

A G E N D A

REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE ORANGE COUNTY, CALIFORNIA

Thursday, June 14, 2018, 10:00 a.m.

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



Drew Atwater (District 1)
AOC Chairman
Private Sector Member

Robert Brown (District 5)
AOC Vice Chairman
Private Sector Member

Supervisor Andrew Do
First District, Board Chairman
Member

Supervisor Shawn Nelson
Fourth District, Board Vice Chairman
Member

Frank Kim
County Executive Officer
Member

Richard Murphy (District 2)
Private Sector Member

Mark Wille, CPA (District 3)
Private Sector Member

VACANT (District 4)
Private Sector Member

Non-Voting Members

Treasurer-Tax Collector:
Auditor-Controller:
Performance Audit:

Shari Freidenrich, CPA
Eric Woolery, CPA
VACANT

Staff

Auditor-Controller Internal Audit:
Deputy County Counsel:
Clerk:

Scott Suzuki, CPA
Mark Servino
Mari Elias

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

*** In compliance with the Americans with Disabilities Act, those requiring accommodation for this meeting should notify the Auditor-Controller Internal Audit Division 72 hours prior to the meeting at (714) 834-2450 ***

All supporting documentation is available for public review in the office of the Auditor-Controller Internal Audit Division located in the Hall of Finance and Records Building, 12 Civic Center Plaza, Room 200, Santa Ana, California 92701 during regular business hours 8:00 a.m. - 5:00 p.m., Monday through Friday.

A G E N D A

REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE ORANGE COUNTY, CALIFORNIA

10:00 A.M.

Speaker

1. Roll Call
*Drew Atwater
AOC Chairman*
2. Approve Audit Oversight Committee Regular Meeting Minutes of March 29, 2018
*Drew Atwater
AOC Chairman*
3. Receive Report on Required Communication from External Auditors
*Linda Hurley, CPA, Partner,
Macias Gini & O'Connell*
4. Receive Report on Countywide IT Risk Assessment
*Mark Cousineau, CPA, Director,
Macias Gini & O'Connell*
5. Receive Report on Transition Plan to Incoming External Audit Firm
*Roger Alfaro, CPA, Partner,
Vavrinek, Trine, Day & Co.*
6. Receive Report on Status of Hiring Director of Performance Audit
*Frank Kim
County Executive Officer*
7. Receive Report on External Audits Performed Under the Purview of the Board of Supervisors
*Frank Kim
County Executive Officer*
8. Receive Report on Criteria for Financial Reporting of County Component Units
*Eric Woolery, CPA
Auditor-Controller*
9. Receive Report on Auditor-Controller Internal Audit Division's Independence
*Scott Suzuki, CPA,
Auditor-Controller,
Director of Internal Audit*
10. Approve Auditor-Controller Internal Audit Division's Annual Risk Assessment & Audit Plan for FY 2018-19
*Scott Suzuki, CPA,
Auditor-Controller,
Director of Internal Audit*
11. Approve Auditor-Controller Internal Audit Division's FY 2017-18 3rd Quarter Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended March 31, 2018
*Scott Suzuki, CPA,
Auditor-Controller,
Director of Internal Audit*
12. Approve Quarterly External Audit Activity Status Report for the Quarter Ended March 31, 2018
*Scott Suzuki, CPA,
Auditor-Controller,
Director of Internal Audit*

A G E N D A

REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE ORANGE COUNTY, CALIFORNIA

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.*

*Drew Atwater
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.*

*Drew Atwater
AOC Chairman*

ADJOURNMENT:

NEXT MEETING: Regular Meeting, September 13, 2018, 10:00 a.m.



Memorandum

June 14, 2018

AOC Agenda Item No. 2

TO: Audit Oversight Committee Members

Recommended Action:

Approve Audit Oversight Committee Regular Meeting Minutes of March 29, 2018

Approve Audit Oversight Committee Regular Meeting Minutes of March 29, 2018, as stated in the recommended action.

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



REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE
ORANGE COUNTY, CALIFORNIA

Thursday, March 29, 2018, 10:00 a.m.

