

A G E N D A



REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE

Thursday, August 22, 2024, 10:00 A.M.

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

DREW ATWATER

AOC CHAIR
Private Sector Member, First District

SUPERVISOR DONALD P. WAGNER

BOARD CHAIRMAN
Third District
Member

MICHELLE AGUIRRE

ACTING COUNTY EXECUTIVE
OFFICER
Member

MARK WILLE, 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

-
- | | |
|---|--|
| 1. Roll call | <i>Drew Atwater AOC Chair</i> |
| 2. Approve Audit Committee Regular Meeting Minutes of May 16, 2024 | <i>Drew Atwater AOC Chair</i> |
| 3. Receive Report on Required Communication from External Auditors | <i>David Showalter, 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 June 30, 2024 | <i>Aggie Alonso, CPA Director Internal Audit Department</i> |
| 5. Receive Report on Internal Audit Department's Independence | <i>Aggie Alonso, CPA Director Internal Audit Department</i> |
| 6. Receive Report on Internal Audit Department's Internal Quality Assessment 2024-25 | <i>Aggie Alonso, CPA Director Internal Audit Department</i> |
| 7. Approve External Audit Activity Status Report for the Quarter Ended June 30, 2024, and Receive Report on Status of External Audit Recommendations Implementation | <i>Michael Dean, CPA Assistant Deputy Director Internal Audit Department</i> |
| 8. Receive Report on Status of Auditor-Controller Mandated Audits for the Quarter June 30, 2024 | <i>Sal Lopez Chief Deputy Auditor-Controller</i> |
| 9. Receive Report on Status of Performance Audits for the Quarter Ended June 30, 2024 | <i>Lisa Fernandez Director Performance Management and Policy</i> |
| 10. Receive Report on eProcurement | <i>Andrew Hamilton, CPA Auditor-Controller</i> |
| 11. Receive Update on County IT Projects Quarterly Progress Report | <i>KC Roestenberg Chief Information Officer</i> |
| 12. Receive Update on Recent CrowdStrike Incident that Impacted Orange County Computer Systems | <i>KC Roestenberg Chief Information Officer</i> |
| 13. Receive Update on Single Audit from the Single Audit Corrective Action Sub-Committee | <i>Mark Wille, CPA Private Sector Member</i> |
-
-

A G E N D A

Speaker

PUBLIC COMMENTS: At this time, members of the public may address the AOC on any matter not on the agenda but within the jurisdiction of the AOC. The AOC may limit the length of time everyone may have to address the Committee.

Drew Atwater
AOC Chair

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

Drew Atwater
AOC Chair

ADJOURNMENT:

NEXT MEETING:

Regular Meeting, Thursday, November 7, 2024, 10:00 A.M.



Memorandum

August 22, 2024

AOC Agenda Item No. 2

TO: Audit Oversight Committee Members

Recommended Action:

Approve Audit Oversight Committee Regular Meeting Minutes of May 16, 2024

Approve Audit Oversight Committee Regular Meeting Minutes of May 16, 2024, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Summary Minutes for May 16, 2024 Meeting

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



REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE
ORANGE COUNTY, CA
Thursday, May 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

YVONNE ROWDEN
AOC VICE CHAIR
Private Sector Member, Fifth District

SUPERVISOR DONALD P. WAGNER
BOARD CHAIRMAN
Third District
Member

SUPERVISOR DOUG CHAFFEE
BOARD VICE CHAIRMAN
Fourth District
Member

FRANK KIM
COUNTY EXECUTIVE OFFICER
Member

TIM JOHNSON, CPA
Private Sector Member, Second District

MARK WILLE, CPA
Private Sector Member, Third 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

ATTENDANCE:

Patricia Welch-Foster, Proxy for Supervisor Wagner
Jesus Gaona Perez, Proxy for Supervisor Chaffee
Frank Kim, County Executive Officer – Not Present
Tim Johnson, Private Sector Member
Mark Wille, Private Sector Member
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 February 7, 2024

Mr. Atwater asked for a motion to approve the Audit Oversight Committee Regular Meeting Minutes of February 7, 2024.

Motion to approve the Regular Meeting Minutes of February 7, 2024, by Drew Atwater, seconded by Mark Wille.

All in favor.

Approved as recommended.

3. Receive Report on Required Communication from External Auditors

Mr. Roger Alfaro, Partner at Eide Bailly, discussed attachments reflecting Eide Bailly's status on audits in progress, as well as those recently completed for March 31, 2024. Mr. Alfaro reported a qualified opinion in their Fiscal Year (FY) 2023-24 Single Audit Report. Specifically, Eide Bailly's report on compliance for each major federal program included a qualified opinion for the Foster Care Title IV-E (93.658) Program as a result of not complying with required sub-recipient monitoring.

As a result, AOC Chair Drew Atwater appointed a sub-committee to ensure appropriate corrective action is taken to address the required federal sub-recipient monitoring. The sub-committee consists of two voting members: Mr. Mark Wille, and Mr. Tim Johnson, one non-voting member: Mr. Aggie Alonso, Chief Financial Officer: Michelle Aguirre, Social Services Agency Director: An Tran, Eide Bailly Partner: David Showalter, and County Counsel: Ronnie Magsaysay.

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

Mr. Aggie Alonso, Director of Internal Audit, presented the Quarterly Status Report and Executive Summary of Internal Audit Reports for the Quarter Ended March 31, 2024. Mr. Alonso reported that Internal Audit is projecting 15 audits to be carried forward to FY 2024-25 due to various factors including seven unplanned carryovers from the prior FY, unplanned staff leaves/vacancies, and unplanned assignments. Internal Audit is planning to outsource five audits and fill their four current vacancies.

At the request of the AOC, AOC Chair Drew Atwater, CFO Michelle Aguirre, and IAD Director Aggie Alonso will review IAD staffing and outsourcing options.

Motion to approve Internal Audit Department's Quarterly Status Report and approve Executive Summary of Internal Audit Reports for the Quarter Ended March 31, 2024, by Tim Johnson, seconded by Mark Wille.

All in favor.

Approved as recommended.

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

5. Approve the Internal Audit Department's Risk Assessment & Audit Plan for FY 2024-25

Mr. Aggie Alonso presented the Internal Audit Department's Annual Risk Assessment & Audit Plan for FY 2024-25. The Audit Plan includes 24 high-risk or high-priority audits.

Motion to approve Internal Audit Department's Risk Assessment & Audit Plan for FY 2024-25, by Mark Wille, seconded by Tim Johnson.

All in favor.

Approved as recommended.

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

Mr. Michael Dean, Assistant Deputy Director, presented the External Audit Activity Status Report for the Quarter Ended March 31, 2024. Mr. Dean reported one material issue noted in one external audit during the quarter. Specifically, the California Department of Child Support Services (CA DCSS), Office of Audits and Compliance (OAC), conducted a review of the Orange County Child Support Services' (CSS) DCSS CS 356 Administrative Expense Claim for the State Fiscal Year SFY 2019-20. The audit resulted in disallowed costs totaling \$830,424. Ms. Maria Arzola, CSS Director, reported that subsequent to the review, CSS worked closely with their County partners to implement a corrective action plan to ensure costs are appropriately claimed and charged to the Department. As a result of CSS's corrective action, Ms. Arzola reported they were not required to repay the \$830,424 in disallowed costs.

Motion to approve External Audit Status Reports for the Quarter Ended March 31, 2024, by Tim Johnson, seconded by Yvonne Rowden.

All in favor.

Approved as recommended.

7. Receive Reports on Status of Auditor-Controller Mandated Audits for the Quarters Ended March 31, 2024

Michael Steinhaus, Auditor-Controller Manager, reported that T-TC is in the process of implementing the recommendation for the one significant deficiency related to the Review of Schedule of Assets for the Quarter Ended 12/31/2020. As a result, Mr. Steinhaus recommended that the AOC request that the Auditor-Controller perform a third follow-up. The AOC agreed with the recommendation and asked that the Auditor-Controller to perform a third follow-up review to ensure corrective action was taken to implement the recommendation.

Motion to conduct a Third Follow-Up audit of Treasurer Tax-Collector accounting systems, by Mark Wille, seconded by Yvonne Rowden.

All in favor.

Approved as recommended.

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

8. Receive Reports on Status of Performance Audits for the Quarter Ended March 31, 2024

Ms. Lisa Fernandez, Director, provided updates on Performance Audits.

9. Receive Report on eProcurement

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

10. Receive Update on County IT Projects Quarterly Process Report

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

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

Mr. KC Roestenberg, provided an update on the current IT cybersecurity landscape.

PUBLIC COMMENTS: None.

AOC COMMENTS: Auditor Controller, Mr. Andrew Hamilton announced that Executive Management, JC Squires will be retiring after 10 ½ years with the County.

ADJOURNMENT: Meeting adjourned at 11:47 A.M.

NEXT MEETING:

Regular Meeting, Thursday, August 22, 2024 at 10:00 A.M.



Memorandum

August 22, 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 A2 – Projects and Timelines

Attachment B – Governance Letter



County of Orange Audit Oversight Committee

Date: August 22, 2024
Re: External Audit update

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

- 2) **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 | 6/30/2024 | Financial Statements of the County, including audit of investment trust funds, and pension/OPEB trust funds | April 2024 | May 2024 through November 2024 | December 2024 | Interim procedures under internal review |
| All | Agreed Upon Procedures (AUP) over GANN Limit calculations | 6/30/2024 | GANN Limit Calculation -for County and OC Flood Control District | April 2024 | May 2024 | December 2024 | Procedures performed under internal review |
| All | Single Audit | 6/30/2024 | Audit over compliance in accordance with Uniform Guidance of the County, including components of JWA, OCWR, OCDA | September 2024 | December 2024 through February 2025 | March 2025 | Planning follow up procedures for corrective action on FYE'23 findings for various County Departments |
| John Wayne Airport (JWA) | Financial Statement Audit | 6/30/2024 | John Wayne Airport (JWA), including Passenger Facility Charge | July 2024 | August 2024 through November 2024 | December 2024 | Planning procedures in progress |
| Orange County Waste & Recycling | Financial Statement Audit | 6/30/2024 | Orange County Waste & Recycling | July 2024 | August 2024 through November 2024 | December 2024 | Planning procedures in progress |
| OC Community Resources / Redevelopment Successor Agency | Financial Statement Audit | 6/30/2024 | Redevelopment Successor Agency | August 2024 | September 2024 through November 2024 | December 2024 | Planning procedures in progress |
| District Attorney | Grant Audits | 6/30/2024 | District Attorney Grant Audits | August 2024 | September 2024 | October 2024 | Planning procedures in progress |
| CEO; HCA and Sheriff's Department | Tobacco Settlement Funds Agreed Upon Procedures | 6/30/2024 | HCA and Sheriff Tobacco Settlement Funds disbursements | December 2024 | January 2025 through February 2025 | March 2025 | n/a |
| TTC | Schedule of Assets | 6/30/2024 | Report on the Schedule of Assets | January 2025 | January 2025 through February 2025 | March 2025 | n/a |
| Sheriff's Department | James Musick Expansion Phase II (AB 900) Agreed Upon Procedures | 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 | August 2024 | Completion procedures 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 | Completion procedures in progress |
| TTC | Schedule of Assets | 6/30/2023 | Report on the Schedule of Assets | January 2024 | February 2024 through March 2024 | August 2024 | Completion procedures in progress |



July 24, 2024

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

This letter is provided in connection with our engagement to audit the financial statements and to audit compliance over major federal award programs of the County of Orange as of and for the year ended June 30, 2024. Professional standards require that we communicate with you certain items including our responsibilities with regard to the financial statement audit, the compliance audit, and the planned scope and timing of our audits, including significant risks we have identified.

Our Responsibilities

As stated in our engagement letter dated May 30, 2024, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), *Government Auditing Standards* of the Comptroller General of the United States of America, the requirements of the Single Audit Act, as amended; and the provisions of the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), for the purpose of forming and expressing opinions on the financial statements and on major federal award program compliance. Our audits do not relieve you or management of your respective responsibilities.

Our responsibility as it relates to the schedule of expenditures of federal awards is to evaluate its presentation for the purpose of forming and expressing an opinion as to whether it is presented fairly in all material respects in relation to the financial statements as a whole.

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

As part of our audit of the County's basic financial statements, we have also been engaged to perform the following:

- Audit of the investment trust funds;
- Audit of the pension and other postemployment benefit trust funds;
- Agreed Upon Procedures (AUP) for the Section 8 Cluster;
- Audit of the stand-alone financial statements and passenger facility charge revenues of John Wayne Airport;
- Audit of the stand-alone financial statements of OC Waste & Recycling;
- Audit of the stand-alone financial statements of the Orange County Development Agency Successor Agency;
- AUP over the Tobacco Settlement Revenue;
- AUP over the Appropriations Limit Calculations for the County of Orange and the Orange County Flood Control District;
- Audit of the Treasurer's Schedule of Assets;
- Subsequent events review of CalOptima and OCERS.

Planned Scope of the Audit

Our audits will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our audit is designed to provide reasonable, but not absolute assurance about whether the financial statements as a whole are free of material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations. Because of this concept of reasonable assurance and because we will not examine all transactions, there is a risk that material misstatements may exist and not be detected by us.

Our audit procedures will also include determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the entity's major programs.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or material noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS, *Government Auditing Standards* of the Comptroller General of the United States of America, the requirements of the Single Audit Act, as amended; and the provisions of the Uniform Guidance.

Our audits will include obtaining an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements, the risk of material noncompliance in the major federal award programs, and as a basis for designing the nature, timing, and extent of further audit procedures, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control over financial reporting. However, we will communicate to you at the conclusion of our audit, any material weaknesses or significant deficiencies identified. We will also communicate to you:

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

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

- The potential for management override of internal control – Professional standards require auditors to address the possibility of management overriding controls.
- Revenue Recognition – the risk of overstating revenues in the financial statements is an inherent risk, whereby the County can record revenue when the recognition criteria have not been met.
- Significant Estimates – Professional standards require auditors to contemplate significant estimates as significant risks due to the judgmental nature of the assumptions to determine the potential impact those assumptions may have on the amounts reported for the estimates. We have currently identified the amounts reported related to the County’s pension plan, other post-employment benefit plans, claims liabilities, and landfill site closure/post-closure liabilities to be significant estimates.

