/30/2023	HCA and Sheriff Tobacco Settlement Funds disbursements	November 2023	December 2023 through January 2024	March 2024	n/a
Sheriff's Department	James Musick Expansion Phase II (AB 900) Agreed Upon Procedures	6/30/2023	Compliance with California Board of State and Community Corrections (BSCC) construction-financing program through Assembly Bill (AB) 900 and Senate Bill (SB) 1022.	August 2023	August 2023 through October 2023	October 2023	Planning in progress
TTC	Agreed Upon Procedures over compliance	6/30/2023	Compliance with Government Code and Investment Policy	January 2024	February 2024 through March 2024	March 2024	Pending results of request for quotes
TTC	Schedule of Assets	6/30/2023	Report on the Schedule of Assets	January 2024	February 2024 through March 2024	March 2024	n/a



August 18, 2023

To the Audit Oversight Committee,
Board of Supervisors, and
Andrew Hamilton, 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, 2023. 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 April 11, 2023, 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.

Our responsibility relating to other information, whether financial or nonfinancial information (other than financial statements and the auditor's report thereon), included in the entity's annual report includes only the information identified in our report. We have no responsibility for determining whether the Introductory Section and Statistical Section is properly stated. We require that we receive the final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report, or if that is not possible as soon as practicable and, in any case, prior to the entity's issuance of such information.

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 stand-alone financial statements and passenger facility charge revenues of John Wayne Airport;
- Audit of the stand-alone financial statements of OC Waste & Recycling;
- Audit of the stand-alone 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;
- 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.

- The potential for management override of internal control - Professional standards require auditors to address the possibility of management overriding controls.
- Revenue Recognition – the risk of overstating revenues in the financial statements is an inherent risk, whereby the County can record revenue when the recognition criteria have not been met.
- Implementation of GASB Statement No 96, *Subscription-Based Information Technology Arrangements* - There is a significant risk due to the County’s subscription-based information technology arrangements activities which are subject to the new reporting standards.

The financial statements include the financial statements of the Orange County Flood Control District (District), a blended component unit, and Children and Families Commission of Orange County (Commission), a discretely presented component unit, which we consider to be significant components of the County’s financial statements. Consistent with the audit of the County’s financial statements as a whole, our audit will include obtaining an understanding of District and Commission and their environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements of the District and Commission and to design the nature, timing, and extent of further audit procedures.

The financial statements include the financial activity of the following components (blended component units):

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

For the purposes of our audit, we do not consider these blended component units to be significant components of the County’s financial statements. Consistent with the audit of the County’s financial statements as a whole, our audit will include obtaining an understanding of the components listed above, and their environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements of the components listed above and to design the nature, timing, and extent of further audit procedures.

The County’s financial statements include the financial statements of the Orange County Employees Retirement System (OCERS), a fiduciary component unit, and CalOptima, a discretely presented component unit, which we consider to be significant components of the financial statements. The financial statements of the component units are audited by other auditors and we will not take responsibility for the audit performed by the other auditors, rather will refer to their audit in our report. Our decision to refer to the report of the other auditor is based upon (1) our evaluation of the materiality of the component units with respect to the County’s financial statements as a whole; (2) the ability for group management to provide necessary audit evidence with respect to the component units; (3) our consideration of the timing requirements of the engagement. Our planned audit procedures with respect to the component units include required correspondence with the other auditor, obtaining and reading their auditor’s report and the related financial statements, and other procedures as considered necessary. Our planned audit procedures with respect to the component units include obtaining an

understanding of the component units and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements of the component units and to design the nature, timing, and extent of further audit procedures.

We expect to begin our audit in May 2023, and expect to issue our report no later than December 20, 2023 for the financial statements, no later than March 29, 2024, for the Single Audit, and any remaining audits and AUP's by April 30, 2024.

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

Respectfully,

A handwritten signature in cursive script that reads "Eide Sully LLP".

Laguna Hills. California



Memorandum

November 9, 2023

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 Quarter Ended September 30, 2023

Approve Internal Audit Department's Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for Quarter Ended September 30, 2023, 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

October 24, 2023

To: Audit Oversight Committee Members

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

 Digitally signed by Agripino Alonso
Date: 2023.10.24 14:26:04 -0700

Subject: Fiscal Year 2023-24 Internal Audit Department Status Report for the Quarter Ended September 30, 2023

Attached for your review and approval is Internal Audit Department's status report on audit activity for the quarter ended September 30, 2023. 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 budgeted hours, actual hours, variance between budget and actual, and milestone comments for each audit.

For the quarter ended September 30, 2023, Internal Audit issued four final reports (three original reports and one follow-up report) and two draft reports. The three original audits included five (5) Significant Control Weaknesses, and five (5) Control Findings.

If you have any questions, please contact me at (714) 834-5442.

INTERNAL AUDIT DEPARTMENT
EXECUTIVE SUMMARY – FINDING TYPE CLASSIFICATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2023

CATEGORY	ISSUED THIS PERIOD	ISSUED FOR FY 2023-24
<p>Critical Control Weaknesses These are audit findings or a combination of audit findings that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise the department's or County's reputation for integrity. Management is expected to address Critical Control Weaknesses brought to its attention immediately.</p>	0	0
<p>Significant Control Weaknesses These are audit findings or a combination of audit findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses require prompt corrective actions.</p>	5	5
<p>Control Findings These are audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.</p>	5	5
TOTAL	10	10



EXECUTIVE SUMMARY
INTERNAL AUDIT REPORTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2023

CLERK-RECORDER**1. Information Technology Audit: Clerk-Recorder Selected Cybersecurity Controls**

Audit No. 2151 dated September 28, 2023 for the period July 1, 2022 to May 31, 2023

OBJECTIVES	RESULTS	CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS	CONTROL FINDINGS
1. Account management and access control management provide reasonable assurance of proper user and privileged account administration.	Content has been removed from this report due to the sensitive nature of the specific findings.	Four (4) Significant Control Weaknesses Due to the sensitive nature of the findings, details have been redacted from this report.	2
2. Vulnerability management provide reasonable assurance the opportunity for attack is reduced.	Content has been removed from this report due to the sensitive nature of the specific findings.		
3. Data recovery capabilities controls provide reasonable assurance enterprise assets can be restored to a pre-incident and trusted state.	Content has been removed from this report due to the sensitive nature of the specific findings.		

COUNTY EXECUTIVE OFFICE**2. Internal Control Audit: County Executive Office Special Revenue Fund 13Y**

Audit No. 2018 dated September 21, 2023 for the Calendar Year ended December 31, 2022

OBJECTIVES	RESULTS	CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS	CONTROL FINDING
1. Evaluate the effectiveness of internal control over Special Revenue Fund 13Y to ensure sources and uses of funds are proper and in compliance with County and departmental policies and procedures.	CEO's internal control over Special Revenue Fund 13Y was generally effective to ensure sources and uses of funds are proper and in compliance with County and departmental policies and procedures.	0	1
2. Review the special revenue fund process for efficiency.	CEO's special revenue fund process for Fund 13Y was generally efficient.		



OC COMMUNITY RESOURCES/OC PUBLIC LIBRARIES**3. Internal Control Audit: OC Community Resources/OC Public Libraries Special Revenue Fund 120**
Audit No. 2216 dated September 6, 2023 for the Calendar Year ended December 31, 2022

OBJECTIVES	RESULTS	CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS	CONTROL FINDINGS
1. Evaluate the effectiveness of internal controls over Special Revenue Fund 120 to ensure sources and uses of funds are proper and in compliance with County departmental policies and procedures.	We concluded that OCCR's internal controls over OCPL Special Revenue Fund 120 were generally effective to ensure the sources and uses of funds are proper and in compliance with County and departmental policies and procedures.	One (1) Significant Control Weakness We noted three instances where unredacted PII was included in documentation.	2
2. Review the special revenue fund process for efficiency.	We concluded that OCCR/OCPL's special revenue fund process is generally efficient.		



