

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



REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE ORANGE COUNTY, CA

Thursday, May 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

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

ATTENDANCE:

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

PRESENT:

Andrew Hamilton, Auditor-Controller
Shari Freidenrich, Treasurer-Tax Collector
Aggie Alonso, Internal Audit Director
Ronnie Magsaysay, Senior Deputy County Counsel
Gabriela Cabrera, AOC Clerk

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1. Roll call

Mr. Tim Johnson, Audit Oversight Committee (AOC) Vice Chair, called the meeting to order at 11:51 A.M. Attendance of AOC Members noted above.

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

Mr. Johnson asked for a motion to approve the Audit Oversight Committee Regular Meeting Minutes of February 6, 2025.

Motion to approve the Regular Meeting Minutes of February 6, 2025, by Mr. Mark Wille, seconded by Mr. Drew Atwater.

All in favor.

Approved as recommended.

3. Receive Report on Required Communication from External Auditors

Mr. David Showalter, Partner at Eide Bailly (EB), discussed attachments reflecting EB's status on audits in progress, as well as those recently completed for March 31, 2025. He presented required communications letters relating to the Annual Comprehensive Financial Report (ACFR) and Single Audit. He mentioned EB added an emphasis of matter note regarding former Board of Supervisors (Board) member Andrew Do, and that as a result EB did additional work and considered potential issues that were not yet identified.

He discussed that the Single Audit Report included 13 major programs meaning the programs met certain thresholds requiring EB to conduct audits. Results included two findings that led to a qualified opinion regarding eligibility and allowable costs, and equipment and real property management. Overall, the Single Audit resulted in 12 findings – three classified as material weaknesses (including the two qualified opinions), one related to questions costs of approximately \$460K, and the others were not significant. He also discussed three ACFR findings – one due to an adjustment on overstated capital assets, one relating to the County's conflict of interest policy on federal grants, and one regarding procurement where a sole source justification was prepared after vendor selection and contract approval.

Mr. Mark Wille, Private Sector Member, noted that since there is usually a special meeting on ACFR training, it would be helpful to receive an overview on additional controls implemented after former Supervisor Do's misconduct. Ms. Yvonne Rowden, AOC Chair, asked whether some of the misconduct could have been detected through EB's regular audit process. Mr. Showalter responded that since audit professional standards only require a sample of transactions, the odds of selecting one transaction over another are the same. He discussed an example of selecting a transaction relating to a contract expense where EB would ensure the contract was approved, but they would not review monitoring practices including for subrecipients since that is a county responsibility. County Executive Officer Michelle Aguirre mentioned that policy changes have been made after the former Supervisor's misconduct and that departments are more aware of necessary monitoring.

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

Mr. Aggie Alonso, Director of Internal Audit, presented the Quarterly Status Report and

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Executive Summary of Internal Audit Reports for the Quarter Ended March 31, 2025. He noted that the Internal Audit Department (IAD) issued six reports, including a key report on the review of ARPA expenditures. He confirmed the ARPA report was filed with the Board and that they asked departments to implement the recommendations. Mr. Alonso also mentioned that as stated in the report, IAD does not intend on conducting a follow-up audit on the ARPA recommendations unless directed by AOC since the Board did not request a follow-up audit. Ms. Rowden noted that as part of AOC's responsibility, there should be a follow-up to provide an update on implementation, and Mr. Johnson agreed. Mr. Ronnie Magsaysay, Senior Deputy County Counsel, added that the AOC would need to make the motion to approve the follow-up audit. Mr. Nick Anas, 5th District Chief of Staff, asked how long it would take to implement the recommendations and Mr. Alonso replied that he would defer to departments to respond on a timeline.