The County’s financial statements include the financial statements of the Orange County Flood Control District (District), a blended component unit, and First 5 Orange County (Commission), a discretely presented component unit, which we consider to be significant components of the County’s financial statements. Consistent with the audit of the County’s financial statements as a whole, our audit will include obtaining an understanding of the District and Commission and their environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements of the District and Commission and to design the nature, timing, and extent of further procedures.

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

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

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

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

of the engagement. Our planned audit procedures with respect to the component units include required correspondence with the other auditor, obtaining and reading their auditor's report and the related financial statements, and other procedures as considered necessary. Our planned audit procedures with respect to the component units include obtaining an understanding of the component units and its environment, including internal control, sufficient to assess the risk of material misstatement of the financial statements of the component units and to design the nature, timing, and extent of further audit procedures.

We began our audit in May 2024 and expect to issue our report no later than December 20, 2024 for the financial statements, no later than March 31, 2025 for the Single Audit, and any remaining audits and AUP's by April 30, 2025.

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

Respectfully,

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

Laguna Hills, California



Memorandum

August 22, 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 June 30, 2024

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

August 12, 2024

To: Audit Oversight Committee Members

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

Digitally signed by Agripino
Alonso
Date: 2024.08.12 13:10:03 -07'00'

Subject: Fiscal Year 2023-24 Internal Audit Department Status Report for the Quarter Ended June 30, 2024

Attached for your review and approval is Internal Audit Department's status report on audit activity for the quarter ended June 30, 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 June 30, 2024, Internal Audit issued 12 final reports (four original reports and eight follow-up reports) and five draft reports. The four original audits included six Significant Control Weaknesses and 15 Control Findings.

If you have any questions, please contact me at (714) 834-5442 or Assistant Deputy Director Michael Dean at (714) 834-4101.

INTERNAL AUDIT DEPARTMENT
EXECUTIVE SUMMARY - FINDING TYPE CLASSIFICATION
FOR THE QUARTER ENDED JUNE 30, 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> | 6 | 11 |
| <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> | 15 | 30 |
| TOTAL | 21 | 41 |



EXECUTIVE SUMMARY
INTERNAL AUDIT REPORTS
FOR THE QUARTER ENDED JUNE 30, 2024

HEALTH CARE AGENCY**1. Internal Control Audit: Health Care Agency Environmental Health Division Cash Receipts**

Audit No. 2325 (2214) dated April 18, 2024 for the year ended December 31, 2022

| OBJECTIVES | RESULTS | CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS | CONTROL FINDINGS |
|--|--|--|---------------------|
| 1. Evaluate the effectiveness of internal control over the cash receipts process to ensure cash receipts are properly collected, recorded, deposited, and safeguarded. | We concluded HCA/EH should improve internal control over the cash receipts process to ensure cash receipts are properly collected, recorded, deposited, and safeguarded. | Three (3) Significant Control Weaknesses 1. Due to the sensitive nature of the finding, details have been redacted from this report. 2. HCA/EH does not have a formal documented review process to ensure cash receipts are adequately reviewed, include sufficient supporting documentation, and are approved timely. 3. HCA/EH does not ensure sufficient documentation is maintained to support the cash receipt amounts, or that appropriate supervisory review is performed and documented. | 7 |
| 2. Review the cash receipts process for efficiency. | We concluded the efficiency of HCA EH's cash receipts process could improve. | | |

OC COMMUNITY RESOURCES**2. Workforce Innovation and Opportunity Act (WIOA) Review of Concerns – FY 2020-21, 2021-22, 2022-23**

Audit No. 2398-A dated June 28, 2024

| OBJECTIVES | RESULTS | FINDINGS |
|--|--|--|
| 1. Ensure there was proper approval of Workforce and Economic Development Division (WEDD) budgets for FYs 2021-22 and 2022-23. | We concluded that WEDD, in partnership with Orange County Workforce Development Board (OCWDB), work with the Board of Supervisors (BOS) to update the MOU and/or the bylaws to clearly establish and define roles and responsibilities including those over the budgeting process to the extent required by law. | The MOU between the BOS and the County Workforce Investment Board (predecessor to the OCWDB) under the Workforce Investment Act (which was replaced by WIOA) has not been updated since 2002 and does not clearly define OCWDB's or WEDD's roles and responsibilities as it relates to the budget. Further, while OCWDB has written bylaws that document the purpose and functions of the OCWDB and include rules for meetings and duties of its board |



| OBJECTIVES | RESULTS | FINDINGS |
|--|---|--|
| | | <p>members, there is also no mention in the bylaws of OCWDB's responsibility as it relates to the budget. Since the responsibilities of OCWDB under WIOA §107(d)(12) is somewhat vague and open to interpretation, the OCWDB and WEDD would benefit from establishing and</p> <p>defining clear roles and responsibilities in the MOU and/or bylaws as it relates to the budget to the extent required by law.</p> |
| <p>2. Ensure employee timecard charges were appropriate for FYs 2021-22 and 2022-23.</p> | <p>We noted opportunities for OCCR management to further train OCCS-WEDD employees on consistently and appropriately charging WIOA Program and administrative job codes, ensuring shared costs are allocated using an appropriate cost allocation methodology based on actual conditions, and developing policies and procedures on the appropriate use of WIOA Program and administrative job codes.</p> | <ul style="list-style-type: none"> • Charges did not appear to be appropriate based on employee's job duties and responsibilities for two of the four employees tested. • Two employees were allocating their time incorrectly, one was based on an unallowable methodology (funding amounts) and the other allocated their time based on management's direction. • There was a lack of policies, procedures, and guidance related to charging time to the WIOA Program. In addition, charges appeared to be allocated based on budgeted estimates and not based on actual conditions for one employee. As a result, it appears as though employees were not charging time spent on WIOA appropriately. |



| | | |
|--|--|--|
| <p>3. Determine if external audits and reviews of WIOA for FYs 2020-21 and 2021-22 evaluated fiscal and program practices that covered the following concerns made by the former employee:</p> <ul style="list-style-type: none"> • Failure to provide support for programs and services • Failure to provide fiscal and program oversight as the Fiscal Agent • Failure to ensure fiscal integrity and accountability of expenditures • Lack of internal controls • Failure to maintain proper accounting records and adequate documentation | <p>Based on our evaluation of external audits during FYs 2020-21 and 2021-22, there is no coverage of all areas of concern that fell within the scope for Objective 3.</p> | <p>Although subrecipient review and use of funds appeared to be sufficient, there was minimal review of WEDD fiscal and program practices over WIOA.</p> |
|--|--|--|

AUDITOR-CONTROLLER

3. Information Technology Audit: CAPS+ Application Security Controls

Audit No. 2311 (2046) dated June 28, 2024 for the period of July 1, 2022 through June 30, 2023

| OBJECTIVES | RESULTS | CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS | CONTROL FINDINGS |
|---|--|--|---|
| <p>1. Account management and access control management provide reasonable assurance of proper user and privileged account administration.</p> | <p>Content has been removed from this report due to the sensitive nature of the specific findings.</p> | <p style="text-align: center;">0</p> | <p style="text-align: center;">4</p> |
| <p>2. Manage the security life cycle of in-house developed, hosted, or acquired software to prevent, detect, and remediate security weaknesses before they impact the enterprise.</p> | <p>Content has been removed from this report due to the sensitive nature of the specific findings.</p> | | |
| <p>3. Data recovery capabilities provide reasonable assurance enterprise assets can be restored to a pre-incident and trusted state.</p> | <p>Content has been removed from this report due to the sensitive nature of the specific findings.</p> | | |



CHILD SUPPORT SERVICES

4. Internal Control Audit: Child Support Services Cash Receipts

Audit No. 2306 dated June 28, 2024 for the period of October 1, 2022 through November 30, 2023

| OBJECTIVES | RESULTS | CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS | CONTROL FINDINGS |
|--|---|--|---------------------|
| 1. Evaluate the effectiveness of internal control over the cash receipts process to ensure cash receipts are properly collected, recorded, deposited, and safeguarded. | We concluded that CSS' internal control over the cash receipts process is generally effective to ensure cash receipts are properly collected, recorded, deposited, and safeguarded. | Three (3) Significant Control Weaknesses 1. Due to the sensitive nature of the finding, details have been redacted from this report. 2. We noted one instance where unredacted PII was included in the department's desk procedures. 3. Due to the sensitive nature of the finding, details have been redacted from this report. | 4 |
| 2. Review the cash receipts process for efficiency. | We concluded that CSS' cash receipts process is generally efficient. | | |

JOHN WAYNE AIRPORT

5. First & Final Close-Out Follow-Up Internal Control Audit: John Wayne Airport Cash Receipts

Audit No. 2116-F1 dated May 21, 2024 as of May 2, 2024; original audit dated June 19, 2023

| ORIGINAL AUDIT – 4 FINDINGS | | FOLLOW-UP STATUS | | PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS |
|--|---------------------|------------------------|-----------------------------------|---|
| CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS | CONTROL FINDINGS | IMPLEMENTED/ CLOSED | NOT IMPLEMENTED/ IN PROCESS | |
| 0 | 4 | 4 | 0 | N/A |



6. First Follow-Up Internal Control Audit: John Wayne Airport Cash Disbursements & Payables

Audit No. 2013-F1 dated June 10, 2024 as of March 31, 2024; original audit dated June 19, 2023

| ORIGINAL AUDIT – 1 FINDING | | FOLLOW-UP STATUS | | PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS |
|--|-----------------|------------------------|--------------------------------|--|
| CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS | CONTROL FINDING | IMPLEMENTED/ CLOSED | NOT IMPLEMENTED/ IN PROCESS | |
| 0 | 1 | 0 | 1 | Recommendation No. 1 JWA has implemented a process via OC Expediter to monitor the status of invoices. Although JWA follows this process, our review noted one (20%) of five invoices reviewed was not paid within 30 days and did not contain documentation justifying the delay. JWA will continue to strive towards processing invoices within 30 days. |

SHERIFF-CORONER**7. Third Follow-Up Information Technology Audit: Sheriff-Coroner Selected IT General Controls**

Audit No. 2259-H (Reference 1845-F3) dated June 6, 2024 as of May 31, 2024; original audit dated December 30, 2019

| ORIGINAL AUDIT – 7 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 | |
| 6 Six Significant Control Weaknesses Due to the sensitive nature of the findings, details have been redacted from this report. | 1 | 6 | 1 | Recommendation No. 2 (Significant Control Weaknesses) Due to the sensitive nature of the finding, details have been redacted from this report. |



COUNTY EXECUTIVE OFFICE

8. First & Final Close-Out Follow-Up Internal Control Audit: County Executive Office Special Revenue Fund 13Y

Audit No. 2018-F1 dated June 11, 2024 as of May 31, 2024; original audit dated September 21, 2023

| ORIGINAL AUDIT – 1 FINDING | | FOLLOW-UP STATUS | | PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS |
|--|-----------------|------------------------|--------------------------------|---|
| CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS | CONTROL FINDING | IMPLEMENTED/ CLOSED | NOT IMPLEMENTED/ IN PROCESS | |
| 0 | 1 | 1 | 0 | N/A |

DISTRICT ATTORNEY-PUBLIC ADMINISTRATOR

9. Second & Final Close-Out Follow-Up Information Technology Audit: District Attorney-Public Administrator Selected Cybersecurity Controls

Audit No. 2041-F2 dated June 12, 2024 as of May 31, 2024; original audit dated September 24, 2021

| ORIGINAL AUDIT – 11 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 | |
| 8 | 3 | 11 | 0 | N/A |
| <p>Three Critical Control Weakness Due to the sensitive nature of the findings, details have been redacted from this report.</p> <p>Five Significant Control Weaknesses Due to the sensitive nature of the findings, details have been redacted from this report.</p> | | | | |



PROBATION

10. First Follow-Up Information Technology Audit: Probation Selected Cybersecurity Controls

Audit No. 2043-F1 dated June 25, 2024 as of May 31, 2024; original audit dated March 3, 2023

| ORIGINAL AUDIT – 6 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 | |
| 6 | 0 | 5 | 1 | Recommendation No. 2 (Significant Control Weaknesses) Due to the sensitive nature of the finding, details have been redacted from this report. |
| One Critical Control Weakness Due to the sensitive nature of the findings, details have been redacted from this report. | | | | |
| Five Significant Control Weaknesses Due to the sensitive nature of the findings, details have been redacted from this report. | | | | |

OC COMMUNITY RESOURCES

11. First Follow-Up Internal Control Audit: OC Community Resources/OC Public Libraries Special Revenue Fund 120

Audit No. 2216-F1 dated June 27, 2024 as of June 24, 2024; original audit dated September 6, 2023

| ORIGINAL AUDIT – 3 FINDINGS | | FOLLOW-UP STATUS | | PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS |
|--|------------------|------------------------|--------------------------------|---|
| CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS | CONTROL FINDINGS | IMPLEMENTED/ CLOSED | NOT IMPLEMENTED/ IN PROCESS | |
| 1 | 2 | 2 | 1 | Recommendation No. 1 (Significant Control Weaknesses) Unredacted PII continues to be included in support documentation. Subsequent to our review, OCCR discontinued this practice and revised its procedure to reflect this change. |
| One Significant Control Weaknesses Personally Identifiable Information | | | | |



CLERK-RECORDER

12. First Follow-Up Information Technology Audit: Clerk-Recorder Selected Cybersecurity Controls

Audit No. 2151-F1 dated June 27, 2024 as of May 31, 2024; original audit dated September 28, 2023

| ORIGINAL AUDIT – 6 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 | |
| 4 | 2 | 2 | 4 | <p>Recommendations No. 1-4 (Significant Control Weaknesses) Due to the sensitive nature of the finding, 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 JUNE 30, 2024

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

1. **Internal Control Audit: Child Support Services Cash Receipts**, Audit No. 2306
2. **Information Technology Audit: CAPS+ Application Security Controls**, Audit No. 2311
3. **Internal Control Audit: Health Care Agency Purchasing & Contracts for Human Services**, Audit No. 2326 (2215)
4. **Internal Control Audit: OC Waste & Recycling Selected Credit Card Controls**, Audit No. 2321
5. **Internal Control Audit: Treasurer-Tax Collector Cash Receipts**, Audit No. 2301





