

# A G E N D A



## REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE

**Thursday, February 6, 2025, 10:00 A.M.**

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

**YVONNE ROWDEN**

AOC CHAIR  
Private Sector Member, Fifth District

**SUPERVISOR DOUG CHAFFEE**

BOARD CHAIR  
Fourth District  
Member

**MICHELLE AGUIRRE**

INTERIM COUNTY EXECUTIVE  
OFFICER  
Member

**MARK WILLE, CPA**

Private Sector Member, Third District

**TIM JOHNSON, CPA**

AOC VICE CHAIR  
Private Sector Member, Second District

**SUPERVISOR KATRINA FOLEY**

BOARD VICE CHAIR  
Fifth District  
Member

**DREW ATWATER**

Private Sector Member, First 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  
Gabriela Cabrera

*All supporting documentation is available for public review 72 hours before the meeting. Documents are available online at <https://ia.ocgov.com/audit-oversight-committee/agendas-and-minutes>.*

This agenda contains a general description of each item to be considered. If you would like to speak on a matter that does not appear on the agenda, you may do so during the Public Comments period at the end of the meeting. When addressing the AOC, please state your name for the record. Except as otherwise provided by law, no action shall be taken on any item not appearing on the agenda.

In compliance with the Americans with Disabilities Act, those requiring accommodation for this meeting should notify the Internal Audit Department 72 hours prior to the meeting at (714) 834-5475.

# A G E N D A

10:00 A.M.

Speaker

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1. Roll call	<i>Yvonne Rowden AOC Chair</i>
2. Approve Audit Committee Regular Meeting Minutes of November 07, 2024	<i>Yvonne Rowden AOC Chair</i>
3. Approve Audit Committee Regular Meeting Schedule for 2025	<i>Yvonne Rowden AOC Chair</i>
4. Receive Report on Required Communication from External Auditors	<i>David Showalter, CPA Partner Eide Bailly LLP</i>
5. Approve Internal Audit Department's Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended December 31, 2024	<i>Aggie Alonso, CPA Director Internal Audit Department</i>
6. Approve External Audit Activity Status Report for the Quarter Ended December 31, 2024, and Receive Report on Status of External Audit Recommendations Implementation	<i>Gianne Morgan Audit Manager Internal Audit Department</i>
7. Receive Report on Status of Auditor-Controller Mandated Audits for the Quarter Ended December 31, 2024	<i>Rodrigo Martinez Audit Manager Auditor-Controller</i>
8. Receive Report on Status of Performance Audits for the Quarter Ended December 31, 2024	<i>Lisa Fernandez Director Performance Management and Policy</i>
9. Receive Update on ERP Implementation	<i>Andrew Hamilton, CPA Auditor-Controller</i>
10. Receive Report on County IT Projects Quarterly Progress	<i>KC Roestenberg Chief Information Officer</i>
11. Receive Update on AOC Risk Assessment Subcommittee	<i>Mark Wille Private Sector Member</i>
12. Receive Update on Treasurer-Tax Collector Audit of Schedule of Assets as of June 30, 2023	<i>Dana Schultz Assistant Treasurer-Tax Collector</i>
13. Receive Update on Treasurer-Tax Collector PCI DSS Compliance Review	<i>Dana Schultz Assistant Treasurer-Tax Collector</i>
14. Review Audit Oversight Committee Bylaws	<i>Yvonne Rowden AOC Chair</i>

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# A G E N D A

Speaker

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15. Receive Update on Changes to the Investment Authority Management and Impact to Ongoing Oversight

*Michelle Aguirre*  
*Interim County Executive Officer*

*Ronnie Magsaysay*  
*Senior Deputy County Counsel*

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

*Yvonne Rowden*  
*AOC Chair*

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

*Yvonne Rowden*  
*AOC Chair*

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**ADJOURNMENT:**

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**NEXT MEETING:**

Regular Meeting, Thursday, May 15, 2025, 10:00 A.M.

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# Memorandum

February 6, 2025

**AOC Agenda Item No. 2**

TO: Audit Oversight Committee Members

Recommended Action:

Approve Audit Oversight Committee Regular Meeting Minutes of November 7, 2024

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

ATTACHMENT(S):

Attachment A – Summary Minutes for November 7, 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, November 7, 2024, 10:00 A.M.

County Administration South  
601 N. Ross St., County Conference Center 104/106  
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

**MICHELLE AGUIRRE**  
ACTING 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  
Gabriela Cabrera

**ATTENDANCE:**

Drew Atwater, AOC Chairman, Private Sector Member  
Yvonne Rowden, AOC Vice Chair, Private Sector Member  
Patricia Welch-Foster, Proxy for Supervisor Wagner – Not Present  
Jesus Gaona Perez, Proxy for Supervisor Chaffee  
Michelle Aguirre, Interim County Executive Officer  
Tim Johnson, Private Sector Member  
Mark Wille, Private Sector Member  
Larry Himmel, Private Sector Member

**PRESENT:**

Sal Lopez, Chief Deputy Auditor-Controller  
Shari Friedenrich, Treasurer-Tax Collector – Not Present  
Aggie Alonso, Internal Audit Director  
Ronnie Magsaysay, Deputy County Counsel  
Gabriela Cabrera, 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 August 22, 2024

Mr. Atwater asked for a motion to approve the Audit Oversight Committee Regular Meeting Minutes of August 22, 2024.

**Motion to approve the Regular Meeting Minutes of August 22, 2024, by Mark Wille, seconded by Yvonne Rowden.**

**All in favor.**

**Approved as recommended.**

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

Mr. Steven Delaney, Chief Executive Officer of OCERS, presented regarding current and future funding. Mr. Delaney reported that as of December 31, 2023, OCERS' Unfunded Actuarial Accrued Liability was approximately \$4.7 billion, approximately \$43 million less than the prior year.

## 4. Receive Report on Required Communication from External Auditors

Mr. David Showalter, Partner at Eide Bailly, discussed attachments reflecting Eide Bailly's status on audits in progress, as well as those recently. Mr. Showalter stated they are in the middle of the County's annual financial statements and have begun a single audit with the completion date in December.

Mr. Tim Johnson, Private Sector Member, inquired about Tax-Treasurer Collector (T-TC) scheduled asset audit for 2023. Mr. Showalter stated that they are waiting for management to provide the finalized schedule. Ms. Dana Schulz, Assistant Tax-Treasurer Collector, said they are working with Auditor-Controller to ensure they are in compliance with GAAP before finalizing the schedule. Mr. Showalter said the goal is to complete it by the end of the fiscal year and then begin the audit in 2024. Mr. Atwater and Mr. Mark Willie, Private Sector member, request that T-TC offer an update on the status of the 2023 audit.

## 5. Approve Internal Audit Department's Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended September 30, 2024

Mr. Aggie Alonso, Director of Internal Audit, presented the Quarterly Status Report and Executive Summary of Internal Audit Reports for the Quarter Ended September 30, 2024. Based on Orange County Waste & Recycling Credit Card audit, Mr. Atwater mentioned there might be risk countywide for any departments receiving card payments. Mr. Alonso confirmed we will review (T-TC) oversight over card payments and report back.

In addition, regarding the Ocean Institute (OI) audit, Mr. Alonso recommended a third follow-up audit as a result of recommendations that remain in progress. The AOC agreed and approved the audit.

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

Mr. Willie suggested that OCCR/OC Parks be present at the next AOC meeting to advise on OI's progress in implementing our recommendations.

As a result, a subcommittee was formed to discuss Internal Audit's risk assessment procedure, with Mr. Mark Wille serving as chair. Mr. Atwater moved to approve, and Ms. Rowden seconded.

**Motion to approve Internal Audit Department's Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended September 30, 2024, by Mark Wille, seconded by Yvonne Rowden.**

**All in favor.**

**Approved as recommended.**

## **6. Approve External Audit Activity Status Report for the Quarter Ended September 30, 2024, and Receive Report on Status of External Audit Recommendations Implementation**

Mr. Aggie Alonso, presented the External Audit Activity Status Report for the Quarter Ended September 30, 2024. Mr. Alonso stated there were no material findings during this reporting period.

**Motion to approve External Audit Activity Status Report for the Quarter Ended September 30, 2024, and Receive Report on Status of External Audit Recommendations Implementation, by Mark Wille, seconded by Tim Johnson.**

**All in favor.**

**Approved as recommended.**

## **7. Receive Reports on Status of Auditor-Controller Mandated Audits for the Quarters Ended September 30, 2024**

Mr. Sal Lopez, Chief Deputy Auditor-Controller, provided status reports of Mandated Audits for the quarter ended September 30, 2024.

## **8. Receive Reports on Status of Performance Audits for the Quarter Ended September 30, 2024**

Ms. Lisa Fernandez, Director of Performance Management and Policy, provided an update on Performance Audits.

## **9. Receive Update on ERP Implementation**

Mr. Sal Lopez, Chief Deputy Auditor-Controller, provided a status update on ERP Implementation. The RFP process is currently in progress. Mr. Lopez anticipates the RFP vendor recommendation will be submitted to the Board of Supervisors early next year.

## **10. Receive Update on County IT Projects Quarterly Progress Report**

Mr. KC Roestenberg, Chief Information Officer, provided an update on the IT projects quarterly progress, and briefly discuss the County's use of Artificial Intelligence.

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

## 11. Elections of Officers

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

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

**All in favor.**

**Approved as recommended.**

Mr. Drew asked for nominations for the election of the AOC Vice Chair.

**Motion to nominate Tim Johnson as AOC Vice Chair by Mark Wille, seconded by Tim Johnson.**

**All in favor.**

**Approved as recommended.**

### **PUBLIC COMMENTS:**

**AOC COMMENTS:** Mark Wille commended Drew Atwater for his great job as AOC Chair.

**ADJOURNMENT:** Meeting adjourned at 11:39 A.M.

### **NEXT MEETING:**

Regular Meeting, Thursday, February 6, 2025 at 10:00 A.M.





