

A G E N D A



REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE

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

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

YVONNE ROWDEN

AOC CHAIR

Private Sector Member, Fifth District

TIM JOHNSON, CPA

AOC VICE CHAIR

Private Sector Member, Second District

SUPERVISOR DOUG CHAFFEE

BOARD CHAIR

Fourth District

Member

SUPERVISOR KATRINA FOLEY

BOARD VICE CHAIR

Fifth District

Member

MICHELLE AGUIRRE

INTERIM COUNTY EXECUTIVE

OFFICER

Member

DREW ATWATER

Private Sector Member, First 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

Senior 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

1. Roll call	Yvonne Rowden AOC Chair
2. Approve Audit Committee Regular Meeting Minutes of February 6, 2025	Yvonne Rowden AOC Chair
3. Receive Report on Required Communication from External Auditors	David Showalter, CPA Partner Eide Bailly LLP
4. Approve Internal Audit Department's Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended March 31, 2025	Aggie Alonso, CPA Director Internal Audit Department
5. Approve Internal Audit Department's FY 2025-26 Annual Risk Assessment & Audit Plan	Aggie Alonso, CPA Director Internal Audit Department
6. Approve External Audit Activity Status Report for the Quarter Ended March 31, 2025, and Receive Report on Status of External Audit Recommendations Implementation	Aggie Alonso, CPA Director Internal Audit Department
7. Receive Report on Status of Auditor-Controller Mandated Audits (Non-Treasury) for the Quarter Ended March 31, 2025	Rodrigo Martinez Audit Manager Auditor-Controller
8. Receive Report on Status of Performance Audits for the Quarter Ended March 31, 2025	Lisa Fernandez Director Performance Management and Policy Aggie Alonso, CPA Director Internal Audit Department
9. Receive Update on Restricted Report Issuance Process	Aggie Alonso, CPA Director Internal Audit Department
10. Receive Update on ERP Implementation	Andrew Hamilton, CPA Auditor-Controller
11. Receive Report on County IT Projects Quarterly Progress	KC Roestenberg Chief Information Officer
12. Receive Update from AOC Bylaws Subcommittee	Ronnie Magsaysay Senior Deputy County Counsel

A G E N D A

Speaker

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

Yvonne Rowden
AOC Chair

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

Yvonne Rowden
AOC Chair

ADJOURNMENT:

NEXT MEETING:

Regular Meeting, Thursday, August 21, 2025, 10:00 A.M.



Memorandum

May 15, 2025

AOC Agenda Item No. 2

TO: Audit Oversight Committee Members

Recommended Action:

Approve Audit Oversight Committee Regular Meeting Minutes of February 6, 2025

Approve Audit Oversight Committee Regular Meeting Minutes of February 6, 2025 as stated in recommended action.

ATTACHMENT(S):

Attachment A – Summary Minutes for February 6, 2025 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, 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

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

ATTENDANCE:

Yvonne Rowden, AOC Chair, Private Sector Member
Tim Johnson, AOC Vice Chair, Private Sector Member
Jesus Gaona Perez, Proxy for Supervisor Chaffee
Supervisor Katrina Foley, Board Vice Chair
Michelle Aguirre, Interim County Executive Officer
Mark Wille, Private Sector Member
Larry Himmel, Private Sector Member

PRESENT:

Andrew Hamilton, Auditor-Controller
Dana Schulz, Proxy for Shari Freidenrich, Treasurer-Tax Collector
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

Ms. Yvonne Rowden, Audit Oversight Committee (AOC) Chair, called the meeting to order at 10:01 A.M. Attendance of AOC Members noted above.

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

Ms. Rowden asked for a motion to approve the Audit Oversight Committee Regular Meeting Minutes of November 7, 2024.

Motion to approve the Regular Meeting Minutes of November 7, 2024, by Tim Johnson, seconded by Mark Wille.

All in favor.

Approved as recommended.

3. Approve Audit Committee Regular Meeting Schedule for 2025

Ms. Rowden asked for a motion to approve the Audit Oversight Committee Regular Meeting Schedule for 2025.

Motion to approve the Audit Oversight Committee Regular Schedule for 2025, by Mark Wille, seconded by Larry Himmel.

All in favor.

Approved as recommended.

4. Receive Report on Required Communication from External Auditors

Mr. David Showalter, Partner at Eide Bailly, discussed attachments reflecting Eide Bailly's status on audits in progress, as well as those completed by December 31, 2024.

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

Mr. Aggie Alonso, Director of Internal Audit, presented the Quarterly Status Report and Executive Summary of Internal Audit Reports for the Quarter Ended December 31, 2024. Mr. Aggie Alonso, Director of Internal Audit, discussed the status of the audit plan after impacts from Board-directed work such as the ARPA-funded Contracts and Expenditures Review. Mr. Alonso stated that Internal Audit plans to conduct a limited risk assessment in Fiscal Year 2025-2026, which will include Board requests, high-risk audits carried forward from the prior year, as well as new audits to address known risks especially as it relates to contract monitoring and oversight, an area the Board has made significant reforms in as a result of the misconduct by for the former District 1 Supervisor. Mr. Alonso also confirmed that Internal Audit is now fully staffed after filling two senior auditor positions. Considering the additional high-risk audit areas known to the County, including the new performance audits transferred to Internal Audit, Mr. Alonso discussed collaborating with Ms. Michelle Aguirre, Interim Chief Executive Officer, on a way forward to increase staffing to address these needs.

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

All in favor.

Approved as recommended.

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

Ms. Gianne Morgan, Senior Audit Manager, presented the External Audit Activity Status Report for the Quarter Ended December 31, 2024. Ms. Morgan stated there was one new material issue reported. Specifically, the California State Controller's Office (SCO) audited the costs claimed by the Orange County District Attorney 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 identified disallowed costs totaling \$3,070,154. Ms. Morgan also stated the County is not alone in this finding as other Counties had a similar finding, and an appeal for the disallowance is also being considered. Mr. Andrew Hamilton, Audit-Controller, added this is a statewide issue and that he collaborated with County Counsel to review the disallowance. Mr. Hamilton stated this is the first time this has been identified in these program audits, and since there has not been a change in legislation, it seems the documentation requirements might have changed at the state level.

Motion to approve External Audit Activity Status Report for the Quarter Ended December 31, 2024, and Receive Report on Status of External Audit Recommendations Implementation, by Mark Wille, seconded by Larry Himmel.

All in favor.

Approved as recommended.

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

Mr. Rodrigo Martinez, Auditor-Controller's Internal Audit Manager, provided status reports of Mandated Audits for the quarter ended December 31, 2024.

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

Ms. Lisa Fernandez, Director of Performance Management and Policy, provided an update of Performance Audits. She stated an audit of the Health Care Agency's (HCA) Department Head Transition was completed, and that an audit of the Auditor-Controller's Department Head Transition was recently started and will be managed by her office.

Ms. Fernandez also discussed the transfer of the Performance Audit function to Internal Audit as Board-approved on January 28, 2025. She noted pending audits for HCA, OC Community Resources (OCCR), and OC Public Works for which an external auditor has not been solicited, and mentioned the HCA and OCCR audits were requested in FY 2023-24 and should be revisited to determine if they are still necessary. Mr. Alonso stated he will review whether Performance Audit funding is best utilized by outsourcing these audits, keeping them in-house to leverage audit staff knowledge, or a hybrid of both. Ms. Aguirre noted that when Performance Audit was under CEO, they experienced delays due to conducting individual solicitations for new external auditors,

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therefore it would be helpful to solicit one external auditor that has knowledge to perform various audits. Ms. Katrina Foley, Board Vice Chair, stated that outsourcing audits usually results in a shallow analysis due to lack of institutional knowledge, and that she recommends Internal Audit should conduct these audits or set up a slate of external auditors that can be used when audits are requested, versus conducting individual solicitations for each audit. Ms. Aguirre added that ideally there would be an extended contract with one external auditor so they can develop knowledge of County operations and programs.

9. Receive Update on ERP Implementation

Mr. Andrew Hamilton, Auditor-Controller, provided a status update on the ERP Implementation.

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.

11. Receive Update on AOC Risk Assessment Subcommittee

Mr. Mark Wille, Private Sector Member and Subcommittee Chair, discussed the first Subcommittee's meeting on Internal Audit's Risk Assessment. He stated the Subcommittee discussed opportunities for improving the risk assessment process and that they will continue to review this process at their next meeting. Mr. Alonso stated that any recommendations from the subcommittee would be incorporated into Internal Audit's Fiscal Year 2026-2027 Risk Assessment and Audit Plan, which will include a robust performance related risk assessment, something which has not been assessed in the past.

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

Ms. Dana Schultz, Assistant Treasurer-Tax Collector, announced the report for Schedule of Assets as of June 30, 2023, was issued February 5, 2025. Ms. Schultz stated she anticipates the Schedule of Assets as of June 30, 2024, will be conducted on time as internal policy has improved.

13. Receive Update on Treasurer-Tax Collector PCI DCC Compliance Review

Ms. Schultz discussed the Payment Card Industry (PCI) Data Security Standard (DSS) Compliance Program which was decentralized prior to 2010 and is now monitored by the Treasurer-Tax Collector with program management by individual departments. Ms. Schultz stated departments are individually responsible for their compliance, and shared successful results from the recently completed compliance review.

14. Review Audit Oversight Committee Bylaws

Ms. Rowden created a subcommittee to review the AOC Bylaws and selected Private Sector Members Mr. Larry Himmel and Mr. Tim Johnson as subcommittee members. Mr. Alonso will join

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as a non-voting member and Mr. Ronnie Magsaysay, Senior Deputy County Counsel, will join as support (non-member). Ms. Katrina Foley, Board Vice Chair, also volunteered to join the subcommittee. Mr. Wille added that the Bylaws should be updated to include the newly transferred Performance Audit function.

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

Mr. Magsaysay discussed how the process and policies for the Investment Authority Management will remain in place, with the only change being that the Board ultimately holds oversight of these investments and decided to keep this oversight with the CEO instead of delegating to the Treasurer-Tax Collector.

PUBLIC COMMENTS:

AOC COMMENTS: Mr. Himmel shared he is pleased with integration of accountability when outsourcing contracts, such as noted on the items of OCIT projects and Performance Audits.

ADJOURNMENT: Meeting adjourned at 11:23 A.M.

NEXT MEETING:

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



Memorandum

May 15, 2025

AOC Agenda Item No. 3

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Required Communication from External Auditors

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

ATTACHMENT(S):

Attachment A – External Audit Update

Attachment A2 – Projects and Timelines

Attachment B – Governance Letter

Attachment C – SA Governance Letter

Attachment D – OC Governance Planning Letter



County of Orange Audit Oversight Committee

Date: May 15, 2025
Re: External Audit Update

1) Audit Plan – Refer to Attachment A:

- Outline of projects and timelines

2) Attest and Audit Engagements Completed

- Treasurer's Schedule of Assets – June 30, 2023
 - Issued February 5, 2025
- Annual Comprehensive Financial Report, John Wayne Airport (JWA), including Passenger Facility Charge (PFC), Orange County Waste and Recycling, Orange County Community Resources/Redevelopment Successor Agency – June 30, 2024
 - Issued – February 24, 2025
- HCA and Sheriff Tobacco Settlement Funds Disbursements AUP – June 30, 2024
 - Issued – March 24, 2025
- Audit over compliance in accordance with Uniform Guidance of the County, including components of JWA, OCWR, and OCDA – June 30, 2024
 - Issued March 31, 2025

3) Required Communications:

Communication letters –

Refer to Attachment B and Attachment C and Attachment D

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	Reports issued February 24, 2025
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	Reports issued March 31, 2025
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	Reports issued February 24, 2025
Orange County Waste & Recycling	Financial Statement Audit	6/30/2024	Orange County Waste & Recycling	July 2024	August 2024 through November 2024	December 2024	Reports issued February 24, 2025
OC Community Resources / Redevelopment Successor Agency	Financial Statement Audit	6/30/2024	Redevelopment Successor Agency	August 2024	September 2024 through November 2024	December 2024	Reports issued February 24, 2025
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	Reports issued March 24, 2025
TTC	Schedule of Assets	6/30/2024	Report on the Schedule of Assets	January 2025	January 2025 through February 2025	March 2025	Audit procedures in progress
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	Project close-out procedures for County's construction project is currently ongoing. Anticipated completion in July 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 February 2025	March 2024	Reports issued February 5, 2025



February 24, 2025

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, California (County), and the financial statements of the County of Orange Redevelopment Successor Agency, OC Waste & Recycling and John Wayne Airport as of and for the year ended June 30, 2024, and have issued our reports thereon dated as indicated below:

<u>Report</u>	<u>Audit Report Date</u>
County of Orange	February 24, 2025
County of Orange Redevelopment Successor Agency	February 24, 2025
OC Waste & Recycling	February 24, 2025
John Wayne Airport	February 24, 2025

We are currently performing the audit of the County's federal award programs (Single Audit) and anticipate issuing our reports thereon prior to March 31, 2025.

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

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

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

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and Government Auditing Standards

As communicated in our letter dated July 24, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

We have provided our comments regarding several control deficiencies during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated February 24, 2025.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you. However, during the audit, and as described in Note 22 to the financial statements, the County has initiated litigation proceedings against a former member of the Board of Supervisors and several nonprofit entities over the use of certain federal funds. Some of the nonprofits' stakeholders have familial relations with the member of the Board of Supervisors, who subsequently resigned as part of a separate settlement process and later pled guilty to a criminal charge. The conflict of interest resulted in the misappropriation of County assets between the former Board of Supervisor member and related nonprofits. This matter resulted in a significant delay with completing the annual audit of the financial statements.

Compliance with All Ethics Requirements Regarding Independence

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

Significant Risks Identified

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the Schedule is free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". We have previously identified significant risks in our letter dated July 24, 2024. We have identified the following additional significant risk:

- Transactions with related parties – We identified transactions with related parties as a significant risk due to the matter disclosed in Note 22 to the financial statements, describing pending litigation proceedings against a former member of the Board of Supervisors and several nonprofit entities over the use of certain federal funds. Some of the nonprofits' stakeholders have familial relations (conflict of interest) with the member of the Board of Supervisors, who subsequently resigned as part of a separate settlement process and later pled guilty to a criminal charge.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. A summary of the significant accounting policies adopted by the County are described in Note 1 to the financial statements. As described in Note 1, the County changed accounting policies related to accounting for accounting changes and error corrections to adopt the provisions of GASB Statement No. 100, *Accounting Changes and Error Corrections*. Accordingly, the presentation and disclosure requirements have been applied to the financial statements for the year ended June 30, 2024. Also, as described in Note 22 to the financial statements, the County has initiated litigation proceedings against a former member of the Board of Supervisors and several nonprofit entities over the use of certain federal funds. Some of the nonprofits' stakeholders have familial relations with the member of the Board of Supervisors, who subsequently resigned as part of a separate settlement process and later pled guilty to a criminal charge. The conflict of interest between the former Board of Supervisor member and related nonprofit was disclosed to the federal granting agency on November 26, 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

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

The most sensitive accounting estimates affecting the financial statements are:

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

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

Financial Statement Disclosures

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

- Pension and OPEB liabilities in Notes 18 and 19, respectively, are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate. As disclosed in Notes 18 and 19, a 1% increase or decrease in the discount rate has a material effect on the Pension and OPEB liabilities.
- Estimated liabilities for self-insurance claims in Note 16 are based on actuarial valuations.
- Landfill closure and postclosure, and pollution remediation in Notes 14 and 17, respectively, are based on management's analysis.
- The disclosure in Note 22 of pending litigation proceedings against a former member of the Board of Supervisors and several nonprofit entities over the use of certain federal funds. Some of the nonprofits' stakeholders have familial relations with the member of the Board of Supervisors, who subsequently resigned as part of a separate settlement process and later pled guilty to a criminal charge.

Identified or Suspected Fraud

We have identified or have obtained information that indicates that the following fraud may have occurred.

As described in Note 22 to the financial statements, the County has initiated litigation proceedings against a former member of the Board of Supervisors and several nonprofit entities over the use of certain federal funds. Some of the nonprofits' stakeholders have familial relations with the member of the Board of Supervisors, who subsequently resigned as part of a separate settlement process and later pled guilty to a criminal charge. The conflict of interest resulted in the misappropriation of County assets between the former Board of Supervisor member and related nonprofits and was disclosed to the federal granting agency on November 26, 2024.

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

The attached schedule of corrected misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management. There were no uncorrected misstatements.

Disagreements with Management

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

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

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. As described in Note 22 to the financial statements, the County has initiated litigation proceedings against a former member of the Board of Supervisors and several nonprofit entities over the use of certain federal funds. Some of the nonprofits' stakeholders have familial relations with the member of the Board of Supervisors, who subsequently resigned as part of a separate settlement process and later pled guilty to a criminal charge. The conflict of interest between the former Board of Supervisor member and related nonprofit was disclosed to the federal granting agency on November 26, 2024.

Representations Requested from Management

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

County of Orange	February 24, 2025
County of Orange Redevelopment Successor Agency	February 24, 2025
OC Waste & Recycling	February 24, 2025
John Wayne Airport	February 24, 2025

Management's Consultations with Other Accountants

The following significant and relevant matters resulted in consultations outside of our engagement team:

As described in Note 22 to the financial statements, the County has initiated litigation proceedings against a former member of the Board of Supervisors and several nonprofit entities over the use of certain federal funds. Some of the nonprofits' stakeholders have familial relations with the member of the Board of Supervisors, who subsequently resigned as part of a separate settlement process and later pled guilty to a criminal charge. The conflict of interest resulted in the misappropriation of County assets between the former Board of Supervisor member and related nonprofits and was disclosed to the federal granting agency on November 26, 2024.

