

A G E N D A

REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE ORANGE COUNTY, CA



Thursday, February 20, 2020, 10:00 a.m.

Hall of Administration
333 W. Santa Ana Blvd.
Room 169
Santa Ana, CA 92701

ROBERT BROWN (2019)
AOC CHAIRMAN
Private Sector Member, Fifth District

MARK WILLE, CPA (2022)
AOC VICE CHAIRMAN
Private Sector Member, Third District

SUPERVISOR MICHELLE STEEL
BOARD CHAIRWOMAN
Second District
Member

SUPERVISOR ANDREW DO
BOARD VICE CHAIRMAN
First District
Member

FRANK KIM
COUNTY EXECUTIVE OFFICER
Member

DREW ATWATER (2021)
Private Sector Member, First District

RICHARD MURPHY (2020)
Private Sector Member, Second District

STELLA ACOSTA (2023)
Private Sector Member, Fourth District

Non-Voting Members
Treasurer-Tax Collector:
Auditor-Controller:

Shari Freidenrich, CPA
Frank Davies, CPA

Staff
Internal Audit Department:
Deputy County Counsel:
Clerk:

Aggie Alonso, CPA
Ronnie Magsaysay
Mari Elias

The Audit Oversight Committee (AOC) welcomes you and encourages your participation. This agenda contains a general description of each item to be considered. If you would like to speak on a matter that does not appear on the agenda, you may do so during the Public Comments period at the end of the meeting. When addressing the AOC, please state your name for the record. Except as otherwise provided by law, no action shall be taken on any item not appearing in the agenda.

All supporting documentation is available for public review 72 hours before the meeting. Documents are available online at <http://www.ocgov.com/gov/ia/aoc/agemin> or in the office of the Internal Audit Department located in the County Administration South Building, 601 N. Ross Street, Santa Ana, CA 92701, 7:00 a.m. - 4:00 p.m., Monday through Friday.

****In compliance with the Americans with Disabilities Act, those requiring accommodation for this meeting should notify the Internal Audit Department 72 hours prior to the meeting at (714) 834-5475****

A G E N D A

10:00 A.M.

Speaker

- | | |
|--|---|
| 1. Roll call and Self Introductions | <i>Robert Brown
AOC Chairman</i> |
| 2. Approve Audit Oversight Committee Regular Meeting Minutes of November 14, 2019 | <i>Robert Brown
AOC Chairman</i> |
| 3. Receive Report on Required Communication from External Auditors | <i>Roger Alfaro, CPA
Partner
Eide Bailly LLP</i> |
| 4. Receive Report on the County's Cybersecurity Program | <i>Joel Golub
Chief Information Officer
OCIT</i> |
| 5. Presentation by Orange County Employees Retirement System (OCERS) regarding current and future funding | <i>Michelle Aguirre
County Financial Officer</i> |
| 6. Discuss Audit Oversight Committee vacancy and attendance | <i>Robert Brown
AOC Chairman</i> |
| 7. Receive Report from Audit Oversight Committee Bylaws Subcommittee and Approve Revised Audit Oversight Committee Bylaws, and Resolution amending term of Public Members | <i>Robert Brown
AOC Chairman</i> |
| 8. Discuss Internal Audit Department Policy regarding Sensitive Reports | <i>Aggie Alonso, CPA
Director</i> |
| 9. Discuss Audit Oversight Committee Retreat | <i>Robert Brown
AOC Chairman</i> |
| 10. Receive Report on Status of Mandated Audits | <i>Frank Davies, CPA
Auditor-Controller</i> |
| 11. Receive Report on Status of Performance Audits | <i>Michelle Aguirre
County Financial Officer</i> |
| 12. Approve Internal Audit Department's FY 2019-20 2 nd Quarter Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended December 31, 2019 | <i>Aggie Alonso, CPA
Director
Internal Audit Department</i> |
| 13. Receive Report on Status of External Audit Recommendations Implementation and Approve Quarterly External Audit Activity Status Report | <i>Scott Suzuki, CPA
Assistant Director
Internal Audit Department</i> |

A G E N D A

PUBLIC COMMENTS: At this time, members of the public may address the AOC on any matter not on the agenda but within the jurisdiction of the AOC. The AOC may limit the length of time each individual may have to address the Committee.

*Robert Brown
AOC Chairman*

AOC COMMENTS: At this time, members of the AOC may comment on agenda or non-agenda matters and ask questions of, or give directions to staff, provided that no action may be taken on off-agenda items unless authorized by law.

*Robert Brown
AOC Chairman*

ADJOURNMENT:

AUDIT OVERSIGHT COMMITTEE RETREAT:

Special Meeting, March 17, 2020, 10 AM

NEXT MEETING:

Regular Meeting, May 14, 2020, 10 AM



Memorandum

February 20, 2020

AOC Agenda Item No. 2

TO: Audit Oversight Committee Members

Recommended Action:

Approve Audit Oversight Committee Regular Meeting Minutes of November 14, 2019

Approve Audit Oversight Committee Regular Meeting Minutes of November 14, 2019, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – Summary Minutes

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, November 14, 2019, 10:00 a.m.

County Administration South
601 N. Ross Street, 1st Floor
Room 103
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:

Shari Freidenrich, CPA
Frank Davies, CPA

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
Natalie Medvedev, Proxy for Supervisor Michelle Steele
Mark Wille, Private Sector Member

PRESENT: Shari Freidenrich, Treasurer-Tax Collector
Frank Davies, Auditor-Controller
Aggie Alonso, Director
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 Audit Oversight Committee Regular Meeting Minutes of August 15, 2019

Motion to approve the minutes by Mr. Robert Brown, seconded by Mr. Atwater.

All in favor.

Approved as recommended.

3. Receive Report on the County's Cybersecurity Program

Chief Information Officer Mr. Joel Golub introduced Chief Information Security Officer Rafael Linares to provide an update on cybersecurity efforts. Mr. Linares emphasized the importance of having County employees take the Cybersecurity Awareness training because they are the first line of defense against potential attacks.

4. Discuss Audit Oversight Committee Vacancy and Attendance

Mr. Atwater reported that he has contacted the appropriate Board of Supervisors Districts regarding the vacancy and on-going attendance issues. Mr. Atwater recommended that the next AOC Chair form a subcommittee to discuss updates in the AOC Bylaws to include a mechanism to encourage attendance and expedite appointments for vacancies.

5. Receive Report on Required Communication from External Auditors

Mr. Roger Alfaro, Partner at Eide Bailly LLP, stated that the external auditors are in the completion stage of the County's Annual Financial Report, as well as completing the final segments for John Wayne Airport and OC Waste & Recycling. Eide Bailly has received draft financial statements and is in the planning phase of determining the major programs that will be audited as part of the federal compliance audit.

6. Receive Introduction from Auditor-Controller

Mr. Frank Davies, Auditor-Controller, introduced himself to the AOC. Mr. Davies stated he is happy to be back at the County and looks forward to leading the Auditor-Controller's office.

7. Receive Report on Status of Mandated Audits

Mr. Michael Steinhaus, Audit Manager for Auditor-Controller Internal Audit Division, provided a status of mandated audits. Mr. Steinhaus stated that audit reports for all Joint Powers Authorities and Special Districts for the FY 2017-18 have been received and posted online.

8. Receive Report on Status of Performance Audits

Ms. Michelle Aguirre, Chief Financial Officer, provided a status report of performance audits. Ms. Aguirre stated that the vendor for the Risk Management audit requested a 3-month extension. Ms. Aguirre stated that the extension will be granted, and she will provide more details at the next

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

meeting. Ms. Aguirre stated that the Scope of Work for the Board-directed Auditor-Controller audit is with the Chairwoman and Vice Chair of the Board. Once the Chairwoman and Vice Chair approve the Scope of Work, the Request for Proposals process will start. Ms. Aguirre stated that the Treasurer-Tax Collector audit will start next week.

9. Discuss Status of Assessor Information Technology General Controls Audit

Mr. Aggie Alonso, Director of Internal Audit, stated that the Assessor review started on October 28, 2019, with fieldwork expected to be completed by mid-December. Mr. Alonso stated that things are going well and thanked Mr. Claude Parrish and Mr. George Singletary for their collaboration and access to information needed to complete the review.

10. Discuss Treasurer-Tax Collector audit recommendation not fully implemented after second follow-up audit

Mr. Scott Suzuki, Assistant Director of Internal Audit stated there was one recommendation that was not implemented after the second follow-up audit on the Electronic Funds Transfer Process.

Ms. Shari Freidenrich, Treasurer-Tax Collector (T-TC), stated the original audit was requested by T-TC. Ms. Freidenrich stated that Quantum handles cash forecasting and cash payments, so all wires and payments pass through that system. Ms. Freidenrich stated that T-TC is on an older version of Quantum and had gone to the Board approximately two years ago to request funding for the upgrade. The Board approved funds for the upgrade and T-TC started the upgrade process. T-TC encountered performance issues with the software and found that those issues were fixable within the current version of Quantum. At this time, T-TC is establishing a new scope of work and will return to the Board for approval to continue with current vendor. T-TC anticipates that implementation will be complete by the end of June 2020.

11. Approve Internal Audit Department's FY 2019-20 1st Quarter Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended September 30, 2019

Mr. Alonso presented the Quarterly External Audit Activity Status Report for the Quarter Ended June 30, 2019. IAD issued three final reports, three draft reports, and two follow up reports. IAD is on target to meet the FY 2019-20 Audit Plan.

Motion to approve the 1st Quarter Status Report and Executive Summary by Mr. Brown, seconded by Mr. Wille.

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 September 30, 2019

Mr. Scott Suzuki, Assistant Director of Internal Audit Department, presented the External Audit Activity Status Report for the Quarter Ended June 30, 2019. Mr. Suzuki stated no findings or material issues were reported this quarter.

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

13. Election of AOC Officers

Mr. Atwater nominated Mr. Brown as AOC Chair, seconded by Mr. Wille.

All in favor, none opposed.

Approved as recommended.

Mr. Brown nominated Mr. Wille as AOC Vice Chair, seconded by Mr. Atwater.

All in favor, none opposed.

Approved as recommended.

PUBLIC COMMENTS: None.

AOC COMMENTS & ADJOURNMENT

AOC COMMENTS: None.

ADJOURNMENT: Meeting adjourned at 11:08 A.M.

NEXT MEETING

Regular Meeting, February 20, 2020, 10:00 A.M.



Memorandum

February 20, 2020

AOC Agenda Item No. 3

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Required Communication from External Auditors

Receive Report on Required Communication from External Auditors, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – Letter to Audit Oversight Committee



December 16, 2019

To the Audit Oversight Committee,
Board of Supervisors, and
Frank Davies, Auditor-Controller
County of Orange, California

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, California (County), and the financial statements of the County of Orange Redevelopment Successor Agency, OC Waste & Recycling and John Wayne Airport as of and for the year ended June 30, 2019, and have issued our reports thereon dated as indicated below:

<u>Report</u>	<u>Audit Report Date</u>
County of Orange	December 16, 2019
County of Orange Redevelopment Successor Agency	December 10, 2019
OC Waste & Recycling	December 10, 2019
John Wayne Airport	December 11, 2019

We are currently performing the audit of the County's federal award programs (Single Audit) and anticipate issuing our reports thereon prior to March 31, 2020.

We did not audit the financial statements of the Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima), which is included as a discretely presented component unit in the County's basic financial statements. Those financial statements were audited by other auditors as stated in our report on the County's basic financial statements. This communication does not include the results of the audit of CalOptima.

We did audit the Children and Families Commission of Orange County (CFCOC), which is included as a discretely presented component unit in the County's basic financial statements. Separately issued audit reports and communications were issued directly to the CFCOC. Accordingly, this communication does not include the results of the audit of CFCOC.

Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*, and our Compliance Audit under the Uniform Guidance

As communicated in our letter dated July 21, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the County complied with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the County's major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the County solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of the County's major federal program compliance, is to express an opinion on the compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, as a part of our major program compliance audit, we consider internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the County's internal control over compliance.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the County is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, during the year, the County adopted GASB Statements No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Landfill closure and postclosure care liabilities are based on management's analysis of landfill capacity used and total closure and postclosure costs, as well as the landfill maximum capacity;
- Pollution remediation obligations are based on management's analysis of remediation time periods, type of remediation needed and historical trend data;
- Net pension and net other postemployment benefits (OPEB) liabilities, disclosures, related deferred inflows/outflows of resources, and expenses are based on actuarial valuations which include assumptions adopted by the Orange County Employees Retirement System (OCERS) and the County; and
- Self-insured claims liabilities are based on actuarial studies performed by the County's independent actuaries.

We evaluated the key factors and assumptions used to develop these estimates and determined that they were reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the County's financial statements relate to:

- Pension and OPEB liabilities in Notes 18 and 19, respectively, are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate. As disclosed in Notes 18 and 19, a 1% increase or decrease in the discount rate has a significant effect on the Pension and OPEB liabilities.
- Estimated liabilities for self-insurance claims in Note 16 are based on actuarial valuations.
- Landfill closure and postclosure costs, and pollution remediation in notes 14 and 17, respectively, are based on management's analysis.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. No such items were reported.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to County's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated as follows:

County of Orange	December 16, 2019
County of Orange Redevelopment Successor Agency	December 10, 2019
OC Waste & Recycling	December 10, 2019
John Wayne Airport	December 11, 2019

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the County, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the County's auditors.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the County's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we will review the information inputted into the data collection form and will consider whether such information, or the manner of its presentation, is materially consistent with the financial statements.

This report is intended solely for the information and use of the Audit Oversight Committee, Board of Supervisors, and management of the County and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Laguna Hills, California



Memorandum

February 20, 2020

AOC Agenda Item No. 4

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on the County's Cybersecurity Program

Receive Report on the County's Cybersecurity Program, as stated in the recommended action.



Memorandum

February 20, 2020

AOC Agenda Item No. 5

TO: Audit Oversight Committee Members

Recommended Action:

Presentation by Orange County Employees Retirement System (OCERS) regarding current and future funding

Presentation by Orange County Employees Retirement System (OCERS) regarding current and future funding, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – OCERS Presentation (Page 8 revised 02/11/2020)

Audit Oversight Committee

February 20, 2020



About OCERS

- Orange County Employees Retirement System Established as a defined benefit retirement program in 1945
 - 1937 Act
 - California Government Code
 - Regulates County Retirement Systems in CA
- 1 of 20 County Systems in California
- Separate from CalPERS



Who We Serve



- CITY OF SAN JUAN CAPISTRANO
- COUNTY OF ORANGE
- ORANGE COUNTY CEMETERY DISTRICT
- ORANGE COUNTY CHILDREN & FAMILIES COMMISSION
- ORANGE COUNTY DEPARTMENT OF EDUCATION
(CLOSED TO NEW MEMBERS)
- ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
- ORANGE COUNTY FIRE AUTHORITY
- ORANGE COUNTY IN-HOME SUPPORTIVE SERVICES PUBLIC
AUTHORITY
- ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION
- ORANGE COUNTY PUBLIC LAW LIBRARY
- ORANGE COUNTY SANITATION DISTRICT
- ORANGE COUNTY TRANSPORTATION AUTHORITY
- SUPERIOR COURT OF CALIFORNIA, COUNTY OF ORANGE
- TRANSPORTATION CORRIDOR AGENCIES
- UCI MEDICAL CENTER AND CAMPUS
(CLOSED TO NEW MEMBERS)

The Pension Promise



OCERS and the Pension Promise:

As of December 31, 2018:

■ Present Value of Future Benefits	\$25,177,745,000
■ OCERS Actuarial Accrued Liability	\$20,703,349,000
■ OCERS Assets (Valuation)	\$14,994,420,000
■ OCERS Assets (Market)	\$14,349,705,000
■ Unfunded Actuarial Accrued Liability (UAAL)	\$5,708,929,000
■ Orange County UAAL	\$4,594,782,000*

* Approximation based on County's proportional payroll

What is the UAAL?

What Is The UAAL?

- A funding gap (unfunded liability) occurs when the benefits owed exceed the amount of money the plan has saved to meet these obligations.
- Includes current and future benefits promised to all participants-retirees and active employees.



Causes Of UAAL

Actual experience which is less favorable than assumed. Such as:

- Investment portfolio losses
- Improved mortality

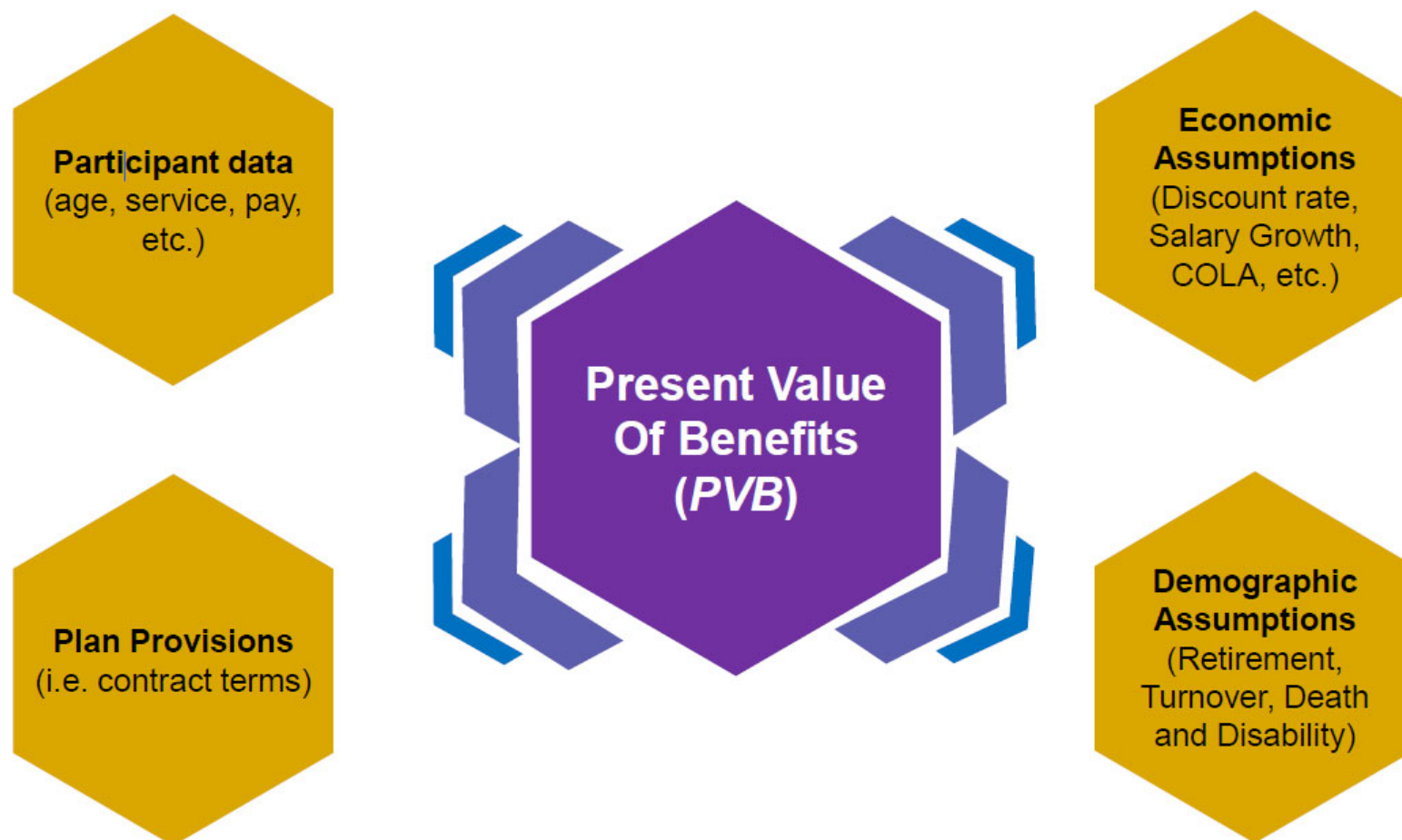
also

- Earlier retirement date(s)
- Lower rates of non-death terminations
- Change in actuarial assumptions
- Salary increases above growth assumption

How UAAL Impacts Contributions?