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

Drew Atwater (District 1)
AOC Chairman
Private Sector Member

Robert Brown (District 5)
AOC Vice Chairman
Private Sector Member

Supervisor Andrew Do
First District, Board Chairman
Member

Supervisor Shawn Nelson
Fourth District, Board Vice Chairman
Member

Frank Kim
County Executive Officer
Member

Richard Murphy (District 2)
Private Sector Member

Mark Wille, CPA (District 3)
Private Sector Member

VACANT (District 4)
Private Sector Member

Present Non-Voting Members

Treasurer-Tax Collector:
Auditor-Controller:
Performance Audit:

Shari Freidenrich, CPA
Eric Woolery, CPA
VACANT

Present Staff

Auditor-Controller Internal Audit:
Deputy County Counsel:
Clerk:

Scott Suzuki, CPA
Mark Servino
Mari Elias

ATTENDANCE: Drew Atwater, AOC Chairman, Private Sector Member; Robert Brown, AOC Vice Chairman, Private Sector Member; Veronica Carpenter, Proxy for Supervisor Andrew Do; Lisa Bohan-Johnston, Proxy for County Executive Officer Frank Kim; Mark Wille, Private Sector Member

10:00 A.M.

1. Roll Call

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

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

2. Approve Audit Oversight Committee Regular Meeting Minutes of January 25, 2018

Mr. Atwater asked for a motion to approve the minutes of the January 25, 2018 meeting. Motion by Mr. Brown, seconded by Ms. Carpenter.

All in favor, none opposed.

Approved as recommended.

3. Receive Oral Report on Required Communication from External Auditors

Mr. Atwater opened the floor to Ms. Hurley, partner at Macias Gini and O'Connell. Ms. Hurley stated the Single Audit is still in process. There were several findings, including a Qualification on compliance for one of the programs. Ms. Hurley stated some programs have been tested in prior years but when a problem shows up in sampling, there is a concern that there could be a systemic problem.

4. Receive Report on Status of Hiring Director of Performance Audit

Mr. Atwater opened the floor to Ms. Bohan-Johnston, proxy for County Executive Officer, Frank Kim. Ms. Bohan-Johnston stated Supervisor Steel and Supervisor Bartlett continue to review applications. Human Resources does an initial review and forwards applications to the subcommittee. Ms. Bohan-Johnston will provide information regarding the number of interviews scheduled and candidates in the queue.

5. Approve Auditor-Controller Internal Audit Division's FY 2017-18 2nd Quarter Status Report for the Period October 1, 2017 through December 31, 2017 and Approve 2nd Quarter Executive Summary of Findings for the Period October 1, 2017 through December 31, 2017

Mr. Atwater opened the floor to Mr. Suzuki, Director of Internal Audit. Mr. Suzuki stated the Audit Plan had three postponements into the next fiscal year: Orange County Information Technology (OCIT) Project Management Audit Governance/Risk Management, Countywide Accounts Receivable Controls, and CEO/Real Estate Procurement Administration. An audit was added on the Property Tax System implementation.

Mr. Suzuki stated Orange County Community Resources (OCCR) had originally requested an audit of the East Basin/Dana Point Harbor Master Concession Contract, but had since requested to cancel due to changes in the OCCR management structure. During the quarter, there were four final reports issued with six control findings, no critical control or significant control weaknesses.

Mr. Suzuki stated the Internal Audit Division (IAD) is transitioning out of the OCCR contract for fiscal monitoring of federal grant money. This will free up staff to do other audits and accomplish the Audit Plan.

Mr. Atwater asked for a motion to approve. Mr. Wille made a motion, seconded by Mr. Brown.

All in favor, none opposed.

Approved as recommended.

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

6. Approve 2nd Quarter FY 2017-18 External Audit Activity Quarterly Status Report for the Quarter Ended December 31, 2017

Mr. Atwater opened the floor for Mr. Suzuki, Director of Internal Audit. Mr. Suzuki stated there was one material issue at the Health Care Agency. The California Department of Health Care Services audited fiscal year 2010-2011, resulting in a variance of \$324k due to the methodology used to calculate administrative costs. Mr. Lopez, Director of Satellite Accounting, stated that the formula structure has changed moving forward.

Mr. Atwater asked for a motion to approve. Motion by Mr. Brown, seconded by Ms. Bohan-Johnston.

All in favor, none opposed.

Approved as recommended.

7. Discuss recommendation to the Board of Supervisors to retain a management consultant to perform a performance audit of (a) Treasurer-Tax Collector and (b) the Auditor-Controller's Internal Audit function and develop recommendations to improve independence and effectiveness of the internal audit function

Mr. Atwater stated the idea was to make a recommendation to the Board that they hire an external auditing firm to do performance audits. Mr. Wille stated he agreed the Audit Oversight Committee (AOC) could recommend the Board retain an external consultant and, if approved, the County Executive Officer, and the Chairman and Vice Chairman of the AOC could develop an Audit Plan. Ms. Bohan-Johnston stated Mr. Kim supported having a management consultant on an interim basis.