**Internal Audit Department
4th Quarter Status Report for the Audit Oversight Committee
For the Quarter Ended 06/30/2024**

| 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 | Actuals to Date Per Quarter | | | | Est Remain | Budget Variance | | | | |
| | | | | | | | | | #1 | #2 | #3 | #4 | Total | | | | | |
| Internal Control Audits (ICA) | | | | | | | | | | | | | | | | | | |
| T-TC Cash Receipts | 2301 | 3/26/24 | | | | 440 | 160 | 600 | 0 | 8 | 173 | 432 | 613 | 0 | 13 | | In process. Pre-draft report issued 6/28/24. | |
| County Procurement Office -- Procurement Governance | 2302 | | | | | 480 | (480) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | Deferred to FY 24-25. Audit to be contracted out. | |
| OCCR/OC Parks/OC Dana Point Harbor P3 (2015) | 2303 | | | | | 480 | (480) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | Deferred to FY 24-25. Audit to be contracted out. | |
| OCCR Purchasing & Contracts (2120) | 2304 | 4/24/24 | | | | 480 | (220) | 260 | 18 | 0 | 57 | 188 | 263 | 0 | 3 | | In process. Included in FY 24-25 Audit Plan. | |
| A-C Employee Claims (2211) | 2305 | NA | NA | | | 480 | (480) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | Deferred to FY 24-25 | |
| CSS Cash Receipts (2217) | 2306 | 10/19/23 | 6/28/24 | | | 440 | 500 | 940 | 209 | 344 | 168 | 231 | 952 | 0 | 12 | | Completed. Final report issued 6/28/24. | |
| OCIT Data Governance (2220) | 2307 | NA | NA | | | 420 | (420) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | Deferred to FY 24-25 | |
| DA Payroll (time permitting) | 2318 | | | | | 0 | 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 | 0 | | Canceled due to decreased risk rating. | |
| OCWR Credit Card Processing (department request) | 2321 | 3/05/24 | | | | 420 | 540 | 960 | 0 | 0 | 407 | 563 | 970 | 0 | 10 | | In process. Pre-draft report issued 6/28/24. | |
| FY 22-23 Carryovers | | | | | | | | | | | | | | | | | | |
| OCDA Purchasing & Contracts (2213) | 2324 | 8/22/22 | 3/29/24 | 930 | 903 | 0 | 250 | 250 | 1 | 67 | 196 | 0 | 264 | 0 | 14 | 9/30/24 | 2213-F1 | Completed. Final report issued 3/29/24. |
| HCA/PG Cash Receipts (2214) | 2325 | 2/08/23 | 4/18/24 | 1,040 | 1079 | 0 | 400 | 400 | 319 | 45 | 55 | 4 | 423 | 0 | 23 | 10/31/24 | 2214-F1 | Completed. Final report issued 4/18/24. |
| HCA/PG Purchasing & Contracts (2215) | 2326 | 2/08/23 | | 1,240 | 1302 | 0 | 610 | 610 | 0 | 94 | 258 | 256 | 608 | 0 | (2) | | | In process. Pre-draft report issued 6/26/24. |
| CEO Payroll (2113) | 2327 | 10/19/21 | 10/10/23 | 500 | 516 | 0 | 20 | 20 | 20 | 4 | 0 | 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 | 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 | 0 | 3/31/24 | 2216-F1 | Completed. Final report issued 9/6/23. |
| First Follow-Up Audits | | | | | | | | | | | | | | | | | | |
| CEO Cash Disbursements & Payables (2012) | 2012-F1 | 10/23/23 | 12/28/23 | | | | | | 0 | 56 | 0 | 0 | 56 | | | NA | NA | Completed. Final close-out report issued 12/28/23. |
| JWA Cash Disbursements & Payables (2013) | 2013-F1 | 4/15/24 | 6/10/24 | | | | | | 0 | 0 | 1 | 19 | 20 | | | 12/31/24 | 2013-F2 | Completed. Final report issued 6/10/24; one rec in process |
| JWA Cash Receipts (2116) | 2116-F1 | 4/15/24 | 5/21/24 | | | | | | 0 | 0 | 4 | 50 | 54 | | | NA | NA | Completed. Final close-out report issued 5/21/24. |
| CEO Special Revenue Fund 13Y (2018) | 2018-F1 | 6/3/24 | 6/11/24 | | | | | | 0 | 0 | 0 | 12 | 12 | | | NA | NA | Completed. Final close-out report issued 6/11/24. |
| OCCR/OCPL Special Revenue Fund 120 (2216) | 2216-F1 | 4/15/24 | 6/27/24 | | | | | | 0 | 0 | 0 | 48 | 48 | | | 12/31/24 | 2216-F2 | Completed. Final report issued 6/27/24; one rec in process |
| Second & Third Follow-Up Audits | | | | | | | | | | | | | | | | | | |
| OCCR Cash Disbursements (2014/2139-H/2239-L) | 2014-F3 | NA | NA | | | | | | | | | | | | | | | Per AOC, 3rd follow-up audit not required. OCCR anticipates implementation in FY 24-25. |
| Total Internal Control Audits | | | | | | 4,080 | 155 | 4,235 | 572 | 674 | 1,324 | 1,932 | 4,312 | 0 | 77 | | | |
| Contract Compliance Audits (CCA) | | | | | | | | | | | | | | | | | | |
| OCWR - Contract Compliance Review (Board request) | 2320 | | | | | 400 | (400) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | Deferred to FY 24-25. 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 | 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 | 10 | 50 | 0 | 0 | 0 | 52 | 52 | 0 | 2 | | | In process. Included in FY 24-25 Audit Plan. |
| Total Contract Compliance Audits | | | | | | 440 | (380) | 60 | 10 | 0 | 0 | 52 | 62 | 0 | 2 | | | |
| Mandated & Financial Audits (MFA) | | | | | | | | | | | | | | | | | | |
| T-TC Tax Redemption Officer | 2322 | | | | | 480 | (480) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | Deferred to FY 24-25. Audit to be contracted out. |
| CEO - County Ethics Program | 2323 | | | | | 400 | (400) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | Deferred to FY 24-25. 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 | (480) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | Deferred to FY 24-25 |
| OCPW Cybersecurity | 2309 | | | | | 400 | (400) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | Deferred to FY 24-25 |
| OCSD Cybersecurity | 2310 | | | | | 480 | (480) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | Deferred to FY 24-25 |
| OCIT Remote Access Security (2152) | 2312 | | | | | 360 | (360) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | Deferred to FY 24-25 |
| OCIT Third-Party IT Security (2153) | 2313 | NA | NA | | | 480 | (480) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | NA | NA | Deferred to FY 24-25 |
| OCIT IOT Device Security (2243) | 2314 | 2/29/24 | | | | 400 | (260) | 140 | 0 | 0 | 92 | 44 | 136 | 0 | (4) | | | In process. Included in FY 24-25 Audit Plan. |
| T-TC Cybersecurity (2241) | 2316 | | | | | 480 | (480) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | Deferred to FY 24-25 |
| HCA Cybersecurity (2244) | 2317 | | | | | 400 | (400) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | Deferred to FY 24-25 |
| A-C Claims System Implementation Advisory (Department Request) | 2381 | 8/18/22 | 10/18/23 | 310 | 309 | 80 | 50 | 130 | 126 | 5 | 0 | 0 | 131 | 0 | 1 | NA | NA | Completed. |
| A-C Policies and Procedures | 2382 | | | | | 40 | (40) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | Deferred to FY 24-25 |
| OCIT Cybersecurity Joint Taskforce Advisory | 2383 | 7/01/23 | | | | 80 | 0 | 80 | 13 | 25 | 26 | 16 | 80 | 0 | 0 | | | Completed. |
| Information Technology Audits (ITA)(CON'T) | | | | | | | | | | | | | | | | | | |
| FY 22-23 Carryovers | | | | | | | | | | | | | | | | | | |
| A-C CAPS+ Application Security (2046) | 2311 | 5/23/23 | 6/28/24 | 690 | 694 | 240 | 390 | 630 | 253 | 41 | 97 | 237 | 628 | 0 | (2) | 12/31/2024 | 2046-F1 | Completed. Final report issued 6/28/24. |



**Internal Audit Department
4th Quarter Status Report for the Audit Oversight Committee
For the Quarter Ended 06/30/2024**

| Audit Category and Name ^{1,2,3} | Audit Number | Start Date | End Date | Multi-Yr Projects | | Budget | Changes | Revised Budget | Current Audit Plan | | | | | Est Remain | Budget Variance | FU Due | FU Number | Status ⁴ |
|--|--------------|------------|----------|-------------------|-----------------|---------------|----------------|----------------|--------------------|--------------|--------------|--------------|--------------|------------|-----------------|------------|-----------|--|
| | | | | Total Budget | Actuals To Date | | | | #1 | #2 | #3 | #4 | Total | | | | | |
| OCIT Enterprise IT Governance (2242) | 2315 | 6/15/23 | 3/28/24 | 420 | 436 | 240 | 150 | 390 | 226 | 123 | 59 | 0 | 408 | 0 | 18 | 9/30/2024 | 2242-F1 | 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 | 0 | 89 | 0 | (1) | 3/31/2024 | 2151-F1 | Completed. Final report issued 9/28/23. |
| First Follow-Up Audits | | | | | | 385 | 310 | 695 | 185 | 73 | 113 | 323 | 694 | 0 | (1) | | | |
| ROV Cybersecurity (2042) | 2042-F1 | 4/18/23 | 12/14/23 | | | | | | 163 | 18 | 0 | | 181 | | | 6/14/2024 | 2042-F2 | Completed. Final report issued 12/14/23; two recs in process |
| Probation Cybersecurity (2043) | 2043-F1 | 2/29/24 | 6/25/24 | | | | | | 0 | 0 | 31 | 49 | 80 | | | 12/31/2024 | 2043-F2 | Completed. Final report issued 6/25/24; one rec in process |
| C-R Cybersecurity (2151) | 2151-F1 | 5/29/24 | 6/27/24 | | | | | | 0 | 0 | 0 | 168 | 168 | | | 12/31/2024 | 2151-F2 | Completed. Final report issued 6/27/24; four recs in process |
| Second & Third Follow-Up Audits | | | | | | | | | | | | | | | | | | |
| DA Cybersecurity (2041) | 2041-F2 | 3/05/24 | 6/12/24 | | | | | | 0 | 0 | 13 | 62 | 75 | | | NA | NA | Completed. Final close-out report issued 6/12/24. |
| OCSD ITGC (1845/1949-D/2059-H) | 2259-H | 2/05/24 | 6/6/24 | | | | | | 2 | 0 | 17 | 44 | 63 | | | NA | NA | Completed. Final report issued 6/6/24; one rec in process |
| SSA Cybersecurity (1846) | 1846-F3 | 9/12/23 | 2/29/24 | | | | | | 20 | 55 | 52 | 0 | 127 | | | NA | NA | Completed. Final close-out report issued 2/29/24. |
| Total Information Technology Audits | | | | | | 4,545 | (2,390) | 2,155 | 892 | 340 | 500 | 943 | 2,166 | 0 | 11 | | | |
| Total Audits Before Other Activities & Administration | | | | | | 9,945 | (3,495) | 6,450 | 1,474 | 1,014 | 1,824 | 2,927 | 6,540 | 0 | 90 | | | |
| Other Activities & Administration | | | | | | | | | | | | | | | | | | |
| Annual Risk Assessment & Audit Plan | 2391 | | | | | 400 | (35) | 365 | 0 | 0 | 286 | 77 | 363 | 0 | (2) | | | Completed. |
| Cash Losses | 2392 | | | | | 80 | (80) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | Completed. |
| TeamMate+ Administration | 2393 | | | | | 80 | (20) | 60 | 49 | 7 | 1 | 2 | 59 | 0 | (1) | | | Completed. |
| External Audit Reporting | 2394 | | | | | 200 | (85) | 115 | 23 | 29 | 36 | 27 | 115 | 0 | 0 | | | Completed. |
| On-Demand Department Advisory Services | 2395 | | | | | 80 | (80) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | Completed. |
| Board & AOC Services | 2396 | | | | | 160 | 30 | 190 | 71 | 60 | 37 | 24 | 192 | 0 | 2 | | | Completed. |
| CWCAP | 2397 | | | | | 80 | 0 | 80 | 93 | 1 | 0 | 0 | 94 | 0 | 14 | | | Completed. Submitted to A-C |
| Special Projects | 2398 | | | | | 400 | 900 | 1,300 | 148 | 651 | 371 | 122 | 1,292 | 0 | (8) | | | Completed. 2398-A WIOA Review final report issued 6/28/24. |
| Total Other Activities & Administration | | | | | | 1,480 | 630 | 2,110 | 384 | 748 | 731 | 252 | 2,115 | 0 | 5 | | | |
| Reserve for Board Directives/Contingency | | | | | | 1,625 | (1,625) | 0 | | | | | | 0 | 0 | | | |
| Total Budget | | | | | | 13,050 | (4,490) | 8,560 | 1,858 | 1,762 | 2,555 | 3,179 | 8,655 | 0 | 95 | | | |

Footnote 5



**Internal Audit Department
4th Quarter Status Report for the Audit Oversight Committee
For the Quarter Ended 06/30/2024**

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

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

August 22, 2024

AOC Agenda Item No. 5

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Internal Audit Department's Independence

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

ATTACHMENT(S):

Attachment A – Report on Internal Audit Department's Independence

INTERNAL AUDIT DEPARTMENT

August 6, 2024

To: Audit Oversight Committee Members

From: Aggie Alonso, CPA, CIA, CRMA
Internal Audit Department DirectorDigitally signed by
Agripino Alonso
Date: 2024.08.06 06:50:51
-07'00'Subject: Report on Internal Audit Department's Independence

The International Standards for the Professional Practice of Internal Auditing (Standards) of the Institute of Internal Auditors requires that the chief audit executive confirm to the Board, at least annually, the organizational independence of the internal audit activity (Standard 1110).

To that end, this memo serves to confirm that for the period of July 1, 2023 through June 30, 2024, the Internal Audit Department's internal audit activity has been free from interference in determining the scope of internal auditing, performing work, and communicating results. For example, during this period, the Board of Supervisors and Audit Oversight Committee approved the Annual Risk Assessment & Audit Plan for FY 2024-25, appropriately received communications from the chief audit executive regarding the internal audit activity's performance relative to its plan and other matters, and made appropriate inquires of management and the chief audit executive to determine whether there were inappropriate scope or resource limitations.

This report on independence will also be presented to the Board of Supervisors at its September 24, 2024 meeting.



