

# A G E N D A

## REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE ORANGE COUNTY, CA



**Thursday, June 4, 2020, 10:00 a.m.**

Join Skype Meeting:

<https://meet.lync.com/ocgov-com/mari.elias/FH4K9FFZ>

Join by Phone: 1 (949) 543-0845, Conference ID: 456864338

### MEETING HELD BY TELECONFERENCE

**\*\*PURSUANT TO THE PROVISIONS OF CALIFORNIA GOVERNOR'S EXECUTIVE ORDER N-29-20, ISSUED ON MARCH 17, 2020, THIS MEETING WILL BE HELD BY TELECONFERENCE ONLY.\*\***

**ROBERT BROWN (2023)**

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

**VACANT**

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

*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>.*

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.

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  | <i>Robert Brown<br/>AOC Chairman</i>  |
| 2. Approve Audit Oversight Committee Regular Meeting Minutes of February 20, 2020   | <i>Robert Brown<br/>AOC Chairman</i>  |
| 3. Discuss Status of Revised Audit Oversight Committee Bylaws   | <i>Aggie Alonso, CPA<br/>Director<br/>Internal Audit Department</i>           |
| 4. Receive Report on the County's Cybersecurity Program   | <i>Joel Golub<br/>Chief Information Officer<br/>OCIT</i>                      |
| 5. Receive Report on Required Communication from External Auditors  | <i>Roger Alfaro, CPA<br/>Partner<br/>Eide Bailly LLP</i>                      |
| 6. Discuss Member Vacancies in Audit Oversight Committee, and Staff Vacancies in Internal Audit Department and Auditor-Controller   | <i>Robert Brown<br/>AOC Chairman</i>  |
| 7. Discuss Audit Oversight Committee Retreat Status   | <i>Robert Brown<br/>AOC Chairman</i>  |
| 8. Receive Report on Status of Auditor-Controller Mandated Audits   | <i>Frank Davies, CPA<br/>Auditor-Controller</i>                               |
| 9. Receive Report on Status of Performance Audits   | <i>Michelle Aguirre<br/>County Financial Officer</i>                          |
| 10. Approve Internal Audit Department's Annual Risk Assessment & Audit Plan for FY 2020-21  | <i>Aggie Alonso, CPA<br/>Director<br/>Internal Audit Department</i>           |
| 11. Approve Internal Audit Department's FY 2019-20 3 <sup>rd</sup> Quarter Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended March 31, 2020 | <i>Aggie Alonso, CPA<br/>Director<br/>Internal Audit Department</i>           |
| 12. Receive Report on Status of External Audit Recommendations Implementation and Approve Quarterly External Audit Activity Status Report for the Quarter Ended March 31, 2020        | <i>Scott Suzuki, CPA<br/>Assistant Director<br/>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:**

**NEXT MEETING:**

Regular Meeting, August 13, 2020, 10 A.M.



# Memorandum

June 4, 2020

**AOC Agenda Item No. 2**

TO: Audit Oversight Committee Members

Recommended Action:

Approve Audit Oversight Committee Regular Meeting Minutes of February 20, 2020

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Approve Audit Oversight Committee Regular Meeting Minutes of February 20, 2020, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – Summary Minutes for February 20, 2020 Meeting

# 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, 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

**VACANT**  
Private Sector Member, Second District

**STELLA ACOSTA, CPA (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

**ATTENDANCE:** Robert Brown, AOC Chairman, Private Sector Member  
Mark Wille, AOC Vice Chair, Private Sector Member  
Chris Gaarder, Proxy for Supervisor Andrew Do  
Drew Atwater, Private Sector Member  
Stella Acosta, Private Sector Member  
Tyler Cash, Proxy for Supervisor Michelle Steel  
Michelle Aguirre, Proxy for Frank Kim

**PRESENT:** 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

## 1. Roll call and Self Introductions

Mr. Robert Brown, Audit Oversight Committee (AOC) Chairman, called the meeting to order at 10:00 A.M. Attendance of AOC Members noted above.

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

Mr. Brown asked for a motion to approve the Audit Oversight Committee Regular Meeting Minutes of November 14, 2019.

**Motion to approve the minutes by Mr. Mark Wille, seconded by Mr. Drew Atwater.**

**All in favor, none opposed.**

**Approved as recommended**

## 3. Receive Report on Required Communication from External Auditors

Mr. Roger Alfaro, Partner at Eide Bailly LLC, stated that Eide Bailly issued an Unmodified Opinion on the County's Financial Statements, which is the highest level of assurance that the County can receive on a financial process. Eide Bailly issued an opinion on the standalone financial statements for the Orange County Redevelopment Successor Agency, John Wayne Airport, and Orange County Waste & Recycling.

Mr. Alfaro stated that the County adopted two new accounting pronouncements that were incorporated into the financial statements for June 30, 2019. Mr. Alfaro stated that Eide Bailly did not have any disagreements with management over accounting, auditing or financial reporting matters. Eide Bailly is working on the Single Audit programs-testing portion of the engagement and anticipates issuing the Single Audit report no later than March 31, 2020.

## 4. Receive Report on the County's Cybersecurity Program

Mr. Joel Golub, Chief Information Officer, stated that at the request of the Registrar of Voters (ROV), OCIT conducted a surprise cyber-attack on ROV staff. OCIT simulated a ransomware attack and looked at how people reacted, what happened, how long it took to respond. Mr. Golub stated that the exercise was at the department head's request and there are no other similar attacks planned at other departments.

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

Ms. Michelle Aguirre, Chief Financial Officer, introduced Mr. Steve Delaney, Chief Financial Officer of OCERS. Mr. Delaney stated that assumptions are based on salary growth, mortality, demographics, and the discount rate. The current Unfunded Actuarial Accrued Liability (UAAL) is \$20.7 billion. Mr. Delaney stated that the actuary's snapshot as of December 31, 2018 valued assets at \$15 billion, and the funding gap is \$5.7 billion.

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

## **6. Discuss Audit Oversight Committee vacancy and attendance**

Mr. Brown welcomed Ms. Stella Acosta to the AOC as the newly appointed Fourth District Public Sector Member. Mr. Brown advised the committee that Mr. Richard Murphy, Second District Public Sector Member, resigned effective February 19, 2020. Mr. Murphy was re-elected Mayor of Los Alamitos. Mr. Brown stated that he notified the Board of Supervisors of the resignation on February 20, 2020.

## **7. Receive Report from Audit Oversight Committee Bylaws Subcommittee and Approve Revised Audit Oversight Committee Bylaws, and Resolution amending term of Public Members**

Mr. Brown asked the AOC to review and approve the amended bylaws and approve the revised resolution to be sent to the Board of Supervisors (Board). Mr. Brown thanked the subcommittee: Proxy for Supervisor Steel Arie Dana, County Executive Officer Frank Kim, and AOC Vice Chair Mark Wille, and Ronnie Magsaysay and Aggie Alonso for their assistance.

**Motion to approve the Revised Audit Oversight Committee Bylaws, and Resolution amending term of Public Members by Mr. Wille, seconded by Ms. Acosta.**

**Five in favor; Mr. Gaarder and Mr. Cash opposed.  
Approved as recommended.**

## **8. Discuss Internal Audit Department Policy regarding Sensitive Reports**

Mr. Aggie Alonso, Director of Internal Audit Department, stated that the purpose of the Restricted Information Reporting policy was to formalize the current practice for issuing sensitive reports, and welcomed any discussion.

Mr. Drew Atwater left meeting at 11:25 A.M. Meeting still has quorum.

## **9. Discuss Audit Oversight Committee Retreat**

Mr. Brown stated that the Audit Oversight Committee Retreat is scheduled for March 17<sup>th</sup>. The retreat will be an opportunity for the AOC members to receive training as authorized by the Bylaws, which will elevate the performance of the committee.

Mr. Alonso stated that there is a robust agenda planned that will cover an overview and history of the committee. Mr. Alonso stated that each department will speak to their respective responsibilities pertaining to oversight, and one AOC member will speak to how the members handle their duties. Mr. Alonso thanked the Auditor-Controller, the CEO, Eide Bailly for their collaboration in the retreat.

# S U M M A R Y   M I N U T E S

## **10. Receive Report on Status of Mandated Audits**

Mr. Frank Davies, Auditor-Controller, introduced Mr. Michael Steinhaus, Audit Manager for Auditor-Controller Internal Audit Division. Mr. Steinhaus provided a status update of mandated audits.

## **11. Receive Report on Status of Performance Audits**

Ms. Aguirre provided a status update of performance audits. Ms. Aguirre stated that a list of recommended reviews for FY 2020-21 is with the Board Chairwoman and Vice Chair, and the Audit Plan for Performance Audit will go to the Board in June.

## **12. Approve Internal Audit Department's FY 2019-20 2<sup>nd</sup> Quarter Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended December 31, 2019**

Mr. Alonso presented the Quarterly External Audit Activity Status Report for the Quarter Ended December 31, 2019. IAD issued five final reports, five draft reports, and five follow-up reports.

**Motion to approve the 2<sup>nd</sup> Quarter Status Report and Executive Summary by Mr. Wille, seconded by Mr. Gaarder.**

**All in favor, none opposed.  
Approved as recommended.**

## **13. Receive Report on Status of External Audit Recommendations Implementation and Approve Quarterly External Audit Activity Status Report for the Quarter Ended December 31, 2019**

Mr. Scott Suzuki, Assistant Director of Internal Audit, stated that there was one material issue identified at Health Care Agency related to a block grant. Specifically, a \$241,000 charge was deemed inappropriate. The Auditor-Controller remitted the full amount in January 2020.

**Motion to approve Quarterly External Audit Activity Status Report by Mr. Wille, seconded by Mr. Gaarder.**

**All in favor, none opposed.  
Approved as recommended.**



# S U M M A R Y   M I N U T E S

**PUBLIC COMMENTS:** None

**AOC COMMENTS & ADJOURNMENT:**

**AOC COMMENTS:** Mr. Wille stated that AOC is functioning better than it has in a long time and thanked the Internal Audit Department, Auditor-Controller, external auditors, and performance audit for their collaboration and willingness to work within a standardized reporting model. Mr. Wille thanked the Board Proxys for attending and for being engaged in the meeting.

Mr. Brown stated that everyone's presence and engagement during the meeting contributes to the success of the work being done by the AOC.

**ADJOURNMENT:** Meeting adjourned at 11:50 A.M.

**NEXT MEETING:**

Regular Meeting, May 14, 2020, 10 A.M.



# Memorandum

June 4, 2020

**AOC Agenda Item No. 3**

TO: Audit Oversight Committee Members

Recommended Action:

Discuss Status of Revised Audit Oversight Committee Bylaws

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Discuss Status of Revised Audit Oversight Committee Bylaws, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – Redline Audit Oversight Committee Bylaws

## 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 member's seat remains vacant for one hundred eighty-three (183) days or more, the AOC Chair may, upon prior notification to the Board of Supervisors, 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 1<sup>st</sup> to December 31<sup>st</sup>, 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

### Audit Oversight Committee Bylaws

- 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.



# Memorandum

June 4, 2020

**AOC Agenda Item No. 4 (REVISED)**

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.