EXECUTIVE SUMMARY
INTERNAL AUDIT FOLLOW-UP REPORTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2023

OC COMMUNITY RESOURCES/OC PARKS

4. First Follow-Up Contract Compliance Audit: OC Community Resources/OC Parks – Ocean Institute

Audit No. 2289-A (Reference 2171-F1) dated August 31, 2023 as of January 31, 2023; original audit dated June 30, 2022

ORIGINAL AUDIT – 8 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	COMPLIANCE FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
3 Three (3) Significant Compliance Findings	5	5	3	<p>Recommendation No. 1 (Significant Compliance Finding) Ocean Institute continues to underreport gross receipts for visiting vessels because they continue to miscalculate gross receipts using the same inappropriate methodology used in our original audit. Ocean Institute is continuing to work on its reconciliation of rents paid to the County with a goal to remit payment of any additional amounts owed by the end of September 2023.</p> <p>Recommendation No. 2 (Significant Compliance Finding) Ocean Institute was unable to provide donation reports for December 2022 and January 2023, the two months requested as part of our follow-up. Ocean Institute indicated they were unable to provide us with the donation reports because they recently transitioned vendors for its donation software.</p> <p>As a result of our audit, OCCR/OC Parks required Ocean Institute to also prepare a donation records procedure for OCCR’s approval. However, OC Parks management suggested changes to incorporate prior to finalizing the procedure. Ocean Institute is working on revising its procedure and documenting OCCR’s review and approval.</p>



			<p>In addition, Ocean Institute should submit proof of donation tracking reports to verify accuracy of the new system.</p> <p>Recommendation No. 3 (Significant Compliance Finding)</p> <p>Ocean Institute established controls to strengthen its reservation process, but we noted continued errors with reservation details which have the potential to impact rent payable to the County.</p> <p>Ocean Institute conducts a reconciliation of its reservation activities; however, the documentation retained appears incomplete as it lacked common reconciliation markings such as staff signatures and a completion date.</p>
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EXECUTIVE SUMMARY
APPENDIX A: DRAFT REPORTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2023

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

1. **Internal Control Audit: County Executive Office Payroll**, Audit No. 2113
2. **First Follow-Up Information Technology Audit: Registrar of Voters Selected Cybersecurity Controls**, Audit No. 2259-B (Reference 2042-F1)





Internal Audit Department
1st Quarter Status Report for the Audit Oversight Committee
For the Quarter Ended 09/30/2023

Audit Category and Name ^{1,2,3}	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan										FU Due	FU Number	Status ⁴	
				Total Budget	Actuals To Date	Budget	Changes	Revised Budget	#1	Actuals to Date Per Quarter				Est Remain	Budget Variance				
Internal Control Audits (ICA)																			
T-TC Cash Receipts	2301					440	0	440	0					0	440	0		Not started	
County Procurement Office -- Procurement Governance	2302					480	0	480	0					0	480	0		Not started	
OCCR/OC Parks/OC Dana Point Harbor P3 (2015)	2303					480	0	480	0					0	480	0		Not started	
OCCR Purchasing & Contracts (2120)	2304					480	0	480	18					18	462	0		Not started	
A-C Employee Claims (2211)	2305	NA	NA			480	(480)	0	0					0	0	0		Deferred to FY24-25	
CSS Cash Receipts (2217)	2306	7/18/23				440	0	440	209					209	231	0		In process	
OCIT Data Governance (2220)	2307	NA	NA			420	(420)	0	0					0	0	0		Deferred to FY24-25	
DA Payroll (time permitting)	2318					0	0	0	0					0	0	0		Not started	
OCSD Payroll (time permitting)	2319					0	0	0	0					0	0	0		Not started	
OCWR Credit Card Processing (department request)	2321					420	0	420	0					0	420	0		Not started	
FY 22-23 Carryovers																			
OCDA Purchasing & Contracts (2213)	2324	8/22/22			780	640	0	100	100	1				1	99	0		In process	
HCA/PG Cash Receipts (2214)	2325	2/08/23			990	975	0	350	350	319				319	31	0		In process	
HCA/PG Purchasing & Contracts (2215)	2326	2/08/23			730	694	0	100	100	0				0	100	0		In process	
CEO Payroll (2113)	2327	10/19/21			500	512	0	20	20	20				20	0	0		Draft report issued 9/29/23.	
CEO Special Revenue Fund 13Y	2018	10/19/21	9/21/23		732	769	0	5	5	5				5	0	0	3/31/24	2018-F1 Completed. Final report issued 9/21/23.	
OCCR/OCPL Special Revenue Fund 120	2216	4/05/23	9/6/23		480	550	0	0	0	0				0	0	0	3/31/24	2216-F1 Completed. Final report issued 9/6/23.	
First Follow-Up Audits																			
CEO Cash Disbursements & Payables (2012)	2012-F1									0				0				Not started	
JWA Cash Disbursements & Payables (2013)	2013-F1									0				0				Not started	
CEO Fiduciary & Special Revenue Funds (2018)	2018-F1									0				0				Not started	
JWA Cash Receipts (2116)	2116-F1									0				0				Not started	
CEO Special Revenue Fund 13Y (2018)	2018-F1									0				0				Not started	
OCCR/OCPL Special Revenue Fund 120 (2216)	2216-F1									0				0				Not started	
Second & Third Follow-Up Audits																			
OCCR Cash Disbursements (2014/2139-H/2239-L)	2014-F3	NA	NA															Per AOC, follow-up audit not required. OCCR to provide status.	
Total Internal Control Audits						4,080	(325)	3,755	572	0	0	0	0	572	3,183	0			
Contract Compliance Audits (CCA)																			
OCWR - Contract Compliance Review (Board request)	2320					400	0	400	0					0	400	0		Not started	
FY 22-23 Carryover																			
First & Second Follow-Up Audits																			
Ocean Institute (2171)	2289-A	1/31/23	8/31/23		100	130	0	10	10	10				10	0	0	2/29/24	2171-F2 Completed. Final report issued 8/31/23; three recs in process	
Ocean Institute (2171/2289-A)	2171-F2					40	0	40	0					0	40	0		Not started	
Total Contract Compliance Audits						440	10	450	10	0	0	0	0	10	440	0			
Mandated & Financial Audits (MFA)																			
T-TC Tax Redemption Officer	2322					480	0	480	0					0	480	0		Not started	
CEO - County Ethics Program	2323					400	0	400	0					0	400	0		Not started	
Total Mandated & Financial Audits						880	0	880	0	0	0	0	0	0	880	0			
Information Technology Audits (ITA)																			
OCWR Cybersecurity	2308					480	0	480	0					0	480	0		Not started	
OCPW Cybersecurity	2309					400	0	400	0					0	400	0		Not started	
OCSD Cybersecurity	2310					480	0	480	0					0	480	0		Not started	
OCIT Remote Access Security (2152)	2312					360	0	360	0					0	360	0		Not started	
OCIT Third-Party IT Security (2153)	2313	NA	NA			480	(480)	0	0					0	0	0	NA	NA	Deferred to FY 24-25
OCIT IOT Device Security (2243)	2314					400	0	400	0					0	400	0		Not started	
T-TC Cybersecurity (2241)	2316					480	0	480	0					0	480	0		Not started	
HCA Cybersecurity (2244)	2317					400	0	400	0					0	400	0		Not started	
A-C Claims System Implementation Advisory (Department Request)	2381	8/18/22			260	304	80	0	80	126				126	0	46	NA	NA	In process
A-C Policies and Procedures	2382					40	0	40	0					0	40	0		Not started	
OCIT Cybersecurity Joint Taskforce Advisory	2383	7/01/23				80	0	80	13					13	67	0		In process	



Internal Audit Department
1st Quarter Status Report for the Audit Oversight Committee
For the Quarter Ended 09/30/2023