The engagement team consulted with the firm's office of professional practice to determine the nature, timing and extent of additional risk assessment procedures necessary in response to the matter described in the preceding paragraph. The additional procedures included, but were not limited to, inquiry of those charged with governance and management, review of board minutes, inspection of documents on a test basis, and reliance placed on the audit work of the County's internal auditor over Coronavirus State and Local Fiscal Recovery Funds contracted with third parties.

Other Significant Matters, Findings, or Issues

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

Other Information Included in Annual Reports

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

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

Group Audits

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

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

For the purposes of our audit, we do not consider these blended or discretely presented component units to be significant components of the County's financial statements. However, we do consider the OCERS fiduciary component unit to be a significant component of the County's financial statements. Our audit included obtaining an understanding of these component units and their environment, including internal control, sufficient to assess the risks of material misstatement of the financial activity of the component units and completion of further audit procedures.

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



Laguna Hills, California

County of Orange, California
Schedule of Corrected Misstatements
For the year ended June 30, 2024

Number	Fund	Account/Description	Debit	Credit
1	OC Waste & Recycling	Accounts Payable	\$ 4,972,829	
		Construction in Progress		\$ 4,972,829

Adjustment to correctly report accounts payable and construction in progress balances as of June 30, 2024



March 31, 2025

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, California (County), and the financial statements of the County of Orange Redevelopment Successor Agency, OC Waste & Recycling and John Wayne Airport as of and for the year ended June 30, 2024, and have issued our reports thereon dated as indicated below:

<u>Report</u>	<u>Audit Report Date</u>
County of Orange	February 24, 2025
County of Orange Redevelopment Successor Agency	February 24, 2025
OC Waste & Recycling	February 24, 2025
John Wayne Airport	February 24, 2025

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

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

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

As communicated in our letter dated July 24, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the County complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

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

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

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

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated February 24, 2025. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated March 31, 2025.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you. However, during the audit, and as described in Note 22 to the financial statements, the County has initiated litigation proceedings against a former member of the Board of Supervisors and several nonprofit entities over the use of certain federal funds. Some of the nonprofits' stakeholders have familial relations with the member of the Board of Supervisors, who subsequently resigned as part of a separate settlement process and later pled guilty to a criminal charge. The conflict of interest resulted in the misappropriation of County assets between the former Board of Supervisor member and related nonprofits. This matter resulted in a significant delay with completing the annual audit of the financial statements.

Compliance with All Ethics Requirements Regarding Independence

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

Significant Risks Identified

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the Schedule is free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". We have previously identified significant risks in our letter dated July 24, 2024. We have identified the following additional significant risk:

- Transactions with related parties – We identified transactions with related parties as a significant risk due to the matter disclosed in Note 22 to the financial statements, describing pending litigation proceedings against a former member of the Board of Supervisors and several nonprofit entities over the use of certain federal funds. Some of the nonprofits' stakeholders have familial relations (conflict of interest) with the member of the Board of Supervisors, who subsequently resigned as part of a separate settlement process and later pled guilty to a criminal charge.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. A summary of the significant accounting policies adopted by the County are described in Note 1 to the financial statements. As described in Note 1, the County changed accounting policies related to accounting for accounting changes and error corrections to adopt the provisions of GASB Statement No. 100, *Accounting Changes and Error Corrections*. Accordingly, the presentation and disclosure requirements have been applied to the financial statements for the year ended June 30, 2024. Also, as described in Note 22 to the financial statements, the County has initiated litigation proceedings against a former member of the Board of Supervisors and several nonprofit entities over the use of certain federal funds. Some of the nonprofits' stakeholders have familial relations with the member of the Board of Supervisors, who subsequently resigned as part of a separate settlement process and later pled guilty to a criminal charge. The conflict of interest between the former Board of Supervisor member and related nonprofit was disclosed to the federal granting agency on November 26, 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

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

The most sensitive accounting estimates affecting the financial statements are:

- Landfill closure and postclosure care liabilities are based on management's analysis of landfill capacity used and total closure and postclosure costs, as well as the landfill maximum capacity;
- Pollution remediation obligations are based on management's analysis of remediation time periods, type of remediation needed and historical trend data;

- Net pension and net other postemployment benefits (OPEB) liabilities, disclosures, related deferred inflows/outflows of resources, and expenses are based on actuarial valuations which include assumptions adopted by the Orange County Employees Retirement System (OCERS) and the County; and
- Self-insurance claims liabilities are based on actuarial studies performed by the County's independent actuaries.

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

Financial Statement Disclosures

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

- Pension and OPEB liabilities in Notes 18 and 19, respectively, are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate. As disclosed in Notes 18 and 19, a 1% increase or decrease in the discount rate has a material effect on the Pension and OPEB liabilities.
- Estimated liabilities for self-insurance claims in Note 16 are based on actuarial valuations.
- Landfill closure and postclosure, and pollution remediation in Notes 14 and 17, respectively, are based on management's analysis.
- The disclosure in Note 22 of pending litigation proceedings against a former member of the Board of Supervisors and several nonprofit entities over the use of certain federal funds. Some of the nonprofits' stakeholders have familial relations with the member of the Board of Supervisors, who subsequently resigned as part of a separate settlement process and later pled guilty to a criminal charge.

Identified or Suspected Fraud

We have identified or have obtained information that indicates that the following fraud may have occurred.

As described in Note 22 to the financial statements, the County has initiated litigation proceedings against a former member of the Board of Supervisors and several nonprofit entities over the use of certain federal funds. Some of the nonprofits' stakeholders have familial relations with the member of the Board of Supervisors, who subsequently resigned as part of a separate settlement process and later pled guilty to a criminal charge. The conflict of interest resulted in the misappropriation of County assets between the former Board of Supervisor member and related nonprofits and was disclosed to the federal granting agency on November 26, 2024.

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

The following misstatements were identified on the Schedule of Expenditures of Federal Awards as a result of our audit procedures were brought to the attention of, and corrected by, management:

1. Disaster Grants, AL No. 97.036 expenditures were overstated by \$5.8M.

The attached schedule of corrected misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management. There were no uncorrected misstatements.

Disagreements with Management

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

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

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. As described in Note 22 to the financial statements, the County has initiated litigation proceedings against a former member of the Board of Supervisors and several nonprofit entities over the use of certain federal funds. Some of the nonprofits' stakeholders have familial relations with the member of the Board of Supervisors, who subsequently resigned as part of a separate settlement process and later pled guilty to a criminal charge. The conflict of interest between the former Board of Supervisor member and related nonprofit was disclosed to the federal granting agency on November 26, 2024.

Additionally, our report on Compliance for Each Major Federal Program contained a qualified opinion for the Epidemiology and Laboratory Capacity for Infectious Disease (93.323) and Refugee and Entrant Assistance State/Replacement Designee Administered Programs (93.566) as the programs did not comply with requirements regarding equipment and real property management (93.323) and eligibility and activities allowed/unallowed and allowable costs/cost principles (93.566), respectively as described in finding 2024-013 and 2024-014.

Representations Requested from Management

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

County of Orange	February 24, 2025
County of Orange Redevelopment Successor Agency	February 24, 2025
OC Waste & Recycling	February 24, 2025
John Wayne Airport	February 24, 2025

Management's Consultations with Other Accountants

The following significant and relevant matters resulted in consultations outside of our engagement team:

As described in Note 22 to the financial statements, the County has initiated litigation proceedings against a former member of the Board of Supervisors and several nonprofit entities over the use of certain federal funds. Some of the nonprofits' stakeholders have familial relations with the member of the Board of Supervisors, who subsequently resigned as part of a separate settlement process and later pled guilty to a criminal charge. The conflict of interest resulted in the misappropriation of County assets between the former Board of Supervisor member and related nonprofits and was disclosed to the federal granting agency on November 26, 2024.

The engagement team consulted with the firm's office of professional practice to determine the nature, timing and extent of additional risk assessment procedures necessary in response to the matter described in the preceding paragraph. The additional procedures included, but were not limited to, inquiry of those charged with governance and management, review of board minutes, inspection of documents on a test basis, and reliance placed on the audit work of the County's internal auditor over Coronavirus State and Local Fiscal Recovery Funds contracted with third parties.

Other Significant Matters, Findings, or Issues

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

Other Information Included in Annual Reports

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

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

Group Audits

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

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

For the purposes of our audit, we do not consider these blended or discretely presented component units to be significant components of the County's financial statements. However, we do consider the OCERS fiduciary component unit to be a significant component of the County's financial statements. Our audit included obtaining an understanding of these component units and their environment, including internal control, sufficient to assess the risks of material misstatement of the financial activity of the component units and completion of further audit procedures.

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



Laguna Hills, California

County of Orange, California
Schedule of Corrected Misstatements
For the year ended June 30, 2024

Number	Fund	Account/Description	Debit	Credit
1	OC Waste & Recycling	Accounts Payable	\$ 4,972,829	
		Construction in Progress		\$ 4,972,829

Adjustment to correctly report accounts payable and construction in progress balances as of June 30, 2024



April 11, 2025

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

This letter is provided in connection with our engagement to audit the financial statements and to audit compliance over major federal award programs of the County of Orange as of and for the year ended June 30, 2025. Professional standards require that we communicate with you certain items including our responsibilities with regard to the financial statement audit, the compliance audit, and the planned scope and timing of our audits, including significant risks we have identified.

Our Responsibilities

As stated in our engagement letter dated April 11, 2025, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), *Government Auditing Standards* of the Comptroller General of the United States of America, the requirements of the Single Audit Act, as amended; and the provisions of the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), for the purpose of forming and expressing opinions on the financial statements and on major federal award program compliance. Our audits do not relieve you or management of your respective responsibilities.

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

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

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

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

Planned Scope of the Audit

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

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

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

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

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

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

- The potential for management override of internal control – Professional standards require auditors to address the possibility of management overriding controls.
- Revenue Recognition – the risk of overstating revenues in the financial statements is an inherent risk, whereby the County can record revenue when the recognition criteria have not been met.
- Significant Estimates – Professional standards require auditors to contemplate significant estimates as significant risks due to the judgmental nature of the assumptions to determine the potential impact those assumptions may have on the amounts reported for the estimates. We have currently identified the amounts reported related to the County’s pension plan, other post-employment benefit plans, claims liabilities, and landfill site closure/post-closure liabilities to be significant estimates.
- Implementation of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, effective July 1, 2024. The implementation of this new GASB statement requires additional review and judgment regarding the County’s model for recognizing and measuring compensated absences, and could result in error in financial reporting.

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

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

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

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

The County’s financial statements include the financial statements of the Orange County Employees Retirement System (OCERS), a fiduciary component unit, and CalOptima Health (CalOptima), a discretely presented component unit, which we consider to be significant components of the financial statements. The financial statements of the component units are audited by other auditors, and we will not take responsibility for the

audit performed by the other auditors, rather we will refer to their audit in our report. Our decision to refer to the report of the other auditor is based upon (1) our evaluation of the materiality of the component units with respect to the County's financial statements as a whole; (2) the ability for group management to provide necessary audit evidence with respect to the component units; (3) our consideration of the timing requirements of the engagement. Our planned audit procedures with respect to the component units include required correspondence with the other auditor, obtaining and reading their auditor's report and the related financial statements, and other procedures as considered necessary. Our planned audit procedures with respect to the component units include obtaining an understanding of the component units and its environment, including internal control, sufficient to assess the risk of material misstatement of the financial statements of the component units and to design the nature, timing, and extent of further audit procedures.

We will begin our audits in May 2025 and expect to issue our reports no later than December 19, 2025 for the financial statements, no later than March 31, 2026 for the Single Audit, no later than September 19, 2025 for the Appropriations Limit Calculations AUPs, and by April 30, 2026 for any remaining audits and AUP's.

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

Respectfully,

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

Laguna Hills, California



Memorandum

May 15, 2025

AOC Agenda Item No. 4

TO: Audit Oversight Committee Members

Recommended Action:

Approve Internal Audit Department's Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for Quarter Ended March 31, 2025

Approve Internal Audit Department's Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for Quarter Ended March 31, 2025, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Internal Audit Department Status Report Memo

Attachment B – Executive Summary of Internal Audit Reports

Attachment C – Quarterly Status Report



INTERNAL AUDIT DEPARTMENT

May 9, 2025

To: Audit Oversight Committee Members

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

A handwritten signature in blue ink, appearing to read "Aggie Alonso", is placed next to the "From:" field.

Digitally signed by Agripino
Alonso
Date: 2025.05.09 12:22:22
-07'00'

Subject: Fiscal Year 2024-25 Internal Audit Department Status Report for the Quarter Ended March 31, 2025

Attached for your review and approval is Internal Audit Department's status report on audit activity for the quarter ended March 31, 2025. Specifically, Attachment B is our "Executive Summary of Internal Audit Reports," which provides a summary of audits and follow-up audits conducted during the reporting period with a breakdown of the finding category (i.e., critical, significant, control). Attachment C is our "Quarterly Status Report," which is a listing of all audits scheduled for the year, along with budgeted hours, actual hours, variance between budget and actual, and milestone comments for each audit.

For the quarter ended March 31, 2025, Internal Audit issued six final reports (five original reports and one follow-up report) and five pre-draft/draft reports. The five original audits included one significant control weakness, 15 control findings, and five additional findings from the Board-Directed Review of All Orange County American Rescue Plan Act Funded Contracts and Expenditures.

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 MARCH 31, 2025

CATEGORY	ISSUED THIS PERIOD	ISSUED FOR FY 2024-25
Critical Control Weaknesses These are audit findings or a combination of audit findings that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise the department's or County's reputation for integrity. Management is expected to address Critical Control Weaknesses brought to its attention immediately.	0	0
Significant Control Weaknesses These are audit findings or a combination of audit findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses require prompt corrective actions.	1	6
Control Findings These are audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.	15	23
Other Observations Board-Directed Review of All Orange County American Rescue Plan Act Funded Contracts and Expenditures	5	5
TOTAL	21	34



EXECUTIVE SUMMARY
INTERNAL AUDIT REPORTS
FOR THE QUARTER ENDED MARCH 31, 2025

BOARD MOTION APPROVED ON SEPTEMBER 24, 2024 (AGENDA ITEM S37E)

1. Risk Assessment and Review of All Orange County American Rescue Plan Act Funded Contracts and Expenditures

Audit No. 2425 dated February 5, 2025

DIRECTIVE	RESULTS	FINDINGS
Conduct a risk assessment of all County of Orange (County) American Rescue Plan Act (ARPA) funded contracts within 90 days to ensure all contract audit and monitoring requirements are being met within all County departments.	<p>We conducted a risk assessment of all of the County's ARPA funded contracts and payments to outside entities, totaling \$260.4 million, and reviewed a sample of 58 high risk expenditures totaling \$203.4 million (78%). This includes:</p> <ul style="list-style-type: none"> • 31 contracts • 17 beneficiary agreements/ memoranda of understanding • 5 gift card expenditures • 5 other expenditures <p>We noted the County complied with all federal subrecipient monitoring and beneficiary rules. In addition, for the 31 contracts reviewed, the County had adequate monitoring to reasonably assure services were being provided and/or funds were being spent properly, in accordance with the contract. However, we noted some opportunities for future improvement (see Findings).</p>	<ol style="list-style-type: none"> 1. The County's Subrecipient Monitoring Policy (SMP) requires departments to perform monitoring risk assessments to establish appropriate monitoring levels and activities. However, the SMP appears to indicate the requirement only applies to federally funded subrecipient contracts, and the County could benefit from updating the SMP to require comprehensive risk assessments regardless of funding source based on established criteria. 2. Eleven beneficiary agreements did not have formal oversight activities to provide assurance on the use of funds because there were no federal or formal County oversight requirements. In addition, these beneficiary agreements are not a normal County practice and were established specifically due to ARPA funding. However, the County would benefit from having a policy in place to perform oversight of similar agreements in the future. 3. Some of the gift cards had logs and forms with recipient's signatures to help confirm they were properly distributed. However, we also noted logs with data entry errors (e.g., erroneous zip codes) and potential duplicates, and/or that were completed using Excel worksheets, which increases the risk of ineligible recipients and other improprieties. The County should strengthen controls over the distribution of gift cards in the Interim Cash Alternative Procedure to help mitigate these risks. 4. CPM section 4.5-102(3) allows County departments to issue contracts without competitive bidding when the contractor has satisfactory expertise through past performance, but requires departments to justify the



DIRECTIVE	RESULTS	FINDINGS
		<p>adverse impact to the County in bringing in another vendor. However, the CPM does not have specific criteria or additional guidance for defining the adverse impact, such as descriptions of substantial financial harm or decreased service levels. The CEO should strengthen the CPM by including this additional criteria/guidance.</p> <p>5. The County does not have standardized methods for conducting, tracking, and reporting contract monitoring activities. Specifically, departments utilize various templates and methods to conduct contract monitoring risk assessments and program evaluations that are not always consistent across the County and do not always capture important monitoring activity. The County could benefit from leveraging the current eProcurement solution or the new Enterprise Resource Planning system to standardize and enhance contract monitoring processes.</p>

HEALTH CARE AGENCY

2. Information Technology Audit: Health Care Agency Selected Cybersecurity Controls

Audit No. 2419 dated March 25, 2025 for the period ended November 30, 2024

OBJECTIVES	RESULTS	CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS	CONTROL FINDINGS
Evaluate HCA's design and operating effectiveness of internal control to determine whether inventory and control of enterprise assets and software asset controls provide reasonable assurance that assets are properly tracked, managed, and comply with best practices.	Content has been removed from this report due to the sensitive nature of the specific findings.	0	2



DISTRICT ATTORNEY-PUBLIC ADMINISTRATOR**3. Internal Control Audit: District Attorney-Public Administrator Fiduciary Fund 164**

Audit No. 2405 dated March 26, 2025 for the year ended June 30, 2024

OBJECTIVES	RESULTS	CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDING	CONTROL FINDINGS
1. Evaluate the effectiveness of internal controls over Fiduciary Fund 164 and perform a limited review of documentation for all fiduciary and special revenue funds administered by OCDA to ensure the sources and uses of funds are proper and in compliance with County and departmental policies and procedures.	We concluded that OCDA's internal controls over Fiduciary Fund 164 were generally effective to ensure the sources and uses of funds are proper and in compliance with County and departmental policies and procedures.	One Significant Control Weakness 1. We noted one instance where an unredacted image containing Personally Identifiable Information (PII) such as full employee names, their employee identification numbers, and the last four digits of their social security numbers were included in departmental desk procedures.	5
2. Review the fiduciary fund process for efficiency.	We concluded that OCDA fiduciary fund process is generally efficient.		

