

A G E N D A



REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE

Thursday, May 16, 2024, 10:00 A.M.

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

DREW ATWATER

AOC CHAIR
Private Sector Member, First District

SUPERVISOR DONALD P. WAGNER

BOARD CHAIRMAN
Third District
Member

FRANK KIM

COUNTY EXECUTIVE OFFICER
Member

MARK WILLIE, CPA

Private Sector Member, Third District

YVONNE ROWDEN

AOC VICE CHAIR
Private Sector Member, Fifth District

SUPERVISOR DOUG CHAFFEE

BOARD VICE CHAIRMAN
Fourth District
Member

TIM JOHNSON, CPA

Private Sector Member, Second District

LARRY HIMMEL

Private Sector Member, Fourth 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

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- | | |
|--|--|
| 1. Roll call | <i>Drew Atwater AOC Chair</i> |
| 2. Approve Audit Committee Special Meeting Minutes of February 7, 2024 | <i>Drew Atwater AOC Chair</i> |
| 3. Receive Report on Required Communication from External Auditors | <i>Roger Alfaro, CPA Partner Eide Bailly LLP</i> |
| 4. Approve Internal Audit Department's Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended March 31, 2024 | <i>Aggie Alonso, CPA Director Internal Audit Department</i> |
| 5. Approve the Internal Audit Department's Annual Risk Assessment & Audit Plan for FY 2024-25 | <i>Aggie Alonso, CPA Director Internal Audit Department</i> |
| 6. Approve External Audit Activity Status Report for the Quarter Ended March 31, 2024, and Receive Report on Status of External Audit Recommendations Implementation | <i>Michael Dean Senior Audit Manager Internal Audit Department</i> |
| 7. Receive Report on Status of Auditor-Controller Mandated Audits for the Quarter March 31, 2024 | <i>Michael Steinhaus, CPA Audit Manager Auditor-Controller</i> |
| 8. Receive Report on Status of Performance Audits for the Quarter Ended March 31, 2024 | <i>Lisa Fernandez Director Performance Management and Policy</i> |
| 9. Receive Report on eProcurement | <i>Andrew Hamilton Auditor-Controller</i> |
| 10. Receive Update on County IT Projects Quarterly Progress Report | <i>KC Roestenberg Chief Information Officer</i> |
| 11. Receive Update on Current IT Cybersecurity Landscape and how OCIT is Working with County Departments to Minimize Potential Threats | <i>KC Roestenberg Chief Information Officer</i> |
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PUBLIC COMMENTS: At this time, members of the public may address the AOC on any matter not on the agenda but within the jurisdiction of the AOC. The AOC may limit the length of time everyone may have to address the Committee.

*Drew Atwater
AOC Chair*

A G E N D A

Speaker

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.

Drew Atwater
AOC Chair

ADJOURNMENT:

NEXT MEETING:

Regular Meeting, Thursday, August 22, 2024, 10:00 a.m.



Memorandum

AOC Agenda Item No. 2

TO: Audit Oversight Committee Members

Recommended Action:

Approve Audit Oversight Committee Special Meeting Minutes of February 7, 2024

Approve Audit Oversight Committee Special Minutes Meeting of February 7, 2024, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Audit Oversight Committee Special Minutes for February 7, 2024

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



SPECIAL MEETING OF THE AUDIT OVERSIGHT COMMITTEE
ORANGE COUNTY, CA
Wednesday, February 7, 2024, 10:00 A.M.

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

DREW ATWATER

AOC CHAIR
Private Sector Member, First District

SUPERVISOR DONALD P. WAGNER

BOARD CHAIRMAN
Third District
Member

FRANK KIM

COUNTY EXECUTIVE OFFICER
Member

MARK WILLIE, CPA

Private Sector Member, Third District

Non-Voting Members

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

Staff

Deputy County Counsel:
AOC Clerk:

YVONNE ROWDEN

AOC VICE CHAIR
Private Sector Member, Fifth District

SUPERVISOR DOUG CHAFFEE

BOARD VICE CHAIRMAN
Fourth District
Member

TIM JOHNSON, CPA

Private Sector Member, Second District

LARRY HIMMEL

Private Sector Member, Fourth District

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

Ronnie Magsaysay
Stephany Franco

ATTENDANCE:

Patricia Welch-Foster, Proxy for Supervisor Wagner
Jesus Gaona Perez, Proxy for Supervisor Chaffee
Frank Kim, County Executive Officer
Tim Johnson, Private Sector Member
Mark Wille, Private Sector Member – Not Present
Larry Himmel, Private Sector Member

PRESENT:

Andrew Hamilton, Auditor-Controller
Shari Friedenrich, 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. Drew Atwater, 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 November 9, 2023

Mr. Atwater asked for a motion to approve the Audit Oversight Committee Regular Meeting Minutes of November 9, 2023.

Motion to approve the Regular Meeting Minutes of November 9, 2023, by Tim Johnson, seconded by Yvonne Rowden.

All in favor.

Approved as recommended.

3. Approve Audit Oversight Committee Regular Meeting Schedule for 2024

Mr. Atwater asked for a motion to approve the Audit Oversight Committee Regular Meeting Schedule for 2024.

Motion to approve the Audit Oversight Committee Regular Meeting Schedule for 2024, by Tim Johnson, seconded by Larry Himmel.

All in favor.

Approved as recommended.

4. 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 December 31, 2023.

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

Mr. Aggie Alonso, Director of Internal Audit, presented the Quarterly Status Report and Executive Summary of Internal Audit Reports for the Quarter Ended December 31, 2023.

Motion to approve Internal Audit Department's Quarterly Status Report and approve Executive Summary of Internal Audit Reports for the Quarter Ended December 31, 2023, by Yvonne Rowden, seconded by Tim Johnson.

All in favor.

Approved as recommended.

6. Receive Update on Internal Audit Department's Recruitments

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

Mr. Aggie Alonso reported that Internal Audit has four vacancies consisting of the Assistant Director, Senior Fiscal Manager, Fiscal Manager, and Administrative Manager positions. Specifically, the Assistant Director recruitment was opened in September 2023, the first round of interviews is scheduled for late February 2024, and Internal Audit expects to have the position filled by May 2024. The Senior Fiscal Manager recruitment is also underway and Internal Audit expects to have the position filled in March 2024. The Fiscal Manager recruitment will commence in late February 2024, and lastly the Administrative Manger recruitment will begin once the other three vacancies have been filled and we anticipate filling the vacancy in July 2024.

7. Approve External Audit Activity Status Report for the Quarter Ended December 31, 2023, and Receive Report on Status of External Audit Recommendations Implementation

Mr. Michael Dean, Senior Audit Manager, presented the External Audit Activity Status Report for the Quarter Ended December 31, 2023. Mr. Dean indicated that there was one material issue reported during the quarter. Specifically, the Department of Health Care Services conducted a review of the Health Care Agency's Short-Doyle/Medi-Cal Cost Report for the fiscal period ended June 30, 2015. The audit identified a total of approximately \$4.4M in disallowed costs.

Motion to approve External Audit Activity Status Reports for the Quarters Ended December 31, 2023, and Receive Reports on Status of External Audit Recommendations Implementation, by Tim Johnson, seconded by Yvonne Rowden.

All in favor.

Approved as recommended.

8. Receive Reports on Status of Auditor-Controller Mandated Audits for the Quarters Ended December 31, 2023

Mr. Michael Steinhaus, Auditor-Controller Manager, provided status reports of Mandated Audits for the quarter ended December 31, 2023.

9. Receive Report on Status of Performance Audits for the Quarters Ended December 31, 2023

Ms. Lilly Simmering, Chief Financial Officer, provided updates on Performance Audits.

10. Receive Report on eProcurement

Mr. Andrew Hamilton, Auditor-Controller, provided a status update on eProcurement. Mr. Hamilton reported that on February 6, 2024, the Board of Supervisors approved the release of the Request for Proposal for a new ERP (Enterprise Resource Planning) System, which includes a procurement module.

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.

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

PUBLIC COMMENTS: None.

AOC COMMENTS: None.

ADJOURNMENT: Meeting adjourned at 10:58 A.M.

NEXT MEETING:

Regular Meeting, May 16, 2024 at 10:00 A.M.

DRAFT



Memorandum

May 16, 2024

AOC Agenda Item No. 3

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Required Communication from External Auditors

Receive Report on Required Communication from External Auditors, as stated in 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: May 16, 2024
Re: External Audit update

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

 - 2) **Attest Engagements Completed:**
 - HCA and Sheriff Tobacco Settlement Funds Disbursements – June 30, 2023
 - Issued – February 14, 2024

 - Audit over compliance in accordance with Uniform Guidance of the County, including components of JWA, OCWR, and OCDA
 - Issued – March 15, 2024

 - 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 | Report issued - dated December 20, 2023 |
| 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 | Report issued - dated March 15, 2024 |
| 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 | Report issued - dated December 20, 2023 |
| Orange County Waste & Recycling | Financial Statement Audit | 6/30/2023 | Orange County Waste & Recycling | May 2023 | July 2023 through November 2023 | December 2023 | Report issued - dated December 20, 2023 |
| OC Community Resources / Redevelopment Successor Agency | Financial Statement Audit | 6/30/2023 | Redevelopment Successor Agency | May 2023 | September 2023 through November 2023 | December 2023 | Report issued - dated December 18, 2023 |
| 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 | Report issued February 14, 2024 |
| Sheriff's Department | James Musick Expansion Phase II (AB 900) Audit | 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. | April 2024 | May 2024 through June 2024 | June 2024 | Planning in progress |
| Probation Department | SB 81 Audit | N/A | Compliance with California Board of State and Community Corrections (BSCC) construction-financing program through (SB) 81. | April 2024 | June 2024 | August 2024 | Planning in progress |
| TTC | Schedule of Assets | 6/30/2023 | Report on the Schedule of Assets | January 2024 | February 2024 through March 2024 | June 2024 | Completion procedures in progress |



March 15, 2024

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, California (County), and the financial statements of the County of Orange Redevelopment Successor Agency, OC Waste & Recycling and John Wayne Airport as of and for the year ended June 30, 2023, and have issued our reports thereon dated as indicated below:

| <u>Report</u> | <u>Audit Report Date</u> |
|---|--------------------------|
| County of Orange | December 20, 2023 |
| County of Orange Redevelopment Successor Agency | December 18, 2023 |
| OC Waste & Recycling | December 20, 2023 |
| John Wayne Airport | December 20, 2023 |

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

We did audit the First 5 Orange County (First 5 OC), which is included as a discretely presented component unit in the County's basic financial statements. Separately issued audit reports and communication were issued directly to First 5 OC. Accordingly, this communication does not include the results of the audit of First 5 OC.

Professional standards require that we advise you of the following matters relating to our audit.

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

As communicated in our letter dated August 18, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the County complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the County solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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

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

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 20, 2023. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated March 15, 2024.

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the County is included in Note 1 to the financial statements. As described in Note 1, the County has changed accounting policies relating to accounting for PPP assets/liabilities to adopt the provisions of the Government Accounting Standards Board (GASB) Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Accordingly, the accounting change has been retrospectively applied to the financial statements beginning July 1, 2022. In addition, as described in

Note 1, the County has changed its accounting policies related to accounting for right-to-use subscription assets to adopt the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Accordingly, the accounting change has been retrospectively applied to the financial statements beginning July 1, 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

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

The most sensitive accounting estimates affecting the financial statements are:

- Landfill closure and postclosure care liabilities are based on management's analysis of landfill capacity used and total closure and postclosure costs, as well as the landfill maximum capacity;
- Pollution remediation obligations are based on management's analysis of remediation time periods, type of remediation needed and historical trend data;
- Net pension and net other postemployment benefits (OPEB) liabilities, disclosures, related deferred inflows/outflows of resources, and expenses are based on actuarial valuations which include assumptions adopted by the Orange County Employees Retirement System (OCERS) and the County; and
- Self-insurance claims liabilities are based on actuarial studies performed by the County's independent actuaries.

We evaluated the key factors and assumptions used to develop these estimates and determined that they were reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the County's financial statements relate to:

- Pension and OPEB liabilities in Notes 19 and 20, respectively, are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate. As disclosed in Notes 19 and 20, a 1% increase or decrease in the discount rate has a material effect on the Pension and OPEB liabilities.
- Estimated liabilities for self-insurance claims in Note 17 are based on actuarial valuations.
- Landfill closure and postclosure, and pollution remediation in Notes 15 and 18, respectively, are based on management's analysis.

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

Disagreements with Management

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

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. As described in Note 1 to the financial statements, due to the adoption of GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, the County restated opening balances as of July 1, 2022. The purpose of the paragraph is to draw attention to the disclosures for the adoption of these standards. We have included an emphasis of matter in our report regarding the restatements. We did not modify our opinion related to these matters.

Additionally, our report on Compliance for Each Major Federal Program contained a qualified opinion for the Foster Care Title IV-E (93.658), as the program did not comply with requirements regarding subrecipient monitoring, respectively, as described in finding 2023-001.

Representations Requested from Management

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

| | |
|---|-------------------|
| County of Orange | December 20, 2023 |
| County of Orange Redevelopment Successor Agency | December 18, 2023 |
| OC Waste & Recycling | December 20, 2023 |
| John Wayne Airport | December 20, 2023 |

Additionally, we have requested certain written representations from management on the audit of compliance under the Uniform Guidance which are included in the management representation letter dated March 15, 2024.

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

Noncompliance with Laws and Regulations

We have identified the following matters involving noncompliance with laws and regulations that came to our attention during the course of the audit.

As described above, the Foster Care Title IV-E (93.658) program did not comply with requirements regarding subrecipient monitoring, respectively, as described in finding 2023-001.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in County's annual reports does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the other information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Group Audits

The County's financial statements include the financial activity of the Orange County Flood Control District, a blended component unit, which was audited as a major fund. The County's financial statements include the activity of OCERS, a fiduciary component unit, and CalOptima, a discretely presented component unit, which was audited by others as described previously. The County's financial statements include the activity of First 5 OC, a discretely presented component unit, with separately issued reports as described previously. The County's financial statements also include the financial activity of the following blended component units:

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

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

Our audit included obtaining an understanding of these component units and their environment, including internal control, sufficient to assess the risks of material misstatement of the financial activity of the component units and completion of further audit procedures.

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

Eide Bailly LLP

Laguna Hills, California



Memorandum

May 16, 2024

AOC Agenda Item No. 4

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 March 31, 2024

Approve Internal Audit Department's Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for Quarter Ended March 31, 2024, 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

May 7, 2024

To: Audit Oversight Committee Members

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

Digitally signed by Agripino
Alonso
Date: 2024.05.07 14:05:22
-07'00'

Subject: Fiscal Year 2023-24 Internal Audit Department Status Report for the Quarter Ended March 31, 2024

Attached for your review and approval is Internal Audit Department's status report on audit activity for the quarter ended March 31, 2024. 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 March 31, 2024, Internal Audit issued three final reports (two original reports and one follow-up report) and five draft reports. The two original audits included 10 Control Findings.

If you have any questions, please contact me at (714) 834-5442 or Senior Audit Manager Michael Dean at (714) 834-4101.