# Memorandum

February 6, 2025

**AOC Agenda Item No. 3**

TO: Audit Oversight Committee Members

Recommended Action:  
Approve Audit Oversight Committee Regular Meeting Schedule

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Pursuant to Audit Oversight Committee Bylaws (Section 5.10), “The AOC shall, at its first meeting of each year, adopt a schedule of regular meetings and transmit that schedule in writing, in a manner consistent with the Brown Act, to members, the Board of Supervisors, and the public at large.” Below are the next proposed meeting dates:

AOC Meeting Dates
May 15, 2025
August 21, 2025
November 13, 2025
February 5, 2026



# Memorandum

February 6, 2025

**AOC Agenda Item No. 4**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Required Communication from External Auditors

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

ATTACHMENT(S):

Attachment A – External Audit Update

Attachment A2 – Projects and Timelines



# County of Orange Audit Oversight Committee

Date: February 6, 2025  
Re: External Audit update

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- 1) **Audit Plan – Refer to Attachment A:**
  - Outline of projects and timelines
  
- 2) **Audits Completed**
  - Appropriations Limit Calculation for the County and the OC Flood Control District – June 30, 2024
    - Issued – AUP report dated September 23, 2024
  - District Attorney Grant Audits – June 30, 2024
    - Issued – October 7, 2024
  - Probation department SB 81 Audit – June 30, 2024
    - Issued October 30, 2024

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	Audit procedures in progress
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	September 2024	Reports issued September 23, 2024
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	Single Audit Procedures in progress.
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	Audit 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	Audit 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	Audit procedures in progress
District Attorney	Grant Audits	6/30/2024	District Attorney Grant Audits	August 2024	September 2024	October 2024	Reports issued October 7, 2024
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	Agreed upon procedures in progress.
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) Audit	N/A	Compliance with California Board of State and Community Corrections (BSCC) construction-financing program through Assembly Bill (AB) 900 and Senate Bill (SB) 1022.	April 2024	May 2024 through June 2024	August 2024	Closing procedures for County's construction project is currently ongoing. Anticipated completion in February 2025.
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	Reports issued October 30, 2024
TTC	Schedule of Assets	6/30/2023	Report on the Schedule of Assets	January 2024	February 2024 through Ongoing	March 2024	Completion procedures in progress



# Memorandum

February 6, 2025

**AOC Agenda Item No. 5**

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 December 31, 2024

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Approve Internal Audit Department's Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for Quarter Ended December 31, 2024, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Internal Audit Department Status Report Memo

Attachment B – Executive Summary of Internal Audit Reports

Attachment C – Quarterly Status Report

INTERNAL AUDIT DEPARTMENT

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February 3, 2025

To: Audit Oversight Committee Members

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

Digitally signed by Agripino  
Alonso  
Date: 2025.02.03 09:09:25 -08'00'

Subject: Fiscal Year 2024-25 Internal Audit Department Status Report for the Quarter Ended December 31, 2024

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Attached for your review and approval is Internal Audit Department's status report on audit activity for the quarter ended December 31, 2024. Specifically, Attachment B is our "Executive Summary of Internal Audit Reports," which provides a summary of audits and follow-up audits conducted during the reporting period with a breakdown of the finding category (i.e., critical, significant, control). Attachment C is our "Quarterly Status Report," which is a listing of all audits scheduled for the year, along with budgeted hours, actual hours, variance between budget and actual, and milestone comments for each audit.

For the quarter ended December 31, 2024, Internal Audit issued three final reports (two original reports and one follow-up report) and four pre-draft/draft reports. The two original audits included two Significant Control Weaknesses and one Control Finding.

If you have any questions, please contact me at (714) 834-5442 or Deputy Director Jose Olivo at (714) 834-5509.

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

CATEGORY	ISSUED THIS PERIOD	ISSUED FOR FY 2024-25
<p><b>Critical Control Weaknesses</b></p> <p>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>	<b>0</b>	<b>0</b>
<p><b>Significant Control Weaknesses</b></p> <p>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>	<b>2</b>	<b>5</b>
<p><b>Control Findings</b></p> <p>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>	<b>1</b>	<b>8</b>
<b>TOTAL</b>	<b>3</b>	<b>13</b>



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

**COUNTY EXECUTIVE OFFICE OC INFORMATION TECHNOLOGY**

**1. Information Technology Audit: OCIT Selected Internet of Things (IoT) Device Security Controls**

Audit No. 2314 dated December 17, 2024 for the period September 1, 2023 to August 31, 2024

OBJECTIVES	RESULTS	CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDING	CONTROL FINDING
Evaluate OCIT's design, implementation, and operating effectiveness of internal control to determine whether Selected IoT Device Security Controls provide reasonable assurance that device assets are properly tracked and secured to prevent unauthorized access and changes, vulnerabilities are properly managed, and comply with best practices and standards.	Content has been removed from this report due to the sensitive nature of the specific findings.	<b>One Significant Control Weakness</b> Due to the sensitive nature of this finding, details have been redacted from this report.	<b>1</b>

**OC COMMUNITY RESOURCES**

**2. Contracted Audit: Dana Point Harbor Public-Private Partnership Lease Agreement Compliance Audit**

Audit No. 2408 dated December 19, 2024 for the period July 1, 2023 to June 30, 2024

OBJECTIVES	RESULTS	CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDING	CONTROL FINDINGS
1. To determine if the lessees' records adequately support the monthly gross receipts and rental payments reported to the County.	The monthly gross receipts statements submitted to the County comply with the master lease agreements.	<b>One Significant Control Weakness</b> 1. Gross receipts were understated by over \$10,000 resulting in underreported rent of approximately \$2,000.	<b>0</b>
2. To determine if the lessees comply with other financial-related lease provisions, such as accounting methods, payments, and annual financial statement requirements.	The lessees complied with other financial-related provisions established in the Master Lease Agreements.		





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

**OC COMMUNITY RESOURCES**

**3. Second & Final Close-Out Follow-Up Internal Control Audit: OC Community Resources/OC Public Libraries Special Revenue Fund 120**

Audit No. 2216-F2 dated December 17, 2024 as of October 31, 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	3	0	N/A
<b>One Significant Control Weakness</b> Personally Identifiable Information				



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

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

1. **OC Community Resources: Dana Point Harbor Public-Private Partnership Lease Agreement Compliance Audit**, Audit No. 2408 (Contracted Audit)
2. **Information Technology Audit: Health Care Agency Selected Cybersecurity Controls**, Audit No. 2419
3. **Internal Control Audit: District Attorney-Public Administrator Fiduciary Fund 164**, Audit No. 2405
4. **Internal Control Audit: OC Waste & Recycling Cash Disbursements & Payable**, Audit 2406





Internal Audit Department  
2nd Quarter Status Report for the Audit Oversight Committee  
For the Quarter Ended 12/31/2024

Audit Category and Name <sup>1,2,3</sup>	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan										FU Due	FU Number	Status <sup>4</sup>
				Total Budget	Actuals To Date	Budget	Changes	Revised Budget	Actuals to Date Per Quarter					Est Remain	Budget Variance			
									#1	#2	#3	#4	Total					
<b>Internal Control Audits (ICA)</b>																		
OCSD Purchasing & Contracts	2401					525	(525)	0	0	0			0	0	0		Deferred to FY25-26.	
SSA Purchasing & Contracts	2402					525	(525)	0	0	0			0	0	0		Deferred to FY25-26.	
OCPW Purchasing & Contracts	2403					525	(525)	0	0	0			0	0	0		Deferred to FY25-26.	
OCWR Purchasing & Contracts	2404					525	(525)	0	0	0			0	0	0		Deferred to FY25-26.	
DA Fiduciary Funds & Special Revenue Funds	2405	7/8/24				500	200	700	441	255			696	4	0		In process. Pre-draft report issued 12/31/24.	
OCWR Cash Disbursements & Payables	2406	7/08/24				500	190	690	404	283			687	3	0		In process. Pre-draft report issued 12/30/24.	
County Procurement Office - Procurement Governance (2302)	2407	10/21/24				0	0	0	0	0			0	0	0		In process. Audit contracted out to MGO.	
OCCR/OC Parks/OC Dana Point Harbor P3 (2303)	2408	8/29/24	12/19/24			0	0	0	0	0			0	0	0		Completed. Final report issued by MGT on 9/30/24.	
OCCR Purchasing & Contracts (2304)	2409	4/24/24			800	654	240	300	540	381	10		391	149	0		In process.	
A-C Disbursements & Employee Claims (2305)	2410					480		480	111	0			111	369	0		Not started.	
OCIT Data Governance (2307)	2411					420		420	96	0			96	324	0		Not started.	
SSA Cash Receipts & Receivables (dept request/time permitting)	2423					0	0	0	0	0			0	0	0		Not started.	
<b>FY 23-24 Carryovers</b>																		
HCA/PG Purchasing & Contracts (2215)	2326	2/08/23			1,290	1313	0	50	50	11	0		11	39	0		In process. Pre-draft report issued 6/26/24.	
T-TC Cash Receipts	2301	3/26/24	9/30/24		600	613	0	0	0	0	0		0	0	0	3/31/25	2301-F1 Completed. Final report issued 9/30/24.	
OCWR Credit Card Processing (department request)	2321	3/05/24	9/4/24		960	970	0	0	0	0	0		0	0	0	3/31/25	2321-F1 Completed. Final report issued 9/4/24.	
<b>First Follow-Up Audits</b>																		
OCDA Purchasing & Contracts (2324)	2213-F1						663	0	663	0	20		20	643	0		Not started.	
HCA/PG Cash Receipts (2325)	2214-F1									0	1		1				Not started.	
T-TC Cash Receipts	2301-F1									0	0		0				Not started.	
CSS Cash Receipts	2306-F1									0	0		0				Not started.	
OCWR Credit Card Processing (department request)	2321-F1									0	0		0				Not started.	
<b>Second &amp; Third Follow-Up Audits</b>																		
JWA Cash Disbursements & Payables	2013-F2									0	0		0				Not started.	
OCCR/OCPL Special Revenue Fund 120	2216-F2	11/20/24	12/17/24							0	18		18				Completed. Final close-out report issued 12/17/24.	
<b>Total Internal Control Audits</b>						<b>4,903</b>	<b>(1,360)</b>	<b>3,543</b>	<b>1,444</b>	<b>568</b>	<b>0</b>	<b>0</b>	<b>2,012</b>	<b>1,531</b>	<b>0</b>			
<b>Contract Compliance Audits (CCA)</b>																		
<b>FY 23-24 Carryover</b>																		
OCWR - Contract Compliance Review (2320/Board request)	2420					0	0	0	0	0			0	0	0		Not started. Audit contracted out to MGO.	
<b>First, Second, and Third Follow-Up Audits</b>																		
Ocean Institute (2171/2289-A)	2171-F2	4/22/24	9/30/24		65	67	0	15	15	15	0		15	0	0	NA	NA Completed. Final report issued 9/30/24; three recs in process.	
Ocean Institute (2171/2289-A)	2171-F3						0	30	30	0	0		0	30	0		Not started. 3rd follow-up per AOC request.	
<b>Total Contract Compliance Audits</b>						<b>0</b>	<b>45</b>	<b>45</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>30</b>	<b>0</b>			
<b>Mandated &amp; Financial Audits (MFA)</b>																		
T-TC Tax Redemption Officer (2322)	2421	11/06/24				0	0	0	0	0			0	0	0		In process. Audit contracted out to MGO.	
CEO - County Ethics Program (2323)	2422					0	0	0	0	0			0	0	0		Not started. Audit to be contracted out.	
<b>Total Mandated &amp; Financial Audits</b>						<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>			
<b>Information Technology Audits (ITA)</b>																		
DA Selected Cybersecurity Controls	2412					525	0	525	0	0			0	525	0		Not started.	
OCWR Cybersecurity (2308)	2413	12/06/24				525	0	525	0	243			243	282	0		In process.	
OCPW Cybersecurity (2309)	2414	8/15/24				525	0	525	99	216			315	210	0		In process.	
OCSD Cybersecurity (2310)	2415					525	0	525	0	0			0	525	0		Not started.	
OCIT Remote Access Security (2312)	2416					525	(525)	0	0	0			0	0	0		Deferred to FY25-26.	
OCIT Third-Party IT Security (2313)	2417					550	(550)	0	0	0			0	0	0		Deferred to FY25-26.	
T-TC Cybersecurity (2316)	2418					525	(525)	0	0	0			0	0	0		Deferred to FY25-26.	
HCA Cybersecurity (2317)	2419	6/27/24				525	0	525	99	276			375	150	0		In process. Draft Report issued on 12/30/24	
OCIT Adoption & Use of Artificial Intelligence (Time Permitting)	2424					0	0	0	0	0			0	0	0		Not started.	
A-C Policies and Procedures Advisory (2382)	2481					30	(27)	3	3	0			3	0	0		Canceled per department request.	