Present Value of Future Benefits (PVFB)

The **Present Value of Benefits (PVFB)** is the total projected liability or “promise” for all participants, assuming all assumptions are met.

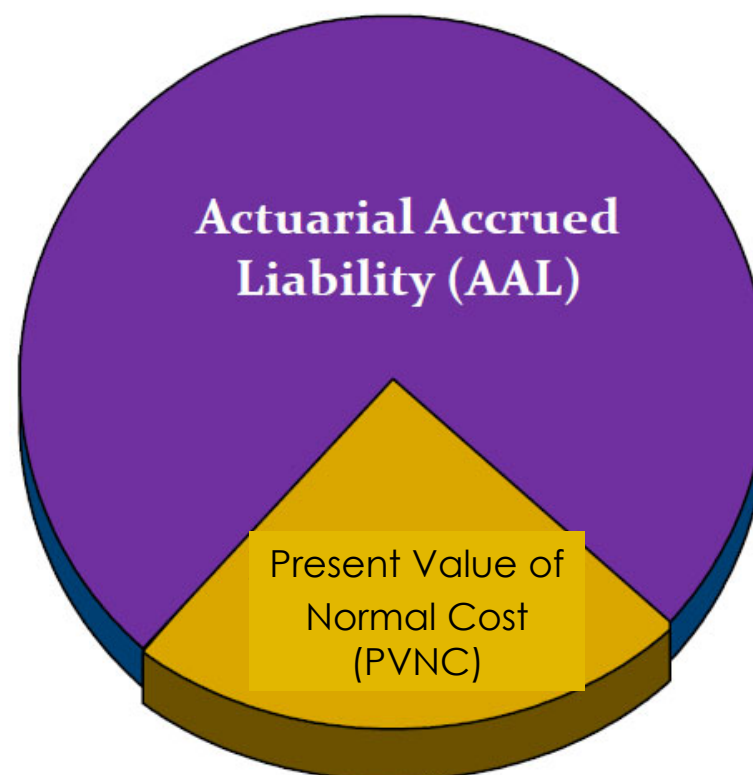


Actuarial Cost Method

The **Actuarial Cost Method** is a mechanism to allocate the present value of future benefits (PVFB) to time periods (i.e. benefits related to past service vs. future service).

- The **Present Value of Normal Cost (PVNC)** is the portion of the PVFB *attributable to future service*.
- The Actuarial Accrued Liability (AAL) is the portion of the PVB *attributable to past service*.

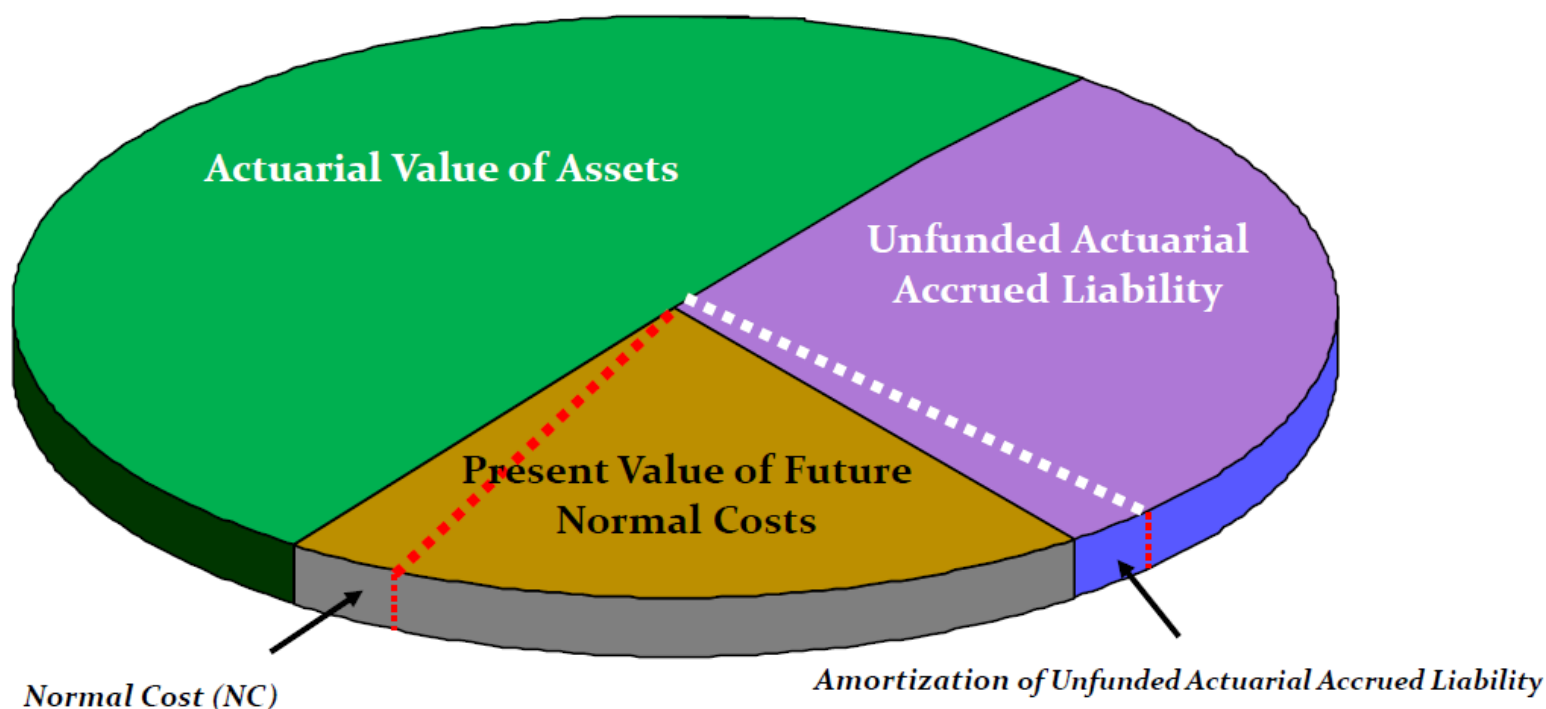
$$PVB = AAL + PVNC$$



Actuarially Determined Contribution

Actuarially Determined Contribution (ADC) = Normal Cost (NC) + Amortization (i.e., payment toward Unfunded Actuarial Accrued Liability (UAAL))

- Normal Cost (NC) = Cost attributable to benefits accruing during upcoming year
- Unfunded Actuarial Accrued Liability (UAAL) = Assets – Actuarial Accrued Liability (AAL)



Actuarial Assumptions Produce Pension Contribution Rates (Employer)

**Normal
Cost**



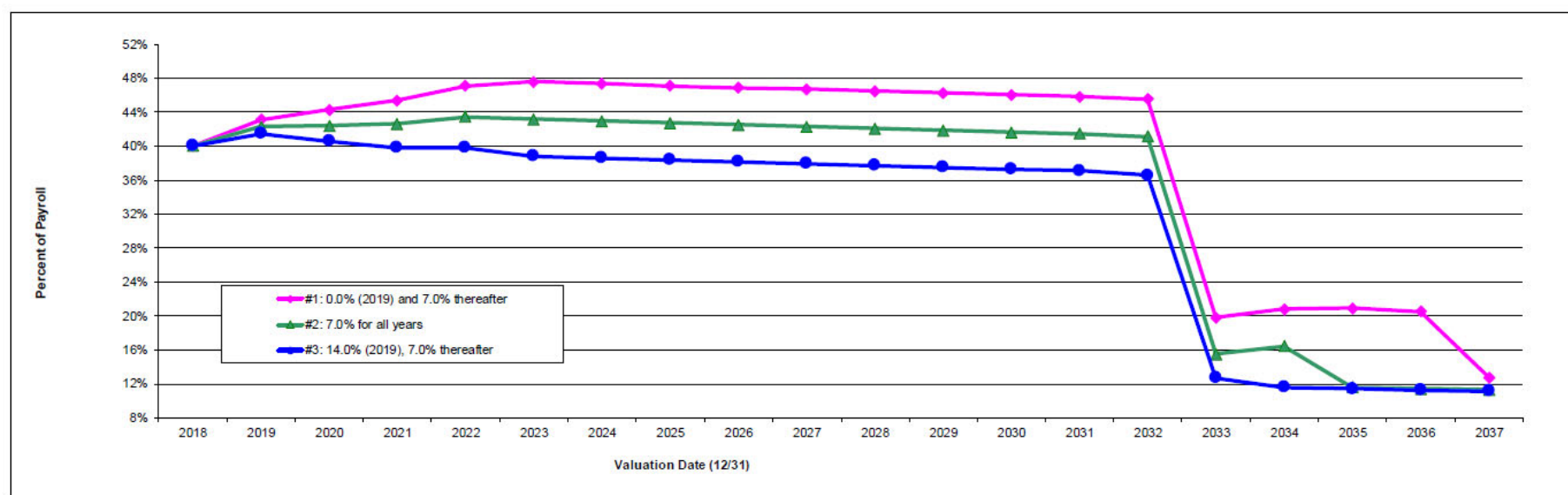
UAAL

If every assumption
is met in a year

If an assumption
isn't met

What the Future Holds?

Attachment A
Projected Employer Rates
Aggregate Plan



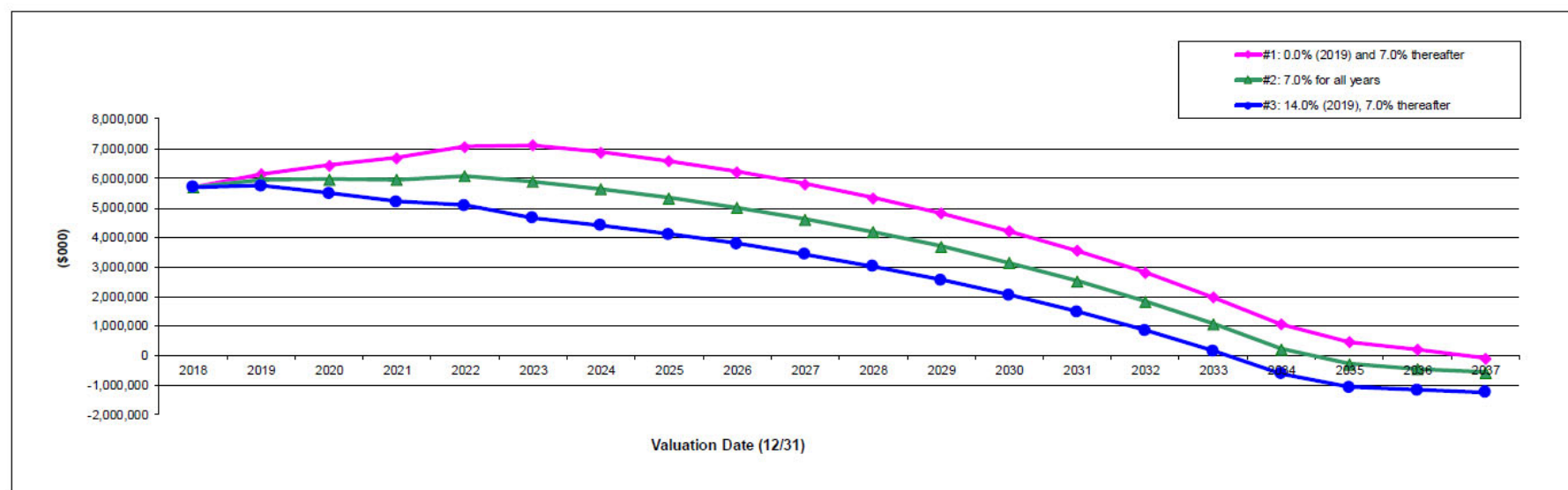
Valuation Date (12/31)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
#1: 0.0% (2019) and 7.0% thereafter	40.0%	43.1%	44.3%	45.4%	47.1%	47.6%	47.3%	47.1%	46.9%	46.7%	46.5%	46.2%	46.0%	45.8%	45.5%	19.8%	20.8%	20.9%	20.5%	12.7%
#2: 7.0% for all years	40.0%	42.3%	42.4%	42.6%	43.6%	43.2%	43.0%	42.7%	42.5%	42.3%	42.1%	41.9%	41.7%	41.5%	41.1%	15.5%	16.5%	11.6%	11.4%	11.3%
#3: 14.0% (2019), 7.0% thereafter	40.0%	41.5%	40.6%	39.8%	39.8%	38.8%	38.6%	38.4%	38.1%	37.9%	37.7%	37.5%	37.3%	37.1%	36.6%	12.7%	11.6%	11.4%	11.3%	11.1%

Attachment B
Projected Employer Rates by Rate Group
Scenario 3: 14.0% for 2019 and 7.0% thereafter

	Valuation Date (12/31)																			
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
General																				
RG #1 - Plans A, B and U (non-OCTA, non-OCSD)	18.9%	20.2%	19.8%	19.5%	19.6%	19.1%	19.1%	19.1%	19.1%	19.1%	19.0%	19.0%	19.0%	19.0%	18.9%	10.1%	10.1%	10.1%	10.1%	10.0%
RG #2 - Plans I, J, O, P, S, T, U and W (County et al.)	37.4%	38.7%	37.9%	37.2%	37.1%	36.2%	35.9%	35.7%	35.5%	35.2%	35.0%	34.8%	34.6%	34.4%	34.1%	8.9%	8.8%	8.6%	8.4%	8.3%
RG #3 - Plans B, G, H and U (OCSD)	13.0%	13.2%	12.2%	11.7%	11.6%	11.4%	11.3%	11.2%	11.1%	11.0%	10.9%	10.8%	10.8%	10.7%	10.6%	10.6%	10.5%	10.4%	10.4%	10.3%
RG #5 - Plans A, B and U (OCTA)	30.5%	32.1%	31.5%	31.0%	31.2%	30.5%	30.5%	30.4%	30.4%	30.3%	30.3%	30.3%	30.3%	30.2%	30.1%	11.5%	11.5%	11.4%	11.4%	11.4%
RG #9 - Plans M, N and U (TCA)	27.6%	28.3%	27.8%	27.3%	27.4%	26.7%	26.6%	26.5%	26.4%	26.3%	26.2%	26.1%	26.0%	26.0%	25.8%	11.5%	11.4%	11.4%	11.4%	11.3%
RG #10 - Plans I, J, M, N and U (OCFA)	28.0%	29.2%	28.4%	27.8%	27.9%	27.0%	26.9%	26.7%	26.6%	26.4%	26.3%	26.2%	26.0%	25.9%	11.1%	11.0%	10.9%	10.8%	10.7%	10.7%
RG #11 - Plans M and N, future service, and U (Cemetery)	12.1%	12.6%	12.1%	12.2%	12.2%	12.2%	12.2%	12.2%	12.2%	12.2%	12.2%	12.2%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%
RG #12 - Plans G and H, future service, and U (Law Library)	15.3%	15.0%	14.0%	13.1%	13.2%	11.9%	11.8%	11.6%	11.5%	11.4%	11.3%	11.2%	11.1%	11.0%	10.9%	10.8%	10.7%	10.7%	10.6%	10.6%
Safety																				
RG #6 - Plans E, F and V (Probation)	55.4%	58.0%	57.1%	56.3%	56.5%	55.2%	55.0%	54.8%	54.5%	54.2%	53.9%	53.6%	53.2%	52.9%	52.4%	26.1%	18.8%	18.4%	18.0%	17.7%
RG #7 - Plans E, F, Q, R and V (Law Enforcement)	65.2%	67.5%	66.2%	65.2%	65.2%	63.7%	63.4%	63.2%	62.9%	62.6%	62.4%	62.2%	61.9%	61.7%	61.4%	25.9%	20.4%	20.2%	20.1%	19.9%
RG #8 - Plans E, F, Q, R and V (OCFA)	48.6%	49.9%	48.6%	47.5%	47.4%	45.7%	45.1%	44.7%	44.2%	43.8%	43.4%	43.0%	42.6%	42.2%	41.7%	18.2%	17.8%	17.4%	17.1%	16.7%

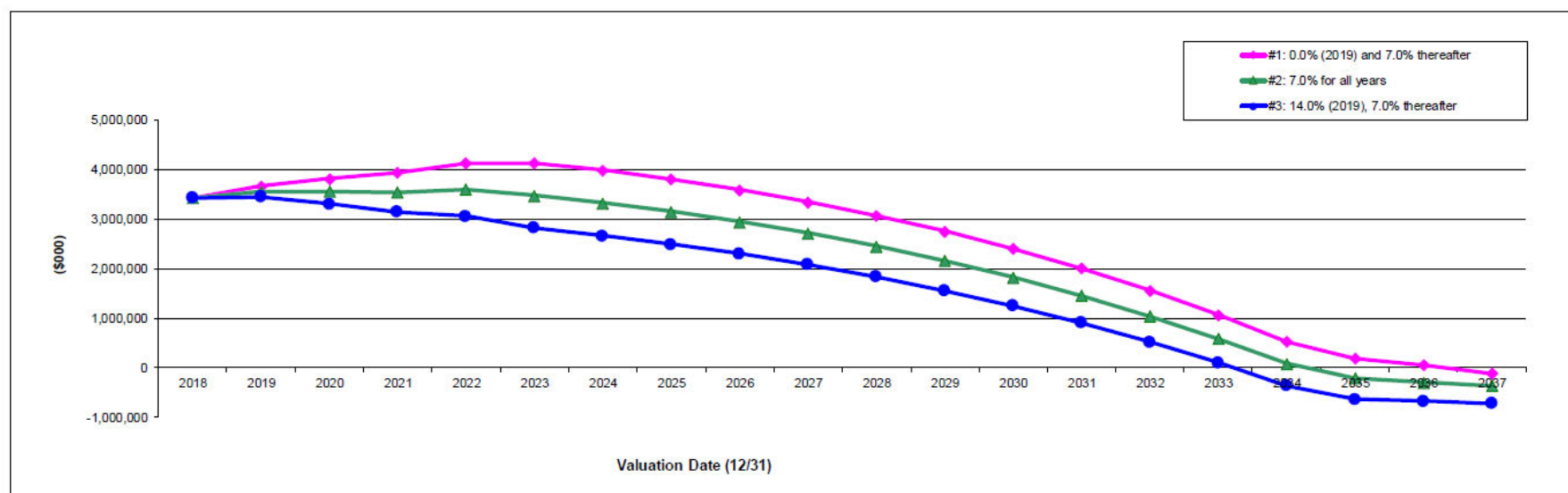
Similar to prior projections, we have not taken into account the County Investment Account (that account has a balance of \$131,890,000 as of December 31, 2018) in these projections.