INTERNAL AUDIT DEPARTMENT
EXECUTIVE SUMMARY - FINDING TYPE CLASSIFICATION
FOR THE QUARTER ENDED MARCH 31, 2024

| 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> | 0 | 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> | 10 | 15 |
| TOTAL | 10 | 20 |



EXECUTIVE SUMMARY
INTERNAL AUDIT REPORTS
FOR THE QUARTER ENDED MARCH 31, 2024

ORANGE COUNTY INFORMATION TECHNOLOGY

1. Information Technology Audit: OCIT Enterprise IT Governance

Audit No. 2315 (2242) dated March 28, 2024 for the period of July 1, 2022 to June 30, 2023

| OBJECTIVES | RESULTS | CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS | CONTROL FINDINGS |
|--|---|--|---------------------|
| 1. Design, implementation, and operating effectiveness of internal control to determine whether IT Governance controls provide reasonable assurance that Strategic Alignment, Resource/Risk/Performance Management and Value Delivery are properly managed and comply with best practices and standards. | Content has been removed from this report due to the sensitive nature of the specific findings. | 0 | 4 |

DISTRICT ATTORNEY-PUBLIC ADMINISTRATOR

2. Internal Control Audit: District Attorney-Public Administrator Purchasing & Contracts

Audit No. 2324 (2213) dated March 29, 2024 for the period of August 1, 2021 through July 31, 2022

| OBJECTIVES | RESULTS | CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS | CONTROL FINDINGS |
|--|---|--|---------------------|
| 1. Evaluate the effectiveness of internal control over the purchasing and contracts process to ensure requisitions and purchase of goods and services are executed in accordance with management's directives; adequately supported; and properly authorized and recorded. | We concluded that OCDA's internal control over the purchasing and contracts process is generally effective to ensure requisitions and purchase of goods and services are executed in accordance with management's directives; adequately supported; and properly authorized and recorded. | 0 | 6 |
| 2. Review the purchasing and contracts process for efficiency. | We concluded that OCDA's purchasing and contracts process is generally efficient. | | |



EXECUTIVE SUMMARY
INTERNAL AUDIT FOLLOW-UP REPORTS
FOR THE QUARTER ENDED MARCH 31, 2024

SOCIAL SERVICES AGENCY

3. Third & Final Close-Out Follow-Up Information Technology Audit: Social Services Agency IT Logical Security & Change Management

Audit No. 1846-F3 (Reference 1846) dated February 29, 2024 as of December 31, 2023

| ORIGINAL AUDIT – 9 FINDINGS | | FOLLOW-UP STATUS | | PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS |
|---|------------------|------------------------|--------------------------------|--|
| CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS | CONTROL FINDINGS | IMPLEMENTED/ CLOSED | NOT IMPLEMENTED/ IN PROCESS | |
| 5 | 4 | 9 | 0 | <p>Recommendation No. 1 (Critical Control Weakness) Due to the sensitive nature of the finding, details have been redacted from this report.</p> <p>Recommendation No. 6-9 (Significant Control Weaknesses) Due to the sensitive nature of the finding, details have been redacted from this report.</p> |
| <p>One (1) Critical Control Weakness Due to the sensitive nature of the findings, details have been redacted from this report.</p> <p>Four (4) Significant Control Weaknesses Due to the sensitive nature of the findings, details have been redacted from this report.</p> | | | | |



EXECUTIVE SUMMARY
APPENDIX A: DRAFT REPORTS
FOR THE QUARTER ENDED MARCH 31, 2024

The following draft reports were issued during the reporting period:

1. **Information Technology Audit: OCIT Enterprise IT Governance**, Audit No. 2315 (2242)
2. **Third & Final Close-Out Follow-Up Information Technology Audit: Social Services Agency IT Logical Security & Change Management**, Audit No. 1846-F3
3. **Internal Control Audit: District Attorney-Public Administrator Purchasing & Contracts**, Audit No. 2324 (2213)
4. **OC Community Resources: Workforce Innovation and Opportunity Act Review**, Audit No. 2398-A
5. **Internal Control Audit: Health Care Agency Environmental Health Division Cash Receipts**, Audit No. 2325 (2214)





Internal Audit Department
3rd Quarter Status Report for the Audit Oversight Committee
For the Quarter Ended 03/31/2024

| Audit Category and Name ^{1,2,3} | Audit Number | Start Date | End Date | Multi-Yr Projects | | Revised Budget | Current Audit Plan | | | | | Est Remain | Budget Variance | FU Due | FU Number | Status ⁴ |
|--|--------------|------------|----------|-------------------|-----------------|----------------|--------------------|--------------|------------|------------|--------------|------------|-----------------|--------------|-----------|--|
| | | | | Total Budget | Actuals To Date | | Budget | Changes | #1 | #2 | #3 | | | | | |
| Internal Control Audits (ICA) | | | | | | | | | | | | | | | | |
| T-TC Cash Receipts | 2301 | 3/26/24 | | | | 440 | 0 | 440 | 0 | 8 | 173 | 181 | 259 | 0 | | In process |
| County Procurement Office -- Procurement Governance | 2302 | | | | | 480 | (480) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | Deferred to FY24-25. Audit to be contracted out. |
| OCCR/OC Parks/OC Dana Point Harbor P3 (2015) | 2303 | | | | | 480 | (480) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | Deferred to FY24-25. Audit to be contracted out. |
| OCCR Purchasing & Contracts (2120) | 2304 | | | | | 480 | 0 | 480 | 18 | 0 | 57 | 75 | 405 | 0 | | Not started |
| A-C Employee Claims (2211) | 2305 | NA | NA | | | 480 | (480) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | Deferred to FY24-25 |
| CSS Cash Receipts (2217) | 2306 | 10/19/23 | | | | 440 | 360 | 800 | 209 | 344 | 168 | 721 | 79 | 0 | | In process |
| OCIT Data Governance (2220) | 2307 | NA | NA | | | 420 | (420) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | Deferred to FY24-25 |
| DA Payroll (time permitting) | 2318 | | | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | Canceled due to decreased risk rating. |
| OCSD Payroll (time permitting) | 2319 | | | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | Canceled due to decreased risk rating. |
| OCWR Credit Card Processing (department request) | 2321 | 3/05/24 | | | | 420 | 0 | 420 | 0 | 0 | 407 | 407 | 13 | 0 | | In process |
| FY 22-23 Carryovers | | | | | | | | | | | | | | | | |
| OCDA Purchasing & Contracts (2213) | 2324 | 8/22/22 | 3/29/24 | 930 | 903 | 0 | 250 | 250 | 1 | 67 | 196 | 264 | 0 | 14 | 9/30/24 | 2213-F1 Completed. Final report issued 3/29/24. |
| HCA/PG Cash Receipts (2214) | 2325 | 2/08/23 | | 1,040 | 1075 | 0 | 400 | 400 | 319 | 45 | 55 | 419 | 5 | 24 | | Draft report issued 2/29/24. |
| HCA/PG Purchasing & Contracts (2215) | 2326 | 2/08/23 | | 1,080 | 1046 | 0 | 450 | 450 | 0 | 94 | 258 | 352 | 100 | 2 | | In process |
| CEO Payroll (2113) | 2327 | 10/19/21 | 10/10/23 | 500 | 516 | 0 | 20 | 20 | 20 | 4 | 0 | 24 | 0 | 4 | NA | NA Completed. Final report issued 10/10/23. |
| CEO Special Revenue Fund 13Y | 2018 | 10/19/21 | 9/21/23 | 732 | 769 | 0 | 5 | 5 | 5 | 0 | 0 | 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 | 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 | 10/05/23 | 12/28/23 | | | | | | 0 | 56 | 0 | 56 | | | NA | NA Completed. Final close-out report issued 12/28/23. |
| JWA Cash Disbursements & Payables (2013) | 2013-F1 | | | | | | | | 0 | 0 | 1 | 1 | | | | Not started |
| JWA Cash Receipts (2116) | 2116-F1 | | | | | | | | 0 | 0 | 4 | 4 | | | | Not started |
| CEO Special Revenue Fund 13Y (2018) | 2018-F1 | | | | | | | | 0 | 0 | 0 | 0 | | | | Not started |
| OCCR/OCPL Special Revenue Fund 120 (2216) | 2216-F1 | | | | | | | | 0 | 0 | 0 | 0 | | | | Not started |
| Second & Third Follow-Up Audits | | | | | | | | | | | | | | | | |
| OCCR Cash Disbursements (2014/2139-H/2239-L) | 2014-F3 | NA | NA | | | | | | | | | | | | | Per AOC, third follow-up audit not required. OCCR to provide status. |
| Total Internal Control Audits | | | | | | 4,080 | (375) | 3,705 | 572 | 674 | 1,324 | 0 | 2,509 | 1,240 | 44 | |
| Contract Compliance Audits (CCA) | | | | | | | | | | | | | | | | |
| OCWR - Contract Compliance Review (Board request) | 2320 | | | | | 400 | (400) | 0 | 0 | | | 0 | 0 | 0 | | Deferred to FY24-25. Audit to be contracted out. |
| 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 | 0 | 0 | 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 | 0 | 0 | 40 | 0 | | Not started |
| Total Contract Compliance Audits | | | | | | 440 | (390) | 50 | 10 | 0 | 0 | 0 | 10 | 40 | 0 | |
| Mandated & Financial Audits (MFA) | | | | | | | | | | | | | | | | |
| T-TC Tax Redemption Officer | 2322 | | | | | 480 | (480) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | Deferred to FY24-25. Audit to be contracted out. |
| CEO - County Ethics Program | 2323 | | | | | 400 | (400) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | Deferred to FY24-25. Audit to be contracted out. |
| Total Mandated & Financial Audits | | | | | | 880 | (880) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Information Technology Audits (ITA) | | | | | | | | | | | | | | | | |
| OCWR Cybersecurity | 2308 | | | | | 480 | 0 | 480 | 0 | 0 | 0 | 0 | 480 | 0 | | Not started |
| OCPW Cybersecurity | 2309 | | | | | 400 | 0 | 400 | 0 | 0 | 0 | 0 | 400 | 0 | | Not started |
| OCSD Cybersecurity | 2310 | | | | | 480 | 0 | 480 | 0 | 0 | 0 | 0 | 480 | 0 | | Not started |
| OCIT Remote Access Security (2152) | 2312 | | | | | 360 | 0 | 360 | 0 | 0 | 0 | 0 | 360 | 0 | | Not started |
| OCIT Third-Party IT Security (2153) | 2313 | NA | NA | | | 480 | (480) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | NA | NA Deferred to FY 24-25 |
| OCIT IOT Device Security (2243) | 2314 | 2/29/24 | | | | 400 | 0 | 400 | 0 | 0 | 92 | 92 | 308 | 0 | | In process |
| T-TC Cybersecurity (2241) | 2316 | | | | | 480 | 0 | 480 | 0 | 0 | 0 | 0 | 480 | 0 | | Not started |
| HCA Cybersecurity (2244) | 2317 | | | | | 400 | 0 | 400 | 0 | 0 | 0 | 0 | 400 | 0 | | Not started |
| A-C Claims System Implementation Advisory (Department Request) | 2381 | 8/18/22 | 10/18/23 | 260 | 309 | 80 | 0 | 80 | 126 | 5 | 0 | 131 | 0 | 51 | NA | NA Completed. |
| A-C Policies and Procedures | 2382 | | | | | 40 | 0 | 40 | 0 | 0 | 0 | 0 | 40 | 0 | | Not started |
| OCIT Cybersecurity Joint Taskforce Advisory | 2383 | 7/01/23 | | | | 80 | 0 | 80 | 13 | 25 | 26 | 64 | 16 | 0 | | In process |
| Information Technology Audits (ITA)(CON'T) | | | | | | | | | | | | | | | | |
| FY 22-23 Carryovers | | | | | | | | | | | | | | | | |
| A-C CAPS+ Application Security (2046) | 2311 | 5/23/23 | | 520 | 457 | 240 | 220 | 460 | 253 | 41 | 97 | 391 | 69 | 0 | | In process |
| OCIT Enterprise IT Governance (2242) | 2315 | 6/15/23 | 3/28/24 | 420 | 436 | 240 | 150 | 390 | 226 | 123 | 59 | 408 | 0 | 18 | 9/30/2024 | Completed. Final report issued 3/28/24. |
| C-R Cybersecurity | 2151 | 3/07/23 | 9/28/23 | 650 | 647 | 0 | 90 | 90 | 89 | 0 | 0 | 89 | 0 | (1) | 3/31/2024 | 2151-F1 Completed. Final report issued 9/28/23. |



Internal Audit Department
 3rd Quarter Status Report for the Audit Oversight Committee
 For the Quarter Ended 03/31/2024

| 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 | #2 | #3 | #4 | Total | Est Remain | Budget Variance | | | | | | |
| First Follow-Up Audits | | | | | | 385 | 0 | 385 | | | | | | | 371 | 14 | 0 | | | | |
| ROV Cybersecurity (2042) | 2042-F1 | 4/18/23 | 12/14/23 | | | | | | | 185 | 73 | 113 | | | | | | 6/14/2024 | 2042-F2 | Completed. Final report issued 12/14/23; two recs in process | |
| Probation Cybersecurity (2043) | 2043-F1 | 2/29/24 | | | | | | | | 0 | 0 | 31 | | | | | | | | In process | |
| C-R Cybersecurity (2151) | 2151-F1 | | | | | | | | | 0 | 0 | 0 | | | | | | | | Not started | |
| Second & Third Follow-Up Audits | | | | | | | | | | | | | | | | | | | | | |
| DA Cybersecurity (2041) | 2041-F2 | 3/05/24 | | | | | | | | 0 | 0 | 13 | | | | | | | | In process | |
| OCSD ITGC (1845/1949-D/2059-H) | 2259-H | 2/05/24 | | | | | | | | 2 | 0 | 17 | | | | | | | | In process | |
| SSA Cybersecurity (1846) | 1846-F3 | 9/12/23 | 2/29/24 | | | | | | | 20 | 55 | 52 | | | | | | NA | NA | Completed. Final close-out report issued 2/29/24. | |
| Total Information Technology Audits | | | | | | 4,545 | (20) | 4,525 | | 892 | 340 | 500 | 0 | 1,546 | 3,047 | 68 | | | | | |
| Total Audits Before Other Activities & Administration | | | | | | 9,945 | (1,665) | 8,280 | | 1,474 | 1,014 | 1,824 | 0 | 4,065 | 4,327 | 112 | | | | | |
| Other Activities & Administration | | | | | | | | | | | | | | | | | | | | | |
| Annual Risk Assessment & Audit Plan | 2391 | | | | | 400 | 0 | 400 | | 0 | 0 | 286 | | 286 | 114 | 0 | | | | Completed. | |
| Cash Losses | 2392 | | | | | 80 | 0 | 80 | | 0 | 0 | 0 | | 0 | 80 | 0 | | | | | |
| TeamMate+ Administration | 2393 | | | | | 80 | 0 | 80 | | 49 | 7 | 1 | | 57 | 23 | 0 | | | | | |
| External Audit Reporting | 2394 | | | | | 200 | 0 | 200 | | 23 | 29 | 36 | | 88 | 112 | 0 | | | | | |
| On-Demand Department Advisory Services | 2395 | | | | | 80 | 0 | 80 | | 0 | 0 | 0 | | 0 | 80 | 0 | | | | | |
| Board & AOC Services | 2396 | | | | | 160 | 0 | 160 | | 71 | 60 | 37 | | 168 | 50 | 58 | | | | | |
| CWCAP | 2397 | | | | | 80 | 0 | 80 | | 93 | 1 | 0 | | 94 | 0 | 14 | | | | Completed. Submitted to A-C | |
| Special Projects | 2398 | | | | | 400 | 1,050 | 1,450 | | 148 | 651 | 371 | | 1,170 | 280 | 0 | | | | 2398-A WIOA Review draft report issued 3/14/24. | |
| Total Other Activities & Administration | | | | | | 1,480 | 1,050 | 2,530 | | 384 | 748 | 731 | 0 | 1,863 | 739 | 72 | | | | | |
| Reserve for Board Directives/Contingency | | | | | | 1,625 | (1,625) | 0 | | | | | | | 0 | 0 | | | | | |
| Total Budget | | | | | | 13,050 | (2,240) | 10,810 | | 1,858 | 1,762 | 2,555 | 0 | 5,928 | 5,066 | 184 | | | | | |

Footnote 5



Internal Audit Department
 3rd Quarter Status Report for the Audit Oversight Committee
 For the Quarter Ended 03/31/2024

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

Footnotes

1. The mission of the Internal Audit Department (IA) is to provide highly reliable, independent, objective evaluations and business and financial consulting services to the Board of Supervisors (Board) and County management to assist them with their important business and financial decisions. The director of Internal Audit shall report directly to the Board and be advised by the Audit Oversight Committee (AOC) designated by the Board. The director of Internal Audit and staff shall have complete and unrestricted access to all of the County's financial records, files, information systems, personnel, and properties, except where prohibited by law. The AOC is an advisory committee to the Board and provides oversight of IA and 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 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

May 16, 2024

AOC Agenda Item No. 5

TO: Audit Oversight Committee Members

Recommended Action:

Approve Internal Audit Department's Annual Risk Assessment & Audit Plan for FY 2024-25

The Internal Audit Department is pleased to present the Annual Risk Assessment & Audit Plan for FY 2024-25. This comprehensive report details our risk-based plan for audits in FY 2024-25.