Internal Audit Department  
2nd Quarter Status Report for the Audit Oversight Committee  
For the Quarter Ended 12/31/2024

Audit Category and Name <sup>1,2,3</sup>	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan									FU Due	FU Number	Status <sup>4</sup>
				Total Budget	Actuals To Date	Budget	Changes	Revised Budget	Actuals to Date Per Quarter				Est Remain	Budget Variance			
									#1	#2	#3	#4	Total				
<b>Information Technology Audits (ITA)(CON'T)</b>																	
<b>FY 23-24 Carryovers</b>																	
OCIT IOT Device Security (2243)	2314	2/29/24	12/17/24	570	573	0	430	430	421	16			437	0	7	Completed. Final report issued 12/17/24.	
<b>First Follow-Up Audits</b>						285	0	285	58	85			143	142	0		
OCIT Enterprise IT Governance (2315)	2242-F1	10/09/24							5	74			79			In process.	
Probation Cybersecurity (2043)	2043-F1	2/29/24							2	0			2			Not started.	
A-C CAPS+ Application Security (2046)	2046-F1								0	0			0			Not started.	
<b>Second &amp; Third Follow-Up Audits</b>																	
ROV Cybersecurity (2042)	2042-F2	7/15/24	9/30/24						51	11			62			Completed. Final close-out report issued 9/30/24.	
C-R Cybersecurity (2151)	2151-F2								0	0			0			Not started.	
<b>Total Information Technology Audits</b>						<b>4,540</b>	<b>(1,197)</b>	<b>3,343</b>	<b>680</b>	<b>836</b>	<b>0</b>	<b>0</b>	<b>1,516</b>	<b>1,834</b>	<b>7</b>		
<b>Total Audits Before Other Activities &amp; Administration</b>						<b>9,443</b>	<b>(2,512)</b>	<b>6,931</b>	<b>2,139</b>	<b>1,404</b>	<b>0</b>	<b>0</b>	<b>3,543</b>	<b>3,395</b>	<b>7</b>		
<b>Other Activities &amp; Administration</b>																	
Workpaper Closeout & Final Report Issuance	2470					0	200	200	104	0			104	96	0	2301 and 2321 final reports issued.	
Annual Risk Assessment & Audit Plan	2491					400	0	400	0	0			0	400	0		
Cash Losses	2492					80	0	80	0	0			0	80	0		
TeamMate+ Administration	2493					80	0	80	17	0			17	63	0		
External Audit Reporting	2494					200	0	200	37	18			55	145	0		
On-Demand Department Advisory Services	2495					80	0	80	0	0			0	80	0		
Quality Assessment	2496					120	0	120	75	0			75	45	0		
Board & AOC Support	2497					160	0	160	27	41			68	92	0		
Special Projects	2498					400	0	400	0	0			0	400	0		
CWCAP	2499					80	0	80	30	2			32	48	0	Completed. Submitted to A-C.	
<b>Total Other Activities &amp; Administration</b>						<b>1,600</b>	<b>200</b>	<b>1,800</b>	<b>290</b>	<b>61</b>	<b>0</b>	<b>0</b>	<b>351</b>	<b>1,449</b>	<b>0</b>		
Reserve for Board Directives/Contingency						2,088	2,312	4,400	126	1,555			1681	2,719	0	2425: ARPA Funds Risk Assessment. In process.	
<b>Total Budget</b>						<b>13,131</b>	<b>0</b>	<b>13,131</b>	<b>2,555</b>	<b>3,020</b>	<b>0</b>	<b>0</b>	<b>5,575</b>	<b>7,563</b>	<b>7</b>		

Footnote 5

**Footnotes**

- 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.
- 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.
- 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.
- 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.
- The initial FY 2024-25 Annual Audit Plan of 13,131 hours is based on 9,443 direct hours to be provided by seven senior auditors/audit managers, two senior audit managers, and an assistant deputy director plus 1,600 hours for other activities and administration/special projects and 2,088 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

February 6, 2025

**AOC Agenda Item No. 6**

TO: Audit Oversight Committee Members

Recommended Action:

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

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Approve External Audit Activity Status Report for Quarter Ended December 31, 2024, and Receive Report on Status of External Audit Recommendations Implementation, as stated in recommended action.

ATTACHMENT(S):

Attachment A – External Audit Activity Status Report Memo

Attachment B – Executive Summary External Audit Activity

Attachment C – External Audit Activity Quarterly Status Report

Attachment D – External Audit Report Implementation Status of Prior Quarter Significant & Material Issues



## INTERNAL AUDIT DEPARTMENT

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January 31, 2025

To: Audit Oversight Committee Members

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

 Digitally signed by  
Agripino Alonso  
Date: 2025.01.31 15:03:28  
-08'00'

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

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Attached for your review and approval is our External Audit Activity Status Report for the Quarter ended December 31, 2024. Pursuant to Audit Oversight Committee (AOC) Administrative Procedure Number 2, Reporting on External Audits, County departments are required to communicate the status of all third-party audits, including any significant audit findings identified, to Internal Audit on a quarterly basis. The procedure was established to keep the AOC informed of all third-party audits being performed and any significant findings identified. In addition, as requested by the AOC at its May 9, 2019 meeting, we have included County department reported corrective action taken to implement recommendations related to significant audit findings identified.

To facilitate the AOC's review, we are pleased to include an Executive Summary (Attachment B) that presents the total audit additions and deletions from the prior quarter, and the total current audits in process. In addition, the Executive Summary references any new significant findings and provides a summary of any material issues reported for the quarter. For individual report details, see Attachment C. Finally, for corrective action taken to implement recommendations, see Attachment D.

For the quarter ended December 31, 2024, one new material issue was reported. Specifically, the California State Controller's Office (SCO) audited the costs claimed by Orange County (County) for the legislatively mandated Custody of Minors – Child Abduction and Recovery Program for the period of July 1, 2018 through June 30, 2022. The audit resulted in disallowed costs totaling \$3,070,154.

If you have any questions, please contact me at (714) 834-5442 or Deputy Director Jose Olivo at (714) 834-5509.

**EXECUTIVE SUMMARY OF EXTERNAL AUDIT ACTIVITY**  
**For the Quarter Ended 12/31/24**

<b><u>SUMMARY ACTIVITY</u></b>	
Total Audits Prior Quarter (9/30/24)	<b>49</b>
Additions:	
In Progress	7
Planned	3
Started and Completed	2
Deletions	<b><u>11</u></b>
(Completed, Canceled, and Removed in Prior Quarter)	
Total Audits Current Quarter (12/31/24)	<b><u>50</u></b>
(In Progress, Planned, and/or Completed this Quarter)	

**Results for the Quarter:**

Completed	13
Canceled	0
Removed for Other Reasons	0

New Findings/Issues Reported by the Departments 0

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

The California State Controller's Office (SCO) audited the costs claimed by Orange County (County) for the legislatively mandated Custody of Minors – Child Abduction and Recovery Program for the period of July 1, 2018 through June 30, 2022. The audit resulted in disallowed costs totaling \$3,070,154 primarily because the County did not provide contemporaneous source documentation to support the mandated functions performed or the actual number of hours devoted to each function.