Attachment C Projected UAAL and Funded Ratio for Aggregate Plan



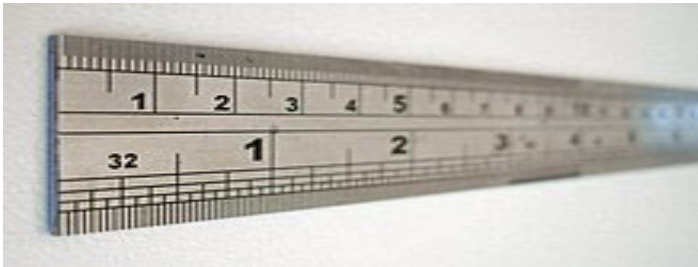
UAAL (\$000)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
#1: 0.0% (2019) and 7.0% thereafter	5,708,929	6,151,718	6,445,325	6,700,361	7,075,983	7,116,375	6,884,780	6,581,325	6,221,820	5,810,686	5,343,488	4,815,343	4,221,081	3,555,227	2,811,806	1,984,392	1,067,898	468,200	212,372	-84,964
#2: 7.0% for all years	5,708,929	5,950,428	5,972,292	5,959,104	6,081,591	5,887,544	5,642,568	5,348,439	5,007,147	4,621,050	4,184,210	3,692,346	3,140,787	2,524,451	1,837,674	1,075,652	233,152	-283,842	-447,422	-565,508
#3: 14.0% (2019), 7.0% thereafter	5,708,929	5,749,136	5,499,259	5,217,860	5,087,289	4,868,958	4,400,633	4,111,252	3,791,368	3,429,558	3,022,197	2,565,429	2,055,192	1,486,966	856,006	157,273	-809,621	-1,066,289	-1,156,545	-1,237,503
Funded Ratio																				
#1: 0.0% (2019) and 7.0% thereafter	72.4%	71.8%	71.8%	72.1%	71.9%	73.0%	75.0%	77.2%	79.3%	81.5%	83.6%	85.8%	88.0%	90.3%	92.6%	94.9%	97.4%	98.9%	99.5%	100.2%
#2: 7.0% for all years	72.4%	72.7%	73.9%	75.2%	75.8%	77.7%	79.5%	81.5%	83.4%	85.3%	87.2%	89.1%	91.1%	93.1%	95.1%	97.3%	99.4%	100.7%	101.0%	101.3%
#3: 14.0% (2019), 7.0% thereafter	72.4%	73.6%	76.0%	78.3%	79.8%	82.3%	84.0%	85.7%	87.4%	89.1%	90.7%	92.4%	94.2%	95.9%	97.7%	99.6%	101.5%	102.6%	102.7%	102.8%

Attachment E
Projected UAAL and Funded Ratio for Rate Group #2
Plans I, J, O, P, S, T, U and W (County et al.)

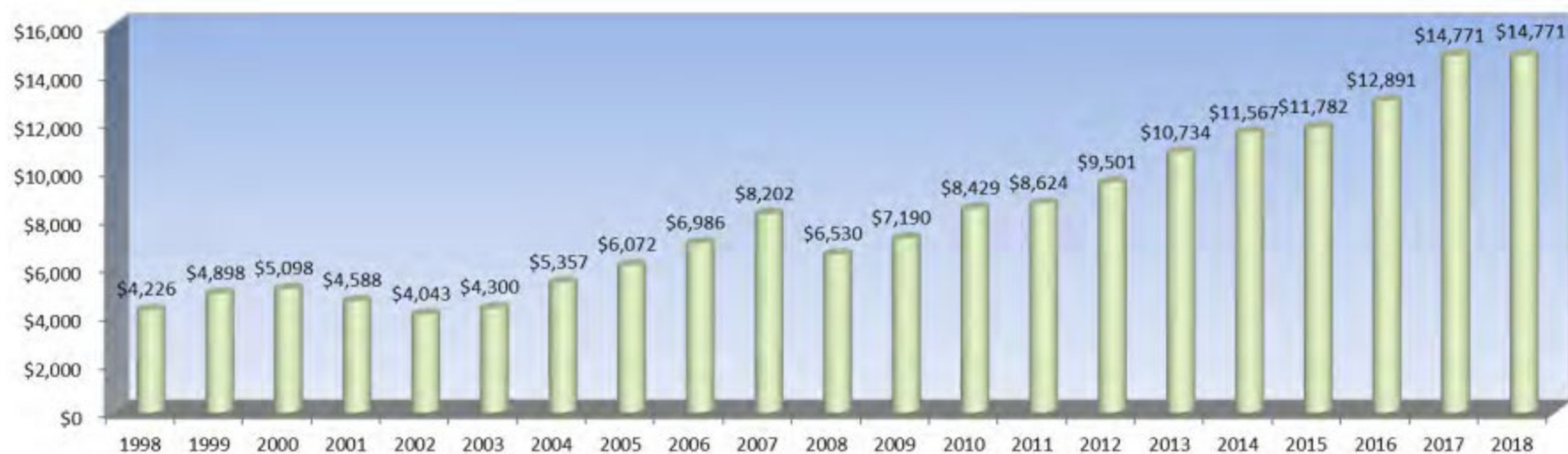


UAAL (\$000)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
#1: 0.0% (2019) and 7.0% thereafter	3,429,915	3,666,202	3,816,647	3,942,335	4,128,804	4,134,373	3,993,227	3,811,236	3,596,614	3,351,472	3,073,178	2,758,814	2,405,320	2,009,487	1,587,786	1,076,421	532,446	192,783	62,006	-112,926
#2: 7.0% for all years	3,429,915	3,568,227	3,563,321	3,545,950	3,507,823	3,479,108	3,330,929	3,152,930	2,949,107	2,717,295	2,455,189	2,160,154	1,829,480	1,480,083	1,048,750	562,116	87,610	-207,433	-288,108	-355,299
#3: 14.0% (2019), 7.0% thereafter	3,429,915	3,450,251	3,309,985	3,149,525	3,066,803	2,823,913	2,668,707	2,494,492	2,301,460	2,083,117	1,837,238	1,561,496	1,253,478	910,420	529,436	107,512	-357,543	-625,907	-669,721	-716,801
Funded Ratio																				
#1: 0.0% (2019) and 7.0% thereafter	70.1%	69.5%	69.7%	70.0%	69.9%	71.1%	73.2%	75.4%	77.6%	79.9%	82.2%	84.5%	86.0%	89.4%	91.0%	94.6%	97.4%	99.1%	99.7%	100.5%
#2: 7.0% for all years	70.1%	70.4%	71.7%	73.1%	73.8%	75.7%	77.6%	79.6%	81.7%	83.7%	85.8%	87.0%	90.0%	92.3%	94.6%	97.0%	99.8%	101.0%	101.4%	101.7%
#3: 14.0% (2019), 7.0% thereafter	70.1%	71.3%	73.7%	76.1%	77.7%	80.3%	82.1%	83.9%	85.7%	87.5%	89.3%	91.2%	93.2%	95.2%	97.3%	99.5%	101.8%	103.0%	103.2%	103.3%

Some Measures of System Health

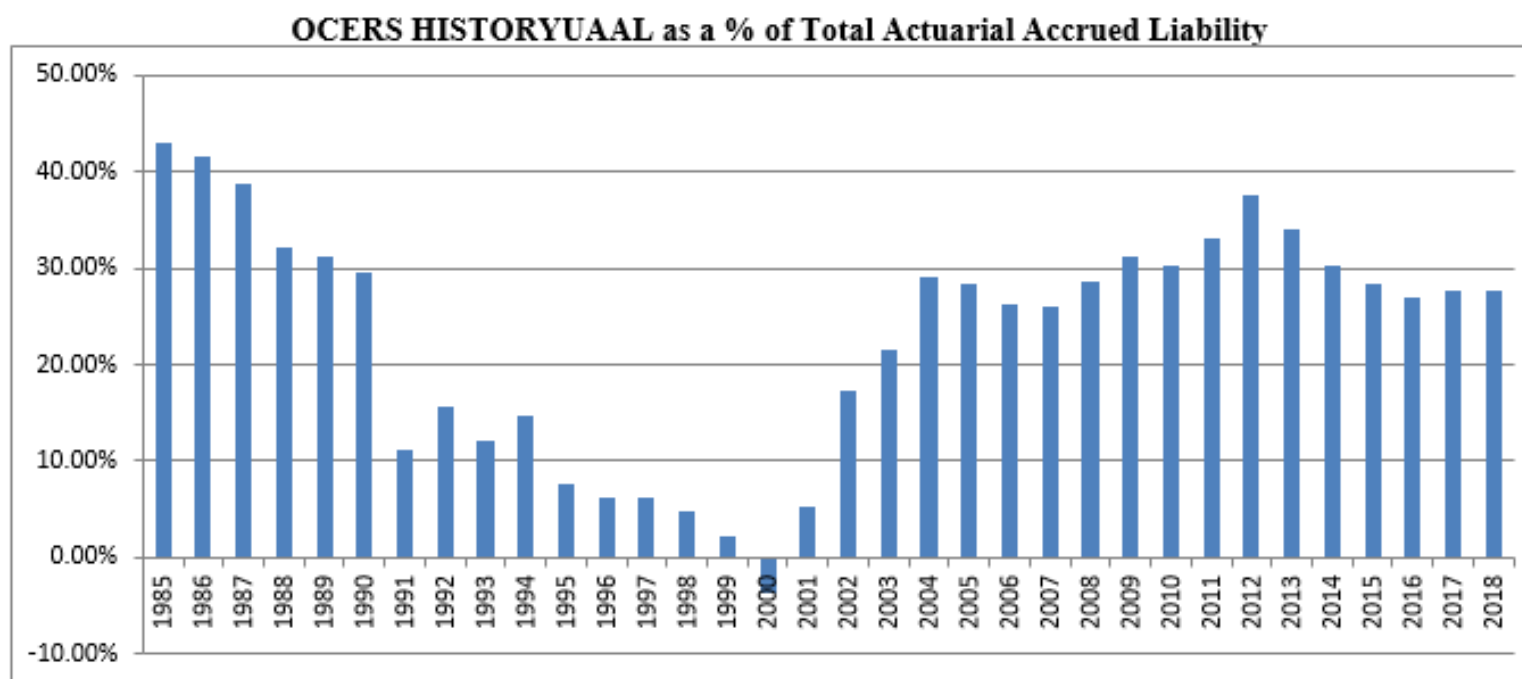


Growth of System Net Investments at Fair Value (Dollars in Millions)

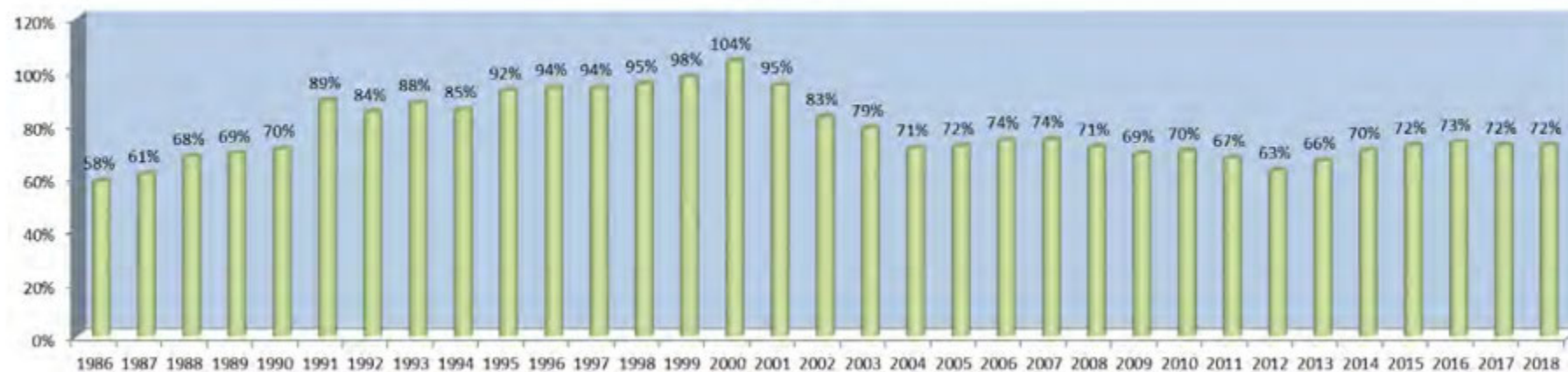


Unfunded Actuarial Accrued Liabilities (UAAL) (Dollars in Millions)

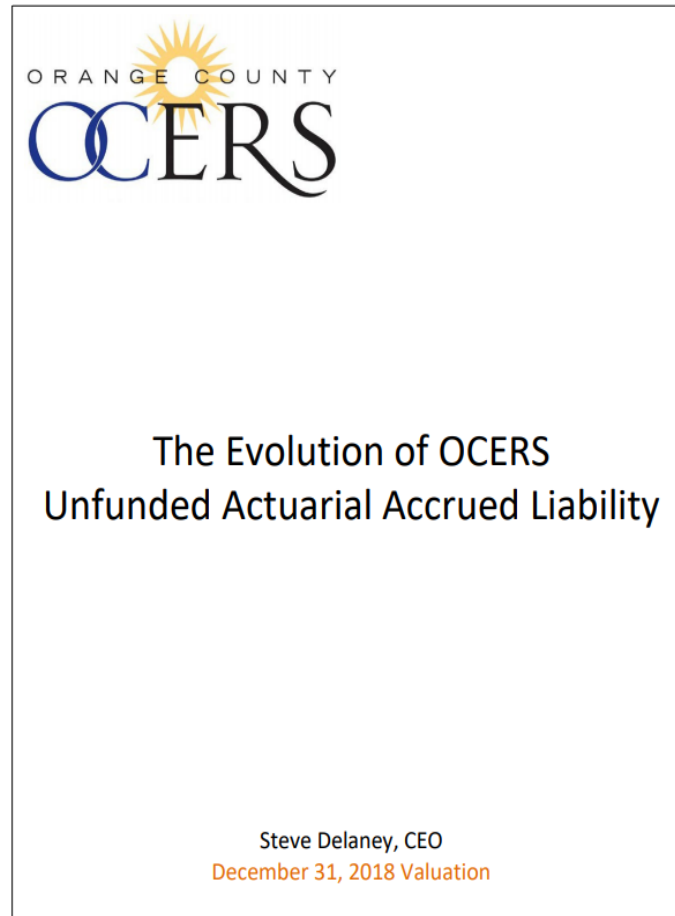




**Funded Ratio by Calendar Years
(Rounded)**



Additional Reading (www.OCERS.org)





Memorandum

February 20, 2020

AOC Agenda Item No. 6

TO: Audit Oversight Committee Members

Recommended Action:

Discuss Audit Oversight Committee Vacancy and Attendance

Discuss Audit Oversight Committee vacancy and attendance, as stated in the recommended action.



Memorandum

February 20, 2020

AOC Agenda Item No. 7

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report from Audit Oversight Committee Bylaws Subcommittee and Approve Revised Audit Oversight Committee Bylaws, and Resolution Amending Term of Public Members

Receive Report from Audit Oversight Committee Bylaws Subcommittee and Approve Revised Audit Oversight Committee Bylaws, and Resolution amending term of Public Members as stated in the recommended action.

ATTACHMENT(S):

Attachment A – Redline County of Orange Audit Oversight Committee Bylaws

Attachment B – Draft Board of Supervisors' Resolution Setting Term of Office for AOC Public Members

Attachment C – Board of Supervisors' Resolution No. 16-014

County of Orange Audit Oversight Committee Bylaws

ARTICLE 1 ESTABLISHMENT

The Audit Oversight Committee (AOC) was originally established in 1995 by Board of Supervisors' Resolution No. 95-271 to provide oversight over the County's internal audit functions. This resolution was superseded by Resolution No. 2016-014, which affirmed and amended the duties and responsibilities of the AOC in light of the creation of the position of Performance Audit Director and the transfer of the internal audit responsibilities to the Auditor-Controller's office. In 2018, the Board of Supervisors adopted Resolution 18-068, establishing an Internal Audit Department independent from the Auditor-Controller and reporting directly to the Board of Supervisors.