Audit Category and Name ^{1,2,3}	Audit Number	Start Date	End Date	Multi-Yr Projects		Budget	Changes	Revised Budget	Current Audit Plan					Est Remain	Budget Variance	FU Due	FU Number	Status ⁴
				Total Budget	Actuals To Date				#1	#2	#3	#4	Total					
Information Technology Audits (ITA)(CON'T)																		
FY 22-23 Carryovers																		
A-C CAPS+ Application Security (2046)	2311	5/23/23		300	319	240	0	240	253				253	150	163			In process
OCIT Enterprise IT Governance (2242)	2315	6/15/23		270	254	240	0	240	226				226	120	106			In process
C-R Cybersecurity	2151	3/07/23	9/28/23	649	647	0	89	89	89				89	0	0	3/31/2024	2151-F1	Completed. Final report issued 9/28/23.
First Follow-Up Audits																		
ROV Cybersecurity (2042)	2042-F1	4/18/23							163									Draft report issued 9/29/23.
Probation Cybersecurity (2043)	2043-F1								0									Not started
C-R Cybersecurity (2151)	2151-F1								0									Not started
Second & Third Follow-Up Audits																		
DA Cybersecurity (2041)	2041-F2								0									Not started
OCSD ITGC (1845/1949-D/2059-H)	2259-H								2									Not started
SSA Cybersecurity (1846)	1846-F3	9/12/23							20									In process
Total Information Technology Audits						4,545	(391)	4,154	892	0	0	0	892	3,577	315			
Total Audits Before Other Activities & Administration						9,945	(706)	9,239	1,474	0	0	0	1,474	8,080	315			
Other Activities & Administration																		
Annual Risk Assessment & Audit Plan	2391					400	0	400	0				0	400	0			
Cash Losses	2392					80	0	80	0				0	80	0			
TeamMate+ Administration	2393					80	0	80	49				49	31	0			
External Audit Reporting	2394					200	0	200	23				23	177	0			
On-Demand Department Advisory Services	2395					80	0	80	0				0	80	0			
Board & AOC Services	2396					160	0	160	71				71	89	0			
CWCAP	2397					80	0	80	93				93	0	13			Completed. Submitted to A-C
Special Projects	2398					400	0	400	148				148	252	0			In process. 2398-A WIOA Review
Total Other Activities & Administration						1,480	0	1,480	384	0	0	0	384	1,109	13			
Reserve for Board Directives/Contingency						1,625	0	1,625						0	1,625			
Total Budget						13,050	(706)	12,344	1,858	0	0	0	1,858	9,189	1,953			

Footnote 5



Internal Audit Department
 1st Quarter Status Report for the Audit Oversight Committee
 For the Quarter Ended 09/30/2023

Audit Category and Name ^{1,2,3}	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan										Status ⁴
				Total Budget	Actuals To Date	Budget	Changes	Revised Budget	#1	Actuals to Date Per Quarter				Est Remain	Budget Variance	

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 Status column 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 Status column of this Quarterly Status Report.

5. The initial FY 2023-24 Annual Audit Plan of 13,050 hours is based on 9,945 direct hours to be provided by eight senior auditors/audit manager Is, one audit manager II, and one senior audit manager plus 1,480 hours for other activities and administration/special projects and 1,625 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.



Memorandum

November 9, 2023

AOC Agenda Item No. 7

TO: Audit Oversight Committee Members

Recommended Action:

Receive Update on Internal Audit Department's Fiscal Year 2023-24 Audit Plan and Departmental Vacancies

Receive Update on Internal Audit Department's Fiscal Year 2023-24 Audit Plan and Departmental Vacancies, as stated in recommended action.



Memorandum

November 9, 2023

AOC Agenda Item No. 8

TO: Audit Oversight Committee Members

Recommended Action:

Approve External Audit Activity Status Report for Quarter Ended September 30, 2023, and Receive Report on Status of External Audit Recommendations Implementation

Approve External Audit Activity Status Report for Quarter Ended September 30, 2023, and Receive Report on Status of External Audit Recommendations Implementation, as stated in recommended action.

ATTACHMENT(S):

Attachment A – External Audit Activity Status Report Memo

Attachment B – Executive Summary 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

October 24, 2023

To: Audit Oversight Committee Members

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

Digitally signed by Agripino
Alonso
Date: 2023.10.24 14:39:13
-07'00'

Subject: External Audit Activity Status Report for the Quarter Ended September 30, 2023

Attached for your review and approval is our External Audit Activity Status Report for the Quarter ended September 30, 2023. 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 (Attachment B) that presents the total audit additions and deletions from the prior quarter, and the total current audits in process. In addition, the Executive Summary references any new significant findings and provides a summary of any material issues reported for the quarter. For individual report details, see Attachment C. Finally, for corrective action taken to implement recommendations, see Attachment D.

For the quarter ended September 30, 2023, no new material issues were reported.

If you have any questions, please contact me at (714) 834-5442.

EXECUTIVE SUMMARY OF EXTERNAL AUDIT ACTIVITY
For the Quarter Ended 9/30/23

<u>SUMMARY ACTIVITY</u>	
Total Audits Prior Quarter (6/30/23)	51
Additions: In Progress	10
Planned	4
Started and Completed	1
Deletions	<u>15</u>
(Completed, Canceled, and Removed in Prior Quarter)	
Total Audits Current Quarter (9/30/23)	<u>51</u>
(In Progress, Planned, and/or Completed this Quarter)	

Results for the Quarter:

Completed	14
Canceled	0
Removed for Other Reasons	0

New Findings/Issues Reported by the Departments **0**

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

EXTERNAL AUDIT ACTIVITY
Quarterly Status Report
1st Quarter FY 2023-24 (9/30/23)

Results:

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

The schedule below identifies the status of external audits as of 9/30/23, 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 September 30, 2023	Significant Findings
Assessor		No audits in progress.						
Auditor-Controller	Financial Reporting	Eide Bailly	Single Audit	FY 2022 Annual	6/30/2022	Uniform Guidance Expenditures of Federal Assistance	Completed. (Reported 3/31/23)	See Attachment D for corrective actions taken related to findings from this audit.
		Eide Bailly	Annual Comprehensive Financial Report (ACFR)	Annual	6/30/2022	Annual Financial GAAP Audit	In progress.	
		Eide Bailly	Agreed Upon Procedures (AUP) over GANN Limit calculations	Annual	6/30/2022	GANN Limit Calculation - for County and OC Flood Control District	Completed.	None.
		Eide Bailly	Single Audit	FY 2023 Annual	6/30/2022	Uniform Guidance Expenditures of Federal Assistance	In progress.	
	Cost, Revenue & Budget	State Controller's Office	County Cost Allocation Plan Field Review for FYE 6/30/22	3-5 years	6/4/2014	Management and Budget Circular Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Grants (Uniform Guidance), Title 2, Code of Federal Regulations, Part 200 and supplemental guidance promulgated by federal Department of Health and Human Services	Completed. (Reported 6/30/23)	See Attachment D for corrective actions taken related to the finding from this audit.
	Property Tax	No audits in progress.						
	General Accounting	No audits in progress.						