ATTACHMENT(S):

Attachment A – Cybersecurity Updates PowerPoint

# Cybersecurity Updates

- OCIT – Enterprise Privacy & Cybersecurity
- June, 2020



# Agenda

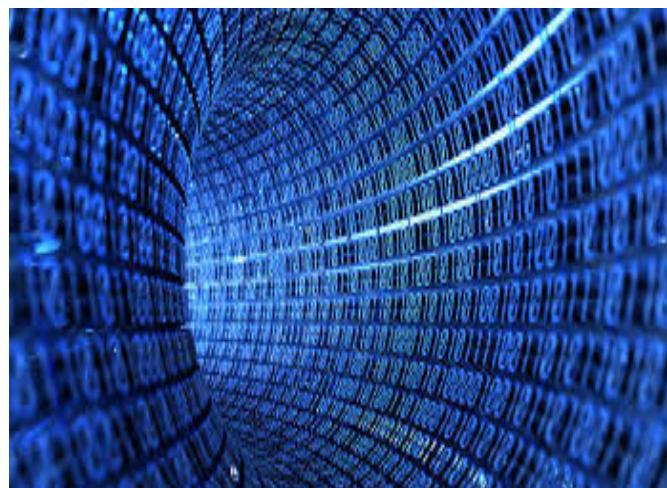
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- A new Cybersecurity paradigm
- Embracing the new Cybersecurity requirements
- Optimizing our defenses in a “new normal”





# A new Cybersecurity paradigm



- A new Cybersecurity paradigm means....
  - A significant increase in remote workers\* who access our systems via:
    - Multiple VPN architectures
    - Terminal Servers
    - Application Proxies
    - O365
    - Outlook Web Access (OWA)
    - Virtual Desktop Infrastructure (VDI)
    - Citrix

\*Approximately 11,000, not including remote access services not supported by OCIT

- An expanded attack surface
- A weakened set of protections
- A more challenging support landscape
- A need for expanded security controls





## Embracing the new Cybersecurity requirements

- Enhanced monitoring of remote access architectures
- Modified processes for incident response
- Cybersecurity guidelines for remote workers
- KnowBe4 training “Cyber Safety While Working Remotely”
- Security guidelines for video conferencing
- Working through remote vulnerability, risk management, patching, and remediation processes
- Additional monitoring of email systems (75% increase in phishing attacks related to COVID-19)

# Optimizing our defenses in a “new normal”

- Email Security and Threat Protections
- Cloud Security Controls
- Artificial Intelligence and Network Traffic Analysis
- Network Segmentation and Network Access Control (NAC)
- Identity Management and Privileged Access Management
- Distributed Denial of Service (DDOS) and Web Application Firewalls
- Data Loss Prevention (DLP)
- E-Discovery
- Automated Patch Management



Questions?







# Memorandum

June 4, 2020

**AOC Agenda Item No. 5**

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-1 – Projects and Timelines

Attachment A-2 – Eide Bailly AU-C 260 Letter

Attachment B – Completed Audits

Department / Agency / Division	Audit / Project	Audit / Project Date	Audit Scope	Anticipated Dates			Status
				Planning	Fieldwork	Reporting	
All	Financial Statement Audit - Comprehensive Annual Financial Report (CAFR)	6/30/2020	Financial Statements of the County CAFR, including audit of investment trust funds, and pension/OPEB trust funds	April/May 2020	May 2020 through November 2020	December 2020	Planning and interim fieldwork in progress
All	Agreed Upon Procedures (AUP) over GANN Limit calculations	6/30/2020	GANN Limit Calculation for County and OC Flood Control District	April/May 2020	May 2020	December 2020	Fieldwork in progress
All	Single Audit	6/30/2020	Audit over compliance in accordance with Uniform Guidance of the County.	October 2020	January through February 2021	March 2021	n/a
John Wayne Airport (JWA)	Financial Statement Audit	6/30/2020	John Wayne Airport (JWA), including Passenger Facility Charge	April/May 2020	August through November 2020	December 2020	Planning in progress
Orange County Waste & Recycling	Financial Statement Audit	6/30/2020	Orange County Waste & Recycling	April/May 2020	August through November 2020	December 2020	Planning in progress
OC Community Resources / Redevelopment Successor Agency	Financial Statement Audit	6/30/2020	Redevelopment Successor Agency	April/May 2020	August through November 2020	December 2020	Planning in progress
District Attorney	Grant Audits	6/30/2020	District Attorney Grant Audits	July 2020	September 2020	October 2020	n/a
CEO; HCA and Sheriff's Department	Tobacco Settlement Funds Agreed Upon Procedures	6/30/2020	HCA and Sheriff Tobacco Settlement Funds disbursements	November 2020	December 2020 through January 2021	February 2021	n/a
TTC	Agreed Upon Procedures over compliance	6/30/2019	Compliance with Government Code and Investment Policy	***	***	***	Fieldwork not yet started
TTC	Schedule of Assets	6/30/2018	Report on the Schedule of Assets	May 2020	June 2020	July 2020	Planning in progress
TTC	Schedule of Assets	6/30/2019	Report on the Schedule of Assets	***	***	***	Fieldwork not yet started

May 12, 2020

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

This letter is provided in connection with our engagement to audit the financial statements and to audit compliance over major federal award programs of the County of Orange, California (County) as of and for the year ended June 30, 2020. Professional standards require that we communicate with you certain items including our responsibilities with regard to the financial statement audit, the compliance audit, and the planned scope and timing of our audits.

As stated in our engagement letter dated April 22, 2020, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), *Government Auditing Standards* of the Comptroller General of the United States of America, the requirements of the Single Audit Act, as amended; and the provisions of the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), for the purpose of forming and expressing opinions on the financial statements and on major federal award program compliance. Our audits do not relieve you or management of your respective responsibilities.

Our responsibility as it relates to the schedule of expenditures of federal awards is to evaluate its presentation for the purpose of forming and expressing an opinion as to whether it is presented fairly in all material respects in relation to the financial statements as a whole.

As part of our audit of the County's basic financial statements, we have also been engaged to perform the following:

- Audit of the investment trust funds;
- Audit of the pension and other postemployment benefit trust funds;
- Agreed Upon Procedures (AUP) for the Section 8 Cluster;
- Audit of the standalone financial statements and passenger facility charge revenue of John Wayne Airport;
- Audit of the standalone financial statements of OC Waste & Recycling;
- Audit of the standalone financial statement of the Orange County Development Agency Successor Agency;
- AUP over the Tobacco Settlement Revenue;
- AUP over the Appropriations Limit Calculations for the County of Orange and the Orange County Flood Control District;
- Audit of the Treasurer's Schedule of Assets;
- Annual Treasurer's compliance audit;
- Subsequent events review of CalOptima.

Our audits will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our audit procedures will also include determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the entity's major programs.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or material noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS, *Government Auditing Standards* of the Comptroller General of the United States of America, the requirements of the Single Audit Act, as amended; and the provisions of the Uniform Guidance.

Our audits will include obtaining an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements, the risk of material noncompliance in the major federal award programs, and as a basis for designing the nature, timing, and extent of further audit procedures. However, we will communicate to you at the conclusion of our audit, significant matters that are relevant to your responsibilities in overseeing the financial reporting process, including any material weaknesses, significant deficiencies, and violation of laws or regulations that come to our attention. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

If any member of the Committee or Board is aware of matters that have a material bearing on the financial statements taken as a whole (such as those described above), please contact Roger Alfaro, Partner, at (949) 768-0833 or by email at [ralfaro@eidebailly.com](mailto:ralfaro@eidebailly.com).

We plan to use personnel from the Internal Audit Division of the Auditor-Controller's office of the County to provide direct assistance to us in performing our audit procedures.

The financial statements of CalOptima, a discretely presented component unit, are audited by others and we will not take responsibility for the audit performed by the other auditors, rather will refer to their audit in our report. Our decision to refer to the report of the other auditor, as it relates to CalOptima, is based upon the following:

- The other auditors will perform an audit of the financial statements of the component in accordance with the relevant requirements of *Government Auditing Standards*,
- The other auditor will issue an auditor's report that is not restricted as to use,
- The consistency of the component's reporting framework to the County's financial statements.

Our planned audit procedures with respect to CalOptima include required correspondence with the other auditor, obtaining and reading their auditor's report and the related financial statements, and other procedures as considered necessary.

We began our audit in April 2020, and expect to issue our report no later than December 22, 2020 for the financial statements, and no later than March 31, 2021 for the Single Audit.

This information is intended solely for the information and use of 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.

Respectfully,

A handwritten signature in black ink that reads "Erik Sully LLP". The signature is written in a cursive, flowing style.

Laguna Hills, California

**Single Audit - June 30, 2019**

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Other Findings
Financial Statement Audit in Accordance with <i>Government Auditing Standards</i>	Report issued December 16, 2019 - unmodified opinion	1 Significant Deficiency: 2019-001 - Information Technology General Controls (ITGC)	None Reported
Audit over compliance in accordance with Uniform Guidance	Report issued March 27, 2020 - unmodified opinions	3 Significant Deficiencies: 2019-002 - ADP System for SNAP; 2019-003 and 2019-004 - Subrecipient Monitoring	None Reported

**Tobacco Settlement Funds - Agreed Upon Procedures - June 30, 2019**

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Other Findings
HCA and Sheriff Tobacco Settlement Funds disbursements	Report issued March 27, 2020	n/a	None Reported

**Investment Compliance - Agreed Upon Procedures - June 30, 2018**

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Other Findings
Compliance with Government Code and Investment Policy	Report issued May 8, 2020 - pending approval of Treasury Oversight Committee***	***	***



# Memorandum

June 4, 2020

**AOC Agenda Item No. 6**

TO: Audit Oversight Committee Members

Recommended Action:

Discuss Member Vacancies in Audit Oversight Committee, and Staff Vacancies in Internal Audit Department and Auditor-Controller

---

Discuss Member Vacancies in Audit Oversight Committee, and Staff Vacancies in Internal Audit Department and Auditor-Controller, as stated in the recommended action.



# Memorandum

June 4, 2020

**AOC Agenda Item No. 7**

TO: Audit Oversight Committee Members

Recommended Action:

Discuss Audit Oversight Committee Retreat Status

---

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





# Memorandum

June 4, 2020

**AOC Agenda Item No. 8**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Auditor-Controller Mandated Audits

---

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

ATTACHMENT(S):

Attachment A – Auditor-Controller Internal Audit: Status of Mandated Audits as of March 31, 2020



Auditor-Controller Internal Audit  
 Status of Mandated Audits  
 As of March 31, 2020  
 AOC Meeting Date: June 4, 2020

Audit Name	Audit No.	Budget Hours	Actual Hours	Variance	Draft Report	Final Report	Status
Cash Shortages FY 19-20	1901	100	18	82	N/A	N/A	0 in process, 1 complete
Review of Schedule of Assets QE 9/30/19	1906	280	258	22	2/10/2020	2/26/2020	Completed
Review of Schedule of Assets QE 12/31/19	1907	280	220	60			Review in process
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	301	399	1/2/2020	1/23/2020	Completed
JPs and Special Districts FY 18-19*	1913	100	56	44	N/A	N/A	Collection in process

\*We collect copies and post them online.



Auditor-Controller Internal Audit  
 Status of Mandated Audits  
 As of March 31, 2020  
 AOC Meeting Date: June 4, 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.	0 investigations in process and 1 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 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.	Final report was issued on 2/26/20. Final Management Letter was issued on 3/16/20.	0	1

### Reviews of Schedule of Assets QE 12/31/19

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Control Deficiencies
To perform quarterly reviews to 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 in process.	0	0



Auditor-Controller Internal Audit  
 Status of Mandated Audits  
 As of March 31, 2020  
 AOC Meeting Date: June 4, 2020

### 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.	Final report was issued on 1/23/20.	0	0

### 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 audited financial statements is in process. JPAs remaining: 48 of 81. Special Districts remaining: 32 of 43.	0	



# Memorandum

June 4, 2020

**AOC Agenda Item No. 9 (REVISED)**

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 – Status FY 2018-19 Performance Audits

## STATUS FY 2018-19 PERFORMANCE AUDITS

Department	Scope Summary	Status
<p style="text-align: center;"><b>Follow-Up Audits</b></p> <p style="text-align: center;"><a href="http://www.ocgov.com/about/openoc/opad_reports">http://www.ocgov.com/about/openoc/opad_reports</a></p> <p style="text-align: center;"><b>Link to previous reports</b></p>		
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. Draft report issued and under review; however, review has been temporarily delayed due to COVID-19.
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. Draft report currently being reviewed by CEO Risk Management. Anticipate final report by the end of June 2020.

## STATUS FY 2018-19 PERFORMANCE AUDITS (continued)

Department	Scope Summary	Status
<b>Follow-Up Audits (Continued)</b>		
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. Final report issued on March 24, 2020. Sheriff currently preparing response to findings and recommendations.
<b>New Audits</b>		
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. Over the last few months, the team facilitated a kickoff meeting and development/distribution of a survey completed by multiple County departments. Interviews with County staff knowledgeable of County IT project/portfolio management practices were conducted. The consultant is drafting documentation such as current state, future vision, and a requirements matrix while concurrently scheduling discussions with potential Project Management/Portfolio Management tool suppliers. Although the COVID-19 effort has impacted the project, the team is attempting to keep the project on track for completion in 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. Final report received April 16, 2020. Clerk of the Board currently preparing response to findings and recommendations.