ARTICLE 2 PURPOSE

The purpose of the AOC is to serve as an advisory committee to the Board of Supervisors on issues related to the County's internal audit function and the County's external audit coverage including the financial statements (e.g. CAFR, Single Audit Report and Management Letter) and federal and state audits. The AOC assists the Board of Supervisors in fulfilling their oversight responsibilities with respect to financial, operational, and compliance audit activities including, but not limited to: (i) external audit; (ii) internal audit; (iii) performance audit; and (iv) mandated audits. The AOC is responsible for ensuring the independence of the internal audit function, reviewing and recommending approval of the Internal Audit Department's and the County Executive Office's Annual Audit Plans, reviewing audit reports, and ensuring that corrective action is taken on audit findings.

ARTICLE 3 MEMBERSHIP

- 3.1 The membership of the AOC shall consist of the following: the Chairperson and Vice-Chairperson of the Board of Supervisors, the County Executive Officer (CEO), and five public members from the private sector appointed by the Board of Supervisors. All public members shall serve a term of office that is coterminous with the term of the member of the Board of Supervisors that nominated such public member, not to exceed of four (4) years, except that. If members selected to fill a vacancy for reasons other than the regular expiration of a term shall serve only for the remainder of that term. The public members may be reappointed or removed by the Board of Supervisors.
 - 3.1.1 Public members whose term has expired, including those coterminous with the Board of Supervisors as described in Section 3.1, shall continue to discharge their duties as a holdover appointee until their successor has been appointed by the Board of Supervisors or they have resigned from the AOC, whichever is earlier.
- 3.2 Each member of the Board of Supervisors may nominate one public member for appointment by the Board of Supervisors. Public members shall possess sufficient knowledge and experience in finance, business, and accounting to discharge the AOC's duties with an emphasis on prior audit experience (*i.e.*, financial and internal controls).
 - 3.2.1 The AOC may recommend individuals to the Board of Supervisors as potential nominees to fill vacant public member seats.
- 3.3 In the event that a public member chooses to resign from the AOC, such member should notify the Chair of the AOC, in writing. The Chair of the AOC will then immediately notify the Board of Supervisors and the AOC of any such resignations. Upon notification, the CEO will then solicit nominations from the appropriate Board of Supervisors office that is responsible for nominating a public member for appointment by the Board of Supervisors to fill the vacancy.

County of Orange Audit Oversight Committee Bylaws

- 3.4 Members are expected to consistently attend all meetings. If a public member is unable to attend a meeting, absent extenuating circumstances, the public member shall notify the AOC Chair of his or her anticipated absence, prior to the meeting. Any absence without prior notification to the AOC Chair, shall be deemed an unnoticed absence. If a public member has two unnoticed absences out of five (5) meetings, the public member shall be notified of their pending removal from the AOC. The public member shall then have thirty (30) days to appeal the matter by written letter to the AOC, which if timely received, shall be agendized for the next regularly scheduled AOC meeting. If the matter is not appealed, the seat shall be deemed vacant. If the matter is appealed, the remaining AOC members shall vote on whether the seat shall be vacated. If vacated, the vacancy shall be filled pursuant to Sections 3.3 and 3.5 as applicable.
- 3.5 In the event that a public members' seat remains vacant for one hundred eighty-three (183) days or more, the AOC Chair may select an interim public member to fill the vacancy. The interim public member shall serve only until the Board of Supervisors selects a public member to fill the vacancy.
- 3.64 The Director of Internal Audit, Auditor-Controller, and Treasurer-Tax Collector or their authorized designees, shall attend all AOC meetings. The Director of Internal Audit, Auditor-Controller, and Treasurer-Tax Collector shall not be voting members of the AOC.

ARTICLE 4 CHAIR AND VICE CHAIR - POWERS AND DUTIES

- 4.1 The Chair and Vice-Chair shall be elected for a one year term extending from January 1st to December 31st, which may be extended for one additional year by a majority vote of the AOC members.
- 4.2 The Chair's duties include presiding over all AOC meetings, establishing subcommittees, responding to members' requests for information, signing communications on behalf of the AOC and representing the AOC before the Board of Supervisors and other governmental and quasi-governmental bodies, subject to the approval of the other AOC members.
- 4.3 The Chair and Vice-Chair may review drafts of the Comprehensive Annual Financial Report upon request to the extent that the exemption for the production of such record can be preserved. The Chair and Vice-Chair shall maintain the confidentiality of such draft records and shall not retain copies of such drafts upon the completion of their review.
- 4.4 In the absence or inability of the Chair to preside over the meetings, the Vice-Chair will perform such duties. If neither the Chair nor Vice-Chair is able to preside, the AOC shall select one of the members to act as Chair for the meeting, and who shall have all the powers and duties of the Chair during the meeting.
- 4.5 The Chair and Vice-Chair may only be selected from the public members of the AOC. The Chair cannot serve as Vice-Chair in the year immediately following his service as Chair.

County of Orange

Audit Oversight Committee Bylaws

4.6 The Chair shall author a brief report to the Board of Supervisors, no later than thirty (30) days after each meeting, noting member attendance and any significant matters to come before the committee.

ARTICLE 5 MEETINGS

- 5.1 The AOC shall meet at least quarterly, with authority to convene additional meetings as circumstances require. All meetings shall be subject to the Ralph M. Brown Act.
- 5.2 An agenda shall be prepared for each meeting by IAD staff and approved for distribution by the AOC Chair. The agenda shall contain a brief general description of each item of business to be transacted or discussed at the meeting of the AOC or as required by the Brown Act. The agenda shall include any item of business that is carried forward from a prior regular meeting at the request of the AOC. The agenda shall be posted within the time and in the manner required by the Brown Act. Additional items may be added to the agenda after it is posted only in accordance with the Brown Act.
- 5.3 The AOC Chair is required to call a meeting if requested to do so by the Board of Supervisors or two public members.
- 5.4 The quorum for a meeting shall be a majority of the voting members, and decisions made by a majority vote of the voting members present shall be regarded as acts of the AOC.
- 5.5 All AOC members will have an equal voice in the decision-making process. Due to the scope of the AOC's assignment, and the value of each member's input, consistent attendance by all members is expected; however, the Chair and Vice-Chair of the Board of Supervisors and the County Executive Officer (CEO) may designate a substitute to attend an AOC meeting on their behalf by submitting the member's signed proxy to the Chair of the AOC at the start of the meeting.
- 5.6 The Chair may, as necessary, ask authorized representatives of the performance auditor, the Internal Audit Department (IAD), and Auditor-Controller to attend AOC meetings to discuss plans, findings and other matters of mutual concern.
- 5.7 IAD will keep minutes of each meeting and offer them for AOC approval as the first item on the subsequent meeting agenda.
 - 5.7.1 Minutes of each meeting shall contain a record of the persons present. The minutes should provide a record of decisions taken and a high-level summary of the discussion, providing insight on the topics and subtopics discussed.
 - 5.7.2 IAD shall distribute the draft minutes, which will be presented for approval by the AOC at its next scheduled meeting, as soon as reasonably practical following the meeting.
 - 5.7.3 If the minutes for a prior meeting are corrected or amended during an AOC meeting, such minutes will be sent to the AOC members once approved by the AOC.
- 5.8 Reports and other documents distributed in conjunction with the AOC agenda shall be distributed in accordance with the Ralph M. Brown Act in advance of the meeting to allow for their review.

County of Orange Audit Oversight Committee Bylaws

- 5.9 The Chair shall preserve order and decorum. The AOC shall operate under Roberts' Rules and the Chair shall decide all questions of order (unless overridden by a majority of the committee members present) consistent with such rules.
- 5.10 The AOC's meeting schedule will normally be tentatively set out one year in advance and finalized each quarter so that County management and IAD staff can prepare the information and reports required to support the AOC's work.

ARTICLE 6 OPERATIONS

- 6.1 The AOC's Bylaws shall be submitted to the Board of Supervisors for approval. The Bylaws shall be reviewed periodically, no less than once every three years, by the AOC and reaffirmed by the Board of Supervisors. Reassessments should specifically take into account any changes that may be needed as the result of changes in law, regulation, or professional standards.
- 6.2 Members shall be briefed on the AOC's purpose, responsibilities, objectives, and on the business of the County upon joining the AOC by the Director of IAD. A process of continuing education (e.g., briefings and information on emerging issues and risks) shall be provided at the AOC meetings as approved by the AOC subject to available budget appropriations. Public members shall receive ethics training as required by AB 1234, Government Code sections 53234, *et seq.*, which shall be provided by the County.
- 6.3 The AOC shall be provided with the resources necessary to carry out its role, responsibilities, and duties. To the extent it deems necessary to meet its responsibilities, and in keeping with its Bylaws, the AOC has the authority to retain independent advice and assistance pursuant to County purchasing policy and procedures subject to available budget appropriations.
- 6.4 The AOC may request funds needed for its operation during the County's normal budget process. Such appropriation will be included within the IAD's budget to be administered by IAD staff.
- 6.5 The IAD shall provide staffing and support for the AOC. This includes:
- a. the timely preparation of all notices and draft agendas of meetings;
 - b. coordination of presentations and distribution of reports and/or related documents that are prepared for the AOC's information or consideration;
 - c. the timely preparation and distribution of minutes of meetings; and
 - d. the performance of other incidental duties as may be assigned.

ARTICLE 7 RESPONSIBILITIES AND DUTIES

- 7.1 *Representation Letter.* The County Executive Officer will annually provide the AOC with a copy of the signed representation letter issued to the external auditor. Furthermore, the CEO and all County agencies/departments under the authority of the CEO, will cooperate with internal/external auditors and will comply with all laws, regulations, policies, and standards of ethical conduct during the audits, and will request that County elected Department Heads similarly comply.
- 7.2 *Financial Statements and Reporting.* The AOC shall provide oversight of the County's independent external auditor and shall:

County of Orange

Audit Oversight Committee Bylaws

- a. review the quality of the County's financial reporting activities;
- b. review all findings, recommendations, and management's responses related to all external audit reports and consult with external auditors regarding audit adjustments, weaknesses in internal controls, fraud, and compliance matters related to laws, regulations, contracts and grant agreements that would have a material impact on the basic financial statements, included in the Comprehensive Annual Financial Report (CAFR), Single Audit and other audit reports prepared by the County's independent external auditors;
- c. provide oversight for the periodic review and selection of the County's independent external auditor to perform the audit of the County's basic financial statements included in the CAFR, including all component units and the Single Audit;
- d. review any additional work beyond the original scope of work conducted by the independent external auditors on behalf of the County;
- e. review the independent external auditor's scope and plan and any significant changes to the scope during the audit process;
- f. review the draft of the County's CAFR and provide questions and/or comments to the Auditor-Controller for consideration (Chair and Vice-Chair only);
- g. discuss, as needed, with County Counsel, the independent external auditor, and the Director of Internal Audit, legal and regulatory matters that, in the opinion of management, may have a material impact on the financial statements and compliance with federal, state, and local laws and regulations, grant agreements and contracts;
- h. review with the independent external auditor the latter's judgments about the quality, not just the acceptability, of the County's accounting principles as applied in its financial reporting;
- i. review all matters required to be discussed by auditing standards generally accepted in the United States of America (GAAS) and Government Auditing Standards issued by the Comptroller General of the United States (GAS), including those specific matters covered in AU-C Section 260, *The Auditor's Communication With Those Charged With Governance*;
- j. review with management and the independent external auditor the effect of any regulatory and accounting initiatives, such as related organizations financing structures, derivatives, or securities lending; and
- k. review all alternative treatments of financial information brought to the AOC's attention by the independent external auditor within accounting principles generally accepted in the United States of America (GAAP) that have been discussed with County management and the ramifications of each alternative and the treatment preferred by the County.

7.3 *Oversight of the Audit Function of the Auditor-Controller (AC).* The AOC shall:

- a. review regularly and annually discuss the adequacy of resources of the audit function;
- b. review and approve the risk assessment and audit plan prepared by the AC and any subsequent revisions;
- c. compare the approved audit plan with actual work completed
- d. review significant findings during the year and management's responses thereto;
- e. discuss with the AC any significant difficulties encountered in the course of AC audits, including any restrictions on the scope of their work or access to required information;

County of Orange

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- f. review and discuss, as necessary, critical impact findings and recommendations contained in audit reports and management action plans to address recommendations; and
- g. ensure AC establishes and audits agencies/department's compliance with a comprehensive framework of internal controls.

7.4 *Oversight of the Internal Audit Department.* The AOC shall:

- a. review the County's IAD charter and recommend revisions with all revisions submitted to the Board of Supervisors for its review and approval;
- b. review regularly and annually discuss the adequacy of resources of the internal audit function;
- c. review and approve the risk assessment and internal audit plan prepared by the Director of Internal Audit and any subsequent revisions;
- d. compare the approved internal audit plan with actual work completed
- e. review significant findings during the year and management's responses thereto;
- f. discuss with the Director of Internal Audit any significant difficulties encountered in the course of IAD audits, including any restrictions on the scope of their work or access to required information;
- g. review and discuss, as necessary, critical impact findings and recommendations contained in audit reports and management action plans to address recommendations; and
- h. ensure IAD establishes and audits agencies/department's compliance with a comprehensive framework of internal controls.

7.5 *Oversight of Performance Audit.* The AOC shall:

- a. provide input regarding the County's performance auditing function, including oversight over the auditing activities of the performance auditor;
- b. review performance audit reports and determine whether they adequately address whether the audited functions are effective, efficient, economical, equitable, compliant with Federal and State laws, ethical, and are based on reliable data;
- c. review and discuss, as necessary, findings and recommendations contained in performance audit reports and management action plans to address recommendations; and
- d. review and make recommendations regarding the annual work plan prepared by the County Executive Office.

7.6 *Follow-up Audits.* The AOC shall:

- a. ensure that there are effective arrangements in place to monitor and follow-up on management action plans responding to recommendations from internal audits or other sources; and
- b. review and receive reports from the IAD and performance auditor on whether management's action plans have been implemented and whether the actions taken have been effective. The IAD reports shall identify any areas where it believes management has accepted a level of risk that is unacceptable to the County.

7.7 *Peer Review/Quality Control.*

- a. The AOC shall ensure that an external quality control review (Peer Review) of the IAD be conducted as required by an organization not affiliated with the IAD in accordance with the GAGAS and/or the Institute of Internal Auditors Standards at the discretion of the Director of Internal Audit.

County of Orange Audit Oversight Committee Bylaws

- b. The AOC shall ensure that an external quality control review (Peer Review) of performance audit be conducted as required by an organization not affiliated with IAD in accordance with the guidelines contained in the Peer Review Guide published by the Association of Local Government Auditors (ALGA).

7.8 *Comprehensive Framework of Internal Control.* The AOC will review with the AC, IAD and CEO the adequacy of the County's internal control structure. The AOC should consider a number of factors:

- a. the adequacy of the County's internal controls including computerized information systems;
- b. determine adherence to the principle established in the COSO guidelines including cybersecurity
- c. significant risks or exposures identified by County management and the steps management has taken or proposes to take to minimize such risks;
- d. findings and recommendations of the independent external and internal auditors;
- e. audit adjustments;
- f. code of conduct;
- g. Fraud Hotline complaints; and
- h. pending accounting and regulatory changes.

7.9 *Oversight of Fraud Hotline.* The AOC shall ensure that the ~~Auditor-Controller~~IAD has established procedures for the receipt, retention, investigation and treatment of Fraud Hotline complaints, ~~which~~that have been referred to the Auditor-Controller.

7.10 *Coordination and Scheduling of Audits.* The AOC shall review and provide recommendations regarding the coordination and scheduling of external, internal and performance audits to avoid disruption of departmental work flows and duplication of effort.

7.11 *Resolution of Audits.* The AOC shall be made aware of incidents in which management does not concur with an audit's findings or recommendations. The AOC may, at its discretion, request applicable management and auditors to appear at an AOC meeting to discuss the differing opinions.

ARTICLE 8 INDEMNIFICATION OF AOC MEMBERS

The County of Orange will indemnify and defend AOC members, with counsel of the County's sole and exclusive choosing, for their participation, decisions, or actions taken on behalf of the AOC. Each AOC member should also familiarize him/herself with County of Orange Conflict of Interest Code and Gift Ban Ordinance requirements and file the appropriate annual certifications.

RESOLUTION OF THE BOARD OF SUPERVISORS OF
ORANGE COUNTY, CALIFORNIA, SETTING TERM OF OFFICE
FOR AOC PUBLIC MEMBERS

[INSERT DATE]

WHEREAS, on February 9, 2016, by Resolution 16-014, this Board established an Audit Oversight Committee (“AOC”) to provide independent review and oversight of the County’s financial reporting processes and the County’s internal controls, a review of the external auditor’s report and follow-up on management’s corrective action, and compliance with laws, regulations and policies; and

WHEREAS, Resolution 16-014 provides that the membership of the AOC shall include five public members whose term shall be four (4) years; and

WHEREAS, Resolution 16-014 provides that the Auditor-Controller’s office is to provide staffing and support for the AOC; and

WHEREAS, on June 26, 2018, by Resolution 18-068, this Board established an Internal Audit Department independent from the Auditor Controller and reporting directly to the Board of Supervisors; and

WHEREAS, this Board of Supervisors desires to amend Resolution 16-014 in order to modify the term of office of the AOC public members, and to transfer the duties to staff and support AOC from the Auditor-Controller’s office to the Internal Audit Department.

NOW, THEREFORE, BE IT RESOLVED that this Board does hereby:

1. Amend Resolution 16-014, replacing the third sentence of Section 3 with the following: “The term for each public member shall be coterminous with the term of office of the member of the Board of Supervisors that nominated such public member, not to exceed four (4) years.”

2. Amend Resolution 16-014, replacing Section 5 with the following: “Direct that the newly created fifth public member shall serve an initial two (2) year term from January 1,

2016 to December 31, 2017 and each term thereafter shall be governed by the requirements as stated in Section 3.”

3. Amend Resolution 16-014, replacing Section 8 with the following: “Direct the Internal Audit Department to provide staffing and support for the AOC. The Auditor-Controller shall not be a voting member of the AOC.”

4. All other provisions of Resolution 16-014, not otherwise expressly amended herein, shall remain in full force and effect.

