

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

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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.