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of September 30, 2023	Significant Findings
Child Support Services	Program Support Services	Office of Audits and Compliance State of California Department of Child Support Services (DCSS)	Review of Local Child Support Agency CS 356 Administrative Expense Claim.	Every 4 Years	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.	
Clerk of the Board		No audits in progress.						
Clerk-Recorder	Information System	Lawrence R. Halme	SECURE: Modified System Audit Report (MSAR)	As Needed	11/22	New software	Completed.	None.
County Counsel		No audits in progress.						
County Executive Office	Finance	No audits in progress.						
	Risk Management	No audits in progress.						
	Information Technology	No audits in progress.						
	Corporate Real Estate	No audits in progress.						
	Human Resource Services	OCERS (Moss Adams)	HRS - Employee Records	April 2023 Annual	2022	Census Data Testing - Review records and supporting documentation of new hire information that includes employee name, status, gender, date of birth and date of hire.	Completed.	None.
	Office of Care Coordination	State of California Department of Housing and Community Development (State HCD)	State Emergency Solutions Grant - Coronavirus (State ESG-CV)	12/1/20 - 3/31/23 One-Time	N/A	The purpose of the monitoring is to determine whether County of Orange is compliant with all regulations governing administrative, financial, and programmatic operations, and that the County of Orange is achieving the performance objectives on time and within the budget for the State ESG-CV Grant.	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 September 30, 2023	Significant Findings
District Attorney-Public Administrator		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.	
		Office of State Controller, Division of Audits, Compliance Audits Bureau	Mandated cost claims - Custody of Minors - Child Abduction and Recovery Program	7/01/18 - 6/30/22	None	Program Audit	In progress.	
		Eide Bailly, LLP	Insurance Fraud Programs for Workers' Compensation, Automobile, and Disability & Healthcare	7/01/22 - 6/30/23 Annual	6/30/2022	Grant Program Audit	In progress.	
Health Care Agency	Administration	Eide Bailly	Tobacco Settlement Funds Agreed Upon Procedures	FY 22/23 Annual	FY 21/22	HCA and Sheriff Tobacco Settlement Funds disbursements	Planned.	
	Correctional Health Services	Vaccines for Children (VFC)	Juvenile Hall and Orangewood	FY 22/23	N/A	Vaccine program compliance review	In progress.	
		Board of State Community Corrections	Juvenile Hall/ Youth Guidance Center/ Youth Leadership Academy	FY 23/24	N/A	Title 15 & BSCC guidelines audit	Completed.	None.
	Mental Health & Recovery Services	State Department of Health Care Services (DHCS)	Mental Health Cost Report; Short-Doyle/Medi-Cal Cost Report	FY 14/15 Annual	FY 13/14	Adjusting Short Doyle Medi-Cal units of service/time, the distribution of administrative costs between Medi-Cal and non-Medi-Cal, the distribution of utilization review costs between Medi-Cal and non-Medi-Cal, crossover revenues, contract maximums, and the overall accuracy of computations in the cost report.	In progress.	
		State Department of Health Care Services (DHCS) County Compliance Unit	Mental Health Plan (MHP)	FY 21/22 Triennial	FY 19/20	Quality Assurance/ Compliance and Medi-Cal Beneficiary Chart Review	In progress.	
		Board of State Community Corrections (BSCC)	Prop 47 Comprehensive Monitoring Visit - Cohort 2	FY 21/22 Biennial	05/19	Fiscal and compliance review	Completed.	None.
		State Department of Health Care Services	SABG/DMC-ODS Service Review	FY 22/23 Annual	FY 21/22	Review of Programmatic Services	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 September 30, 2023	Significant Findings
Health Care Agency (continued)	Public Health Services	Environmental Laboratory Accreditation Program (ELAP)	Audit of environmental water testing performed at the Water Quality Laboratory to maintain ELAP certification.	CY 21/22 Biennial	09/22	Two-day in-person inspection of water testing and document review.	Completed.	None.
		Health Resources and Services Administration (HRSA)	Ending the HIV Epidemic Initiative (EHE) Program	FY 22/23 Biennial	FY 20/21	Comprehensive Site Review	In progress.	
		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.	In progress.	
		State Controller's Office	Environmental Health - Local Oversight Program	FY 19/20 - FY 20/21 Biennial	FY 17/18 - FY 18/19	Fiscal compliance review	Completed.	None.
		State Department of Resources Recycling and Recovery (CalRecycle)	Environmental Health - Solid Waste, Local Enforcement Agency	07/17 - 12/21 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.	Completed.	None.
		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.	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	Fiscal compliance review	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 September 30, 2023	Significant Findings
Health Care Agency (continued)	Public Health Services (con't)	DHCS Audits & Investigations - Targeted Case Management	Targeted Case Management, Program Financial Audit of the TCM Cost Report	FY 19/20 Annual	FY 17/18	Fiscal compliance review	In progress.	
		California State Controller's Office	Women, Infant, and Children (WIC)	FFY 20/21 Biennial	FFY 18/19	Fiscal and program compliance review	In progress.	
John Wayne Airport	Finance & Administration	Eide Bailly	Financial Statements, including Passenger Facility Charge Revenue and Expenditures	2023 Annual	2022	Audit of Financial Statements	In progress.	
	Innovation and Technology	Tevora Business Solutions	Common Use Passenger Processing System	2023	2022	Compliance with Payment Card Industry Data Security Standard	In progress.	
		Tevora Business Solutions	Parking Access and Revenue Control System	2023	2022	Compliance with Payment Card Industry Data Security Standard	In progress.	
OC Community Resources	Orange County Housing Authority (OCHA)	No audits in progress.						
	Office on Aging (OoA)	No audits in progress.						
	Workforce & Economic Development Division	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) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA - Fiscal and Procurement	FY 22/23 Annual	FY 21/22	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	Planned.	
	OC Parks	No audits in progress.						

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of September 30, 2023	Significant Findings
OC Community Resources (con't)	OC Libraries	No audits in progress.						
	OC Animal Care	No audits in progress.						
	Redevelopment Successor Agency	Eide Bailly	Financial Statement Audit	FY 22/23 Annual	6/30/2022	Redevelopment Successor Agency	In progress.	
OC Public Works	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].	In progress.	
	Administrative Services / Revenue Streams	Transportation Corridor Agency (TCA)	Road Fee Programs (TCA Fees specific)	CY 2023 Annual	06/22	TCA Fee Program for CY 2023. Audit of major thoroughfare fees collected by the County of Orange.	Planned.	
OC Waste & Recycling	Accounting	Eide Bailly, LLP	OCWR Accounting	6/30/2023 Annual	6/30/2022	Financial and Compliance Audit	In progress.	
Probation	Administrative and Fiscal	No audits in progress.						
Public Defender		No audits in progress.						
Registrar of Voters		No audits in progress.						

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of September 30, 2023	Significant Findings
Sheriff-Coroner	Custody Operations	Disability Rights Commission (DRC)	Theo Lacy, Central Men's Jail, Intake Release Center, James A Musick Facility	Current	N/A	Disability Rights	In progress.	
		BSCC	Theo Lacy, Central Men's Jail, Intake Release Center, James A Musick Facility	Biannual FY 22/23 - FY 23/24	FY 20/21 - FY 21/22	Compliance	In progress.	
	Technology	Tech Advisory Committee (TAC)	Information Technology	10/19 to 03/20	2017	Operational Review	In progress.	
	Research & Development / Financial	Eide Bailly LLP	James Musick Expansion Phase II (AB 900) Agreed Upon Procedures	Jan 2013 - Dec 2023 One-Time	N/A	Compliance with California Board of State and Community Corrections (BSCC) construction-financing program through Assembly Bill (AB) 900 and Senate Bill (SB) 1022.	In progress.	
Social Services Agency	Administrative Services	California Department of Social Services (CDSS)	Social Services and CalWORKs Assistance Claims	7/1/22 – 6/30/23 UNK	10/16	Review County's compliance with federal requirements to provide more oversight of federal program expenditures.	In progress.	
	Children & Family Services	Nutrition Service Division California Department of Education National School Lunch Program	Audit of school reimbursement documentation	Triennial	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	FFY 2023 Annual	08/23	As mandated by the United States Department of Agriculture (USDA) Food and Nutrition Service (FNS), CDSS conducts an evaluation of CalFresh Program access with an emphasis on the recertification process and timeliness of application processing, payment accuracy, and assessment of corrective action.	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 September 30, 2023	Significant Findings
Social Services Agency (con't)	Assistance Programs (con't)	California Department of Social Services (CDSS)	CalFresh Employment & Training (CF E&T)	03/22 Annual	05/22	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.	
		Food and Nutrition Service (FNS)	CalFresh	UNK	05/22	Management Evaluation (ME) of the California Department of Social Services (CDSS) to assess compliance with Federal regulations and policies in the following areas: <ul style="list-style-type: none"> • Able-Bodied Adults Without Dependents (ABAWD) • CalFresh Employment and Training (CF E&T) • Recipient Claims • Reporting Program Access Review (PAR) • SNAP-Ed 	In progress.	
	Family Self-Sufficiency & Adult Services	California Department of Social Services (CDSS), Family Engagement & Empowerment Division, CalWORKs Early Engagement & Eligibility Bureau	CalWORKs Eligibility Case File Review	March 27-30, 2023	10/20	Review cases in order to increase CDSS' oversight capacity, to assess the implementation of recent CalWORKs Eligibility policy changes, and to assess the need for further technical assistance.	Completed.	None.
		California Department of Social Services (CDSS), Refugee Programs Bureau Quality Assurance	Refugee Cash Assistance (RCA) and Refugee Social Service (RSS) Programs	May 2023 Triennial	06/17	Monitoring to ensure County and Service Provider compliance with Federal and State Refugee Resettlement Programs rules and regulations.	Completed.	None.
		California Department of Social Services (CDSS), Parent Engagement and Policy	Temporary Aid for Needy Families (TANF) Work Participation Rate	FFY 2021 Triennial	05/20	The purpose of the review is to determine the accuracy of your reported TANF activity hours for federal fiscal year 2021.	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 September 30, 2023	Significant Findings
Social Services Agency (con't)	Family Self-Sufficiency & Adult Services (con't)	California Department of Social Services (CDSS), Parent Engagement and Policy	Work Incentive Nutritional Supplement (WINS) Work Participation Rate	FFY 2021 Annual	10/21	The purpose of the review is to determine the accuracy of your reported WINS activity hours for federal fiscal year 2021.	Completed.	None.
		The California State Preschool Program (CSPP)	Child Care	Annual	11/22	The general objectives for audits of programs determine if: <ul style="list-style-type: none"> · The agency financial statements are represented in conformity with GAAP · The agency establishes and maintains effective internal controls to discharge management responsibilities and adequately safeguard state and federal interests · State and federal funds are being expended in accordance with applicable agreements and provisions · The direct and indirect costs incurred and claimed for reimbursement are reasonable, necessary, and allowable. 	In progress.	
		California Department of Social Services (CDSS), Quality Assurance (QA) Monitoring Unit (QAMU), Adult	In-Home Supportive Services (IHSS)	08/23 Annual	08/22	The purpose of the review is to focus on the QA program and the IHSS needs assessment process as mandated by WIC sections 12305.70 and 12305.71 which requires	In progress.	
Treasurer-Tax Collector	Treasury and Investments	RFP in progress.	County Treasury Public Funds	FY 2022-23 Annual	FY 2021-22	Annual Audit, required by Government Code Section 27134, of County Trasurer's compliance with Article 6.	Planned.	