OC WASTE & RECYCLING**4. Internal Control Audit: OC Waste & Recycling Cash Disbursements & Payables**

Audit No. 2406 dated March 27, 2025 for the year ended June 30, 2024

OBJECTIVES	RESULTS	CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS	CONTROL FINDINGS
1. Evaluate the effectiveness of internal controls over cash disbursements and payables to ensure transactions are accurate, adequately supported, processed timely, properly recorded, and authorized in compliance with County and departmental policy.	OCWR's internal control over the cash disbursements and payables process was generally effective to ensure transactions are accurate, adequately supported, processed timely, properly recorded, and authorized in compliance with County and departmental policy.	0	4
2. Review the cash disbursements and payables process for efficiency.	OCWR's disbursements and payables process is generally efficient.		



OC PUBLIC WORKS**5. Information Technology Audit: OC Public Works Selected Cybersecurity Controls**

Audit No. 2414 dated March 31, 2025 for the year ended December 31, 2024

OBJECTIVES	RESULTS	CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS	CONTROL FINDINGS
Evaluate OCPW's design and operating effectiveness of internal control to determine whether controls provide reasonable assurance that sensitive data is restricted, vulnerabilities and system changes are managed, and comply with best practices.	Content has been removed from this report due to the sensitive nature of the specific findings.	0	4



EXECUTIVE SUMMARY
INTERNAL AUDIT FOLLOW-UP REPORTS
FOR THE QUARTER ENDED MARCH 31, 2025

OC INFORMATION TECHNOLOGY

6. First Follow-Up Information Technology Audit: OCIT Enterprise IT Governance

Audit No. 2315-F1 dated February 19, 2025 as of October 23, 2024; original audit dated March 28, 2024

ORIGINAL AUDIT – 4 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
0	4	2	2	<p>Recommendation No. 1 OCIT is currently updating their IT Strategic Plan with a target implementation date set for February 28, 2025.</p> <p>Recommendation No. 2 OCIT is actively working to enhance monitoring activities, with a target implementation date set for February 28, 2025.</p>



EXECUTIVE SUMMARY
APPENDIX A: DRAFT REPORTS
FOR THE QUARTER ENDED MARCH 31, 2025

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

1. **Internal Control Audit: District Attorney-Public Administrator Fiduciary Fund 164**, Audit No. 2405
2. **Information Technology Audit: OC Public Works Selected Cybersecurity Controls**, Audit No. 2414
3. **Internal Control Audit: OC Waste & Recycling Cash Disbursements & Payables**, Audit No. 2406
4. **Procurement Governance**, Audit No. 2407 (Contracted Audit)
5. **First & Final Close-Out Follow-Up Information Technology Audit: CAPS+ Application Security Controls**, Audit No. 2311-F1





Internal Audit Department
3rd Quarter Status Report for the Audit Oversight Committee
For the Quarter Ended 3/31/2025

Audit Category and Name ^{1,2,3}	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan								Est Remain	Budget Variance	FU Due	FU Number	Status ⁴
				Total	Actuals	Revised Budget	Actuals to Date Per Quarter											
				Budget	To Date		Budget	Changes	#1	#2	#3	#4	Total					
Internal Control Audits (ICA)																		
OCSD Purchasing & Contracts	2401					525	(525)	0	0	0	0		0	0	0		Deferred to FY25-26.	
SSA Purchasing & Contracts	2402					525	(525)	0	0	0	0		0	0	0		Deferred to FY25-26.	
OCPW Purchasing & Contracts	2403					525	(525)	0	0	0	0		0	0	0		Deferred to FY25-26.	
OCWR Purchasing & Contracts	2404					525	(525)	0	0	0	0		0	0	0		Deferred to FY25-26.	
DA Fiduciary Funds & Special Revenue Funds	2405	7/8/24	3/26/25			500	200	700	441	255	28		724	0	24	9/30/25	2405-F1 Completed. Final report issued 3/26/25.	
OCWR Cash Disbursements & Payables	2406	7/08/24	3/27/25			500	190	690	404	283	56		743	0	53	9/30/25	2406-F1 Completed. Final report issued 3/27/25.	
County Procurement Office - Procurement Governance (2302)	2407	10/21/24				0	0	0	0	0	0		0	0	0		In process. Draft report issued 2/19/25.	
OCCR/OC Parks/OC Dana Point Harbor P3 (2303)	2408	8/29/24	12/19/24			0	0	0	0	0	0		0	0	0	8/31/25	2408-F1 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	0	391	149	0		In process.	
A-C Disbursements & Employee Claims (2305)	2410					480		480	111	0	0		111	369	0		In process.	
OCIT Data Governance (2307)	2411					420		420	96	0	17		113	307	0		In process.	
SSA Cash Receipts & Receivables (dept request/time permitting)	2423					0	0	0	0	0	0		0	0	0		Not started.	
FY 23-24 Carryovers																		
HCA/PG Purchasing & Contracts (2215)	2326	2/08/23				1,290	1313	0	50	50	11	0	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.	
Follow-Up Audits																		
OCDA Purchasing & Contracts (2324)	2213-F1	1/27/25						663	(200)	463	0	20	155		175	288	0	
HCA/PG Cash Receipts (2325)	2214-F1	3/04/25									0	1	66		67			In process.
T-TC Cash Receipts	2301-F1										0	0	0		39			In process.
CSS Cash Receipts	2306-F1	1/27/25									0	0	0		0			Not started.
OCWR Credit Card Processing (department request)	2321-F1										0	0	35		35			In process.
JWA Cash Disbursements & Payables	2013-F2	3/03/25									0	0	0		0			Not started.
OCCR/OCPL Special Revenue Fund 120	2216-F2	11/20/24	12/17/24								0	0	16		16			In process.
											0	18	0		18		NA	NA Completed. Final close-out report issued 12/17/24.
Total Internal Control Audits						4,903	(1,560)	3,343	1,444	568	256	0	2,268	1,152	77			
Contract Compliance Audits (CCA)																		
FY 23-24 Carryover																		
OCWR - Contract Compliance Review (2320/Board request)	2420					0	0	0	0	0	0		0	0	0		Not started. Audit contracted out to MGO.	
Follow-Up Audits																		
Ocean Institute (2171/2289-A)	2171-F2	4/22/24	9/30/24		65	67	0	15	15	15	0	0		15	0	0	NA	2171-F3 Completed. Final report issued 9/30/24.
Ocean Institute (2171/2289-A)	2171-F3					0	30	30	0	0	7		7	23	0		Not started (AOC request).	
Total Contract Compliance Audits						0	45	45	15	0	7	0	22	23	0			
Mandated & Financial Audits (MFA)																		
T-TC Tax Redemption Officer (2322)	2421	11/06/24				0	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	0		Not started. Audit to be contracted out.	
Total Mandated & Financial Audits						0	0	0	0	0	0	0	0	0	0			
Information Technology Audits (ITA)																		
DA Selected Cybersecurity Controls	2412					525	0	525	0	0	8		8	517	0		Not started.	
OCWR Cybersecurity (2308)	2413	12/06/24				525	0	525	0	243	281		524	1	0		In process.	
OCPW Cybersecurity (2309)	2414	8/15/24	3/31/25			525	0	525	99	216	215		530	0	5	9/30/2025	2414-F1 Completed. Final report issued 3/31/25.	
OCSD Cybersecurity (2310)	2415					525	(525)	0	0	0	0		0	0	0		Deferred to FY25-26.	
OCIT Remote Access Security (2312)	2416					525	(525)	0	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	0		Deferred to FY25-26.	
T-TC Cybersecurity (2316)	2418					525	(525)	0	0	0	0		0	0	0		Deferred to FY25-26.	
HCA Cybersecurity (2317)	2419	6/27/24	3/25/25			525	0	525	99	276	132		507	0	(18)	9/30/2025	2419-F1 Completed. Final report issued 3/25/25.	
OCIT Adoption & Use of Artificial Intelligence (Time Permitting)	2424					0	0	0	0	0	0		0	0	0		Not started.	
A-C Policies and Procedures Advisory (2382)	2481					30	(27)	3	3	0	0		3	0	0		Canceled per department request.	



Internal Audit Department
3rd Quarter Status Report for the Audit Oversight Committee
For the Quarter Ended 3/31/2025

Audit Category and Name ^{1,2,3}	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan								Est Remain	Budget Variance	FU Due	FU Number	Status ⁴
				Total	Actuals	Revised Budget	Actuals to Date Per Quarter											
				Budget	To Date		Budget	Changes	#1	#2	#3	#4	Total					
Information Technology Audits (ITA)(CON'T)																		
FY 23-24 Carryovers																		
OCIT IoT Device Security (2243)	2314	2/29/24	12/17/24	570	573	0	430	430	421	16	0		437	0	7			Completed. Final report issued 12/17/24.
Follow-Up Audits																		
OCIT Enterprise IT Governance (2242)	2315-F1	10/09/24	2/19/25			285	0	285	58	85	129		272	13	0	8/31/2025	2315-F2	Completed. Final report issued 2/19/25.
Probation Cybersecurity (2043)	2043-F2								5	74	19		98					Not started.
A-C CAPS+ Application Security (2046)	2311-F1	2/03/25							2	0	9		11					In process. Draft report issued 3/28/25.
ROV Cybersecurity (2042)	2042-F2	7/15/24	9/30/24						0	0	81		81			NA	NA	Completed. Final close-out report issued 9/30/24.
C-R Cybersecurity (2151)	2151-F2	2/27/25							51	11	0		62					In process.
Total Information Technology Audits						4,540	(1,722)	2,818	680	836	765	0	2,281	531	(6)			
Total Audits Before Other Activities & Administration						9,443	(3,237)	6,206	2,139	1,404	1,028	0	4,571	1,706	71			
Other Activities & Administration																		
Workpaper Closeout & Final Report Issuance	2470					0	200	200	104	0	0		104	96	0			2301 and 2321 final reports issued.
Annual Risk Assessment & Audit Plan	2491					400	0	400	0	0	0		0	400	0			
Cash Losses	2492					80	0	80	0	0	0		0	80	0			
TeamMate+ Administration	2493					80	0	80	17	0	2		19	61	0			
External Audit Reporting	2494					200	0	200	37	18	36		91	109	0			
On-Demand Department Advisory Services	2495					80	0	80	0	0	0		0	80	0			
Quality Assessment	2496					120	0	120	75	0	0		75	45	0			
Board & AOC Support	2497					160	0	160	27	41	61		129	31	0			
Special Projects	2498					400	(400)	0	0	0	0		0	0	0			
CWCAP	2499					80	0	80	30	2	0		32	48	0			Completed. Submitted to A-C.
Total Other Activities & Administration						1,600	(200)	1,400	290	61	99	0	450	950	0			
Reserve for Board Directives/Contingency						2,088	2,312	4,400	126	1,555	1,837		3518	882	0	2425: ARPA Funds Risk Assessment. Phase 1 issued 2/5/25. Phase 2 in process.		
Total Budget						13,131	(1,125)	12,006	2,555	3,020	2,964	0	8,539	3,538	71			

Footnote 5

Footnotes

1. The mission of the Internal Audit Department (IA) is to provide highly reliable, independent, objective evaluations and business and financial consulting services to the Board of Supervisors (Board) and County management to assist them with their important business and financial decisions. The director of Internal Audit shall report directly to the Board and be advised by the Audit Oversight Committee (AOC) designated by the Board. The director of Internal Audit and staff shall have complete and unrestricted access to all of the County's financial records, files, information systems, personnel, and properties, except where prohibited by law. The AOC is an advisory committee to the Board and provides oversight of IA and other County audit functions. The scope of IA shall include reviews of the reliability and integrity of financial, compliance, property, and business systems, and may include appraising the efficiency of operations and the achievement of business and program goals and objectives.

2. IA generates several different types of reports including audit reports, summary reports, and status reports. In addition, IA undertakes several different projects including audits of internal controls, audits of lessee compliance with County contracts, and audits of IT controls. IA also serves the AOC by providing clerk services (meeting agenda preparation, minutes, etc.) and by preparing summary reports.

3. The annual Audit Plan is subject to change for such events where the director of Internal Audit or Board majority assesses it is warranted, to substitute, postpone, or cancel a scheduled audit due to timing, priority, resource, or risk considerations. Such modifications will be noted in the Status column of this Quarterly Status Report for review by the AOC. **The acceptance of the Quarterly Status Report by the AOC authorizes both the content herein and any changes noted.** During the course of the year, the director of Internal Audit has discretion to research issues of interest to members of the Board, AOC, or County management and provide them with Technical Assistance. When charged, these projects will be directed either to advisory services or to a separate project. Assistance of this nature generally involves between 10 and 80 hours and results are generally communicated through discussions, memos, or written report for public distribution.

4. For purposes regarding fiscal year-end reporting, we consider assignments completed (**Completed**) as of the official release of an audit report to the department head, and are shown as such in our Status column of this Quarterly Status Report.

5. The initial FY 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

May 15, 2025

AOC Agenda Item No. 5

TO: Audit Oversight Committee Members

Recommended Action:

Approve Internal Audit Department's FY 2025-26 Annual Risk Assessment & Audit Plan

The Internal Audit Department is pleased to present the Internal Audit Department's FY 2025-26 Annual Risk Assessment & Audit Plan. This comprehensive report details our risk-based plan for audits in FY 2025-26.

Per the County of Orange Audit Oversight Committee Bylaws, the AOC shall review and approve the risk assessment and internal audit plan. If approved by the AOC, the Risk Assessment & Audit Plan will be presented to the Board of Supervisors at the June 24, 2025 meeting.

ATTACHMENT(S):

Attachment A – FY 2025-26 Annual Risk Assessment & Audit Plan



INTERNAL AUDIT DEPARTMENT



Annual Risk Assessment & Audit Plan For the Fiscal Year 2025-26

Audit Number: 2491
Report Date: May 12, 2025

OC Board of Supervisors

CHAIR DOUG CHAFFEE
4th DISTRICT

VICE CHAIR KATRINA FOLEY
5th DISTRICT

SUPERVISOR JANET NGUYEN
1st DISTRICT

SUPERVISOR VICENTE SARMIENTO
2nd DISTRICT

SUPERVISOR DONALD P. WAGNER
3rd DISTRICT



INTERNAL AUDIT DEPARTMENT

Audit No. 2491

May 12, 2025

To: Audit Oversight Committee Members

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

Digitally signed by Agripino
Alonso
Date: 2025.05.12 10:03:50
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Subject: Annual Risk Assessment & Audit Plan for Fiscal Year 2025-26

Attached for your review and approval is our Fiscal Year (FY) 2025-26 Annual Risk Assessment and Audit Plan (Audit Plan). On an annual basis, we perform a countywide risk assessment that we use to develop our Audit Plan. The risk assessment, coupled with the Audit Plan, delivers a systematic approach for evaluating the effectiveness of internal controls and efficiency of County business operations.

For FY 2025-26, over 63% of the hours in the Audit Plan consist of audits we carried over from our FY 2024-25 Annual Risk Assessment and Audit Plan that we did not conduct due to staffing vacancies and other assignment priorities, such as audits directed by the Board of Supervisors (i.e., the Risk Assessment and Review of All Orange County American Rescue Plan Act Funded Contracts and Expenditures, and the Forensic Audit of County Contracts). In addition, the Internal Audit Department is also now responsible for the County's Performance Audit function and will allocate existing resources to conduct performance audits and/or monitor contracted performance audits. For FY 2025-26, we identified a total of 27 high-risk or high-priority areas and included audits in our Audit Plan to address 21 of them. If hours become available in FY 2025-26, we will incorporate the remaining areas into the Audit Plan. Otherwise, we will re-evaluate whether to perform them during our FY 2026-27 Risk Assessment and Audit Plan.

Purchasing & Contracts

1. Sheriff Department
2. Social Services Agency
3. OC Public Works
4. OC Waste & Recycling
5. Forensic Audit of County Contracts

Information Technology

1. OCIT Data Governance
2. OCIT Remote Access Security
3. OCIT Third-Party IT Security
4. Sheriff Cybersecurity
5. T-TC Cybersecurity
6. OCIT Adoption & Use of Artificial Intelligence
7. Assessor Cybersecurity
8. Clerk of the Board Cybersecurity

INTERNAL AUDIT DEPARTMENT

Performance Audits

1. County Treasury Performance Audit
2. MHSA Contractor Oversight & Performance Audit
3. OCC Homelessness Services Contractor Oversight & Performance Audit
4. SAIC Contract Compliance & Performance
5. County Ethics Program

Other Internal Control Audits

1. HCA Claim Reimbursement
2. T-TC Wire Transfers
3. A-C Disbursements & Claims
4. ROV Limited Validation of Citizen's Concerns Regarding Elections
5. Social Services Agency Cash Receipts & Receivables

Countywide Audits

1. Countywide Human Resources Hiring & Personnel Practices
2. County Budget Practices
3. A-C Central Payroll

Advisory Engagements

ERP Governance & Risk Management
Advisory

For FY 2026-27, the Audit Plan will be based on a comprehensive risk assessment that we plan to co-source to enhance the identification and evaluation of County risk. This will include performance risk in County programs and operations and additional business processes, such as budget, personnel, and investments. This strategy enables us to collaborate with external risk experts while maintaining control and leveraging our institutional knowledge.