DRAFT

RESOLUTION OF THE BOARD OF SUPERVISORS OF
ORANGE COUNTY, CALIFORNIA

February 9, 2016

WHEREAS, on April 25, 1995, this Board established the Internal Audit Department and transferred internal audit responsibilities and staff from the Auditor-Controller's Office to the Internal Audit Department through its adoption of Resolution No. 95-271; and

WHEREAS, Resolution No. 95-271 also established an Audit Oversight Committee to act in an oversight capacity over audits conducted by the Internal Audit Department; and

WHEREAS, the Audit Oversight Committee performs an important function in assisting the Board of Supervisors in fulfilling its oversight responsibilities with respect to financial reporting, internal controls, and internal and external auditor activities; and

WHEREAS, on July 24, 2007, this Board approved the creation of a performance audit function reporting directly to the Board and the Performance Audit Director position; and

WHEREAS, on August 4, 2015, this Board rescinded Sections 1 and 9 of Resolution No. 95-271, and transferred internal audit responsibilities from the Internal Audit Department back to the Auditor-Controller's Office effective August 21, 2015; and

WHEREAS, the Board of Supervisors desires to affirm and amend the duties and responsibilities of the Audit Oversight Committee in light of the creation of the position of Performance Audit Director and the transfer of internal audit responsibilities to the Auditor-Controller's office.

NOW, THEREFORE, BE IT RESOLVED that this Board does hereby:

1. Repeal Resolution No. 95-271 dated April 25, 1995.
2. Establish an Audit Oversight Committee ("AOC") to provide independent review and oversight of the County's financial reporting processes and the County's internal controls, a review of the external auditor's report and follow-up on management's corrective action, and compliance with laws, regulations and policies.

3. Direct that the AOC shall be comprised of the following eight members: The Chair and Vice-Chair of the Board of Supervisors, the County Executive Officer, and five public members. Each member of the Board of Supervisors may nominate one public member for appointment by the Board of Supervisors. The term for each public member shall be four (4) years. The public members may be appointed or removed by the Board of Supervisors at any time.
4. Appoint the public members of the AOC established under Resolution No. 95-271 to the AOC established under this Resolution. The terms of the public AOC members appointed under this Section 4 shall run from the date they were last appointed to the AOC.
5. Direct that the newly created fifth public member shall serve an initial two (2) year term from January 1, 2016 to December 31, 2017 and each term thereafter shall be for four (4) years.
6. While public members need not be accountants, they should possess sufficient knowledge and experience in finance, business, or accounting to discharge the committee's duties.
7. Direct the AOC to perform the following duties to assist the Board of Supervisors, Auditor-Controller, and Performance Audit Director in fulfilling their oversight responsibilities with respect to: financial reporting; internal controls; and internal, external, and performance auditor activities:
 - a. Oversee the establishment and maintenance of the County's internal control structure, including oversight over the auditing activities of the Auditor-Controller.
 - b. Oversee the establishment and maintenance of the County's performance audit function, including oversight over the auditing activities of the Performance Audit Director.

- c. Consider the effectiveness of the frameworks for internal controls, review the effectiveness of systems for monitoring compliance with laws and regulations, and review the processes for communicating the County's compliance policies to County personnel and monitoring compliance therewith.
 - d. Review the quality of the County's financial reporting activities.
 - e. Provide oversight for the periodic review and selection of external auditors.
 - f. Review all findings in audit reports and consult with external auditors regarding any irregularities and deficiencies disclosed in the Comprehensive Annual Financial Report (CAFR) and other audit reports prepared by the County's external auditors.
 - g. Notify the Board of Supervisors should the AOC determine any significant or material irregularity exists in County operations.
 - h. Review the County's financial policies and procedures as requested by the Auditor-Controller and County Executive Officer.
 - i. Review the Auditor-Controller's receipt, retention, investigation and treatment of complaints to the County's Fraud Hotline, which are referred to the Auditor-Controller, but may not review records pertaining to the investigation of complaints.
 - j. Provide recommendations regarding the coordination and scheduling of external, internal and performance audits to avoid disruption of departmental work flows and duplication of effort.
- 8. Direct the Auditor-Controller's office to provide staffing and support for the AOC, but the Auditor-Controller shall not be a voting member of the AOC.
 - 9. Direct the Auditor-Controller, or his or her designee, to attend all AOC meetings.
 - 10. Direct the Performance Audit Director, or his or her designee, to attend all AOC meetings.

11. Direct the Treasurer-Tax Collector, or his or her designee, to attend all AOC meetings.
12. Direct that the AOC shall meet at least quarterly with authority to convene additional meetings as circumstances require.
13. Direct that meetings of the AOC be open to the public and subject to the Ralph M. Brown Act.

The foregoing was passed and adopted by the following vote of the Orange County Board of Supervisors, on February 09, 2016, to wit:

AYES: Supervisors: TODD SPITZER, LISA A. BARTLETT, ANDREW DO
MICHELLE STEEL, SHAWN NELSON
NOES: Supervisor(s):
EXCUSED: Supervisor(s):
ABSTAINED: Supervisor(s):




CHAIRWOMAN

STATE OF CALIFORNIA)
COUNTY OF ORANGE)

I, ROBIN STIELER, Clerk of the Board of Orange County, California, hereby certify that a copy of this document has been delivered to the Chairman of the Board and that the above and foregoing Resolution was duly and regularly adopted by the Orange County Board of Supervisors

IN WITNESS WHEREOF, I have hereto set my hand and seal.





ROBIN STIELER
Clerk of the Board
County of Orange, State of California

Resolution No: 16-014
Agenda Date: 02/09/2016
Item No: 27



I certify that the foregoing is a true and correct copy of the Resolution adopted by the Board of Supervisors, Orange County, State of California

Robin Stieler, Clerk of the Board of Supervisors

By: _____
Deputy



Memorandum

February 20, 2020

AOC Agenda Item No. 8

TO: Audit Oversight Committee Members

Recommended Action:

Discuss Internal Audit Department Policy Regarding Sensitive Reports

Discuss Internal Audit Department Policy regarding Sensitive Reports, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – Draft Restricted Information Reporting Procedure



INTERNAL AUDIT DEPARTMENT

ADMINISTRATIVE & AUDIT POLICY & PROCEDURES MANUAL

NUMBER/SUBJECT	B-4-1 Restricted Information Reporting
DATE	
VERSION	1.0 (new)
APPROVED BY	Internal Audit Director
OWNER/INQUIRIES	Assistant Director

A. PURPOSE

To provide policy and procedures for preparing and issuing all reports with restricted information.

B. OVERVIEW

Certain reports contain restricted information that will require redaction from public release due to the risk that restricted information could be used for illegal or improper purposes that could impact the County.

C. POLICY

1. Report content will be analyzed to determine if any information is sensitive in nature, i.e., restricted information.
2. Restricted information will not be released in any public-facing report.
3. A public information report will be issued whenever a restricted information report is required.
4. Reports with restricted information will have limited distribution and be distributed in a secure manner.
5. Pre-draft/draft reports with restricted information shall be issued in a secure manner and with limited distribution.

D. PROCEDURES

1. Restricted Information Identification

- 1.1. To determine whether a finding should be redacted and included in "Appendix A" of the report, the finding information should not provide details that an attacker could leverage to perform a cybersecurity attack against the County. These type of findings are typically categorized as "Critical Control Weakness" or "Significant Control Weakness" depending on various risk factors and the likelihood of impacting County operations. Findings that normally meet this criteria include the identification of control weaknesses over the following areas of IT including, but not limited to:

- Excessive privileged user access
- De-provisioning of user access upon termination
- Password and authentication configurations
- Utilizing vendor default accounts
- Utilizing generic user accounts
- Data recovery capabilities
- Change management controls
- Oversight over 3rd party user access rights
- Remote access technologies

- Inventory/asset management
- Maintenance, monitoring of audit logs
- Malware defenses
- Wireless network technologies
- Incident response plan
- Personally identifiable information (PII)
- County-specific applications

1.2. The engagement team should collaborate with the client to discuss what report content should be subject to redaction.

2. Restricted Information Report Preparation

- 2.1. Any finding determined to be restricted should be documented in “Appendix A” of the final report and subsequently redacted from the public report. However, show the finding in the results section of the report with only the finding number and following text: “Removed due to the sensitive nature of this finding.”
- 2.2. Ensure a red bar is applied on the top of each page of the audit report (including cover page) and include the text “RESTRICTED INFORMATION” within the red bar in white letters.

RESTRICTED INFORMATION

- 2.3. On the cover letter of the report, perform the following:
- (a) Insert as 2nd paragraph, in bold font, “*Recipients of this restricted information must exercise due care in electronic and non-electronic storage, distribution/transportation, and retention/destruction of this report. Furthermore, the restricted information in this report IS NOT subject to disclosure under the California Public Records Act.*”
 - (b) Under the “Other recipients of this report” section at the bottom, include the following distribution:
 - Members, Board of Supervisors
 - Chair, Audit Oversight Committee
 - [Name], County Executive Officer
- 2.4. In “Appendix D”, insert images of the complete official department management response letter head.
- 2.5. For the draft report, include “DRAFT REPORT – NOT FOR PUBLIC DISTRIBUTION” in the header. Additionally, annotate “RESTRICTED INFORMATION” on the Draft Report Routing Checklist header.
- 2.6. For the final report, on the Final Report Routing Checklist, annotate “RESTRICTED INFORMATION” in the header. Under section “DEPARTMENT DISTRIBUTION”, populate all relevant department staff for distribution of the public information version.

3. Public Information Report Preparation

The public information version of the report will be based upon the restricted information version.

- 3.1. On the restricted version of the audit report file, perform a “Save As” function (File > Save As).
- 3.2. Give the report a new file name (e.g., “XXXX.A-1 Final report PUBLIC”).

- 3.3. Change the red bar on top of the report to color green. Also, change the text from “RESTRICTED INFORMATION” to “PUBLIC INFORMATION”.

PUBLIC INFORMATION

- 3.4. Perform same tasks (steps 3.1 to 3.3) for the audit report cover page. However, give it a unique name (e.g., XXXX Final Cover PUBLIC)
- 3.5. On the cover letter of the report, perform the following:
- (a) Remove paragraph “Recipients of this restricted information must exercise due care in electronic and non-electronic storage, distribution/transportation, and retention/destruction of this report. Furthermore, the restricted information in this report IS NOT subject to disclosure under the California Public Records Act.”
 - (b) The CCs listed on the Public Information transmittal are in accordance with AOC Procedure No. 1. Public Information reports are issued in the same manner as standard audit reports. Under “Other recipients of this report” at the bottom, include the following:
 - Members, Board of Supervisors
 - Members, Audit Oversight Committee
 - CEO Distribution (for appointed departments)
 - [Insert Department Name] Distribution
 - Auditor-Controller Satellite Accounting Operations Distribution (when applicable)
 - Foreperson, Grand Jury
 - [Name], Clerk of the Board of Supervisors
 - [Name], County External Auditor
- 3.6. On the “Appendix A: RESTRICTED INFORMATION” section of the audit report, remove all findings information and replace with the text: “*Content in Appendix A has been removed from this report due to the sensitive nature of the specific findings.*”
- 3.7. On the “Appendix D” section of the audit report, remove all management response images and replace with the text: “*Content in Appendix D has been removed from this report due to the sensitive nature of the management response.*”
- 3.8. On the Final Report Routing Checklist, under section “DEPARTMENT DISTRIBUTION”, include the appropriate deputy COO if the department head is appointed (non-elected department head).

4. Report Distribution

Distribution of reports with restricted information are handled differently than regular reports.

- 4.1. For departments with secure e-mail, Administrative Services distributes the report as follows:
- (a) For the restricted information version, send an e-mail to the department executive secretary or other designee with the Acknowledgment of Audit Report Receipt & Handling Advisory and request a signed and scanned copy via e-mail.
 - (b) Once confirmation is received, send the restricted information version via secure e-mail to the department head executive secretary or other designee.

- 4.2. For departments without secure e-mail, Administrative Services distributes the report as follows:
 - (a) For the restricted information version, contact the department and make arrangements to hand-carry a hard-copy report to the department executive secretary or other designee.
 - (b) Obtain a signed Acknowledgment of Audit Report Receipt & Handling Advisory form and release the report. Scan the form into the final report folder of the appropriate project and discard the original.
- 4.3. For Board and CEO distribution (all reports):
 - (a) Contact the Board receptionist and CEO executive secretary and make arrangements to hand-carry a hard-copy report to them.
 - (b) Obtain a signed Acknowledgment of Audit Report Receipt & Handling Advisory form and release the report. Scan the form into the final report folder of the appropriate project and discard the original.
- 4.4. For public information version distribution, send via regular e-mail to the distribution list shown on the cover memo.
- 4.5. At the request of the AOC Chair, the director shall provide a verbal report to the AOC Chair and Vice-Chair on the restricted information report during quarterly meeting planning sessions.
 - (a) Should the AOC Chair desire to view the restricted report, it will be made available at the Internal Audit office. An entry shall be made in the restricted report viewing log indicating the AOC Chair, report viewed, date, and time in/out.
 - (b) No copy of the restricted information report shall be provided for viewing to the AOC Vice-Chair and no copy shall be allowed to be taken by the AOC Chair from the Internal Audit office.
- 4.6. While the Orange County Grand Jury (OCGJ) is not formally shown as a recipient of the restricted information report, copies of restricted information reports shall be made available to the OCGJ at its request.
 - (a) The OCGJ may view a copy of the restricted information report at the Internal Audit office. An entry shall be made in the restricted report viewing log indicating the OCGJ member, report viewed, date, and time in/out.
 - (b) If the OCGJ desires a copy of a restricted report, one shall be provided and a signed acknowledgement of audit report receipt and handling advisory form obtained.
- 4.7. Notwithstanding the above sections, the director shall have the discretion to further restrict restricted report distribution, including not distributing it to anyone, e.g., require viewing of restricted reports to take place at the Internal Audit office.

5. Pre-Draft/Draft Reports

Distribution of draft/pre-draft reports is limited to client key points of contact. Only the restricted information version of the report is issued for draft/pre-draft purposes.

- 5.1. Draft/pre-draft reports shall be clearly identified as such by including the following text on the top of each page of the audit report (including cover page) "CONFIDENTIAL DRAFT REPORT – NOT FOR PUBLIC DISTRIBUTION" within the red bar in white letters.

CONFIDENTIAL DRAFT REPORT – NOT FOR PUBLIC DISTRIBUTION

- 5.2. For draft reports, Administrative Services shall issue the report to the department head only and in the same manner as 4.1(a) or 4.2(a) dependent on whether the department has secure e-mail or not respectively. No acknowledgement of receipt form is required for the draft report.
- 5.3. For pre-draft reports, the supervising audit manager shall issue the report to the client key point of contact only and in the same manner as 4.1(a) or 4.2(a) dependent on whether the department has secure e-mail or not respectively. No acknowledgement of receipt form is required for the draft report.

E. DEFINITIONS

Public Information	Report content that can be released to the public; regular audit reporting.
Restricted Information	Report content that is not subject to public disclosure due to the sensitivity of information.

F. REFERENCES

Government Code 6250	California Public Records Act
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G. ATTACHMENTS

1. Acknowledgment of Audit Report Receipt & Handling Advisory

ACKNOWLEDGEMENT OF AUDIT REPORT RECEIPT & HANDLING ADVISORY

The Internal Audit Department hereby advises the recipient: **due to the sensitive nature of information contained in this report, all recipients must exercise due care in electronic and non-electronic storage, distribution/transportation, and retention/destruction of this report.**

AUDIT: Audit Name and Audit No.

SIGNATURE

DATE _____

PRINTED NAME

POSITION/TITLE



Memorandum

February 20, 2020

AOC Agenda Item No. 9

TO: Audit Oversight Committee Members

Recommended Action:

Discuss Audit Oversight Committee Retreat

Discuss Audit Oversight Committee Retreat, as stated in the recommended action.



Memorandum

February 20, 2020

AOC Agenda Item No. 10

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Mandated Audits

Receive Report on Status of Mandated Audits, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – Auditor-Controller Internal Audit Summary Status of Mandated Audits as of December 31, 2019

Attachment B – Auditor-Controller Internal Audit Status of Mandated Audits as of December 31, 2019



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of December 31, 2019
 AOC Meeting Date: February 20, 2020

Audit Name	Audit No.	Budget Hours	Actual Hours	Variance	Draft Report	Final Report	Status
Cash Shortages FY 19-20	1901	100	13	87	N/A	N/A	1 in process, 0 complete
Review of Schedule of Assets QE 9/30/19	1906	280	135	145			Review in process
Review of Schedule of Assets QE 12/31/19	1907	280	0	280			Not started
Review of Schedule of Assets QE 3/31/20	1908	280	0	280			Not started
Audit of Probation Department Juvenile Books and Accounts 2YE 6/30/19	1912	700	272	428			Review in process
JPA's and Special Districts FY 18-19*	1913	100	33	67	N/A	N/A	Collection in process

*We collect copies and post them online.



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of December 31, 2019
 AOC Meeting Date: February 20, 2020

Cash Shortages FY 19-20

Objective	Status/Results	Critical/Significant Control Weaknesses	Control Findings
To perform an investigation to determine whether to approve replenishment of cash shortages.	1 investigation in process and 0 complete.	0	0

Reviews of Schedule of Assets QE 9/30/19

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Control Deficiencies
To perform quarterly reviews to report whether we are aware of any material modifications that should be made to the Schedule of Assets for it to be in accordance with the modified-cash basis of accounting.	Review is in process.	0	0

Audit of Probation Department Books and Accounts 2YE 6/30/19

Objective	Status/Results	Critical/Significant Control Weaknesses	Control Findings
To exam Probation's internal control over its books and accounts relating to receipts, disbursements, and case file management of juvenile cases.	Review is in process.	0	0



Auditor-Controller Internal Audit
 Status of Mandated Audits
 As of December 31, 2019
 AOC Meeting Date: February 20, 2020

JPA's and Special Districts FY 18-19

Objective	Status/Results	Number of Modified Reports Reviewed	
To ensure all JPAs and Special District within the County file their annual audits within 12 months of their fiscal year end.	Collection of audits is in process.	0	



Memorandum

February 20, 2020

AOC Agenda Item No. 11

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Performance Audits

Receive Report on Status of Performance Audits, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – Performance Audits Status Report

STATUS FY 2018-19 PERFORMANCE AUDITS

Department	Scope Summary	Status
Follow-Up Audits http://www.ocgov.com/about/openoc/opad_reports Link to previous reports		
CEO Human Resources	A performance audit of CEO Human Resources was conducted in 2012 resulting in 50 findings and recommendations. Due to several changes in leadership in Human Resources since 2012, and considering the Chief Human Resources Officer position is currently vacant, now is the time to conduct another performance audit to determine the status of the 50 recommendations, revisit them for relevance if not already implemented, and to identify other recommendations for improvement.	Contract awarded to CPS HR Consulting June 4, 2019. Audit is underway with draft report to be issued on February 18, 2020 and final report completed by the end of March 2020.
CEO Risk Management	A performance audit of CEO Risk Management was conducted in 2012. Since that time Risk Management has implemented the recommendations associated with the audit findings. Another audit is requested to identify recommendations for further improvement.	Contract awarded to CPS HR Consulting June 4, 2019. Audit is underway with completion of draft report by the end of February 2020 and final report by the end of March 2020.