Per the County of Orange Audit Oversight Committee Bylaws, the AOC shall review and approve the risk assessment and internal audit plan. If approved by the AOC, the Risk Assessment & Audit Plan will be presented to the Board of Supervisors at the June 25, 2024 meeting.

ATTACHMENT(S):

Attachment A – Annual Risk Assessment & Audit Plan for Fiscal Year 2024-25



INTERNAL AUDIT DEPARTMENT

Risk Assessment



**Annual Risk Assessment & Audit Plan
For Fiscal Year 2024-25**

**Audit Number: 2391
Report Date: May 3, 2024**

OC Board of Supervisors

CHAIRMAN DONALD P. WAGNER
3rd DISTRICT

VICE CHAIRMAN DOUG CHAFFEE
4th DISTRICT

SUPERVISOR ANDREW DO
1st DISTRICT

SUPERVISOR VICENTE SARMIENTO
2nd DISTRICT

SUPERVISOR KATRINA FOLEY
5th DISTRICT



INTERNAL AUDIT DEPARTMENT

Audit No. 2391

May 3, 2024

To: Audit Oversight Committee Members

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

Digitally signed by
Agripino Alonso
Date: 2024.05.03 10:20:28
-07'00'

Subject: Annual Risk Assessment & Audit Plan for Fiscal Year 2024-25

Attached for your review and approval is our Fiscal Year 2024-25 Annual Risk Assessment and Audit Plan. On an annual basis, we perform a countywide risk assessment that we use to develop our Audit Plan. The risk assessment, coupled with the Audit Plan, delivers a systematic approach for evaluating the effectiveness of internal controls and the efficiency of County business operations. For Fiscal Year 2024-25, we identified a total of 24 high-risk or high-priority areas in 10 County departments as follows:

| DEPARTMENT | NUMBER OF HIGH-RISK (HR)/ HIGH-PRIORITY (HP) AREAS | AUDIT AREA |
|--|---|--|
| 1. Auditor-Controller | 1 | Employee Claims (HR) |
| 2. County Executive Office | 6 | County Procurement Office (HR) |
| | | County Ethics Program (HP) |
| | | Remote Access Security (HR) |
| | | Third-Party IT Security (HR) |
| | | Data Governance (HR) |
| | | Adoption and Use of Artificial Intelligence (HP) (time permitting) |
| 3. District Attorney-Public Administrator | 2 | Fiduciary Funds & Special Revenue Funds (HR) |
| | | Information Technology (HR) |
| 4. Health Care Agency | 1 | Information Technology (HR) |
| 5. OC Community Resources | 2 | Dana Point Harbor Public-Private Partnership Purchasing & Contracts (HR) |
| | | Purchasing & Contracts (HR) |
| 6. OC Public Works | 2 | Information Technology (HR) |
| | | Purchasing & Contracts (HR) |

Internal Audit Department Mission

Our mission is to provide highly reliable, independent, objective evaluations, and business and financial consulting services to the Board of Supervisors and County management to assist them with their important business and financial decisions.

| DEPARTMENT | NUMBER OF HIGH-RISK (HR)/ HIGH-PRIORITY (HP) AREAS | AUDIT AREA |
|---|---|---|
| 7. OC Waste & Recycling | 4 | Purchasing & Contracts (HR) |
| | | Contract Compliance (HP) |
| | | Information Technology (HR) |
| | | Cash Disbursements & Payables (HR) |
| 8. Sheriff-Coroner | 2 | Purchasing & Contracts (HR) |
| | | Information Technology (HR) |
| 9. Social Services Agency | 2 | Purchasing & Contracts (HR) |
| | | Cash Receipts & Receivables (HP) (time permitting) |
| 10. Treasurer-Tax Collector | 2 | Information Technology (HR) |
| | | Tax Redemption Officer Mandate (HP) |
| TOTAL HIGH-RISK/ HIGH-PRIORITY AREAS | 24 | |

Due to limited staffing resources, our Audit Plan only includes audits addressing 22 of the 24 high-risk or high-priority areas. If hours become available in Fiscal Year 2024-25, we will incorporate the remaining two high-risk areas into the Audit Plan. The remaining high-risk audits that have not been incorporated by the end of Fiscal Year 2024-25 will be included in our Fiscal Year 2025-26 Audit Plan.

We look forward to a successful year of providing professional, reliable, and objective audit and advisory services to the Board of Supervisors, County Executive Office, and County departments. If you have any questions, please contact me at (714) 834-5442 or Michael Dean at (714) 834-4101.

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Annual Risk Assessment & Audit Plan For Fiscal Year 2024-25 Audit No. 2391

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INTERNAL AUDIT DEPARTMENT

EXECUTIVE SUMMARY

INTRODUCTION

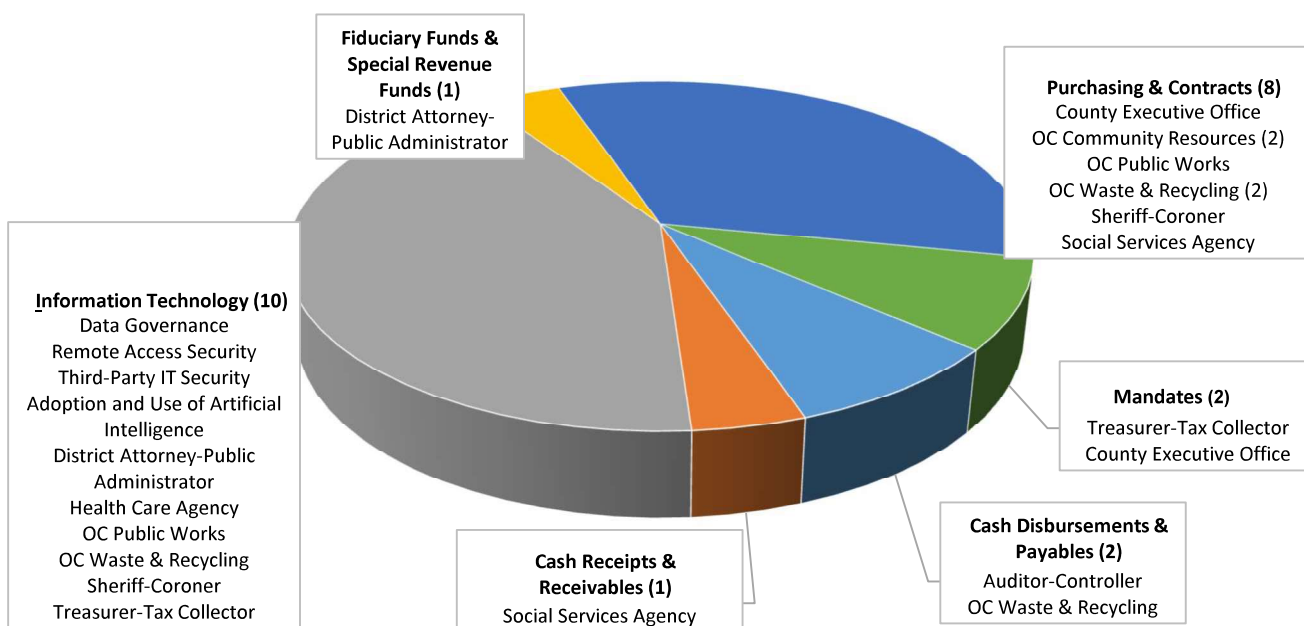
The mission of the Internal Audit Department is to provide highly reliable, independent, objective evaluations, and business and financial consulting services to the Board of Supervisors (Board) and County management to assist them with their important business and financial decisions.

We support and assist the Board and County management in the realization of their business goals and objectives. Our contribution to this effort is testing and reporting on the effectiveness of their internal control systems and processes as these relate to safeguarding the County’s assets and resources, reasonable and prudent financial stewardship, accurate recording and reporting, and achieving the County’s goals and objectives.

The Internal Audit Department utilizes professional standards for the development of the Audit Plan. The Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing requires the chief audit executive to establish a risk-based approach to determine the priorities for internal audit activities. Our methodology is to perform focused audits that address the most critical areas of operations and to provide the department with a quick turnaround time. We strive to minimize the disruption to department operations through this approach.

We completed a risk assessment to identify and measure risk and prioritize potential audits for the Audit Plan. We are committed to auditing business activities/processes identified as: (1) as high risk by our risk assessment process or (2) high priority by Board, County Executive Office, or department head request. Our approach is to provide coverage of the most critical and sensitive aspects of the activity identified. We may make exceptions to this approach when there are carryover audits from the prior year, where there has been recent audit coverage, or if our professional judgment determines otherwise.

Our Fiscal Year 2024-25 Risk Assessment identified 24 high-risk or high-priority areas in 10 County departments, as illustrated in the chart below.



INTERNAL AUDIT DEPARTMENT

RESULTS

Our Fiscal Year 2024-25 Audit Plan includes 22 scheduled audits: 19 high-risk audits, one high-priority department request, and two high-priority mandated audits.

| | | | | |
|---|---|--|---|---|
| 19 HIGH-RISK AUDITS SCHEDULED | + | 3 HIGH-PRIORITY AUDITS SCHEDULED (ONE DEPARTMENT REQUEST, TWO MANDATES) | = | 22 AUDITS SCHEDULED |
| | | 2 TIME PERMITTING HIGH-PRIORITY AUDITS | = | 2 TIME- PERMITTING AUDITS |
| 19 HIGH-RISK AUDITS | + | 5 HIGH-PRIORITY AUDITS | = | 24 TOTAL AUDITS IN PLAN |

Due to limited staffing resources, our Audit Plan only includes audits addressing 22 of the 24 high-risk or high-priority areas. If hours become available in Fiscal Year 2024-25, we will incorporate the remaining two high-priority audits into the Audit Plan. Any audits that have not been incorporated by the end of Fiscal Year 2024-25 will be included in our Fiscal Year 2025-26 Audit Plan.

RISK ASSESSMENT

GENERAL RISK ASSESSMENT

The Internal Audit Department performed a general risk assessment that included discussions with members of the Board, the County Executive Office, and department executive management regarding risks affecting them. We distributed risk assessment questionnaires for input on risks and areas of audit interest in department business operations. We ranked and tabulated the results to develop a risk-based Audit Plan. Because of limited staffing resources, we evaluated all audit requests based on our risk assessment criteria. Special request audits from the Board and department heads were considered for inclusion in the Audit Plan.

We designed our risk-based Audit Plan to address what we considered to be the highest priority areas, while limiting the scope of work to what could realistically be accomplished with available staffing resources. Our risk ratings were based on current information that can fluctuate frequently given the nature, diversity, size, and impact of County operations on the public.

A department with a high-risk score indicates the services or functions it handles are a high-risk activity because of factors such as having a large amount of expenditures and/or revenues, having a high level of liquid assets such as cash, management's assessment of the control environment, or a high degree of public interest. A high-risk score indicates that if something were



INTERNAL AUDIT DEPARTMENT

to go wrong, it could have a greater impact. A high-risk score does not mean that a business process is managed ineffectively or that internal controls are inadequate.

INFORMATION TECHNOLOGY RISK ASSESSMENT

Due to the complexities and use of information technology throughout County operations, we performed a separate IT risk assessment to augment the general risk assessment. We conducted the IT risk assessment via IT-specific questions in our risk assessment questionnaire that provided Internal Audit with an increased understanding of the department's IT environment. We distributed the survey for input on risks and areas of IT audit interest and summarized the results. A risk-rating value was assigned to each department to illustrate the relative information technology risk applicable to the department. The result was a comprehensive and prioritized risk-based heat map of IT risks for developing the IT component of our Audit Plan.

A department with a high-risk score indicates the services or functions it is responsible for are a high-risk activity because of factors such as maintaining and managing systems that process sensitive information, contracts with third-party vendors, on-site server rooms that host critical systems, a large number of privileged user access, and/or remote access users. As with the general risk assessment, a high-risk score indicates that if something were to go wrong, it could have a greater impact. A high-risk score does not mean that an IT process is managed ineffectively or that internal controls are not adequate.

FY 2024-25 AUDIT PLAN

Our Audit Plan is based on 13,131 productive hours provided by seven audit professionals and three senior audit managers. Audit hours for the director of Internal Audit and assistant director are not included in the above total, and the time for audit managers is adjusted to allow for administrative duties. Two department requested audits are listed on the Audit Plan as "time permitting" audits. If hours become available, we will begin performing those audits. Otherwise, those audit areas and will be included in next year's Audit Plan.

During Fiscal Year 2023-24, Internal Audit was impacted by two unplanned staff leaves of absence and two staff resignations which significantly reduced the number of hours available to conduct audits. To address our backlog of audits, we plan to contract out five audits to outside professional auditing firms.

The Audit Plan is prepared by Internal Audit, reviewed by the Audit Oversight Committee (AOC), and approved by the Board of Supervisors prior to the beginning of each fiscal year. Our audit services are focused on improving internal control in standard business processes/cycles common to all departments, with our primary emphasis on financial accounts and transactions. Examples of audits in our Audit Plan include Internal Control Audits, Information Technology Audits, and Mandated Audits. Please see the table below for a description of these primary service areas, related objectives, and hours allocated to the service area.



INTERNAL AUDIT DEPARTMENT

| SERVICE | OBJECTIVE | HOURS | % |
|---|---|---------------|-------------|
| Internal Control Audits | Review effectiveness and efficiency of departmental operations including the safeguarding of assets, reporting (internal and external, financial and non-financial), and compliance with laws, regulations, and procedures as related to the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework. | 4,903 | 37% |
| Information Technology Audits | Review IT controls such as general controls over computer operations, access to programs and data, disaster recovery/business continuity, program development, program changes, and provide advisory services for system implementations. | 4,540 | 35% |
| Mandated Audits | Audits required to be performed by government code or auditing standards (both mandated audits to be performed by contracted auditors). | 0 | 0% |
| Board Requests & Contingency Reserve | Hours reserved for special request audits from the Board, position vacancies, and other unforeseen events. | 2,088 | 16% |
| Other Activities & Administration | Perform the annual risk assessment; prepare the Audit Plan; investigate cash losses; support TeamMate+; provide technical assistance to departments on operational, reporting, or compliance issues; compile and present quarterly External Audit Reports to the AOC; perform required quality assessments; prepare and present oversight reporting to the AOC and Board; complete annual CWCAP reporting; complete special projects. | 1,600 | 12% |
| TOTALS | | 13,131 | 100% |

For each engagement in the Audit Plan, we have listed the department, preliminary audit objectives, and estimated hours to complete the audit. Please refer to Appendix A for more details on the Audit Plan methodology.

The Audit Plan is subject to change for such events where the director of the Internal Audit Department or Board majority assesses it is warranted to substitute, postpone, or cancel a scheduled audit due to timing, priority, resources, and/or other risk considerations. Such modifications will be noted in the Quarterly Status Reports submitted to the AOC. The acceptance of the Quarterly Status Report by the AOC authorizes any changes noted.