The details of our FY 2025-26 Risk Assessment and Audit Plan are included in the attachment. We look forward to a successful year of providing professional, reliable, and objective audit and advisory services to the Board of Supervisors and County departments. If you have any questions, please contact me at (714) 834-5442 or Deputy Director Jose Olivo at (714) 834-5509.

INTERNAL AUDIT DEPARTMENT

Annual Risk Assessment & Audit Plan For Fiscal Year 2025-26 Audit No. 2491

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INTERNAL AUDIT DEPARTMENT

BACKGROUND

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

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

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

RISK ASSESSMENT METHODOLOGY AND RESULTS

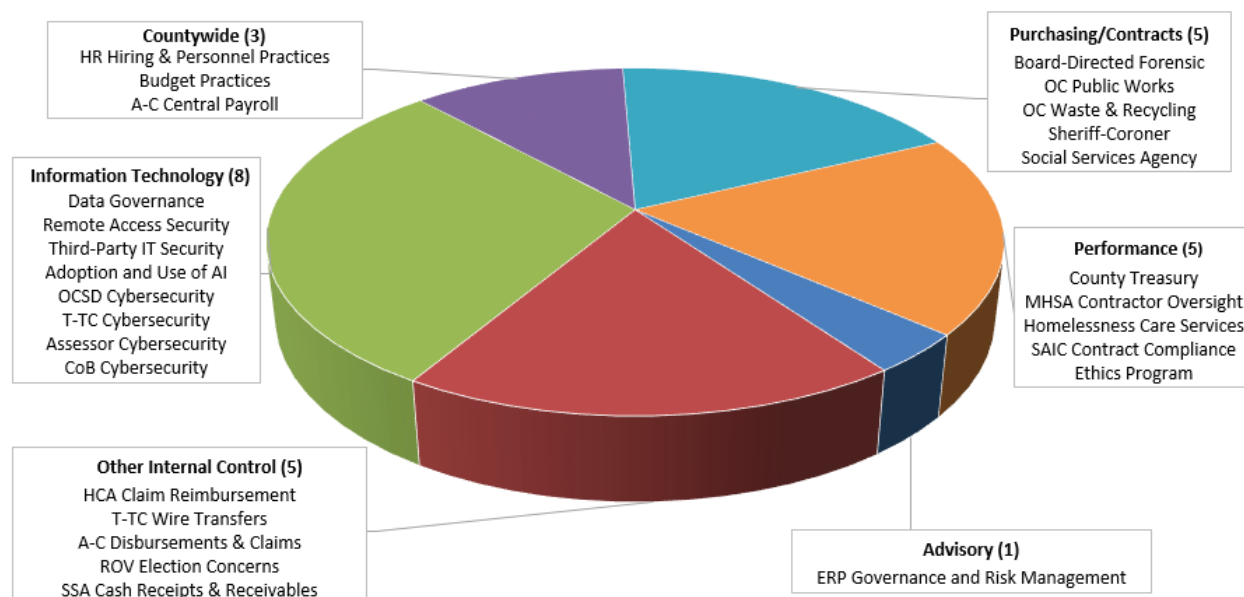
For FY 2025-26, over 63% of the hours (7,210 FY 24-25 carryover hours / 11,385 available hours) in Audit Plan consist of audits we carried over from our FY 2024-25 Annual Risk Assessment and Audit Plan that we did not conduct due to staffing vacancies and other assignment priorities, such as audits directed by the Board (i.e., the Risk Assessment and Review of All Orange County American Rescue Plan Act Funded Contracts and Expenditures, and the Forensic Audit of County Contracts). Due to the audits carried over and reduced capacity to perform new audits, we did not perform our standard comprehensive risk assessment this year. However, we continued to perform key risk assessment activities, including meeting and soliciting input from stakeholders, such as the Board, County Executive Office (CEO), Auditor-Controller, and other department executive management. We also met with the County's external auditor, Eide Bailly, and evaluated all external audit activity, including the County's Single Audit Report, the Annual Comprehensive Financial Report, and results from the various other County external audits, to identify areas of high-risk and ensure appropriate audit coverage. In addition, we leveraged the institutional knowledge of Internal Audit management and considered numerous risk factors impacting departments and agencies.

We are committed to auditing business activities/processes identified as: (1) high-risk by our risk assessment process or (2) high-priority by Board, CEO, or department head request. Our approach is to provide coverage of the most critical and sensitive aspects of the activity identified. We may make exceptions to this approach when there are carryover audits from the prior year, where there has been recent audit coverage, or if our professional judgment determines otherwise. Our FY 2025-26 Risk Assessment identified 27 high-risk or high-priority audit areas as illustrated in the chart below. We included 21 of these audit areas in the Audit Plan and will incorporate the remaining areas if hours become available. Otherwise, we will re-evaluate whether to perform them during our FY 2026-27 Audit Plan.



INTERNAL AUDIT DEPARTMENT

FY 2025-26 High-Risk and High-Priority Audit Areas¹



¹ See Audit Plan Engagements section for additional job details, including preliminary audit objectives and planned hours.

FY 2025-26 AUDIT PLAN

The Audit Plan is prepared by Internal Audit, reviewed by the Audit Oversight Committee (AOC), and approved by the Board prior to the beginning of each fiscal year. Our audit services are focused on improving internal control in standard business processes/cycles common to all departments, with emphasis on financial accounts and transactions. The IAD is also now responsible for the County's Performance Audit function which involves independent assessments that examine the efficiency and effectiveness of a program, function, or operation. It focuses on whether resources are used economically, efficiently, and effectively to achieve established objectives.

Our FY 2025-26 Audit Plan is based on 11,385 available audit hours (15,928 productive hours minus 2,150 hours for other activities and administration, 800 hours for Board-requested audits, and 1,593 hours for a contingency reserve) to be provided by eight audit professionals, two Senior Audit Managers, and one Assistant Deputy Director. Audit hours for the Director of Internal Audit and Deputy Director are not included in the above total. The contingency reserve is for unforeseen events, such as addressing new risks that emerge during an audit and unexpected staffing vacancies. We ensure the ratio of gross hours to available audit hours aligns with industry standards.

During FY 2024-25, we experienced staffing vacancies and conducted Board directives which limited the hours available for planned audit work. As a result, over 63% of the audit hours in the FY 2025-26 Audit Plan consist of audits we are carrying over from our FY 2024-25 Audit Plan. These carryover audits are high-risk or high-priority based on the risk-based heat map of County



risks that we used during our comprehensive risk assessment in FY 2024-25. See Risk Assessment Schedule for FY 2024-25 at Attachment A.

For FY 2025-26, the Audit Plan includes **Internal Control Audits, Information Technology Audits, Performance Audits, Advisory Engagements, and Follow-Up Audits**. We will work with a professional audit firm to conduct five comprehensive performance audits and will be contracting one additional audit: the Board-directed Forensic audit of various County contracts. All contracted audits will be monitored to ensure they are conducted in accordance with contract terms. We used our professional judgement and selected the highest risk audits we could address with existing resources. Audits that we cannot accommodate are noted for future consideration. Please see the table below for a description of these audit areas, related objectives, and hours allocated to the service area.

SERVICE	OBJECTIVE	HOURS	%
Internal Control Audits	Review effectiveness and efficiency of departmental operations including the safeguarding of assets, reporting (internal and external, financial and non-financial), and compliance with laws, regulations, and procedures as related to the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework.	5,390	33%
Information Technology Audits	Review IT controls such as general controls over computer operations, access to programs and data, disaster recovery/business continuity, program development, and program changes.	3,630	23%
Performance Audits	Examine the efficiency and effectiveness of a program, function or operation to determine whether resources are used economically, efficiently, and effectively to achieve established objectives.	600	4%
Advisory Engagements	Provide advisory services regarding governance, risk management, and control processes in areas such as IT system implementation and process improvement.	250	2%
Follow-Up Audits	Determine the status of management's implementation of audit recommendations provided in prior audit reports.	1,515	10%
Board Requests & Contingency	Conduct Board-requested audits and special assignments. Hours also reserved for position vacancies and other unforeseen events.	2,393	15%
Other Activities & Administration	Prepare the Audit Plan; investigate cash losses; manage TeamMate+; provide technical assistance to departments on operational, reporting, or compliance issues; compile and present quarterly External Audit Reports to the AOC; perform required quality assessments; prepare and present oversight reporting to the AOC and Board; complete special projects; prepare the Strategic Plan; update policies and procedures; and update the Audit Charter.	2,150	13%
TOTALS		15,928	100%

For the FY 2026-27 Audit Plan, we plan to co-source our risk assessment and audit plan to enhance the identification and evaluation of County risk, including performance risk in programs and operations. This strategy enables us to collaborate with external risk experts while maintaining control and leveraging our institutional knowledge.

AUDIT PLAN ENGAGEMENTS

For each engagement in the FY 2025-26 Audit Plan, we have listed the department, preliminary audit objectives, and estimated hours to complete the audit. We will incorporate performance areas into our internal control audits and information technology audits, when applicable.

The 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, resources, and/or other risk considerations. Internal Audit may also conduct performance audits internally depending on the availability of resources. Such modifications will be noted in the Quarterly Status Reports submitted to the AOC.

AUDIT	PRELIMINARY AUDIT OBJECTIVES	HOURS
High-Risk Audits		
Internal Control Audits		
1. HCA Claim Reimbursement	To assess whether internal controls ensure accuracy, compliance, and integrity in the claims process.	700
2. T-TC Wire Transfers	To assess the adequacy and effectiveness of internal controls, compliance with regulatory requirements, and the overall security of wire transfer processes.	700
3. OCSD Purchasing & Contracts 4. SSA Purchasing & Contracts 5. OCPW Purchasing & Contracts 6. OCWR Purchasing & Contracts Carryovers from FY 2024-25	To assess procurement and contract administration processes for compliance with the County policies to ensure contracts are properly authorized, supported, recorded, and appropriately monitored.	3,100
7. A-C Disbursements & Claims Partial carryover from FY 2024-25	To ensure disbursements and claims are processed accurately and in compliance with policy terms. County payments.	380
8. Board-Directed Forensic Audit of County Contracts Board Request Contracted Audit	To conduct a forensic audit, including compliance with the Contract Policy Manual and all applicable procurement-related statutes, of contracts established between January 2019 and August 2024. This audit will include all contracts funded by ARPA, CARES Act, MHSA and all Human Services and Sole Source contracts funded by the General Fund within the CEO, HCA, OCCR and SSA.	150
9. ROV Limited Validation of Citizen's Concerns Regarding Elections Board Request	To perform a limited validation of the accuracy of the Registrar of Voters' elections data, based on County citizen's concerns.	360

AUDIT	PRELIMINARY AUDIT OBJECTIVES	HOURS
High-Risk Audits (cont.)		
Information Technology Audits		
10. OCIT Data Governance Partial carryover from FY 2024-25	To assess whether the County's data management practices are effectively adhering to established data governance policies, ensuring data accuracy, consistency, security, and compliance with relevant regulations, thereby providing assurance regarding data risk management and enabling informed business decisions based on reliable data.	380
11. OCIT Remote Access Security Carryover from FY 2024-25	To assess the security measures in place for remote access systems, identifying potential vulnerabilities and risks associated with allowing users to access sensitive data and systems from outside the organization's network, thereby providing recommendations to strengthen security and mitigate those risks.	650
12. OCIT Third-Party IT Security Carryover from FY 2024-25	To assess OCIT's oversight and monitoring of IT security controls for third-party vendors that directly assist with maintaining, managing, or supporting critical systems to ensure compliance with County IT security requirements.	650
13. OCSD Cybersecurity 14. T-TC Cybersecurity Carryovers from FY 2024-25	To assess cybersecurity controls to ensure sensitive data is restricted, vulnerabilities and system changes are managed, and compliance with best practices.	1,300
15. OCIT Adoption and Use of Artificial Intelligence Carryover from FY 2024-25 Department Request	To assess internal control over the adoption and use of Artificial Intelligence.	650

AUDIT	PRELIMINARY AUDIT OBJECTIVES	HOURS
High-Risk Audits (cont.)		
Performance Audits		
16. County Treasury Performance Audit Contracted Audit	To evaluate the efficiency and effectiveness of County Treasury's operations, and internal controls and best practices for managing investments.	100
17. Mental Health Services Act (MHSA) Contractor Oversight and Performance Audit Contracted Audit	To assess whether County oversight ensures MHSA programs are meeting performance goals and delivering intended results as outlined in mission statements, policies, and/or contracts.	150
18. OCC Homelessness Services Contractor Oversight and Performance Audit Contracted Audit	To assess whether County oversight ensures Homelessness Care Services programs are meeting performance goals and delivering intended results as outlined in mission statements, policies, and/or contracts.	150
19. SAIC Contract Compliance and Performance Audit Board Request Contracted Audit	To assess whether County oversight ensures programs/operations are meeting performance goals and delivering intended results as outlined in mission statements, policies, and/or contracts.	100
20. County Ethics Program Carryover from FY 2024-25 Contracted Audit	To evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.	100
Total High-Risk Audits		9,620

Advisory Engagements		
21. ERP Governance and Risk Management Advisory	To provide advisory services to the Auditor-Controller on ERP System governance, risk management, and control processes.	250
Total Advisory Engagements		250

AUDIT	PRELIMINARY AUDIT OBJECTIVES	HOURS
High-Risk of High-Priority Time Permitting Audits		
22. Assessor Cybersecurity 23. COB Cybersecurity	To assess cybersecurity controls to ensure sensitive data is restricted, vulnerabilities and system changes are managed, and compliance with best practices.	0
24. SSA Cash Receipts & Receivables Carryover from FY 2024-25 Department Request	To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records.	0
25. Countywide Human Resources Hiring and Personnel Practices	To assess whether hiring and personnel practices ensure compliance, fairness, and alignment with organizational goals.	0
26. County Budget Practices	To evaluate County budget practices to ensure financial accuracy, compliance, and efficiency.	0
27. A-C Central Payroll	To assess the accuracy and completeness of payroll records and the required compliance with employment and tax law.	0
Total High-Priority Time Permitting Audits		0

Follow-Up Audits		
Follow-Up Internal Control Audits	Follow-up on management’s implementation of audit recommendations provided in prior audit reports.	600
Follow-Up Information Technology Audits		415
Follow-Up Contracted Audits		500
Total Follow-Up Audits		1,515

Other Activities & Administration	
Special Projects	400
Annual Risk Assessment & Audit Plan for FY 2026-27 – Co-sourced	400
IAD Strategic Plan	200

Other Activities & Administration (cont.)	
IAD Charter Update	50
Cybersecurity Trends and Awareness	200
Policies and Procedures Update	200
Quality Assessment	100
External Audit Reporting	160
Board of Supervisors & Audit Oversight Committee Support	200
On-Demand Department Advisory Services	80
Cash Loss Investigations	40
TeamMate+ Administration	60
Countywide Cost Allocation Plan (CWCAP)	60
Total Other Activities & Administration	2,150
Board-Requested Audits	800
Contingency Reserve	1,593
TOTAL HOURS	15,928

INTERNAL AUDIT DEPARTMENT

APPENDIX A: ACRONYMS

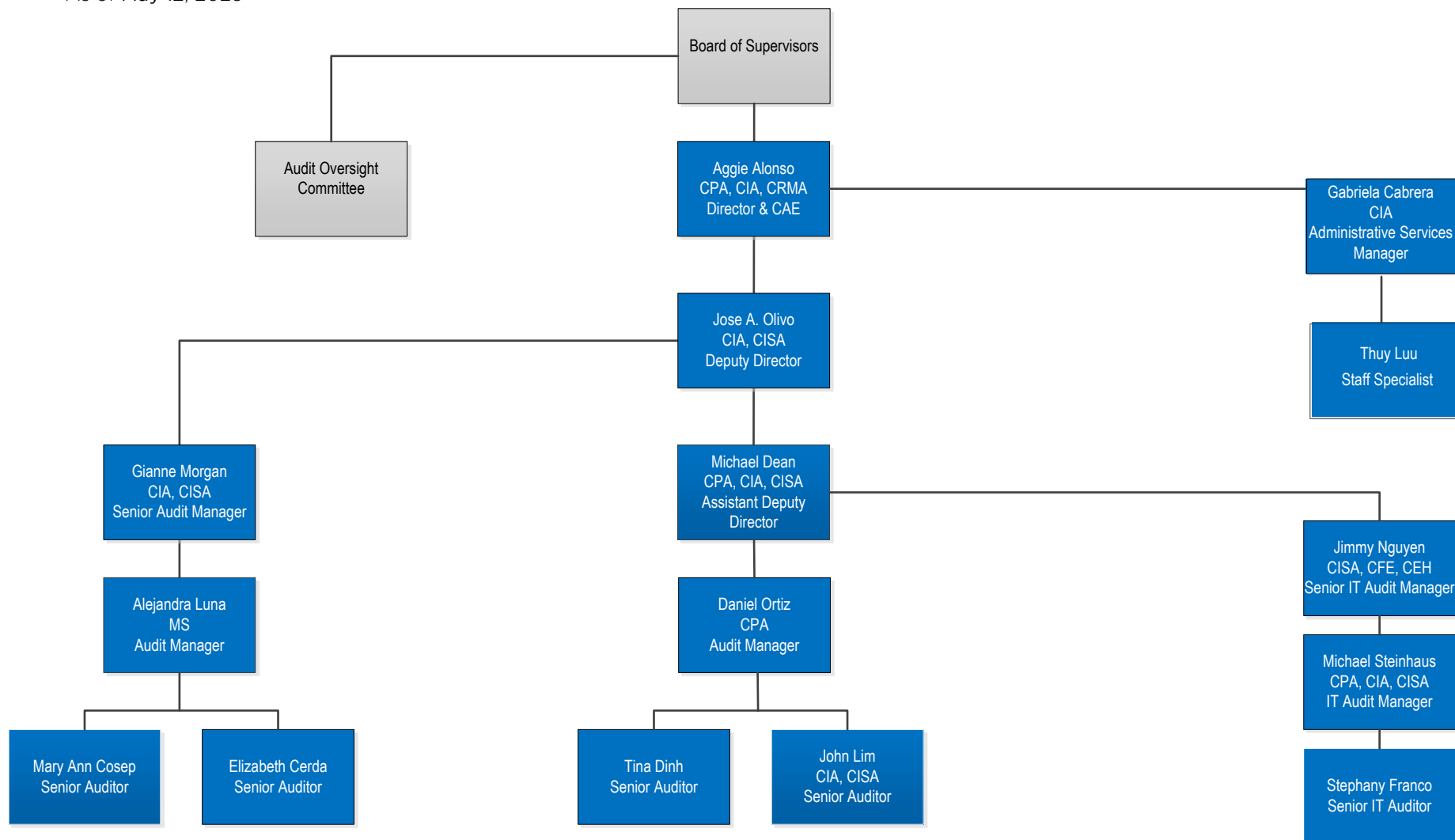
Acronym	Definition
A-C	Auditor-Controller
AOC	Audit Oversight Committee
COB	Clerk of the Board
CEO	County Executive Office
HCA	Health Care Agency
IAD	Internal Audit Department
OCC	Office of Care Coordination
OCCR	OC Community Resources
OCIT	Orange County Information Technology
OCPW	OC Public Works
OCSD	Sheriff-Coroner
OCWR	OC Waste & Recycling
ROV	Registrar of Voters
SAIC	Science Applications International Corporation
SSA	Social Services Agency
T-TC	Treasurer-Tax Collector