## 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. Audit is progressing but has been challenging due to COVID-19. Minimal field work remains. Draft and final reports still 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 temporarily postponed due to COVID-19. New project timeline to be established.

## 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.	Contract awarded to Measurement Resource Company. Audit kickoff meeting held April 3, 2020, but audit work has been temporarily postponed due to COVID-19.
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 process underway. Anticipate contract award early-mid June 2020.



# Memorandum

June 4, 2020

**AOC Agenda Item No. 10**

TO: Audit Oversight Committee Members

Recommended Action:

Approve the Internal Audit Department's Annual Risk Assessment & Audit Plan for FY 2020-21

---

The Internal Audit Department is pleased to present the Annual Risk Assessment & Audit Plan for FY 2020-21. This comprehensive report details our risk-based plan for audits in FY 2020-21.

Per the County of Orange Audit Oversight Committee Bylaws, the AOC shall review and approve the risk assessment and internal audit plan. If approved by the AOC, the Risk Assessment & Audit Plan will be presented to the Board of Supervisors at its June 23, 2020 meeting.

**ATTACHMENT(S):**

Attachment A – Annual Risk Assessment & Audit Plan for Fiscal Year 2020-21



DRAFT

Attachment A

# INTERNAL AUDIT DEPARTMENT



## Annual Risk Assessment & Audit Plan For Fiscal Year 2020-21

Audit No. 1901  
Report Date: Month XX, 2020

### OC Board of Supervisors

CHAIRWOMAN MICHELLE STEEL  
SECOND DISTRICT

VICE CHAIRMAN ANDREW DO  
FIRST DISTRICT

SUPERVISOR DONALD P. WAGNER  
THIRD DISTRICT

SUPERVISOR DOUG CHAFFEE  
FOURTH DISTRICT

SUPERVISOR LISA A. BARTLETT  
FIFTH DISTRICT



## INTERNAL AUDIT DEPARTMENT

Audit No. 1901

Month XX, 2020

To: Chairwoman Michelle Steel, Supervisor, 2<sup>nd</sup> District  
 Vice Chairman Andrew Do, Supervisor, 1<sup>st</sup> District  
 Supervisor Donald P. Wagner, 3<sup>rd</sup> District  
 Supervisor Doug Chaffee, 4<sup>th</sup> District  
 Supervisor Lisa A. Bartlett, 5<sup>th</sup> District  
 Members, Audit Oversight Committee

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

Subject: Annual Risk Assessment & Audit Plan for Fiscal Year 2020-21

Attached for your review and approval is our Fiscal Year 2020-21 Annual Risk Assessment and Audit Plan, which was approved by the Audit Oversight Committee on June 4, 2020. On an annual basis, we perform a Countywide Risk Assessment that we use to develop our Audit Plan. The Risk Assessment, coupled with the Audit Plan, delivers a systematic approach for evaluating the effectiveness of internal controls and the efficiency of County business operations. For Fiscal Year 2020-21, we identified a total of 23 high-risk or high-priority areas in 14 County departments as follows:

DEPARTMENT	NUMBER OF HIGH-RISK/ HIGH-PRIORITY AREAS	AUDIT AREA
1. Auditor-Controller	1	Information Technology
2. Clerk of the Board	1	Information Technology
3. County Counsel	1	Information Technology
4. County Executive Office	4	Cash Disbursements & Payables
		Fiduciary & Special Revenue Funds
		Purchasing & Contracts (general)
		Purchasing & Contracts (CPM)
5. District Attorney-Public Administrator	1	Information Technology
6. Health Care Agency/Public Guardian	2	Fiduciary & Special Revenue Funds
		Information Technology
7. OC Community Resources	2	Cash Disbursements & Payables
		Purchasing & Contracts
8. OC Public Works	4	Fiduciary & Special Revenue Funds
		Cash Disbursements & Payables
		Purchasing & Contracts (general)
		Purchasing & Contracts (DCPM)

**Internal Audit Department Mission**

*Our mission is to provide highly reliable, independent, objective evaluations, and business and financial consulting services to the Board of Supervisors and County management to assist them with their important business and financial decisions.*

9. Probation Department	1	Information Technology
10. Public Defender	1	Revolving Funds
11. Registrar of Voters	1	Information Technology
12. Sheriff-Coroner	1	Purchasing & Contracts
13. Social Services Agency	2	Fiduciary & Special Revenue Funds
		Purchasing & Contracts
14. Treasurer-Tax Collector	1	Cash Receipts & Accounts Receivable
<b>TOTAL HIGH-RISK/HIGH-PRIORITY AREAS</b>	<b>23</b>	

Due to limited staffing resources, our Audit Plan only includes audits addressing 20 of the 23 high-risk or high-priority areas. If hours become available in Fiscal Year 2020-21, we will incorporate the remaining three high-risk areas and two other department requested (time permitting) audits into the Audit Plan. The remaining high-risk and time permitting audits that have not been incorporated by the end of Fiscal Year 2020-21, will be included in our Fiscal Year 2021-22 Audit Plan.

We look forward to a successful year of providing professional, reliable, and objective audit and advisory services to the Board of Supervisors, County Executive Office, and County departments. If you have any questions, please contact me at 714.834.5442 or Assistant Director Scott Suzuki at 714.834.5509.

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# INTERNAL AUDIT DEPARTMENT

## EXECUTIVE SUMMARY

### INTRODUCTION

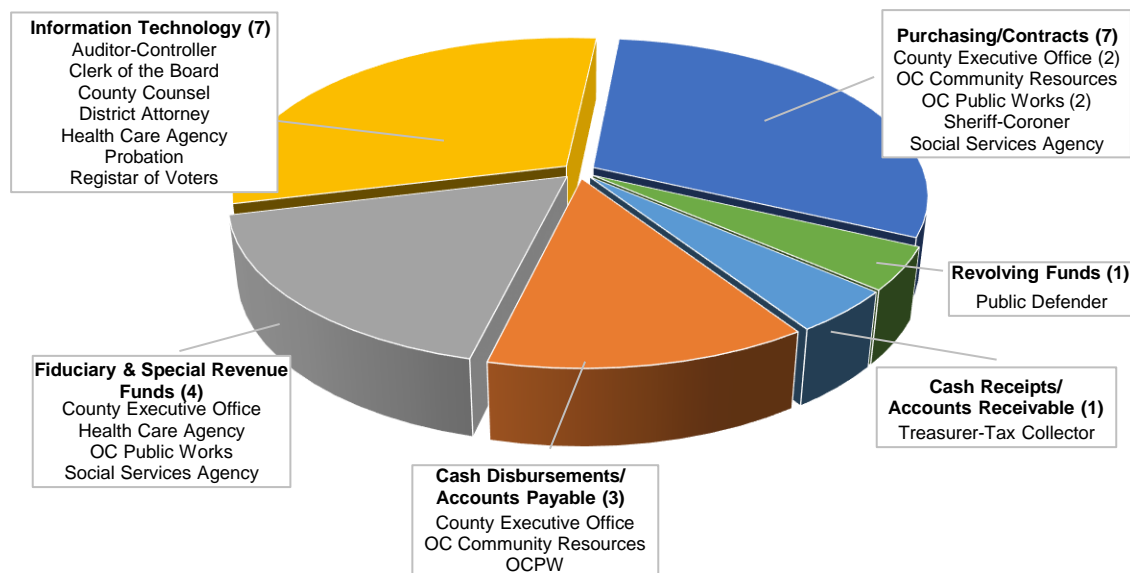
The mission of the Internal Audit Department is to provide highly reliable, independent, objective evaluations, and business and financial consulting services to the Board of Supervisors (Board) and County management to assist them with their important business and financial decisions.

We support and assist the Board and County management in the realization of their business goals and objectives. Our contribution to this effort is testing and reporting on the effectiveness of their internal control systems and processes as these relate to safeguarding the County's assets and resources, reasonable and prudent financial stewardship, accurate recording and reporting, and achieving the County's goals and objectives.

The Internal Audit Department utilizes professional standards for the development of the Audit Plan. The Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing require the chief audit executive to establish a risk-based approach to determine the priorities for internal audit activities. Our methodology is to perform focused audits that address the most critical areas of operations and to provide a quick turnaround time to the department. We strive to minimize the disruption to department operations through this approach.

We completed a risk assessment to identify and measure risk and prioritize potential audits for the Audit Plan. We are committed to auditing business activities/processes identified: (1) as high risk by our risk assessment process or (2) high priority by Board, CEO, or department head request. Our approach is to provide coverage of the most critical/sensitive aspects of the activity identified. We may make exceptions to this approach when there are carryover audits from the prior year, where there has been recent audit coverage, or if our professional judgment determines otherwise.

Our Fiscal Year 2020-21 Risk Assessment identified 23 high-risk or high-priority areas in 14 County departments as illustrated in the chart below.





## INTERNAL AUDIT DEPARTMENT

### RESULTS

Our Fiscal Year 2020-21 Audit Plan includes 20 scheduled audits, 13 of which are new audits and seven (six high risk + one high priority department request) are carried over from Fiscal Year 2019-20.

<b>10</b> NEW HIGH-RISK AUDITS SCHEDULED	+	<b>6</b> CARRYOVER HIGH-RISK AUDITS SCHEDULED	+	<b>3</b> NEW HIGH- PRIORITY AUDITS SCHEDULED	+	<b>1</b> CARRYOVER HIGH-PRIORITY REQUEST SCHEDULED	=	<b>20</b> AUDITS SCHEDULED
<b>3</b> TIME PERMITTING HIGH-RISK AUDITS			+	<b>2</b> TIME PERMITTING DEPARTMENT REQUESTED			=	<b>5</b> TIME PERMITTING AUDITS
<b>19</b> HIGH-RISK AUDITS			+	<b>6</b> HIGH-PRIORITY OR DEPARTMENT REQUESTED AUDITS			=	<b>25</b> TOTAL AUDITS IN PLAN

Due to limited staffing resources, our Audit Plan only includes audits addressing 20 of the 23 high-risk or high-priority areas. The 2020 COVID-19 pandemic affected completion of our prior year audit plan as some departments were not able to collaborate and complete originally scheduled audits resulting in an increased number of carryover audits. If hours become available in Fiscal Year 2020-21, we will incorporate the remaining three high-risk areas and the two time permitting department requested audits into the Audit Plan. Any audits that have not been incorporated by the end of Fiscal Year 2020-21 will be included in our Fiscal Year 2021-22 Audit Plan.

### RISK ASSESSMENT

#### GENERAL RISK ASSESSMENT

The Internal Audit Department performed a general risk assessment that included discussion with members of the Board, the County Executive Office, and department executive management regarding risks affecting them. We distributed risk assessment questionnaires for input on risks and areas of audit interest in department business operations. We ranked and tabulated the results to develop a risk-based Audit Plan. Because of limited staffing resources, we evaluated all audit requests based on our risk assessment criteria. Special request audits from the Board and department heads were considered for inclusion in the Audit Plan.

We designed our risk-based Audit Plan to address what we considered to be the highest priority areas, while limiting the scope of work to what could realistically be accomplished with available staff resources. Our risk ratings were based on current information that fluctuates frequently given the nature, diversity, size, and impact of County operations on the public.

Our risk-based assessment is driven by numerous risk factors and is the reason we do not have a firm cycle of audits.



## INTERNAL AUDIT DEPARTMENT

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A department with a high-risk score indicates the services or functions it is responsible for are a high-risk activity because of factors, such as having a large amount of expenditures and/or revenues, having a high level of liquid assets such as cash, management's assessment of the control environment, or a high degree of public interest. A high-risk score indicates that if something were to go wrong, it could have a greater impact. A high-risk score does not mean that a business process is being managed ineffectively or that internal control is not adequate.

### INFORMATION TECHNOLOGY RISK ASSESSMENT

Due to the complexities and widespread use of information technology throughout County operations, a separate IT risk assessment was performed to augment the general risk assessment. The IT risk assessment was conducted with a comprehensive IT survey. We distributed the survey for input on risks and areas of IT audit interest in departments' business operations and summarized the results. A risk-ranking value was assigned to each department to illustrate each risk indicator.

