

# 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, August 15, 2019, 10:00 a.m.*

HALL OF RECORDS  
12 Civic Center Plaza, 3<sup>rd</sup> Floor  
Conference Room 300  
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

**Non-Voting Members**

Treasurer-Tax Collector:  
Auditor-Controller (Acting):

Shari Freidenrich, CPA  
Salvador Lopez

**Staff**

Internal Audit Department:  
Deputy County Counsel:  
Clerk:

Aggie Alonso, CPA  
Ronnie Magsaysay  
Mari Elias

ATTENDANCE: Drew Atwater, AOC Chairman, Private Sector Member  
Robert Brown, AOC Vice Chairman, Private Sector Member  
Michelle Aguirre, Proxy for Frank Kim  
James Dinwiddie, Proxy for Supervisor Lisa A. Bartlett  
Mark Wille, Private Sector Member

PRESENT: Shari Freidenrich, Treasurer-Tax Collector  
Aggie Alonso, Director  
Salvador Lopez, Auditor-Controller (Acting)  
Ronnie Magsaysay, Deputy County Counsel  
Mari Elias, Clerk

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

10:00 A.M.

**1. Roll Call**

Audit Oversight Committee (AOC) Chairman Mr. Drew Atwater called the meeting to order at 10:05 A.M. Attendance of AOC members noted above.

**2. Approve Second Amendment of Audit Oversight Committee Regular Meeting Minutes for February 14, 2019**

Motion to approve the minutes by Mr. Mark Wille, seconded by Mr. Atwater. Mr. James Dinwiddie abstained as he was not present at the February 14, 2019 meeting.

All in favor.

**Approved as recommended.**

**3. Approve Audit Oversight Committee Regular Meeting Minutes of May 9, 2019**

Motion to approve the Audit Oversight Committee Regular Meeting Minutes of May 9, 2019 by Mr. Robert Brown, seconded by Mr. Wille.

All in favor.

**Approved as recommended.**

**4. Receive Report on County's Cybersecurity Program**

Mr. Joel Golub, Chief Information Officer, introduced Chief Information Security Officer Rafael Linares to provide an update on cybersecurity efforts. Mr. Linares' presentation covered cybersecurity programming as related to present threats to the County. Mr. Linares discussed current cybersecurity risks, protections, and responses to potential ransomware attacks.

**5. Discuss Audit Oversight Committee Vacancy**

Mr. Drew Atwater reported that interviews for the AOC vacancy are ongoing. This item will remain on the agenda until the item is filled.

**6. Receive Report on Required Communication from External Auditors**

Mr. Roger Alfaro, Partner at Eide Bailly LLP, stated that the external auditors are in the planning and risk assessment phase, focusing primarily on updating their understanding of internal control and performing tests of internal control. The data and information collected will be used to plan the testing for the audit.

**7. Receive Report on External Audit Contract Update**

Ms. Megan Vu, Manager of Accounting and Reporting for Auditor-Controller, provided a report on the merger between Vavrinek, Trine, Day & Co, LLP and Eide Bailly LLP that was put into effect on July 22, 2019. The merger will not impact the staffing of the team working on the FY 2018-2019 audit.

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

## 8. Receive Report on Status of Mandated Audits

Mr. Michael Steinhaus, Audit Manager for Auditor-Controller Internal Audit Division, provided a status of Mandated Audits.

## 9. Receive Report on Status of Performance Audits

Ms. Michelle Aguirre, Chief Financial Officer for County Executive Office, reported on the status of performance audits. Ms. Aguirre reported that fiscal year 2018-2019 audit reports of Human Resources, Risk Management, Clerk of the Board, and Sheriff Overtime will be completed in December.

## 10. Receive Report on Internal Audit Department's Independence

Mr. Aggie Alonso, Internal Audit Department Director, presented the Internal Audit Department's (IAD) Report on Independence. Mr. Alonso stated that for the period of June 2, 2018 to June 30, 2019, IAD activity was free from interference in determining the scope, performing the work, and issuing the results. IAD will be communicating their report to the highest governing body in accordance to the standards. The report will be presented to the Board of Supervisors at the meeting on September 24, 2019.

## 11. Approve Internal Audit Department's Annual FY 2018-19 4<sup>th</sup> Quarter Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended June 30, 2019

Mr. Alonso presented the Quarterly External Audit Activity Status Report for the Quarter Ended June 30, 2019. IAD issued four final reports, six draft reports, and six follow up reports. Of the new reports issued, IAD identified one significant finding and six control findings. During the 2018-2019 fiscal year, IAD identified six critical, eleven significant, and twenty-three critical findings. The majority of the critical findings were from information technology audits. Performance for the fiscal year will be reported in the annual report.

Motion to approve the 4<sup>th</sup> Quarter Status Report by Mr. Wille, seconded by Mr. Brown.

All in favor, none opposed.

**Approved as recommended.**

## 12. Receive Report on Status of External Audit Recommendations Implementation and Approve Quarterly External Audit Activity Status Report for the Quarter Ended June 30, 2019

Mr. Michael Dean, Senior Audit Manager for Internal Audit Department, presented the External Audit Activity Status Report for the Quarter Ended June 30, 2019. Mr. Dean stated no findings or material issues were reported this quarter.

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

All in favor, none opposed.

**Approved as recommended.**

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

## **PUBLIC COMMENTS**

Mr. Kenneth Blake and Mr. Steven Belasco, members of the Grand Jury, introduced themselves to the AOC. A member of the Grand Jury asked if Mr. Golub's team would assist in the audit of the Assessor. Mr. Alonso stated that IAD utilizes in-house Certified Information Systems Auditors to complete those audits. A second member of the Grand Jury asked who is responsible for auditing the Joint Power Authorities. Mr. Steinhaus stated that the Auditor-Controller is required to ensure Joint Power Authorities and Special Districts are audited.

## **AOC COMMENTS & ADJOURNMENT**

**AOC COMMENTS** – Mr. Wille requested a moment of silence in honor of Mr. Eric Woolery.

**ADJOURNMENT:** Mr. Atwater made a motion to adjourn the meeting in memory of Mr. Eric Woolery. Meeting adjourned at 11:08 A.M.

## **NEXT MEETING**

Regular Meeting, November 14, 2019, 10:00 A.M.