STATUS FY 2018-19 PERFORMANCE AUDITS (continued)

Department	Scope Summary	Status
Follow-Up Audits (Continued)		
OC Sheriff's Department	In 2008, a performance audit was conducted of the overtime usage in the Sheriff's Department. The cost of overtime continues to be of concern. A follow up audit of overtime expenditures in the Sheriff's main operating budget and Court Security budget is recommended to identify the reasons for the increasing cost of overtime and to identify recommendations for reducing overtime costs without increasing the number of positions within the department.	Contract awarded to Arroyo Associates June 4, 2019. Draft report issued on January 21, 2020 for review by County. Anticipate final report to be issued by mid-February 2020.
New Audits		
CEO Information Technology	The County of Orange has a large number of IT projects managed by OCIT. The existing project management software is no longer adequate for proper tracking of the County's numerous IT projects. Consultant services are requested to assess the current need and to obtain a recommendation for a new project management tool. The FY 2018-19 budget includes \$250K for a new project management tool; however, an assessment is required first to ensure effective use of the \$250K.	\$75,760 contract awarded to DRMcNatty, a Mission Viejo based firm with IT project management experience. Mr. Thomas Cutting, project manager, has done similar engagements at PGE, United Healthcare and the City of Hope. Mr. Cutting is currently on-site two days per week and will be meeting with representatives from each agency over the next three months. A final report with recommendations to be completed by September 2020.

STATUS FY 2018-19 PERFORMANCE AUDITS (continued)

Department	Scope Summary	Status
Clerk of the Board	The Clerk of the Board provides direct support to the Board of Supervisors with limited resources. Consultant services are requested to review current operations, policies, practices, and procedures to identify any areas for improvement, streamlining, enhanced efficiencies, etc. that will allow the department to operate at maximum efficiency within the existing resources.	Contract awarded to Arroyo Associates June 4, 2019. Draft report to be issued February 5, 2020, and final report anticipated for week of February 10, 2020.

STATUS FY 2019-20 PERFORMANCE AUDITS

Department	Scope Summary	Status
Sheriff, Probation, District Attorney, Public Defender, Health Care Agency, Social Services Agency, and OC Community Resources	This audit is requested to identify the resources allocated to the AB109 population above and beyond that provided by the State through the 2011 Realignment. For example, identify County resources such as Mental Health Services Act funding and Net County Cost used for mental health services, housing, substance use disorder treatment, and reentry services.	Contract awarded to Arroyo Associates. Audit work began January 29, 2020. Draft and final reports anticipated for completion in June 2020.
Treasurer-Tax Collector	The elected Treasurer-Tax Collector (TTC) serves a critical role related to the County's financial security, as well as that of other local entities utilizing the TTC's services such as schools and cities. While certain functions of the TTC are regularly audited by Internal Audit, a general performance audit is requested as an audit has not been recently performed. Consultant services are requested to review current operations, policies, practices, and procedures and make recommendations, where appropriate, to identify opportunities for enhancing service delivery, streamlining processes, expanding efficiencies, applying best practices, etc.; and, review existing staffing levels for adequacy and make recommendations, where appropriate, to address needs.	Contract awarded to Arroyo Associates. Audit work to begin mid-February 2020. Draft and final report anticipated for completion in June 2020.

STATUS FY 2019-20 PERFORMANCE AUDITS (continued)

Department	Scope Summary	Status
OC Community Resources	Review Orange County's effectiveness in drawing down competitive funding for homeless services, and affordable and permanent supportive housing relative to other California counties. Determine how County, City, and private actors' policies and practices promote or discourage the local receipt of state and federal funding. Provide recommendations on how the County and its partners can better compete for homeless housing funding.	An RFP was issued to the list of qualified vendors; however, no responses were received; thus, the RFP was reissued in October 2019. Anticipate contract award in early February 2020, and completion of the audit by June 30, 2020.
Auditor-Controller	On October 8, 2019, the Board of Supervisors requested a performance audit of the Auditor-Controller (A-C) Department. A general performance audit is required as an audit has not recently been performed.	RFP will be issued to the list of qualified vendors mid-February 2020 with a close date in mid-March 2020. Anticipate contract award by the end of March 2020.



Memorandum

February 20, 2020

AOC Agenda Item No. 12

TO: Audit Oversight Committee Members

Recommended Action:

Approve Internal Audit Department's FY 2019-20 2nd Quarter Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended December 31, 2019.

Approve Internal Audit Department's reporting, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – Internal Audit Department Status Report Memo

Attachment B – Executive Summary of Internal Audit Reports

Attachment C – Quarterly Status Report



INTERNAL AUDIT DEPARTMENT

January 30, 2020

To: Audit Oversight Committee Members

From: Aggie Alonso, CPA, CIA, CRMA
Internal Audit Department Director

Subject: Fiscal Year 2019-20 Internal Audit Department Status Report for the Quarter Ended December 31, 2019

Attached for your review and approval is Internal Audit's status report on audit activity for the quarter ended December 31, 2019. Specifically, Attachment B is our "Executive Summary of Internal Audit Reports," which provides a summary of audits and follow-up audits conducted during the reporting period with a breakdown of the finding type (e.g., critical, significant, etc.). Attachment C is our "Quarterly Status Report," which is a listing of all of the audits scheduled for the year, along with the budgeted hours, actual hours, variance between budget and actual, and milestone comments for each audit.

For the quarter ending December 31, 2019, Internal Audit issued five final reports, five pre-draft/draft reports, and five follow-up reports. The five final reports included one Critical Control Weakness, 11 Significant Control Weaknesses, and 11 Control Findings.

If you have any questions, please contact me at 714.834.5442, or Assistant Director Scott Suzuki at 714.834.5509.

INTERNAL AUDIT DEPARTMENT
EXECUTIVE SUMMARY - FINDING TYPE CLASSIFICATION
FOR THE QUARTER ENDED DECEMBER 31, 2019

CATEGORY	ISSUED THIS PERIOD	ISSUED FOR FY 2019-20
Critical Control Weaknesses These are audit findings or a combination of audit findings that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise the department's or County's reputation for integrity. Management is expected to address Critical Control Weaknesses brought to its attention immediately.	1	1
Significant Control Weaknesses These are audit findings or a combination of audit findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses require prompt corrective actions.	11	11
Control Findings These are audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.	11	22
TOTAL	23	34



EXECUTIVE SUMMARY
INTERNAL AUDIT REPORTS
FOR THE QUARTER ENDED DECEMBER 31, 2019

AUDITOR-CONTROLLER**1. Internal Control Audit: Auditor-Controller Claims**

Audit No. 1811 dated December 30, 2019 for the year ended December 31, 2018

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Evaluate the effectiveness of internal control over the claims process to ensure payments are properly reviewed, complete, valid, and accurate.	We concluded the A-C's internal control over the claims process is generally effective to ensure claims are properly reviewed, complete, valid, and accurate.	None	2
2. Review the claims process for efficiency.	We concluded that the claims process is generally efficient.		

COUNTY EXECUTIVE OFFICE/OC INFORMATION TECHNOLOGY**2. Internal Control Audit: OC Information Technology Capital Assets**

Audit No. 1732 dated December 30, 2019 for the year ended December 31, 2018

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Our audit objective was to assess internal control over OCIT's oversight of contractor's management of computer-related assets to ensure these capital assets are properly inventoried, valued, correctly depreciated, and properly recorded in the County's financial statements.	We concluded that OCIT's oversight of the contractor's management of computer-related assets should be improved to ensure assets are properly inventoried, valued, correctly depreciated, and properly recorded in the County's financial statements.	One (1) Significant Control Weakness OCIT had not completed an inventory of all of their capital assets under this contract and had not fully recorded the capital assets in CAPS+ due to the department not having control over the capital assets that were owned and managed by the vendor.	2



AUDIT REPORTS (CON'T)**OC PUBLIC WORKS****3. Internal Control Audit: OC Public Works' Fee-Generated Revenue**

Audit No. 1820 dated December 16, 2019 for the year ended January 31, 2019

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Assess internal control over fee studies and fee development processes for establishing cost recovery fees charged to the public.	We concluded that OCPW's internal control over fee studies and the fee development process is generally effective.	None	2
2. Ensure business processes are efficient as related to controls over the fee-generated revenue process.	We concluded that business processes are generally efficient as related to the fee-generated revenue process.		

SHERIFF-CORONER**4. Information Technology Audit: Sheriff-Coroner Selected IT General Controls**

Audit No. 1845 dated December 30, 2019 for the year ended June 30, 2019

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Provide reasonable assurance that access to critical systems is limited to authorized individuals.	We concluded controls over access to critical systems should be improved.	Six (6) Significant Control Weakness Due to the sensitive nature of the specific findings, the details for five findings have been redacted from this report. 1. None of the six (0%) changes to the tested critical application production environment or network had support documentation to evidence that testing of changes was done prior to deployment into the production environment.	1
2. Provide reasonable assurance that physical access to IT server rooms or other sensitive IT areas is limited to authorized individuals.	We concluded controls were generally effective to provide reasonable assurance that physical access to IT server rooms or other sensitive IT areas is limited to authorized individuals.		
3. Provide reasonable assurance that changes to critical systems are authorized and appropriately tested before being deployed into production.	We concluded controls over changes to critical systems should be improved.		



AUDIT REPORTS (CON'T)

SOCIAL SERVICES AGENCY

5. Information Technology Audit: Social Services Agency IT Logical Security & Change Management

Audit No. 1846 dated October 23, 2019 as of March 31, 2019

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Logical access to department critical systems to ensure access is appropriate, privileged access is granted only to authorized individuals, and access is revoked timely upon termination.	We concluded that SSA's internal control over logical access to department critical systems should be improved to ensure access is appropriate, privileged access is granted only to authorized individuals, and access is revoked timely upon termination.	<p>One (1) Critical Control Weakness Due to the sensitive nature of the specific finding, the details for the finding have been redacted from this report.</p> <p>Four (4) Significant Control Weakness Due to the sensitive nature of the specific findings, the details for four findings have been redacted from this report.</p>	4
2. Changes to critical systems to ensure changes are authorized and appropriately tested before deployment into production.	We concluded that SSA's internal control over changes to critical systems should be improved to ensure changes are authorized and appropriately tested before deployment into production.		



EXECUTIVE SUMMARY
INTERNAL AUDIT FOLLOW-UP REPORTS
FOR THE QUARTER ENDED DECEMBER 31, 2019

AUDITOR-CONTROLLER**6. Second & Final Close-Out Follow-Up Internal Control Audit: Countywide Audit of County Business Travel & Meeting Policy – Auditor-Controller**

Audit No. 1939-P (Reference 1626-D-F2) dated December 30, 2019 as of October 31, 2019; original audit dated June 29, 2018

ORIGINAL AUDIT – 7 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
2	5	7	0	NA
Two (2) Significant Control Weaknesses 1. Personally identifiable information displayed. 2. Employee Social Security Numbers Requested on Cash Advance Request Form.				

CLERK OF THE BOARD OF SUPERVISORS**7. Second & Final Close-Out Follow-Up Internal Control Audit: Countywide Audit of County Business Travel & Meeting Policy – Clerk of the Board of Supervisors**

Audit No. 1939-Q (Reference 1626-E-F2) dated December 18, 2019 as of August 31, 2019; original audit dated April 10, 2018

ORIGINAL AUDIT – 11 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
None	11	11	0	NA



FOLLOW-UP AUDIT REPORTS (CON'T)

COUNTY EXECUTIVE OFFICE/REAL ESTATE

8. First Follow-Up Internal Control Audit: CEO/Real Estate – Revenue Generating Lease Administration Process

Audit No. 1939-C (Reference 1730-F1) dated December 17, 2019 as of September 30, 2019; original audit dated March 5, 2019

ORIGINAL AUDIT – 4 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
None	4	2	2	<p>Finding No. 1 (Control Finding). CEO/Real Estate has begun implementing Visual Lease by entering key lease data into the system. CEO/Real Estate expects to fully implement the system by March 31, 2020.</p> <p>Finding No. 2 (Control Finding). CEO/Real Estate has begun to establish written policy and procedures for revenue generating lease contract administration and expects to be completed by March 31, 2020.</p>

HEALTH CARE AGENCY/PUBLIC GUARDIAN

9. First & Final Close-Out Follow-Up Internal Control Audit: Health Care Agency/Public Guardian Procurement Process for Human Services Contracts

Audit No. 1839-O (Reference 1631-F1) dated October 17, 2019 as of September 30, 2019; original audit dated December 6, 2018

ORIGINAL AUDIT – 2 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
None	2	2	0	NA

OC COMMUNITY RESOURCES

10. First & Final Close-Out Follow-Up Internal Control Audit: OC Community Resources' Payroll Process

Audit No. 1939-H (Reference 1813-F1) dated October 17, 2019 as of September 30, 2019; original audit dated June 20, 2019

ORIGINAL AUDIT – 1 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
None	1	1	0	NA



EXECUTIVE SUMMARY
APPENDIX A: DRAFT REPORTS
FOR THE QUARTER ENDED DECEMBER 31, 2019

The following pre-draft/draft reports were issued during the reporting period:

1. **Internal Control Audit: Health Care Agency Purchasing**, Audit No. 1819
2. **Internal Control Audit: Probation Department Cal-Cards**, Audit No. 1822
3. **Internal Control Audit: Health Care Agency's Fee-Generated Revenue**, Audit No. 1915
4. **Probation Department Senate Bill 190 Juvenile Fee Review**, Audit No. 1841
5. **Information Technology Audit: Assessor Cybersecurity**, Audit No. 1844





Internal Audit Department
2nd Quarter Status Report for the Audit Oversight Committee
For the Quarter Ended 12/31/19
AOC Meeting Date: February 20, 2020

Attachment C

Audit Category and Name ^{1,2,3}	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan										Est Remain	Budget Variance	FU Due	FU Number	Milestones & Comments ⁴
				Total Budget	Actuals To Date	Budget	Changes	Revised Budget	Actuals to Date Per Quarter					Total						
Internal Control Audits (ICA)																				
OCIT Contract Administration (FY 2017-18 carryover)	1624					400		400	0	0			0	400	0			Not started		
Countywide Accounts Receivable Controls (FY 2017-18 carryover)	1729	5/23/18		275	176	400	(400)	0	0	0			0	0	0			Cancelled; redesignated T-TC only; planned FY 2020-21		
OCIT Capital Assets (FY 2017-18 carryover)	1732	11/30/18	12/30/19	440	435	0	50	50	21	25			46	0	(5)	6/30/20	1939-D	Completed. Final report issued 12/30/19		
A-C Claims	1811	1/11/19	12/30/19	600	578	0	150	150	95	35			130	0	(20)	6/30/20	1939-F	Completed. Final report issued 12/30/19		
A-C Fiduciary Funds	1818					400		400	0	1			1	399	0			Not started		
HCA Contracts & Procurement	1819	4/25/19		475	460	400		400	242	135			377	10	(13)			Draft report issued 12/18/19; final report expected Q3		
OCPW Fee Generated Revenue	1820	1/24/19	12/16/19	745	739	0	375	375	354	8			362	0	(14)	6/30/19	1939-K	Completed. Final report issued 12/16/19		
Probation P-Card	1822	3/25/19		490	448	200	150	350	73	239			312	25	(13)			Pre-draft issued 12/30/19; final report expected Q3		
SSA Fiduciary Funds	1823					400		400	0	0			0	400	0			Not started		
OCPW Purchasing & Contracts	1911	12/03/19				400		400	0	147			147	253	0			In process		
OCSD Purchasing & Contracts	1912	10/08/19				400		400	1	77			78	322	(1)			In process		
OCDA Revolving Funds	1913	7/22/19		620	512	400	200	600	270	222			492	100	(9)			In process		
HCA/PG Fiduciary Funds	1914	11/20/19				400		400	50	156			206	194	0			In process		
HCA Fee Generated Revenue	1915	6/13/19		437	426	400	20	420	238	171			409	10	(2)			Draft report issued 12/18/19; final report expected Q3		
OCPW Payroll	1916					400		400	0	55			55	345	0			Not started		
OCSD Revolving Fund	1917	10/08/19				400		400	98	168			266	134	0			In process		
OCSD Cash Receipts	1918	10/08/19				0	400	400	35	284			319	81	(1)			In process		
C-R SB2	1919					0	300	300	0	29			29	271	0			Not started		
Follow-Up Audits (FY 2018-19 carryover)						100		100	76	6			82	18	(1)					
T-TC EFT Process 2FU (1583/1735-H)	1839-M	5/17/19	8/26/19													NA	NA	Completed. Final report issued 8/26/19, one item in process		
HCA Human Services 1FU (1631)	1839-O	8/13/19	10/18/19													NA	NA	Completed. Final report issued 8/26/19, final close-out		
Travel/Meeting 2FU CEO (1626-A/1839-A)	1839-P	8/13/19																In process		
First Follow-Up Audits						800	(100)	700	32	123			155	545	0					
OCSD Billing of Law Enforcement Services to OC Dana Point Harbor and JWA (1632)	1939-A																	Not started		
Countywide Accounts Receivable Controls (1729)	1939-B																	Cancelled; see 1729		
CEO/Real Estate Procurement/Contract Administration (1730)	1939-C	10/08/19	12/17/19													6/30/20	1939-S	Completed. Final report issued 12/17/19; two items in process		
OCIT Capital Assets (1732)	1939-D																	Not started		
OCPW Billing of Public Works Services to County Departments (1734)	1939-E																	Not started		
A-C Claims (1811)	1939-F																	Not started		
HCA Payroll (1812)	1939-G																	Not started		
OCCR Payroll (1813)	1939-H	9/13/19	10/18/19													NA	NA	Completed. Final report issued 10/18/19; final close-out		
OCCR/Animal Care Cash Receipts (1815)	1939-I																	Not started		
HCA Contracts & Procurement (1819)	1939-J																	Not started		
OCPW Fee Generated Revenue (1820)	1939-K																	Not started		
OCWR Fee Generated Revenue (1821)	1939-L																	Not started		
Probation P-Card (1822)	1939-M																	Not started		
Probation Compliance (1841)	1939-N																	Not started		
Second Follow-Up Audits																				
Sheriff Special Revenue Funds (1520/1735-C)	1939-O	10/11/19																In process		
Travel/Meeting A-C (1626-D/1839-D)	1939-P	10/23/19	12/30/19													NA	NA	Completed. Final report issued 12/30/19; final close-out		
Travel/Meeting COB (1626-E/1839-E)	1939-Q	9/18/19	12/18/19													NA	NA	Completed. Final report issued 12/30/19; final close-out		
Travel/Meeting SSA (1626-I/1839-G)	1939-R																	Not started		
CEO/Real Estate Procurement/Contract Administration (1730/1939-C)	1939-S																	Not started		
Summary Close-Out						0	41	41	41	2			43	0	2			Completed. Final reports issued for 1734, 1815, 1821, 1839-G		
Total Internal Control Audits						5,900	1,186	7,086	1,622	1,883	0	0	3,505	3,507	(74)					