EXTERNAL AUDIT REPORT
Implementation Status of Prior Quarter Significant & Material Issues
Quarter Ended September 30, 2023

No.	Department	Audit Name	Finding	Recommendation	Material or Significant	Implementation Status* & Actions Taken or Planned
1	SSA	Single Audit YE 6/30/22	#2022-002: No formal controls or procedures in place for subrecipient monitoring for the program.	We recommend that the County implement policies and procedures in accordance with 2 CFR 200.332 to ensure compliance with subrecipient monitoring requirements.	Significant	Implemented. P&P has been revised and checklist has been developed to be utilized to meet subrecipient monitoring requirements.
2	Auditor-Controller	County Cost Allocation Plan Field Review for FYE 6/30/22	#1: Fund 291 exceeds the target funding level. #2: Fund 298 unreserved retained earnings balance exceeds the allowable working capital reserve of 60 calendar days of cash expenses. #3: Fund 29W unreserved retained earnings balance exceeds the allowable working capital reserve of 60 calendar day cash expenses.	SCO recommended County spend down funds (reserves) in excess of the allowable working capital for the following Internal Service Funds (ISFs): Fund 291 - Unemployment Insurance and Fund 298 - Self Insured Benefits by FY 2024-25, and Fund 29W - Wellness Program by FY 2025-26.	Significant	In progress. The following actions have been implemented to spend down reserves in excess of the allowable working capital. Fund 291 (1) Implemented. Fund 291 is on a rate holiday for FY 23-24. Departments will receive the benefit but will not be charged a premium. Fund 298 (1) In progress. Steps have been taken to implement effective 2024. Fund 298 will reduce billings to departments by 70% in 2024. Dental modernization will be implemented in January 2024; further reducing net position by estimated decrease of \$1.1 M in FY 23-24 & \$1.3 M in FY 24-25. Fund 29W (1) Implemented. Fund 29W is on a rate holiday for FY 23-24. Departments will receive Wellness Benefits but not charged premiums. Additionally, an increase of \$600K on-going expenditures for the Wellness Program will resume after some delay from the COVID pandemic.

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



Memorandum

November 9, 2023

AOC Agenda Item No. 9

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Auditor-Controller Mandated Audits for Quarter Ended September 30, 2023

Receive Report on Status of Auditor-Controller Mandated Audits for Quarter Ended September 30, 2023, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Status of Mandated Audits as of September 30, 2023



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of September 30, 2023
 AOC Meeting Date: November 9, 2023

Audit Name	Audit No.	Budget Hours	Actual Hours	Variance	Draft Report	Final Report	Status
Cash Shortages FY 20-21	2001	100	209	-109	N/A	N/A	1 in process, 9 completed
Cash Shortages FY 22-23	2202	120	61	59	N/A	N/A	All 10 completed
Cash Shortages FY 23-24	2302	120	19	101	N/A	N/A	2 in process, 0 completed
JPAs and Special Districts FY 21-22*	2211	120	60	60	N/A	N/A	Collection in process
JPAs and Special Districts FY 22-23*	2310	120	0	120	N/A	N/A	Collection in process
Review of Schedule of Assets as of 12/31/22	2208	300	317	-17	9/7/2023		Reporting in process
Review of Schedule of Assets as of 3/31/23	2209	300	246	54			Fieldwork in process
Review of Schedule of Assets as of 9/30/23	2307	300	0	300			Planning in process

*We collect copies and post them online.



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of September 30, 2023
 AOC Meeting Date: November 9, 2023

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.	We have 1 last investigation in process for Child Support Services. We are waiting for the DA and IAD to perform their investigations.	0	0

Cash Shortages FY 22-23

Objective	Status/Results	Critical or Significant Control Weaknesses	Control Findings
To perform an investigation to determine whether to approve replenishment of cash shortages.	We completed all 10 investigations.	0	0

Cash Shortages FY 23-24

Objective	Status/Results	Critical or Significant Control Weaknesses	Control Findings
To perform an investigation to determine whether to approve replenishment of cash shortages.	We completed 0 investigations and have 2 in process. Departments in process: Clerk-Recorder and Social Services Agency	0	0



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of September 30, 2023
 AOC Meeting Date: November 9, 2023

JPAs and Special Districts FY 21-22

Objective	Status/Results	Modified Reports Received/Reviewed	Total Reports Reviewed
To ensure all JPAs and Special District within the County file their annual audits within 12 months of their fiscal year end.	We are collecting audited financial statements. JPAs remaining: 2 of 72. Special Districts remaining: 6 of 34. Total reports received: 98	0/0	98

JPAs and Special Districts FY 22-23

Objective	Status/Results	Modified Reports Received/Reviewed	Total Reports Reviewed
To ensure all JPAs and Special District within the County file their annual audits within 12 months of their fiscal year end.	We are collecting audited financial statements. JPAs remaining: 72 of 72. Special Districts remaining: 34 of 34. Total reports received: 0	0/0	0



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of September 30, 2023
 AOC Meeting Date: November 9, 2023

Review of Schedule of Assets as of 12/31/22

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.	Fieldwork is complete. One compliance finding noted. We issued the draft report on September 7, 2023.	0	0

Review of Schedule of Assets as of 3/31/23

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

Review of Schedule of Assets as of 9/30/23

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.	Planning is in process.	0	0



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of September 30, 2023
 AOC Meeting Date: November 9, 2023

Past-Due Submissions of Audited Financial Statements			
Entity Type	Entity Name	FYE Date	Rectified Date
Special District	Moulton Niguel Water District	6/30/2022	8/31/2023
Special District	Placentia Library District	6/30/2022	
Special District	Rossmoor/Los Alamitos Area Sewer District	6/30/2022	
Special District	Silverado Modjeska Recreation and Park District	6/30/2022	8/31/2023
Special District	Sunset Beach Sanitary District	6/30/2022	
Special District	County Service Area (La Mirada)	6/30/2022	
Special District	County Service Area (East Yorba Linda)	6/30/2022	
Special District	County Service Area (OC Parks)	6/30/2022	
JPA	Newport-Mesa USD PFA	6/30/2022	8/3/2023
JPA	Public Cable Television Authority (PCTA)	6/30/2022	
JPA	Santa Ana River Flood Protection Agency (SARFPA)	6/30/2022	
JPA	Trabuco Canyon PFA	6/30/2022	8/3/2023
JPA	Public Cable Television Authority (PCTA)	6/30/2021	
JPA	Public Cable Television Authority (PCTA)	6/30/2020	
JPA	Saddleback Valley USD PFA	6/30/2020	
JPA	Santa Ana River Flood Protection Agency (SARFPA)	6/30/2019	
JPA	School Employers Association of CA	6/30/2019	
JPA	North Orange County Cities JPA	6/30/2018	
JPA	Saddleback Valley USD PFA	6/30/2018	
JPA	Santa Ana River Flood Protection Agency (SARFPA)	6/30/2018	
JPA	School Employers Association of CA (SEAC)	6/30/2018	
JPA	Southern California Coastal Water Research Project (SCCWRP)	6/30/2018	