Memorandum

August 22, 2024

AOC Agenda Item No. 6

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Internal Audit Department's Internal Assessment 2023-24

Receive Report on Internal Audit Department's Internal Assessment 2023-24, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Internal Audit Department Internal Assessment Memo

Attachment B – Internal Quality Assessment



INTERNAL AUDIT DEPARTMENT

August 8, 2024

To: Audit Oversight Committee Members

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

Digitally signed by
Agripino Alonso
Date: 2024.08.08 10:18:49
-07'00'

Subject: Internal Audit Department – Internal Assessment

The Internal Audit Department (IAD) adheres to the mandatory guidance issued by the Institute of Internal Auditors (IIA), including the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (Standards). Under the Standards, an internal assessment of the internal audit activity must be conducted annually. Internal assessments include periodic self-assessments, and ongoing monitoring of the performance of the internal audit activity.

In July 2024, IAD conducted a comprehensive self-assessment (attached). IAD concluded that we “generally conform” with all 11 major categories, all 41 sub-categories, and the IIA’s Code of Ethics, which is the highest level of conformance possible. In addition to the self-assessment, throughout Fiscal Year 2023-24, IAD performed ongoing continuous monitoring throughout each of their reviews including ensuring robust and standardized engagement planning and supervision, working practices, workpaper procedures and signoffs, and report reviews. For every engagement, IAD assigns a Senior Audit Manager to oversee every audit to ensure adherence to the Standards. The Senior Audit Manager approves the work program and scope before starting fieldwork. IAD also utilizes quality assurance checklists throughout each phase of every audit which covers planning, scope, objectives, resource allocation, work program, supervision requirements, and communicating and disseminating audit results.

This Internal Assessment will also be presented to the Board of Supervisors at its September 24, 2024 meeting. If you have any questions, please contact me at (714) 834-5442 or Assistant Deputy Director Michael Dean at (714) 834-4101.