INTERNAL AUDIT

As of May 12, 2025



RISK ASSESSMENT SCHEDULE FOR FISCAL YEAR 2024-25

BUSINESS PROCESS/CYCLE Financial Activity for FY 2022-23																				COMMENTS
	1. Assessor	2. Auditor-Controller	3. Child Support Services	4. Clerk of the Board	5. Clerk-Recorder	6. County Counsel	7. County Executive Office	8. District Attorney-Public Administrator	9. Health Care Agency/Public Guardian	10. John Wayne Airport	11. OC Community Resources	12. OC Public Works	13. OC Waste & Recycling	14. Probation Department	15. Public Defender	16. Registrar of Voters	17. Sheriff-Coroner	18. Social Services Agency	19. Treasurer-Tax Collector	
CASH RECEIPTS & RECEIVABLES \$19.2 billion	M	M	L	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	Reflects all cash receipt transactions posted to 8010 Cash Account by the department that processed the transaction. A/R reported as year-end balances.
CASH DISBURSEMENTS & PAYABLES \$5.7 billion	M	H	M	M	M	M	M	M	M	M	M	M	H	M	M	M	M	M	M	Reflects all cash disbursements including automatic (A/P) disbursements, manual disbursements, and EFT/Wire disbursements.
PURCHASING & CONTRACTS \$5.7 billion	M	M	M	M	M	M	H	L	M	M	H	H	H	M	M	M	H	H	M	Reflects all purchases and contracts processed by departments including purchase orders, price agreements, and negotiated contracts.
REVOLVING FUNDS \$4.3 million	L	M	M	M	M	M	M	M	M	M	M	M	M	L	L	M	M	M	M	Reflects the total revolving fund replenishments to all departments.
PAYROLL \$2.6 billion	M	M	M	M	M	M	L	M	M	M	L	M	M	M	M	M	M	M	M	Reflects total payroll for our audit population of all departments shown.
FIDUCIARY & SPECIAL REVENUE FUNDS \$3.2 billion	M	M	M	M	M	M	M	H	M	M	M	M	M	M	M	M	M	M	M	Reflects year-end balances in Agency Funds and Private Purpose Trust Funds designated for restricted purposes and use.
INFORMATION TECHNOLOGY	M	L	M	M	L	M	H	H	H	M	M	H	H	L	M	L	H	M	H	
AUDITS ON FY 2025-26 PLAN See Appendix A for Audit Plan Methodology DR = Department request CO = Carryover audit TP = Time-permitting audit		Employee Claims (CO)					CPO - Procurement Governance (CO); OCIT Data Governance (CO); County Ethics Program (CO); OCIT Third-Party IT Security (CO); OCIT Remote Access Security (CO); OCIT Adoption and Use of Artificial Intelligence (TP)	Fiduciary & Special Revenue Funds; Selected Cybersecurity Controls	Cybersecurity II (CO)		Dana Point Harbor Purchasing & Contracts (CO); Purchasing & Contracts (CO)	Purchasing & Contracts (HR); Cybersecurity (CO)	Compliance Review (CO); Disbursements & Payables; Purchasing & Contracts; Cybersecurity (CO)				Purchasing & Contracts (HR); Cybersecurity (CO)	Purchasing & Contracts (HR); Cash Receipts & Receivables (DR/TP)	Tax Redemption Officer (CO); Cybersecurity (CO)	

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



Memorandum

May 15, 2025

AOC Agenda Item No. 6

TO: Audit Oversight Committee Members

Recommended Action:

Approve External Audit Activity Status Report for Quarter Ended March 31, 2025, and Receive Report on Status of External Audit Recommendations Implementation

Approve External Audit Activity Status Report for Quarter Ended March 31, 2025, and Receive Report on Status of External Audit Recommendations Implementation, as stated in recommended action.

ATTACHMENT(S):

Attachment A – External Audit Activity Status Report Memo

Attachment B – Executive Summary External Audit Activity

Attachment C – External Audit Activity Quarterly Status Report

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



INTERNAL AUDIT DEPARTMENT

May 9, 2025

To: Audit Oversight Committee Members

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

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Alonso
Date: 2025.05.09 13:27:49
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Subject: External Audit Activity Status Report for the Quarter Ended March 31, 2025

Attached for your review and approval is our External Audit Activity Status Report for the Quarter ended March 31, 2025. Pursuant to Audit Oversight Committee (AOC) Administrative Procedure Number 2, Reporting on External Audits, County departments are required to communicate the status of all third-party audits, including any significant audit findings identified, to Internal Audit on a quarterly basis. The procedure was established to keep the AOC informed of all third-party audits being performed and any significant findings identified. In addition, as requested by the AOC at its May 9, 2019 meeting, we have included County department reported corrective action taken to implement recommendations related to significant audit findings identified.

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

For the quarter ended March 31, 2025, the County's external auditor Eide Bailly identified four material and 11 significant issues in the 2024 Single Audit report. Details of the Single Audit will be presented by Eide Bailly at the May 15, 2025 AOC meeting.

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 03/31/25

<u>SUMMARY ACTIVITY</u>	
Total Audits Prior Quarter (12/31/24)	50
Additions: In Progress	11
Planned	2
Started and Completed	8
Deletions	<u>13</u>
(Completed, Canceled, and Removed in Prior Quarter)	
Total Audits Current Quarter (12/31/24)	<u>58</u>
(In Progress, Planned, and/or Completed this Quarter)	

Results for the Quarter:

Completed	21
Canceled	0
Removed for Other Reasons	0

New Findings/Issues Reported by the Departments	11
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<u>Material Issues:</u> (Includes Disallowances over \$100K)	4
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The County's external auditor, Eide Bailly, audited the County's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2024. The Single Audit resulted in four material and 11 significant issues. Details of the Single Audit will be presented by Eide Bailly at the May 15, 2025 AOC meeting.

EXTERNAL AUDIT ACTIVITY
Quarterly Status Report
3rd Quarter FY 2024-25 (3/31/25)

Results:

Four material issues were reported to the Internal Audit Department this quarter. See pages 2-3.

The schedule below identifies the status of external audits as of 03/31/25, including any significant findings, as reported to us by Orange County Departments/Agencies. This schedule does not include reviews performed by the OC Grand Jury.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2025	Significant Findings
Assessor		State Board of Equalization (BOE)	All Property Assessment and Valuation Practices	2024-25 Assessment Roll; Every 5 years	2020	The BOE's survey program is conducted on a five-year cycle. During a survey, BOE staff conducts an audit of the Assessor's procedures and practices. Staff then publishes an assessment practices survey report that summarizes the findings and includes recommendations for improvement. In addition, BOE staff will perform an appraisal sample from the 2024-25 assessment roll of values. BOE staff audits and appraises each property in the sample and compares the results to the Assessor's values. Staff then expands the results to determine whether the total assessment roll complies with statutory standards	In progress.	
Auditor-Controller	Financial Reporting	Eide Bailly	Annual Comprehensive Financial Report (ACFR)	Annual	6/30/2023	Annual Financial GAAP Audit	Completed.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2025	Significant Findings
Auditor-Controller (con't)	Financial Reporting (con't)	Eide Bailly	Single Audit	FY 2024 Annual	6/30/2023	Uniform Guidance Expenditures of Federal Assistance	Completed.	<p>Three (3) New Financial Statement Findings:</p> <p>#2024-001 Conflict of Interest (Material) A former member of the Board of Supervisors had undisclosed familial relations with stakeholders of nonprofit entities contracted by the County. The County's various conflict of interest policies do not incorporate standards promulgated by the OMB CFR 200.318(c).</p> <p>#2024-002 Procurement No evidence of approval by the Board of Supervisors, in accordance with County policy, for one contract. The related Sole Source Justification Form was approved subsequent to the execution date of the contract, and several of the responses on the form were incomplete or vague.</p> <p>#2024-003 (OCWR) Capital Assets at Year-End Overestimated accrued accounts payable invoices, resulting in overstated construction in progress and accounts payable accounts by \$4,972,829.</p>
								<p>Twelve (12) New Federal Award Findings:</p> <p>#2024-004 (SSA) Foster Care: Did not maintain documentation that the subrecipient risk assessments or the monitoring activity tracker was reviewed.</p> <p>#2024-005 (OCSD) Equitable Sharing Program Did not perform suspension or debarment verification of vendor prior to entering transactions.</p> <p>#2024-006 (OCSD) Equitable Sharing Program Miscalculated overtime costs resulting in \$23,409 in questioned costs.</p> <p>#2024-007 (OCPW) Santa Ana River Mainstem Project No evidence of verification that the entity was not suspended or debarred or otherwise excluded prior to entering the contract; Certain required information was not provided at the time of the contract award.</p>

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2025	Significant Findings
Auditor-Controller (con't)	Financial Reporting (con't)		Single Audit (con't)					<p>#2024-008 (SSA) Medicaid Cluster Did not suspend program eligibility for a participant over the income limit.</p> <p>#2024-009 (OCCR) Aging Cluster Did not perform timely onsite monitoring and follow-up on documented deficiencies.</p> <p>#2024-010 (OCPW) Disaster Grants - Public Assistance Did not retain evidence of review and approval of required reports.</p> <p>#2024-011 (OCPW) Disaster Grants - Public Assistance (Material) Reported expenditures on the SEFA that should have been reported in the previous fiscal year.</p> <p>#2024-012 (HCA) Epidemiology and Laboratory Capacity for Infectious Disease Certain required information was not provided at the time of contract award.</p>
								<p>#2024-013 (HCA) Epidemiology and Laboratory Capacity for Infectious Disease (Material) Property records were not maintained in accordance with Uniform Guidance for all property and equipment purchased.</p> <p>#2024-014 (SSA) Refugee and Entrant Assistance State/Replacement Designee Administered Programs (Material) Provided benefits to ineligible participants and did not retain required documentation, resulting in \$7,578 in questioned costs.</p> <p>#2024-015 (SSA) Medicaid Cluster, Foster Care Title IV-E, Temporary Assistance for Needy Families, Refugee and Entrant Assistance State/Replacement Designee Administered Programs Unallowable costs were included in the direct cost pool, resulting in \$50,971 in questioned costs.</p>

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2025	Significant Findings
Auditor-Controller (con't)	Cost, Revenue & Budget	No audits in progress.						
	Property Tax	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.	In Progress.	
	General Accounting	No audits in progress.						
Child Support Services	Program Support Services	No audits in progress.						
Clerk of the Board		No audits in progress.						
Clerk-Recorder	Information System	Larry Halme	SECURE ERDS Program	April to June/weekly	6/22/2024	ERDS Modified System Audit	Completed.	None.
		Larry Halme	SECURE ERDS Program	May to Aug/weekly	6/22/2024	ERDS Modified System Audit	Completed.	None.
County Counsel		No audits in progress.						
County Executive Office	Finance	Eide Bailly	Tobacco Settlement Revenue FY 2023-24	Annual	3/24/25	Agreed Upon Procedures (AUP).	Completed.	None.
		Crowe	Measure M2, MM Local Fair Share (LFS) Funding	Not Formally Set	3/28/25	To determine the jurisdictions' level of compliance with the provisions of MM Local Transportation Ordinance No. 3.	In Progress.	
		Crowe	Measure M2, Senior Non-Emergency Medical Program	Not Formally Set	4/11/25	Senior Non-Emergency Medical Program (SNEMP) compliance audit.	In Progress.	
	Risk Management	ALC Claims Collaborations	Risk Management Workers' Compensation Program - Third Party Administrator	Annual	3/2024	To review and score Third Party Administrator's (TPA's) compliance with the County Customer Service Instructions and ensure TPA is following best practice and the Workers' Compensation Labor Code.	Completed.	None.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2025	Significant Findings
County Executive Office (con't)	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. (Reported 12/31/24)	See Attachment D for corrective actions taken related to the finding from this audit.
Health Care Agency	Administration	Eide Bailly LLP	Tobacco Settlement Revenue Agreed Upon Procedure	FY 23/24 Annual	FY 22/23	Fiscal compliance review.	Completed.	None.
	Behavioral Health Services	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.	Completed.	None.
		Department of Health Care Services	Mental Health Block Grant (MHBG) Programs Desk Review / Substance Abuse and Mental Health Services Administration (SAMHSA)	FY 23/24	N/A	Program compliance review.	In progress.	
		Department of Health Care Services	Mental Health Services Act Program Review	FY 23/24	N/A	Program compliance review.	In progress.	
		Department of Health Care Services	Specialty Mental Health (Short-Doyle/Medi-Cal) Cost Report Audit	FY 15/16 Annual	FY 14/15	Fiscal compliance review.	In progress.	
		Department of Health Care Services	Specialty Mental Health (Short-Doyle/Medi-Cal) Cost Report Audit	FY 16/17 Annual	FY 14/15	Fiscal compliance review.	In progress.	
	Correctional Health Services	No audits in progress.						

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2025	Significant Findings
Health Care Agency (con't)	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.	
		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.	
		California Department of Public Health, Office of Compliance	Ryan White HIV/AIDS Care Program (Part B) Site Visit	FY 23/24	N/A	Site Visit	Completed.	None.
		United States Environmental Protection Agency (USEPA)	State Review Framework (SRF) for California and OC Environmental Health RCRA Hazardous Waste Program	FY 2024	N/A	Program compliance review.	In progress.	
	Specialized Medical Services	No audits in progress.						
John Wayne Airport	Finance & Administration	Eide Bailly	Financial Statements, including Passenger Facility Charge Revenue and Expenditures	2024 Annual	2023	Audit of Financial Statements	Completed.	None.
	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 March 31, 2025	Significant Findings
OC Community Resources	Office on Aging (OoA)	Eide Bailly	Aging Cluster	FY 23-24	FY20-21	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	Completed.	None.
		California Department of Aging	Office on Aging	FY 22-23 & 23-24	FY 20-21 & 21-22	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	Planned.	
	Workforce & Economic Development Division	No audits in progress.						
	OC Parks	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.)	
	OC Libraries	No audits in progress.						
	OC Animal Care	MGO	City Billing	FY 23/24 Triennial	FY 20/21	To Be Determined	Planned.	
	Redevelopment Successor Agency	Eide Bailly	Financial Statement Audit	FY 23/24 Annual	FY 22-23	Redevelopment Successor Agency	Completed.	None.
	Orange County Housing Authority (OCHA)	Eide Bailly	OC Housing Authority - Financials	FY 23-24	FY 22-23	Agreed-Upon Procedures for Attestation of Section 8 Cluster to the US Department of Housing & Urban Development	Completed.	None.
	OC Housing Finance Trust (OCHFT)	Eide Bailly	Financial Statement Audit	FY 23-24 Annual	FY 22-23	Financial statement compilation and review.	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2025	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	Completed.	None.
Probation	Administrative and Fiscal	Eide Bailly, LLP	SB 81 Audit	6/30/2023	11/25/13	Compliance with California Board of State and Community Corrections (BSCC) construction-financing program through (SB) 81.	Completed.	None.
Public Defender		No audits in progress.						
Registrar of Voters		No audits in progress.						