Next, Mr. Alonso requested to combine agenda item #9 with item #4 since there was overlap in the information. He proceeded to share limited details of some significant findings and confirmed three cybersecurity audits were completed. He noted that while details of cybersecurity audits have been restricted, IAD is working with Mr. KC Roestenberg, Chief Information Officer, to identify report details that are appropriate for public release which will vary on a case-by-case basis. IAD intends to revise its restricted report policy to allow the release of information that does not expose County vulnerabilities and plans to report on details once the recommendation has been implemented and the exposure corrected. Mr. Wille noted that IAD should be mindful of releasing vulnerability details as some agencies may have corrected the exposure, while other departments have not yet addressed it, and Mr. Alonso agreed. He also noted that the second phase of the review of ARPA expenditures is expected to be completed by June 30th this year, and that IAD continues to work on the request for proposal to contract for the Board-directed forensic audit.

Motion to Approve Internal Audit Department's Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended March 25, 2025, and to Approve a follow-up of the ARPA Review, by Mr. Wille, seconded by Mr. Atwater.

All in favor.

Approved as recommended.

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

Mr. Alonso presented IAD's FY 2025-26 Annual Risk Assessment & Audit Plan. He discussed the percentage of hours allocated to various audit categories and operations cycles and highlighted the continued need for IT audits. Regarding the transfer of Performance Audits to IAD, he shared the vision of outsourcing some audits to slated vendors and keeping others in-house. He noted these will be outsourced in the immediate year due to limited staff resources. Mr. Alonso also distinguished the hours allocated for Board directives as there was a significant need in the current year causing many audits to carry forward into the FY 2025-26 Audit Plan. He also noted that IAD allocated hours to developing its first ever Strategic Plan, which is now required by the Global Internal Audit Standards and will align with the Strategic Financial Plan submitted to the CEO annually. The plan will reflect IAD's vision on County oversight and necessary staff resources.

Mr. Alonso also shared that while a comprehensive risk assessment was not conducted, the IAD considered all respective audit cycles and insight from discussions with audit management and risk assessment subcommittee members. He also stated the risk assessment identified 27 audits, but current resources will only allow completion of 21 audits. He noted countywide audits of personnel hiring and budget processes, which have not been reviewed before, as well as Auditor-Controller's

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central payroll. He also noted audits of the Health Care Agency's (HCA) claim reimbursements and Treasurer-Tax Collector's wire transfer processes as recommended by the AOC's Risk Assessment Subcommittee. He discussed several other audits and noted the IAD's involvement in the outsourced forensic audit will mainly switch to an oversight capacity as of next year.

Mr. Wille asked if IAD has sufficient resources to properly oversee its existing and new responsibilities. Mr. Alonso responded that IAD's work is based on risk, therefore the highest risk areas will be addressed first using current resources, and a request for additional resources will be included in the next Strategic Financial Plan. Vice Chair Foley asked about the timeline to conduct the five performance audits, including the audit of homelessness services and Mental Health Service Act funded programs. Mr. Alonso stated a timeline was not established and IAD intends to also consider department availability.

Vice Chair Foley added that the County formerly contracted with Moss Adams who is already familiar with contracts related to the proposed performance audits, therefore it may be helpful if they assessed the effectiveness of programs, such as for homelessness. Vice Chair Foley discussed that the Board is interested in these performance audits, specifically contractor effectiveness, which will help when reviewing contracts which are impacted by budget cuts. Ms. Aguirre agreed and noted that it would be helpful for IAD to share how it plans to prioritize these audits given its limited resources, while also ensuring there is no duplication of efforts with other audits in process. Mr. Alonso responded that he would prioritize the two performance audits and review the current slate of vendors established by the former performance auditor.

Regarding the risk assessment, Vice Chair Foley noted the County should broaden its universe for the risk assessment which may have not changed before due to limited resources. She then motioned to approve the Risk Assessment and Audit plan, and directed IAD to contract with a reputable CPA firm that is already approved by the County procurement to conduct an independent risk assessment by October 31, 2025, for use in modifying the FY 2025-26 Audit Plan to incorporate audits of high-risk areas identified in the independent risk assessment, and for use in developing the FY 2026-27 Audit Plan. She noted this would help broaden the risk universe while allowing IAD to focus on conducting audits. Mr. Alonso responded that IAD has been moving in that direction, and since performance audits were recently transferred, IAD can now broaden their review of those areas.