Internal Audit Department
2nd Quarter Status Report for the Audit Oversight Committee
For the Quarter Ended 12/31/19
AOC Meeting Date: February 20, 2020

Attachment C

Audit Category and Name ^{1,2,3}	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan												FU Due	FU Number	Milestones & Comments ⁴
				Total Budget	Actuals To Date	Budget	Changes	Revised Budget	Actuals to Date Per Quarter					Total	Est Remain	Budget Variance				
								#1	#2	#3	#4	Total								
Information Technology Audits (IT)																				
TTC Sungard/Quantum upgrade (Department Request) (FY 2017-18 carryover)	1647	6/12/17		300	224	50		50	1	1		2	48	0			In process; advisory engagement			
PTS System Implementation (FY 2017-18 carryover)	1754	7/01/18		65	7	50		50	1	0		1	49	0			In process; advisory engagement			
Probation Compliance	1841	11/30/18		470	465	200	25	225	164	49		213	10	(3)			Pre-draft report issued 12/30/19; final report expected Q3			
Assessor IT General Controls	1844	8/01/18		950	909	300	525	825	12	772		784	25	(16)			Pre-draft report issued 12/18/19; final report expected Q4			
OCSD IT General Controls	1845	2/14/19	12/30/19	565	557	0	200	200	166	27		193	0	(8)	6/30/19	1949-D	Completed. Final report issued 12/30/19			
SSA IT General Controls	1846	1/29/19	10/24/19	575	565	0	100	100	70	21		91	0	(9)	4/20/19	1949-E	Completed. Final report issued 10/24/19			
JWA ITGC	1941	8/13/19				400		400	130	30		160	240	(1)			In process			
Public Defender ITGC	1942					400		400	0	0		0	400	0			Not started			
HCA ITGC	1943					0		0	0	0		0	0	0			Not started			
COB ITGC	1944					0		0	0	0		0	0	0			Not started			
OCIT Cybersecurity	1945	7/01/19				50		50	4	3		7	43	0			In process; advisory engagement			
Follow-Up Audits (FY 2018-19 carryover)						0	0	0	0	0		0	0	0						
None																	NA			
First Follow-Up Audits:						480		480	0	19		19	461	0						
A-C ITGC (1741)	1949-A	10/11/19															In process			
C-R Department Request (1840)	1949-B	10/11/19															In process			
Assessor (1844)	1949-C																Not started			
OCSD ITGC (1845)	1949-D																Not started			
SSA ITGC (1846)	1949-E																Not started			
Second Follow-Up Audits																				
OCIT (1644/1746-A)	1949-F																Not started			
Summary Close-Out						0	0	0	0			0	0	0			NA			
Total Information Technology Audits						1,930	850	2,780	547	922	0	0	1,469	1,276	(36)					
Total Audits Before Other Activities & Administration						7,830	2,036	9,866	2,169	2,805	0	0	4,974	4,783	(110)					
Other Activities & Administration																				
Annual Risk Assessment & Audit Plan	1901					400		400	0	0		0	400	0			Not started			
Cash Losses	1902					100		100	0	0		0	100	0			In process; no referrals received for Q2			
Fraud Hotline	1903					200	(100)	100	0	0		0	100	0			In process; no referrals received for Q2			
External Audit Reporting	1904					300		300	74	58		132	168	0			In process; Q2 reporting completed			
On-Demand Department Advisory Services	1905					200	(100)	100	6	4		10	90	(1)			In process			
Annual Report	1906					100		100	0	10		10	90	0			In process			
Board & AOC Services	1907					200	(100)	100	14	4		18	82	(1)			In process; Q2 reporting completed			
Special Projects	1908					800	(60)	740	26	113		139	601	(1)			In process			
CWCAP	1909					0	60	60	60	0		60	0	(1)			Completed. Submitted to A-C			
Total Other Activities & Administration						2,300	(300)	2,000	178	189	0	0	367	1,631	(2)					
Reserve for Board Directives/Contingency						2,408	(1,736)	672				0	672	0						
Total Budget						12,538	0	12,538	2,347	2,994	0	0	5,341	7,086	(112)					
						Footnote 5		Footnote 6												

Footnotes

1. The mission of the Internal Audit Department (IA) 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. The director of Internal Audit shall report directly to the Board and be advised by the Audit Oversight Committee (AOC) designated by the Board. The director of Internal Audit and staff shall have complete and unrestricted access to all of the County's financial records, files, information systems, personnel, and properties, except where prohibited by law. The AOC is an advisory committee to the Board and provides oversight of IA and the external auditors. The scope of IA shall include reviews of the reliability and integrity of financial, compliance, property and business systems, and may include appraising the efficiency and effectiveness of operations and the achievement of business and program goals and

2. IA generates several different types of reports including audit reports, summary reports, and status reports. In addition, IA undertakes several different projects including audits of internal controls, audits of lessee compliance with County contracts, and audits of IT controls. IA also serves the AOC by providing clerk services (meeting agenda preparation, minutes, etc.) and by preparing summary reports.

3. The annual Audit Plan is subject to change for such events where the director of Internal Audit or Board majority assesses if it is warranted, to substitute, postpone, or cancel a scheduled audit due to timing, priority, resource, or risk considerations. Such modifications will be noted in the Milestones & Comments section of this Quarterly Status Report for review by the AOC. **The acceptance of the Quarterly Status Report by the AOC authorizes both the content herein and any changes noted.** During the course of the year, the director of Internal Audit has discretion to research issues of interest to members of the Board, AOC, or County management and provide them with Technical Assistance. When charged, these projects will be directed either to Technical Assistance or to a separate project. Assistance of this nature generally involves between 10 and 80 hours and results are generally communicated through discussions, memos, or a written report for public distribution.

4. For purposes regarding fiscal year-end reporting, we consider assignments completed (**Completed**) as of the official release of a completed pre-draft or draft audit report to the department head, and are shown as such in our Milestones & Comments column of this Quarterly Status Report.

5. The initial FY 2019-20 Annual Audit Plan of 12,538 hours is based on 7,830 direct hours to be provided by 7 senior auditors/audit manager I's, 1 audit manager II, and 1 senior audit manager plus 2,300 hours for other activities and administration/special projects and 2,408 hours reserved for Board directives/contingency. The direct hours exclude time charges for vacation, sick leave, holidays, training, administrative time, and other time not directly charged to an audit.

6. The 9,339 hour revised audit plan consists of: a) the 11,213 hour initial audit plan; b) less 1,874 hours for vacancies at the audit manager and senior auditor levels.



Memorandum

February 20, 2020

AOC Agenda Item No. 13

TO: Audit Oversight Committee Members

Recommended Action:

Approve Quarterly External Audit Activity Status Report for the Quarter Ended December 31, 2019

Approve Quarterly External Audit Activity Status Report for the Quarter Ended December 31, 2019, as stated in the recommended action.

ATTACHMENT(S):

- Attachment A – External Audit Activity Status Report Memo
- Attachment B – Executive Summary of External Audit Activity
- Attachment C – External Audit Activity Quarterly Status Report
- Attachment D – External Audit Report, Implementation Status of Prior Quarter Significant & Material Issues



INTERNAL AUDIT DEPARTMENT

February 5, 2020

To: Audit Oversight Committee Members

From: Aggie Alonso, CPA, CIA, CRMA
Internal Audit Department Director

Subject: External Audit Activity Status Report for the Quarter Ended December 31, 2019

Attached for your review and approval is our External Audit Activity Status Report for the Quarter ended December 31, 2019. Pursuant to Audit Oversight Committee (AOC) Administrative Procedure Number 2, Reporting on External Audits, County departments are required to communicate the status of all third party audits, including any significant audit findings identified, to Internal Audit on a quarterly basis. The procedure was established to keep the AOC informed of all third-party audits being performed and any significant findings identified. In addition, as requested by the AOC at the May 9th, 2019 meeting, we have also included the County departments' reported corrective action taken to implement the recommendations related to the significant audit findings identified.

To facilitate the AOC's review, we are pleased to include an Executive Summary that presents the total audit additions and deletions from the prior quarter, total current audits in process, references any new significant findings, and provides a summary of any material issues reported for the quarter, please see Attachment B. For individual report details, see Attachment C. Finally, for corrective action taken to implement recommendations, see Attachment D. For the quarter ended December 31, 2019, one new material issue was reported by the Health Care Agency related to the use of funds from a block grant.

If you have any questions, please contact me at 714.834.5442, or Assistant Director Scott Suzuki at 714.834.5509.

EXECUTIVE SUMMARY OF EXTERNAL AUDIT ACTIVITY

For the Quarter Ended 12/31/19

<u>SUMMARY ACTIVITY</u>	
Total Audits Prior Quarter (09/30/19)	113
Additions: In Progress	6
Planned	1
Started and Completed	1
Deletions: Canceled	0
Completed	11
Removed	<u>0</u>
Total Audits Current Quarter (12/31/19)	<u>110</u>
(In Progress, Planned, and/or Completed this Quarter)	

Results for the Quarter:

Audits Completed, Canceled and to be Removed Next Quarter **14**

New Findings/Issues Reported by the Departments **1**

Material Issues: (Includes Disallowances over \$100K, see page 2) **1**

The Department of Health Care Services (DHCS) conducted an audit of the Health Care Agency's (HCA) Substance Abuse Prevention and Treatment (SAPT) Block Grant (BG) Cost Report for the fiscal period ended June 30, 2015. DHSC The audit found that the HCA inappropriately charged \$241,847 in total support services to SAPT BG Discretionary funding for unauthorized activities. Based on federal statute, regulation, and guidelines, and terms and condition of the federal award, BG funds cannot be used to pay for the support service programs because it is self-supporting through fees collected from program participants. HCA remitted the full amount of the disallowance to the State on January 9, 2020.

EXTERNAL AUDIT ACTIVITY
Quarterly Status Report
2nd Quarter FY 19-20 (12/31/19)

Results:

One material issue was reported to the Internal Audit Department this quarter. See page 2 below.

The schedule below identifies the status of external audits as of 12/31/19, including any significant findings, as reported to us by Orange County Departments/Agencies. This schedule does not include reviews performed by the OC Grand Jury.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2019	Significant Findings
Assessor		No audits in progress.						
Auditor-Controller	Financial Reporting	Eide Bailly, LLP	Single Audit	YE 6/30/18 Annual	6/30/2017	Uniform Guidance Expenditures of Federal Assistance	Completed. (Reported 6/30/19)	See Attachment D for corrective actions taken related to findings from this audit.
		Eide Bailly, LLP	CAFR	6/30/19 Annual	6/30/2018	Annual Financial GAAP Audit	Completed.	None.
		Eide Bailly, LLP	Agreed Upon Procedures (AUP) over GANN Limit calculations	6/30/19 Annual	6/30/2018	GANN Limit Calculation - for County and OC Flood Control District	Completed.	None.
		Eide Bailly, LLP	Single Audit	6/30/19 Annual	6/30/2018	Uniform Guidance Expenditures of Federal Assistance	In progress.	
Child Support Services		Federal Office of Child Support (OCSE)	Data Reliability	2018 Triennial	4/1/16	OCSE will conduct a full DRA audit of 2018 data. This consists of reviewing case samples.	Planned.	
Clerk of the Board of Supervisors		No audits in progress.						
Clerk-Recorder	Information Systems	Lawrence R. Halme	SECURE: Modified System Audit	As Needed	04/19	Review substantive changes to the SECURE Multi-County ERDS system for compliance with the CA Attorney General ERDS certified system requirements.	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2019	Significant Findings
County Counsel		No audits in progress.						
County Executive Office	CFO	USI Insurance Services	Workers' Compensation	One-Time	N/A	Bill Review Audit for Workers' Comp Third Party Administrator	In progress.	
		CPS	CEO Risk Management	FY 19/20 One-Time	01/12	Performance/ Operations Audit	In progress.	
		NIGP	County Procurement Office	One-Time	07/14	Performance/ Operations Audit	In progress.	
	Budget	No audits in progress.						
	OC IT	KPMG	Information Technology	One-Time	N/A	IBM Mainframe License Usage & Installation	In progress.	
	Corporate Real Estate	No audits in progress.						
	Human Resource Services	CPS HR Consulting	Human Resource Services	FY 19/20 One-Time	08/15	Performance/ Operations Audit	In progress.	
District Attorney		Eide Bailly, LLP (Formerly VTD)	Insurance Fraud Programs for Workers' Compensation, Automobile, Disability & Healthcare, and High Impact (Grant Audits)	FY 18/19 Annual	FY 17/18	Program Audit	Completed.	None.
		CA Department of Insurance (CDI)	Insurance Fraud Programs for Workers' Compensation, Automobile, Disability & Healthcare & Supplemental, High Impact, and Life & Annuity Consumer Protection	FY 17/18 - FY 18/19 Bi-Annual	FY 18/19	Program Audit	Planned.	
Health Care Agency	Administration	Eide Bailly, LLP (Formerly VTD)	Tobacco Settlement Revenue-Measure H	FY 18/19 Annual	FY 17/18	Ensure funding allocations are in compliance with Measure H	In progress.	
	Correctional Health	No audits in progress.						
	Behavioral Health	State of California Department of Alcohol and Drug Programs	Alcohol and Drug Abuse Services' Substance Abuse Prevention and Treatment (SAPT) Block Grant	FY 14/15 Annual	FY 09/10	Review the cost funded by the SAPT Block Grant, QFFMR, and ADAS Cost Report	Completed.	One (1) New Material Issue: Disallowance of \$241,847 for use of SAPT funding in unauthorized activities. Payment remitted to State on 01/09/2020.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2019	Significant Findings
Health Care Agency (continued)	Behavioral Health (continued)	State Department of Health Care Services	Mental Health Cost Report; Short-Doyle/Medi-Cal Cost Report	FY 11/12 Annual	FY 10/11	Adjusting Short Doyle Medi-Cal units of service/time, the distribution of administrative costs between Medi-Cal and non-Medi-Cal, the distribution of utilization review costs between Medi-Cal and non-Medi-Cal, crossover revenues, contract maximums, and the overall accuracy of computations in the cost report	In progress.	
		Center for Medicaid & Medicare Services, Payment Error Rate Measurement (CMS PERM)	Mental Health Plan	1/1/2016-11/9/2018 Triennial	N/A	CMS is measuring improper payments in Medicaid/CHIP under the PERM program.	In progress.	
		State Department of Health Care Services contracted External Quality Review Organization (EQRO)	Mental Health Plan	FY 19/20 Annual	18/19	Service quality and management	In progress.	
		State Department of Health Care Services	Mental Health Services Act (MHSA)/Prop 63 Compliance of Performance Contract	CY 2019 Triennial	N/A	Program Reviews of MHSA Performance Contract to determine compliance	In progress.	
		California Health Policy Strategies, LLC	Mental Health Services Act/Prop 63	One-time	N/A	Performance Audit and Evaluation of MHSA/Prop 63's: funding and how they are utilized and allocated; performance outcome and how they compare statewide and against other comparable counties	In progress.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2019	Significant Findings
Health Care Agency (continued)	Behavioral Health (continued)	State Department of Health Care Services	Mental Health Services Act/Prop 63 (MHSA) Revenue and Expense Report	FY 09/10 Annual	FY 08/09	Reconciliation of costs and revenues and documentations needed to support the MHSA Revenue and Expense Report	In progress.	
		State Department of Health Care Services	Mental Health Services Act/Prop 63 (MHSA) Revenue and Expense Report	FY 10/11 Annual	FY 09/10	Reconciliation of costs and revenues and documentations needed to support the MHSA Revenue and Expense Report	Planned.	
		DHCS / EQRO	Drug Medi-Cal Organized Delivery System (DMC-ODS) EQRO	FY 18/19 Annual	N/A	Service quality and management	In progress.	
		DHCS	Tri-Annual Review on Systems and Chart Reviews	FY 19/20 Tri-Annual	FY 16/17	Review of compliance with Contract DHCS. Review of Policies and Procedures. Also, review of 20 consumers clinical charts.	In progress.	
	Regulatory / Medical Services	California Emergency Management Agency (Cal EMA)	Health Disaster Management - State Homeland Security Funds; HCA is subrecipient through OCSD	GY 2006; Varies	N/A	Compliance field review - Grant Year 2006, 2007 and 2008 Note: OCSD is the lead on this audit and is coordinating all findings and responses.	Draft report issued 2/2/12. As of 01/2020, OCSD has contacted Cal OES and requested a status of the close out for this audit. A response from Cal OES is pending.	Reported in Prior Quarters: Estimated findings total \$742,852 (\$183,101.51 leases and \$559,750.23 equipment), of which HCA requests clarification of approximately \$41,000 pertaining to subgrantee charged expenditures belonging to another grant year. HCA does not concur with the remaining estimated findings of \$701,852. Since the draft report is being discussed with the State and HCA disagrees, we will not yet consider this a finding (same status as several prior fiscal years).

