



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

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4th DISTRICT

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5th DISTRICT

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1st DISTRICT

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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

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

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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.

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

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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

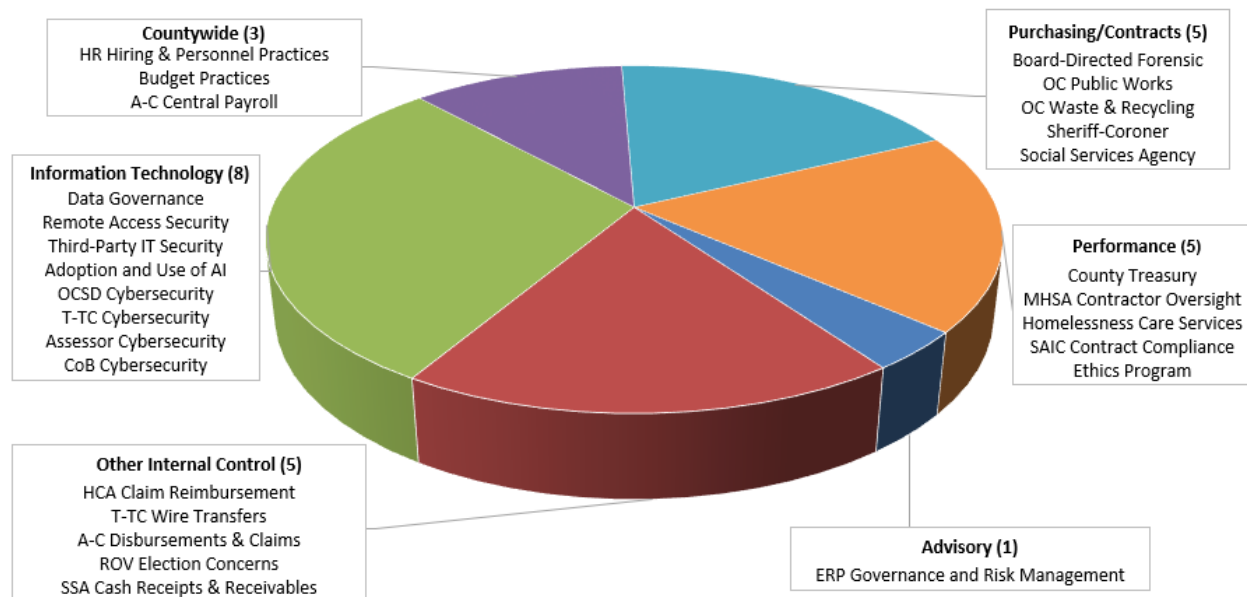
For FY 2025-26, over 63% of the hours (7,210 FY 24-25 carryover hours / 11,385 available hours) in Audit Plan consist of audits we carried over from our FY 2024-25 Annual Risk Assessment and Audit Plan that we did not conduct due to staffing vacancies and other assignment priorities, such as audits directed 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.



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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



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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 Reserve	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%



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	TOTALS	15,928	100%
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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	To conduct a forensic audit, including compliance with the Contract Policy Manual and all applicable procurement-related	150



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AUDIT	PRELIMINARY AUDIT OBJECTIVES	HOURS
Board Request Contracted Audit	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.	
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



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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



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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



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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



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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