INTERNAL AUDIT DEPARTMENT

| AUDIT | PRELIMINARY AUDIT OBJECTIVES | HOURS |
|---|--|-------|
| High-Risk Audits | | |
| Internal Control Audits | | |
| 1. OCSD Purchasing & Contracts 2. SSA Purchasing & Contracts 3. OCPW Purchasing & Contracts 4. OCWR Purchasing & Contracts | To assess procurement processes. | 2,100 |
| 5. DA Fiduciary Funds & Special Revenue Funds | To assess internal controls over fiduciary and special revenue funds. | 500 |
| 6. OCWR Cash Disbursements & Payables | To assess internal control over cash disbursements and accounts payable to ensure payments are properly reviewed and authorized, valid, supported, timely; and are compliant with County policy. | 500 |
| 7. County Procurement Office – Procurement Governance Carryover from FY 2023-24 | To evaluate CPO’s governance over County department procurement activities (to be performed by contracted auditors). | 0 |
| 8. OCCR/Dana Point Harbor Public-Private Partnership Purchasing & Contract Carryover from FY 2023-24 | To assess contractor compliance with the Dana Point Master Lease (Public-Private Partnership, P3) and efficiency of lease administration (to be performed by contracted auditors). | 0 |
| 9. OCCR Purchasing & Contracts Carryover from FY 2023-24 | To assess procurement processes. | 240 |
| 10. A-C Employee Claims Carryover from FY 2023-24 | To assess internal controls over employee claims (mileage and educational/professional reimbursement). | 480 |
| 11. OCIT Data Governance Carryover from FY 2023-24 | To assess data governance (classification, retention) controls. | 420 |



INTERNAL AUDIT DEPARTMENT

| AUDIT | PRELIMINARY AUDIT OBJECTIVES | HOURS |
|--|---|--------------|
| High-Risk Audits (cont.) | | |
| Information Technology Audits | | |
| 12. OCDA Cybersecurity | To assess cybersecurity controls. | 525 |
| 13. OCWR Cybersecurity Carryover from FY 2023-24 | To assess cybersecurity controls. | 525 |
| 14. OCPW Cybersecurity Carryover from FY 2023-24 | To assess cybersecurity controls. | 525 |
| 15. OCSA Cybersecurity Carryover from FY 2023-24 | To assess cybersecurity controls. | 525 |
| 16. OCIT Remote Access Security Carryover from FY 2023-24 | To assess remote access security controls. | 525 |
| 17. OCIT Third-Party IT Security Carryover from FY 2023-24 | To assess IT security controls for third-party vendors that directly assist with maintaining, managing, or supporting critical systems. | 550 |
| 18. T-TC Cybersecurity Carryover from FY 2023-24 | To assess cybersecurity controls. | 525 |
| 19. HCA Cybersecurity Carryover from FY 2023-24 | To assess cybersecurity controls. | 525 |
| Total High-Risk Audits | | 8,465 |



INTERNAL AUDIT DEPARTMENT

| AUDIT | PRELIMINARY AUDIT OBJECTIVES | HOURS |
|---|---|----------|
| High-Priority Audits | | |
| 20. OCWR – Waste Management Contract Compliance Review Board Request Carryover from FY 2023-24 | To validate that service rates charged were in conformance with the franchise agreements (contracts) between OCWR and waste haulers (to be performed by contracted auditors). | 0 |
| 21. T-TC Tax Redemption Officer Mandate Carryover from FY 2023-24 | To evaluate the reliability/integrity of tax redemption records and compliance with laws/regulations as required by the Revenue and Taxation Code (to be performed by contracted auditors). | 0 |
| 22. CEO – County Ethics Program Mandate Carryover from FY 2023-24 | To evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities (to be performed by contracted auditors). | 0 |
| Total High-Priority Audits | | 0 |

| | | |
|--|--|----------|
| High-Priority Department Requested Audits | | |
| 23. SSA Cash Receipts & Receivables Time Permitting | To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records. | 0 |
| 24. OCIT Adoption and Use of Artificial Intelligence Time Permitting | To assess internal control over the adoption and use of Artificial Intelligence. | 0 |
| Total Department Requested Audits | | 0 |

| | | |
|--|--|------------|
| Follow-Up Audits | | |
| Follow-Up Internal Control Audits | Follow-up on management's implementation of audit recommendations provided in prior audit reports. | 663 |
| Follow-Up Information Technology Audits | | 285 |
| Total Follow-Up Audits | | 948 |



INTERNAL AUDIT DEPARTMENT

Advisory Engagements

| | | |
|------------------------------------|--|-----------|
| A-C Policies and Procedures | To advise on department policies and procedures effectiveness over key business processes. | 30 |
| Total Advisory Engagements | | 30 |

Other Activities & Administration

| | | |
|--|--|--------------|
| Special Projects | | 400 |
| Annual Risk Assessment & Audit Plan for Fiscal Year 2025-26 | | 400 |
| Quality Assessment | | 120 |
| External Audit Reporting | | 200 |
| Board of Supervisors & Audit Oversight Committee Support | | 160 |
| On-Demand Department Advisory Services | | 80 |
| Cash Loss Investigations | | 80 |
| TeamMate+ Administration | | 80 |
| Countywide Cost Allocation Plan (CWCAP) | | 80 |
| Total Other Activities & Administration | | 1,600 |

| | | |
|-------------------------------|--|-------|
| Board-Requested Audits | | 800 |
| Contingency Reserve | | 1,288 |

| | |
|--------------------|---------------|
| TOTAL HOURS | 13,131 |
|--------------------|---------------|

ACKNOWLEDGEMENT

We appreciate the courtesy extended to us by departments that completed our requested surveys and met with Internal Audit staff. The information provided by departments was instrumental in preparing our risk assessment and developing our audit plan.



INTERNAL AUDIT DEPARTMENT

| | | |
|--------------|--|--|
| PROJECT TEAM | Michael Dean, CPA, CIA, CISA Jimmy Nguyen, CISA, CFE, CEH Gianne Morgan, CIA, CISA Gabriela Cabrera Mary Ann Cosep Tina Dinh Stephany Franco Alejandra Luna Thuy Luu | Assistant Deputy Director Senior IT Audit Manager Senior Audit Manager Senior Auditor Senior Auditor Senior Auditor Senior Auditor Senior Auditor Staff Specialist |
|--------------|--|--|



INTERNAL AUDIT DEPARTMENT

APPENDIX A: AUDIT PLAN METHODOLOGY

1. DEFINE AUDIT UNIVERSE

An *audit universe* is all potential areas subject to risk assessment and audits. There are several approaches to defining the audit universe and we defined the County audit universe as 19 departments (excluding Internal Audit, OC Ethics, and Office of Independent Review), with six standard business processes/cycles and information technology. This results in an audit universe of 133 auditable business processes (19 departments, seven business processes/cycles).

Table 1. County Audit Universe

| BUSINESS PROCESS/CYCLE (FINANCIAL ACTIVITY FOR FY 2022-23) | DESCRIPTION |
|--|--|
| 1. Cash Receipts & Receivables \$19.2 Billion | Reviewing controls over receipting, recording, transferring, depositing, safeguarding, and reconciling of monies received in departments. |
| 2. Cash Disbursements & Payables \$5.7 Billion | Verifying receipt of goods and services, supervisory reviews and approvals adequacy, invoice processing timeliness, completeness and accuracy of payments, proper reconciliations, and safeguarding of assets. |
| 3. Purchasing & Contracts \$5.7 Billion | County-issued purchasing cards, vendor payment review and approval processes, ensuring terms of contracts were met prior to issuing payments, ensuring contracts executed in accordance with County policies, reviewing justification of sole source contracts, and monitoring CPO's oversight responsibilities. |
| 4. Revolving Funds \$4.3 Million | Validating compliance with the County Accounting Manual, ensuring revolving cash fund disbursements are proper, approved, monitored, and safeguarded. |
| 5. Payroll \$2.6 Billion | Reviewing timekeeping practices, premium and overtime pay practices, payroll unit supervision and payroll reports, Central Payroll's role in processing payroll, and monitoring for unauthorized payroll changes. |
| 6. Fiduciary Funds & Special Revenue Funds \$3.2 Billion | Validating the purpose and objectives of fiduciary funds and special revenue funds, ensuring sources and uses of the funds are in accordance with County policy or laws and regulations, and reconciliations are prepared timely and completely to safeguard funds. |
| 7. Information Technology | Reviewing controls over IT and cybersecurity including general controls, application controls, system development, network security, and computer operations. |



INTERNAL AUDIT DEPARTMENT

2. APPLY WEIGHTED RISK FACTORS

Our Risk Assessment Schedule for FY 2024-25 (see Attachment B) shows the 133 auditable business processes and assigned risk ratings. We consider the following factors in assigning risk levels for the six general business process/cycles (cash receipts, cash disbursements, purchasing, revolving funds, payroll, fiduciary/special revenue funds):

- Financial Activity (40%). Assessed department financial information for each auditable business process.
- Department Changes (10%). Assessed factors such as management and/or organizational changes, significant increases or decreases in staffing and workloads, new or eliminated programs, and significant changes in laws/regulations or IT.
- Operating Environment (10%). Assessed factors related to changes in the operating environment such as public image, laws and regulations, safety and environmental issues, sensitivity to economic factors, major crises, pending litigation, and business continuity.
- Last Audit Performed (40%). Identified all Internal Control Audits, Financial Audits & Mandates, and Information Technology Audits conducted in the last 10 years. Areas with no recent or prior audits are assessed higher risk (see Attachment C).

We consider the following factors in assigning risk levels for information technology:

- IT Survey (20%). Identified significant changes impacting critical systems, governance, security management, change management, computer operations, IT staffing, and cybersecurity incidents that may have impacted the department.
- General Risk Factors (20%). Drawn from department changes and operating environment above.
- Last Audit Performed (60%). Identified all Information Technology Audits conducted in the last 10 years. Areas with no recent or prior audits are assessed higher risk (see Attachment C).

3. CATEGORIZE RESULTS

Using the above criteria and professional judgment, an overall risk is assigned to each auditable business process as High Risk, Moderate Risk, or Low Risk. The overall risk levels assigned determine the focus of our audit resources and audit priorities.

Risk levels for the 133 auditable business processes we identify in our Risk Assessment Schedule for FY 2024-25 (see Attachment B) are as follows:

- 16 (12%) are High Risk
- 106 (80%) are Moderate Risk
- 11 (8%) are Low Risk

Note: there are 19 high-risk audits in the 16 high-risk processes. This is because the single CEO IT high-risk box represents three separate audits, and OCCR Purchasing & Contracts represents two separate audits.



INTERNAL AUDIT DEPARTMENT

4. IDENTIFY ENGAGEMENTS AND ALLOCATE AVAILABLE RESOURCES

Our Audit Plan is based on 9,418 available audit hours (13,131 productive hours minus 1,200 hours for other activities and administration, 800 hours for Board-requested audits, 400 hours for special projects, and 1,313 hours for contingency reserve) to be provided by seven audit professionals and three senior audit managers. We ensure the ratio of gross hours to available audit hours aligns with industry standards. The contingency reserve is for position vacancies and other unforeseen events.

We use our professional judgement and select the highest risk audits we can realistically address with existing resources. Because of budget and staffing constraints, we evaluate all audit requests based on our risk assessment criteria. Audits that cannot be accommodated are noted for future consideration.

Our follow-up audit process ensures that our audit recommendations are implemented satisfactorily. Our first follow-up audit begins about six months following the release of an audit report. If necessary, a second follow-up audit will be conducted about six months following the issuance of the first follow-up audit report.



INTERNAL AUDIT DEPARTMENT

APPENDIX B: ACRONYMS

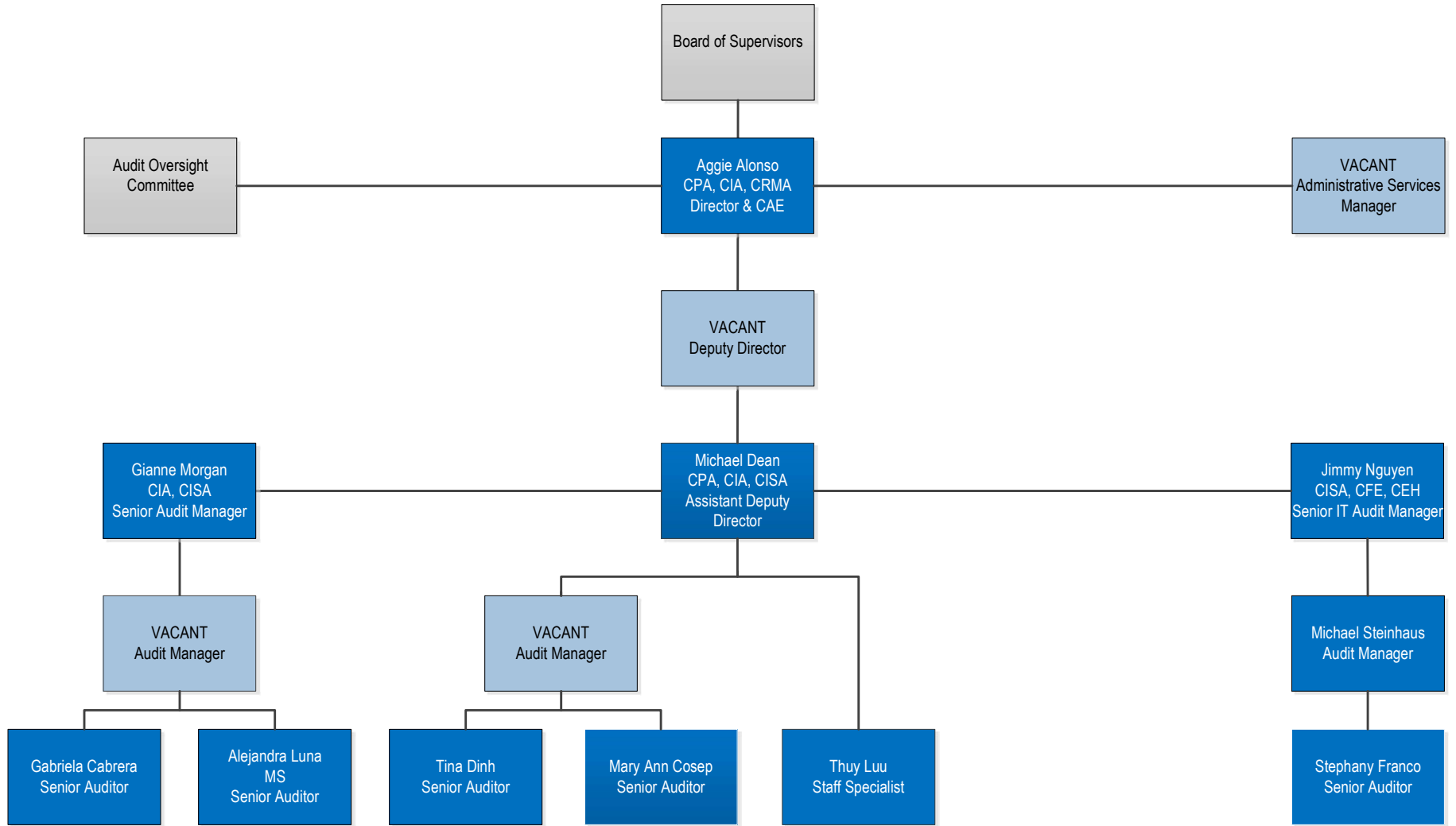
| Acronym | Definition |
|---------|--|
| A-C | Auditor-Controller |
| AOC | Audit Oversight Committee |
| C-R | Clerk-Recorder |
| CEO | County Executive Office |
| CPO | County Procurement Office |
| CSS | Child Support Services |
| HCA | Health Care Agency |
| JWA | John Wayne Airport |
| OCCR | OC Community Resources |
| OCDA | District Attorney-Public Administrator |
| OCIT | Orange County Information Technology |
| OCPW | OC Public Works |
| OCSD | Sheriff-Coroner |
| OCWR | OC Waste & Recycling |
| T-TC | Treasurer-Tax Collector |