**EXTERNAL AUDIT ACTIVITY**  
**Quarterly Status Report**  
**2nd Quarter FY 2024-25 (12/31/24)**

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2024	Significant Findings
Assessor		No audits in progress.						
<b>Auditor-Controller</b>	<b>Financial Reporting</b>	Eide Bailly	Annual Comprehensive Financial Report (ACFR)	Annual	6/30/2023	Annual Financial GAAP Audit	In progress.	
		Eide Bailly	Single Audit	FY 2024 Annual	6/30/2023	Uniform Guidance Expenditures of Federal Assistance	In progress.	
	<b>Cost, Revenue &amp; Budget</b>	No audits in progress.						
	<b>Property Tax</b>	State Controller's Office	Property Tax apportionment and allocation audit	7/1/2021-6/30/2024	May-Oct 2022	Revenue and Taxation Code, Health and Safety Code, and Government Code requirements pertaining to the apportionment and allocation of property tax revenues.	Planned.	
	<b>General Accounting</b>	No audits in progress.						
<b>Child Support Services</b>	<b>Program Support Services</b>	No audits in progress.						
<b>Clerk of the Board</b>		No audits in progress.						
<b>Clerk-Recorder</b>	<b>Information System</b>	Lawrence R. Halme	SECURE: Modified System Audit Report (MSAR)	As Needed	6/22/2024	New software release	Completed.	None.
<b>County Counsel</b>		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 December 31, 2024	Significant Findings
County Executive Office	Finance	No audits in progress.						
	Risk Management	No audits in progress.						
	Information Technology	No audits in progress.						
	Corporate Real Estate	No audits in progress.						
	Human Resource Services	No audits in progress.						
	Office of Care Coordination	No audits in progress.						
District Attorney-Public Administrator		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	Completed.	<b>One (1) New Material Issue:</b> Disallowed costs totaling \$3,070,154 due to unsupported salaries, benefits, and related indirect costs.
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.	Completed.	None.
		Eide Bailly LLP	Tobacco Settlement Revenue Agreed Upon Procedure	FY 23/24 Annual	FY 22/23	Fiscal compliance review.	In progress.	
	Behavioral Health Services	State Department of Health Care Services	Drug Medi-Cal Organized Delivery System (DMC-ODS) and Substance Use Prevention, Treatment, and Recovery Services Block Grant (SUBG) Compliance Review	FY 23/24 Annual	N/A	Program compliance review.	Completed.	None.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2024	Significant Findings
Health Care Agency (con't)	Behavioral Health Services (con't)	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	January 2022	Fiscal and program compliance review	In progress.	
		State Department of Health Care Services	Substance Abuse Block Grant/Drug Medi-Cal Organized Delivery System (SABG/DMC-ODS) Service Review	FY 23/24 Annual	May 2023	Program compliance review.	In progress.	
	Correctional Health Services	No audits in progress.						
	Public Health Services	Gilbey and Associates (First 5)	Community and Nursing Services Division	FY 23/24 Annual	FY 22/23	Fiscal and Program Compliance.	In progress.	
		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.	
		California Department of Public Health (CDPH)	Epidemiology & Laboratory Capacity Enhancement (ELC1) and Epidemiology & Laboratory Capacity Expansion (ELC2)	1/15/21 - 10/31/21	N/A	Fiscal Compliance Review - 25% Advance Payment	In progress.	
		MGO CPA (Contracted through DOF and Ca State Auditors)	Epidemiology & Laboratory Capacity Enhancement (ELC1) and Epidemiology & Laboratory Capacity Expansion (ELC2)	FY 22/23	N/A	Fiscal Compliance Review	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	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 December 31, 2024	Significant Findings
Health Care Agency (con't)	Public Health Services (con't)	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.	Completed.	None.
		DHCS Audits & Investigations - Targeted Case Management	Targeted Case Management (TCM), Program Financial Audit of the TCM Cost Report	FY 21/22	FY 20/21	Fiscal compliance review.	In progress.	
		California State Controller's Office (SCO)	Women, Infant, and Children (WIC) Financial Management Review	FFY 22/23 Biennial	FFY 20/21	Fiscal compliance review.	In progress.	
	Specialized Medical Services	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	Completed.	None.
		California Department of Public Health (CDPH)	Public Health Emergency Preparedness (PHEP) and Hospital Preparedness Program (HPP) Audit	7/1/2022 - 6/30/2023	FY 19/20	Fiscal compliance review.	Completed.	None.
John Wayne Airport	Finance & Administration	Eide Bailly	Financial Statements, including Passenger Facility Charge Revenue and Expenditures	2024 Annual	2023	Audit of Financial Statements	In progress.	
	Innovation and Technology	Tevora Business Solutions	Parking Access and Revenue Control System	2025 Annual	2024	Compliance with Payment Card Industry Data Security Standard	In progress.	
	Operations	Federal Aviation Administration	Airport Certification Inspection	2025 Annual	2024	Compliance with Title 14, Code of Federal Regulations, Part 139, Airport Certification Manual and Airport Operation Certificate	Planned.	
		Transportation Security Administration	Airport Security	2025 Annual	2024	Compliance with Title 49, Code of Federal Regulations, Part 1542, Airport Security	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2024	Significant Findings
<b>OC Community Resources</b>	<b>Office on Aging (OoA)</b>	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.	Completed.	None.
		Eide Bailly	Aging Cluster	FY 23-24		Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In Progress.	
	<b>Workforce &amp; Economic Development Division</b>	Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA (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.	Completed.	None.
	<b>OC Parks</b>	MGT	Dana Point Harbor Partnership	FY 23/24	N/A	Determine Lessees' records support monthly gross receipts and payments, whether lessee complies with other financial-related provisions of the lease	Completed. (Reported as part of the Feb. 6, 2025, AOC Agenda Item No. 5. Reference Attachment B.)	
	<b>OC Libraries</b>	No audits in progress.						
	<b>OC Animal Care</b>	MGO	City Billing	FY 23/24 Triennial	FY 20/21	To Be Determined	Planned.	
	<b>Redevelopment Successor Agency</b>	Eide Bailly	Financial Statement Audit	FY 23/24 Annual	6/30/2023	Redevelopment Successor Agency	In progress.	
	<b>OC Housing Finance Trust (OCHFT)</b>	Eide Bailly	Financial Statement Audit	FY 22/23 Annual	6/30/2023	OC Housing Fund Trust	Completed. (Reported 6/30/24)	See Attachment D for corrective actions taken related to the finding from this audit.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2024	Significant Findings
OC Public Works	Accounting, OC Infrastructure Programs, OC Construction, & CEO	Crowe LLP (Crowe), on behalf of the Orange County Local Transportation Authority	Measure M (MM) Local Fair Share	FY 2023 -2024 Varies	03/2020 (For the year ending June 30, 2019)	Audit review to determine the jurisdictions' level of compliance with the provisions of MM Local Transportation Ordinance No. 3. for the FY ended June 30, 2024.	In progress.	
	Accounting & OC Fleet Services	TBD	South Coast Air Quality Management District AB-2766 Fund (Fund 140)	FY 2021-2022 and FY 2022-2023, bi-annual	04/2024	A Financial and Compliance Audit to determine if recipient is in compliance with provisions of Assembly Bill 2766 Chapter 1705 [44220 through 44247].	Planned.	
	Accounting	TBD	Santa Ana River Flood Protection Agency (SARFPA)	FY 2023-2024 and FY 2024-2025, every two years	09/2024	Bi-Annual Audits of the Santa Ana River Flood Protection Agency's Financials Statements	Planned.	
	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 2024, annual	06/2024	TCA Fee Program for CY 2024. Audit of major thoroughfare fees collected by the County of Orange	Planned.	
OC Waste & Recycling	Accounting	Eide Bailly	Financial Statement Audit	FY 23/24 Annual	6/30/2023	Audit of Financial Statements	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 December 31, 2024	Significant Findings
Probation	Administrative and Fiscal	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.						
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	No audits 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	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 December 31, 2024	Significant Findings
Social Services Agency	Administrative Services	California State Auditor	CACI Grievance	11/21-03/22	1st in last 6 years	Evaluate Orange 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.	Completed.	None.
		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.						
	Assistance Programs	California Department of Social Services (CDSS)	CalFresh	Annual	08/24	As mandated by the United States Department of Agriculture (USDA) Food and Nutrition Service (FNS), CDSS conducts an evaluation of CalFresh Program access within 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.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2024	Significant Findings
Social Services Agency (con't)	Family Self-Sufficiency & Adult Services	California Department of Social Services (CDSS), Parent Engagement and Policy	Work Incentive Nutritional Supplement (WINS) Work Participation Rate	FFY 2023 Annual	06/23	The purpose of the review is to determine the accuracy of your reported WINS activity hours for federal fiscal year 2023.	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.	
		California Department of Social Services - Gregory Knox	In-Home Supportive Services	Annual	08/23	Audit of County social services activities with a focus on a review of a total of 30 cases, which include five denied cases, 14 randomly selected cases chosen by state QA, and six County QA previously reviewed cases, 5 of which will include a home visit. The period under review 9/09/24 –10/18/24.	In progress.	
Treasurer-Tax Collector	Treasury	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 December 31, 2024

No.	Department	Audit Name	Finding	Recommendation	Material or Significant	Implementation Status* & Actions Taken or Planned
1	OCCR	OC Housing Finance Trust (OCHFT) Financial Statement Audit YE 6/30/23	#2023-001: 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.	We recommend management review its closing process to ensure balances are properly reconciled. This process should also ensure the financial statements are prepared accurately and in a timely manner.	Significant	<b>Implemented.</b> Closing procedures have been updated to ensure balances are properly reconciled. Year-end procedures have been updated to ensure OCHFT is able to provide timely accrual information.

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



# Memorandum

February 6, 2025

**AOC Agenda Item No. 7**

TO: Audit Oversight Committee Members

Recommended Action:

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

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

ATTACHMENT(S):

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



Auditor-Controller Internal Audit  
 Status of Mandated Audits  
 As of December 31, 2024  
 AOC Meeting Date: February 6, 2025

Audit Name	Audit No.	Budget Hours	Actual Hours	Variance	Draft Report	Final Report	Status
Cash Shortages FY 20-21	2001	100.0	208.5	-108.5	N/A	N/A	1 in process, 9 completed
Cash Shortages FY 24-25	2402	120.0	6.0	114.0	N/A	N/A	1 in process, 5 completed
JPAs and Special Districts FY 22-23*	2310	120.0	60.5	59.5	N/A	N/A	Collection in process
JPAs and Special Districts FY 23-24*	2410	120.0	2.0	118.0	N/A	N/A	Collection in process
Review of Schedule of Assets as of 12/31/23	2308	300.0	261.0	39.0			Fieldwork in process
Review of Schedule of Assets as of 3/31/24	2309	300.0	224.0	76.0			Fieldwork in process
Review of Schedule of Assets as of 9/30/24	2407	300.0	31.0	269.0			Fieldwork in process
<b>Total</b>		<b>1360.0</b>	<b>793.0</b>	<b>567.0</b>			

RSA = Review of Schedule of Assets

\*We collect copies and post them online.



### 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 24-25

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 5 investigations, and we have 1 investigation in process for Clerk-Recorder.	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.	We are collecting audited financial statements. JPAs remaining: 1 of 72. Special Districts remaining: 0 of 34. Total reports received: 105 of 106.	0/0	105

### JPAs and Special Districts FY 23-24

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.  **removed 4 JPA that are not part of the county for FY 23-24	We are collecting audited financial statements. JPAs remaining: 32 of 68.** Special Districts remaining: 21 of 34. Total reports received: 49 of 102.	0/0	49



**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 accrual 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 accrual basis of accounting.	Fieldwork is in process.	0	0

**Review of Schedule of Assets as of 9/30/24**

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 accrual basis of accounting.	Fieldwork is in process.	0	0



Auditor-Controller Internal Audit  
Status of Mandated Audits  
As of December 31, 2024  
AOC Meeting Date: February 6, 2025

**Past-Due Submissions of Audited Financial Statements**

<b>Entity Type</b>	<b>Entity Name</b>	<b>FYE Date</b>	<b>Follow-up Date</b>	<b>Rectified Date</b>
JPA	Public Cable Television Authority (PCTA)	6/30/2023	8/1/2024, 1/23/2025	
JPA	Public Cable Television Authority (PCTA)	6/30/2022	4/4/2023, 8/1/2024, 1/23/2025	
JPA	Public Cable Television Authority (PCTA)	6/30/2021	11/15/2021, 8/1/2024	11/18/2024
JPA	Public Cable Television Authority (PCTA)	6/30/2020	1/4/2021, 8/1/2024	11/18/2024



# Memorandum

February 6, 2025

**AOC Agenda Item No. 8**

TO: Audit Oversight Committee Members

Recommended Action:

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

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

ATTACHMENT(S):

Attachment A – Performance Audits Quarterly Status Report

Department	Type of Audit	Auditing Vendor	Audit Scope of Work	Status
<b>FY 2023-24</b>				
Auditor-Controller	Administration/Department Head Transition	MGO	Review administrative operations, policies, practices and procedures, and IT systems and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	Audit Initiated, pending entrance interview scheduled for 2/7
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 Complete Draft report released, HCA preparing responses
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
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.	Pending
<b>FY 2024-25</b>				
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.	Pending





# Memorandum

February 6, 2025

**AOC Agenda Item No. 9**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Update on ERP Implementation

---

Receive Update on ERP Implementation, as stated in recommended action.



# Memorandum

February 6, 2025

**AOC Agenda Item No. 10**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on County IT Projects Quarterly Progress

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

ATTACHMENT(S):

Attachment A – County IT Projects Quarterly Progress Report

# County IT Projects

## Quarterly Progress Report

1<sup>st</sup> Quarter, FY 24-25  
Jul 1 – Sep 30, 2024



Orange County Information Technology

# 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 17, three less than the number reported in the previous quarter. Four projects were completed last quarter: CEO-Human Resource Services' HRS Onboarding, Health Care Agency's CHORUS, John Wayne Airport's Baggage Handling System, and OCIT's County Enterprise External Firewall Cluster Enhancements. One project was added this quarter: Juvenile Hall Switch Migration (Probation). The total budget decreased from \$50,406,380 to \$18,435,344.