Attachment



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|--|--------------------|--|
| 1 | 1000 | <p>Purpose, Authority, and Responsibility The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.</p> | Generally Conforms | IAD's Audit Charter defines the purpose, authority, responsibility, and independence requirements of the internal audit activity. The Audit Charter is reviewed annually by the IAD Director/Chief Audit Executive (CAE). Both the Audit Oversight Committee (AOC) and the Board of Supervisors (Board) reviewed and approved the Audit Charter and it was officially adopted by the Board on February 26, 2019. |
| 2 | 1000.A1 | The nature of assurance services provided to the organization must be defined in the internal audit charter. If assurances are to be provided to parties outside the organization, the nature of these assurances must also be defined in the internal charter. | Generally Conforms | IAD's Audit Charter defines the purpose, authority, responsibility, and independence requirements of the internal audit activity, including the nature of assurance services provided to the organization. |
| 3 | 1000.C1 | The nature of consulting services must be defined in the internal audit charter. | Generally Conforms | IAD's Audit Charter states that IAD provides business and financial consulting services to the Board and County management to assist in the realization of their business goals and objectives. |
| 4 | 1010 | <p>Recognizing Mandatory Guidance in the Internal Audit Charter The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing must be recognized in the internal audit charter. The chief audit executive should discuss the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework with senior management and the board.</p> | Generally Conforms | IAD's Audit Charter recognizes the mandatory nature of the Code of Ethics, the Standards, and the Definition of Internal Auditing. |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|---|--------------------|---|
| 5 | 1100 | <p>Independence and Objectivity The internal audit activity must be independent, and internal auditors must be objective in performing their work.</p> | Generally Conforms | The CAE reports directly to the five elected Board members and functionally to the AOC. Both the Board and the AOC approve IAD's audit charter, and annual risk-based audit plan. The CAE communicates directly with Board Offices and the AOC Chair and Vice Chair and meets with them at least quarterly, or more frequently as needed. |
| 6 | 1110 | <p>Organizational Independence The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.</p> | Generally Conforms | The CAE reports directly to the Board, which the highest-level body charged with governance. The CAE annually confirms the internal audit function's organizational independence the Board. |
| 7 | 1110.A1 | The internal audit activity must be free from interference in determining the scope of internal auditing, performing the work, and communicating results. The chief audit executive must disclose such interference to the board and discuss the implications. | Generally Conforms | On an annual basis, the CAE confirms the organizational independence to both the AOC and the Board. The most recent report on IAD's Independence presented to the AOC on July 10, 2023 and to the Board on September 26, 2023, indicated that for the period of July 1, 2022 through June 30, 2023, the IAD's internal audit activity was free from interference in determining the scope of internal auditing, performing the work, and communicating the results. |
| 8 | 1111 | <p>Direct Interaction with the Board The chief audit executive must communicate and interact directly with the board.</p> | Generally Conforms | <p>The CAE submits quarterly status reports on audit activity for the preceding quarters to the Board for their approval at their public meetings. The status reports include a summary of audits and follow-up audits conducted during the reporting period, a detailed description of the audit scope, findings and recommendations categorized by critical, significant, or control, as well as a copy of each of the audit reports issued.</p> <p>The CAE also meets quarterly with the AOC and each of the Board Offices, and at least twice each quarter with the AOC Chair and Vice Chair.</p> |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|---|--------------------|--|
| 9 | 1112 | Chief Audit Executive Roles Beyond Internal Auditing Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity. | Generally Conforms | IAD provides advisory services when requested from client departments. The CAE ensures independence and objectivity by ensuring auditors do not audit areas where advisory services were previously provided. |
| 10 | 1120 | Individual Objectivity Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest. | Generally Conforms | IAD has an Independence Policy that all new auditors sign upon the beginning of employment. All auditors also sign an Independence Policy Statement annually. In addition, audit managers are required to file Form 700 each year to disclose conflicts of interest. Lastly, as part of the audit planning process, auditors confirm that they have no impairments to independence to conduct the audit. |
| 11 | 1130 | Impairment to Independence or Objectivity If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment. | Generally Conforms | See 1120 above. |
| 12 | 1130.A1 | Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year. | Generally Conforms | IAD auditors do not have any operating responsibilities and may not audit any activity they were responsible for within the previous year. As part of the audit planning process, auditors confirm that they have no impairments to independence to conduct the audit. This is documented in the audit planning memo. |
| 13 | 1130.A2 | Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity. | Generally Conforms | The CAE is not responsible for any functions outside of internal auditing. External Quality Assessments of IAD's internal audit activity are done by an external firm. |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|---|--------------------|--|
| 14 | 1130.A3 | The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement. | Generally Conforms | Assurance services would only be provided if the nature of previous consulting work did not impair objectivity and IAD would manage any potential individual objectivity when assigning resources to the assurance engagement. |
| 15 | 1130.C1 | Internal auditors may provide consulting services relating to operations for which they had previous responsibilities. | Generally Conforms | See 1130.A3 above. |
| 16 | 1130.C2 | If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement. | Generally Conforms | As part of IAD's engagement planning process, auditors confirm that they have no impairments to independence. If an impairment exists as part of a consulting/advisory engagement, it would be disclosed to the client. |
| 17 | 1200 | Proficiency and Due Professional Care Engagements must be performed with proficiency and due professional care. | Generally Conforms | All IAD auditors are evaluated annually and surveys are sent to clients upon the completion of each audit. IAD has all levels of staff ranging from Senior Internal Auditors to Assistant Director. Currently, IAD has 10 professional audit staff who each possess a college degree. In addition, three staff have a CPA license, and several staff have multiple professional designations (e.g., CIA, CISA, CFE). Each staff member is also a participant in at least one professional organization (e.g., AICPA, IIA, ISACA). |
| 18 | 1210 | Proficiency Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities. | Generally Conforms | See 1200 above. |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|---|--------------------|---|
| 19 | 1210.A1 | The chief audit executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement. | Generally Conforms | IAD has the ability to contract with accounting firms to accomplish tasks where audit staff do not possess the necessary expertise. |
| 20 | 1210.A2 | Internal auditors must have sufficient knowledge to evaluate risk of fraud and the manner in which it is managed by the organization, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud. | Generally Conforms | County Counsel is responsible for the administration of the County's fraud, waste, and abuse hotline. On occasion, County Counsel may refer financial fraud allegations to A-C and IAD for investigation. One IAD auditor holds the Certified Fraud Examiner (CFE) designation. |
| 21 | 1210.A3 | Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing. | Generally Conforms | IAD continues to grow the IT audit function and has a total of four auditors who are Certified Information Systems Auditors (CISA). In addition, one IAD audit manager is a Certified Ethical Hacker. |
| 22 | 1210.C1 | The chief audit executive must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement. | Generally Conforms | IAD has the ability to contract with accounting firms to accomplish tasks where audit staff do not possess the necessary expertise. |
| 23 | 1220 | Due Professional Care Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility. | Generally Conforms | See 1220.A1 below. |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|---|--------------------|--|
| 24 | 1220.A1 | <p>Internal auditors must exercise due professional care by considering the:</p> <ul style="list-style-type: none"> • Extent of work needed to achieve the engagement's objectives. • Relative complexity, materiality, or significance of matters to which assurance procedures are applied. • Adequacy and effectiveness of governance, risk management, and control processes. • Probability of significant errors, fraud, or noncompliance. • Cost of assurance in relation to potential benefits. | Generally Conforms | <p>The following are ways IAD exercises due professional care for each engagement:</p> <ul style="list-style-type: none"> • Auditors with the appropriate knowledge and skills are assigned to each audit. • Planning meetings are held with audit staff to discuss the engagement's objectives and entity's risks. • We utilize standardized audit programs. • A Senior Audit Manager (at a minimum) is assigned to all audits to ensure adherence to the Standards, and that due professional care is consistently exercised. • CAE approves the engagement objectives and scope of work before work is performed. • In-charge auditors have periodic meetings with their Audit Managers to discuss job status, findings, achievement of objectives, and any obstacles in achieving the objectives. • Time budgets for each project are established and monitored. Time budgets provide audit staff with a perspective on the amount of time and emphasis that should be spent in reviewing a particular area (cost vs. benefit). • For each audit engagement, we identify the relative complexity, materiality, and significance by providing background information on the volume and dollar amounts of transactions under audit. • During the planning stage of the audit, auditors identify and document all potential risks associated with fraud or non-compliance within the audited area or process. • We review departmental budgets, websites, prior audit reports, etc. that discuss governance, goals, objectives, and challenges or risks that the entities face. |
| 25 | 1220.A2 | <p>In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.</p> | Generally Conforms | <p>IAD uses TeamMate+ (audit software) to manage the audit process, including workpaper storage, engagement tracking, and data analytics. We utilize the TeamMate analytics module for data mining and to detect anomalies and irregularities.</p> |
| 26 | 1220.A3 | <p>Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.</p> | Generally Conforms | <p>During the audit planning phase, IAD applies significant effort to identify potential risks associated with the audited area. This is documented in the audit planning memo.</p> |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|--|--------------------|--|
| 27 | 1220.C1 | <p>Internal auditors must exercise due professional care during a consulting engagement by considering the:</p> <ul style="list-style-type: none"> • Needs and expectations of clients, including the nature, timing, and communication of engagement results. • Relative complexity and extent of work needed to achieve the engagement's objectives. • Cost of the consulting engagement in relation to potential benefits. | Generally Conforms | When performing advisory engagements, IAD considers the client's needs and expectations, the complexity and extent of the work necessary to meet the objectives, and the cost/benefit of performing the engagement. |
| 28 | 1230 | <p>Continuing Professional Development Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.</p> | Generally Conforms | Regardless of the number of professional certifications obtained by IAD auditors, everyone is granted 60 hours of Continuing Professional Education (CPE) every year. In addition, the County has an annual education reimbursement budget of \$10,000 per employee for training. Every year, IAD auditors take various CPE courses on auditing, accounting, information technology, fraud, ethics, etc. |
| 29 | 1300 | <p>Quality Assurance and Improvement Program The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.</p> | Generally Conforms | IAD maintains a quality assurance and improvement program that covers all aspects of the internal audit activity and covers both internal and external assessments. |
| 30 | 1310 | <p>Requirements of the Quality Assurance and Improvement Program The quality assurance and improvement program must include both internal and external assessments.</p> | Generally Conforms | See 1300 above. |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|---|--------------------|--|
| 31 | 1311 | <p>Internal Assessments Internal Assessment must include:</p> <ul style="list-style-type: none"> • Ongoing monitoring of the performance of the internal audit activity. • Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices. | Generally Conforms | <p>Internal assessments include ongoing monitoring of the internal audit activity by:</p> <ul style="list-style-type: none"> • Assigning a Senior Audit Manager to oversee every audit to ensure adherence to the Standards. The Senior Audit Manager approves the audit program and audit scope prior to commencement of work. • Preparing an audit checklist for each audit, which covers planning, objectives, scope, resource allocation, work program, performance, identifying information, analysis and evaluation, documentation, supervision, and communicating and disseminating results. • A self-assessment was completed by the IAD ADD in July 2024. The self-assessment indicated general conformance with 100% of the Standards. The CAE will present the results to the AOC and Board. |
| 32 | 1312 | <p>External Assessments External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive must discuss with the board:</p> <ul style="list-style-type: none"> • The form and frequency of external assessment. • The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest. | Generally Conforms | <p>IAD was established in July 2018 and our first external assessment conducted during Fiscal Year 2022-23. The external assessment concluded that we generally conformed to all the Standards.</p> |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|--|--------------------|---|
| 33 | 1320 | <p>Reporting on the Quality Assurance and Improvement Program The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board. Disclosure should include:</p> <ul style="list-style-type: none"> • The scope and frequency of both the internal and external assessments. • The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest. • Conclusions of assessors. • Corrective action plans. | Generally Conforms | <p>The results of our external assessment performed in FY 2022-23 was reported to the AOC and Board.</p> <p>The CAE will report the results of our annual internal assessment to the AOC and Board upon completion.</p> |
| 34 | 1321 | <p>Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing" Indicating that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing is appropriate only if supported by the results of the quality assurance and improvement program.</p> | Generally Conforms | IAD uses the statement "Conforms with the International Standards for the Professional Practice of Internal Auditing" in our audit reports. IAD started using the statement after receiving a "generally conforms" in their FY 2022-23 External Quality Assessment. |
| 35 | 1322 | <p>Disclosure of Nonconformance When nonconformance with the Code of Ethics or the Standards impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the nonconformance and the impact to senior management and the board.</p> | Generally Conforms | IAD is not aware of any instances of non-compliance with the Standards or the Code of Ethics. |
| 36 | 2000 | <p>Managing the Internal Audit Activity The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.</p> | Generally Conforms | Client surveys support that the internal audit activity adds value to the organization. In addition, both internal self-assessments and external assessments are conducted. |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|--|--------------------|--|
| 37 | 2010 | <p>Planning</p> <p>The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.</p> | Generally Conforms | IAD performs an annual risk assessment for purposes of developing the annual audit plan. It consists of a general risk assessment for critical business processes common throughout the County, such as cash receipts and disbursements, receivables and payables, purchasing and contracts, payroll, and a separate risk assessment for information technology. |
| 38 | 2010.A1 | The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process. | Generally Conforms | See 2010 above and 2010.A2 below. |
| 39 | 2010.A2 | The chief audit executive must identify and consider the expectations of senior management, the board, and other stakeholders for internal audit opinions and other conclusions. | Generally Conforms | As part of our annual risk assessment, we correspond with the Board, AOC, CEO, and departments/agencies to consider their expectations, including obtaining their input on risks affecting the County. |
| 40 | 2010.C1 | The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations. Accepted engagements must be included in the plan. | Generally Conforms | As part of our annual audit plan development, we solicit requests for audits or advisory services/consulting engagements from our clients. We consider these requests and include them in our annual audit plan, if appropriate. |
| 41 | 2020 | <p>Communication and Approval</p> <p>The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.</p> | Generally Conforms | <p>The Board and AOC approve IAD's annual risk assessment and audit plan. In addition, the Board and AOC approve IAD's quarterly status report of all the audit and follow-up reports issued during the previous quarter.</p> <p>The IAD Director communicates the impact of resource limitations, staff vacancies, etc. to the Board and AOC, when warranted.</p> |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|--|--------------------|--|
| 42 | 2030 | <p>Resource Management</p> <p>The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.</p> | Generally Conforms | IAD has an annual audit plan detailing the planned audit activities for the year based on audit resources. In addition, detailed quarterly status reports are provided to the AOC, which include individual audit budgets and actual hours charged, as well as any changes to our annual audit plan. |
| 43 | 2040 | <p>Policies and Procedures</p> <p>The chief audit executive must establish policies and procedures to guide the internal audit activity.</p> | Generally Conforms | IAD maintains an Audit Manual that is on our network and accessible to all staff. The manual contains policy and procedures related to operations, audit procedures and tools, staff development, conducting audits, professional standards, etc. |
| 44 | 2050 | <p>Coordination and Reliance</p> <p>The chief audit executive should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.</p> | Generally Conforms | IAD provides the external auditor our annual audit plan and we meet with the external auditor at least quarterly to discuss our audits, identify opportunities to leverage our audits to minimize the work performed by the external auditor, and ensure there is no duplication of effort. IAD also monitors all external audit activity for the County, and prepares a quarterly status report of external audit activity, which is presented at each AOC meeting. In addition, IAD regularly meets with CEO Performance Audit to ensure coordination of audit coverage. |
| 45 | 2060 | <p>Reporting to Senior Management and the Board</p> <p>The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and/or the board.</p> | Generally Conforms | See 2020 above. |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|--|--------------------|--|
| 46 | 2070 | <p>External Service Provider and Organizational Responsibility for Internal Auditing When an external service provider serves as the internal audit activity, the provider must make the organization aware that the organization has the responsibility for maintaining an effective internal audit activity.</p> | N/A | N/A |
| 47 | 2100 | <p>Nature of Work The internal audit activity must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.</p> | Generally Conforms | IAD utilizes a systematic, disciplined, and risk-based approach to guide all of their audit activity and contribute to the improvement of the organization's processes. |
| 48 | 2110 | <p>Governance The internal audit activity must assess and make appropriate recommendations to improve the organization's governance processes for:</p> <ul style="list-style-type: none"> • Making strategic and operational decisions. • Overseeing risk management and control. • Promoting appropriate ethics and values within the organization. • Ensuring effective organizational performance management and accountability. • Communicating risk and control information to appropriate areas of the organization. • Coordinating the activities of, and communicating information among, the board, external and internal auditors, other assurance providers, and management. | Generally Conforms | In FY 2023-24, IAD performed an audit of OCIT Enterprise Governance. In FY 2024-25, IAD has two planned governance audits: OCIT Data Governance and County Procurement Governance. |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|---|--------------------|--|
| 49 | 2110.A1 | The internal audit activity must evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities. | Generally Conforms | IAD has included an audit of the County Ethics Program in our FY 2024-25 in our Audit Plan. |
| 50 | 2110.A2 | The internal audit activity must assess whether the information technology governance of the organization supports the organization's strategies and objectives. | Generally Conforms | See 2110 above. |
| 51 | 2120 | Risk Management The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes. | Generally Conforms | As part of our internal control audits, IAD reviews the efficiency and effectiveness of the business process under audit. |
| 52 | 2120.A1 | The internal audit activity must evaluate risk exposures relating to the organization's governance, operations, and information systems regarding the: <ul style="list-style-type: none"> • Achievement of the organization's strategic objectives. • Reliability and integrity of financial and operational information. • Effectiveness and efficiency of operations and programs. • Safeguarding of assets. • Compliance with laws, regulations, policies, procedures, and contracts. | Generally Conforms | Depending upon the type and scope of audit (e.g., information technology, internal control, compliance), risks are identified, along with determining whether adequate controls are in place to address these risks. We also conduct an engagement risk assessment during each audit to obtain information on risk exposures and compliance issues. Audit objectives concerning these areas are identified in our audit reports. IAD does not conduct performance audits. The CEO handles the performance audit function for the County. |
| 53 | 2120.A2 | The internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk. | Generally Conforms | For each engagement, IAD identifies risks, including fraud risks, along with determining whether adequate controls are in place to address these risks. |
| 54 | 2120.C1 | During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks. | Generally Conforms | For all advisory engagements, IAD addresses risk consistent with the engagement's objectives. |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|--|--------------------|---|
| 55 | 2120.C2 | Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organization's risk management processes. | Generally Conforms | All knowledge gained in relation to risk is utilized in assessing an organization's risk management processes. |
| 56 | 2120.C3 | When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks. | Generally Conforms | For all advisory engagements, IAD ensures they do not take on the role of management. |
| 57 | 2130 | <p>Control</p> <p>The internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.</p> | Generally Conforms | <p>For each engagement, IAD identifies risks, and determines whether adequate controls are in place to address the risks. We make recommendations to improve or enhance existing processes and controls, and to make business processes more effective and efficient. We distribute all audit reports to the Board, AOC, Department Director, and the CEO.</p> <p>During Fiscal Year 2021-22, IAD developed and rolled out an Internal Control Training Program that covers COSO, information technology, cash receipts and disbursements, receivables and payables, purchasing and contracts, payroll, fiduciary funds, and revolving funds.</p> |
| 58 | 2130.A1 | <p>The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organization's governance, operations, and information systems regarding the:</p> <ul style="list-style-type: none"> • Achievement of the organization's strategic objectives. • Reliability and integrity of financial and operational information. • Effectiveness and efficiency of operations and programs. • Safeguarding of assets. • Compliance with laws, regulations, policies, procedures, and contracts. | Generally Conforms | See 2130 above. |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|--|--------------------|---|
| 59 | 2130.C1 | Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organization's control processes. | Generally Conforms | See 2130 above. |
| 60 | 2200 | Engagement Planning Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organization's strategies, objectives, and risks relevant to the engagement. | Generally Conforms | IAD Senior Audit Managers reviewed workpapers for four audits (CSS Cash Receipts, HCA Cash Receipts, A-C CAPS+ Application Security, and OCIT Enterprise Governance) and evaluated compliance with Standards 2200 through 2421. |
| 61 | 2201 | Planning Considerations In planning the engagement, internal auditors must consider: <ul style="list-style-type: none"> • The strategies and objectives of the activity being reviewed and the means by which the activity controls its performance. • The significant risks to the activity's objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level. • The adequacy and effectiveness of the activity's governance, risk management, and control processes compared to a relevant framework or model. • The opportunities for making significant improvements to the activity's governance, risk management, and control processes. | Generally Conforms | IAD prepares a work program for each audit based on established objectives and is approved by the Assistant Director or Senior Audit Manager. Any changes to the audit program are reviewed and approved. Time budgets are established and monitored for each audit. Scope is initially identified during the planning phase and shared with the client during the entrance conference. IAD identifies potential risks and fraud during the planning meeting. Mitigating controls are identified in process walk-throughs and documented on the risk and control matrix. A quality assurance checklist of audit planning procedures is completed the planning phase. |
| 62 | 2201.A1 | When planning an engagement for parties outside the organization, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities, and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records. | Generally Conforms | We address the engagement objectives, scope, and responsibilities with the client in the entrance letter and entrance meeting. See 2201 above. |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|---|--------------------|--|
| 63 | 2201.C1 | Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities, and other client expectations. For significant engagements, this understanding must be documented. | Generally Conforms | Objectives, scope, and responsibilities are addressed in the planning memos, entrance conference letters, entrance meeting agendas, and audit reports. See 2201 above. |
| 64 | 2210 | Engagement Objectives Objectives must be established for each engagement. | Generally Conforms | See 2201.A1 - C.2 below. |
| 65 | 2210.A1 | Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment. | Generally Conforms | Preliminary assessments are conducted for each audit, potential risks and potential fraud is discussed during the planning meeting and documented in the planning memo. Engagement objectives reflect the results of the assessment. |
| 66 | 2210.A2 | Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives. | Generally Conforms | See 2210.A1 above. |
| 67 | 2210.A3 | Adequate criteria are needed to evaluate governance, risk management, and controls. Internal auditors must ascertain the extent to which management and/or the board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must identify appropriate evaluation criteria through discussion with management and/or the board. | Generally Conforms | We utilize any departmental internal reviews or assessments completed, policies and procedures, laws, and best practices to help determine the audit scope. |
| 68 | 2210.C1 | Consulting engagement objectives must address governance, risk management, and control processes to the extent agreed upon with the client. | Generally Conforms | As agreed upon with the client, consulting engagements address governance, risk management, and control processes. |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|---|--------------------|--|
| 69 | 2210.C2 | Consulting engagement objectives must be consistent with the organization's values, strategies, and objectives. | Generally Conforms | We align our engagement objectives with the organization's values, strategies, and objectives. |
| 70 | 2220 | Engagement Scope The established scope must be sufficient to achieve the objectives of the engagement. | Generally Conforms | Scope is initially identified during the planning phase, shared with the client during the entrance conference, and sufficient to achieve the engagement objectives. |
| 71 | 2220.A1 | The scope of the engagement must include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties. | Generally Conforms | Consideration is given to relevant systems, records, personnel, etc. during scope development in the planning phase. |
| 72 | 2220.A2 | If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities, and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards. | Generally Conforms | Although we have not had any significant consulting opportunities arise during an assurance engagement, we would ensure a specific written understanding is reached regarding the objectives, scope, respective responsibilities, and other expectations. |
| 73 | 2220.C1 | In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement. | Generally Conforms | Scope is initially identified during the planning phase and shared with the client during the entrance conference. If we develop reservations about the scope during the engagement, discussions with management would take place to evaluate whether to continue with the engagement. |
| 74 | 2220.C2 | During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues. | Generally Conforms | For all consulting engagements, controls are addressed in accordance with the engagements' objectives. |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|--|--------------------|---|
| 75 | 2230 | Engagement Resource Allocation Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources. | Generally Conforms | We prepare a work program for each audit based on established objectives and is approved by the Assistant Director or Senior Audit Manager. Senior Audit Managers review and approve any changes to the work program. Time budgets are established and monitored for each audit. |
| 76 | 2240 | Engagement Work Program Internal auditors must develop and document work programs that achieve the engagement objectives. | Generally Conforms | Work programs are developed and documented for each audit. |
| 77 | 2240.A1 | Work programs must include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement. The work program must be approved prior to its implementation, and any adjustments approved promptly. | Generally Conforms | Work programs are approved by the Assistant Director and/or the Senior Audit Manager prior to its implementation and include sections for planning, background/survey, scope, internal controls, testing, and findings. Engagement deliverables and purpose are discussed with the client at the entrance conference. |
| 78 | 2240.C1 | Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement. | Generally Conforms | See 2240 above. |
| 79 | 2300 | Performing the Engagement Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives. | Generally Conforms | Engagement workpapers and work programs are stored in TeamMate+, are cross referenced to support the results/conclusions indicated, and are reviewed and approved. Auditors obtain the necessary information to achieve the audit objectives including inquiry, observation, examination, and/or reperformance. Auditors are skilled in utilizing techniques such as interviews, questionnaires, flowcharts, sampling, and data analytics. Auditors perform the tests needed to meet the objectives, and ensure their sample size and methodology are appropriate to make conclusions. |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|---|--------------------|--|
| 80 | 2310 | Identifying Information Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives. | Generally Conforms | See 2300 above. |
| 81 | 2320 | Analysis and Evaluation Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations. | Generally Conforms | See 2300 above. |
| 82 | 2330 | Documenting Information Internal auditors must document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions. | Generally Conforms | See 2300 above. |
| 83 | 2330.A1 | The chief audit executive must control access to engagement records. The chief audit executive must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate. | Generally Conforms | Engagement workpapers are stored in TeamMate+ and in MS Teams, which require access to Internal Audit's network and is only given to Internal Audit employees. All audit work paper files are public documents and access to files is granted, with the exception of reports protected by HIPAA, those that contain certain PII, or are restricted because they contain IT vulnerabilities that could be exploited if publicly released. Our restricted reporting is governed by our B-4-1 Restricted Information Reporting policy. |
| 84 | 2330.A2 | The chief audit executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organization's guidelines and any pertinent regulatory or other requirements. | Generally Conforms | Audit Manual Procedure C-15 - Security and Control of Work Papers discusses the retention of work papers. The procedure states a retention period of seven years. However, with the implementation of TeamMate+, we are in the process of updating our retention requirement procedures. |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|---|--------------------|---|
| 85 | 2330.C1 | The chief audit executive must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organization's guidelines and any pertinent regulatory or other requirements. | Generally Conforms | See 2330.A2 above. |
| 86 | 2340 | Engagement Supervision Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed. | Generally Conforms | Each audit is assigned to, and reviewed by at least a Senior Audit Manager who is responsible for reviewing all workpapers. All draft and final audit reports are reviewed by the Assistant Director and Director of Internal Audit and all reviews are documented. |
| 87 | 2400 | Communicating Results Internal auditors must communicate the results of engagements. | Generally Conforms | See 2410 below. |
| 88 | 2410 | Criteria for Communicating Communications must include the engagement's objectives, scope, and results. | Generally Conforms | We utilize a standard format for our reports that includes background, objectives, scope, methodology, and conclusions/results including findings and recommendations for corrective action. |
| 89 | 2410.A1 | Final communication of engagement results must include applicable conclusions, as well as applicable recommendations and/or action plans. Where appropriate, the internal auditors' opinion should be provided. An opinion must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information. | Generally Conforms | See 2410 above. |
| 90 | 2410.A2 | Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications. | Generally Conforms | Our report template has a section for "Business Process and Internal Control Strengths" where we delineate all of the areas with satisfactory performance noted during our audit. |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|---|--------------------|---|
| 91 | 2410.A3 | When releasing engagement results to parties outside the organization, the communication must include limitations on distribution and use of the results. | Generally Conforms | Our reports include limitations on distribution and use of the results, as needed. |
| 92 | 2410.C1 | Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client. | Generally Conforms | For every consulting engagement performed, we issue a report to the auditee summarizing the work performed and any recommendations made for improvement. |
| 93 | 2420 | <p>Quality of Communications</p> <p>Communications must be accurate, objective, clear, concise, constructive, complete, and timely.</p> | Generally Conforms | The auditor-in-charge cross-references the draft report to the workpapers. The Audit Manager reviews the draft audit report and compares the findings to the workpapers. The Assistant Director and Director review and approve the draft and final reports. A copy of the draft report is also provided to the auditee for their review and to provide a corrective action plan responding to our recommendations. |
| 94 | 2421 | <p>Errors and Omissions</p> <p>If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.</p> | Generally Conforms | Although Internal Audit has not issued any audit reports that contain any significant errors, we did re-issue one audit report where we revised the background section of our report at the request of the department. For this report, we ensured all the original parties received the revised audit report and posted the revised report to our website. |
| 95 | 2430 | <p>Use of "Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing"</p> <p>Indicating that engagements are "conducted in conformance with the International Standards for the Professional Practice of Internal Auditing" is appropriate only if supported by the results of the quality assurance and improvement program.</p> | Generally Conforms | IAD uses the statement "conducted with the International Standards for the Professional Practice of Internal Auditing" in our audit reports. IAD started using the statement after receiving a "generally conforms" in their FY 2022-23 External Quality Assessment. |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|---|--------------------|--|
| 96 | 2431 | <p>Engagement Disclosure of Nonconformance When nonconformance with the Code of Ethics or the Standards impacts a specific engagement, communication of the results must disclose the:</p> <ul style="list-style-type: none"> • Principle(s) or rule(s) of conduct of the Code of Ethics or the Standard(s) with which full conformance was not achieved. • Reason(s) for nonconformance. • Impact of nonconformance on the engagement and the communicated engagement results. | Generally Conforms | IAD is not aware of any occurrences of nonconformance. However, if a Standard was not followed, this would be indicated in our report, as well as the reason and impact of non-conformance. |
| 97 | 2440 | <p>Disseminating Results The chief audit executive must communicate results to the appropriate parties.</p> | Generally Conforms | IAD has a standard distribution list that includes the Board, AOC, CEO, OC Grand Jury, Clerk of the Board, and the External Auditor. In addition, the department head of the department being audited receives a copy of the report, along with applicable management within the department. |
| 98 | 2440.A1 | The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration. | Generally Conforms | See 2440 above. |
| 99 | 2440.A2 | <p>If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organization the chief audit executive must:</p> <ul style="list-style-type: none"> • Assess the potential risk to the organization. • Consult with senior management and/or legal counsel as appropriate. • Control dissemination by restricting the use of the results. | Generally Conforms | IAD would do this as needed, in consultation with County Counsel. |
| 100 | 2440.C1 | The chief audit executive is responsible for communicating the final results of consulting engagements to clients. | Generally Conforms | See 2440 above. |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|--|--------------------|---|
| 101 | 2440.C2 | During consulting engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the organization, they must be communicated to senior management and the board. | Generally Conforms | IAD would ensure these issues are communicated to senior management and the Board whenever governance, risk management, and control issues are identified as part of an advisory engagement. |
| 102 | 2450 | <p>Overall Opinions</p> <p>When an overall opinion is issued, it must take into account the strategies, objectives, and risks of the organization; and the expectations of senior management, the board, and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information.</p> | Generally Conforms | IAD has not issued any overall opinions since the department was established in 2018. However, if we were to issue an opinion, it would be supported with sufficient, reliable, relevant, and useful information. |
| 103 | 2500 | <p>Monitoring Progress</p> <p>The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.</p> | Generally Conforms | <p>Internal audit has a structured follow-up audit process. Our first follow-up audit begins approximately six months after the official release of the original report. The AOC and Board expect that audit recommendations will typically be implemented within six months and often sooner, especially for critical or significant issues. Our second follow-up audit begins approximately 12 months from the release of the original report, by which time all audit recommendations are expected to be addressed and implemented.</p> <p>If audit recommendations remain not fully implemented after our second follow-up, we will discuss with the AOC to determine if a third follow-up audit should be conducted.</p> |
| 104 | 2500.A1 | The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. | Generally Conforms | See 2500 above. |