Mr. Wille made a motion to amend the item to include a recommendation that the Board retain a management consultant to perform performance audits, concurrently with the open Performance Audit recruitment. Seconded by Ms. Bohan-Johnston.

All in favor, none opposed.

Approved as amended.

8. Discuss the Audit Oversight Committee's role with respect to audits conducted by auditors specially retained by the Board of Supervisors

Mr. Atwater stated the Board of Supervisors hired an external auditor to help in a specific area and he wanted to discuss whether that fell under the AOC's Bylaws. Mr. Servino stated the AOC's scope is oversight, not by who conducts the audit, rather on the audit function.

Mr. Atwater requested a status update on the Mental Health Services Act audit and Orange County Fire Authority Canyon Fire 2 audit at the next AOC meeting.

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

PUBLIC COMMENTS – Ms. Smart, member of the public, commended the AOC for discussion Item 7 and provided recommendations to the AOC for implementation.

AOC COMMENTS & ADJOURNMENT

AOC COMMENTS – Mr. Wille asked Ms. Freidenrich to describe the Treasury Oversight Committee member selection process. Ms. Freidenrich stated that applications are requested for vacancies and the T-TC makes a recommendation to the Board; all nominations to the Board have been approved.

ADJOURNMENT: Motion to adjourn by Mr. Brown, seconded by Ms. Bohan-Johnston. Meeting adjourned at 11:13 A.M.

NEXT MEETING

Regular Meeting, June 14, 2018, 10:00 AM



Memorandum

June 14, 2018

AOC Agenda Item No. 3

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Required Communication from External Auditors

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

JUNE 14, 2018

County of Orange

Audit Oversight Committee Meeting

PRESENTED BY
Linda Hurley



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Deliverables



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- 1. Single Audit Report FY 2017**
- 2. Communication with Those Charged with Governance at the Conclusion of the Audit FY 2017**
- 3. Management Letter FY 2017**

Single Audit FY 2017

- ❖ Total Federal Expenditures - \$663,001,442
- ❖ Total Pass-Through - \$41,745,138 (6%)
- ❖ 6 Major Federal Programs - \$211,250,958 (32%)
 - Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements (CFDA 93.074)
 - Child Support Enforcement (CFDA 93.563)
 - Continuum of Care (CFDA 14.267)
 - Workforce Innovation and Opportunity Act (WIOA) Cluster (CFDA 17.258/ 17.259/ 17.278)
 - Medicaid Cluster (CFDA 93.778)
 - HIV Prevention Activities Health Department Based (CFDA 93.940)

Single Audit FY 2017 (Continued)



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❖ Summary of Findings and Questioned Costs:

Single Audit Report Page #	Finding	Department	CFDA No.	Federal Program Name	Compliance Requirement	Audit Opinion - Compliance	Internal Control Finding Type	Questioned Cost
18-20	2017-001	CEO-IT and Auditor-Controller IT	N/A	N/A - Financial Statements Finding: Information Technology General Controls	N/A	N/A	Significant Deficiency	N/A
21-22	2017-002	OCCR	17.258, 17.259, 17.278	Workforce Innovation and Opportunity Act (WIOA) Cluster	Procurement and Suspension and Debarment	Qualified	Material Weakness	\$ 5,030,931
23-24	2017-003	CPO	93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	Procurement and Suspension and Debarment	Unmodified	Significant Deficiency	N/A
			14.267	Continuum of Care		Unmodified	Significant Deficiency	
			17.258, 17.259, 17.278	Workforce Innovation and Opportunity Act (WIOA) Cluster		Qualified	Significant Deficiency	
			93.940	HIV Prevention Activities Health Department Based		Unmodified	Significant Deficiency	
25-26	2017-004	HCA	93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	Program Income	Unmodified	Significant Deficiency	\$ 11,271
27-28	2017-005	HCA	93.940	HIV Prevention Activities Health Department Based	Subrecipient Monitoring	Unmodified	Significant Deficiency	N/A
29-30	2017-006	OCCR	14.267	Continuum of Care	Procurement and Suspension and Debarment	Unmodified	Material Weakness	N/A

Communications with Those Charged with Governance at the Conclusion of the Audit FY 2017



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❖ Reports Issued

- County of Orange CAFR – December 14, 2017
- County of Orange Redevelopment Successor Agency – December 11, 2017
- Orange County Waste & Recycling – December 14, 2017
- John Wayne Airport – December 8, 2017
- Single Audit – March 29, 2018