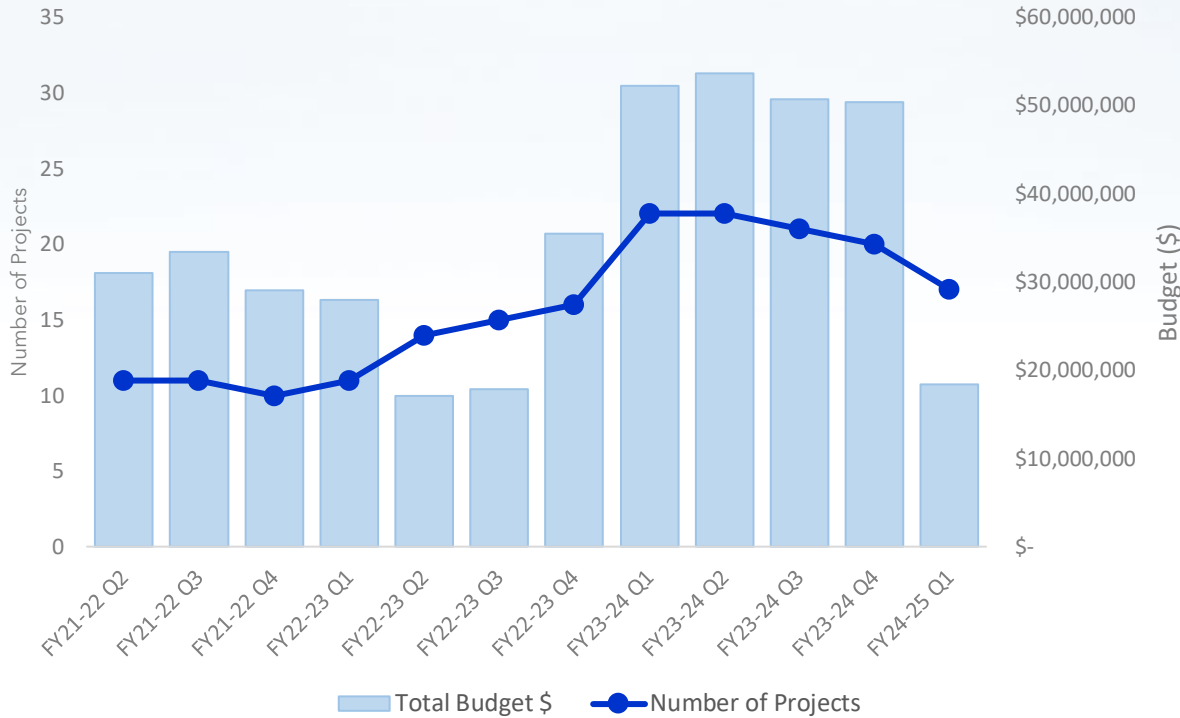


### Key Accomplishments

Four projects were successfully completed in FY24-25 Q1: OCIT's eDiscovery Tool and Legacy Application Restoration; Social Services Agency's (SSA) Qualtrics Call Center Analytics; and Treasurer-Tax Collector's (TTC) Web Property Tax Inquiry & Payment System.

# IT Portfolio Size and Budget

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



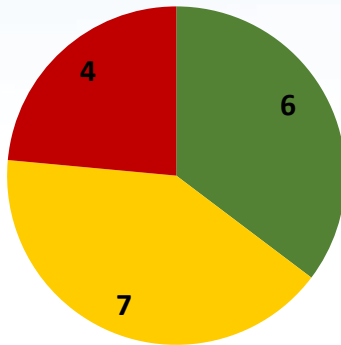
Item 10, AOC Meeting 02/06/2025, Page 3 of 8

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

# Portfolio Performance

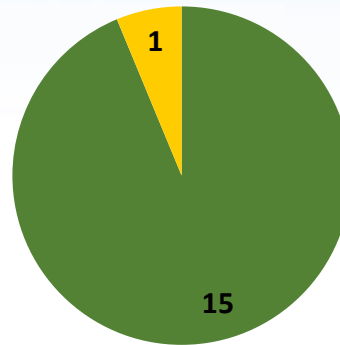
The charts below depict the County's IT project portfolio schedule and budget performance of the active and completed projects during the reporting period.

## Schedule



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

## Budget



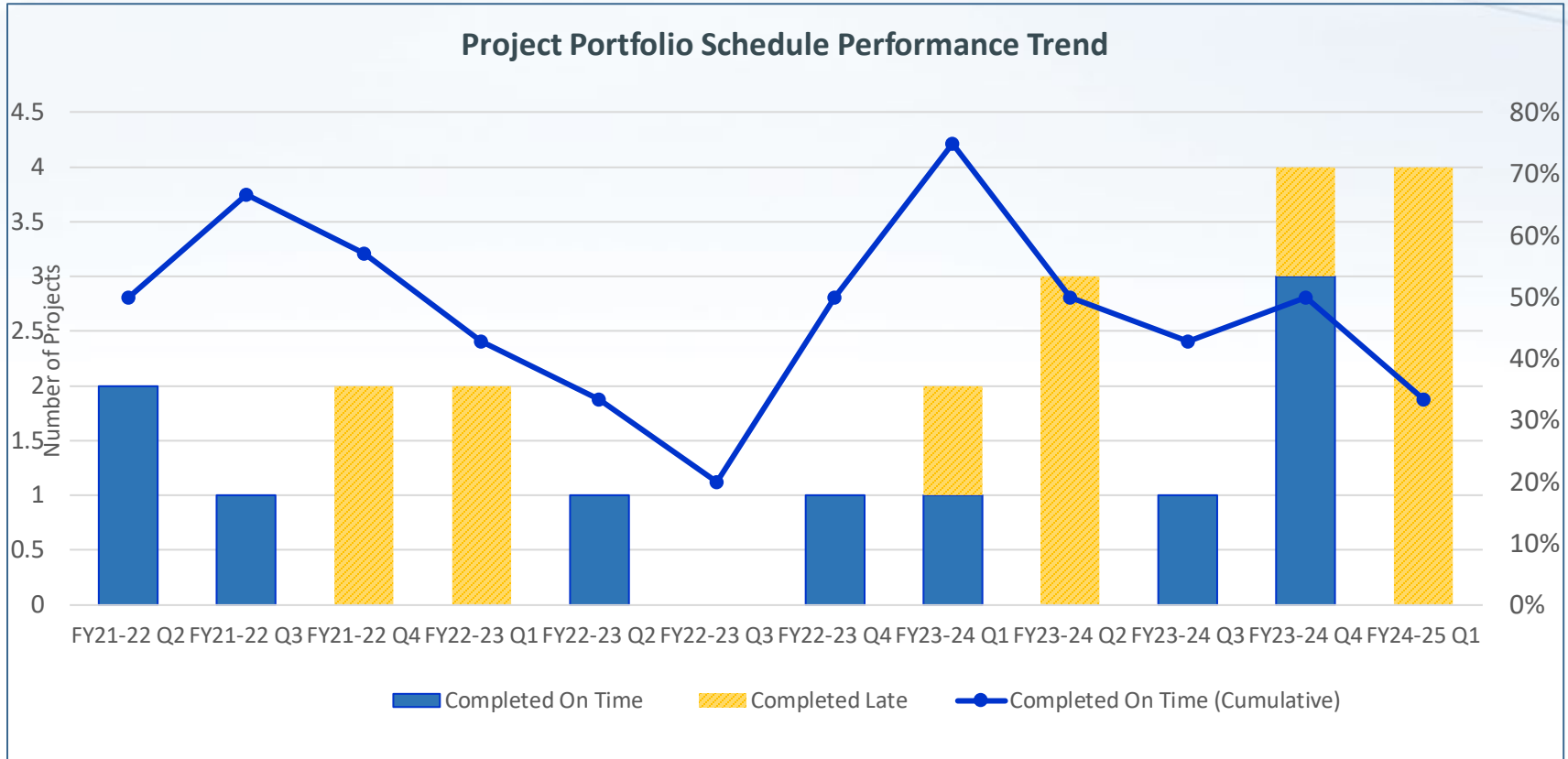
- On Budget
- At risk; 10% - 20% over budget
- Critical; >20% over budget

During this reporting period, 11 projects have experienced schedule delays, and one project exceeded its original or rebaselined budget. Details concerning schedule delays and budget overages are available in the Project Dashboard included with this report.

Resource availability, scope changes, and project dependencies are the primary contributors to project schedule delays. The budget overage was due to scope changes and additional licensing costs.

# Portfolio Performance Trend

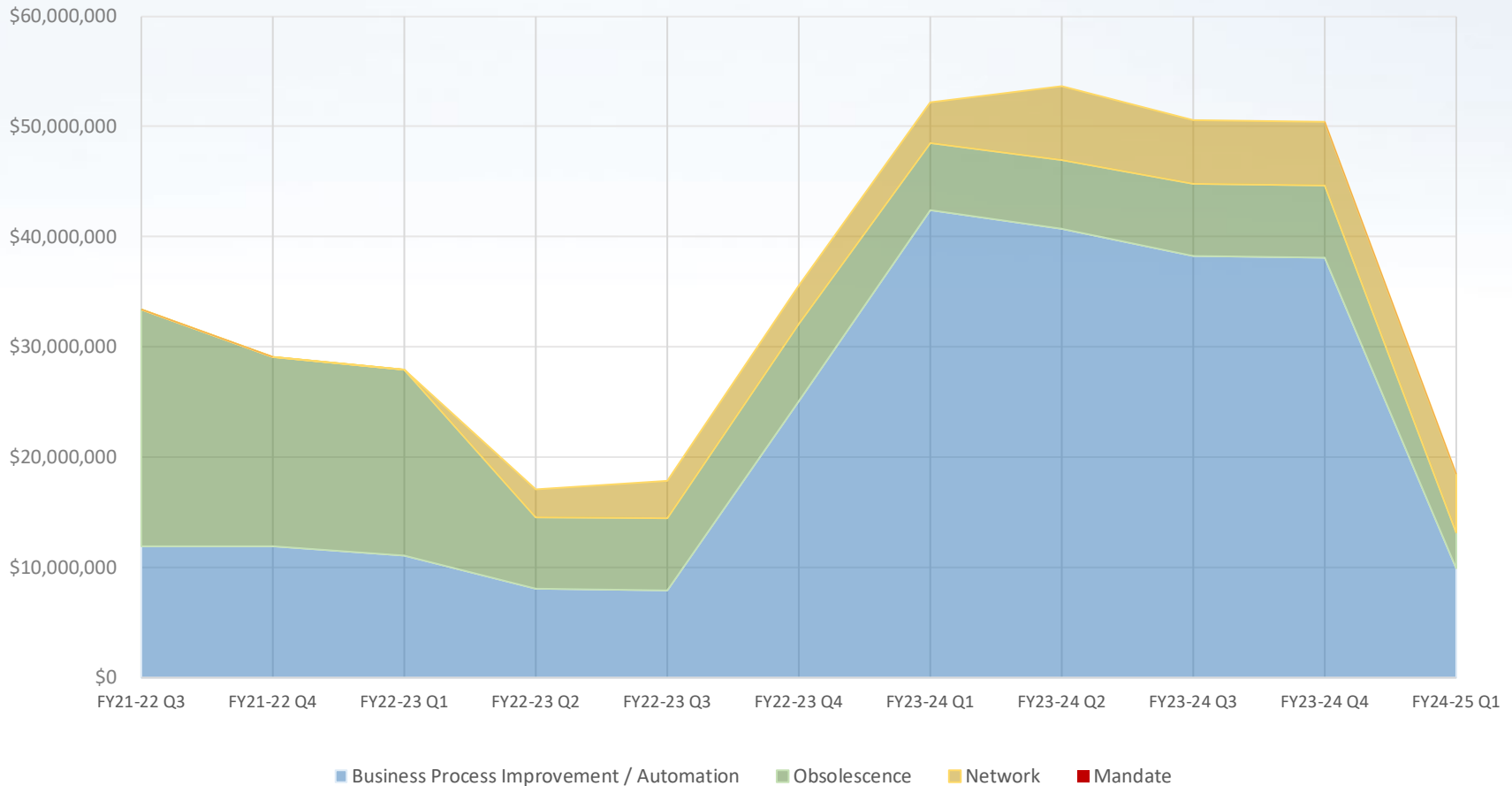
The chart below depicts the County’s IT project schedule performance trend for the projects that were completed over the last 12 quarters. The bars reflect the total number of projects completed in each quarter and the number completed on schedule. The line reflects the percentage of projects completed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