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2025	Significant Findings
Sheriff-Coroner	Custody Operations	Disability Rights Commission (DRC)	Theo Lacy, Central Men's Jail, Intake Release Center, James A Musick Facility	Current	N/A	Disability Rights	In progress.	
	Technology	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	No audits in progress.						
	Records	California Department of Justice	Criminal Offender Record Information (CORI) Audit / Interstate Identification Index (III) Audit	2023-2025	03/2022	Ensure "need to know" CORI, review the Route To Field (RTE) and Purpose (PUR) Code	In progress.	
		California Department of Justice	California Law Enforcement Telecommunications System (CLETS) Policy and Security Audit	2023-2025	01/2022	Ensure adherence to CLETS Policies and security requirements	In progress.	
		California Department of Justice	California Criminal Justice Information System (CJIS) and National Crime Information Center (NCIC) Database Audit	2023-2025	03/2022	Ensure adherence to CLETS Policies, Practices and Procedures (PPP)	Completed.	None.
Social Services Agency	Administrative Services	California Department of Social Services (CDSS)	Social Services and CalWORKs Assistance Claims	7/1/22 – 6/30/23 UNK	10/16	Review County's compliance with federal requirements to provide more oversight of federal program expenditures.	In progress.	
	Children & Family Services	No audits in progress.						
	Assistance Programs	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.	None.
	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.	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 March 31, 2025	Significant Findings
Social Services Agency (con't)	Family Self-Sufficiency & Adult Services (con't)	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.	Completed.	None.
		California Department of Social Services (CDSS)	Foster Care Program Title IV-E	10/1/23 - 3/31/24 Every 3 years	08/2018	Compliance review to ensure Foster Care program administration from eligibility determination to benefit issuance are consistent with federal regulations, which include reviewing Foster Care eligibility and Children Family Services files to substantiate compliance for requirements such as authority for placement, eligibility of the home removal, placement in a licensed or approved facility, etc.	Completed.	None.
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.	Completed.	None.
		Brown Armstrong Accountancy Corporation	County Treasury Public Funds	FY 2023-24 Annual	FY 2022-23	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 March 31, 2025

No.	Department	Audit Name	Finding	Recommendation	Material or Significant	Implementation Status* & Actions Taken or Planned
1	District Attorney-Public Administrator	Mandated Cost Claims - Custody of Minors - Child Abduction and Recovery Program for the period of July 1, 2018 - June 30, 2022	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.	We recommend that the county: •Follow the SCO's Mandated Cost Manual and the mandated program's parameters and guidelines when preparing its reimbursement claims; and •Ensure that claimed costs are supported by source documentation.	Material	Implemented. We have implemented contemporaneous work papers for FY24-25 starting September 2024 with hand written activity logs corresponding to hours coded to child abduction job numbers on OCTIME timecards. We also created additional job numbers to match with each mandated reimbursable activity from the SCO's parameters and guidelines.

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



Memorandum

May 15, 2025

AOC Agenda Item No. 7

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Auditor-Controller Mandated Audits (Non-Treasury) for Quarter Ended March 31, 2025

Receive Report on Status of Auditor-Controller Mandated Audits (Non-Treasury) for Quarter Ended March 31, 2025, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Status of Mandated Audits (Non-Treasury) as of March 31, 2025



Auditor-Controller Internal Audit
Status of Mandated Audits
As of March 31, 2025
AOC Meeting Date: May 15, 2025

Attachment A
Attachment A

Audit Name	Audit No.	Budget Hours	Actual Hours	Variance	Draft Report	Final Report	Status
Cash Shortages FY 20-21	2001	100.0	215.0	-115.0	N/A	N/A	1 in process, 9 completed
Cash Shortages FY 24-25	2402	120.0	34.0	86.0	N/A	N/A	2 in process, 8 completed
JPAs and Special Districts FY 22-23*	2310	120.0	67.0	53.0	N/A	N/A	Collection in process
JPAs and Special Districts FY 23-24*	2410	120.0	43.0	77.0	N/A	N/A	Collection in process
Review of Schedule of Assets as of 9/30/23	2307	300.0	219.0	81.0	4/28/2025		Reporting in process
Review of Schedule of Assets as of 12/31/23	2308	300.0	332.0	-32.0	4/28/2025		Reporting in process
Review of Schedule of Assets as of 3/31/24	2309	300.0	314.5	-14.5	4/28/2025		Reporting in process
Review of Schedule of Assets as of 9/30/24	2407	300.0	120.0	180.0			Fieldwork in process
Review of Schedule of Assets as of 12/31/24	2408	300.0	8.0	292.0			Fieldwork in process
Total		1960.0	1352.5	607.5			

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 IAD to finalize their recommendations.	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 8 investigations, and we have 2 investigation in process for Clerk-Recorder and Social Service Agency.	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: 6 of 68.** Special Districts remaining: 7 of 34. Total reports received: 89 of 102.	0/0	89



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

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Total Reports Reviewed
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.	Reporting in process	0	0

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

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Total Reports Reviewed
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.	Reporting in process	0	0

Review of Schedule of Assets as of 3/31/24

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Total Reports Reviewed
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.	Reporting in process	0	0



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

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Total Reports Reviewed
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 in process.	0	0

Review of Schedule of Assets as of 12/31/24

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Total Reports Reviewed
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 in process.	0	0



Auditor-Controller Internal Audit
Status of Mandated Audits
As of March 31, 2025
AOC Meeting Date: May 15, 2025

Past-Due Submissions of Audited Financial Statements				
Entity Type	Entity Name	FYE Date	Follow-up Date	Rectified Date
JPA	Public Cable Television Authority (PCTA)	6/30/2023	8/1/2024, 1/23/2025, 4/24/25	
JPA	Public Cable Television Authority (PCTA)	6/30/2022	4/4/2023, 8/1/2024, 1/23/2025, 4/24/25	



Memorandum

May 15, 2025

AOC Agenda Item No. 8

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Performance Audits for the Quarter Ended March 31, 2025

Receive Report on Status of Performance Audits for the Quarter Ended March 31, 2025, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Performance Audits Quarterly Status Report

	Department	Type of Audit	Auditing Vendor	Audit Scope of Work	Status
	FY 2023-24				
Department Head Transition	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 underway
	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	Complete



Memorandum

May 15, 2025

AOC Agenda Item No. 9

TO: Audit Oversight Committee Members

Recommended Action:

Receive Update on Restricted Report Issuance Process

Receive Update on Restricted Report Issuance Process, as stated in recommended action.



Memorandum

May 15, 2025

AOC Agenda Item No. 10

TO: Audit Oversight Committee Members

Recommended Action:
Receive Update on ERP Implementation

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



Memorandum

May 15, 2025

AOC Agenda Item No. 11

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on County IT Projects Quarterly Progress

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

2nd Quarter, FY 24-25

Oct 1 – Dec 31, 2024



Summary

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

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

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

Highlights



At a Glance

The number of projects in this reporting period is 17, the same number reported in the previous quarter. Four projects were completed last quarter: eDiscovery Tool Implementation (OCIT); Legacy Application Restoration (OCIT); Qualtrics Call Center Analytics (Social Services Agency); and Web Property Tax Inquiry & Payment System (Treasurer-Tax Collector). Four projects were added this quarter: OC.GOV Migration (OCIT); Multi-Factor Authentication (MFA) System (OCIT); OC CareConnect (CEO); and Orangewood Children's Information System 2.0 (OCIS2.0) (SSA). The total budget increased from \$18,435,344 to \$21,593,632.

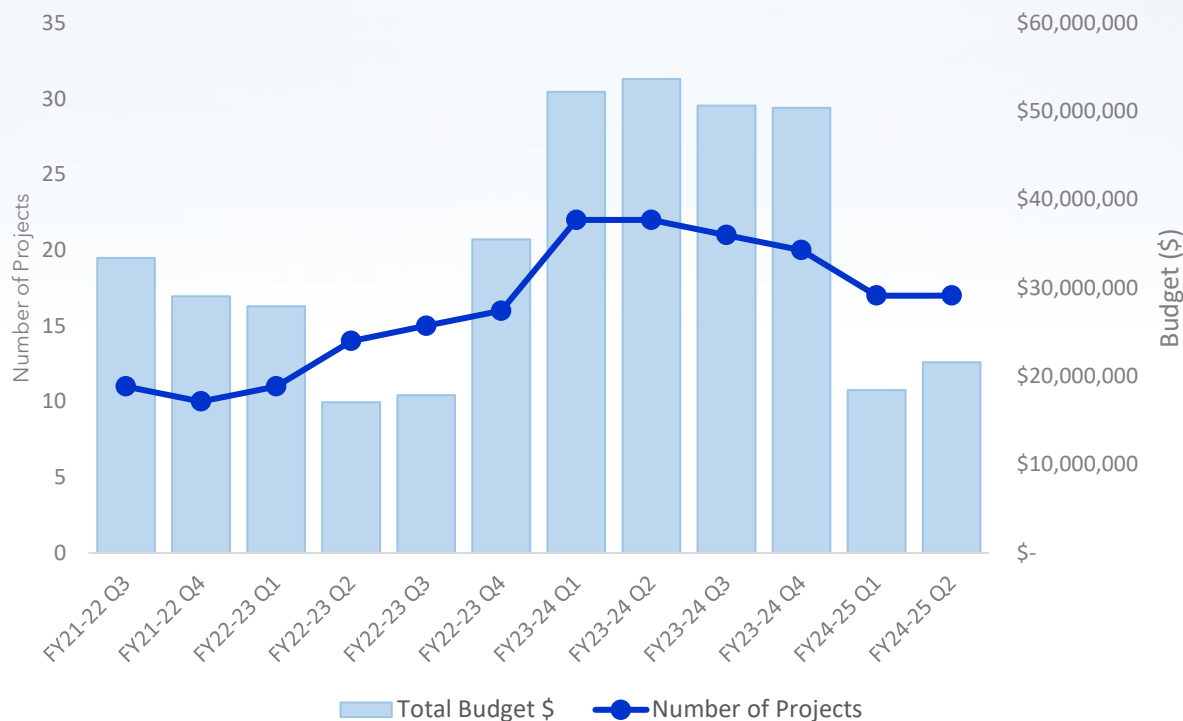


Key Accomplishments

One project was successfully completed in FY24-25 Q2: OCIT's Endpoint Security Transition.

IT Portfolio Size and Budget

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

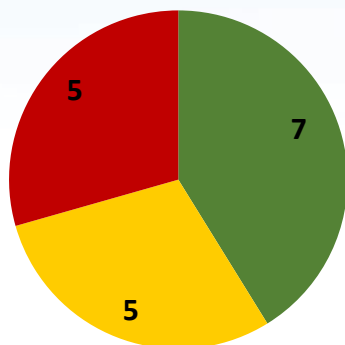


The chart above reflects projects that were active or completed during the period. **Item 11, AOC Meeting 05/14/2025, Page 3 of 11**

Portfolio Performance

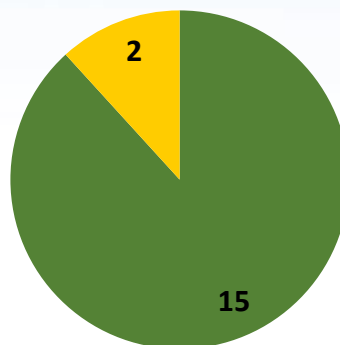
The charts below depict the County's IT project portfolio schedule and budget performance of the active and completed projects during the reporting period.

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, 10 projects have experienced schedule delays, and two projects exceeded their original or rebaselined budgets. Details concerning schedule delays and budget overages are available in the Project Dashboard included with this report.

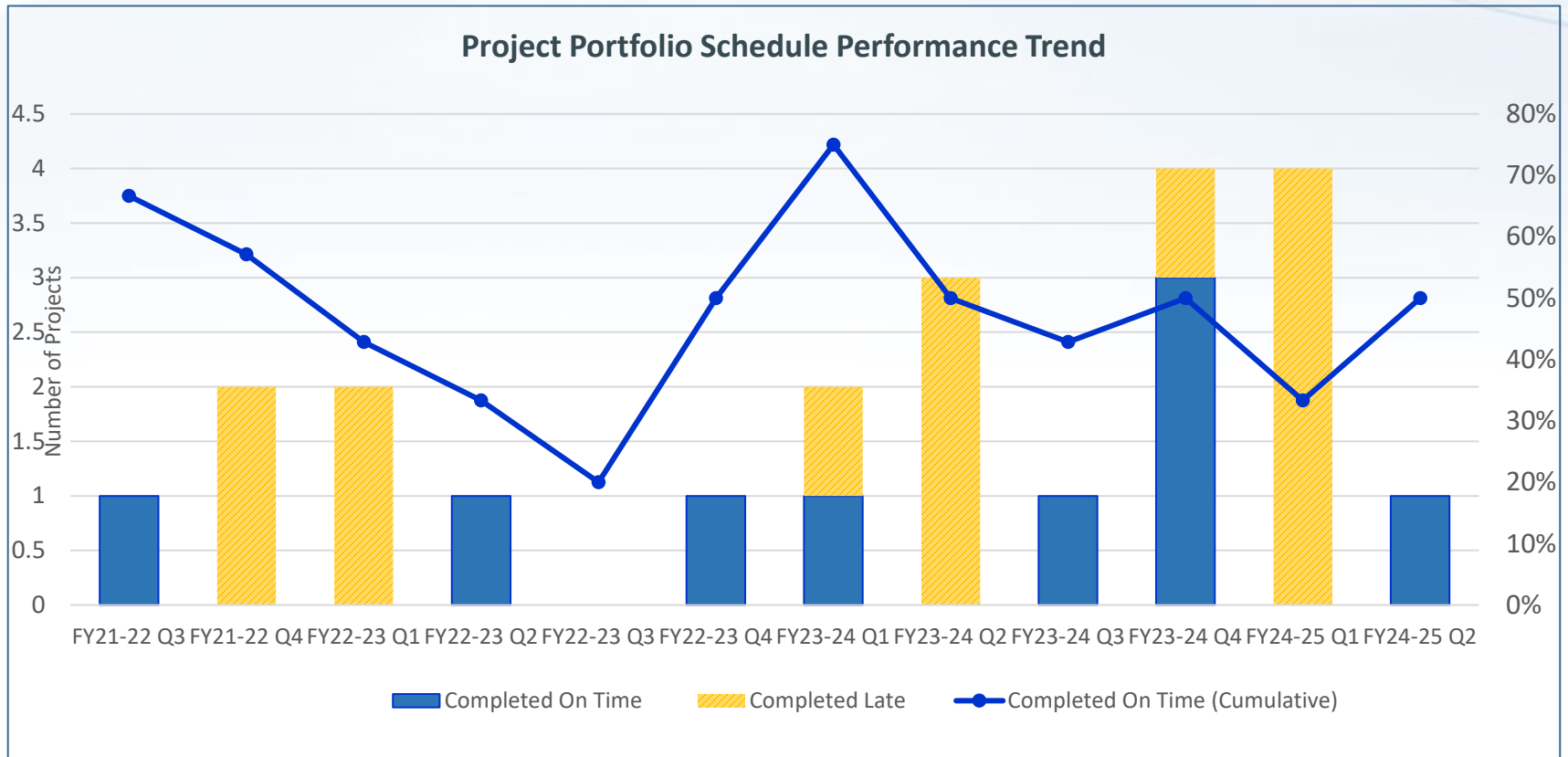
Resource availability, scope changes, and project dependencies are the primary contributors to project schedule delays. The budget overages were due to project scope changes.

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.

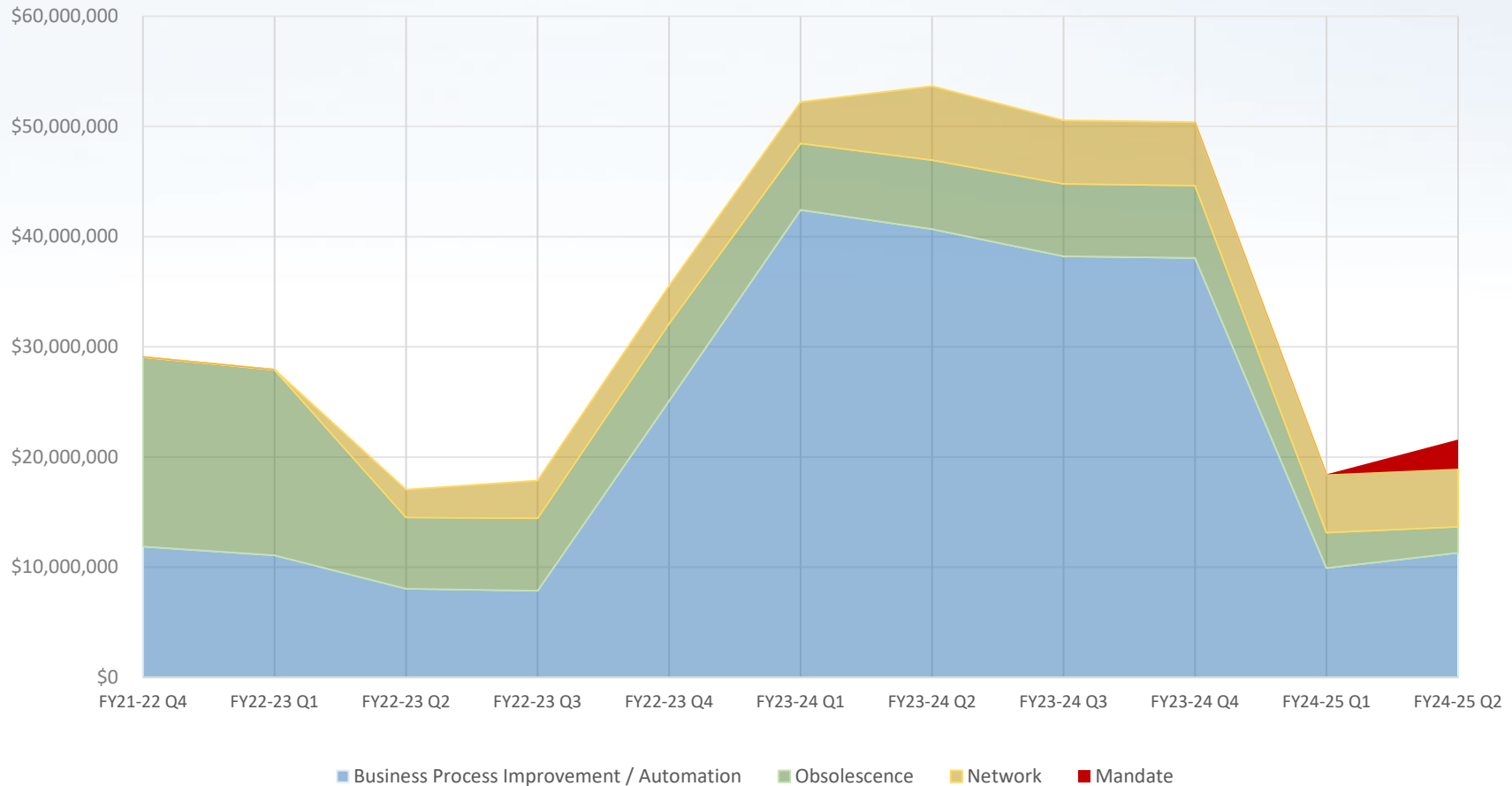
The line reflects the percentage of projects completed on schedule over four consecutive quarters.