Memorandum

November 9, 2023

AOC Agenda Item No. 10

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Performance Audits for the Quarter Ended September 30, 2023

Receive Report on Status of Performance Audits for the Quarter Ended September 30, 2023, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Performance Audits Quarterly Status Report

PERFORMANCE AUDITS QUARTERLY STATUS REPORT

November 9, 2023

Attachment A

FY 2022-23				
Department	Type of Audit	Auditing Vendor	Audit Scope of Work	Status
Registrar of Voters	Administration/Department Head Transition	MGT of America Consulting, LLC (MGT)	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	COMPLETE: Report and Response finalized and transmitted to the BOS in August 2023.
Social Services Agency	SSA Case Management Services	Moss Adams LLP	Requested per Board of Supervisors. Scope of Work: evaluate CMS program outcomes that have been achieved by SSA staff and their contractor, Maximus, under a collaborative public-private service model.	COMPLETE: Report and Response finalized and transmitted to the BOS on September 28, 2023. Report and Response is posted publicly.
Social Services Agency	Administration/Department Head Transition	Moss Adams LLP	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	Awaiting Department's response.
Child Support Services	Administration/Department Head Transition	Macias Gini & O'Connell LLP	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	MGO in the process of finalizing the report.
John Wayne Airport	Administration/Department Head Transition	Weaver and Tidwell LLP	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	Draft report sent to JWA on September 27, 2023.
FY 2023-24				
Auditor-Controller	Administration/Department Head Transition	TBD	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	CEO and Auditor Controller met on October 30, 2023 to discuss scope of work.
Health Care Agency	Administration/Department Head Transition	TBD	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	CEO is working on scope of work. Awaiting Interim HCA Director's assessment of the department's admin function before developing scope of work.

Health Care Agency	Mental Health and Recovery Services/ Outreach and Engagement	TBD	Homeless and mental health outreach programs are evolving as federal and state policies and funding re-shape how local municipalities address homelessness. HCA's Outreach and Engagement (O&E) program is a cornerstone of the County of Orange's (County) homeless response. As the County increases its focus on addressing homelessness and mental health through an individual-by-individual approach as opposed to a "one-size fit all" approach, it is important that O&E level of resources are evaluated, and performance metrics established to monitor effectiveness. Aside from resource evaluation and performance metrics, the audit will also focus on identifying best practices and additional models for consideration.	CEO is working to develop the scope and identify vendors.
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OC Community Resources	Workforce Innovation and Opportunity Act (WIOA) Program	TBD	In recent years, the Workforce Innovation and Opportunity Act (WIOA) program has become increasingly important to the County. With the launch of OC Cares in 2019, ensuring that there are workforce development programs available for all eligible County residents, especially those in the most vulnerable of populations, has become a major focus. Additionally, as the County demographics changes, it is important that WIOA is prepared to assist County residents with job training and job search. The WIOA program has never undergone a County performance audit. The audit will include, but not limited to: WIOA resources, inventory of WIOA services, WIOA performance as it relates to state regulations and County goals, etc.	CEO is working on scope of work. Procurement to research vendors with experience in WIOA.
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Memorandum

November 9, 2023

AOC Agenda Item No. 11

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on eProcurement

Receive Report on eProcurement, as stated in recommended action.



Memorandum

November 9, 2023

AOC Agenda Item No. 12

TO: Audit Oversight Committee Members

Recommended Action:

Receive Update on County IT Projects Quarterly Progress Report

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

ATTACHMENT(S):

Attachment A – County IT Projects Quarterly Progress Report (Summary)

County IT Projects

Quarterly Progress Report

4th Quarter, FY22-23
Apr 1 – Jun 30, 2023



Summary

The Quarterly OC Information Technology (OCIT) Project Progress Report provides the status of all County IT projects with a budget of \$150,000 or more and/or that have been identified as meriting the Board of Supervisors' attention.

The IT projects included in this report reflect the County's ongoing commitment to align IT with the County's business values. Projects included in the portfolio cover the upgrade or replacement of aging infrastructure and end-of-life systems and investment in new, innovative, and reliable technology and platforms. These projects also enhance the County's ability to maintain critical business operations, improve productivity, and deliver more and better services to constituents.

In addition to project status updates, this report also describes the County's IT overall project performance trends over the last 12 quarters.

Highlights



At a Glance

The number of projects in this reporting period is 16, one more than the number of projects reported in the previous quarter. No projects were completed last quarter and one additional in-flight project, previously unreported, was added this quarter: CHORUS, managed by the Health Care Agency (HCA). The total budget increased from \$17,855,799 to \$35,524,630.

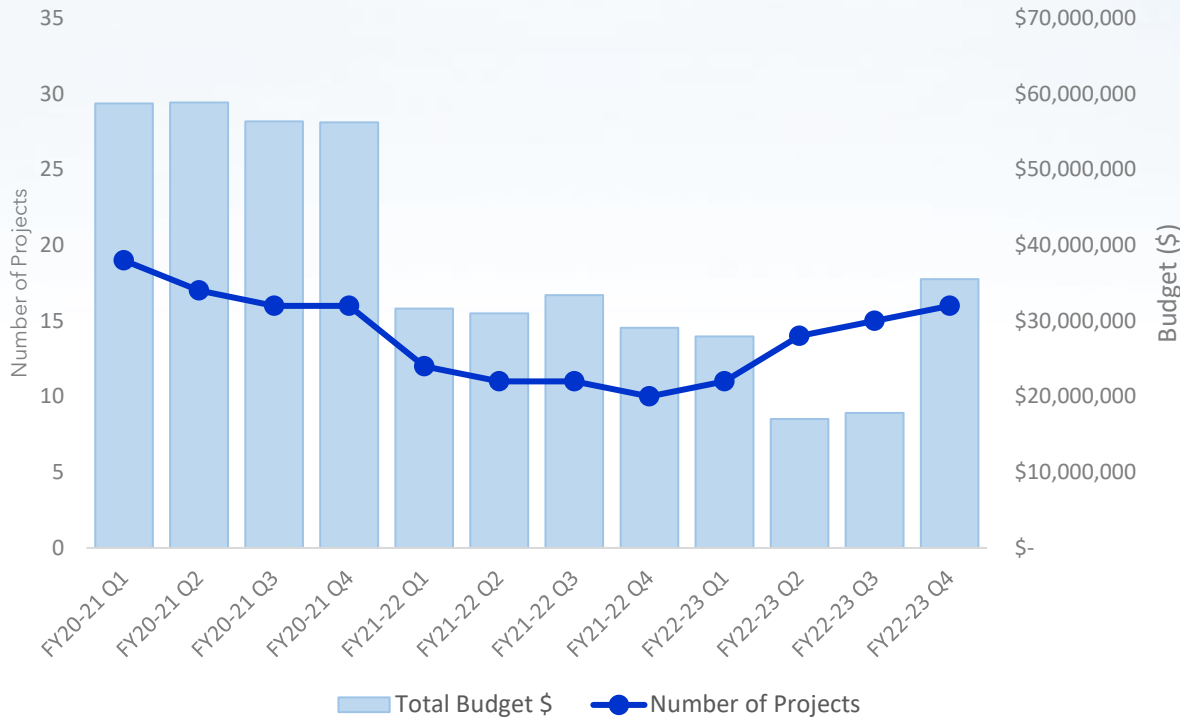


Key Accomplishments

A key long-term project, CalSAWS Migration Technical Support, was successfully completed in FY22-23 Q4.

IT Portfolio Size and Budget

This chart depicts the County’s IT project portfolio size and budget trends over the last 12 quarters.