# Project Investment Trends

Projects intended to improve or automate business processes account for 53.8% of the County's IT budget this quarter. Projects for replacing end-of-life or obsolete systems account for 17.5% of the budget. Network projects account for 28.7% of the budget.

### Investment by Business Justification

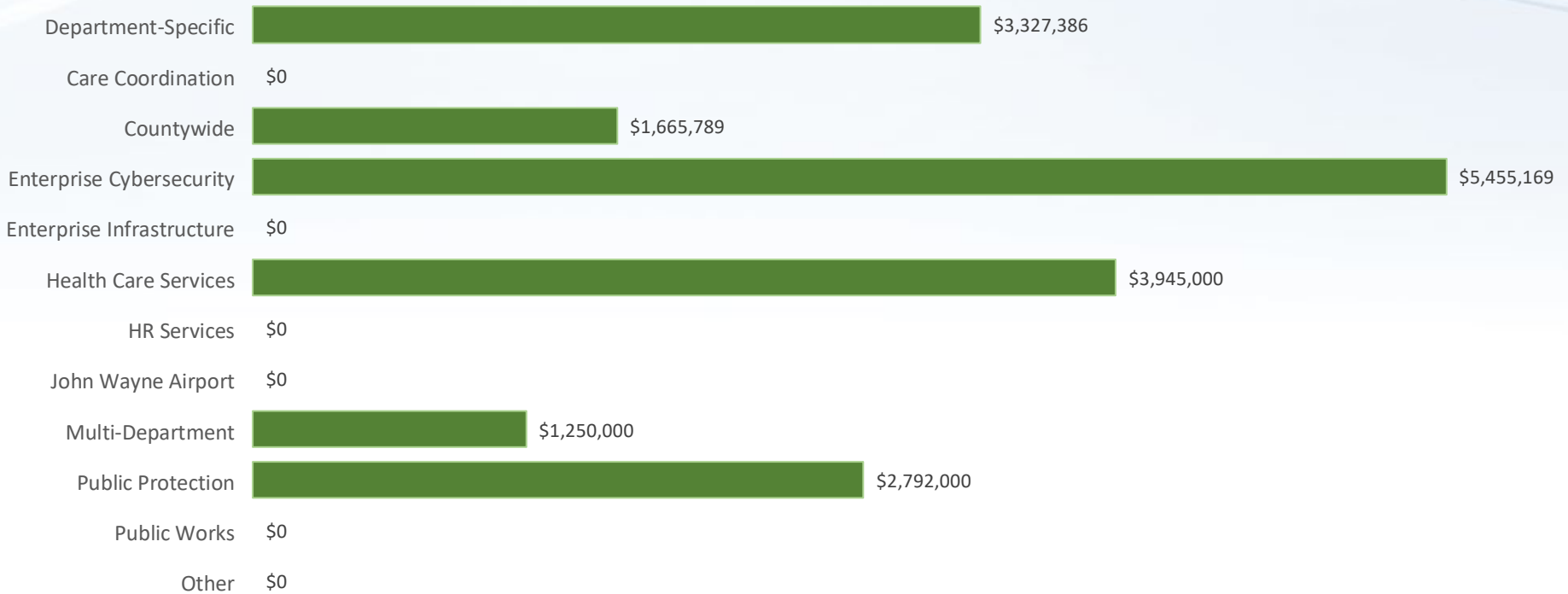


**Item 10, AOC Meeting 02/06/2025, Page 6 of 8**  
 The chart above reflects projects that were active or completed during each quarter.



# Investment by Service Area

Enterprise Cybersecurity projects account for the largest share of the County’s IT project investments this quarter. Health Care Services, Department Specific, and Public Protection projects also have a significant share of the IT project budget.



The chart above reflects projects that were active or completed during this reporting period. **Item 10, AOC Meeting 02/06/2025, Page 7 of 8**

# 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"> <li>✓ OC TIME Implementation</li> <li>✓ Property Tax System</li> </ul>	<ul style="list-style-type: none"> <li>✓ Privileged Access Management (PAM) Implementation</li> </ul>					<ul style="list-style-type: none"> <li>✓ CalSAWS Migration Technical Support</li> </ul>	
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"> <li>✓ County Reimbursement System</li> <li>✓ Integrated Talent Management System (ITMS) Performance Module</li> </ul>	<ul style="list-style-type: none"> <li>✓ Electronic Health Records (EHR) Interoperability</li> <li>✓ HCA Business Intelligence &amp; Analytics</li> <li>✓ Shared Services Server Platform</li> </ul>	<ul style="list-style-type: none"> <li>✓ IntraOC Site Design Refresh</li> </ul>				<ul style="list-style-type: none"> <li>✓ CHORUS</li> <li>✓ County Enterprise External Firewall Cluster Enhancements</li> <li>✓ HRS Onboarding</li> <li>✓ JWA Baggage Handling System</li> </ul>	
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"> <li>✓ eDiscovery Tool</li> <li>✓ Legacy Application Restoration</li> <li>✓ Qualtrics Call Center Analytics</li> <li>✓ Web Property Tax Inquiry &amp; Payment System</li> </ul>	<ul style="list-style-type: none"> <li>■ Access Control Conversion</li> <li>■ County Enterprise Network Redundancy</li> <li>■ Endpoint Security Transition</li> <li>■ iConnect Lab Portal</li> <li>■ Mandated Reporter App</li> <li>■ Multi-Drug Resistant Organism (MDRO) Data Exchange</li> <li>■ OC Agenda</li> <li>■ OC Recycling and Disposal System (RDS)</li> </ul>	<ul style="list-style-type: none"> <li>■ Employee Information Tracking System</li> <li>■ Juvenile Hall Switch Migration</li> <li>■ Zscaler Private Access VPN</li> </ul>				<ul style="list-style-type: none"> <li>■ Automated Jail System (AJS)</li> <li>■ Identity and Badge Data Integration</li> </ul>	

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



# Memorandum

February 6, 2025

**AOC Agenda Item No. 11**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Update on AOC Risk Assessment Subcommittee

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Receive Update on AOC Risk Assessment Subcommittee, as stated in recommended action.



# Memorandum

February 6, 2025

**AOC Agenda Item No. 12**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Update on Treasurer-Tax Collector Audit of Schedule of Assets as of June 30, 2023

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Receive Update on Treasurer-Tax Collector Audit of Schedule of Assets as of June 30, 2023, as stated in recommended action.



# Memorandum

February 6, 2025

**AOC Agenda Item No. 13**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Update on Treasurer-Tax Collector PCI DSS Compliance Review

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Receive Update on Treasurer-Tax Collector PCI DSS Compliance Review, as stated in recommended action.

ATTACHMENT(S):

Attachment A – PCI Review Summary

## Payment Card Industry Data Security Standard (PCI DSS) Compliance Review

DEPARTMENT	TEVORA RECOMMENDED SAQ	SAQ STATUS	SCAN STATUS	STATUS
CEO - REAL ESTATE	A, P2PE	COMPLETED	NOT REQUIRED	COMPLETED
HCA - 17TH CNTY OF ORANGE	B	COMPLETED	TERMINAL ONLY	COMPLETED
NEWPORT HARBOR PATROL	B	COMPLETED	TERMINAL ONLY	COMPLETED
OC CLERK RECORDER	B	COMPLETED	TERMINAL ONLY	COMPLETED
OC DIST ATTORNEY WJ.	B	COMPLETED	TERMINAL ONLY	COMPLETED
OC HEALTHCARE AGENCY MBU	B	COMPLETED	TERMINAL ONLY	COMPLETED
OC OFFICE ON AGING	D	COMPLETED	COMPLETED	COMPLETED
OC PARKS BEACH AND WILDERNESS	C	COMPLETED	COMPLETED	COMPLETED
OC PARKS OCCR	D	COMPLETED	COMPLETED	COMPLETED
OC PARKS PARKING	C	COMPLETED	COMPLETED	COMPLETED
OC PROBATION DEPT	A	COMPLETED	NOT REQUIRED	COMPLETED
OC PUBLIC LAW LIBRARY	B	COMPLETED	TERMINAL ONLY	COMPLETED
OC PUBLIC WORKS	D	COMPLETED	COMPLETED	COMPLETED
OC SHERIFF	A, B	COMPLETED	NOT REQUIRED	SAQ REVIEW IN PROCESS
OC SUP COURT	C, A-EP, C-VT	COMPLETED	COMPLETED	COMPLETED
OC WASTE AND RECYCLING	C	COMPLETED	COMPLETED	COMPLETED
OCCR OC ANIMAL CARE	D	COMPLETED	COMPLETED	COMPLETED
OFFICE OF VITAL RECORDS	B	COMPLETED	TERMINAL ONLY	COMPLETED
OPERATION SANTA CLAUS	A	COMPLETED	COMPLETED	COMPLETED
ORANGE COUNTY ASSESSOR	B	COMPLETED	TERMINAL ONLY	COMPLETED
ORANGE COUNTY EMS	A	COMPLETED	NOT REQUIRED	COMPLETED
ORANGE COUNTY ENV HLTH	A	COMPLETED	NOT REQUIRED	COMPLETED
ORANGE COUNTY PUBLIC LIB	D	COMPLETED	COMPLETED	COMPLETED
ORANGE CTY RR COLLECTION	A-EP	COMPLETED	COMPLETED	COMPLETED
PW PARKING CIVICCTR/MANCHESTER	P2PE	COMPLETED	COMPLETED	COMPLETED
REGISTRAR OF VOTERS	D	COMPLETED	COMPLETED	COMPLETED
SENIOR SANTA AND FRIEND	A	COMPLETED	COMPLETED	COMPLETED
TREASURER-TAX COLLECTOR	A, C	COMPLETED	COMPLETED	COMPLETED



# Memorandum

February 6, 2025

**AOC Agenda Item No. 14**

TO: Audit Oversight Committee Members

Recommended Action:

Review Audit Oversight Committee Bylaws

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Review Audit Oversight Committee Bylaws, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Bylaws

# County of Orange

## Audit Oversight Committee Bylaws

(Approved by B.O.S. on 7/26/2022)

### ARTICLE 1 ESTABLISHMENT

The Audit Oversight Committee (AOC) was originally established in 1995 by Board of Supervisors' Resolution No. 95-271 to provide oversight over the County's internal audit functions. This resolution was superseded by Resolution No. 2016-014, which affirmed and amended the duties and responsibilities of the AOC in light of the creation of the position of Performance Audit Director and the transfer of the internal audit responsibilities to the Auditor-Controller's office. In 2018, the Board of Supervisors adopted Resolution 18-068, establishing an Internal Audit Department independent from the Auditor-Controller and reporting directly to the Board of Supervisors.