INTERNAL AUDIT

As of May 3, 2024



ATTACHMENT B: RISK ASSESSMENT SCHEDULE FOR FISCAL YEAR 2024-25

DRAFT

| BUSINESS PROCESS/CYCLE Financial Activity for FY 2022-23 | 1. Assessor | 2. Auditor-Controller | 3. Child Support Services | 4. Clerk of the Board | 5. Clerk-Recorder | 6. County Counsel | 7. County Executive Office | 8. District Attorney-Public Administrator | 9. Health Care Agency/Public Guardian | 10. John Wayne Airport | 11. OC Community Resources | 12. OC Public Works | 13. OC Waste & Recycling | 14. Probation Department | 15. Public Defender | 16. Registrar of Voters | 17. Sheriff-Coroner | 18. Social Services Agency | 19. Treasurer-Tax Collector | COMMENTS |
|--|-------------|-----------------------|---------------------------|-----------------------|-------------------|-------------------|---|--|---------------------------------------|------------------------|--|--|--|--------------------------|---------------------|-------------------------|---|--|---|---|
| CASH RECEIPTS & RECEIVABLES \$19.2 billion | M | M | L | M | M | M | M | M | M | M | M | M | M | M | M | M | M | M | M | Reflects all cash receipt transactions posted to 8010 Cash Account by the department that processed the transaction. A/R reported as year-end balances. |
| CASH DISBURSEMENTS & PAYABLES \$5.7 billion | M | H | M | M | M | M | M | M | M | M | M | M | H | M | M | M | M | M | M | Reflects all cash disbursements including automatic (A/P) disbursements, manual disbursements, and EFT/Wire disbursements. |
| PURCHASING & CONTRACTS \$5.7 billion | M | M | M | M | M | M | H | L | M | M | H | H | H | M | M | M | H | H | M | Reflects all purchases and contracts processed by departments including purchase orders, price agreements, and negotiated contracts. |
| REVOLVING FUNDS \$4.3 million | L | M | M | M | M | M | M | M | M | M | M | M | M | L | L | M | M | M | M | Reflects the total revolving fund replenishments to all departments. |
| PAYROLL \$2.6 billion | M | M | M | M | M | M | L | M | M | M | L | M | M | M | M | M | M | M | M | Reflects total payroll for our audit population of all departments shown. |
| FIDUCIARY & SPECIAL REVENUE FUNDS \$3.2 billion | M | M | M | M | M | M | M | H | M | M | M | M | M | M | M | M | M | M | M | Reflects year-end balances in Fiduciary and Special Revenue Funds designated for restricted purposes and use. |
| INFORMATION TECHNOLOGY | M | L | M | M | L | M | H | H | H | M | M | H | H | L | M | L | H | M | H | |
| AUDITS ON FY 2024-25 PLAN See Appendix A for Audit Plan Methodology DR = Department request CO = Carryover audit TP = Time-permitting audit | | Employee Claims (CO) | | | | | CPO - Procurement Governance (CO); OCIT Data Governance (CO); County Ethics Program (CO); OCIT Third-Party IT Security (CO); OCIT Remote Access Security (CO); OCIT Adoption and Use of Artificial Intelligence (DR/TP) | Fiduciary & Special Revenue Funds; Selected Cybersecurity Controls | Cybersecurity II (CO) | | Dana Point Harbor Purchasing & Contracts (CO); Purchasing & Contracts (CO) | Purchasing & Contracts; Cybersecurity (CO) | Compliance Review (CO); Disbursements & Payables; Purchasing & Contracts; Cybersecurity (CO) | | | | Purchasing & Contracts (HR); Cybersecurity (CO) | Purchasing & Contracts (HR); Cash Receipts & Receivables (DR/TP) | Tax Redemption Officer (CO); Cybersecurity (CO) | |

| | | | |
|--|-----|-----|--|
| High Priority Processes: | 16 | 12% | High-priority audit areas (as determined by risk assessment) |
| Moderate Priority Processes: | 106 | 80% | Moderate-priority audit areas (as determined by risk assessment) |
| Low Priority Processes: | 11 | 8% | Low-priority audit areas (as determined by risk assessment) |
| Total Auditable Business Processes/Cycles: | 133 | | |

ATTACHMENT C: SCHEDULE OF 10-YEAR PRIOR AUDIT COVERAGE
For The Period July 2014 through June 2024

| | 1. Assessor | 2. Auditor-Controller | 3. Child Support Services | 4. Clerk of the Board | 5. Clerk-Recorder | 6. County Counsel | 7. County Executive Office | 8. District Attorney-Public Administrator | 9. Health Care Agency/Public Guardian | 10. John Wayne Airport | 11. OC Community Resources | 12. OC Public Works | 13. OC Waste & Recycling | 14. Probation Department | 15. Public Defender | 16. Registrar of Voters | 17. Sheriff-Coroner | 18. Social Services Agency | 19. Treasurer-Tax Collector | |
|---|---------------------|--|---------------------------|-----------------------|--|------------------------------|---|---|--|------------------------------|---|--|---|--|-----------------------|-------------------------|---|---|--|--|
| CASH RECEIPTS & ACCOUNTS RECEIVABLE | | #1415 Quarterly Reconciliation Compliance; #1818 Fiduciary Funds | #2306 Cash Receipts | | | | | 2012-2016 Annual Grants | #1420 Fund 13Y; #1619 Unearned Revenue; #2 325 Cash Receipts | #2116 Cash Receipts | #1456 OC Parks Ticket Sales; #1578 Animal Care; #1579 Library; #1655 OC Parks; #1619 Unearned Revenue; #1815 AC Cash Receipts | #1619 Unearned Revenue; #1734 Billing | #1525 Cash Receipts; #2321 Credit Card Processing | #1567 Juvenile; #1724 Mandate | | | #1918 Cash Receipts | #1619 Unearned Revenue | 2017 & 2020 Audits of Tax Redemption Officer; 2012-2017 Annual TFA; 2011-2016 Annual Compliance; #2301 Cash Receipts | |
| CASH DISBURSEMENTS & PAYABLES | #1626 Travel | #1415 Quarterly Reconciliation Compliance; #1626 Travel; #1811 Claims; #1818 Fiduciary Funds | | #1626 Travel | | | #1626 Travel; #2012 Cash Disbursements | 2012-2016 Annual Grants | #1420 Fund 13Y; #1728 Mental Health Services Disbursements | #2013 Cash Disbursements | #2014 Cash Disbursements | #1626 Travel; #2022 Toll Usage | | #1567 Juvenile; #1724 Mandate; #1822 Cal Cards | | #1626 Travel | #1626 Travel | #1626 Travel; #1625 CalWorks / Rescare Contract | 2011-2017 Qtrly TFA; 2012-2017 Annual TFA; #1583 Wire Transfers | |
| PURCHASING & CONTRACTS | | #1522 Procurement | | | | | #1521 Procurement; #1730 CEO/Real Estate Revenue Generating Lease Administration Process; #1732 OCIT Capital Assets; #1624 OCIT Contract Admin | #2324 Purchasing & Contracts | #1631 Procurement; #1819 Contracts & Procurement; #2326 Purchasing & Contracts | #2115 Purchasing & Contracts | #1455 Expediter; #1426 Human Services Contracts | #1455 Expediter; #1911 Purchasing & Contracts | #1455 Expediter | | | | #1912 Purchasing & Contracts | #1625 CalWorks / Rescare Contract; #2016 Purchasing & Contracts | | |
| REVOLVING FUNDS | #1626 Travel | #1626 Travel | | | | | #1626 Travel | #1913 Revolving Funds | | | #1578 Animal Care; #1579 Library | #1626 Travel | | #1567 Juvenile; #1822 Cal Cards | #2017 Revolving Funds | #1626 Travel | #1626 Travel; #1917 Revolving Funds | #1633 Revolving Funds; #1626 Travel | | |
| PAYROLL | | | | | | | #2113 Payroll | #1629 Payroll | #1812 Payroll | | #1813 Payroll; #2398-A WIOA | #1916 Payroll | | #1630 Payroll | | | #1632 Billing of Law Enforcement Services for DPH & JWA | #1814 Payroll | | |
| FIDUCIARY FUNDS & SPECIAL REVENUE FUNDS | | #1415 Quarterly Reconciliation Compliance; #1337 Fiduciary Funds; #1818 Fiduciary Funds | #1519 Fiduciary Funds | | #1519 Fiduciary Funds | | #1519 Fiduciary Funds; #2018 Fiduciary Funds | #1519 Fiduciary Funds; #1523 PA | #1420 Fund 13Y; #1519 Fiduciary Funds; #1524 PG; #1914 PG Fund 165 | | #1422 OC Parks Fund 405; #1423 DPH; #1519 Fiduciary Funds; #2216 Fiduciary & Special Reserve Funds | #1421 Flood Fund; #1519 Fiduciary Funds; #2019 Special Revenue Funds | | #1519 Fiduciary Funds | | #1519 Fiduciary Funds | #1519 Fiduciary Funds | #1519 Fiduciary Funds; #1520 Special Revenue Funds | #1823 Fiduciary Funds | 2012-2017 Qtrly TFA & 2012-2017 Annual TFA; 2011-2016 Annual Compliance Audit; #1519 Fiduciary Funds |
| INFORMATION TECHNOLOGY | #1844 Cybersecurity | #1741 ITGC; #2311 CAPS+ Security | #1644 ITGC | | #1840 Vital Records Index Access System; #2151 Cybersecurity | #2044 Selected Cybersecurity | #1454 Off-Site Data Backup; #1455 Expediter; #1644 ITGC; #1945 OCIT Cybersecurity; #2314 OCIT IoT Device Security; #2315 Enterprise IT Governance | #2041 Selected Cybersecurity | #1943 Cybersecurity | #1444 ITGC; #1941 ITGC | #1644 ITGC | #1644 ITGC; #2309 Cybersecurity | #1445 Paradigm; #1644 ITGC | #2043 Cybersecurity | #1942 ITGC | #2042 Cybersecurity | #1845 ITGC | #1644 ITGC; #1846 ITGC | #1583 Wire Transfers | |

10-Year Prior Audit Coverage (2014 to June 2024) 5-Year Prior Audit Coverage (2019 to June 2024) Current/In-Progress Audits No Audit Coverage Within 10 Years



Memorandum

May 16, 2024

AOC Agenda Item No. 6

TO: Audit Oversight Committee Members

Recommended Action:

Approve External Audit Activity Status Report for Quarter Ended March 31, 2024, and Receive Report on Status of External Audit Recommendations Implementation

Approve External Audit Activity Status Report for Quarter Ended March 31, 2024, 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

May 7, 2024

To: Audit Oversight Committee Members

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

Digitally signed by Agripino
Alonso
Date: 2024.05.07 07:57:09
-07'00'

Subject: External Audit Activity Status Report for the Quarter Ended March 31, 2024

Attached for your review and approval is our External Audit Activity Status Report for the Quarter ended March 31, 2024. 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 March 31, 2024, one new material issue was reported. Specifically, the California Department of Child Support Services (CA DCSS), Office of Audits and Compliance (OAC), conducted a review of the Orange County DCSS CS 356 Administrative Expense Claim for the State Fiscal Year (SFY) 2019-20. The audit resulted in disallowed costs totaling \$830,424.

If you have any questions, please contact me at 714-834-5442 or Michael Dean at 714-834-4101.

EXECUTIVE SUMMARY OF EXTERNAL AUDIT ACTIVITY
For the Quarter Ended 3/31/24

| <u>SUMMARY ACTIVITY</u> | |
|---|------------------|
| Total Audits Prior Quarter (12/31/23) | 49 |
| Additions: | |
| In Progress | 14 |
| Planned | 3 |
| Started and Completed | 2 |
| Deletions | <u>13</u> |
| (Completed, Canceled, and Removed in Prior Quarter) | |
| Total Audits Current Quarter (3/31/24) | <u>55</u> |
| (In Progress, Planned, and/or Completed this Quarter) | |

Results for the Quarter:

| | |
|---------------------------|-----------|
| Completed | 13 |
| Canceled | 0 |
| Removed for Other Reasons | 0 |

New Findings/Issues Reported by the Departments **6**

Material Issues: (Includes Disallowances over \$100K) **1**

The California Department of Child Support Services (CA DCSS), Office of Audits and Compliance (OAC), conducted a review of the Orange County DCSS CS 356 Administrative Expense Claim for the State Fiscal Year (SFY) 2019-20. The audit resulted in disallowed costs totaling \$830,424 for indirect expenses that were never charged by Orange County to the Child Support Program during the review period.

EXTERNAL AUDIT ACTIVITY
Quarterly Status Report
3rd Quarter FY 2023-24 (3/31/24)

Results:

One material issue was reported to the Internal Audit Department this quarter. See page 2.

The schedule below identifies the status of external audits as of 3/31/24, 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 March 31, 2024 | Significant Findings |
|---------------------|---------------------|-----------------------------|---------------------------|--------------------------|-------------------|---|-----------------------------|--|
| Assessor | | No audits in progress. | | | | | | |
| Auditor-Controller | Financial Reporting | Eide Bailly | Single Audit | FY 2023 Annual | 6/30/2022 | Uniform Guidance Expenditures of Federal Assistance | Completed. | <p>Four (4) New Findings:</p> <p>#2023-001 (SSA) Foster Care: No formal controls or procedures in place for subrecipient monitoring for the program; certain required information was not provided at the time of subaward; and no evidence of verification that the entity was not suspended or debarred prior to entering the contract.</p> <p>#2023-002 (OCCR, OCPW, & SSA) COVID-19 Coronavirus State and Local Fiscal Recovery Funds: No evidence of verification that the entity was not suspended or debarred or otherwise excluded prior to entering the contract; Certain required information was not provided at the time of the contract award;</p> |
| | | | | | | | | <p>#2023-003 (HCA) COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health and Healthcare Crises: No evidence of the review and approval over the performance reports.</p> <p>#2023-004 (HCA) COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health and Healthcare Crises: No evidence of the review and approval over a transaction.</p> |