A department with a high-risk score indicates the services or functions it is responsible for are a high-risk activity because of factors such as departments maintaining and managing systems that process sensitive information, on-site server rooms that host critical systems, and/or large number of privileged user access.

As with the general risk assessment, a high-risk score indicates that if something were to go wrong, it could have a greater impact. A high-risk score does not mean that an IT process is being managed ineffectively or that internal control is not adequate. The survey allowed an increased understanding of the department's IT environment. The result was a comprehensive and prioritized risk-based heat map of IT risks for development of the IT component of our Audit Plan.

### FY 2020-21 AUDIT PLAN

Our Audit Plan is based on 12,672 productive hours to be provided by seven audit professionals and two supervising audit managers. Audit hours for the director of Internal Audit and assistant director are not included in the above total, and time for the audit managers is adjusted to allow time for administrative duties. Some audits we identified as high risk are listed on the Audit Plan as "time permitting" audits. If hours become available, we will begin performing the time permitting audits. Otherwise, these audit areas will remain as high risk and will be included in next year's Audit Plan.

Our Audit Plan is submitted, reviewed, and approved by the Audit Oversight Committee prior to the beginning of each fiscal year. Our audit services are focused on improving internal control in standard business processes/cycles common to all departments with our primary emphasis on financial accounts and transactions. Examples of audits in our Audit Plan include Internal Control Audits and Information Technology Audits. In the table below is a description of these primary service areas, related objectives, and hours allocated to the service area.



## INTERNAL AUDIT DEPARTMENT

SERVICE	OBJECTIVE	HOURS	%
<b>Internal Control Audits (ICA)</b>	Review effectiveness and efficiency of departmental operations including the safeguarding of assets, reporting (internal and external, financial and non-financial), and compliance with laws, regulations, and procedures as related to the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework.	6,354	50%
<b>Information Technology Audits (ITA) &amp; Advisory</b>	Review IT controls such as general controls over computer operations, access to programs and data, disaster recovery/business continuity, program development, program changes, and provide advisory services for system implementations.	2,645	21%
<b>Business Process Improvement (BPI)</b>	Conduct facilitated workshops utilizing a balanced approach to discuss strengths, concerns and what the team can do to improve business processes. The process draws upon the expertise of employees and managers and encourages a team approach to identifying issues and problem solving.	315	3%
<b>Revenue Generating Lease Audits (RGL)</b>	Audit the records of businesses with revenue generating leases at John Wayne Airport, OC Community Resources, and OC Public Works to ensure the correct amount of rent is paid to the County based on a percentage of gross revenue, and that internal controls are adequate to ensure the integrity of records used to report gross revenues.	0	0%
<b>Board Requests &amp; Contingency Reserve</b>	Hours reserved for special request audits from the Board, position vacancies, and other unforeseen events.	1,658	13%
<b>Other Activities &amp; Administration</b>	Investigate cash losses; provide advisory services and technical assistance to departments on business, accounting, internal control, compliance, and policy and procedural issues; perform the annual risk assessment; compile and present External Audit Activity Reports to the AOC; compile and present oversight reporting to the AOC and Board; complete special projects.	1,700	13%
<b>TOTALS</b>		<b>12,672</b>	<b>100%</b>

For each engagement in the Audit Plan, we have listed the department, preliminary audit objectives, and estimated hours to complete the audit. Please refer to Appendix A for more details on the Audit Plan methodology.

The Audit Plan is subject to change for such events where the director of the Internal Audit Department, or Board majority assesses it is warranted to substitute, postpone, or cancel a scheduled audit due to timing, priority, resources, and/or other risk considerations. An example of an event is the evolving COVID-19 crisis which may affect business processes (e.g., procurement, payroll, cybersecurity) and necessitate modification of our Audit Plan. Such modifications will be noted in the Quarterly Status Reports submitted to the AOC. The acceptance of the Quarterly Status Report by the AOC authorizes any changes noted.



## INTERNAL AUDIT DEPARTMENT

AUDIT	PRELIMINARY AUDIT OBJECTIVES	HOURS
<b>High-Risk Audits</b>		
<b>Internal Control Audits</b>		<b>Supervising Audit Manager: Michael Dean, Senior Audit Manager</b>
1. T-TC Accounts Receivable	To assess internal control over accounts receivable to ensure receivable accounts are accurate, valid, properly approved, and recorded.	400
2. CEO Cash Disbursements & Payables	To assess internal control over cash disbursements and accounts payable to ensure payments are properly reviewed and authorized, valid, supported, timely; and are compliant with County policy.	800
3. OCCR Cash Disbursements & Payables		
4. SSA Purchasing & Contracts		
5. OCIT Purchasing & Contracts (1624)		
6. OCPW Purchasing & Contracts (1911)	To assess procurement processes (other than human services) to ensure compliance with the Contract Policy Manual.	360
7. OCSD Purchasing & Contracts (1912)		
Carryovers from FY 2018-19		
8. OCCR/OC Parks/OC Dana Point Harbor Purchasing & Contracts	To assess contractor compliance with the Dana Point Master Lease (P3) and efficiency of the lease administration by OCCR.	400
9. PD Revolving Funds	To assess internal control over revolving fund expenditures to ensure they are proper and in compliance with County and departmental policy.	400
10. CEO Fiduciary Funds & Special Revenue Funds	To assess internal control over fiduciary or special revenue funds to ensure sources and uses of funds are proper and in compliance with County and departmental policy, procedures, and laws.	800
11. OCPW Fiduciary Funds & Special Revenue Funds		
12. SSA Fiduciary Funds & Special Revenue Funds (1823)		
Carryover from FY 2018-19		300



## INTERNAL AUDIT DEPARTMENT

AUDIT	PRELIMINARY AUDIT OBJECTIVES	HOURS
High-Risk Audits (con't)		
Information Technology Audits	Supervising Audit Manager: Jimmy Nguyen, IT Audit Manager II	
13. CAPS+ Application Security	Assess selected IT controls over security management.	400
14. District Attorney Cybersecurity	To assess controls over the IT environment, e.g., computer operations, access to programs and data, program development, and program changes.	400
15. Health Care Agency Cybersecurity (1943)		800
16. Clerk of the Board Cybersecurity (1944)		
Carryovers from FY 2019-20		
The following high-risk engagements are time permitting audits and will be completed as audit resources become available:		
17. ROV Cybersecurity	To assess controls over the IT environment, e.g., computer operations, access to programs and data, program development, and program changes.	0
18. Probation Cybersecurity		
19. County Counsel Cybersecurity		
Total High-Risk Audits		5,460

<b>High-Priority Department Requested Audits</b>		
<b>20. OCPW Design &amp; Construction Procurement Manual</b>	To assess whether recent changes to manuals for public works and purchasing are being complied with by County departments.	200
<b>21. CEO Contract Policy Manual</b>		200
<b>22. OCPW Toll Road and Transponder Usage for County Vehicles</b>	To assess compliance with OCPW's Toll Road and Transponder Usage for County Vehicles policy.	400
<b>23. HCA Fiduciary Funds</b> Carryover from FY 2019-20	To assess internal control over fiduciary or special revenue funds to ensure sources and uses of funds are proper and in compliance with County and departmental policy, procedures, and laws.	120



## INTERNAL AUDIT DEPARTMENT

AUDIT	PRELIMINARY AUDIT OBJECTIVES	HOURS
<b>Total High-Priority Department Requested Audits</b>		<b>920</b>

Department Requested Audits		
<b>24. JWA Cash Disbursements &amp; Payables</b> Time Permitting Audit	To assess internal control over cash disbursements and accounts payable to ensure payments are properly reviewed and authorized, valid, supported, timely; and are compliant with County policy.	0
<b>25. HRS Data Portal Access</b> Time Permitting Audit	To assess selected information technology general controls over security management.	0
<b>Total Department Requested Audits</b>		<b>0</b>

Follow-Up Audits		
Follow-Up Internal Control Audits	Follow-up on management’s implementation of audit recommendations provided in prior audit reports.	1,174
Follow-Up Information Technology Audits		845
Total Follow-Up Audits		2,019

Advisory Engagements		
<b>COVID-19 Assistance</b>	To assist the County with any internal control reviews of business processes affected by or created as a result of the 2020 COVID-19 crisis.	400
<b>Business Process Improvement Workshops</b>	Conduct facilitated workshops utilizing a balanced approach to discuss strengths, concerns and what the team can do to improve business processes.	315
<b>VTI System Replacement</b>	To advise on System Development Life Cycle (SDLC) internal control including project management, system functionality/integration testing, interfaces, data conversion, documentation & training, segregation of duties, and change management.	50



## INTERNAL AUDIT DEPARTMENT

AUDIT	PRELIMINARY AUDIT OBJECTIVES	HOURS
<b>Advisory Engagements (con't)</b>		
<b>T-TC Quantum Upgrade (1647)</b> Department Request Carryover from FY 2019-20	To advise on SDLC internal control including project management, system functionality/ integration testing, interfaces, data conversion, documentation & training, segregation of duties, and change management.	50
<b>Property Tax System Implementation (1754)</b> Department Request Carryover from FY 2019-20	To advise on SDLC internal control including project management, system functionality/ integration testing, interfaces, data conversion, documentation & training, segregation of duties, and change management.	50
<b>Countywide Cybersecurity</b>	Participate in Countywide Cybersecurity meetings.	50
<b>Total Advisory Engagements</b>		<b>915</b>

<b>Revenue Generating Lease Audits</b>		
<b>Revenue Generating Lease Audits</b>	To assess whether lessee records adequately support gross receipts reported to the county and compliance with lease terms.	0
<b>Total Revenue Generating Lease Audits</b>		<b>0</b>

<b>Other Activities &amp; Administration</b>		
<b>Countywide Internal Control Training Program</b> Special project		200
<b>Audit Management System (TeamMate+) Upgrade</b> Special project		200
<b>Other Special Projects</b>		300
<b>Annual Risk Assessment &amp; Audit Plan for Fiscal Year 2021-22</b>		300
<b>External Audit Reporting</b>		200
<b>On-Demand Department Advisory Services</b>		100



## INTERNAL AUDIT DEPARTMENT

**Other Activities & Administration (con't)**

<b>Board of Supervisors &amp; Audit Oversight Committee Reporting</b>	100
<b>Annual Report</b>	100
<b>Cash Loss Investigations</b>	100
<b>Countywide Cost-Allocation Plan</b>	100
<b>Total Other Activities &amp; Administration</b>	<b>1,700</b>

<b>Board-Requested Audits</b>	600
<b>Contingency Reserve</b>	1,058

<b>TOTAL HOURS</b>	<b>12,672</b>
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**ACKNOWLEDGEMENT**

We appreciate the courtesy extended to us by departments that completed our requested surveys and met with Internal Audit Department staff. The information provided by departments was instrumental in preparing our risk assessment.

<b>PROJECT TEAM</b>	Scott Suzuki, CPA, CIA, CISA, CFE	Assistant Director
	Michael Dean, CPA, CIA, CISA	Senior Audit Manager
	Jimmy Nguyen, CISA, CFE, CEH	IT Audit Manager II
	Scott Kim, CPA, CISA, CFE	IT Audit Manager I
	Gianne Morgan, CIA	Audit Manager
	Zan Zaman, CPA, CIA	Audit Manager
	Mari Elias, MA, DPA	Administrative Services Manager





## INTERNAL AUDIT DEPARTMENT

## APPENDIX A: AUDIT PLAN METHODOLOGY

**1. DEFINE AUDIT UNIVERSE**

There are several approaches to defining all the potential areas subject to risk assessment and audits, or the “audit universe”. We defined the County audit universe as 19 departments excluding the Office of the Performance Auditor, Internal Audit Department, OC Ethics Commission, and Office of Independent Review.

We further defined our audit universe by nine standard business processes/cycles (see Table 1 below) including information technology common to all departments. This results in an audit universe consisting of 155 auditable business processes (19 departments, eight business processes/cycles, plus Fee-Generated Revenue which only applies to three departments).