### ARTICLE 2 PURPOSE

The purpose of the AOC is to serve as an advisory committee to the Board of Supervisors on issues related to the County's internal audit function and the County's external audit coverage including the financial statements (e.g. ACFR, Single Audit Report and Management Letter) and federal and state audits. The AOC assists the Board of Supervisors in fulfilling their oversight responsibilities with respect to financial, operational, and compliance audit activities including, but not limited to: (i) external audit; (ii) internal audit; (iii) performance audit; and (iv) mandated audits. The AOC is responsible for ensuring the independence of the internal audit function, reviewing and recommending approval of the Internal Audit Department's and the County Executive Office's Annual Audit Plans, reviewing audit reports, and ensuring that corrective action is taken on audit findings.

### ARTICLE 3 MEMBERSHIP

- 3.1 The membership of the AOC shall consist of the following: the Chairperson and Vice-Chairperson of the Board of Supervisors, the County Executive Officer (CEO), and five public members from the private sector appointed by the Board of Supervisors. All public members shall serve a term of office that is coterminous with the term of the member of the Board of Supervisors that nominated such public member, not to exceed four (4) years. Members selected to fill a vacancy for reasons other than the regular expiration of a term shall serve only for the remainder of that term. The public members may be reappointed or removed by the Board of Supervisors.
  - 3.1.1 Public members whose term has expired, including those coterminous with the Board of Supervisors as described in Section 3.1, shall continue to discharge their duties as a holdover appointee until their successor has been appointed by the Board of Supervisors or they have resigned from the AOC, whichever is earlier.
- 3.2 Each member of the Board of Supervisors may nominate one public member for appointment by the Board of Supervisors. Public members shall possess sufficient knowledge and experience in finance, business, and accounting to discharge the AOC's duties with an emphasis on prior audit experience (*i.e.*, financial and internal controls).
  - 3.2.1 The AOC may recommend individuals to the Board of Supervisors as potential nominees to fill vacant public member seats.
  - 3.2.2 Except where the Board of Supervisors finds it is in the best interest of the County to waive voter and residency requirements, all public members of the AOC shall be: (i) registered voters in the County; and, (ii) reside in the district of the nominating member of the Board of Supervisors, unless the Supervisor representing the district where the nominee resides provides written consent for the nomination.



## County of Orange Audit Oversight Committee Bylaws

- 3.3 In the event that a public member chooses to resign from the AOC, such member should notify the Chair of the AOC, in writing. Within 10 days of learning of such resignation, the Chair of the AOC will provide written notification to the Board of Supervisors, the AOC, and the Clerk of the Board. Upon notification, the CEO will then solicit nominations from the appropriate Board of Supervisors office that is responsible for nominating a public member for appointment by the Board of Supervisors to fill the vacancy.
- 3.4 Members are expected to consistently attend all meetings. If a public member is unable to attend a meeting, absent extenuating circumstances, the public member shall notify the AOC Chair of his or her anticipated absence, by 5:00 p.m. of the day before a regularly scheduled meeting. Any absence without prior notification to the AOC Chair, shall be deemed an unnoticed absence. If a public member has two unnoticed absences out of five (5) meetings, the public member shall be notified of their pending removal from the AOC. The public member shall then have thirty (30) days to appeal the matter by written letter to the AOC, which if timely received, shall be agendized for the next regularly scheduled AOC meeting. If the matter is not appealed, the seat shall be deemed vacant. If the matter is appealed, the remaining AOC members shall vote on whether the seat shall be vacated. If vacated, the vacancy shall be filled pursuant to Sections 3.3 and 3.5 as applicable.
- 3.5 In the event that a public member's seat remains vacant for one hundred eighty-three (183) days or more, the AOC Chair may, upon prior notification to the Board of Supervisors, select an interim public member to fill the vacancy. The interim public member shall serve only until the Board of Supervisors selects a public member to fill the vacancy.
- 3.6 The Director of Internal Audit, Auditor-Controller, and Treasurer-Tax Collector or their authorized designees, shall attend all AOC meetings. The Director of Internal Audit, Auditor-Controller, and Treasurer-Tax Collector shall not be voting members of the AOC.

### **ARTICLE 4 CHAIR AND VICE CHAIR - POWERS AND DUTIES**

- 4.1 The Chair and Vice-Chair shall be elected for a one-year term extending from January 1<sup>st</sup> to December 31<sup>st</sup>, which may be extended for one additional year by a majority vote of the AOC members. The election of Chair and Vice-Chair shall be held annually during the last AOC meeting of the calendar year by majority vote, a quorum being present.
- 4.2 The Chair's duties include presiding over all AOC meetings, establishing subcommittees, responding to members' requests for information, signing communications on behalf of the AOC and representing the AOC before the Board of Supervisors and other governmental and quasi-governmental bodies, subject to the approval of the other AOC members.
- 4.3 The Chair and Vice-Chair may review drafts of the Annual Comprehensive Financial Report upon request to the extent that the exemption for the production of such record can be preserved. The Chair and Vice-Chair shall maintain the confidentiality of such draft records and shall not retain copies of such drafts upon the completion of their review.

## County of Orange Audit Oversight Committee Bylaws

- 4.4 In the absence or inability of the Chair to preside over the meetings, the Vice-Chair will perform such duties. If neither the Chair nor Vice-Chair is able to preside, the AOC shall select one of the members to act as Chair for the meeting, and who shall have all the powers and duties of the Chair during the meeting.
- 4.5 The Chair and Vice-Chair may only be selected from the public members of the AOC. The Chair cannot serve as Vice-Chair in the year immediately following his or her service as Chair. No person, except a member of the Board of Supervisors, may serve simultaneously as Chair for two or more County Boards, Commissions, or Committees.
- 4.6 The Chair shall author a brief report to the Board of Supervisors, no later than thirty (30) days after each meeting, noting member attendance and any significant matters to come before the committee.

### ARTICLE 5 MEETINGS

- 5.1 The AOC shall meet at least quarterly, with authority to convene additional meetings as circumstances require. All meetings shall be subject to the Ralph M. Brown Act, California Government Code section 54950 et seq., as amended and held at a location within Orange County, California that satisfies the access requirements of the Americans with Disabilities Act.
- 5.2 An agenda shall be prepared for each meeting by IAD staff and approved for distribution by the AOC Chair. The agenda shall contain a brief general description of each item of business to be transacted or discussed at the meeting of the AOC or as required by the Brown Act. The agenda shall include any item of business that is carried forward from a prior regular meeting at the request of the AOC. The agenda shall be posted within the time and in the manner required by the Brown Act. Additional items may be added to the agenda after it is posted only in accordance with the Brown Act.
- 5.3 Special meetings of the AOC may be called by the Chair, or at the request of the Board of Supervisors or two public members. Notice of special meetings shall: (i) be delivered to members personally, by mail or electronically, and must be received no later than 24 hours in advance of the meeting; and, (ii) state the business to be considered and whether alternative technological means may be used such as telephone or video conferencing, as technological resource availability permits and as permissible by the Brown Act.
- 5.4 The quorum for a meeting shall be a majority of the voting members, and decisions made by a majority vote of the voting members present shall be regarded as acts of the AOC. Members choosing to abstain from voting on specific actions will not affect majority requirements. Abstentions are considered a “non-vote” – neither a vote in the affirmative nor in the negative. However, in order for an action to be passed, a majority of the quorum casting votes must be in the affirmative.
- 5.5 All AOC members will have an equal voice in the decision-making process. Due to the scope of the AOC's assignment, and the value of each member's input, consistent attendance by all members is expected; however, the Chair and Vice-Chair of the Board of Supervisors and the County Executive Officer (CEO) may designate a substitute to attend an AOC meeting on their behalf by submitting the member's signed proxy to the Chair of the AOC at the start of the meeting.

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- 5.6 The Chair may, as necessary, ask authorized representatives of the performance auditor, the Internal Audit Department (IAD), and Auditor-Controller to attend AOC meetings to discuss plans, findings and other matters of mutual concern.
- 5.7 IAD will keep minutes of each meeting and offer them for AOC approval as the first item on the subsequent meeting agenda.
- 5.7.1 Minutes of each meeting shall contain a record of the persons present. The minutes should provide a record of decisions taken and a high-level summary of the discussion, providing insight on the topics and subtopics discussed.
- 5.7.2 IAD shall distribute the draft minutes, which will be presented for approval by the AOC at its next scheduled meeting, as soon as reasonably practical following the meeting.
- 5.7.3 If the minutes for a prior meeting are corrected or amended during an AOC meeting, such minutes will be sent to the AOC members once approved by the AOC.
- 5.8 Reports and other documents distributed in conjunction with the AOC agenda shall be distributed in accordance with the Ralph M. Brown Act in advance of the meeting to allow for their review.
- 5.9 The Chair shall preserve order and decorum. The AOC shall operate under Roberts' Rules and the Chair shall decide all questions of order (unless overridden by a majority of the committee members present) consistent with such rules.
- 5.10 The AOC shall, at its first meeting of each year, adopt a schedule of regular meetings and transmit that schedule in writing, in a manner consistent with the Brown Act, to members, the Board of Supervisors, and the public at large.