Ms. Freidenrich asked about the Treasurer's performance audit in the Audit Plan and shared they have been extremely busy, therefore she wanted to know which area would be reviewed. Mr. Alonso clarified this audit would review the performance of the Treasury function and not administrative aspects, however the audit scope will be determined and adjusted as needed, based on risk, and he thinks the focus will be on the change in investments oversight since it has transferred from the Treasurer to CEO.

Motion to Approve Internal Audit Department's FY 2025-26 Annual Risk Assessment & Audit Plan, and direct IAD to contract with a reputable CPA firm that is already approved by the County procurement to conduct an independent risk assessment by October 31, 2025, for use in modifying the FY 2025-26 Audit Plan to incorporate audits of high-risk areas identified in the independent risk assessment, and for use in developing the FY 2026-27 Audit Plan, by Ms. Foley, seconded by Mr. Wille.

All in favor.

Approved as recommended.

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

Mr. Alonso stated that as it relates to the External Audit Activity Status Report for the Quarter Ended March 31, 2025, there are no additional material issues to report as the previous Eide Bailly communications item covered all relevant issues.

Motion to approve External Audit Activity Status Report for the Quarter Ended March 31, 2025, and Receive Report on Status of External Audit Recommendations Implementation, by Mr. Atwater, seconded by Mr. Wille.

All in favor.

Approved as recommended.

7. Receive Reports on Status of Auditor-Controller Mandated Audits (Non-Treasury) for the Quarters Ended March 31, 2025

Mr. Rodrigo Martinez, Auditor-Controller's Internal Audit Manager, provided a status report on Mandated Audits (non-Treasury) for the quarter ended March 31, 2025. He noted they are reviewing a cash shortage which is in the final review stage and will be referred to IAD.

8. Receive Reports on Status of Performance Audits for the Quarter Ended March 31, 2025

Ms. Lisa Fernandez, Director of Performance Management and Policy, provided an update on the two remaining performance audits under her team. She noted that the performance audit of HCA's department head transition was completed and the report with HCA's management responses is posted on the performance audit website. She also noted an Auditor-Controller audit being conducted by contractor MGO which is set to be completed in the next few weeks.

Mr. Alonso confirmed that as noted in IAD's Audit Plan, there are several performance audits planned for the upcoming year and that there are no other updates.

9. Receive Update on Restricted Report Issuance Process

Item was discussed under agenda item #4.

10. Receive Update on ERP Implementation

Mr. Andrew Hamilton, Auditor-Controller, provided a status update on the ERP implementation. He confirmed the contract was awarded to Oracle and they have an initial rollout target date of June 30, 2027 with a goal to complete the rollout by the end of 2027.

11. Receive Report on County IT Projects Quarterly Progress

Mr. Roestenberg provided an update on the quarterly progress on County IT projects. One project in process is changing the County's email domains to "oc.gov" to comply with State changes. The existing CAMS system contract has been canceled since OCIT is building an in-house system which is expected to be released in one year. There is interest from other counties in adopting the

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new system, so it is possible OCIT can monetize this to offset development costs. They are expediting projects using AI and collaborating with vendors to avoid budget overruns. Vice Chair Foley asked why the presentation data does not reflect budget overruns, and Mr. Roestenberg clarified that at the time of the report there were no overruns, but if delays are not rectified the projects could go over.

12. Receive Update AOC Bylaws Subcommittee

Mr. Johnson shared that bylaw revisions are still underway and there will be another update at the AOC's next regular meeting.

PUBLIC COMMENTS: None.

AOC COMMENTS: Mr. Wille suggested that we estimate speaker times to ensure we have time to cover the entire agenda. Ms. Rowden thanked Mr. Johnson for leading the meeting.

ADJOURNMENT: Meeting adjourned at 1:11 P.M.

NEXT MEETING: Regular Meeting, Thursday, August 21, 2025 at 10:30 A.M.