**Table 1. County Audit Universe**

BUSINESS PROCESS/CYCLE	DESCRIPTION
<b>1. Cash Receipts &amp; Accounts Receivable</b> \$16 Billion for FY 2018-19	Review controls over receipting, recording, transferring, depositing, safeguarding, and reconciling of monies received in departments.
<b>2. Cash Disbursements &amp; Payables</b> \$5.9 Billion for FY 2018-19	Verifying receipt of goods/services, supervisory reviews and approvals adequacy, invoice processing timeliness, completeness and accuracy of payments, proper reconciliations, and safeguarding of assets.
<b>3. Fee-Generated Revenue</b> \$900 Million for FY 2018-19	Review department fee studies and fee-development processes, methodologies, and assumptions used for establishing cost-recovery fees charged to the public for “Licenses, Permits and Franchises,” and “Charges for Services,” and ensure they are submitted to the Board for approval.
<b>4. Purchasing &amp; Contracts</b> \$806 Million for FY 2018-19	County-issued purchasing cards, vendor payment review/approval processes, ensuring terms of contracts were met prior to issuing payments, reviewing justification of sole source contracts, and monitoring CPO's oversight responsibilities.
<b>5. Revolving Funds</b> \$6.7 Million for FY 2018-19	Validating compliance with the County Accounting Manual, ensuring revolving cash fund disbursements are proper, approved, monitored, and safeguarded.
<b>6. Payroll</b> \$2.2 Billion for FY 2018-19	Review timekeeping practices, premium and overtime pay practices, payroll unit supervision and payroll reports, Central Payroll's role in processing payroll, and monitoring for unauthorized payroll changes.
<b>7. Fiduciary Funds &amp; Special Revenue Funds</b> \$1.8 Billion for FY 2018-19	Validating the purpose/objectives of fiduciary funds and special revenue funds, ensuring sources and uses of the funds are in accordance with County policy or laws/regulations, and reconciliations are prepared timely/completely to safeguard funds.
<b>8. Information Technology (IT)</b>	Review controls over IT and cybersecurity including general controls, application controls, system development, network security, and computer operations.
<b>9. Revenue Generating Leases</b> \$151 Million for FY 2018-19	Review of records of businesses with revenue generating leases at OCCR, JWA, and OCPW to ensure the correct amount of rent is paid to the County.



## INTERNAL AUDIT DEPARTMENT

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### 2. APPLY WEIGHTED RISK FACTORS

Our Risk Assessment Schedule for FY 2020-21 (Attachment B) shows the 155 auditable business processes and assigned risk ratings. We consider the following factors in assigning risk levels:

- Financial Activity/Volume (50%). Assessed department financial information for each auditable business process.
- Department Changes (15%). Assessed factors such as management and/or organizational changes, significant increases/decreases in staffing and workloads, new/eliminated programs, and significant changes in laws/regulations or IT.
- Operating Environment (15%). Assessed factors related to changes in the operating environment such as public image, laws/regulations, safety and environmental issues, sensitivity to economic factors, major crises, pending litigation, and business continuity.
- Last Audit Performed (20%). Identified all Internal Control Audits, Financial Audits & Mandates, and Information Technology Audits conducted in the last 10 years. Areas with no recent or prior audits are assessed higher risk (see Attachment C).

### 3. CATEGORIZE RESULTS

Using the above criteria and professional judgment, an overall risk is assigned to each auditable business process as High Risk, Moderate Risk, or Low Risk. The overall risk levels assigned determine the focus of our audit resources and audit priorities.

Risk levels for the 155 auditable business processes we identify in our Risk Assessment Schedule for FY 2020-21 (Attachment B) are as follows:

- 19 (12%) are High Risk
- 123 (79%) are Moderate Risk
- 13 (9%) are Low Risk

### 4. IDENTIFY ENGAGEMENTS AND ALLOCATE AVAILABLE RESOURCES

Our Audit Plan is based on 8,999 available audit hours (12,672 productive hours less 315 hours for business process improvement, 1,700 hours for other activities and administration, 600 hours for Board requested audits, and 1,058 hours for contingency reserve) to be provided by seven audit professionals and two supervising audit managers. We ensure the ratio of gross hours to available audit hours aligns with industry norms. The contingency reserve is for position vacancies and other unforeseen events.

We judgmentally select the highest risk audits that we can realistically address with our existing audit staff resources. Because of budget and staffing constraints, we evaluate all audit requests based on our risk assessment criteria. Audits that cannot be accommodated are noted for future consideration.

Our Follow-Up Audit process ensures that our audit recommendations are implemented satisfactorily. Our First Follow-Up Audit generally begins about six months following the release of an audit report. If necessary, a Second Follow-Up Audit will generally be conducted about six months following the release of the First Follow-Up Audit report.



## INTERNAL AUDIT DEPARTMENT

## APPENDIX B: ACRONYMS

Acronym	Definition
A-C	Auditor-Controller
AOC	Audit Oversight Committee
C-R	Clerk-Recorder
CEO	County Executive Office
COB	Clerk of the Board of Supervisors
COCO	County Counsel
CPO	County Procurement Office
CSS	Child Support Services
HCA	Health Care Agency/Public Guardian
JWA	John Wayne Airport
OCCR	OC Community Resources
OCDA	District Attorney-Public Administrator
OCIT	CEO/Information Technology
OCPW	OC Public Works
OCSD	Sheriff-Coroner (Orange County Sheriff's Department)
OCWR	OC Waste & Recycling
PD	Public Defender
ROV	Registrar of Voters
SSA	Social Services Agency
T-TC	Treasurer-Tax Collector



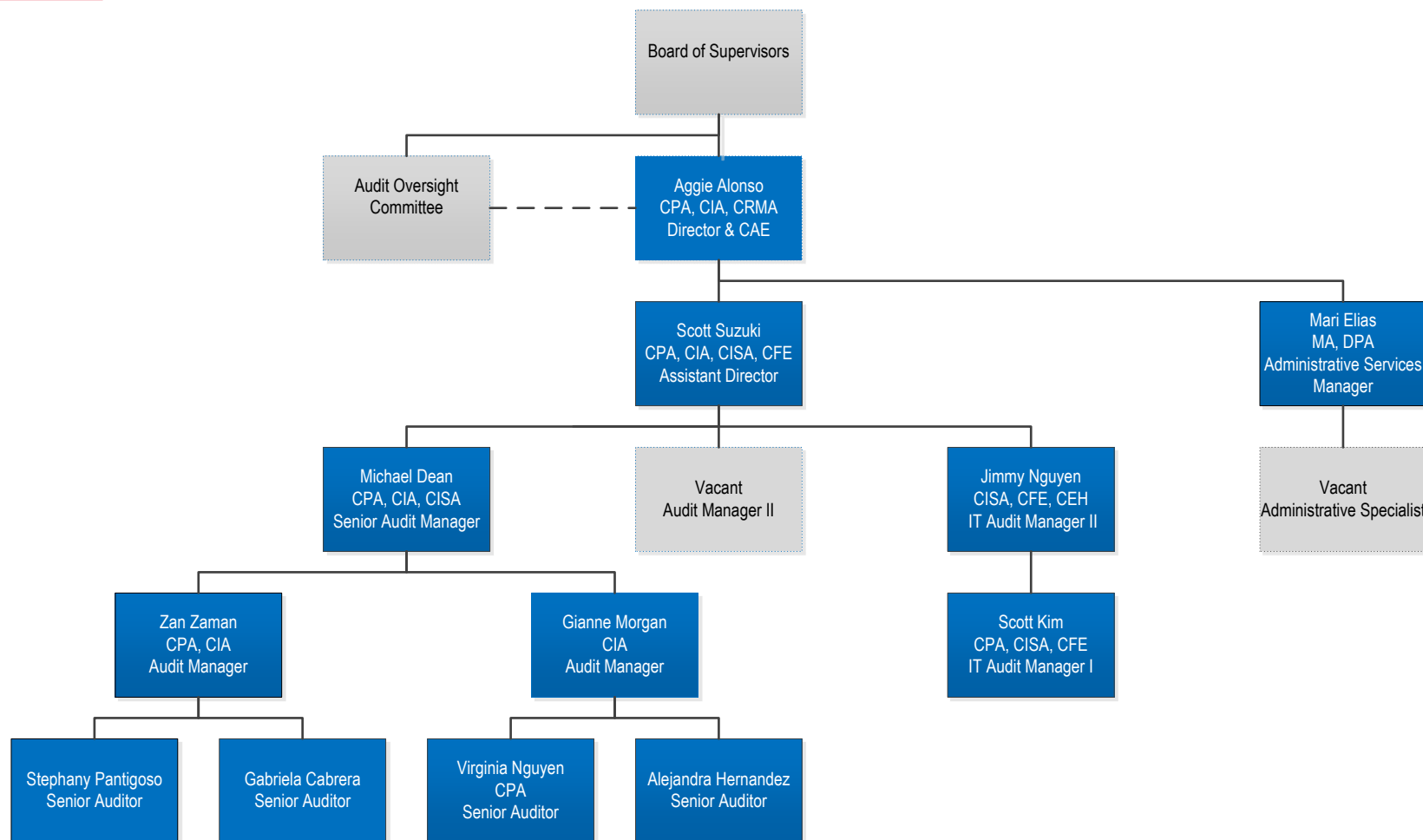


# INTERNAL AUDIT DEPARTMENT

**DRAFT**

## ATTACHMENT A: ORGANIZATION CHART

Attachment A



### PROFESSIONAL CERTIFICATIONS/GRADUATE DEGREE

Certified Public Accountant (CPA)  
Certified Internal Auditor (CIA)  
Certified Information Systems Auditor (CISA)  
Certified Fraud Examiner (CFE)  
Certified Ethical Hacker (CEH)  
Certification in Risk Management Assurance (CRMA)  
Deputy Purchasing Agent (DPA)  
Master of Arts (MA)

ATTACHMENT B: RISK ASSESSMENT SCHEDULE FOR FISCAL YEAR 2020-21

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BUSINESS PROCESS/CYCLE	1. Assessor	2. Auditor-Controller	3. Child Support Services	4. Clerk of the Board	5. Clerk-Recorder	6. County Counsel	7. County Executive Office	8. District Attorney-Public Administrator	9. Health Care Agency/Public Guardian	10. John Wayne Airport	11. OC Community Resources	12. OC Public Works	13. OC Waste & Recycling	14. Probation Department	15. Public Defender	16. Registrar of Voters	17. Sheriff-Coroner	18. Social Services Agency	19. Treasurer-Tax Collector	COMMENTS
CASH RECEIPTS & ACCOUNTS RECEIVABLE \$16 billion in FY 2018-19	M	M	M	L	M	M	M	M	M	M	M	M	M	M	M	M	M	M	H	Reflects all cash receipt transactions posted to 8010 Cash Account by the department that processed the transaction. A/R reported as year-end balances.
CASH DISBURSEMENTS & PAYABLES \$5.9 billion in FY 2018-19	L	M	M	L	M	M	H	M	M	M	H	M	M	M	M	M	M	M	M	Reflects all cash disbursements including automatic (A/P) disbursements, manual disbursements, and EFT/Wire disbursements.
FEE-GENERATED REVENUE \$900 million in FY 2018-19	M	M	L	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	Reflects revenue from cost-recovery fees (licenses, permits, franchises and charges for services) that are charged to the public and require BOS approval.
PURCHASING & CONTRACTS \$806 million in FY 2018-19	M	M	M	L	M	M	H	M	M	M	H	H	M	M	M	M	H	H	M	Reflects all purchases and contracts processed by departments including purchase orders, price agreements, and negotiated contracts.
REVOLVING FUNDS \$6.7 million in FY 2018-19	M	M	M	M	M	M	M	M	M	M	M	M	M	M	H	L	M	M	M	Reflects the total revolving fund replenishments to all departments.
PAYROLL \$2.2 billion in FY 2018-19	M	M	M	L	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	Reflects total payroll for our audit population of all departments shown.
FIDUCIARY & SPECIAL REVENUE FUNDS \$1.8 billion in FY 2018-19	M	M	M	L	M	L	H	M	M	M	M	H	M	M	M	M	M	H	M	Reflects year-end balances in Agency Funds and Private Purpose Trust Funds designated for restricted purposes and use.
INFORMATION TECHNOLOGY	M	H	L	H	L	H	M	H	H	L	M	M	M	H	L	H	M	M	M	Includes IT controls and cybersecurity including general controls, application controls, system development, network security, and computer operations.
REVENUE GENERATING LEASES \$151 million in FY 2018-19	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	M	M	M	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Includes revenue generating leases at OCCR, JWA, and OCPW.
AUDITS ON FY 2020-21 PLAN See Appendix A for Audit Plan Methodology		CAPS+ Application Security		Cybersecurity (carryover)		Cybersecurity	Cash Disbursements & Payables; Purchasing & Contracts (carryover); Fiduciary & Special Rev; CPM (high priority); HRS Data Portal (time permitting)	Cybersecurity	Cybersecurity (carryover) Fiduciary Funds (time permitting/ carryover)	Cash Disbursements & Payables (time permitting)	Cash Disbursements & Payables Purchasing & Contracts	Purchasing & Contracts (carryover) Fiduciary & Special Revenue Toll Road Compliance (high priority) DCPM Review (high priority)		Cybersecurity	Revolving Funds	Cybersecurity	Purchasing & Contracts (carryover)	Fiduciary & Special Revenue (carryover) Purchasing & Contracts	Cash Receipts & Accounts Receivable	