Project Investment Trends

Projects intended to improve or automate business processes account for 52.4% of the County's IT budget this quarter. Projects for replacing end-of-life or obsolete systems account for 10.9% of the budget. Network projects account for 24.5% of the budget. Mandated systems account for 12.2% of the budget.

Investment by Business Justification

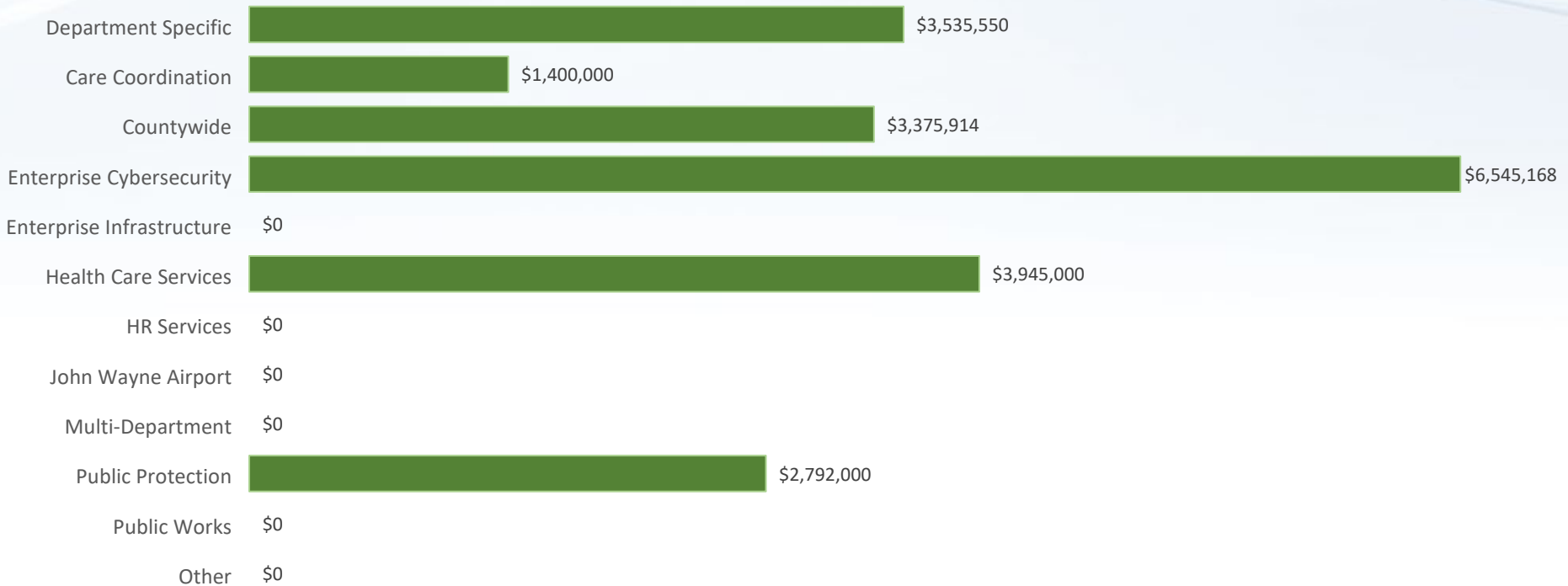


The chart above reflects projects that were active or completed during each quarter.

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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, Countywide, 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.

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Project Landing Map

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

Q1 FY23-24 Jul – Sep 2023	Q2 FY23-24 Oct – Dec 2023	Q3 FY23-24 Jan – Mar 2024	Q4 FY23-24 Apr – Jun 2024
<ul style="list-style-type: none"> ✓ County Reimbursement System ✓ Integrated Talent Management System (ITMS) Performance Module 	<ul style="list-style-type: none"> ✓ Electronic Health Records (EHR) Interoperability ✓ HCA Business Intelligence & Analytics ✓ Shared Services Server Platform 	<ul style="list-style-type: none"> ✓ IntraOC Site Design Refresh 	<ul style="list-style-type: none"> ✓ CHORUS ✓ County Enterprise External Firewall Cluster Enhancements ✓ HRS Onboarding ✓ JWA Baggage Handling System
Q1 FY24-25 Jul – Sep 2024	Q2 FY24-25 Oct – Dec 2024	Q3 FY24-25 Jan – Mar 2025	Q4 FY24-25 Apr – Jun 2025
<ul style="list-style-type: none"> ✓ eDiscovery Tool ✓ Legacy Application Restoration ✓ Qualtrics Call Center Analytics ✓ Web Property Tax Inquiry & Payment System 	<ul style="list-style-type: none"> ✓ Endpoint Security Transition ■ Identity & Badge Data Integration (Cancelled) ■ Multi-Drug Resistant Organism (MDRO) Data Exchange ■ OC Recycling and Disposal System (RDS) 	<ul style="list-style-type: none"> ■ Employee Information Tracking System ■ iConnect Lab Portal ■ Mandated Reporter App ■ Zscaler Private Access VPN 	<ul style="list-style-type: none"> ■ Access Control Conversion ■ Automated Jail System (AJS) ■ County Enterprise Network Redundancy ■ Multi-Factor Authentication (MFA) System ■ OC CareConnect
Q1 FY25-26 Jul – Sep 2025	Q2 FY25-26 Oct – Dec 2025	Q3 FY25-26 Jan – Mar 2026	Q4 FY25-26 Apr – Jun 2026
<ul style="list-style-type: none"> ■ Orangewood Children's Information System 2.0 		<ul style="list-style-type: none"> ■ Juvenile Hall Switch Migration 	<ul style="list-style-type: none"> ■ OC Agenda ■ OC.GOV Migration (Nov 2028)

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

Status Update of OCIT Projects Identified as At Risk or Critical in Second Quarter FY 24-25 Quarterly IT Project Progress Report

This update to the Q2 FY 2024-25 IT Projects Progress Report (Attachment A) provides status updates as of March 1, 2025, for OCIT-managed IT projects with budgets of \$150,000+ that were flagged as at risk or critical as of December 31, 2024. It does not cover projects managed by other departments.

Project Detail

PROJECT: OC Agenda				
See Attachment A, p. 9				
<input type="checkbox"/> Budget:	<input type="checkbox"/> At Risk	<input type="checkbox"/> Critical	<input checked="" type="checkbox"/> N/A	
<input checked="" type="checkbox"/> Schedule:	<input type="checkbox"/> At Risk	<input checked="" type="checkbox"/> Critical	<input type="checkbox"/> N/A	
<p>The County has ended its contract with Granicus for the OC Agenda application. This project will be closed on March 31, 2025.</p> <p>To address the County’s ongoing need for a new agenda management system, OCIT's Application Development team is developing a solution with a budget of \$2,400,935 and projected completion in July 2026. The project is 35% complete. Progress on this solution will be provided in upcoming Quarterly IT Project Progress Reports.</p>				

PROJECT: Access Control Conversion				
See Attachment A, p. 10				
<input type="checkbox"/> Budget:	<input type="checkbox"/> At Risk	<input type="checkbox"/> Critical	<input checked="" type="checkbox"/> N/A	
<input checked="" type="checkbox"/> Schedule:	<input type="checkbox"/> At Risk	<input checked="" type="checkbox"/> Critical	<input type="checkbox"/> N/A	
<p>The County’s access control vendor addressed the issue with the Kone application for CAS/CAN elevators, and controls were switched over in February 2025. However, minor elevator control issues persist, and the County is working with the vendor to identify and address the cause(s).</p> <p>So far, 49 of 115 County facilities have transitioned to the new access control system, with the rest expected to be completed by May 2025.</p>				

PROJECT: Endpoint Security Transition			
<i>See Attachment A, p. 11</i>			
<input type="checkbox"/> Budget:	<input type="checkbox"/> At Risk	<input type="checkbox"/> Critical	<input checked="" type="checkbox"/> N/A
<input checked="" type="checkbox"/> Schedule:	<input checked="" type="checkbox"/> At Risk	<input type="checkbox"/> Critical	<input type="checkbox"/> N/A
This project was successfully completed in October 2024.			

PROJECT: Zscaler Private Access (ZPA) VPN Standardization			
<i>See Attachment A, p. 13</i>			
<input type="checkbox"/> Budget:	<input type="checkbox"/> At Risk	<input type="checkbox"/> Critical	<input checked="" type="checkbox"/> N/A
<input checked="" type="checkbox"/> Schedule:	<input checked="" type="checkbox"/> At Risk	<input type="checkbox"/> Critical	<input type="checkbox"/> N/A
<p>The ZPA (enhanced security for remote access to County systems) project will extend beyond the original estimated completion date of March 31, 2025. Child Support Services (CSS) delayed ZPA deployment to prioritize the State's Multi-Factor Authentication requirements, and OC Waste & Recycling (OCWR) only recently submitted its ZPA requirements. These factors have pushed the target project completion date to June 30, 2025.</p>			

PROJECT: Juvenile Hall Switch Migration			
<i>See Attachment A, p. 15</i>			
<input checked="" type="checkbox"/> Budget:	<input checked="" type="checkbox"/> At Risk	<input type="checkbox"/> Critical	<input type="checkbox"/> N/A
<input checked="" type="checkbox"/> Schedule:	<input type="checkbox"/> At Risk	<input checked="" type="checkbox"/> Critical	<input type="checkbox"/> N/A
<p>The network (Internet and system access) segments have been completed. The surveillance systems refresh is on hold pending the completion of the required power, cooling, and structural fabrication prerequisites to be completed by Orange County Public Works (OCPW) Facilities. OCPW expects to complete its work by October 2025, pushing the Juvenile Hall Switch Migration project completion date to January 2026. The network vendor is preparing a contract amendment for the expanded scope, which may increase the budget.</p>			

PROJECT: Employee Information Tracking System (EITS)			
<i>See Attachment A, p. 16</i>			
<input checked="" type="checkbox"/> Budget:	<input checked="" type="checkbox"/> At Risk	<input type="checkbox"/> Critical	<input type="checkbox"/> N/A
<input checked="" type="checkbox"/> Schedule:	<input checked="" type="checkbox"/> At Risk	<input type="checkbox"/> Critical	<input type="checkbox"/> N/A
<p>The integration of CAPS+ data and the development of complex features required more development effort than originally estimated, leading to increased time and costs. The project is now set for completion in May 2025, and budget overages are under discussion with the Social Services Agency (SSA).</p>			

PROJECT: Mandated Reporter App			
<i>See Attachment A, p. 16</i>			
<input type="checkbox"/> Budget:	<input type="checkbox"/> At Risk	<input type="checkbox"/> Critical	<input checked="" type="checkbox"/> N/A
<input checked="" type="checkbox"/> Schedule:	<input type="checkbox"/> At Risk	<input checked="" type="checkbox"/> Critical	<input type="checkbox"/> N/A
<p>Project resource changes caused delays in delivery. Additional application review and testing led to updates for better usability, increasing development time and budget. The Social Services Agency (SSA) wants to move training and Go-Live to June 2, 2025, to avoid its traditionally busy March-April season. This project is estimated to be closed as of June 30, 2025 (FY 24-25 Q4).</p>			



Memorandum

May 15, 2025

AOC Agenda Item No. 12

TO: Audit Oversight Committee Members

Recommended Action:

Receive Update from AOC Bylaws Subcommittee

Receive Update from AOC Bylaws Subcommittee, as stated in recommended action.

ATTACHMENT(S):

Attachment A – AOC & IOC Bylaws Draft

Attachment B – AOC & IOC Bylaws Draft - Redline

Audit Oversight Committee & Investment Oversight Committee Bylaws

The Audit Oversight Committee (AOC) was established on April 25, 1995, in the wake of the County's declaration of bankruptcy. The AOC's purpose was to assist the Board of Supervisors (Board) in fulfilling its oversight responsibilities over the County's various methods of financial reporting, internal controls and internal and external auditing activities. Over the past 30 years, the AOC's membership and duties have been modified by the Board through its approval of periodic amendments to the AOC's Bylaws to include more representation from the public, refine membership terms and conditions of appointment, and add oversight responsibilities.

The Investment Oversight Committee (IOC) was established on March 11, 2025, to assist the Board in fulfilling its responsibilities with respect to independent review and oversight over the County's treasury and investment activities. The membership of the IOC is comprised of the members of the AOC and the County Superintendent of Schools, or his or her designee.

ARTICLE 1 ESTABLISHMENT

The AOC was established in 1995 by Board Resolution No. 95-271 to provide oversight of 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 considering the creation of the position of Performance Audit Director and the transfer of the internal audit responsibilities to the Auditor-Controller's (AC) office. In 2018, the Board adopted Resolution No. 18-068, establishing an Internal Audit Department (IAD) independent from the Auditor- Controller and reporting directly to the Board. In 2025, the Board adopted Resolution No. 25-029, superseding Resolution No. 2016-014, to affirm and amend the duties and responsibilities of the AOC, and direct that the AOC members sit as the members of the IOC.

The IOC was established in 2025 by Resolution No. 25-028, to assist the Board in fulfilling its responsibilities with respect to independent review and oversight over the County's treasury and investment activities. The membership of the IOC is comprised of the members of the AOC and the County Superintendent of Schools, or his or her designee.

ARTICLE 2 PURPOSE

The purpose of the AOC is to serve as an advisory committee to the Board 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 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 monitoring the independence of the internal audit function, reviewing and recommending approval of the IAD's Annual Audit Plans, reviewing audit reports, and monitoring whether corrective action is taken on audit findings.

The purpose of the IOC is to serve as an advisory committee to the Board on issues related to the County treasury and investment activities. The IOC assists the Board in fulfilling their oversight responsibilities with respect to the County treasury and investment activities, through its review and monitoring of any Board-approved investment policies.

ARTICLE 3 MEMBERSHIP

3.1 AOC Membership

3.1.1 The membership of the AOC shall consist of the following: the Chairperson and Vice-Chairperson of the Board, the County Executive Officer (CEO), and five public members from the private sector appointed by the Board. All public members shall serve a term of office that is coterminous with the term of the member of the Board 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.

3.1.1.1 Public members whose term has expired, including those coterminous with the Board, as described in Section 3.1.1, shall continue to discharge their duties as a holdover appointee until their successor has been appointed by the Board or they have resigned from the AOC, whichever is earlier.

3.1.2 Each member of the Board may nominate one public member for appointment by the Board. Public members shall possess sufficient knowledge and experience in finance, business, and

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accounting to discharge the AOC's duties with an emphasis on prior audit experience (i.e., financial and internal controls).

3.1.2.1 The AOC may recommend individuals to the Board as potential nominees to fill vacant public member seats.

3.1.2.2 Except where the Board 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, unless the Supervisor representing the district where the nominee resides provides written consent for the nomination.

3.1.3 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, the AOC, and the Clerk of the Board. Upon notification, the CEO will then solicit nominations from the appropriate Board office that is responsible for nominating a public member for appointment by the Board to fill the vacancy.

3.1.4 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 3.1.3 and 3.1.5 as applicable.

3.1.5 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, select an interim public member to fill the vacancy. The interim public member shall serve only until the Board selects a public member to fill the vacancy.

3.1.6 The Director of IAD, AC, and Treasurer-Tax Collector or their authorized designees, shall attend all AOC meetings. The Director of IAD, AC, and Treasurer-Tax Collector shall not be voting members of the AOC.

3.2 IOC Membership

3.2.1 The membership of the IOC shall consist of the following: the members of the AOC and the County Superintendent of Schools, or his or her designee.

3.2.2 The Director of IAD, AC, and Treasurer-Tax Collector or their authorized designees, shall attend all IOC meetings. The Director of IAD, AC, and Treasurer-Tax Collector shall not be voting members of the IOC.

ARTICLE 4 CHAIR AND VICE CHAIR - POWERS AND DUTIES

4.1 The Chair and Vice-Chair of the AOC shall be elected for a one-year term extending from January

1st to December 31st, 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.

- 4.1.1 The Chair and Vice-Chair of the AOC shall serve as the Chair and Vice-Chair of the IOC.
- 4.2 The Chair's duties include presiding over all AOC and IOC meetings, establishing subcommittees, responding to members' requests for information, signing communications on behalf of the AOC and IOC and representing the AOC and IOC before the Board and other governmental and quasi-governmental bodies, subject to the approval of the other AOC and IOC members.
- 4.3 The Chair and Vice-Chair may review drafts of the Annual Comprehensive Financial Report (ACFR) 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.
- 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 or IOC 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. With the exception of the AOC and IOC, no person, except a member of the Board, 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, no later than thirty (30) days after each meeting, noting member attendance and any significant matters to come before the committees.

ARTICLE 5 MEETINGS

- 5.1 The AOC and IOC 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 and IOC 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 IOC, 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 or IOC. 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 or IOC may be called by the Chair, or at the request of the Board 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

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majority vote of the voting members present shall be regarded as acts of the AOC or IOC. 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 and IOC members will have an equal voice in the decision-making process. Due to the scope of the AOC's and IOC'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 and the CEO may designate a substitute to attend an AOC or IOC meeting on their behalf by submitting the member's signed proxy to the committee Chair at the start of the meeting.

5.6 The Chair may, as necessary, ask authorized representatives of the IAD and AC to attend AOC or IOC 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 and IOC 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 and IOC 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 or IOC meeting, such minutes will be sent to the AOC or IOC members once approved by the AOC or IOC.

5.8 Reports and other documents distributed in conjunction with the AOC and IOC 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 and IOC 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 and IOC 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, and the public at large.