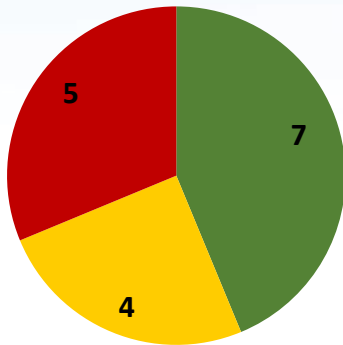


The chart above reflects projects that were active or completed during the reporting period. **Item 12, AOC Meeting 11/09/2023, Page 3 of 8**

Portfolio Performance

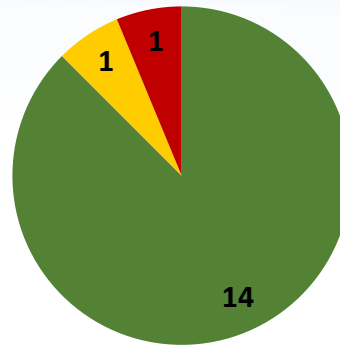
The charts below depict the County's IT project portfolio schedule and budget performance of the active and completed projects during the reporting period.

Schedule



- On Schedule
- At risk; 10% - 20% over schedule
- Critical; >20% over schedule

Budget



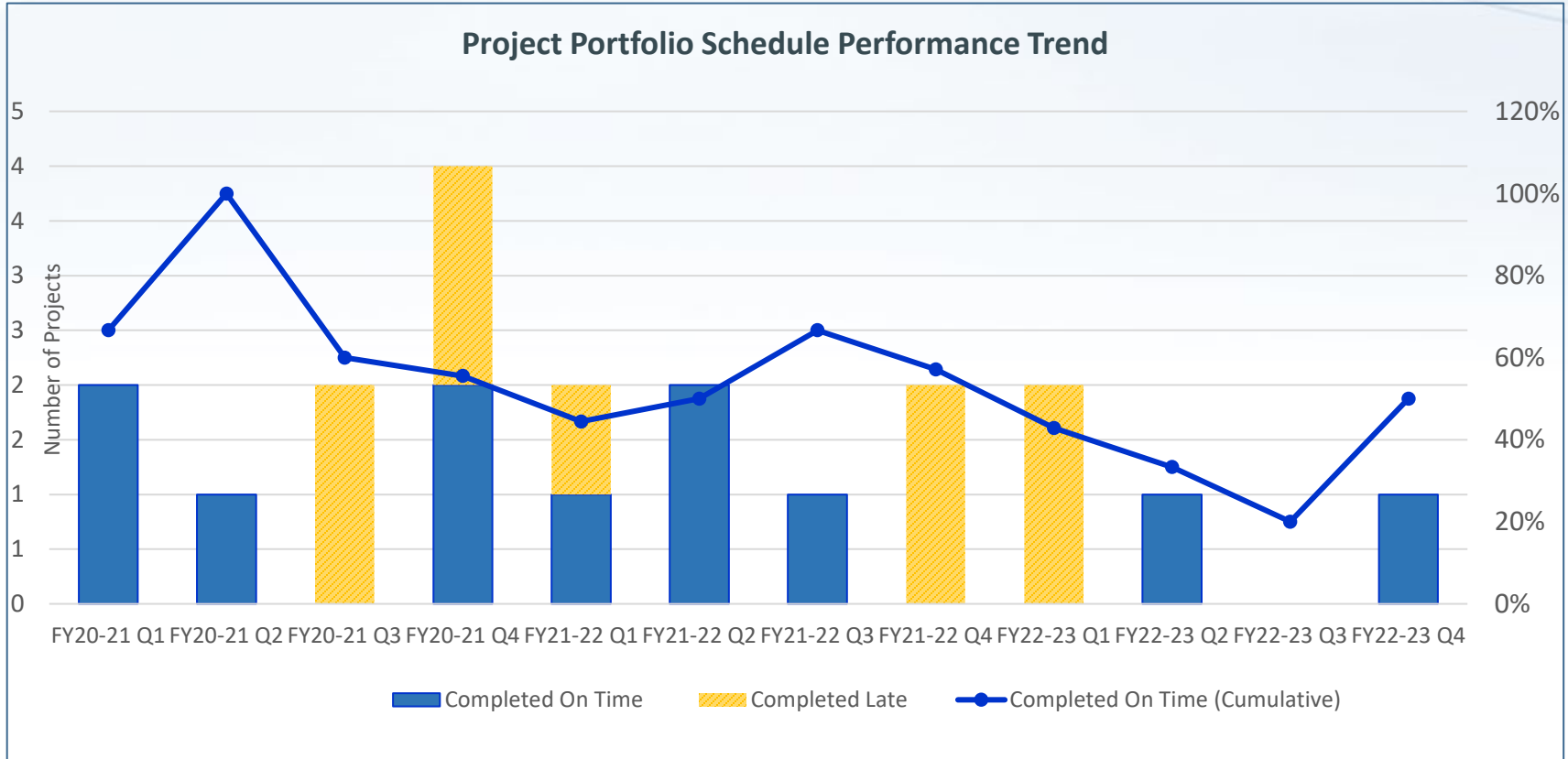
- On Budget
- At risk; 10% - 20% over budget
- Critical; >20% over budget

During this reporting period, nine projects are experiencing schedule delays, and one project exceeds its original budget by more than 20%.

Vendor, resource, and equipment availability, product quality issues, and project dependencies are the primary contributors to project schedule delays.

Portfolio Performance Trend

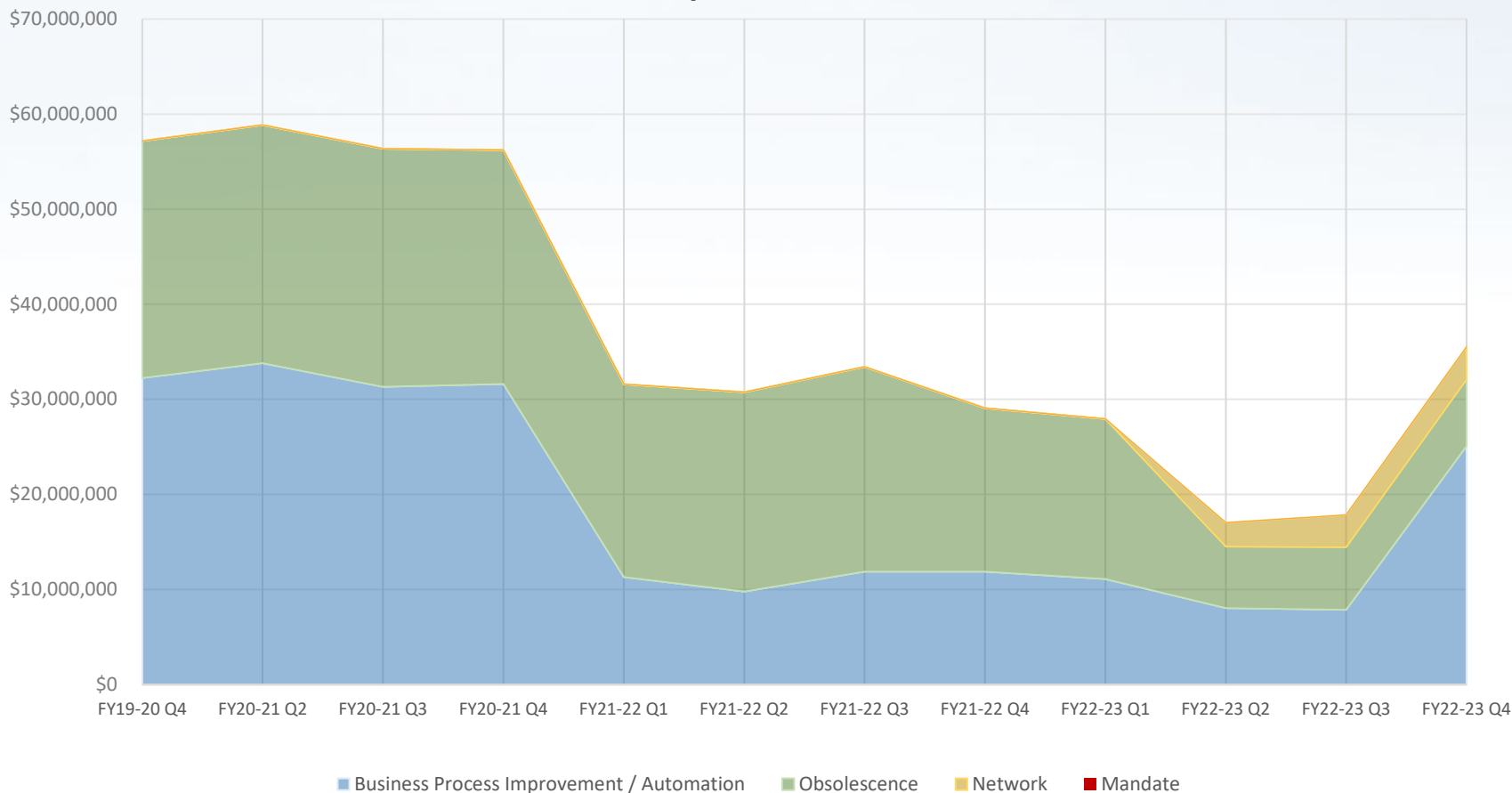
The chart below depicts the County’s IT project schedule performance trend for the projects that were completed over the last 12 quarters. The bars reflect the total number of projects completed in each quarter and the number completed on schedule. The line reflects the percentage of projects completed on schedule over four consecutive quarters.