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2019	Significant Findings
Health Care Agency (continued)	Regulatory / Medical Services (continued)	California Environmental Protection Agency (Cal EPA)	Administration of programs as the Certified Unified Program Agency (CUPA). Reviewed inspection and enforcement records for hazardous waste, hazardous materials, underground storage tanks, aboveground storage tanks, and the California Accidental Release Prevention Program; training and evaluation records for Participating Agencies.	2017-2019 Triennial	03/17	Compliance review of all programs within the CUPA, as well as review of chemical data in Cal EPA's database CERS (California Environmental Reporting System).	Completed.	None.
	Public Health	State WIC Program	Family Health, Women, Infants and Children (WIC) program	FFY Biennial	FFY 17/18	Program Compliance	Planned.	
		Gilbey and Associates	Public Health Nursing Division	FY 18/19 Annual	FY 17/18	Fiscal and Program Compliance	Planned.	
		DHCS Audits & Investigations - Targeted Case Management	Targeted Case Management, Program Financial Audit of the TCM Cost Report	FY 14/15 Annual	FY 12/13	All aspects related to fiscal compliance for charges claimed on the cost report	In progress.	
		DHCS Audits & Investigations - Targeted Case Management	Targeted Case Management, Program Financial Audit of the TCM Cost Report	FY 15/16 Annual	FY 14/15	All aspects related to fiscal compliance for charges claimed on the cost report	In progress.	
John Wayne Airport	Finance Administration	Eide Bailly, LLP	Financial Statements	2019 Annual	2018	Audit of Financial Statements	Completed.	None.
		Eide Bailly, LLP	Passenger Facility Charge Revenues and Expenditures	2019 Annual	2018	Audit of Financial Statements	Completed.	None.
	Operations	Tevora Business Solutions	Common Use Passenger Processing System and Parking Access and Revenue Control System	2019 Annual	2018	Compliance with Payment Card Industry Data Security Standard	In progress.	
		Transportation Security Administration	Airport Security	2020 Annual	2019	Compliance with Title 49, Code of Federal Regulations, Part 1542, Airport Security	Planned.	
		Federal Aviation Administration	Airport Certification Inspection	2020 Annual	2019	Compliance with Title 14, Code of Federal Regulations, Part 139, Airport Certification	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2019	Significant Findings
OC Community Resources	OC Homeless, Housing & Community Development	Eide Bailly, LLP (Formerly VTD)	OCDA Successor Agency - Financial Statement Audit	6/30/19 Annual	6/30/2018	Redevelopment Successor Agency	Completed.	None.
	Housing Community Development & Homeless	HUD	CDBG & ESG Financial & Procurement	FY 17/18	N/A	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	
		State HCD	State ESG	FY 17/18	N/A	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	To be removed next quarter since this is a duplicate of the above audit.
		U.S. Department of Housing and Urban Development (HUD)	CoC, CDBG, HOME, ESG	FY 17/18 Triennial	N/A	The scope of this monitoring will include review of environmental files and supporting documentation, interviews with key staff and may include a brief visit to project sites.	In progress.	
	Office on Aging (OoA)	California Dept of Aging	Office on Aging	FY 16/17 - FY 18/19 Triennial	FY 15/16	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	Planned.	
		CA Department of Aging	Aging Programs	FY 18/19	N/A	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2019	Significant Findings
OC Community Resources (continued)	Community Investment Division	State WIOA	WIOA Formula	Program Year & Annual	PY 18/19	WIOA Program policies and procedures, service delivery, etc.	Planned.	
		State WIOA	WIOA Equal Opportunity	Program Year & Annual	PY 18/19	Compliance regarding nondiscrimination and equal opportunity provisions.	Planned.	
		CID California Department on Aging (CDA)	SCSEP Monitoring	Program Year & Annual	04/17	Program implementation, participant eligibility, community service assignments, etc. No monitoring report issued for data validation.	Planned.	
		Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA - Fiscal and Procurement	16/17 Annual	15/16	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	
		Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA - Fiscal and Procurement	17/18 Annual	16/17	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, methods of procurement, property management, etc.	In progress.	
		State Workforce Innovation and Opportunity Act (WIOA) Development Area	WIOA - Fiscal & Procurement	Program Year & Annual	April 23- May 9, 2018 (PY 17-18)	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, methods of procurement, property management, etc.	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2019	Significant Findings
OC Community Resources (continued)	Community Investment Division (continued)	Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA (NEG Fire) - Fiscal and Procurement	17/18 One-Time	N/A	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	
		Employment Development Department (EDD), Department of Labor (DOL), & Office of Inspector General (OIG)	WIOA (NEG Fire) - Fiscal and Procurement	17/18 N/A	N/A	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	
		Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA Fiscal & Procurement	18/19 Annual	17/18	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	
	OC Parks	No audits in progress.						
	OC Libraries	No audits in progress.						
	OC Animal Care	Macias, Gini & O'Connell LLP	City Billing	17/18 Triennial	N/A	Contracted examination of calculation of cost recovery from contracted cities	In progress.	
OC Public Works	Accounting	California Department of Transportation	San Juan Creek Bike Trail, 17th Street at Esplanade, Antonio Parkway	12/31/13	N/A	Audit of incurred costs	In progress.	
	Accounting and Fleet Services	Simpson & Simpson	Air Quality Management	FY15/16 & FY16/17 Biennial	2017	Fiscal audit of activity for Fund 140 and the annual reports submitted for FY 15/16 and 16/17	In progress.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2019	Significant Findings
OC Public Works (continued)	Administrative Services	Transportation Corridor Agency (TCA)	Road Fee Programs (TCA Fees specific)	CY 2019 Annual	05/19	TCA Fee Program for CY 2019. Audit of major thoroughfare fees collected by the County of Orange.	Planned.	
	Accounting & OC Construction	OCTA	Prop 1B and M2 (Comprehensive Transportation Funding Program (CTFP))	TBD	10/18	Review project files for the La Pata Project Phases I, II, & III.	Planned.	
	Procurement	NIGP	Design & Construction Policy Manual (DCPM)	6/30/2019	N/A	Contract compliance review and strategic procurement assessment	Completed.	None.
	Construction	OCTA	Prop 84 Grant Funds	TBD	N/A	Review project files for the Glassell Yard Campus Stormwater LID Project	Planned.	
		OCTA	Prop 84 Grant Funds	TBD	N/A	Review project files for the San Juan Creek Channel Phases 4, 5, and 6	Planned.	
		CTC and CalTrans	TCA	TBD	N/A	Review project files for the Oso Parkway Bridge - 241	Planned.	
		California Department of Transportation	Edinger Avenue Bridge Replacement #BRLS-5955 (078)	Random	N/A	Review project files for the Edinger Avenue Bridge Replacement	Planned.	
		CalTrans	Highway Safety Improvement Program	TBD	N/A	Review project files for the Live Oak Canyon and Trabuco Canyon	Planned.	
	Construction/ Infrastructure Programs	CalTrans	Federal Arterial Pavement Management (APM) Funding	TBD	N/A	Review project files for the Slurry Seal of Crown Valley and Oso Parkway Project	Planned.	
		CalTrans	Federal Arterial Pavement Management (APM) Funding	TBD	N/A	Review project files for the Foothill and Hewes Avenue Project	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2019	Significant Findings
OC Public Works (continued)	Environmental Resources	California Department of Food & Agriculture (CDFA)	Pierce's Disease Control Program	TBD	8/16	To verify the accuracy and appropriateness of charges and expenditures.	Planned.	
		Department of Pesticide Regulation / Product Compliance Branch (DPR)	Pesticide Use Enforced Mill Assessment	TBD	N/A	The records shall clearly demonstrate proof of payment of all applicable assessments for each registered pesticide product.	Planned.	
		California Department of Food & Agriculture (CDFA)	Unrefunded Agriculture Gas Tax	TBD	N/A	To identify all federal revenues and the expenditure of the revenue.	Planned.	
		N/A	Proposition 84 Integrated Regional Water Management Implementation Grant Round 2	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Final Retention payment received 1/30/19.	Planned.	
		N/A	Proposition 84 Integrated Regional Water Management (IRWM) 2014 Drought Grant	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Final Retention payment received 12/28/18.	Planned.	
		N/A	Certified Farmers Market Program	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Closed in FY 17/18 as last claim for this FY 17/18 agreement was sent to the State on 8/07/18.	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2019	Significant Findings
OC Public Works (continued)	Environmental Resources (continued)	N/A	High Risk Pest Exclusion	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Closed in FY 17/18 as maxed out award on the December 2017 claim.	Planned.	
		N/A	Organic Program	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Closed in FY 17/18 as last claim for this FY 17/18 agreement was sent to the State on 7/30/18.	Planned.	
		N/A	Sudden Oak Death	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Closed in FY 17/18 as maxed out award on the March 2018 claim.	Planned.	
		N/A	Asian Citrus Psyllid	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Closed in FY 17/18 as last claim for this FY 17/18 agreement was sent to the State on 8/30/18.	Planned.	
		N/A	Nursery Inspection Program	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Closed in FY 17/18 as last claim for this FY 17/18 agreement was sent to the State on 7/30/18.	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2019	Significant Findings
OC Public Works (continued)	Environmental Resources (continued)	N/A	Weighmaster Program	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Closed in FY 17/18 as last claim for this FY 17/18 agreement was sent to the State on 7/30/18.	Planned.	
		N/A	Petroleum Products Program	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Closed in FY 17/18 as last claim for this FY 17/18 agreement was sent to the State on 7/30/18.	Planned.	
		N/A	Enforcement, Evaluation & Improvement Program (EEIP)	TBD	N/A	To verify the accuracy and appropriateness of charges and expenditures. Closed in FY 17/18 as last claim for this FY 17/18 agreement was sent to the State on 1/18/18.	Planned.	
	Fleet Services	No audits in progress.						
	Infrastructure Programs	OCTA	Active Transportation Program (ATP) and Transportation Control Measures (TCM) funding	TBD	N/A	Review project files for the Lambert Bikeway Project	Planned.	
		OCTA	Measure M2 Water Quality Grant and Prop 42	TBD	N/A	Financial and compliance audit of the completed Catch Basins Phases I through V	Planned.	
		OCTA	Measure M2 Comprehensive Transportation Funding Program (CTFP)	TBD	N/A	Financial and compliance audit of the completed Cow Camp Road Segment 1 Construction	Planned.	
		Caltrans (DOT)	Program Supplement No. N054 to Administering Agency-State Agreement for Federal-Aid Projects No 12-5955R	TBD	N/A	Financial and compliance audit of the completed Gilbert Street from Katella Avenue to Ball Road	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2019	Significant Findings
OC Waste & Recycling	Accounting	Eide Bailly, LLP	Financial Statements	6/30/19 Annual	6/30/2018	Audit of Financial Statements	Completed.	None.
Probation	Administrative and Fiscal	California Dept. of Education	Nutrition Services Division - Food contracts	2018-2019	N/A	Review of food contracts and the procurement/ solicitation methods	In progress.	
Public Defender		No audits in progress.						
Registrar of Voters		No audits in progress.						
Sheriff-Coroner	Financial/ Administrative Services	Cal EMA / Grants Management Section	Homeland Security Grants	FY 06 through 08	FY 06/07	Financial / Compliance	In progress. As of 01/2020, OCSO has contacted Cal OES and requested a status of the close out for this audit. A response from Cal OES is pending.	This audit is also reported under HCA / Regulatory/Medical Services.
		Office of the State Controller Division of Audits	SB 90 Audit (PC 530.5) - Identity Theft Reports	FY02/03 thru FY12/13	N/A	Claimed Costs	In progress.	
		Clifton Larson Allen LLP	800 MHz Countywide Coordinated Communication System	N/A	N/A	Participant reconciliations	Completed.	None.
		Cal EMA / Grants Management Section	Homeland Security Grants	FY 17 through 19	FY 09/10	Financial / Compliance	In progress.	
		Arroyo Associates	Overtime	FY 14/15 - FY 18/19	N/A	Performance Audit	In progress.	
	Custody Operations	US Department of Justice	Classification Review - Theo Lacy, Intake Release Center	Varied	N/A	Site visit, Compliance	Completed.	None.
		Disability Rights Commission (DRC)	Theo Lacy, Central Men's Jail, Intake Release Center, James A Musick Facility	Current	N/A	Disability Rights	In progress.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2019	Significant Findings
Sheriff-Coroner (continued)	Support Services	Dimension Data	Service continuity, disaster recovery	06/18 to 08/18	N/A	Review business critical applications, provide recommendations and documents for BC/DR.	In progress.	
		California Department of Justice	Criminal Offender Record Information (CORI)	Triennial	2016	Compliance Review	Completed.	None.
		California Department of Justice	California Law Enforcement Telecommunications System (CLETS) Audit	Triennial	FY 15/16	Compliance Review	In progress.	
		California Department of Justice	National Data Exchange System (N-Dex)	Triennial	2016	Compliance Review	In progress.	
		Tevora Business Solutions	IT	Annual	2018	Operational Review	Planned.	
		Tech Advisory Committee (TAC)	IT	Quarterly / Semi-Annual	2017	Operational Review	Planned.	
		Naval Criminal Investigative Service (NCIS) - LInX	LInX Data-sharing application	Annual	2019	Compliance Review	Planned.	
		Federal Bureau of Investigation's Criminal Justice Information Services (CJIS) Division	National Crime Information Center (NCIC) Audit	Semi-Triennial	2013	Compliance Review	Planned.	
	Orange County Crime Lab	ANSI National Accreditation Board	OC Crime Lab (OCCL) Accreditation	Annual	2019	All OCCL Operations	Planned.	
		FBI DNA Quality Assurance	OC Crime Lab DNA Operations	Biennial	2018	DNA Bureau	Planned.	
Social Services Agency	Administrative Services	CDSS Fiscal Monitoring Bureau	County Expense Claim (CEC) and Assistance Claims	As Needed	12/16	Review of the CEC and Assistance Claims.	Planned.	
		Social Security Administration	Supplemental Security Income (SSI) Retirement and Survivors Disability Insurance (RSDI)	TBD Every 3 to 4 years	04/17	Review of compliance with Children & Family Services representative payee responsibilities for SSI. RSDI eligible dependent children in and out of home care.	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2019	Significant Findings
Social Services Agency (continued)	Assistance Programs	California Department of Social Services (CDSS)	CalFresh	08/19 Annual	08/17	Management evaluation of CalFresh Program access with an emphasis on the recertification process and timeliness of application processing, payment accuracy, and assessment of corrective action.	In progress.	
		California Department of Social Services (CDSS)	CalFresh Employment & Training (CF E&T)	3/27/19 Annual	N/A	Management evaluation of the County's CF E&T program to determine the compliance of the program rules and regulations, and the County's approved CF E&T plan.	In progress.	
	Family Self-Sufficiency & Adult Services	California Department of Social Services (CDSS) Children & Family Services Division, Adoptions Bureau	Adoptions Assistance Program (AAP)	9/18 to 6/19 Annual	9/18	Random selection of AAP cases for review to ensure compliance.	In progress.	
		California Department of Social Services (CDSS)	In-Home Supportive Services (IHSS)	Annual	04/19	Quality Assurance monitoring of OC's administration of IHSS program. This includes a review of active and denied cases, including home visits and cases previously reviewed by Adult Services Quality Assurance/ Quality Improvement unit.	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of December 31, 2019	Significant Findings
Social Services Agency (continued)	Family Self-Sufficiency & Adult Services (continued)	Christy White Associates, Inc.	California State Preschool Program (CSPP) Grant	Annual	10/18	Financial audit is conducted based on the California Department of Education (CDE) Audit Guide for Child Care and Development Programs Attendance and Fiscal Reports.	Planned.	
		California Department of Social Services (CDSS)	Federal Work Participation Rate (WPR) data and supporting documentation	Biennial	06/17	To ensure compliance with federal Temporary Assistance for Needy Families (TANF) data reporting requirements and work participation procedures.	Planned.	
		California Department of Social Services (CDSS)	Temporary Assistance for Needy Families (TANF)	Annual	03/19	Test for internal control and compliance with federal laws, regulations, and requirements for TANF funds. The auditor reviews randomly selected cases, reports, and processes.	Planned.	
Treasurer-Tax Collector	Treasury and Investments	Eide Bailly, LLP (Formerly VTD)	Annual IPS Compliance	FY 17/18 Annual	6/30/2017	Required Annual Examination of the Treasurer's Investment Compliance with Government Code 27130-27137 and County Investment Policy Statement	In progress.	
		Eide Bailly, LLP (Formerly VTD)	Annual Audit of Statement of Assets Held by the County Treasury	6/30/18 Annual	6/30/17	California Government Code 26920(b)	In progress.	

EXTERNAL AUDIT REPORT
Implementation Status of Prior Quarter Significant & Material Issues
Quarter Ended December 31, 2019

No.	Department	Audit Name	Finding	Recommendation	Material or Significant	Implementation Status* & Actions Taken or Planned
3	CEO & DA	Single Audit YE 6/30/18	Evaluation of the subrecipient's risk of noncompliance was performed but not documented.	We recommend that the Health Care Agency, CEO Office, and District Attorney's Office implement policies and procedures to ensure that the required evaluation of the subrecipient's risk of noncompliance be documented in accordance with 2 CFR section 200.331(b).	Significant	CEO & DA: In progress. County-wide policies and procedures have been developed and pending the review process for County-wide implementation. Departments have been requested to review draft guidelines and provide feedback by January 27, 2020 for document finalization/implementation.
8	CEO & DA	Single Audit YE 6/30/18	Certain subrecipient monitoring procedures were not documented.	We recommend the Health Care Agency, CEO's Office, and District Attorney's Office implement policies and procedures to document the monitoring of subrecipients is documented in accordance with 2 CFR section 200.331(d).	Significant	CEO & DA: In progress. Review process has been documented in proposed County-wide policies and procedures. Departments have been requested to review draft guidelines and provide feedback by January 27, 2020 for document finalization/implementation. Letters to applicable County Executive Office subrecipients were distributed in November 2019.

* Implementation status reported as (1) implemented, (2) in progress, or (3) not yet implemented.