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APPENDIX A: ACRONYMS

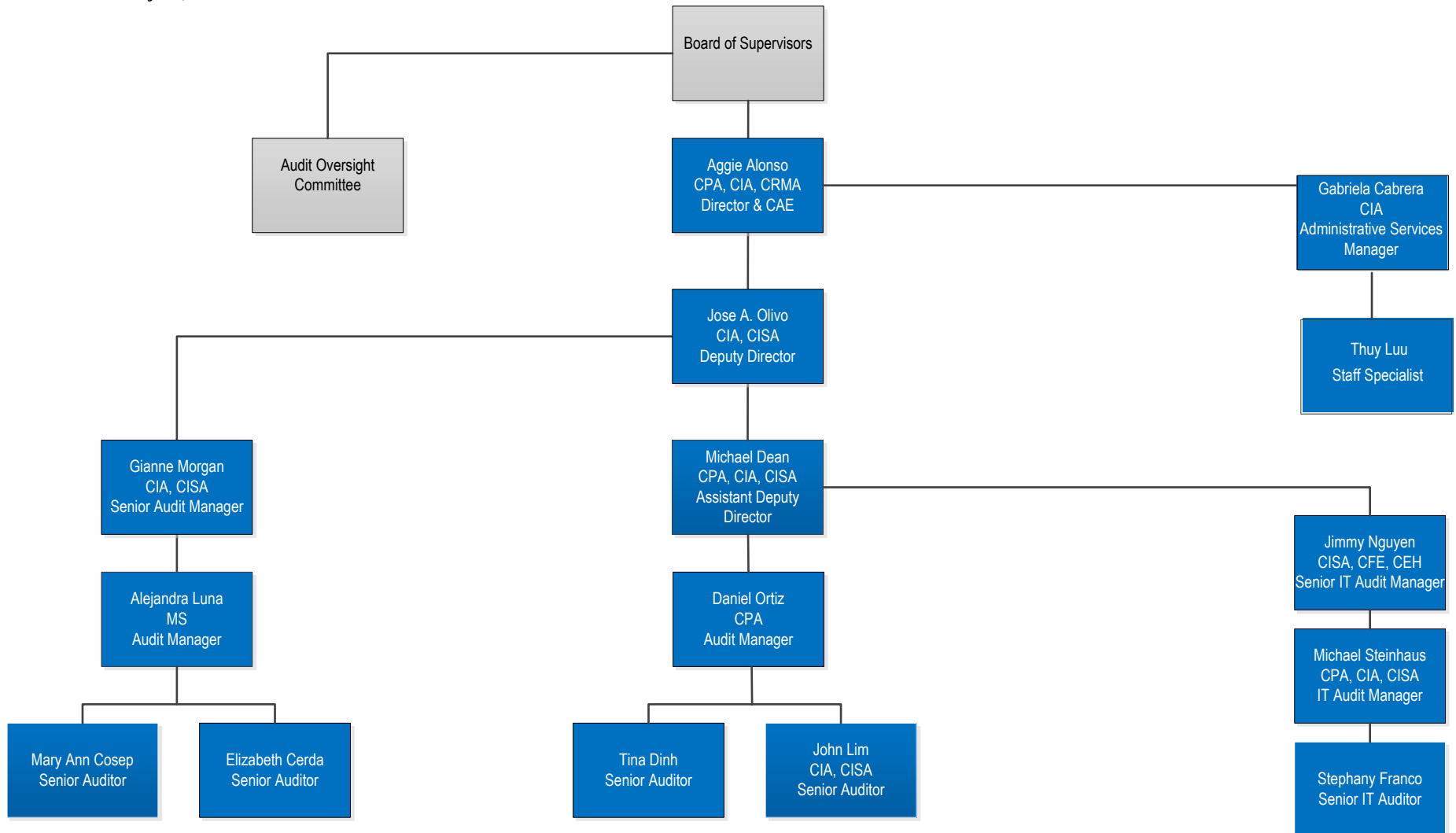
Acronym	Definition
A-C	Auditor-Controller
AOC	Audit Oversight Committee
COB	Clerk of the Board
CEO	County Executive Office
HCA	Health Care Agency
IAD	Internal Audit Department
OCC	Office of Care Coordination
OCCR	OC Community Resources
OCIT	Orange County Information Technology
OCPW	OC Public Works
OCSD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





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As of May 12, 2025



RISK ASSESSMENT SCHEDULE FOR FISCAL YEAR 2024-25

BUSINESS PROCESS/CYCLE Financial Activity for FY 2022-23	1. Assessor	2. Auditor-Controller	3. Child Support Services	4. Clerk of the Board	5. Clerk-Recorder	6. County Counsel	7. County Executive Office	8. District Attorney-Public Administrator	9. Health Care Agency/Public Guardian	10. John Wayne Airport	11. OC Community Resources	12. OC Public Works	13. OC Waste & Recycling	14. Probation Department	15. Public Defender	16. Registrar of Voters	17. Sheriff-Coroner	18. Social Services Agency	19. Treasurer-Tax Collector	COMMENTS
CASH RECEIPTS & RECEIVABLES \$19.2 billion	M	M	L	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	Reflects all cash receipt transactions posted to 8010 Cash Account by the department that processed the transaction. A/R reported as year-end balances.
CASH DISBURSEMENTS & PAYABLES \$5.7 billion	M	H	M	M	M	M	M	M	M	M	M	M	H	M	M	M	M	M	M	Reflects all cash disbursements including automatic (A/P) disbursements, manual disbursements, and EFT/Wire disbursements.
PURCHASING & CONTRACTS \$5.7 billion	M	M	M	M	M	M	H	L	M	M	H	H	H	M	M	M	H	H	M	Reflects all purchases and contracts processed by departments including purchase orders, price agreements, and negotiated contracts.
REVOLVING FUNDS \$4.3 million	L	M	M	M	M	M	M	M	M	M	M	M	M	L	L	M	M	M	M	Reflects the total revolving fund replenishments to all departments.
PAYROLL \$2.6 billion	M	M	M	M	M	M	L	M	M	M	L	M	M	M	M	M	M	M	M	Reflects total payroll for our audit population of all departments shown.
FIDUCIARY & SPECIAL REVENUE FUNDS \$3.2 billion	M	M	M	M	M	M	M	H	M	M	M	M	M	M	M	M	M	M	M	Reflects year-end balances in 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		