High-Risk Processes:	19	12%	High-risk audit areas (as determined by risk assessment)
Moderate-Risk Processes:	123	79%	Moderate-risk audit areas (as determined by risk assessment)
Low-Risk Processes:	13	9%	Low-risk audit areas (as determined by risk assessment)
Total Auditable Business Processes/Cycles:	155		

ATTACHMENT C: SCHEDULE OF 10-YEAR PRIOR AUDIT COVERAGE  
For The Period July 2010 through June 2020

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Attachment A

	1. Assessor	2. Auditor- Controller	3. Child Support Services	4. Clerk of the Board	5. Clerk-Recorder	6. County Counsel	7. County Executive Office	8. District Attorney- Public Administrator	9. Health Care Agency/Public Guardian	10. John Wayne Airport	11. OC Community Resources	12. OC Public Works	13. OC Waste & Recycling	14. Probation Department	15. Public Defender	16. Registrar of Voters	17. Sheriff- Coroner	18. Social Services Agency	19. Treasurer-Tax Collector
CASH RECEIPTS & ACCOUNTS RECEIVABLE		#1249, #1315 & #1415 Quarterly Reconciliation Compliance; #1818 AC Fiduciary Funds			#1159 Fund 12D		#1317 Community Facilities Districts	#1325 Fiduciary Funds 2006-2016 Annual Grants	#1325 Fiduciary Funds; #1018 Medical Billing; #1420 Fund 13Y; #1619 Unearned Revenue; #1914 PG Fund 165		#1456 OC Parks Ticket Sales; #1578 Animal Care; #1579 Library; #1655 OC Parks; #1619 Unearned Revenue; #1815 OCCR AC Cash Receipts	#1619 Unearned Revenue; #1734 Billing	#1525 Cash Receipts	GPS Programs 2011; #1567 Juvenile; #1724 Mandate			Inmate Welfare Fund 2011; #1918 OCSD Cash Receipts	#1619 Unearned Revenue; #1823 SSA Fiduciary Funds	2011, 2014 & 2017 Audits of Tax Redemption Officer; 2006 NSF ICR; 1998-March 2007 Qrtly Audits & 2004-2017 Annual TFA; 2010 Tax Collections; Admin. Budget Practices 2010; Annual Compliance 2010- 16
CASH DISBURSEMENTS & PAYABLES	#1626 Travel	#1025 HCA Cash Disb; #1027 OCWR; #1041 CAATS - Dup. Pymts.; Ongoing CAATs 2011; #1259, #1315 & #1415 Quarterly Reconciliation Compliance; #1626 Travel; #1811 A-C Claims; #1818 AC Fiduciary Funds		#1626 Travel	#1159 Fund 12D		#1216 and #1318 OCEA Pension Enhancement ; #1316 Retiree Medical; #1317 Community Facilities Districts; #1626 Travel	#1325 Fiduciary Funds 2005-2016 Annual Grants;	#1025 HCA Cash Disbursement; #1325 Fiduciary Funds; #1420 Fund 13Y; #1728 Mental Health Services Disbursements; #1914 PG Fund 165		OCCR Disbursements 2012	#1028 Fleet Svcs; #1029 Fuel Cards; #1223 Disbursements; #1626 Travel	#1027 Cash Disb	GPS Programs 2011; #1323 AB109; #1567 Juvenile; #1724 Mandate; #1822 Probation Cal Cards		#1626 Travel	Inmate Welfare Fund 2011; #1626 Travel	#1626 Travel; #1625 CalWorks / Rescare Contract; #1823 SSA Fiduciary Funds	2007-2017 Qrtly TFA; 2007-2017 Annual TFA; 2010 Tax Collections; #1583 Wire Transfers
FEE-GENERATED REVENUE					#1159 Fund 12D; #1919 Senate Bill 2		#1627 OC IT Billing		#1024 Fee Dev; #1327 Env. Health Fees; #1915 HCA FGR		#1222 Fee Dev	2011 Fee Generated revenues; #1820 OCPW FGR	#1023 Fee Dev; #1821 OCWR FGR	#1841 Probation Compliance SB- 190			#1632 OCSD Billing of Law Enforcement Services for DPH & JWA		
PURCHASING & CONTRACTS		#1522 Procurement					#1041 CAATS - Emp-Vendor Match; #1521 Procurement; #1624 OC IT Contract Admin; #1730 CEO/Real Estate Procurement- Revenue Generating Lease Administration Process; #1732 OCIT Capital Assets		#1030 Contract Admin; #1631 Procurement; #1819 Contracts & Procurement	#1008 Tech Asst. on Improvement Plan; #1125 Change Orders	10/11 Boat Slips; #1455 Expediter; #1426 Human Services Contracts	#1028 Fleet Mgmt; #1029 Fuel Card Admin.; #1225 Contract Admin.; #1455 Expediter; #1911 OCPW Purchasing & Contracts	#1334 La Pata Contract; #1455 Expediter			ICE Contract Admin 2011; City Contracts 2012; #1912 OCSD Purchasing & Contracts	#1224 Contract Admin; #1625 CalWorks / Rescare Contract		
REVOLVING FUNDS	Cash Advance Audit 2011; #1626 Travel	10/11 Rev. Fund audits; #1053 Pub. Def. Co.Co.; Cash Advance Audit 2011; #1626 Travel	Cash Advance Audit 2011	Cash Advance Audit 2011	Cash Advance Audit 2011	Cash Advance Audit 2011	Cash Advance Audit 2011; #1626 Travel	Cash Advance Audit 2011; #1913 OCDA Revolving Fund	Cash Advance Audit 2011	Cash Advance Audit 2011	Cash Advance Audit 2011; #1578 Animal Care; #1579 Library	Cash Advance Audit 2011; #1626 Travel	Cash Advance Audit 2011	Cash Advance Audit 2011; #1567 Juvenile; #1822 Probation Cal Cards	Cash Advance Audit 2011	Cash Advance Audit 2011; #1626 Travel	Cash Advance Audit 2011; #1626 Travel	Cash Advance Audit 2011; Revolving Funds 2011; #1633 Revolving Funds; #1626 Travel	Cash Advance Audit 2011
PAYROLL		#1041 CAATS Pay. Direct Dep.; #1350 Payroll						#1629 Payroll	#1350 Payroll CAATs; #1812 HCA Payroll		#1813 OCCR Payroll	#1916 OCPW Payroll		#1630 Payroll			#1350 Payroll CAATs; #1632 OCSD Billing of Law Enforcement Services for DPH & JWA	#1350 Payroll CAATs; #1814 OCCR Payroll	
FIDUCIARY FUNDS & SPECIAL REVENUE FUNDS		#1259, #1315 & #1415 Quarterly Reconciliation Compliance; #1337 Fiduciary Funds; #1818 AC Fiduciary Funds	#1519 Fiduciary Funds		#1159 Fund 12D; #1519 Fiduciary Funds		#1317 CFDs; #1519 Fiduciary Funds	#1325 Fiduciary Funds; #1519 Fiduciary Funds; #1523 PA	#1325 Fiduciary Funds #1420 Fund 13Y; #1519 Fiduciary Funds; #1524 PG; #1914 PG Fund 165		#1423 DPH; #1519 Fiduciary Funds	#1421 Flood Fund; #1519 Fiduciary Funds		#1323 AB109; #1519 Fiduciary Funds		#1519 Fiduciary Funds	#1519 Fiduciary Funds; #1520 Special Revenue Funds	#1336 Special Revenue Funds; #1823 SSA Fiduciary Funds	2007-2017 Qtrly TFA & 2005-2017 Annual TFA; 2010- 2016 Annual Compliance Audit; #1519 Fiduciary Funds
INFORMATION TECHNOLOGY	#1844 Assessor Cybersecurity	#1357 2014 ARA; #1741 ITGC	#1644 ITGC		#1840 Vital Records Index Access System		#1454 Off-Site Data Backup; #1455 Expediter; #1644 ITGC	#1143 ITGC		#1444 ITGC; #1941 ITGC	#1644 ITGC	#1354 ITGC; #1644 ITGC	#1445 Paradigm; #1644 ITGC		#1942 PD ITGC		#1353 ITGC; #1845 ITGC	#1142 ITGC; #1644 ITGC; #1846 ITGC	

10-Year Prior Audit Coverage (2010 to June 2020)	5-Year Prior Audit Coverage (2015 to June 2020)	Current/In-Progress Audits	No Audit Coverage Within 10 Years
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# Memorandum

June 4, 2020

**AOC Agenda Item No. 11**

TO: Audit Oversight Committee Members

Recommended Action:

Approve Internal Audit Department's FY 2019-20 3rd Quarter Status Report and approve Executive Summary of Internal Audit Reports for the Quarter Ended March 31, 2020

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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

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May 21, 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 March 31, 2020

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Attached for your review and approval is Internal Audit's status report on audit activity for the quarter ended March 31, 2020. 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 March 31, 2020, Internal Audit issued four final reports and four pre-draft/draft reports. The four final reports included no Critical Control Weakness, no Significant Control Weaknesses, and seven 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 MARCH 31, 2020

CATEGORY	ISSUED THIS PERIOD	ISSUED FOR FY 2019-20
<b>Critical Control Weaknesses</b> 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.	0	1
<b>Significant Control Weaknesses</b> 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.	0	11
<b>Control Findings</b> 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.	7	29
<b>TOTAL</b>	<b>7</b>	<b>41</b>

EXECUTIVE SUMMARY  
INTERNAL AUDIT REPORTS  
FOR THE QUARTER ENDED MARCH 31, 2020

### HEALTH CARE AGENCY

#### 1. Internal Control Audit: Health Care Agency Purchasing

Audit No. 1819 dated March 23, 2020 for the year ended April 30, 2019

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Evaluate effectiveness of internal control over the purchasing process to ensure requisitions and purchase of goods are executed in accordance with management's directives; adequately supported and properly authorized; and properly recorded.	We concluded that HCA's internal control over the purchasing process is generally effective to ensure requisitions and purchase of goods and services are executed in accordance with management's directives; adequately supported and properly authorized; and properly recorded.	None	2
2. Review the purchasing process for efficiency.	We concluded that the purchasing process is generally efficient.		

#### 2. Internal Control Audit: Health Care Agency Fee-Generated Revenue

Audit No. 1915 dated March 23, 2020 for the year ended May 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 HCA'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 the fee-generated revenue process is generally efficient.		

## AUDIT REPORTS (CON'T)

### PROBATION DEPARTMENT

#### 3. Senate Bill 190 Juvenile Fee Review

Audit No. 1841 dated March 12, 2020 as of December 31, 2018

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. If the service date recorded in the Probation accounting system was accurate for SB 190 impacted juvenile fees.	The correct service date was recorded into the Probation accounting system for all fees reviewed.	NA	NA
2. If SB 190 impacted juvenile fees were properly assessed with respect to service date.	The date of service occurred prior to the SB 190 effective date and was therefore properly assessed for all fees reviewed.		
3. If the interfaces that input SB 190 impacted juvenile fees into the Probation accounting system were terminated.	Interfaces that input SB 190 impacted juvenile fees into the Probation accounting system have been appropriately terminated since the SB 190 effective date.		
4. If the suspense account for SB 190 impacted juvenile fees was cleared.	The suspense account used to account for SB 190 impacted juvenile fees appropriately showed a zero balance as of August 22, 2019.		

