

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 9, 2019, 10:00 a.m.

HALL OF ADMINISTRATION
333 W. Santa Ana Blvd., 5th Floor
Conference Room A
Santa Ana, CA 92701

DREW ATWATER
AOC CHAIRMAN
Private Sector Member, First District

ROBERT BROWN
AOC VICE CHAIRMAN
Private Sector Member, Fifth District

SUPERVISOR LISA A. BARTLETT
BOARD CHAIRWOMAN
Fifth District
Member

SUPERVISOR MICHELLE STEEL
BOARD VICE CHAIR
Second District
Member

FRANK KIM
COUNTY EXECUTIVE OFFICER
Member

RICHARD MURPHY
Private Sector Member, Second District

MARK WILLE, CPA
Private Sector Member, Third District

VACANT
Private Sector Member, Fourth District

Present Non-Voting Members

Treasurer-Tax Collector:
Auditor-Controller:

Shari Freidenrich, CPA
ABSENT

Present Staff

Internal Audit Department:
Deputy County Counsel:
Clerk:

Scott Suzuki, CPA
Ronnie Magsaysay
Mari Elias

ATTENDANCE: Drew Atwater, AOC Chairman, Private Sector Member
Robert Brown, AOC Vice Chairman, Private Sector Member
Arie Dana, Proxy for Supervisor Michelle Steel
Sara May, Proxy for Supervisor Lisa A. Bartlett
Frank Kim, County Executive Officer
Mark Wille, Private Sector Member

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10:00 A.M.

1. Roll Call

Audit Oversight Committee (AOC) Chairman Mr. Atwater called the meeting to order at 10:02 A.M. Attendance of AOC members noted above.

2. Approve Audit Oversight Committee Regular Meeting Minutes of February 14, 2019

Mr. Drew Atwater asked the Clerk to read an amendment to the draft meeting minutes. Ms. Elias stated that a sentence in Item 8 would be changed from "The County Procurement Office is working to notify vendors that were awarded contracts so that work can commence" to "The County Procurement Office is working to notify the vendors on the Qualified Vendors List of the Request for Proposals process, which will result in the award of contracts, so the work can commence.

Motion to approve with amendment to Item 8 by Mr. Brown, seconded by Mr. Atwater.

All in favor.

Approved as recommended.

3. Receive Introduction from Director of Internal Audit

Mr. Aggie Alonso introduced himself to the Audit Oversight Committee.

4. Receive Report on County's Cybersecurity Program

Mr. Joel Golub, Chief Information Officer, stated that the Security Operation Center (SOC) went live on March 16, 2019. The SOC is a joint operation between SAIC who has staff there 24 hours a day, seven days a week, and a team from OCIT, present during regular business hours. Mr. Golub stated that creating a SOC is the right step in protecting the County's networks.

5. Discuss Audit Oversight Committee Vacancy

Mr. Atwater stated he sent a letter to Supervisor Chaffee regarding the Public Sector Member vacancy for the Fourth District.

Ms. Montana Sudul, Policy Advisor for Supervisor Chaffee's office, stated candidates have been interviewed and Supervisor Chaffee looks forward to appointing someone.

6. Receive Report on Required Communication from External Auditors

Mr. Alfaro, Partner at Vavrinek, Trine & Day (VTD), stated that for the Single Audit, VTD tested 12 major federal programs and identified key compliance requirements to ensure the County is in compliance. VTD previously issued an *unmodified* opinion on the County Annual Financial Report.

The Single Audit Report had one material weakness related to one major federal program, the Workforce Innovation and Opportunity Act Cluster. Mr. Alfaro stated that regarding the Qualitative Aspects of Accounting Practices on the Communication with Those Charged with Governance, the County adopted new accounting pronouncements, as required.

Mr. Alfaro was pleased to report that VTD did not encounter any difficulties in conducting its work nor disagreements with management with respect to accounting, auditing, or financial reporting

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matters. Mr. Alfaro stated that County staff was professional and provided access to individuals, documents, and third parties, as necessary.

Ms. Shari Freidenrich, Treasurer-Tax Collector, stated that VTD is still working on the Agreed Upon Procedures engagement for the Treasurer's Annual Investment Compliance that was approved by the Treasury Oversight Committee and Board of Supervisors.

Mr. Mark Wille suggested that findings from the external auditor be added to the AOC agenda to facilitate monitoring of recommendations and the implementation status. Mr. Kim agreed to agendaize any open recommendations for future AOC meetings.

7. Receive Report on Status of Mandated Audits

Mr. Michael Steinhaus, Audit Manager for Auditor-Controller Internal Audit Division, provided an update on Mandated Audits.

8. Receive Report on Status of Performance Audits

Mr. Kim stated that the Request for Proposal process is completed for four of the five audits in the audit plan. For the fifth audit, Mr. Kim received feedback from the Board regarding the Scope of Work for the CEO Information Technology audit and will incorporate that feedback

Mr. Kim stated that he received input from the Board for the audit plan for the 2019-20 fiscal year and will present it at the June 25th Board meeting.

9. Approve Internal Audit Department's Annual Risk Assessment & Audit Plan for FY 2019-20

Mr. Alonso stated that Internal Audit Department (IAD) identified 19 high risk audit areas relating to 13 County departments. Based on current staffing, IAD has resources to complete 16 of the 19 high risk audits. If IAD is unable to complete the other 3 high risk audits, those audits will be carried over to the next fiscal year's audit plan.

Motion to approve by Mr. Wille, seconded Mr. Brown.

All in favor, none opposed.

Approved as recommended.

10. Approve Audit Department's FY 2018-19 3rd Quarter Status Report and approve Executive Summary of Internal Audit Reports for the Quarter Ended March 31, 2018

Mr. Scott Suzuki, Assistant Director of Internal Audit, stated that five of the zero-hour audits on the audit plan were added this quarter due to an increase in resources from hiring new staff. Mr. Suzuki requested a cancellation of the Orange County Sheriff Department (OCSD) Payroll audit because the OCSD Billing audit had payroll controls within its scope. Cancellation of the Payroll audit will prevent duplication of work.

Motion to approve by Mr. Wille, seconded by Mr. Brown.

All in favor, none opposed.

Approved as recommended.

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11. Approve Quarterly External Audit Activity Status Report for the Quarter Ended March 31, 2018

Mr. Michael Dean, Senior Audit Manager, stated that there were nine new findings reported by departments. Eight of those findings were in the Single Audit, and the ninth finding pertained to Health Care Agency (HCA) Public Health Nursing. This finding resulted in a disallowance of \$12,200. HCA has implemented procedures to prevent the error from reoccurring.

Mr. Dean stated there was one material finding from the Single Audit regarding OC Community Resources (OCCR), which Mr. Alfaro mentioned during the Communication from External Auditors. Mr. Dean stated that OCCR entered into a contract with a subrecipient that did not follow the County's procurement process that would ensure full and open competition. This was a repeat finding from last year.

Motion to approve by Mr. Wille, seconded by Mr. Brown

All in favor, none opposed.

Approved as recommended.

PUBLIC COMMENTS – None.

AOC COMMENTS & ADJOURNMENT

AOC COMMENTS – None.

ADJOURNMENT: Motion to adjourn the meeting by Mr. Wille, seconded by Mr. Brown. Meeting adjourned at 11:30 A.M.

NEXT MEETING

Regular Meeting, August 8, 2019, 10:00 A.M.