Internal Audit Department
Internal Quality Assessment - July 2024

| No. | Standard | Description | Conformance | Comments |
|-----|----------|--|--------------------|--|
| 105 | 2500.C1 | The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client. | Generally Conforms | To the extent recommendations are made during a consulting engagement, Internal Audit will monitor the disposition of our recommendations as agreed upon with the client. |
| 106 | 2600 | <p>Communicating the Acceptance of Risks When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.</p> | Generally Conforms | <p>If Internal Audit and the auditee do not agree on a significant/material finding and recommendation, this will be documented in the audit report and brought to the attention of the AOC for resolution.</p> <p>All reports with a "do not concur" from the auditee in their management response are brought to the attention of the AOC.</p> |



Memorandum

August 22, 2024

AOC Agenda Item No. 7

TO: Audit Oversight Committee Members

Recommended Action:

Approve External Audit Activity Status Report for Quarter Ended June 30, 2024, and Receive Report on Status of External Audit Recommendations Implementation

Approve External Audit Activity Status Report for Quarter Ended June 30, 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

August 6, 2024

To: Audit Oversight Committee Members

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

Digitally signed by Agripino
Alonso
Date: 2024.08.06 10:52:13
-07'00'

Subject: External Audit Activity Status Report for the Quarter Ended June 30, 2024

Attached for your review and approval is our External Audit Activity Status Report for the Quarter ended June 30, 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 June 30, 2024, no new material issues were reported.

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

EXECUTIVE SUMMARY OF EXTERNAL AUDIT ACTIVITY
For the Quarter Ended 6/30/24

| <u>SUMMARY ACTIVITY</u> | |
|---|------------------|
| Total Audits Prior Quarter (3/31/24) | 55 |
| Additions: In Progress | 6 |
| Planned | 4 |
| Started and Completed | 0 |
| Deletions | <u>13</u> |
| (Completed, Canceled, and Removed in Prior Quarter) | |
| Total Audits Current Quarter (6/30/24) | <u>52</u> |
| (In Progress, Planned, and/or Completed this Quarter) | |

Results for the Quarter:

| | |
|---------------------------|-----------|
| Completed | 14 |
| Canceled | 0 |
| Removed for Other Reasons | 0 |

| | |
|---|----------|
| New Findings/Issues Reported by the Departments | 2 |
|---|----------|

| | |
|---|----------|
| <u>Material Issues:</u> (Includes Disallowances over \$100K) | 0 |
|---|----------|

EXTERNAL AUDIT ACTIVITY
Quarterly Status Report
4th Quarter FY 2023-24 (6/30/24)

| Department / Agency | Division | Name of Third Party Auditor | Program, Process, or Area | Audit Period & Frequency | Date Last Audited | Audit Scope | Status as of June 30, 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. (Reported 3/31/24) | See Attachment D for corrective actions taken related to the finding from this audit. |
| | | Eide Bailly | Annual Comprehensive Financial Report (ACFR) | Annual | 6/30/2023 | Annual Financial GAAP Audit | In progress. | |
| | | Eide Bailly | Agreed Upon Procedures (AUP) over GANN Limit calculations | Annual | 6/30/2023 | GANN Limit Calculation - for County and OC Flood Control District | In progress. | |
| | | Eide Bailly | Single Audit | FY 2024 Annual | 6/30/2023 | Uniform Guidance Expenditures of Federal Assistance | Planned. | |
| | Cost, Revenue & Budget | No audits in progress. | | | | | | |
| | 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. (Reported 3/31/24) | See Attachment D for corrective actions taken related to the finding from this audit. |
| 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 | Completed. | None. |
| 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 June 30, 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. | Completed. | None. |
| | 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 | Completed. | One (1) New Finding: The Orange County District Attorney's Office claimed \$476 in reimbursement for charges that were overstated, ineligible, or unapproved. CalWRAP is requesting returned funds totaling \$396. |
| | | 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. | |

| Department / Agency | Division | Name of Third Party Auditor | Program, Process, or Area | Audit Period & Frequency | Date Last Audited | Audit Scope | Status as of June 30, 2024 | Significant Findings |
|---------------------|-----------------------------------|---|--|--------------------------------------|-------------------|---|----------------------------|----------------------|
| Health Care Agency | Administration | Orange County Employees Retirement System (OCERS) | Employer Payroll Audit - HCA | 2022, 2023 | N/A | Review payroll transmittal information sent to OCERS along with the support for the pay items in the transmittals, as per the County Employee Retirement Law (CERL). Employers are selected based on a rotation cycle of OCERS' audits. The audit will review HCA's payroll data submitted to OCERS during 2022 and 2023 on a sample basis. | In progress. | |
| | 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. | |
| | | 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 | No audits in progress. | | | | | | |
| | 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 | 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 | Completed. | None. |

| Department / Agency | Division | Name of Third Party Auditor | Program, Process, or Area | Audit Period & Frequency | Date Last Audited | Audit Scope | Status as of June 30, 2024 | Significant Findings |
|--------------------------------|--|--|--|--------------------------|-------------------|---|----------------------------|----------------------|
| Health Care Agency (continued) | Public Health Services (con't) | 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. | |
| | | 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. | |
| | | California Department of Public Health / WIC | Women, Infant, and Children (WIC) | FFY 22/23 Biennial | FFY 20/21 | Program monitoring | In progress. | |
| | | DHCS Audits & Investigations - Targeted Case Management | Targeted Case Management (TCM), Program Financial Audit of the TCM Cost Report | FY 20/21 Annual | FY 19/20 | Fiscal compliance review. | In progress. | |
| | 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 | Eide Bailly | Financial Statements, including Passenger Facility Charge Revenue and Expenditures | 2024 Annual | 2023 | Audit of Financial Statements | Planned. | |
| | Innovation and Technology | Tevora Business Solutions | Common Use Passenger Processing System | 2023 | 2022 | Compliance with Payment Card Industry Data Security Standard | In progress. | |
| | 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 | Completed. | None. |
| | | Transportation Security Administration | Airport Security | 2024 | 2023 | Compliance with Title 49, Code of Federal Regulations, Part 1542, Airport Security | Completed. | None. |

| Department / Agency | Division | Name of Third Party Auditor | Program, Process, or Area | Audit Period & Frequency | Date Last Audited | Audit Scope | Status as of June 30, 2024 | Significant Findings |
|------------------------|---|--|--|--------------------------|-------------------|---|----------------------------|---|
| OC Community Resources | 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. | In progress. | |
| | Workforce & Economic Development Division | Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area | WIOA (NEG Fire) - Fiscal and Procurement | FY 17/18 One-Time | N/A | Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc. | In progress. | |
| | 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 | Eide Bailly | Financial Statement Audit | FY 23/24 Annual | 6/30/2023 | Redevelopment Successor Agency | Planned. | |
| | OC Housing Finance Trust (OCHFT) | Eide Bailly | Financial Statement Audit | FY 22/23 Annual | 6/30/2023 | OC Housing Fund Trust | Completed. | One (1) New Finding: The financial statements did not agree to the trial balance, which had not been appropriately reconciled to the OCHFT's underlying accounting records. The OCHFT also does not perform procedures to appropriately capture year-end accruals for deductions. |
| | | | | | | | | |

| Department / Agency | Division | Name of Third Party Auditor | Program, Process, or Area | Audit Period & Frequency | Date Last Audited | Audit Scope | Status as of June 30, 2024 | Significant Findings |
|----------------------|---|--------------------------------------|---|-------------------------------|-------------------|--|----------------------------|----------------------|
| OC Public Works | Accounting & OC Fleet Services | BCA Watson Rice LLP | South Coast Air Quality Management District AB-2766 Fund (Fund 140) | FY 19/20 & FY 20/21 Bi-annual | 01/22 | A Financial and Compliance Audit to determine if recipient is in compliance with provisions of Assembly Bill 2766 Chapter 1705 [44220 through 44247]. | Completed. | None. |
| | 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. | Completed. | None. |
| | | | | | | | | |
| OC Waste & Recycling | Accounting | Eide Bailly | Financial Statement Audit | FY 23/24 Annual | 6/30/2023 | Audit of Financial Statements | Planned. | |
| | | | | | | | | |
| 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 June 30, 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. | |
| | Technology | Tech Advisory Committee (TAC) | Information Technology | 10/19 to 03/20 | 2017 | Operational Review | In progress. | |
| | Research & Development / Financial | Eide Bailly LLP | James Musick Expansion Phase II (AB 900) Agreed Upon Procedures | Jan 2013 - Dec 2023 One-Time | N/A | Compliance with California Board of State and Community Corrections (BSCC) construction-financing program through Assembly Bill (AB) 900 and Senate Bill (SB) 1022. | In progress. | |
| | S.A.F.E. / Financial | Office of the State Controller | Mandated Cost Claims for the Racial and Identity Profiling Program | July 2018 - June 2023 | N/A | Compliance | In progress. | |
| | Investigations / Financial | The Department of the Treasury Executive Office for Asset Forfeiture (TEOAF) | Treasury Equitable Sharing Funds | Fiscal Years 2019, 2020, 2021, 2022, 2023 | N/A | Compliance | In progress. | |
| | | | | | | | | |
| Social Services Agency | Administrative Services | California State Auditor | CACI Grievance | 11/21-03/22 | 1st in last 6 years | Evaluate Ornage 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 June 30, 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. | Completed. | None. |
| | | 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 | Completed. | None. |
| | | 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. | Completed. | None. |

| Department / Agency | Division | Name of Third Party Auditor | Program, Process, or Area | Audit Period & Frequency | Date Last Audited | Audit Scope | Status as of June 30, 2024 | Significant Findings |
|--------------------------------|--|--|--|---------------------------|-------------------|--|----------------------------|----------------------|
| Social Services Agency (con't) | Family Self-Sufficiency & Adult Services | California State Preschool Program (CSPP) | Child Care | Annual | 11/22 | The general objectives for audits of programs determine if: · The agency financial statements are represented in conformity with GAAP · The agency establishes and maintains effective internal controls to discharge management responsibilities and adequately safeguard state and federal interests · State and federal funds are being expended in accordance with applicable agreements and provisions · The direct and indirect costs incurred and claimed for reimbursement are reasonable, necessary, and allowable. | Completed. | None. |
| | | 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), 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 | Brown Armstrong Accountancy Corporation | 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. | In progress. | |