### ARTICLE 6 OPERATIONS

- 6.1 The AOC's Bylaws shall be submitted to the Board of Supervisors for approval. The Bylaws shall be reviewed periodically, no less than once every three years, by the AOC and reaffirmed by the Board of Supervisors. Reassessments should specifically take into account any changes that may be needed as the result of changes in law, regulation, or professional standards.
- 6.2 Members shall be briefed on the AOC's purpose, responsibilities, objectives, and on the business of the County upon joining the AOC by the Director of IAD. A process of continuing education (e.g., briefings and information on emerging issues and risks) shall be provided at the AOC meetings as approved by the AOC subject to available budget appropriations. Public members shall receive ethics training as required by AB 1234, Government Code sections 53234, *et seq.*, which shall be provided by the County.
- 6.3 In the performance of its responsibilities, the AOC shall not engage in nor employ any unlawfully discriminatory practices in the provision of services or benefits, assignment of accommodations, treatment, employment of personnel or in any other respect on the basis of sex, race, color, ethnicity, national origin, ancestry, religion, age, marital status, medical condition, sexual orientation, physical or mental disability or any other protected group in accordance with the requirements of all applicable County, state, or federal laws.

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- 6.4 Members of the AOC shall comply with the County Equal Opportunity and Anti-Harassment Policy and Procedures.
- 6.5 The AOC shall be provided with the resources necessary to carry out its role, responsibilities, and duties. To the extent it deems necessary to meet its responsibilities, and in keeping with its Bylaws, the AOC has the authority to retain independent advice and assistance pursuant to County purchasing policy and procedures subject to available budget appropriations.
- 6.6 The AOC may request funds needed for its operation during the County's normal budget process. Such appropriation will be included within the IAD's budget to be administered by IAD staff.
- 6.7 The IAD shall provide staffing and support for the AOC. This includes:
- a. the timely preparation of all notices and draft agendas of meetings;
  - b. coordination of presentations and distribution of reports and/or related documents that are prepared for the AOC's information or consideration;
  - c. the timely preparation and distribution of minutes of meetings; and
  - d. the performance of other incidental duties as may be assigned.
- 6.8 The official location and mailing address of the AOC shall be:
- Internal Audit Department  
AOC Clerk  
601 N. Ross. St. Ste. 528  
Santa Ana, CA 92701

### ARTICLE 7 RESPONSIBILITIES AND DUTIES

- 7.1 *Representation Letter.* The County Executive Officer will annually provide the AOC with a copy of the signed representation letter issued to the external auditor. Furthermore, the CEO and all County agencies/departments under the authority of the CEO, will cooperate with internal/external auditors and will comply with all laws, regulations, policies, and standards of ethical conduct during the audits, and will request that County elected Department Heads similarly comply.
- 7.2 *Financial Statements and Reporting.* The AOC shall provide oversight of the County's independent external auditor and shall:
- a. review the quality of the County's financial reporting activities;
  - b. review all findings, recommendations, and management's responses related to all external audit reports and consult with external auditors regarding audit adjustments, weaknesses in internal controls, fraud, and compliance matters related to laws, regulations, contracts and grant agreements that would have a material impact on the basic financial statements, included in the Annual Comprehensive Financial Report (ACFR), Single Audit and other audit reports prepared by the County's independent external auditors;
  - c. provide oversight for the periodic review and selection of the County's independent external auditor to perform the audit of the County's basic financial statements included in the ACFR, including all component units and the Single Audit;
  - d. review any additional work beyond the original scope of work conducted by the independent external auditors on behalf of the County;

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- e. review the independent external auditor's scope and plan and any significant changes to the scope during the audit process;
- f. review the draft of the County's ACFR and provide questions and/or comments to the Auditor-Controller for consideration (Chair and Vice-Chair only);
- g. discuss, as needed, with County Counsel, the independent external auditor, and the Director of Internal Audit, legal and regulatory matters that, in the opinion of management, may have a material impact on the financial statements and compliance with federal, state, and local laws and regulations, grant agreements and contracts;
- h. review with the independent external auditor the latter's judgments about the quality, not just the acceptability, of the County's accounting principles as applied in its financial reporting;
- i. review all matters required to be discussed by auditing standards generally accepted in the United States of America (GAAS) and Government Auditing Standards issued by the Comptroller General of the United States (GAS), including those specific matters covered in AU-C Section 260, *The Auditor's Communication With Those Charged With Governance*;
- j. review with management and the independent external auditor the effect of any regulatory and accounting initiatives, such as related organizations financing structures, derivatives, or securities lending; and
- k. review all alternative treatments of financial information brought to the AOC's attention by the independent external auditor within accounting principles generally accepted in the United States of America (GAAP) that have been discussed with County management and the ramifications of each alternative and the treatment preferred by the County.

#### 7.3 *Oversight of the Audit Function of the Auditor-Controller (AC).* The AOC shall:

- a. review regularly and annually discuss the adequacy of resources of the audit function;
- b. review and approve the risk assessment and audit plan prepared by the AC and any subsequent revisions;
- c. compare the approved audit plan with actual work completed
- d. review significant findings during the year and management's responses thereto;
- e. discuss with the AC any significant difficulties encountered in the course of AC audits, including any restrictions on the scope of their work or access to required information;
- f. review and discuss, as necessary, critical impact findings and recommendations contained in audit reports and management action plans to address recommendations; and
- g. ensure AC establishes and audits agencies/department's compliance with a comprehensive framework of internal controls.

#### 7.4 *Oversight of the Internal Audit Department.* The AOC shall:

- a. review the County's IAD charter and recommend revisions with all revisions submitted to the Board of Supervisors for its review and approval;
- b. review regularly and annually discuss the adequacy of resources of the internal audit function;
- c. review and approve the risk assessment and internal audit plan prepared by the Director of Internal Audit and any subsequent revisions;
- d. compare the approved internal audit plan with actual work completed
- e. review significant findings during the year and management's responses thereto;

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- f. discuss with the Director of Internal Audit any significant difficulties encountered in the course of IAD audits, including any restrictions on the scope of their work or access to required information;
- g. review and discuss, as necessary, critical impact findings and recommendations contained in audit reports and management action plans to address recommendations; and
- h. ensure IAD establishes and audits agencies/department's compliance with a comprehensive framework of internal controls.

### 7.5 *Oversight of Performance Audit.* The AOC shall:

- a. provide input regarding the County's performance auditing function, including oversight over the auditing activities of the performance auditor;
- b. review performance audit reports and determine whether they adequately address whether the audited functions are effective, efficient, economical, equitable, compliant with Federal and State laws, ethical, and are based on reliable data;
- c. review and discuss, as necessary, findings and recommendations contained in performance audit reports and management action plans to address recommendations; and
- d. review and make recommendations regarding the annual work plan prepared by the County Executive Office.

### 7.6 *Follow-up Audits.* The AOC shall:

- a. ensure that there are effective arrangements in place to monitor and follow-up on management action plans responding to recommendations from internal audits or other sources; and
- b. review and receive reports from the IAD and performance auditor on whether management's action plans have been implemented and whether the actions taken have been effective. The IAD reports shall identify any areas where it believes management has accepted a level of risk that is unacceptable to the County.

### 7.7 *Peer Review/Quality Control.*

- a. The AOC shall ensure that an external quality control review (Peer Review) of the IAD be conducted as required by an organization not affiliated with the IAD in accordance with the GAGAS and/or the Institute of Internal Auditors Standards at the discretion of the Director of Internal Audit.
- b. The AOC shall ensure that an external quality control review (Peer Review) of performance audit be conducted as required by an organization not affiliated with IAD in accordance with the guidelines contained in the Peer Review Guide published by the Association of Local Government Auditors (ALGA).

### 7.8 *Comprehensive Framework of Internal Control.* The AOC will review with the AC, IAD and CEO the adequacy of the County's internal control structure. The AOC should consider a number of factors:

- a. the adequacy of the County's internal controls including computerized information systems;
- b. determine adherence to the principle established in the COSO guidelines including cybersecurity
- c. significant risks or exposures identified by County management and the steps management has taken or proposes to take to minimize such risks;
- d. findings and recommendations of the independent external and internal auditors;
- e. audit adjustments;

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- f. code of conduct;
  - g. Fraud Hotline complaints; and
  - h. pending accounting and regulatory changes.
- 7.9 *Oversight of Fraud Hotline.* The AOC shall ensure that the Auditor-Controller has established procedures for the receipt, retention, investigation and treatment of Fraud Hotline complaints, that have been referred to the Auditor-Controller.
- 7.10 *Coordination and Scheduling of Audits.* The AOC shall review and provide recommendations regarding the coordination and scheduling of external, internal and performance audits to avoid disruption of departmental work flows and duplication of effort.
- 7.11 *Resolution of Audits.* The AOC shall be made aware of incidents in which management does not concur with an audit's findings or recommendations. The AOC may, at its discretion, request applicable management and auditors to appear at an AOC meeting to discuss the differing opinions.

### ARTICLE 8 CONFLICT OF INTEREST

- 8.1 Members of the AOC and any of its committees or subcommittees shall abstain from voting on any issue in which they may be personally interested to avoid a conflict of interest in accordance with County, state, and federal laws and shall refrain from engaging in any behavior that conflicts with the best interest of the County.
- 8.2 Members of the AOC shall not vote nor attempt to influence any other AOC member on a matter under consideration by the AOC or any of its committees or subcommittees: (i) that would provide direct financial benefit to such member or the immediate family of such member; or (ii) engage in any other activity constituting a conflict of interest under County, state, or federal law.
- 8.3 If a question arises as to whether a conflict exists that may prevent a member from voting, the Chair or designee may consult with designated County staff to assist them in making that determination.
- 8.4 In order to avoid a conflict of interest or the appearance of such conflict, all nominees to become members of the AOC shall disclose on forms provided by the County information regarding their private economic interests that may be implicated by their service on the AOC.
- 8.5 AOC members shall timely file Statements of Economic Interests (Form 700) and other financial disclosures as required by law.
- 8.6 Neither the AOC nor any of its members shall promote, directly or indirectly, a political party, political candidate, or political activity using the name, emblem, or any other identifier of the AOC.
- 8.7 No assets or assistance provided by the County to the AOC shall be used for sectarian worship, instruction, or proselytization, except as otherwise permitted by law.

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**ARTICLE 9 INDEMNIFICATION OF AOC MEMBERS**

The County of Orange will indemnify and defend AOC members, with counsel of the County's sole and exclusive choosing, for their participation, decisions, or actions taken on behalf of the AOC. Each AOC member should also familiarize him/herself with County of Orange Conflict of Interest Code and Gift Ban Ordinance requirements and file the appropriate annual certifications.

**ARTICLE 10 SEVERABILITY**

Should any part term, portion, or provision of these Bylaws be determined to be in conflict with any law or otherwise unenforceable or ineffectual, the remaining parts, terms, portions, or provisions shall be deemed severable and their validity shall not be affected thereby, provided such remaining portions or provisions can be construed in substance to constitute the provisions that the members intended to enact in the first instance.





# Memorandum

February 6, 2025

**AOC Agenda Item No. 15**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Update on Changes to the Investment Authority Management and Impact to Ongoing Oversight

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Receive Update on Changes to the Investment Authority Management and Impact to Ongoing Oversight, as stated in recommended action.