| Department / Agency | Division | Name of Third Party Auditor | Program, Process, or Area | Audit Period & Frequency | Date Last Audited | Audit Scope | Status as of March 31, 2024 | Significant Findings |
|--------------------------------|--------------------------|---|---|--|-------------------|---|-------------------------------|---|
| Auditor-Controller (continued) | 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. | | | | | | |
| 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. | Completed. | One (1) New Material Issue: Orange County DCSS claimed and received \$830,424 for indirect expenses that were never charged by Orange County to the Child Support Program during the period under review. Indirect expenses must be charged and adequately traceable to be considered allowable for reimbursement. Therefore, the reimbursement was deemed unallowable. The Office of Audits and Compliance (OAC) issued a letter stating that it accepts Orange County Department of Child Support Services (DCSS) corrective action plan and will not require a follow-up. |
| | | Department of Child Support Services (DCSS), Program Monitoring and Compliance Unit (PMCU) | Policy and Process Management | 1st Quarter (October 1, 2023- December 31, 2023) | 12/31/23 | Case review | Completed. | None. |
| Clerk of the Board | | No audits in progress. | | | | | | |
| Clerk-Recorder | Information System | Lawrence R. Halme | SECURE: Modified System Audit Report (MSAR) | As Needed | 08/23 | New software release | Planned. | |
| County Counsel | | 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 March 31, 2024 | Significant Findings |
|--|-----------------------------|--|---|-------------------------------|-------------------|--|-----------------------------|---|
| County Executive Office | Finance | No audits in progress. | | | | | | |
| | Risk Management | AON Risk Solutions, Inc. | Risk Management Workers' Compensation Program - Third Party Administrator/Sedgwick CMS | Annual | March/April 2023 | To review and score Third Party Administrator's (TPA's) compliance with the County Customer Service Instructions and ensure TPA is following best practice and the Workers' Compensation Labor Code. | In progress. | |
| | Information Technology | No audits in progress. | | | | | | |
| | Corporate Real Estate | No audits in progress. | | | | | | |
| | Human Resource Services | No audits in progress. | | | | | | |
| | Office of Care Coordination | No audits in progress. | | | | | | |
| | | | | | | | | |
| 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. | |
| | | CA Department of Insurance (CDI) | Insurance Fraud Programs for Workers' Compensation, Automobile, Disability & Healthcare, High Impact, and Life & Annuity Consumer Protection | 7/1/19 - 6/30/22 Bi-annual | 6/30/2019 | Grant Program Audit | In progress. | |
| | | | | | | | | |
| Health Care Agency | Administration | Eide Bailly | Single Audit - COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health and Healthcare Crises | FY 2023 Annual | 6/30/2022 | Uniform Guidance Expenditures of Federal Assistance | Completed. | See Finding #2023-003 and 2023-004 under Auditor-Controller Single Audit. |
| | | Eide Bailly | Tobacco Settlement Funds Agreed Upon Procedures | FY 22/23 Annual | FY 21/22 | HCA and Sheriff Tobacco Settlement Funds disbursements | Completed. | None. |
| | Behavioral Health Services | Department of Housing and Urban Development | CoC Planning Grant Survey | FY 20/21 One-time | N/A | Fiscal and program compliance review. | In progress. | |
| | | Department of Health and Human Services | Projects for Assistance in Transition from Homeless (PATH) Program | FY 20/21 One-time | N/A | Fiscal and program 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 March 31, 2024 | Significant Findings |
|--------------------------------|--|---|--|---|-------------------|---|--------------------------------|---|
| Health Care Agency (continued) | Behavioral Health Services (continued) | Board of State Community Corrections (BSCC) | Prop 47 Comprehensive Monitoring Visit - Cohort 2 | Aug 15, 2019 - May 15, 2023 One Time | January 2022 | Fiscal and program compliance review | In progress. | |
| | | State Department of Health Care Services | SABG/DMC-ODS Service Review | FY 23/24 Annual | May 2023 | Review of Programmatic Services | In progress. | |
| | Correctional Health Services | Vaccines for Children (VFC) | Juvenile Hall and Orangewood | FY 22/23 | N/A | Vaccine program compliance review | In progress. | |
| | Mental Health & Recovery Services | State Department of Health Care Services (DHCS) | Mental Health Cost Report; ShortDoyle/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 nonMedi-Cal, the distribution of utilization review costs between Medi-Cal and nonMedi-Cal, crossover revenues, contract maximums, and the overall accuracy of computations in the cost report. | Completed. (Reported 12/31/23) | See Attachment D for corrective actions taken related to the finding from this audit. |
| | Public Health Services | First Five Orange County, Principal Auditor Sherry Gilbey, Juris Doctorate, CPA | Children and Families Commission Orange County (CFCOC) | FY 22/23 Annual | FY 21/22 | Fiscal and Program Audit Review | In progress. | |
| | | Health Resources and Services Administration (HRSA) | Ending the HIV Epidemic Initiative (EHE) Program | FY 22/23 Biennial | FY 20/21 | Comprehensive Site Review | Completed. | None. |
| | | CalEPA | Environmental Health - CUPA Program | FY 21/22 - 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. | |
| | | City of Anaheim | HOPWA COVID-19 Virtual Program Monitoring | 2020-2023 Annual | N/A | Program Monitoring | In progress. | |
| | | State NEOP | Nutrition Education and Obesity Prevention Branch (NEOP) Desk Review | FFY 2023 | May 2020 | Desk review of all documents related to fiscal compliance for charges claimed on the NEOP invoice to the State. | 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 March 31, 2024 | Significant Findings |
|--------------------------------|--|--|--|--------------------------|-------------------|---|-----------------------------|--|
| Health Care Agency (continued) | Public Health Services (con't) | California Department of Public Health, Office of Compliance | Ryan White HIV/AIDS Care Program (Part B) Audit | FY 22/23 | FY 14/15 | Comprehensive including program monitoring and fiscal | In progress. | |
| | | Health Resources and Service Administration (HRSA) | Ryan White (Part A) Comprehensive Site Visit | FY 22/23 Every 5 years | FY 19/20 | Comprehensive Site Review | In progress. | |
| | | 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 | Completed. | One (1) New Finding: Overpayment by DHCS of \$28,342 due to miscalculation of ineligible FFP amount. Paid DHCS on 1/23/24 (GAX-042-24003008). |
| | | 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 | Completed. | One (1) New Finding: Disallowed \$85,263 due to adjustment of encounters. Paid DHCS on 3/14/24 (GAX-042-24003780). |
| | | California Department of Public Health / WIC | Women, Infant, and Children (WIC) | FFY 22/23 Biennial | FFY 20/21 | Program monitoring | In progress. | |
| | | California State Controller's Office | Women, Infant, and Children (WIC) | FFY 20/21 Biennial | FFY 18/19 | Fiscal and program compliance review | Completed. | None. |
| | Specialized Medical Services - Public Guardian | Social Security Administration (SSA), Office of Payee Review and Beneficiary Assistance (OPRABA), Disability Rights California | Social Security Administration (SSA) Representative Payee | 10/1/2022 - 9/30/2023 | May 2020 | Fiscal review of SSA/SSI client ledgers and Program compliance review | In progress. | |
| | | | | | | | | |
| John Wayne Airport | Finance & Administration | No audits 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 | Completed. | None. |
| | Operations | Federal Aviation Administration | Airport Certification Inspection | 2024 | 2023 | Compliance with Title 14, Code of Federal Regulations, Part 139, Airport Certification Manual and Airport Operation Certificate | Planned. | |
| | | Transportation Security Administration | Airport Security | 2024 | 2023 | Compliance with Title 49, Code of Federal Regulations, Part 1542, Airport Security | Planned. | |
| | | | | | | | | |

| Department / Agency | Division | Name of Third Party Auditor | Program, Process, or Area | Audit Period & Frequency | Date Last Audited | Audit Scope | Status as of March 31, 2024 | Significant Findings |
|------------------------|---|--|---|--------------------------|-------------------|---|-----------------------------|--|
| OC Community Resources | | Eide Bailly | Single Audit - COVID-19 Coronavirus State and Local Fiscal Recovery Funds | FY 2023 Annual | 6/30/2022 | Uniform Guidance Expenditures of Federal Assistance | Completed. | See Finding #2023-002 under Auditor-Controller Single Audit. |
| | Orange County Housing Authority (OCHA) | No audits in progress. | | | | | | |
| | Office on Aging (OoA) | California Department of Aging | Office on Aging | FY20-21 & 21-22 | FY18-19 & 19-20 | Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc. | Planned. | |
| | 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. | Completed. | None. |
| | OC Parks | No audits in progress. | | | | | | |
| | OC Libraries | No audits in progress. | | | | | | |
| | OC Animal Care | MGO | City Billing | FY 23/24 Triennial | FY 20/21 | To Be Determined | Planned. | |
| | Redevelopment Successor Agency | No audits in progress. | | | | | | |
| | OC Housing Finance Trust (OCHFT) | Pending finalization of contract | Financial Statement Audit | FY 22/23 Annual | 6/30/2023 | OC Housing Fund Trust | Planned. | |
| | | | | | | | | |

| Department / Agency | Division | Name of Third Party Auditor | Program, Process, or Area | Audit Period & Frequency | Date Last Audited | Audit Scope | Status as of March 31, 2024 | Significant Findings |
|----------------------|---|--------------------------------------|---|-------------------------------|-------------------|--|-----------------------------|--|
| OC Public Works | | Eide Bailly | Single Audit - COVID-19 Coronavirus State and Local Fiscal Recovery Funds | FY 2023 Annual | 6/30/2022 | Uniform Guidance Expenditures of Federal Assistance | Completed. | See Finding #2023-002 under Auditor-Controller Single Audit. |
| | 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. | |
| | Accounting & Infrastructure Programs | State Controller's Office | Santa Ana River Mainstem Project | 07/01/2018 - 12/31/2021 | 06/20 | Audit to determine whether costs claimed were allowable and in compliance with the Department of Water Resources Guidelines for State Reimbursement on Flood Control Projects, and adequately supported. | 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 | No audits in progress. | | | | | | |
| | | | | | | | | |
| Probation | | Eide Bailly, LLP | SB 81 Audit | 6/30/2023 | UNK | Compliance with California Board of State and Community Corrections (BSCC) construction-financing program through (SB) 81. | 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 March 31, 2024 | 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 | Completed. | None. |
| | Technology | Tech Advisory Committee (TAC) | Information Technology | 10/19 to 03/20 | 2017 | Operational Review | In progress. | |
| | Crime Lab | ANSI National Accreditation Board | Crime Lab surveillance visit and DNA QAS audit | Annual | 2023 | Laboratory competence and conformance with accreditation requirements. DNA Bureau competence and conformance with FBI, QAS standards. | Completed. | None. |
| | 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 | Eide Bailly | Single Audit - Foster Care and COVID-19 Coronavirus State and Local Fiscal Recovery Funds | FY 2023 Annual | 6/30/2022 | Uniform Guidance Expenditures of Federal Assistance | Completed. | See Finding #2023-001 and 2023-002 under Auditor-Controller Single Audit. |
| | | California State Auditor | CACI Grievance | 11/21-03/22 | 1st in last 6 years | Evaluate Ormange County SSA grievance process to ensure sufficient P&Ps to receive and review objections to individuals listed on CACI. Further, from period of 1997 to present, assess whether OC SSA complied with state law CACI reporting requirements. Identify errors in need of corrections. | In progress. | |
| | | 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 | 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 March 31, 2024 | Significant Findings |
|--------------------------------|---------------------|---|---|--------------------------|-------------------|--|-----------------------------|----------------------|
| Social Services Agency (con't) | 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. | |
| | | 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. | |
| | | California Department of Social Services (CDSS) | CalFresh Employment & Training (CF E&T) | Annual | 03/24 | 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. The ME focuses on programmatic and fiscal aspects of the CF E&T program and the process for deciding whether individuals are work registrants. | 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 March 31, 2024 | Significant Findings |
|--------------------------------|--|--|--|---------------------------|-------------------|---|-----------------------------|----------------------|
| Social Services Agency (con't) | Family Self-Sufficiency & Adult Services | California State Preschool Program (CSPP) | Child Care | Annual | 11/22 | | In progress. | |
| | | California Department of Social Services (CDSS), Parent Engagement and Policy | Work Incentive Nutritional Supplement (WINS) Work Participation Rate | FFY 2022 Annual | 06/23 | The purpose of the review is to determine the accuracy of your reported WINS activity hours for federal fiscal year 2022. | In progress. | |
| | | California Department of Social Services (CDSS), Quality Assurance (QA) Monitoring Unit (QAMU), Adult Programs Policy & Quality Assurance Branch | 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 that county QA staff perform routine, scheduled case reviews to ensure uniformity in the authorization of services and accurate assessments of needs and hours. 45 cases that were previously reviewed by IHSS QA were selected. | Completed. | None. |
| | | California Department of Social Services (CDSS), Children & Family Services Division, Adoption Services Bureau | Adoption Assistance Program | 10/13/21 - 7/20/23 Annual | 10/23 | Monitoring to ensure the AAP program administration from eligibility determination to benefit issuance is in compliance with federal and state regulations, which includes the review of AAP eligibility and AAP service files to verify appropriateness and accuracy of forms being used. | In progress. | |
| Treasurer-Tax Collector | Treasury and Investments | TBD | County Treasury Public Funds | FY 2022-23 Annual | FY 2021-22 | Annual Audit, required by Government Code Section 27134, of County Treasurer's compliance with Article 6. | Planned. | |

EXTERNAL AUDIT REPORT
 Implementation Status of Prior Quarter Significant & Material Issues
 Quarter Ended March 31, 2024

| No. | Department | Audit Name | Finding | Recommendation | Material or Significant | Implementation Status* & Actions Taken or Planned |
|-----|--------------------|--|--|---|-------------------------|--|
| 1 | 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 | Implemented. 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) Implemented. Fund 298 reduced billings to departments by 70% in 2024. Dental modernization has been implemented in January 2024; further reducing net position by estimated decrease of \$700,000 in 2024. 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. |
| 2 | Health Care Agency | Short-Doyle/Medi-Cal Cost Report for Fiscal Period Ended June 30, 2015 | The audit resulted in disallowed costs totaling \$4,434,792 due to Medi-Cal units of service and administrative cost adjustments. | The audit report did not contain a recommendation; however, the disallowance is monies due back to the State. | Material | Implemented. Paid DHCS on 4/9/24 (GAX-042-24004149). |

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



Memorandum

May 16, 2024

AOC Agenda Item No. 7

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Auditor-Controller Mandated Audits for Quarter Ended March 31, 2024

Receive Report on Status of Auditor-Controller Mandated Audits for Quarter Ended March 31, 2024, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Status of Mandated Audits as of March 31, 2024



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of March 31, 2024
 AOC Meeting Date: May 16, 2024

| 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 23-24 | 2302 | 120 | 38 | 82 | N/A | N/A | 2 in process, 6 completed |
| JPAs and Special Districts FY 21-22* | 2211 | 120 | 69 | 52 | N/A | N/A | Collection completed |
| JPAs and Special Districts FY 22-23* | 2310 | 120 | 29 | 92 | N/A | N/A | Collection in process |
| Second Follow-up: RSA as of 12/31/20** | 2217-A | 20 | 63 | -43 | 6/7/2023 | 6/27/2023 | Completed |
| First Follow-up: RSA as of 3/31/22** | 2217-B | 20 | 51 | -31 | 8/11/2023 | 9/26/2023 | Completed |
| Review of Schedule of Assets as of 9/30/23 | 2307 | 300 | 163 | 137 | 1/17/2024 | 1/30/2024 | Completed |
| Review of Schedule of Assets as of 12/31/23 | 2308 | 300 | 186 | 115 | | | Fieldwork in process |
| Review of Schedule of Assets as of 3/31/24 | 2309 | 300 | 23 | 277 | | | Planning in process |
| Total | | 1,400 | 828 | 572 | | | |

RSA = Review of Schedule of Assets

*We collect copies and post them online.

**Follow-up was not previously reported to the AOC; however, the original mandated audit was report to the AOC.



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of March 31, 2024
 AOC Meeting Date: May 16, 2024

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 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 have completed 6 investigations and have 2 in process. | 0 | 0 |

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: 0 of 72. Special Districts remaining: 0 of 34. Total reports received: 106 | 0/0 | 106 |



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of March 31, 2024
 AOC Meeting Date: May 16, 2024

JPA's 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: 23 of 72. Special Districts remaining: 17 of 34. Total reports received: 66 | 0/0 | 66 |

Second Follow-up: Review of Schedule of Assets as of 12/31/20

| Objective | Status/Results | Material Weaknesses or Significant Deficiencies | Control Deficiencies |
|--|--|---|----------------------|
| To review the actions taken by T-TC management to resolve the one significant deficiency reported in the Management Letter issued on June 8, 2021. | We issued the report on June 27, 2023. We reported that as of August 31, 2022, T-TC had not implemented our recurring recommendation to ensure that all accounts included in T-TC's Schedule of Assets are recorded in T-TC's accounting system, FIS Quantum. Given the history of this, and related, findings outlined on pages 7 through 11, we recommend that the AOC request that ACIA perform a third follow-up to ensure T-TC resolves the significant deficiency. | 1 | 0 |



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of March 31, 2024
 AOC Meeting Date: May 16, 2024

First Follow-up: Review of Schedule of Assets as of 3/31/22

| Objective | Status/Results | Material Weaknesses or Significant Deficiencies | Control Deficiencies |
|---|---|---|----------------------|
| To review the actions taken by T-TC management to resolve the one control deficiency reported in the Management Letter issued on July 27, 2022. | We issued the report on September 26, 2023. We reported that as of January 31, 2023, T-TC had not implemented our recurring recommendation to ensure that all accounts included in T-TC's Schedule of Assets are recorded in T-TC's accounting system, FIS Quantum. ACIA first reported this long outstanding finding to the BOS and AOC in May 2017. A Follow-up Report Form is due from T-TC by May 31, 2024. | 0 | 1 |

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. | We issued the report on January 30, 2024. There were no findings. | 0 | 0 |



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of March 31, 2024
 AOC Meeting Date: May 16, 2024

Review of Schedule of Assets as of 12/31/23

| 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 3/31/24

| 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 March 31, 2024
 AOC Meeting Date: May 16, 2024

| Past-Due Submissions of Audited Financial Statements | | | | |
|---|---|-----------------|-----------------------|-----------------------|
| Entity Type | Entity Name | FYE Date | Follow-up Date | Rectified Date |
| JPA | Public Cable Television Authority (PCTA) | 6/30/2022 | 4/4/2023 | |
| JPA | Public Cable Television Authority (PCTA) | 6/30/2021 | 11/15/2021 | |
| JPA | Public Cable Television Authority (PCTA) | 6/30/2020 | 1/4/2021 | |
| JPA | Saddleback Valley USD PFA | 6/30/2020 | 1/4/2021 | |
| JPA | Santa Ana River Flood Protection Agency (SARFPA) | 6/30/2019 | 10/13/2020 | 5/23/2022 |
| JPA | School Employers Association of CA | 6/30/2019 | 10/13/2020 | |
| JPA | North Orange County Cities JPA | 6/30/2018 | 7/1/2020 | |
| JPA | Saddleback Valley USD PFA | 6/30/2018 | 7/1/2020 | |
| JPA | Santa Ana River Flood Protection Agency (SARFPA) | 6/30/2018 | 7/1/2020 | 5/23/2022 |
| JPA | School Employers Association of CA (SEAC) | 6/30/2018 | 7/1/2020 | |
| JPA | Southern California Coastal Water Research Project (SCCWRP) | 6/30/2018 | 7/1/2020 | |