5.11 The meetings of the IOC may coincide with the meetings of the AOC.

ARTICLE 6 OPERATIONS

6.1 The AOC and IOC Bylaws shall be submitted to the Board for approval. The Bylaws shall be reviewed periodically, no less than once every three years, by the AOC and IOC, and reaffirmed by the Board. 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 and IOC's purpose, responsibilities, objectives, and on the business of the County upon joining the AOC and IOC by the Director of IAD. A process of

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continuing education (e.g., briefings and information on emerging issues and risks) shall be provided at the AOC or IOC meetings as approved by the AOC or IOC 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 and IOC 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.
- 6.4 Members of the AOC and IOC shall comply with the County Equal Opportunity and Anti-Harassment Policy and Procedures.
- 6.5 The AOC and IOC 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 and IOC have the authority to retain independent advice and assistance pursuant to County purchasing policy and procedures subject to available budget appropriations.
- 6.6 The AOC and IOC 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 and IOC. 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 and IOC'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 and IOC shall be:
 - Internal Audit Department
 - AOC Clerk
 - 601 N. Ross. St. Ste. 528
 - Santa Ana, CA 92701

ARTICLE 7 RESPONSIBILITIES AND DUTIES

7.1 AOC Responsibilities and Duties

- 7.1.1 *Representation Letter.* The CEO 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.
- 7.1.2 *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

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- 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 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;
 - e. review the independent external auditor's scope and plan and any significant changes to the scope during the audit process;
 - f. the Chair and Vice-Chair may review the draft of the County's ACFR and provide questions and/or comments to the AC for consideration;
 - g. discuss, as needed, with County Counsel, the independent external auditor, and the Director of IAD, 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 their 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.

7.1.3 Oversight of the Audit Function of the AC. The AOC shall:

- a. review regularly and annually discuss the adequacy of resources of the audit function;
- b. review the mandated audit plan prepared by the AC and any subsequent revisions;
- c. compare the mandated 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. monitor that the AC establishes and ensures agencies/department's adoption of the County's comprehensive framework of internal controls.

7.1.4 Oversight of the Internal Audit Department. The AOC shall:

- a. review the County's IAD charter and recommend revisions with all revisions

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- submitted to the Board 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, including performance audits, prepared by the Director of IAD 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;
- f. discuss with the Director of IAD 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.

7.1.5 Oversight of Performance Audit. The AOC shall:

- a. provide input regarding the County's performance auditing function, including oversight over the auditing activities;
- 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

7.1.6 Follow-up Audits. The AOC shall:

- a. review whether 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 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.

7.1.7 Quality Control.

- a. The AOC shall monitor whether an external quality assessment of the IAD is conducted by an organization not affiliated with the IAD in accordance with Global Internal Audit Standards (GIAS) or Generally Accepted Government Auditing Standards (GAGAS).

7.1.8 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.

7.1.9 *Oversight of Fraud Hotline.* The AOC shall ensure that the AC has established procedures for the receipt, retention, investigation and treatment of Fraud Hotline complaints, that have been referred to the AC.

7.1.10 *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 workflows and duplication of effort.

7.1.11 *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.

7.2 IOC Responsibilities and Duties

7.2.1 *Review of Board-Approved Investment Policy.* The IOC shall review any investment policies approved by the Board which govern the investment of funds deposited in the County treasury, including proposed amendments or modifications to such policies to ensure that the policies comply with any relevant requirement, and include the following provisions, if applicable:

- a. A list of securities or other instruments in which the county treasury may invest, according to law, including the maximum allowable percentage by type of security.
- b. The maximum term of any security purchased by the county treasury.
- c. The criteria for selecting security brokers and dealers form, to, or through whom the County treasury may purchase or sell securities or other instruments. The criteria shall prohibit the selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the local treasurer, any member of the governing board of the local agency, or any candidate for those offices.
- d. Limits on the receipt of honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the county treasury conducts business by any member of the IOC.
- e. A requirement that the investment policy is submitted to the IOC.
- f. The manner of calculating and apportioning the costs, authorized by Government Code section 27013, of investing, depositing, banking, auditing, reporting, or otherwise handling or managing funds.
- g. The terms and conditions under which local agencies and other entities that are not required to deposit their funds in the county treasury may deposit funds for investment purposes.
- h. Criteria for considering requests to withdraw funds from the County treasury. The criteria shall include an assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the County treasury.

7.2.2 *Annual Audit.* The IOC shall cause an annual audit to be conducted, which shall determine the County's compliance with any Board-approved investment policies governing the investment of funds deposited in the County treasury. Such audit may include matters

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relating to the structure of the investment portfolio and risk.

- 7.2.3 *Receipt of Reports.* The IOC is authorized to receive all reports related to the County treasury and the investment of funds deposited in the County treasury.
- 7.2.4 *Report Irregularities.* The IOC shall notify the Board should the IOC determine any significant or material irregularity exists in County treasury or investment operations.
- 7.2.5 *Investment Decisions.* In no event shall the IOC direct any individual investment decision, select individual investment advisors, broker-dealers, or impinge on the day-to-day operations of the County treasury or investment operations.

ARTICLE 8 CONFLICT OF INTEREST

- 8.1 Each AOC and IOC 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.
- 8.2 Members of the AOC and IOC 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.
- 8.3 Members of the AOC and IOC shall not vote nor attempt to influence any other AOC or IOC member on a matter under consideration by the AOC or IOC 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.
- 8.4 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.
- 8.5 In order to avoid a conflict of interest or the appearance of such conflict, all nominees to become members of the AOC and IOC shall disclose on forms provided by the County information regarding their private economic interests that may be implicated by their service on the AOC and IOC.
- 8.6 AOC and IOC members shall timely file Statements of Economic Interests (Form 700) and other financial disclosures as required by law.
- 8.7 Neither the AOC nor IOC, 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 or IOC.
- 8.8 No assets or assistance provided by the County to the AOC and IOC shall be used for sectarian worship, instruction, or proselytization, except as otherwise permitted by law.

ARTICLE 9 INDEMNIFICATION OF AOC AND IOC MEMBERS

The County of Orange will indemnify and defend AOC and IOC members, with counsel of the County's sole and exclusive choosing, for their participation, decisions, or actions taken on behalf of the AOC and IOC.

ARTICLE 10 SEVERABILITY Should any part term, portion, or provision of these Bylaws be determined

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Attachment A

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.

DRAFT

Audit Oversight Committee & Investment Oversight Committee Bylaws

The Audit Oversight Committee (AOC) was established on April 25, 1995, in the wake of the County's declaration of bankruptcy. The AOC's purpose was to assist the Board of Supervisors (Board) in fulfilling its oversight responsibilities over the County's various methods of financial reporting, internal controls and internal and external auditing activities. Over the past 230 years, the AOC's membership and duties have been modified by the Board through its approval of periodic amendments to the AOC's Bylaws to include more representation from the public, refine membership terms and conditions of appointment, and to add oversight responsibilities.

~~The AOC approved the proposed amended bylaws on May 19, 2022.~~

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The ~~AOCudit Oversight Committee (AOC)~~ was ~~originally~~ established in 1995 by Board ~~of Supervisors'~~ Resolution No. 95-271 to provide oversight ~~of~~ 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 considering~~ the creation of the position of Performance Audit Director and the transfer of the internal audit responsibilities to the Auditor-Controller's (AC) office. In 2018, the Board ~~of Supervisors~~ adopted Resolution No. 18-068, establishing an Internal Audit Department (IAD) independent from the Auditor- Controller and reporting directly to the Board ~~of Supervisors~~. In 2025, the Board adopted Resolution No. 25-029, superseding Resolution No. 2016-014, to affirm and amend the duties and responsibilities of the AOC, and direct that the AOC members sit as the members of the IOC.

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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 monitoring the independence of the internal audit function, reviewing and recommending approval of the ~~Internal Audit Department's IAD's and the County Executive Office's~~ Annual Audit Plans, reviewing audit reports, and ensuring monitoring whether that corrective action is taken on audit findings.

The purpose of the IOC is to serve as an advisory committee to the Board on issues related to the County treasury and investment activities. The IOC assists the Board in fulfilling their oversight responsibilities with respect to the County treasury and investment activities, through its review and monitoring of any Board-approved investment policies.

ARTICLE 3 MEMBERSHIP

3.1 AOC Membership

- 3.1.1 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~~.

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3.1.1.1 Public members whose term has expired, including those coterminous with the Board, ~~of Supervisors~~ as described in Section 3.1.1, 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.

~~3.1.2~~ 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).

3.1.2 ~~F~~

3.1.2.1 The AOC may recommend individuals to the Board ~~of Supervisors~~ as potential nominees to fill vacant public member seats.

3.1.2.2 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.

3.1.3 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.

3.1.4 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 agendaized 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 3.1.3 and 3.1.5 as applicable.

3.1.5 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.

3.1.6 The Director of ~~Internal Audit~~ IAD, ~~ACA Auditor-Controller~~, and Treasurer-Tax Collector or their authorized designees, shall attend all AOC meetings. The Director of ~~Internal Audit~~, ACA Auditor-Controller, and Treasurer-Tax Collector shall not be voting members of the AOC.

3.2 IOC Membership

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3.2.1 The membership of the IOC shall consist of the following: the members of the AOC and the County Superintendent of Schools, or his or her designee.

3.2.2 The Director of IAD, ACAuditor-Controller, and Treasurer-Tax Collector or their authorized designees, shall attend all IOC meetings. The Director of IAD, ACAuditor-Controller, and Treasurer-Tax Collector shall not be voting members of the IOC.

3.2.2

ARTICLE 4 CHAIR AND VICE CHAIR - POWERS AND DUTIES

4.1 The Chair and Vice-Chair of the AOC shall be elected for a one-year term extending from January 1st to December 31st, 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.

4.1.1 The Chair and Vice-Chair of the AOC shall serve as the Chair and Vice-Chair of the IOC.

4.2 The Chair's duties include presiding over all AOC and IOC meetings, establishing subcommittees, responding to members' requests for information, signing communications on behalf of the AOC and IOC and representing the AOC and IOC before the Board ~~of Supervisors~~ and other governmental and quasi-governmental bodies, subject to the approval of the other AOC and IOC members.

4.24.3 The Chair and Vice-Chair may review drafts of the Annual Comprehensive Financial Report (ACFR) 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.

4.34.4 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 or IOC 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.

4.44.5 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. With the exception of the AOC and IOC, No person, except a member of the Board ~~of Supervisors~~, may serve simultaneously as Chair for two or more County Boards, Commissions, or Committees.

4.5 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 committees.

4.6

ARTICLE 5 MEETINGS

5.1 The AOC and IOC 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 and IOC 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 IOC, or as required by the Brown Act.

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The agenda shall include any item of business that is carried forward from a prior regular meeting at the request of the AOC or IOC. 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 or IOC 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 or IOC. 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 ~~5.5~~ All AOC and IOC members will have an equal voice in the decision-making process. Due to the scope of the AOC's and IOC'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 or IOC meeting on their behalf by submitting the member's signed proxy to the committee Chair ~~of the AOC~~ at the start of the meeting.
- 5.6 The Chair may, as necessary, ask authorized representatives of the ~~performance auditor, the Internal Audit Department (IAD), and AC Auditor-Controller~~ to attend AOC or IOC 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 and IOC 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 and IOC 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 or IOC meeting, such minutes will be sent to the AOC or IOC members once approved by the AOC or IOC.
- 5.8 Reports and other documents distributed in conjunction with the AOC and IOC 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 and IOC 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.

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5.10 The AOC and IOC 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.

5.105.11 The meetings of the IOC may coincide with the meetings of the AOC.

ARTICLE 6 OPERATIONS

6.1 The AOC and IOC'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 IOC, 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 and IOC's purpose, responsibilities, objectives, and on the business of the County upon joining the AOC and IOC 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 or IOC meetings as approved by the AOC or IOC 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 and IOC 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.

6.4 Members of the AOC and IOC shall comply with the County Equal Opportunity and Anti-Harassment Policy and Procedures.

6.5 The AOC and IOC 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 and IOC ~~has~~ the authority to retain independent advice and assistance pursuant to County purchasing policy and procedures subject to available budget appropriations.

6.46.6 The AOC and IOC 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.

6.56.7 The IAD shall provide staffing and support for the AOC and IOC. 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 and IOC'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 and IOC shall be:

Internal Audit Department
 AOC Clerk
 601 N. Ross. St. Ste. 528

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-Santa Ana, CA 92701

ARTICLE 7 RESPONSIBILITIES AND DUTIES

~~AOC Responsibilities and Duties~~

7.1

- 7.1.1 *Representation Letter.* The ~~County Executive Officer~~EO 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.
- 7.1.2 *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;
 - e. review the independent external auditor's scope and plan and any significant changes to the scope during the audit process;
 - f. ~~the Chair and Vice-Chair may~~ review the draft of the County's ACFR and provide questions and/or comments to the ~~ACAuditor-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~~IAD, 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~~their 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

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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.

- 7.1.3 *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 the mandated~~ audit plan prepared by the AC and any subsequent revisions;
 - c. compare the ~~approved-mandated~~ 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-monitor that the~~ AC establishes and ~~ensures-audits~~ agencies/department's ~~compliance with adoption of the County's~~ comprehensive framework of internal controls.
- 7.1.4 *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, including performance audits, prepared by the Director of ~~Internal-Audit~~IAD 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;
 - f. discuss with the Director of ~~Internal-Audit~~IAD 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.
- 7.1.5 *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.~~

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7.1.6 Follow-up Audits. The AOC shall:

- a. ~~ensure review whether 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.

7.1.7 ~~Peer Review~~/Quality Control.

- a. The AOC shall ~~ensure monitor that whether~~ an external quality ~~control review (Peer Review) assessment~~ of the IAD ~~is be~~ conducted ~~as required~~ by an organization not affiliated with the IAD in accordance with ~~the Global Internal Audit Standards (GIAS) or Generally Accepted Government Auditing Standards (GAGAS) and/or the Institute of Internal Auditors Standards at the discretion of the Director of Internal Audit IAD.~~
- b. ~~The AOC shall ensure monitor whether that an external quality control review (Peer Review) of performance audit is 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).~~

7.1.8 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;
- ~~d.f.~~ code of conduct;
- ~~e.g.~~ Fraud Hotline complaints; and
- ~~f.h.~~ pending accounting and regulatory changes.

~~— Oversight of Fraud Hotline.~~ The AOC shall ensure that the ~~ACA Auditor-Controller~~

- 7.1.9** has established procedures for the receipt, retention, investigation and treatment of Fraud Hotline complaints, that have been referred to the ~~ACA Auditor-Controller~~.

7.1.10 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~~workflows and duplication of effort.

7.1.11 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.

7.2 IOC Responsibilities and Duties

7.2.1 *Review of Board-Approved Investment Policy.* The IOC shall review any investment policies approved by the Board which govern the investment of funds deposited in the County treasury, including proposed amendments or modifications to such policies to ensure that the policies comply with any relevant requirement, and includes the following provisions, if applicable:

- a. A list of securities or other instruments in which the county treasury may invest, according to law, including the maximum allowable percentage by type of security.
- b. The maximum term of any security purchased by the county treasury.
- c. The criteria for selecting security brokers and dealers form, to, or through whom the County treasury may purchase or sell securities or other instruments. The criteria shall prohibit the selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the local treasurer, any member of the governing board of the local agency, or any candidate for those offices.
- d. Limits on the receipt of honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the county treasury conducts business by any member of the IOC.
- e. A requirement that the investment policy is submitted to the IOC.
- f. The manner of calculating and apportioning the costs, authorized by Government Code section 27013, of investing, depositing, banking, auditing, reporting, or otherwise handling or managing funds.
- g. The terms and conditions under which local agencies and other entities that are not required to deposit their funds in the county treasury may deposit funds for investment purposes.
- h. Criteria for considering requests to withdraw funds form the County treasury. The criteria shall include an assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the County treasury.

7.2.2 *Annual Audit.* The IOC shall cause an annual audit to be conducted, which shall determine the County's compliance with any Board-approved investment policies governing the investment of funds deposited in the County treasury.- Such audit may include matters relating to the structure of the investment portfolio and risk.

7.2.3 *Receipt of Reports.* The IOC is authorized to receive all reports related to the County treasury and the investment of funds deposited in the County treasury.

7.2.4 *Report Irregularities.* The IOC shall notify the Board should the IOC determine any significant or material irregularity exists in County treasury or investment operations.

—*Investment Decisions.* In no event shall the IOC direct any individual investment decision, select individual investment advisors, broker-dealers, or impinge on the day-to-day operations of the County treasury or investment operations.

7.2.5
7.2.5

ARTICLE 8 CONFLICT OF INTEREST

8.1 Each AOC and IOC 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.

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8-18.2 Members of the AOC and IOC 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.

8-28.3 Members of the AOC and IOC shall not vote nor attempt to influence any other AOC or IOC member on a matter under consideration by the AOC or IOC 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.

8-38.4 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.

8-48.5 In order to avoid a conflict of interest or the appearance of such conflict, all nominees to become members of the AOC and IOC shall disclose on forms provided by the County information regarding their private economic interests that may be implicated by their service on the AOC and IOC.

8-58.6 AOC and IOC members shall timely file Statements of Economic Interests (Form 700) and other financial disclosures as required by law.

8-68.7 Neither the AOC nor IOC, 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 or IOC.

8.7 No assets or assistance provided by the County to the AOC and IOC shall be used for sectarian worship, instruction, or proselytization, except as otherwise permitted by law.

8.8

8-98.8

ARTICLE 9 INDEMNIFICATION OF AOC AND IOC MEMBERS

The County of Orange will indemnify and defend AOC and IOC members, with counsel of the County's sole and exclusive choosing, for their participation, decisions, or actions taken on behalf of the AOC and IOC. ~~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.