Project Investment Trends

Projects intended to improve or automate business processes account for approximately 71% of the County's IT budget this quarter. Projects for replacing end-of-life or obsolete systems account for approximately 20% of the budget. Network projects account for approximately 10% of the budget.

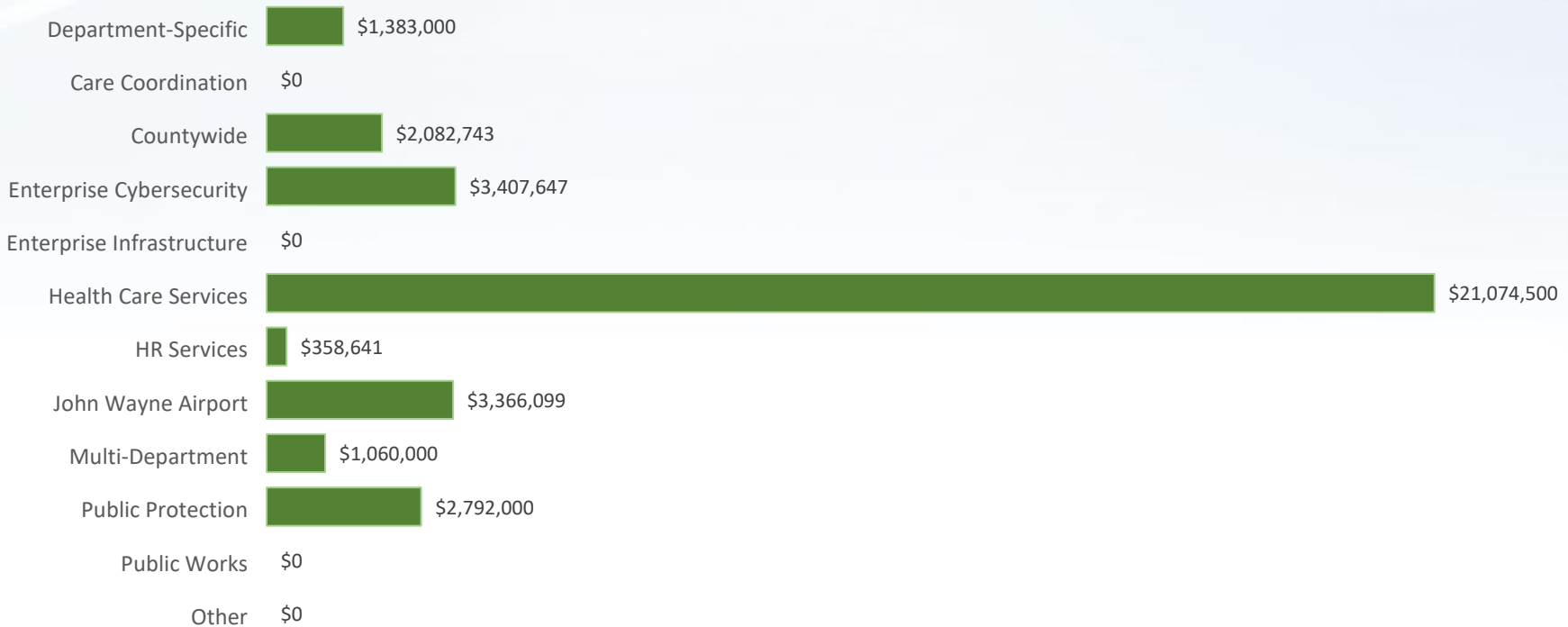
Investment by Business Justification



The chart above reflects projects that were active or completed during each quarter.

Investment by Service Area

Health Care Services accounts for the largest share of the County's IT project investments this quarter. Enterprise Cybersecurity, John Wayne Airport, Public Protection, and Countywide projects also have a large share of the IT project budget.



The chart above reflects projects that were active or completed during this reporting period.

Project Landing Map

The map below depicts when project benefits have been or are expected to be realized.

Q1 FY21-22 Jul – Sep 2021	Q2 FY21-22 Oct – Dec 2021	Q3 FY21-22 Jan – Mar 2022	Q4 FY21-22 Apr – Jun 2022
<ul style="list-style-type: none"> ✓ eGov - Web Content Management System ✓ JWA Building Automation System 	<ul style="list-style-type: none"> ✓ OCCR/OCPW Voice Migration ✓ Workfront PPM Tool Implementation 	<ul style="list-style-type: none"> ✓ JWA Network Redesign 	<ul style="list-style-type: none"> ✓ ServiceNow for Shared Services
Q1 FY22-23 Jul – Sep 2022	Q2 FY22-23 Oct – Dec 2022	Q3 FY22-23 Jan – Mar 2023	Q4 FY22-23 Apr – Jun 2023
<ul style="list-style-type: none"> ✓ OC TIME Implementation ✓ Property Tax System 	<ul style="list-style-type: none"> ✓ Privileged Access Management (PAM) Implementation 		<ul style="list-style-type: none"> ✓ CalSAWS Migration Technical Support
Q1 FY23-24 Jul – Sep 2023	Q2 FY23-24 Oct – Dec 2023	Q3 FY23-24 Jan – Mar 2024	Q4 FY23-24 Apr – Jun 2024
<ul style="list-style-type: none"> ■ OC Agenda 	<ul style="list-style-type: none"> ■ County Enterprise Network Redundancy ■ County Reimbursement System ■ Electronic Health Records (EHR) Interoperability ■ HCA Business Intelligence & Analytics ■ IntraOC Site Design Refresh ■ Integrated Talent Management System (ITMS) Performance Module ■ Shared Services Server Platform ■ Zscaler Private Access – Phase 1 	<ul style="list-style-type: none"> ■ iConnect Lab Portal 	<ul style="list-style-type: none"> ■ CHORUS ■ JWA Baggage Handling System
Q1 FY24-25 Jul – Sep 2024	Q2 FY24-25 Oct – Dec 2024	Q3 FY24-25 Jan – Mar 2025	Q4 FY24-25 Apr – Jun 2025
<ul style="list-style-type: none"> ■ Mandated Reporter App 	<ul style="list-style-type: none"> ■ Automated Jail System (AJS) ■ Identity and Badge Data Integration 		

- On schedule
- 10% - 20% over schedule
- >20% over schedule
- ✓ Project has been completed



Memorandum

November 9, 2023

AOC Agenda Item No. 13

TO: Audit Oversight Committee Members

Recommended Action:

Discuss Magnolia School District Fraud – Impact to County Internal Controls and Policies & Procedures

Discuss Magnolia School District Fraud – Impact to County Internal Controls and Policies & Procedures, as stated in recommended action.



Memorandum

November 9, 2023

AOC Agenda Item No. 14

TO: Audit Oversight Committee Members

Recommended Action:

Elections of Officers

Elections of Officers, as stated in recommended action.