Accounts Not Recorded in FIS Quantum

1. Management Letter on Review of Schedule of Assets as of 9/30/16 (1612) issued on 5/31/17
 - a. Control Deficiency: T-TC understated FIS Quantum by a total of \$8,162,480 for three Sheriff accounts (x8936, x8944, and x8951) and \$587,665 for two JWA accounts (x3847 and x3899).
 - i. ACIA Recommendation: We recommend that T-TC management ensure its financial records accurately reflect the cash and investment accounts of the Treasury.
 - ii. T-TC Response: T-TC concurs with the recommendation. The BOS on 4/25/17 approved an amendment to the current agreement to upgrade the Quantum software. T-TC will complete this upgrade in 2017 and plans to add and track these two bank accounts in Quantum as part of the upgrade.
2. 1st Follow-up of ML on RSA 9/30/16 (1727-A) issued on 12/19/17
 - a. Implementation Status as of 11/30/17: In process. We found that the T-TC update of Quantum is in process, but the upgrade is expected to be completed in early 2018 versus 2017. In addition, T-TC plans to add these accounts into Quantum as a post go-live item based on the project manager's recommendation.
3. 2nd Follow-up of ML on RSA 9/30/16 (1889-A) issued on 2/19/19
 - a. T-TC Actions Taken or Planned as of 10/26/18: The Quantum upgrade is still in process as during the implementation, the vendor identified that the current version required maintenance updates not previously provided to the County. This was not identified by the vendor until recently and delaying the testing of the upgrade. In addition, T-TC plans to add these accounts into Quantum as a post go-live item based on the project manager's recommendation.
 - b. Implementation Status as of 10/31/18: In process. We found that the T-TC is still in the process of upgrading its investment accounting system (Quantum) and plans to add applicable accounts to Quantum after the upgrade is complete. Additionally, T-TC has communicated with the CEO regarding having the applicable JWA bank accounts closed and the funds transferred to bank accounts under the direct control of T-TC.
4. ML on RSA 9/30/19 (1906) issued on 3/16/20
 - a. Control Deficiency: T-TC reported a total of \$13,115,888 on its Schedule of Assets, but did not state (record) the applicable accounts on its books (FIS Quantum). The applicable accounts were x8936, x8944, x8951, x3847, and x3899 again, which are the same exact accounts as the control deficiency found in 1612.
 - i. ACIA Recommendation: We recommend that T-TC management ensure that all balances included in its Schedule of Assets are recorded in Quantum.
 - ii. T-TC Response: T-TC concurs with the recommendation; The BOS is expected to approve an amendment to the current contract to upgrade

Accounts Not Recorded in FIS Quantum

the investment accounting software, Quantum, which will be completed during FY 2020-21. The T-TC will add these accounts into our investment accounting software during the upgrade.

5. 1st Follow-up of ML on RSA 9/30/19 (2010-A) issued on 2/26/21
 - a. T-TC Actions Taken or Planned as of 2/11/21: The County Treasury assets reconciliation includes these accounts as a reconciling item as the Quantum system hasn't been updated to reflect them in Quantum. We believe that as the activity is these is very low (only a few transactions a month), this current approach includes them as County Treasury assets through our bank reconciliation process and worksheet summary and just is not automating these transactions to come from the bank into Quantum at this time. As these accounts are recorded in CAPS+, this allows us to ensure that our bank balances in Quantum match the CAPS+ balances using this reconciliation.
 - b. Implementation Status as of 12/31/20: In process. We found that the T-TC is still in the process of upgrading Quantum and plans to start recording the applicable accounts in Quantum after going live with the upgraded version. T-TC plans to go live before June 30, 2021.
6. ML on RSA 12/31/20 (2007) issued on 6/8/21
 - a. **Significant Deficiency:** T-TC reported a total of \$93,321,560 on its Schedule of Assets (as investments when it was actually cash), but did not record the applicable accounts in Quantum. The applicable accounts were Northern Trust OCMMF and X-Fund, which are different accounts from the control deficiencies found in 1612 and 1906.
 - i. ACIA Recommendation: We recommend that T-TC management ensure that all accounts included in its Schedule of Assets are recorded in Quantum.
 - ii. T-TC Response: T-TC Management is working with its vendor to add the appropriate Northern Trust MMMFs to Quantum either, prior to, or shortly after the new version of Quantum goes-live.
7. 2nd Follow-up of ML on RSA 9/30/19 (2110-A) issued on 11/30/21
 - a. T-TC Actions Taken or Planned as of 8/27/21: The T-TC update of Quantum is in progress and T-TC plans to add these accounts into Quantum in a phase I update after go-live.
 - b. Implementation Status as of 9/30/21: In process. We found that the T-TC had gone live with its upgraded version of Quantum, but had not started recording the applicable accounts in Quantum because Phase 1 post go-live work had not started yet. T-TC management expects to get the accounts into Quantum by 2/28/22.
8. 1st Follow-up of ML on RSA 12/31/20 (2110-B) issued on 2/10/22
 - a. Implementation Status as of 12/31/21: In process. We found that the T-TC went live with its new version of Quantum in September 2021, but has not started recording the appropriate NT MMMFs in Quantum. T-TC management expects to get these accounts into Quantum by 2/28/22.

Accounts Not Recorded in FIS Quantum

9. ML on RSA 3/31/22 (2108) issued on 7/27/22
 - a. Control Deficiency: T-TC reported a total of \$11,378,951 in two Sheriff accounts and \$7,620,332 in two JWA accounts on its Schedule of Assets, but did not record the applicable accounts in Quantum. The applicable accounts are x8936, x8944, x3847, and x3899, which are the same exact accounts as the control deficiencies found in 1612 and 1906 (less x8951).
 - i. ACIA Recommendation: We recommend that T-TC management ensure that all accounts included in its Schedule of Assets are recorded in Quantum.
 - ii. T-TC Response: Since 2016, the T-TC has and continues to properly report all assets (including all County Treasury bank accounts) of the County Treasury in the Treasurer's books and in the Quarterly Schedule of Assets reports using the modified cash basis of accounting. The Treasurer's books include cash and investment balances in Quantum *and* any reconciling items, including these County Treasury stand-alone bank accounts. T-TC management did complete the set-up of these accounts in Quantum on April 27, 2022 during the post go-live phase of the *recent* Quantum upgrade.
10. 2nd Follow-up of ML on RSA 12/31/20 (2217-A) issued on 6/27/23
 - a. T-TC Actions Taken or Planned as of 1/18/23: TTC Management did not set up the MMMFs in Quantum as planned in February 2022, and has temporarily discontinued purchasing any NT MMMFs, until the accounts can be set up in Quantum.
 - b. Implementation Status as of 8/31/22: **Not Implemented.** T-TC does not ensure that all accounts included in its Schedule of Assets are recorded in Quantum. T-TC has not set up the NT MMMF accounts in Quantum. Instead, T-TC has stopped purchasing NT MMMFs until T-TC has set up those accounts in Quantum.
11. 1st Follow-up of ML on RSA 3/31/22 (2217-B) issued on 9/26/23
 - a. T-TC Actions Taken or Planned as of 4/17/23: The TTC and JWA and Sheriff Department's management have now agreed that these stand-alone bank accounts will be either closed or transferred into a sub bank account under the main County bank account structure with a projected target date of 7/1/23. TTC management will be starting to set up these accounts in Quantum as sub bank accounts versus stand-alone bank accounts. Until this set-up as a subaccount is completed or the bank accounts are closed, the Treasurer's books will continue to properly report all cash and investment balances, including these *reconciling items*.
 - b. Implementation Status as of 1/31/23: **Not Implemented.** We found that T-TC does not ensure that all accounts included in its Schedule of Assets are recorded in Quantum. T-TC believes that this finding is no longer applicable because the accounts in the finding *will be* closed.

Accounts Not Recorded in FIS Quantum

12. ML on RSA 12/31/22 (2208) issued on 11/30/23

a. **Important Information:** GOV Section 26905 requires the A-C to reconcile the cash and investment accounts as stated on the auditor's books to with the cash and investments as stated on the treasurer's books as of the close of business of the preceding month by no later than then last day of each month. On 5/24/23, Shari stated that T-TC was working with OCDE to eliminate the Educational District's fund accounts in FAS, and ACIA recommended that T-TC use one set of books (Quantum), which is the equivalent of T-TC eliminating FAS, so that T-TC could provide its books to A-C timelier each month. T-TC asked ACIA to revise our recommendation for the management letter. On 6/29/23, ACIA informed T-TC that the first key feature that FIS lists on its brochure for T-TC 's upgraded version of Quantum is Cash Management, which includes cash position tracking, cash pooling and sweeping, and tiered bank accounts. ACIA then asked T-TC why she feels that Quantum is incapable of tracking T-TC's cash at the fund level, which has been her reasoning for absolutely needing to keep FAS. In a meeting on 8/17/23, Shari stated that: around 1994, the State of California recommended that T-TC eliminate its Fund Accounting System (FAS) and duplicate recording of school fund balances; T-TC was currently in the process of eliminating FAS; and if OCDE handled their own accounts then FAS would no longer be necessary and could be eliminated. On 9/7/23, T-TC responded that "Quantum is a Treasury Management system that handles banking and investment accounts, not all general ledger accounts. It is not intended to replace *and duplicate* an enterprise management system to track every fund account. After the bankruptcy, the auditors recommended that FAS be eliminated as it is a duplicate system to the County's ERP system and the OCDE's accounting systems that maintain cash accounts for each fund and the duplication is costly for the County. The TTC agrees having a third system is duplicative and costly and is working on options to eliminate the need to maintain FAS (G.1.5 in 2206)."

- i. ACIA Recommendation: We recommend that T-TC provide its books to A-C before reconciling FIS Quantum to FAS since that reconciliation is not necessary for A-C to reconcile A-C's books with T-TC's books.
- ii. T-TC Response: The A-C has now requested, and the T-TC will provide the T-TC books which are the cash and investment balances *in Quantum* on a modified cash basis, by the 10th of each month so that the A-C can complete the required reconciliation between the A-C books and T-TC books as per GOV Section 26905.

13. 2nd Follow-up of ML on RSA 3/31/22 (2316-A) in process

a. T-TC Actions Taken or Planned as of 3/26/24: T-TC closed the stand-alone bank accounts as of 9/6/23 that previously had been properly reported as County Treasury assets in the Schedule of Assets and believes the finding is no longer applicable and should be closed.

Accounts Not Recorded in FIS Quantum

- b. Implementation Status as of 3/31/24: On 4/17/24, we requested proof that accounts x8936, x8944, x3847, and x3899 were closed as of 3/31/24 or proof that they were recorded in Quantum as of 3/31/24. It is important to note that T-TC's response above demonstrates that **T-TC does not agree with ACIA's recommendation** to ensure that all accounts included in the Treasurer's Schedule of Assets are recorded in Quantum (i.e., the Treasurer's books, general ledger, accounting system, system of financial record or whatever she wants to call it) because instead of recording any of the applicable accounts in Quantum over the past seven years, she just closed them.

Conclusion: Given the information above, **a third follow-up of ML on RSA 12/31/20 is warranted** and presented to the AOC for consideration.



Memorandum

May 16, 2024

AOC Agenda Item No. 8

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Performance Audits for the Quarter Ended March 31, 2024

Receive Report on Status of Performance Audits for the Quarter Ended March 31, 2024, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Performance Audits Quarterly Status Report

| Department | Type of Audit | Auditing Vendor | Audit Scope of Work | Status |
|---|--|-----------------|---|---|
| FY 2023-24 | | | | |
| Auditor-Controller | Administration/Department Head Transition | TBD | Review administrative operations, policies, practices and procedures, and IT systems and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices | Pending Contract Execution |
| 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 | Pending Contract Execution |
| 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 CEO has completed assessment to establish list of qualified vendors with experience in this field and function. |
| 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. CEO met with OCCR Directors' office and is working with subject matter experts to select a vendor and finalize the scope of work. |
| FY 2024-25 Slate Under Development | | | | |



Memorandum

May 16, 2024

AOC Agenda Item No. 9

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on eProcurement

Receive Report on eProcurement, as stated in recommended action.



Memorandum

May 16, 2024

AOC Agenda Item No. 10

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

2nd Quarter, FY23-24
Oct 1 – Dec 31, 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 22, the same number reported in the previous quarter. Two projects, County Reimbursement System (OC METER), managed by Auditor-Controller, and Integrated Talent Management System – Performance Module, managed by CEO-HRS, were completed last quarter. A total of two new projects were added. The total budget increased from \$52,219,842 to \$53,658,398.

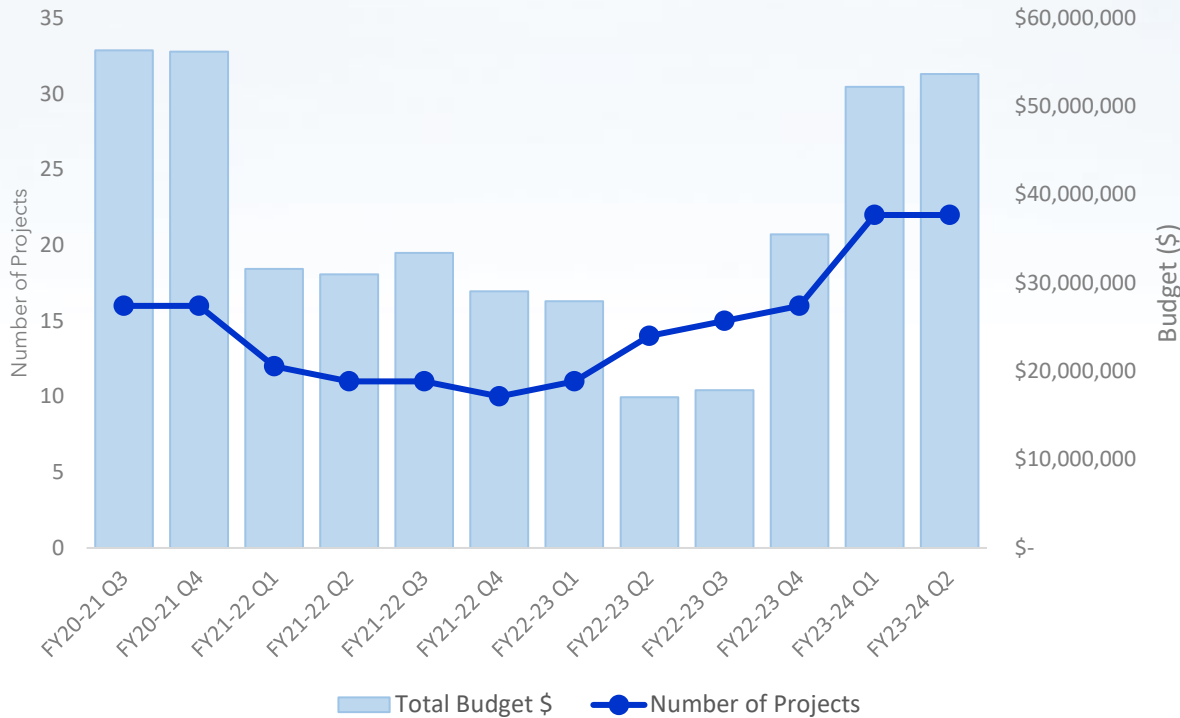


Key Accomplishments

Three projects, HCA’s Business Intelligence & Analytics and Electronic Health Records (EHR), and OCIT’s Shared Services Server Platform, were successfully completed in FY23-24 Q2.