EXTERNAL AUDIT REPORT
 Implementation Status of Prior Quarter Significant & Material Issues
 Quarter Ended June 30, 2024

| No. | Department | Audit Name | Finding | Recommendation | Material or Significant | Implementation Status* & Actions Taken or Planned |
|-----|-------------------|-------------------------|--|---|-------------------------|--|
| 1 | SSA | Single Audit YE 6/30/23 | #2023-001: 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. | We recommend that the County adhere to their policies and procedures in accordance with 2 CFR 200.332 to ensure compliance with subrecipient monitoring requirements. We recommend that the County adhere to their procedures requiring documentation of the SAM clearance prior to entering the contract. | Significant | Implemented. SSA has revised its Subrecipient Monitoring Policy in accordance with 2 CFR 200.332 to ensure compliance with subrecipient monitoring requirements and the updated policy was implemented in September 2023. A check list has been developed to track monitoring requirements and was also implemented in September 2023. |
| 2 | OCCR, OCPW, & SSA | Single Audit YE 6/30/23 | #2023-002: 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. | We recommend that the OCPW, OCCR and SSA departments adhere to their procurement procedures requiring the suspension or debarment verification is performed prior to entering into a covered transaction. Additionally, we recommend the OCPW, SSA and OCCR departments modify and strengthen its current policies and procedures to ensure that all applicable required provisions are communicated to contractors in accordance with 2 CFR Appendix II to Part 200. | Significant | OCCR: In progress. OCCR is working on updating internal procedures to ensure procurement is notified when the contract funding source changes to federal funding, triggering the additional federal provisions mentioned above. Anticipated Implementation Date: September 30, 2024 OCPW: Implemented. OCPW has updated internal procedures to ensure funding agency provisions are met. SSA: Implemented. SSA will ensure that agencies executing contracts on behalf of SSA will be notified if federal funding is included for specific projects to ensure proper procedures have been followed when the contracts have been executed. |
| 3 | HCA | Single Audit YE 6/30/23 | #2023-003: No evidence of the review and approval over the performance reports. | We recommend the HCA to implement policies that ensure the review and approval of reports are clearly documented prior to the report's submission. | Significant | Implemented. HCA Office of Population Health and Equity has implemented procedures that ensure review/approval prior to report submission to the Center for Disease Prevention and Control. |
| 4 | HCA | Single Audit YE 6/30/23 | #2023-004: No evidence of the review and approval over a transaction. | We recommend the HCA adhere to their policies and ensure the review and approval of transactions are clearly documented prior payment. | Significant | Implemented. HCA Office of Population Health and Equity will implement procedures that ensure review/approval of the e-commerce transactions are documented prior to payment. |

EXTERNAL AUDIT REPORT
 Implementation Status of Prior Quarter Significant & Material Issues
 Quarter Ended June 30, 2024

| No. | Department | Audit Name | Finding | Recommendation | Material or Significant | Implementation Status* & Actions Taken or Planned |
|-----|------------|--|--|---|-------------------------|--|
| 5 | CSS | Review of Local Child Support Agency CS 356 Administrative Expense Claim | Orange County CSS 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. | Orange County CSS should remit \$830,424 in unsupported and unallowable indirect expenses claimed during the audit period. In addition, Orange County CSS should review all claims submitted to CA DCSS and confirm the reimbursed expenses were properly supported and in accordance with cash basis accounting. | Material | <p>Implemented. In order to substantiate the claim, Orange County Department of Child Support Services (OCDCSS) provided supporting documentation to the State Department of Child Support Services (DCSS) for indirect expense claimed in FY 2019/2020; and a memo from CEO Budget that outlined the County's policy regarding cost allocation plan.</p> <p>County implemented a new practice to charge OCDCSS for the indirect expense and record the transaction on OCDCSS's ledger to satisfy claiming requirements. Transaction recorded in ledger starting FY 2022-2023. The practice was changed prior to the DCSS issuing final audit report.</p> <p>DCSS provided confirmation that corrective action was implemented; and there would be no additional follow-up actions.</p> |

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



Memorandum

August 22, 2024

AOC Agenda Item No. 8

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Auditor-Controller Mandated Audits for Quarter Ended June 30, 2024

Receive Report on Status of Auditor-Controller Mandated Audits for Quarter Ended June 30, 2024, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Status of Mandated Audits as of June 30, 2024



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of June 30, 2024
 AOC Meeting Date: August 22, 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 | 60 | 60 | N/A | N/A | 0 in process, 12 completed |
| JPAs and Special Districts FY 22-23* | 2310 | 120 | 35 | 86 | N/A | N/A | Collection in process |
| Review of Schedule of Assets as of 12/31/23 | 2308 | 300 | 261 | 39 | | | Fieldwork in process |
| Review of Schedule of Assets as of 3/31/24 | 2309 | 300 | 159 | 142 | | | Fieldwork in process |
| Total | | 940 | 723 | 218 | | | |

RSA = Review of Schedule of Assets

*We collect copies and post them online.



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of June 30, 2024
 AOC Meeting Date: August 22, 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 12 investigations. | 0 | 0 |

JPAs and Special Districts FY 22-23

| Objective | Status/Results | Modified Reports Received/Reviewed | Total Reports Reviewed |
|--|--|------------------------------------|------------------------|
| To ensure all JPAs and Special District within the County file their annual audits within 12 months of their fiscal year end. Note: A-C is unaware of an official master roster for JPAs in OC; the 71 JPAs are ones A-C knows that exist. | We are collecting audited financial statements. JPAs remaining: 3 of 71. Special Districts remaining: 4 of 34. Total reports received: 98 | 0/0 | 98 |



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of June 30, 2024
 AOC Meeting Date: August 22, 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. | Fieldwork is in process. | 0 | 0 |



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of June 30, 2024 with updates as of August 12, 2024
 AOC Meeting Date: August 22, 2024

| Past-Due Submissions of Audited Financial Statements | | | | |
|---|---|-----------------|-----------------------|-----------------------|
| Entity Type | Entity Name | FYE Date | Follow-up Date | Rectified Date |
| Special District | East Orange County Water District | 6/30/2023 | 8/1/2024 | 8/6/2024 |
| Special District | Placentia Library District | 6/30/2023 | 8/1/2024 | |
| Special District | Rossmoor/Los Alamitos Area Sewer District | 6/30/2023 | 8/1/2024 | 8/6/2024 |
| Special District | Silverado Modjeska Recreation and Park District | 6/30/2023 | 8/1/2024 | |
| Special District | Sunset Beach Sanitary District | 6/30/2023 | 8/1/2024 | 8/1/2024 |
| Special District | Surfside Colony Community Services District | 6/30/2023 | 8/1/2024 | |
| Special District | Surfside Colony Storm Water Protection District | 6/30/2023 | 8/1/2024 | |
| JPA | Bonita Canyon Public Facilities Financing Authority | 6/30/2023 | 8/1/2024 | 8/6/2024 |
| JPA | Newport-Mesa USD PFA | 6/30/2023 | 8/1/2024 | 8/7/2024 |
| JPA | Orange County Council of Governments | 6/30/2023 | 8/1/2024 | 8/2/2024 |
| JPA | Public Cable Television Authority (PCTA) | 6/30/2023 | 8/1/2024 | |
| JPA | Public Cable Television Authority (PCTA) | 6/30/2022 | 4/4/2023, 8/1/2024 | |
| JPA | Public Cable Television Authority (PCTA) | 6/30/2021 | 11/15/2021, 8/1/2024 | |
| JPA | Public Cable Television Authority (PCTA) | 6/30/2020 | 1/4/2021, 8/1/2024 | |
| JPA | Saddleback Valley USD PFA | 6/30/2023 | 8/1/2024 | 8/1/2024 |
| JPA | Saddleback Valley USD PFA | 6/30/2020 | 1/4/2021, 8/1/2024 | |
| JPA | Saddleback Valley USD PFA | 6/30/2018 | 7/1/2020, 8/1/2024 | |
| JPA | Santa Ana River Flood Protection Agency (SARFPA) | 6/30/2023 | 8/1/2024 | |
| JPA | Santa Ana River Flood Protection Agency (SARFPA) | 6/30/2022 | 8/1/2024 | |
| JPA | School Employers Association of CA (SEAC) | 6/30/2019 | 10/13/2020, 8/1/2024 | |
| JPA | School Employers Association of CA (SEAC) | 6/30/2018 | 7/1/2020, 8/1/2024 | |
| JPA | Schools Alliance for Workers Compensation Excess | 6/30/2023 | 8/1/2024 | |
| JPA | Southern California Coastal Water Research Project (SCCWRP) | 6/30/2018 | 7/1/2020, 8/1/2024 | |



Memorandum

August 22, 2024

AOC Agenda Item No. 9

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Performance Audits for the Quarter Ended June 30, 2024

Receive Report on Status of Performance Audits for the Quarter Ended June 30, 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 vendor selection |
| Health Care Agency | Administration/Department Head Transition | Weaver and Tidwell, L.L.P | Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices. | Audit Underway CEO kickoff meeting with Weaver on 7/10 |
| 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. | Pending Contract CEO is in discussion with vendor to solidify schedule |
| 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. | Scope of work being finalized |
| FY 2024-25 | | | | |
| OC Public Works | Development Services (Program Review) | TBD | A performance audit is requested to review OCPW Development Services current operations, policies, practices, and procedures of its core service areas. The audit will identify opportunities for streamlining processes and reducing costs, expanding efficiencies, and applying best practices to enhance service delivery. | Scope of work under development |
| | | | | |



Memorandum

August 22, 2024

AOC Agenda Item No. 10

TO: Audit Oversight Committee Members

Recommended Action:
Receive Report on eProcurement

Receive Report on eProcurement, as stated in recommended action.



Memorandum

August 22, 2024

AOC Agenda Item No. 11

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

County IT Projects

Quarterly Progress Report

3rd Quarter, FY23-24
Jan 1 – Mar 31, 2024



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 21, one less than the number reported in the previous quarter. Three projects, Business Intelligence & Analytics – Phase 1 and Electronic Health Records (EHR) Interoperability, both managed by Health Care Agency (HCA), and Shared Services Server Platform, managed by OCIT, were completed last quarter. A total of two new projects were added this quarter. The total budget decreased from \$53,658,398 to \$50,658,398.

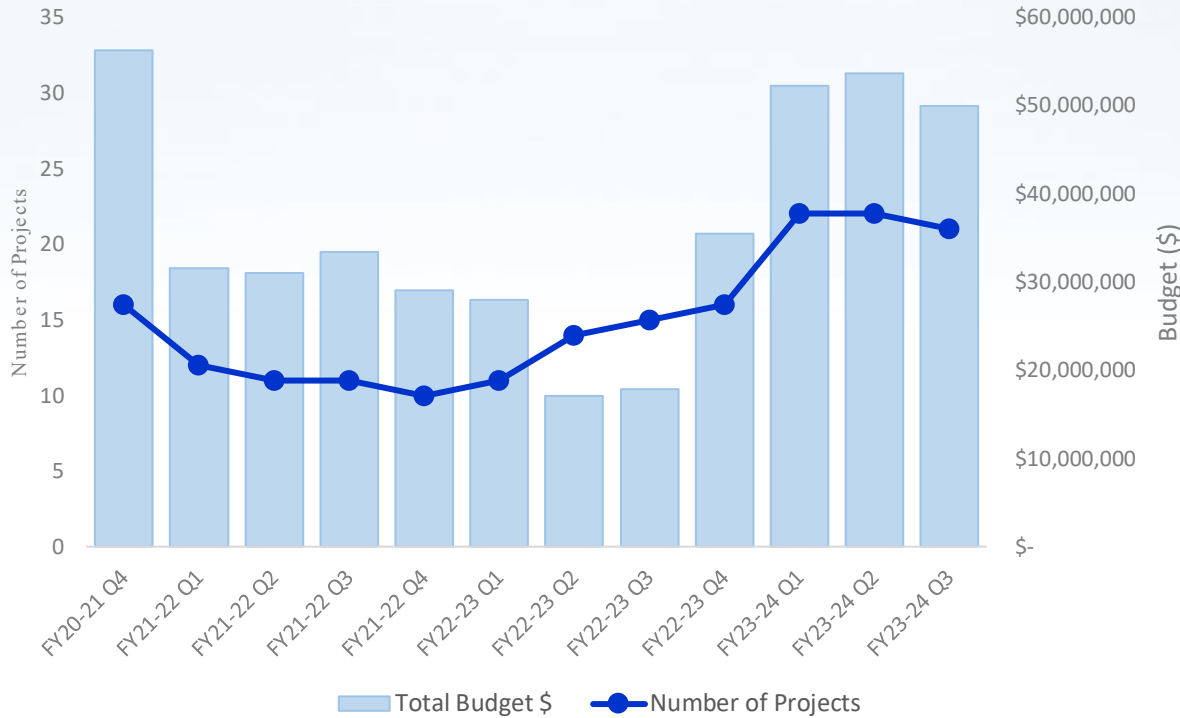


Key Accomplishments

One project, OCIT’s IntraOC Site Design Refresh, was successfully completed in FY23-24 Q3.