#### 4. Internal Control Audit: Probation Cal-Cards

Audit No. 1822 dated March 24, 2020 for the year ended March 31, 2019

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Evaluate the effectiveness of internal control over the Cal-Card process to ensure Cal-Card expenditures are complete (recorded/ reported), accurate, valid (authorized), processed timely, and in compliance with County policies.	We concluded that Probation's internal control over the Cal-Card process is generally effective to ensure Cal-Card expenditures are complete (recorded/reported), accurate, valid (authorized), processed timely, and in compliance with County policies.	None	3
2. Review the Cal-Card process for efficiency.	We concluded that the Cal-Card process is generally efficient.		

EXECUTIVE SUMMARY  
INTERNAL AUDIT FOLLOW-UP REPORTS  
FOR THE QUARTER ENDED MARCH 31, 2020

There were no follow-up reports issued during the period.

EXECUTIVE SUMMARY  
APPENDIX A: DRAFT REPORTS  
FOR THE QUARTER ENDED MARCH 31, 2020

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

1. **Internal Control Audit: District Attorney/Public Administrator Revolving Funds**, Audit No. 1913
2. **First & Final Close-Out Follow-Up Internal Control Audit: Sheriff-Coroner Billing of Law Enforcement Services for Harbor Patrol and Airport Police Services**, Audit No. 1939-A
3. **Second & Final Close-Out Follow-Up Internal Control Audit: Countywide Audit of County Business Travel & Meeting Policy – Social Services Agency**, Audit No. 1939-R
4. **First Follow-Up Information Technology Audit: Auditor-Controller Information Technology General Controls**, Audit No. 1949-A



Internal Audit Department  
3rd Quarter Status Report for the Audit Oversight Committee  
For the Quarter Ended 3/31/20  
AOC Meeting Date: June 4, 2020

Audit Category and Name <sup>1,2,3</sup>	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan										FU Due	FU Number	Milestones & Comments <sup>4</sup>
				Total Budget	Actuals To Date	Budget	Changes	Revised Budget	Actuals to Date Per Quarter				Est Remain	Budget Variance				
									#1	#2	#3	#4	Total					
Internal Control Audits (ICA)																		
OCIT Contract Administration (FY 2017-18 carryover)	1624					400		400	0	0	53		53	347	0			In process
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	0	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		585	578	0	135	135	95	35	0	130	0	(5)	6/30/20	1939-F	Completed. Final report issued 12/30/19
A-C Fiduciary Funds	1818						400		400	0	1	86	87	313	0			Planning
HCA Contracts & Procurement	1819	4/25/19	3/23/20		465	469	400	(10)	390	242	135	9	386	0	(4)	9/30/20	1939-J	Completed. Final report issued 3/23/20
OCPW Fee Generated Revenue	1820	1/24/19	12/16/19		735	739	0	365	365	354	8	0	362	0	(4)	6/30/19	1939-K	Completed. Final report issued 12/16/19
Probation P-Card	1822	3/25/19	3/24/20		470	462	200	130	330	73	239	14	326	0	(4)	9/30/20	1939-M	Completed. Final report issued 3/24/20
SSA Fiduciary Funds	1823						400	(250)	150	0	0	134	134	16	0			Planning; COVID-19 carryover to FY 2020-21
OCPW Purchasing & Contracts	1911	12/03/19					400	50	450	0	147	265	412	38	0			In process
OCSD Purchasing & Contracts	1912	10/08/19					400	50	450	1	77	257	335	115	0			In process
OCDA Revolving Funds	1913	7/22/19			670	645	400	250	650	270	222	133	625	25	0			Pre-draft report issued 3/24/20; final report expected Q4
HCA/PG Fiduciary Funds	1914	11/20/19					400	(100)	300	50	156	82	288	12	0			In process; COVID-19 carryover to FY 2020-21
HCA Fee Generated Revenue	1915	6/13/19	3/23/20		437	435	400	20	420	238	171	9	418	0	(3)	9/30/20	2039-H	Completed. Final report issued 3/23/20
OCPW Payroll	1916	2/06/20					400		400	0	55	171	226	174	0			In process
OCSD Revolving Fund	1917	10/08/19					400	150	550	98	168	227	493	57	0			In process
OCSD Cash Receipts	1918	10/08/19					0	500	500	35	284	140	459	41	0			In process
C-R SB2	1919	1/08/20					0	325	325	0	29	191	220	105	0			In process
Follow-Up Audits (FY 2018-19 carryover)							100		100	76	6	0	82	18	0			
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	(328)	472	32	123	61	216	256	0			
OCSD Billing of Law Enforcement Services to OC Dana Point Harbor and JWA (1632)	1939-A	3/04/20																Pre-draft report issued 3/27/20; final report expected Q4
Countywide Accounts Receivable Controls (1729)	1939-B	NA	NA													NA	NA	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; carryover to FY 2020-21
OCPW Billing of Public Works Services to County Departments (1734)	1939-E																	Not started; COVID-19 carryover to FY 2020-21
A-C Claims (1811)	1939-F																	Not started; carryover to FY 2020-21
HCA Payroll (1812)	1939-G	3/04/20																In process; COVID-19 carryover to FY 2020-21
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; carryover to FY 2020-21
OCPW Fee Generated Revenue (1820)	1939-K																	Not started; carryover to FY 2020-21
OCWR Fee Generated Revenue (1821)	1939-L																	Not started
Probation P-Card (1822)	1939-M																	Not started; carryover to FY 2020-21
Probation Compliance (1841)	1939-N	NA	NA													NA	NA	Cancelled; not required/no findings from 1841
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	3/12/20																Pre-draft report issued 3/12/20; final report expected Q4
CEO/Real Estate Procurement/Contract Administration (1730/1939-C)	1939-S																	Not started; carryover to FY 2020-21
Summary Close-Out							0	41	41	41	2	0	43	0	2			Completed. Final reports issued for 1734, 1815, 1821, 1839-G
Total Internal Control Audits							5,900	978	6,878	1,624	1,883	1,832	0	5,339	1,517	(22)		





Internal Audit Department  
3rd Quarter Status Report for the Audit Oversight Committee  
For the Quarter Ended 3/31/20  
AOC Meeting Date: June 4, 2020

Audit Category and Name <sup>1,2,3</sup>	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan										Est Remain	Budget Variance	FU Due	FU Number	Milestones & Comments <sup>4</sup>
				Total Budget	Actuals To Date	Budget	Changes	Revised Budget	Actuals to Date Per Quarter				Total							
									#1	#2	#3	#4	Total							
Information Technology Audits (IT)																				
TTC Sungard/Quantum upgrade (Department Request) (FY 2017-18 carryover)	1647	6/12/17		300	226	50		50	1	1	2		4	46	0			In process; advisory engagement		
PTS System Implementation (FY 2017-18 carryover)	1754	7/01/18		65	12	50		50	1	0	5		6	44	0			In process; advisory engagement		
Probation Compliance	1841	11/30/18	3/12/20	470	478	200	25	225	164	49	13		226	0	1	NA	NA	Completed. Final report issued 3/12/20		
Assessor IT General Controls	1844	8/01/18		1,000	992	300	575	875	12	772	83		867	8	0			Pre-draft report issued 12/18/19; final report expected Q4		
OCSD IT General Controls	1845	2/14/19	12/30/19	565	559	0	200	200	166	27	2		195	0	(6)	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	0		91	0	(9)	4/20/19	1949-E	Completed. Final report issued 10/24/19		
JWA ITGC	1941	8/13/19				400	200	600	130	30	346		506	94	0			In process		
Public Defender ITGC	1942					400		400	0	0	4		4	396	0			Not started		
HCA ITGC	1943					0		0	0	0	0		0	0	0			Not started; COVID-19 carryover to FY 2020-21		
COB ITGC	1944					0		0	0	0	0		0	0	0			Not started; carryover to FY 2020-21		
OCIT Cybersecurity	1945	7/01/19				50		50	4	3	6		13	37	0			In process; advisory engagement		
Follow-Up Audits (FY 2018-19 carryover)						0	0	0	0	0	0		0	0	0					
None																		NA		
First Follow-Up Audits:						480	(50)	430	0	19	242		261	169	0					
A-C ITGC (1741)	1949-A	10/11/19																Pre-draft report issued 3/23/20; final report expected Q4		
C-R Department Request (1840)	1949-B	10/11/19																In process; final report expected Q4		
Assessor (1844)	1949-C																	Not started; carryover to FY 2020-21		
OCSD ITGC (1845)	1949-D																	Not started; carryover to FY 2020-21		
SSA ITGC (1846)	1949-E																	Not started; carryover to FY 2020-21		
Second Follow-Up Audits																				
OCIT (1644/1746-A)	1949-F	2/03/20																In process		
Summary Close-Out						0	0	0	0				0	0	0			NA		
Total Information Technology Audits						1,930	1,050	2,980	547	922	703	0	2,172	794	(14)					
Total Audits Before Other Activities & Administration						7,830	2,028	9,858	2,171	2,805	2,535	0	7,511	2,311	(36)					
Other Activities & Administration																				
Annual Risk Assessment & Audit Plan	1901					400		400	0	0	319		319	81	0			In process		
Cash Losses	1902					100	(50)	50	0	0	0		0	50	0			In process; no referrals received for Q3		
Fraud Hotline	1903					200	(150)	50	0	0	0		0	50	0			In process; no referrals received for Q3		
External Audit Reporting	1904					300	(30)	270	74	58	58		190	80	0			In process; Q3 reporting completed		
On-Demand Department Advisory Services	1905					200	(138)	62	6	4	2		12	50	0			In process		
Annual Report	1906					100	(90)	10	0	10	0		10	0	0			Completed. Report issued		
Board & AOC Services	1907					200	(100)	100	14	4	26		44	56	0			In process; Q3 reporting completed		
Special Projects	1908					800	(60)	740	26	113	276		415	325	0			In process		
CWCAP	1909					0	60	60	60	0	0		60	0	0			Completed. Submitted to A-C		
Total Other Activities & Administration						2,300	(558)	1,742	180	189	681	0	1,050	692	0					
Reserve for Board Directives/Contingency						2,408	(2,008)	400					0	400	0					
Total Budget						12,538	(538)	12,000	2,351	2,994	3,216	0	8,561	3,403	(36)					
						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 seven senior auditors/audit manager I's, one audit manager II, and one 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 12,000 hour revised audit plan consists of: a) the 12,538 hour initial audit plan; b) less 538 hours at the audit manager and senior auditor levels.



# Memorandum

June 4, 2020

**AOC Agenda Item No. 12**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of External Audit Recommendations Implementation and Approve Quarterly External Audit Activity Status Report for the Quarter Ended March 31, 2020

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Receive Report on Status of External Audit Recommendations Implementation and Approve Quarterly External Audit Activity Status Report for the Quarter Ended March 31, 2020, 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

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May 21, 2020

To: Audit Oversight Committee Members

From: Aggie Alonso, CPA, CIA, CRMA  
Internal Audit Department DirectorSubject: External Audit Activity Status Report for the Quarter Ended March 31, 2020

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Attached for your review and approval is our External Audit Activity Status Report for the Quarter ended March 31, 2020. 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 9, 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 March 31, 2020, one new material issue was reported by the Sheriff-Coroner related to the use of funds from a 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 03/31/20**

<b><u>SUMMARY ACTIVITY</u></b>	
Total Audits Prior Quarter (12/31/19)	<b>110</b>
Additions:    In Progress	<b>10</b>
Planned	<b>0</b>
Started and Completed	<b>2</b>
Deletions:    Canceled	<b>0</b>
Completed	<b>13</b>
Removed	<b><u>1</u></b>
Total Audits Current Quarter (03/31/20)	<b><u>108</u></b>
(In Progress, Planned, and/or Completed this Quarter)	

#### **Results for the Quarter:**

Audits Completed, Canceled and to be Removed Next Quarter **47**

New Findings/Issues Reported by the Departments **6**  
(6 Findings from 3 Audits, see page 1 and 14)

**Material Issues:** (Includes Disallowances over \$100K, see Attachment **1**  
C page 14)

The State Controller's Office (SCO) audited the costs claimed by Orange County under the Sheriff's Department (OCSD) for the legislatively mandated SB 90 Identity Theft Program for the period of July 1, 2002, through June 30, 2013. The county claimed \$3,177,007 for costs of the mandated program. The audit found that \$1,940,140 is unallowable because the county understated the number of identity theft cases and overstated the time increments required to perform the reimbursable activities. OCSD stated this was due to vague language in the SB 90 Parameters and Guidelines. The State made no payments to the county; therefore, no money was owed back from the county. The State will pay \$1,236,867, contingent upon available appropriations.