IT Portfolio Size and Budget

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

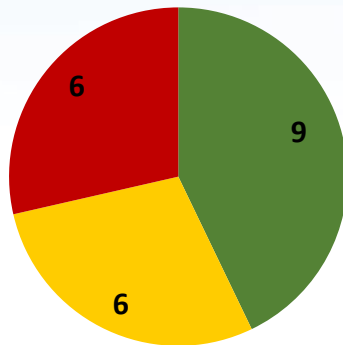


The chart above reflects projects that were active or completed during the reporting period. **Item 10, AOC Meeting 05/16/2024, Page 3 of 8**

Portfolio Performance

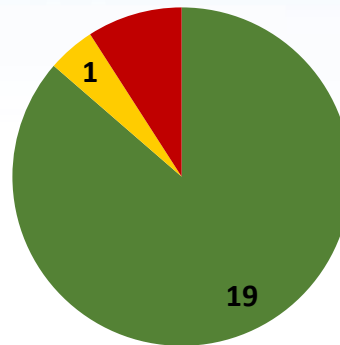
The charts below depict the County's IT project portfolio schedule and budget performance of the active and completed projects during the reporting period.

Schedule



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

Budget



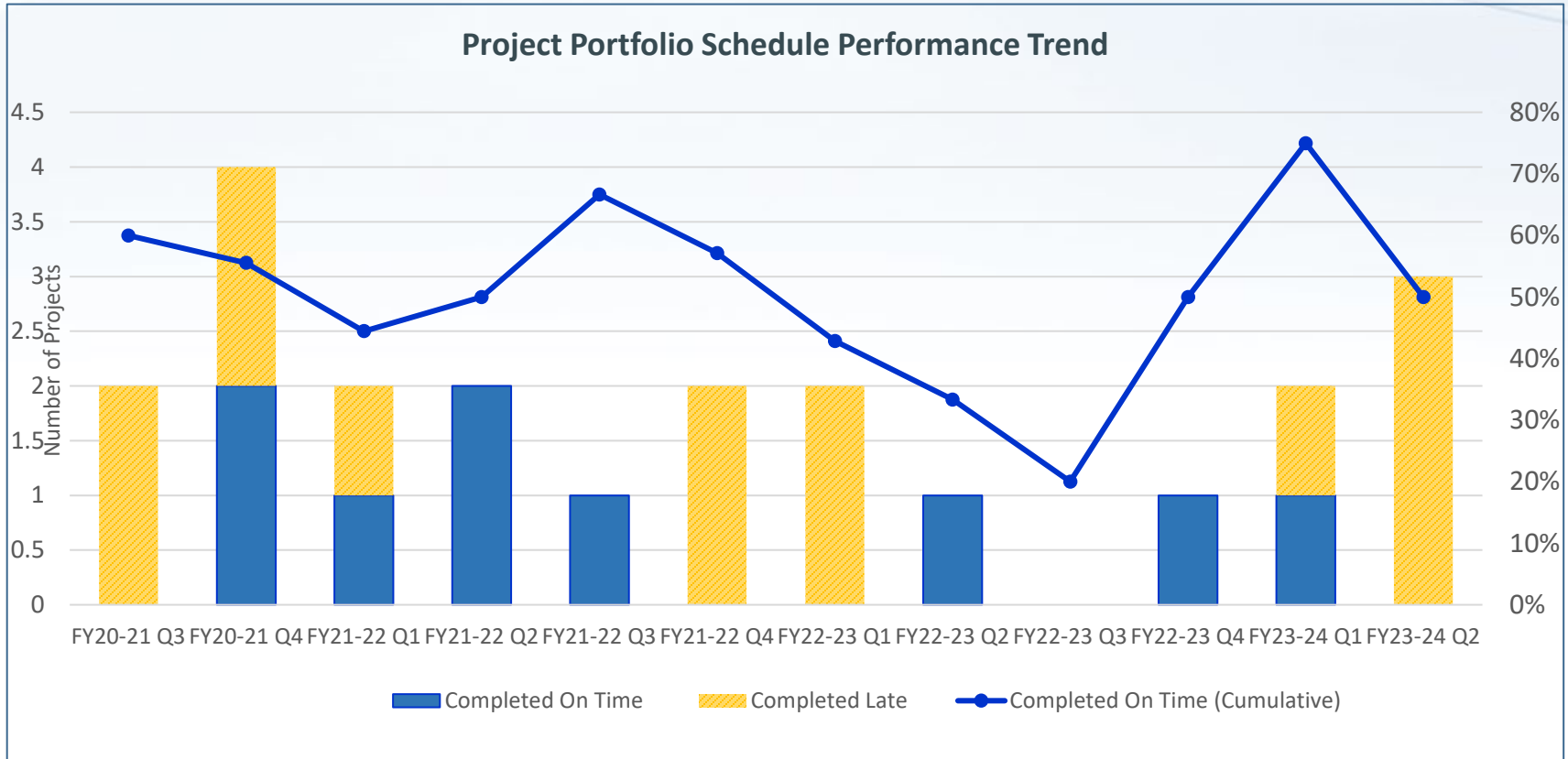
- On Budget
- At risk; 10% - 20% over budget
- Critical; >20% over budget

During this reporting period, 12 projects are experiencing schedule delays, and two projects exceed their original or rebaselined budgets.

Vendor, resource, and equipment availability and project dependencies are the primary contributors to project schedule delays. Budgets have been impacted by scope changes and increased equipment costs.

Portfolio Performance Trend

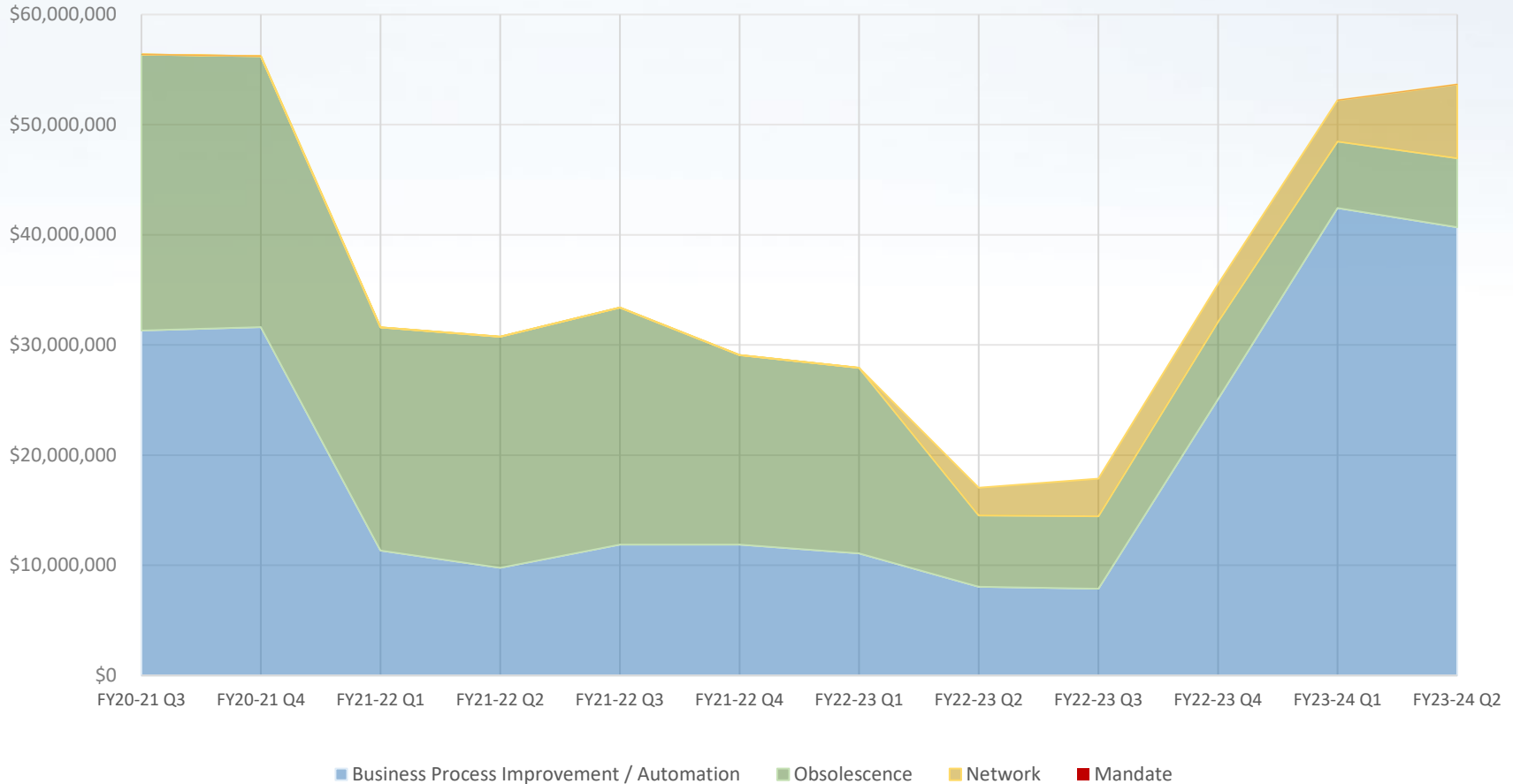
The chart below depicts the County’s IT project schedule performance trend for the projects that were completed over the last 12 quarters. The bars reflect the total number of projects completed in each quarter and the number completed on schedule. The line reflects the percentage of projects completed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



Project Investment Trends

Projects intended to improve or automate business processes account for 75.83% of the County's IT budget this quarter. Projects for replacing end-of-life or obsolete systems account for 11.7% of the budget. Network projects account for 12.47% of the budget.

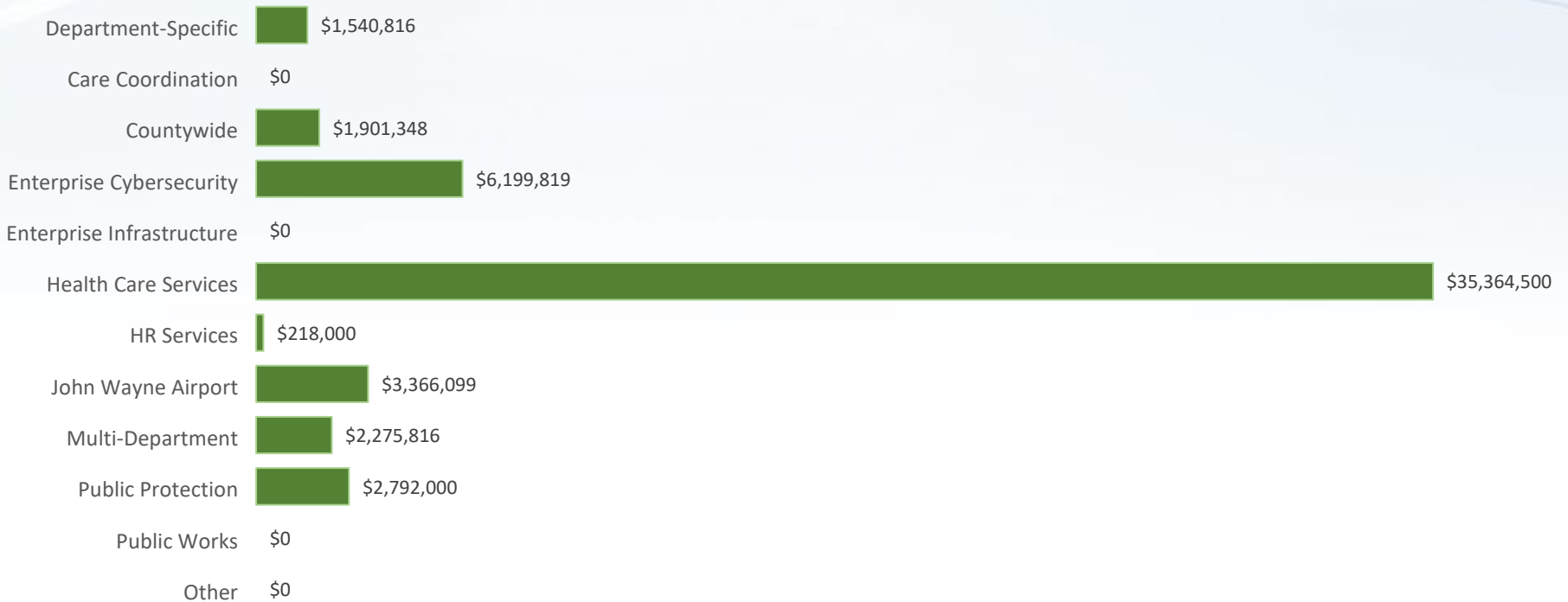
Investment by Business Justification



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 Multi-Department 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"> ✓ County Reimbursement System ✓ Integrated Talent Management System (ITMS) Performance Module | <ul style="list-style-type: none"> ✓ Electronic Health Records (EHR) Interoperability ✓ HCA Business Intelligence & Analytics ✓ Shared Services Server Platform | <ul style="list-style-type: none"> ■ eDiscovery Tool ■ HRS Onboarding ■ iConnect Lab Portal ■ IntraOC Site Design Refresh ■ OC Agenda ■ Zscaler Private Access – Phase 1 | <ul style="list-style-type: none"> ■ CHORUS ■ County Enterprise External Firewall Cluster Enhancements ■ County Enterprise Network Redundancy ■ JWA Baggage Handling System ■ Legacy Application Restoration ■ Web Property Tax Inquiry & Payment 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"> ■ Multi-Drug Resistant Organism (MDRO) Data Exchange ■ Qualtrics Call Center Analytics | <ul style="list-style-type: none"> ■ Access Control Conversion from Lenel to Genetec ■ Automated Jail System (AJS) ■ Employee Information Tracking System ■ Identity and Badge Data Integration ■ Mandated Reporter App | | | | | | |

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



Memorandum

May 16, 2024

AOC Agenda Item No. 11

TO: Audit Oversight Committee Members

Recommended Action:

Receive Update on Current IT Cybersecurity Landscape and how OCIT is Working with County Departments to Minimize Potential Threats

Receive Update on Current IT Cybersecurity Landscape and how OCIT is Working with County Departments to Minimize Potential Threats, as stated in recommended action.

ATTACHMENT(S):

Attachment A – The County Cybersecurity Landscape (Presentation)



The County Cybersecurity Landscape

County Collaboration to Minimize Potential Threats

Overview

- OCIT works continuously to improve and enhance the County's cybersecurity landscape
- Since the October 2023 cybersecurity incident, collaboration among OCIT and County agencies has increased significantly
- Acceptance and adoption of standardized solutions by additional agencies has strengthened the County's overall cybersecurity position

Established Initiatives

- Deployment of standardized remote access solution countywide
 - Phase 1 of Zero Trust strategy implementation
 - Zero Trust continuously monitors and validates that a user and their device have the right privileges and attributes
- Deployment of enhanced endpoint protection to County laptops, PCs, and servers by the end of FY 23-24
- Implementation of OCIT legacy application recovery system
 - Protects legacy applications at greater risk for a ransomware attack
 - Immutable backups taken daily
 - Backup servers and storage available to restore impacted systems

Established Initiatives

- New external firewalls implemented to enable significant security enhancements
 - Enhanced detection of malicious attacks using AI-based network traffic analysis
 - Ability to integrate with other systems to monitor for anomalies based on users and behaviors
 - Capabilities for threat detection and response by the Security Operations Center (SOC)
- County Cybersecurity Policy updated and published
 - Enhanced password and authentication requirements
 - Addition of compliance and verification requirements
 - References new, separate policies
 - County Internet of Things (IoT)
 - County Cloud Security

New Initiatives

- Launched after October 2023 cyber incident
 - Security monitoring for JWA, DA, Clerk Recorder, ROV, and Assessor will be centrally managed 24x7x365 by OCIT Security Operations Center (SOC) by end of FY 23-24
 - OCIT and CPO working to secure proactive agreements with select third-party technology and legal resources to provide assistance in the event of an incident
 - All third-party County service providers are now required to complete annual IT cybersecurity awareness training

Benefits to County

- Wider standardization of access and endpoint protection methods
- Increased proactive protections
 - Majority of County agencies now monitored by OCIT SOC 24x7x365
 - Third-party resources contracted to provide services in the event of an incident
 - Proactive protections potentially aid in lowering insurance premiums and increasing coverage
- Enhanced collaboration between agencies and OCIT enables a consistently secure environment