

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

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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.

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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 17th. 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.

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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 2nd 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 2nd 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 fir the Quarter Ended December 21, 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.**

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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.