**EXTERNAL AUDIT ACTIVITY**  
**Quarterly Status Report**  
**3rd Quarter FY 19-20 (03/31/20)**

**Results:**

One material issue was reported to the Internal Audit Department this quarter. See page 14 below.

The schedule below identifies the status of external audits as of 03/31/20, 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 March 31, 2020	Significant Findings
Assessor		State Board of Equalization	All Property Assessment and Valuation Practices	Every 5 Years	2015	Compliance with property tax legal requirements and samplings of property valuation data.	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	Single Audit	6/30/19 Annual	6/30/2018	Uniform Guidance Expenditures of Federal Assistance	Completed.	<b>Four (4) New Findings:</b> <b>#2019-001 (CEO)</b> Certain entity-wide information technology general control policies and procedures were in process of developing, but had not fully deployed; <b>#2019-002 (SSA)</b> Benefits were continued without proper supporting documents; <b>#2019-003 (OCCR)</b> Subawards had instances of where evaluation of the subrecipient's risk of noncompliance was not documented; <b>#2019-004 (HCA)</b> Certain required information was not provided at the time of subaward.
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.	In progress.	
		Department of Child Support Services (DCSS), Program Monitoring and Compliance Unit (PMCU)	Policy & Process Management	10/1/2018 - 9/30/19 Annual	1/1/19	Case Review	Completed.	None.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2020	Significant Findings
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.	In progress.	
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.	
		Eide Bailly, LLP	Single Audit - Information Technology General Controls	6/30/19 Annual	6/30/2018	Financial Statements	Completed.	See Finding #2019-001 under Auditor-Controller Single Audit.
	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		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.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2020	Significant Findings
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	Completed.	None.
	Behavioral Health	Eide Bailly, LLP (Formerly VTD)	Single Audit - Block Grants for Community Mental Health Services and HIV Emergency Relief Project Grants (Ryan White Part A)	6/30/19 Annual	6/30/2018	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2019-004 under Auditor-Controller Single Audit.
		State Department of Health Care Services	DMC-ODS Desk Review	FY 19/20 Annual	FY 18/19	Review of operation process and regulatory compliance	In progress.	
		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	Completed.	None.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2020	Significant Findings
<b>Health Care Agency (continued)</b>	<b>Behavioral Health (continued)</b>	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.	
		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	Completed.	None.
		State Department of Health Care Services	SABG Desk Review FY19/20	FY 19/20 Annual	FY 18/19	Review of operation process and regulatory compliance	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.	
	<b>Correctional Health</b>	Board of State Community Corrections (BSCC)	Juvenile Hall/Camps	Biennial	FY 17/18	State Compliance of Title 15 Minimum Standards for Juvenile Correctional Facilities	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 March 31, 2020	Significant Findings
Health Care Agency (continued)	Public Health	State WIC Program	Family Health, Women, Infants and Children (WIC) program	FFY Biennial	FFY 17/18	Program Compliance	Planned.	
		California Department of Health Care Services, Cancer Detection and Treatment Branch	Health Promotion Division, Every Woman Counts (EWC)	Annual	FY 18/19	Non-monetary Program Monitoring site visit which includes: PWPT and training materials presentation, PHI storage/HIPPA compliance, Patient navigation	In progress.	
		Gilbey and Associates	Public Health Nursing Division	FY 18/19 Annual	FY 17/18	Fiscal and Program Compliance	In progress.	
		California Department of Public Health	Ryan White Part B HCP X07	FY 18/19 Annual	FY 17/18	Contractual and Program monitoring	Completed.	None.
		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.	
		DHCS Audits & Investigations - Targeted Case Management	Targeted Case Management, Program Financial Audit of the TCM Cost Report	FY 16/17 Annual	FY 15/16	All aspects related to fiscal compliance for charges claimed on the cost report	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 03/2020, OCSD has contacted Cal OES and requested a status of the close out for this audit. A response from Cal OES is pending.	<b>Reported in Prior Quarters:</b> 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).

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John Wayne Airport	Finance Administration	No audits in progress.						
	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	Completed.	None.
		Transportation Security Administration	Airport Security	2020 Annual	2019	Compliance with Title 49, Code of Federal Regulations, Part 1542, Airport Security	Completed.	None.
		Federal Aviation Administration	Airport Certification Inspection	2020 Annual	2019	Compliance with Title 14, Code of Federal Regulations, Part 139, Airport Certification	Completed.	None.
OC Community Resources	Housing Community Development	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.	
		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.	



Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2020	Significant Findings
OC Community Resources (continued)	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	Office on Aging	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.	
	Community Investment Division	Eide Bailly, LLP (Formerly VTD)	Single Audit - Workforce Innovation and Opportunity Act (WIOA Cluster)	6/30/19 Annual	6/30/2018	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2019-003 under Auditor-Controller Single Audit.
		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.	

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OC Community Resources (continued)	Community Investment Division (continued)	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.	To be removed next quarter since this is a duplicate of the above audit.
		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.	
		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.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2020	Significant Findings
OC Community Resources (continued)	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	Completed.	None.
	Accounting and Infrastructure Programs	Crowe, LLP	OCTA M2 Local Fair Share	FY 18/19	2015	Audit to determine level of compliance with the provisions of Measure M Local Transportation Ordinance No. 3.	In progress.	
		State Controller's Office	Santa Ana River Mainstem Project	10/1/2014 - 6/30/2018	2016	Audit to determine whether costs claimed were allowable and in compliance with the Department of Water Resources Guidelines for State Reimbursement on Flood Control Projects, and adequately supported.	In progress.	
	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.	To be removed next quarter. Audit not performed.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2020	Significant Findings
OC Public Works (continued)	Construction	OCTA	Prop 84 Grant Funds	TBD	N/A	Review project files for the Glassell Yard Campus Stormwater LID Project	Planned.	To be removed next quarter. Audit not performed.
		OCTA	Prop 84 Grant Funds	TBD	N/A	Review project files for the San Juan Creek Channel Phases 4, 5, and 6	Planned.	To be removed next quarter. Audit not performed.
		CTC and CalTrans	TCA	TBD	N/A	Review project files for the Oso Parkway Bridge - 241	Planned.	To be removed next quarter. Audit not performed.
		California Department of Transportation	Edinger Avenue Bridge Replacement #BRLS-5955 (078)	Random	N/A	Review project files for the Edinger Avenue Bridge Replacement	Planned.	To be removed next quarter. Audit not performed.
		CalTrans	Highway Safety Improvement Program	TBD	N/A	Review project files for the Live Oak Canyon and Trabuco Canyon	Planned.	To be removed next quarter. Audit not performed.
	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.	To be removed next quarter. Audit not performed.
		CalTrans	Federal Arterial Pavement Management (APM) Funding	TBD	N/A	Review project files for the Foothill and Hewes Avenue Project	Planned.	To be removed next quarter. Audit not performed.
	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.	To be removed next quarter. Audit not performed.
		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.	To be removed next quarter. Audit not performed.
		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.	To be removed next quarter. Audit not performed.

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OC Public Works (continued)	Environmental Resources (continued)	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.	To be removed next quarter. Audit not performed.
		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.	To be removed next quarter. Audit not performed.
		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.	To be removed next quarter. Audit not performed.
		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.	To be removed next quarter. Audit not performed.
		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.	To be removed next quarter. Audit not performed.
		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.	To be removed next quarter. Audit not performed.

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OC Public Works (continued)	Environmental Resources (continued)	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.	To be removed next quarter. Audit not performed.
		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.	To be removed next quarter. Audit not performed.
		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.	To be removed next quarter. Audit not performed.
		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.	To be removed next quarter. Audit not performed.
		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.	To be removed next quarter. Audit not performed.
	Fleet Services	No audits in progress.						

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<b>OC Public Works (continued)</b>	<b>Infrastructure Programs</b>	OCTA	Active Transportation Program (ATP) and Transportation Control Measures (TCM) funding	TBD	N/A	Review project files for the Lambert Bikeway Project	Planned.	To be removed next quarter. Audit not performed.
		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.	To be removed next quarter. Audit not performed.
		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.	To be removed next quarter. Audit not performed.
		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.	To be removed next quarter. Audit not performed.
<b>OC Waste &amp; Recycling</b>	<b>Accounting</b>	No audits in progress.						
<b>Probation</b>	<b>Administrative and Fiscal</b>	California Dept. of Education	Nutrition Services Division - Food contracts	2018-2019	N/A	Review of food contracts and the procurement/solicitation methods	In progress.	
<b>Public Defender</b>		No audits in progress.						
<b>Registrar of Voters</b>		No audits in progress.						

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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 03/2020, OCSD 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	Completed.	<b>One (1) New Material Issue:</b> Overstated the time increments required to perform the reimbursable activities. This occurred due to the vague language in the SB 90 Parameters and Guidelines.  See Executive Summary for more information.
		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	Completed.	None.
		Arroyo Associates	AB 109	FY 14/15 - FY 18/19	N/A	Performance Audit	In progress.	
	<b>Custody Operations</b>	Disability Rights Commission (DRC)	Theo Lacy, Central Men's Jail, Intake Release Center, James A Musick Facility	Current	N/A	Disability Rights	In progress.	
	<b>Technology</b>	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.	
		Tevora Business Solutions	IT	Annual	2018	Operational Review	Completed.	<b>One (1) New Finding:</b> Some systems in use are running on unsupported Legacy operating systems. OCSD is in the process of migrating systems off Legacy operating systems.
		Tech Advisory Committee (TAC)	IT	Quarterly / Semi-Annual	2017	Operational Review	In progress.	



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<b>Sheriff-Coroner (continued)</b>	<b>Records</b>	Naval Criminal Investigative Service (NCIS) - LInX	LInX Data-sharing application	Annual	2019	Compliance Review	Completed.	None.
		California Department of Justice	California Law Enforcement Telecommunications System (CLETS) Audit	Triennial	FY 15/16	Compliance Review	Completed.	None.
		California Department of Justice	National Data Exchange System (N-Dex)	Triennial	2016	Compliance Review	Completed.	None.
		Federal Bureau of Investigation's Criminal Justice Information Services (CJIS) Division	National Crime Information Center (NCIC) Audit	Semi-Triennial	2013	Compliance Review	Completed.	None.
	<b>Orange County Crime Lab</b>	ANSI National Accreditation Board (ANAB)	OC Crime Lab (OCCL) Accreditation	Annual	2019	All OCCL Operations	Completed.	None.
		FBI DNA Quality Assurance	OC Crime Lab DNA Operations	Biennial	2018	DNA Bureau	Completed.	None.
<b>Social Services Agency</b>	<b>Administrative Services</b>	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.	
		Eide Bailly, LLP	Single Audit - Supplemental Nutrition Assistance Program (SNAP) Cluster	6/30/19 Annual	6/30/2018	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2019-002 under Auditor-Controller Single Audit.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2020	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.	Completed.	None.
		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 March 31, 2020	Significant Findings
<b>Social Services Agency (continued)</b>	<b>Family Self-Sufficiency &amp; Adult Services (continued)</b>	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.	Completed.	None.
		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.	
<b>Treasurer-Tax Collector</b>	<b>Treasury and Investments</b>	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.	
		Eide Bailly, LLP (Formerly VTD)	Annual Audit of Statement of Assets Held by the County Treasury	6/30/19 Annual	6/30/18	California Government Code 26920(b)	In progress.	

**EXTERNAL AUDIT REPORT**  
**Implementation Status of Prior Quarter Significant & Material Issues**  
**Quarter Ended March 31, 2020**

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	<b>CEO &amp; DA: Implemented.</b> The Subrecipient Monitoring policy and procedure has been approved and was implemented on February 6, 2020 through distribution of the document to all departments on this same date for County-wide use, ensuring consistent processes and compliancy.
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	<b>CEO &amp; DA: Implemented.</b> The Subrecipient Monitoring policy and procedure has been approved and was implemented on February 6, 2020 through distribution of the document to all departments on this same date for County-wide use, ensuring consistent processes and compliancy.

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