

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, 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

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, CPA

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
Stephany Franco

ATTENDANCE: Mark Wille, AOC Chairman, Private Sector Member
Patricia Welch-Foster, Proxy for Supervisor Wagner
Ofelia Velarde-Garcia, Proxy for Supervisor Do
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
Jun Intal, Treasury Manager, for Shari Friedenrich, Treasurer-Tax Collector
Aggie Alonso, Internal Audit Director
Ronnie Magsaysay, Deputy County Counsel
Stephany Franco, AOC Clerk

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1. Roll call

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

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

Mr. Wille asked for a motion to approve the Audit Oversight Committee Regular Meeting Minutes of August 17, 2023.

Motion to approve the Regular Meeting Minutes of August 17, 2023, by Tim Johnson, seconded by Drew Atwater.

All in favor.

Approved as recommended.

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

Mr. Wille asked for a motion to approve the Audit Oversight Committee Special Meeting Minutes of August 29, 2023.

Motion to approve the Special Meeting Minutes of August 29, 2023, by Tim Johnson, seconded by Drew Atwater.

All in favor.

Approved as recommended.

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

Mr. Steve Delaney, Chief Executive Officer of OCERS, presented regarding current and future funding. Mr. Delaney reported that as of December 31, 2022, OCERS Unfunded Actuarial Accrued Liability was approximately \$4.7 billion, of which approximately \$4 billion related to Orange County.

5. Receive Report on Required Communication from External Auditors

Mr. David Showalter, Partner at Eide Bailly, discussed attachments reflecting Eide Bailly's status on audits in progress, as well as those recently completed for September 30, 2023.

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

Motion to approve Internal Audit Department's Quarterly Status Report and approve Executive Summary of Internal Audit Reports for the Quarter Ended September 30, 2023, by Tim Johnson, seconded by Drew Atwater.

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All in favor.

Approved as recommended.

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

Mr. Aggie Alonso reported that Internal Audit is behind on completing the audits in their Board-approved Fiscal Year 2023-24 Audit Plan but have a plan to catch-up. Specifically, he indicated that at the beginning of Fiscal Year 2023-24, Internal Audit had seven unplanned carry overs from the prior to the new fiscal year, meaning these audits were not completed as planned. Since then, Internal Audit issued four of the audits, and a fifth audit is in draft awaiting response from the auditee to finalize. For the remaining two audits, Mr. Alonso indicated that they are working with Human Resources to obtain the files necessary to complete the audits as they were impacted by an unplanned staff medical leave.

In addition, during July through September 2023, Mr. Alonso reported that Internal Audit was impacted by two unplanned staff medical leaves and one staff resignation which reduced the number of hours available to conduct audits by 3,000. In order for Internal Audit to address this, they are deferring three audits to the subsequent fiscal year as a result of a new system implementation, and department unavailability. Internal Audit also plans to contract out between one to five audits to outside auditing firms. In addition, as vacancies in the department are filled, the number of available hours to conduct hours will increase.

In regards to departmental vacancies, Mr. Alonso reported that the priority was the Deputy Director/Assistant Director vacancy. Specifically, Internal Audit is working with Human Resources on this recruitment which closes on December 4, 2023. Mr. Alonso reported that executive recruitments take a significant amount of time and they hope to have the position filled during Fiscal Year 2023-24. For the Fiscal Manager vacancy, Mr. Alonso reported that they are working with Human Resources to re-classify the position back to Senior Fiscal Manager. In regards to the Administrative Services Manager, Mr. Alonso indicated that since this position is highly specialized, and requires extensive training, Internal Audit's focus will be on their other recruitments for now.

8. **Approve External Audit Activity Status Reports for the Quarters Ended September 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 September 30, 2023. Ms. Morgan stated there were no material findings during the first quarter.

Motion to approve External Audit Activity Status Reports for the Quarters Ended September 30, 2023, and Receive Reports on Status of External Audit Recommendations Implementation, by Drew Atwater, seconded by Tim Johnson.

All in favor.

Approved as recommended.

9. **Receive Reports on Status of Auditor-Controller Mandated Audits for the Quarters Ended September 30, 2023**

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

10. Receive Report on Status of Performance Audits for the Quarters Ended September 30, 2023

Ms. Michelle Aguirre, Chief Financial Officer, provided updates on Performance Audits.

11. Receive Report on eProcurement

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

12. Receive Update on County IT Projects Quarterly Progress Report

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

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

Jun Intal, Treasury Manager, Treasurer-Tax Collector, indicated that the incident originated from a revolving fund account outside of the County treasury fund.

Mr. Aggie Alonso, reminded everyone that at the February 10, 2022 AOC meeting, the AOC had an item discussing the County's controls over their revolving funds including Internal Audit's audit coverage and the Auditor Controller's policies and procedures governing the County's revolving funds.

14. Elections of Officers

Mr. Willie asked for nominations for the election of the AOC Chair.

Motion to nominate Drew Atwater as AOC Chair made by Mark Willie, seconded by Tim Johnson.

Motion to nominate Yvonne Rowden as AOC Vice Chair made by Mark Willie, seconded by Tim Johnson.

All in favor.

Approved as recommended.

PUBLIC COMMENTS: None.

AOC COMMENTS: None.

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ADJOURNMENT: Meeting adjourned at 11:51 A.M.

NEXT MEETING:

Regular Meeting, February 8, 2024 at 10:00 A.M.