IT Portfolio Size and Budget

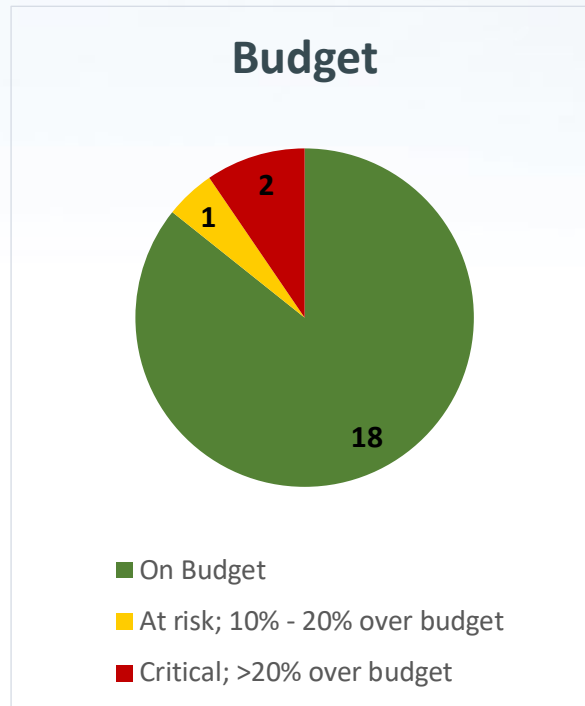
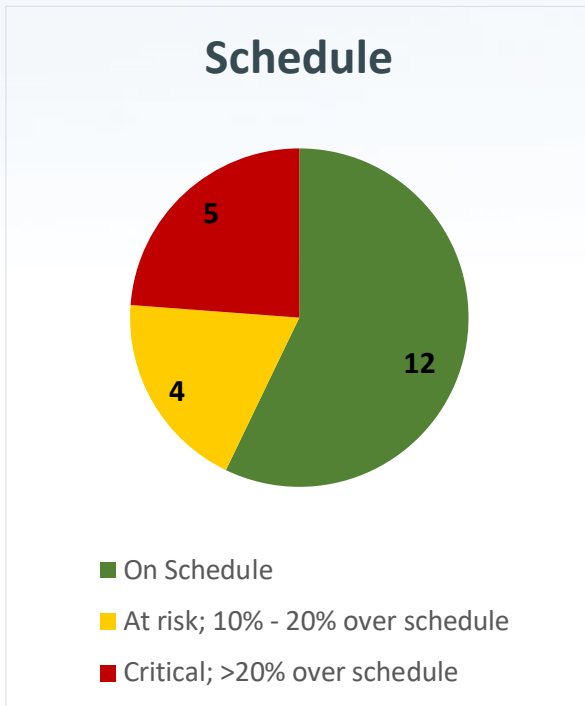
This chart depicts the County’s IT project portfolio size and budget trends over the last 12 quarters.



The chart above reflects projects that were active or completed during the reporting period. **Item 11, AOC Meeting 08/22/2024, 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.

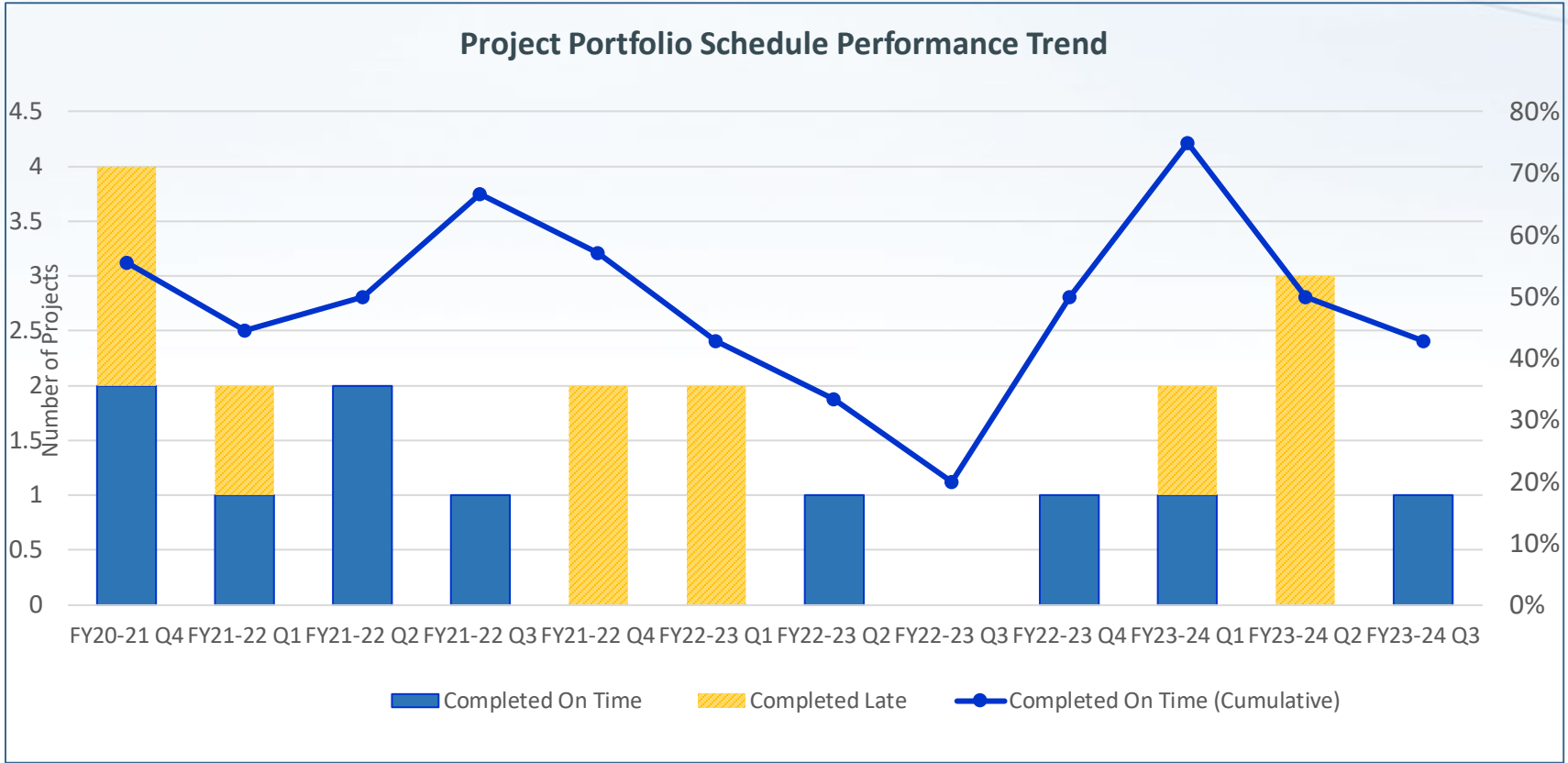


During this reporting period, 9 projects are experiencing schedule delays, and three projects exceed their original or rebaselined budgets.

Vendor and resource 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

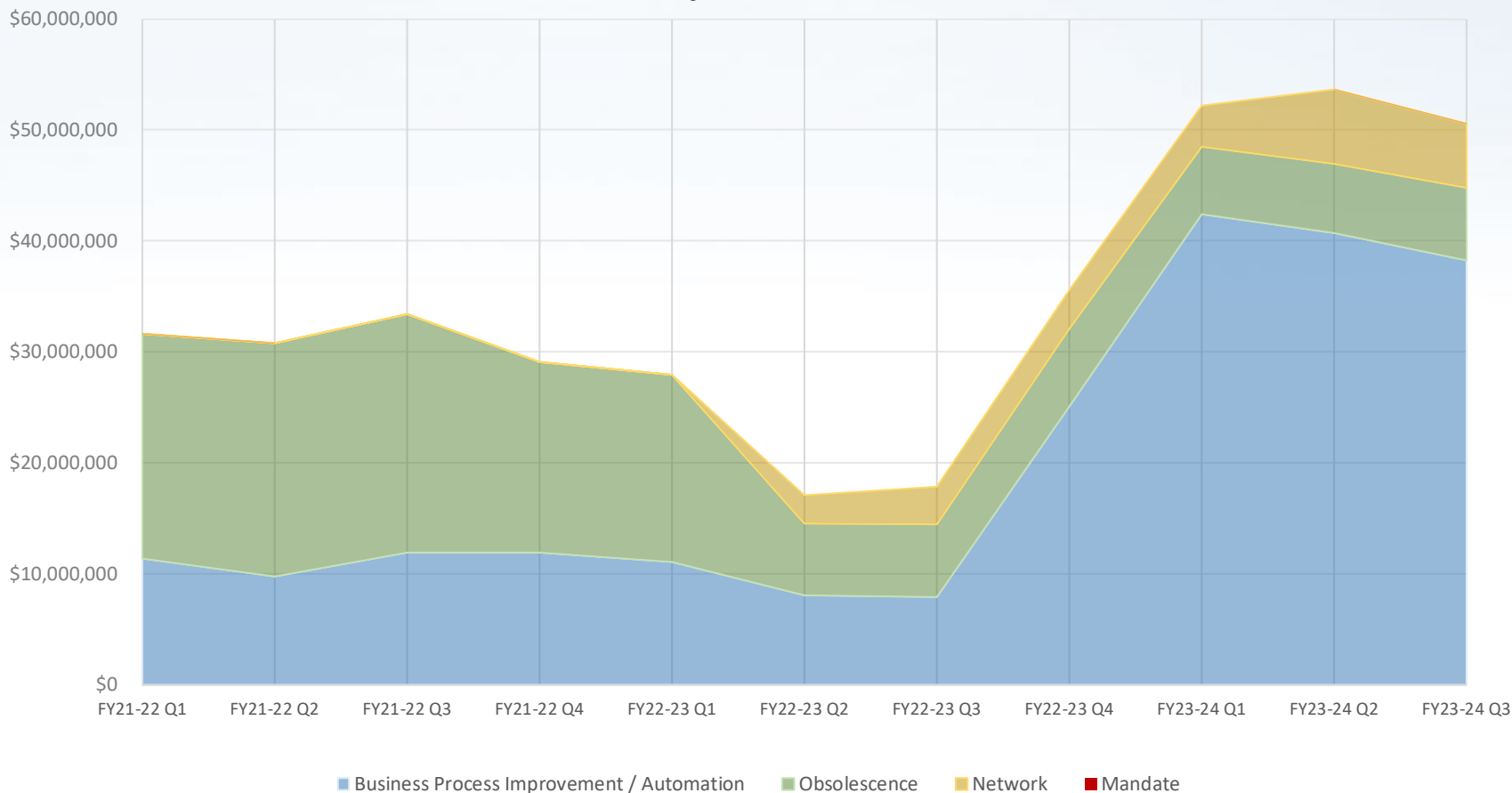
The chart below depicts the County’s IT project schedule performance trend for the projects that were completed over the last 12 quarters. The bars reflect the total number of projects completed in each quarter and the number completed on schedule. The line reflects the percentage of projects completed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



Project Investment Trends

Projects intended to improve or automate business processes account for 75.59% of the County's IT budget this quarter. Projects for replacing end-of-life or obsolete systems account for 13.04% of the budget. Network projects account for 11.37% 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, and Public Protection 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 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"> ✓ IntraOC Site Design Refresh | | | | <ul style="list-style-type: none"> ■ CHORUS ■ County Enterprise External Firewall Cluster Enhancements ■ County Enterprise Network Redundancy ■ eDiscovery Tool ■ Endpoint Security Transition ■ HRS Onboarding ■ JWA Baggage Handling System ■ 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"> ■ Legacy Application Restoration ■ Multi-Drug Resistant Organism (MDRO) Data Exchange ■ Qualtrics Call Center Analytics | <ul style="list-style-type: none"> ■ Access Control Conversion ■ Automated Jail System (AJS) ■ Employee Information Tracking System ■ iConnect Lab Portal ■ Identity and Badge Data Integration ■ Mandated Reporter App ■ OC Agenda ■ Zscaler Private Access VPN | | | | | | |
| <ul style="list-style-type: none"> ■ On schedule ■ 10% - 20% over schedule ■ >20% over schedule ✓ Project has been completed | | | | | | | |



Memorandum

August 22, 2024

AOC Agenda Item No. 12

TO: Audit Oversight Committee Members

Recommended Action:

Receive Update on Recent CrowdStrike Incident that Impacted Orange County Computer Systems

Receive Update on Recent CrowdStrike Incident that Impacted Orange County Computer Systems, as stated in recommended action.

ATTACHMENT(S):

Attachment A – CrowdStrike Incident Review



CrowdStrike Incident Review

KC Roestenberg, Chief Information Officer

Incident Summary

- CrowdStrike manages more than 21 million servers, PCs and laptops worldwide
 - 8.5 million devices impacted by incident
 - Only those servers and PCs/laptops online between 9:40 p.m. and 10:20 p.m. on July 18th were impacted
 - Of OCIT-managed devices, approximately 2,800 servers and 3,000 out of 12,500 PCs/laptops were affected
 - All impacted devices required a manual reset

Incident Summary

- OCIT action
 - Began resetting servers at 10:30 p.m. on July 18th
 - All impacted servers online by noon on July 19th
 - Assigned 50 desktop techs to walk affected departments July 19th – July 21st to reset PCs/laptops
 - All but 100 PCs/laptops reset by 5:00 p.m. on July 24th
 - No County data or systems were compromised

CrowdStrike Overview

- Endpoint security application
 - Runs on device closest to user
 - Monitors for abnormal processes and behavior
 - Blocks or prevents suspected malicious content/activity
 - Considered best-in-class by industry analysts
- Benefits
 - First line of visibility and defense when malicious content or activity has reached the user
 - Enables County to see what has been introduced into the environment by employees

Root Cause Analysis

- Bug in CrowdStrike's cloud-based testing system allowed automated software update to be pushed out despite containing "problematic content data"
- Affected only Windows devices
- When CrowdStrike tried to access flawed update file, it caused an error
 - Result was a Windows operating system crash (Blue Screen)
 - Manual intervention was required to delete bad file

Proactive Measures

- CrowdStrike to enable client's ability to quarantine code updates going forward
 - OCIT will test internally before releasing updates for general installation
 - Capability available in ≤ 3 months
- OCIT to update *Information Technology Usage Policy* to include user requirement to turn off PCs/laptops after hours / weekends / holidays



Questions





Memorandum

August 22, 2024

AOC Agenda Item No. 13

TO: Audit Oversight Committee Members

Recommended Action:

Receive Update on Single Audit from the Single Audit Corrective Action Sub-Committee

Receive Update on Single Audit from the Single Audit Corrective Action Sub-Committee, as stated in recommended action.