❖ Significant Audit Findings

- Qualitative Aspects of Accounting Practices
- Difficulties Encountered in Performing the Audit
- Corrected and Uncorrected Misstatements
- Disagreements with Management
- Management Representations
- Management Consultations with Other Independent Accountants
- Other Audit Findings or Issues
- Other Matters

Management Letter FY 2017

❖ Current Year Recommendation (Informational)

- Item 2017-A (New Accounting and Financial Reporting Standards)
 - GASB Statement No. 84 *“Fiduciary Activities”*
 - GASB Statement No. 85 *“Omnibus 2017”*
 - GASB Statement No. 86 *“Certain Debt Extinguishment Issues”*
 - GASB Statement No. 87 *“Leases”*
 - GASB Statement No. 88 *“Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements”*

❖ Status of Prior Year Recommendations

Prior Year Finding Reference	Control Deficiency Description	2017 Status
2013-A	Comprehensive Disaster Recovery Plan	In Progress
2013-B	Password Controls	In Progress
2016-A	Duplicate Bank Files in Quantum and Error in Correcting the Duplication Resulted in a Delay of the Approval of Month-End Summary Bank Reconciliations	Implemented

Thank You.

COUNTY OF ORANGE, CALIFORNIA

Single Audit Report
For the Year Ended June 30, 2017



Certified
Public
Accountants

COUNTY OF ORANGE, CALIFORNIA
Single Audit Report
For the Year Ended June 30, 2017

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board of Supervisors
County of Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, California (County), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 14, 2017. As discussed in Note 17 to the basic financial statements, the total net pension liability of the County as of June 30, 2017, which was measured as of December 31, 2016, was \$4.04 billion for the Orange County Employees Retirement System (OCERS). The fiduciary net position as a percentage of the total pension liability as of December 31, 2016, was 69.56% for OCERS. The actuarial valuation is very sensitive to the underlying actuarial assumptions, including a discount rate of 7.25%, which represents the long-term expected rate of return for OCERS. Our opinion is not modified with respect to this matter. Our report includes a reference to other auditors who audited the financial statements of the Children and Families Commission of Orange County (CFCOC) and the Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima), as described in our report on the County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 2017-001.

County's Response to Finding

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Newport Beach, California
December 14, 2017



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and Report on Supplementary Schedule of Grant Expenditures for Grants Provided by the California Health and Human Services Agency, Department of Aging

Board of Supervisors
County of Orange, California

Report on Compliance for Each Major Federal Program

We have audited the County of Orange, California’s (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County’s major federal programs for the year ended June 30, 2017. The County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

The County’s basic financial statements include the operations of the Children and Families Commission of Orange County (CFCOC) and the Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima) (discretely presented component units), which expended \$445,121 and \$1,949,675, respectively, in federal awards, which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2017. Our audit, described below, did not include the operations of the CFCOC and CalOptima. CalOptima engaged other auditors to perform an audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The CFCOC did not issue a report in accordance with the Uniform Guidance because it did not meet the reporting threshold under the Uniform Guidance.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the County’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County’s compliance.

Basis for Qualified Opinion on CFDA Nos. 17.258/17.259/17.278 Workforce and Innovation Opportunity Act (WIOA) Cluster

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding CFDA Nos. 17.258/17.259/17.278 Workforce and Innovation Opportunity Act (WIOA) Cluster as described in finding 2017-002 for Procurement and Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on CFDA Nos. 17.258/17.259/17.278 Workforce and Innovation Opportunity Act (WIOA) Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA Nos. 17.258/17.259/17.278 Workforce and Innovation Opportunity Act (WIOA) Cluster for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-003 through 2017-006. Our opinion on each major federal program is not modified with respect to this matter.

The County's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or

significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-002 and 2017-006 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-003 through 2017-005 to be significant deficiencies.

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and Report on Supplementary Schedule of Grant Expenditures for Grants Provided by the California Health and Human Services Agency, Department of Aging

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 14, 2017, which contained unmodified opinions on those financial statements. Our report included a reference to other auditors who audited the financial statements of the CFCOC and the CalOptima, as described in our report on the County's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards and the supplementary schedule of grant expenditures for grants provided by the California Health and Human Services Agency, Department of Aging, are presented for purposes of additional analysis as required by the Uniform Guidance and the California Health and Human Services Agency, Department of Aging, respectively, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the

basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the supplementary schedule of grant expenditures for grants provided by the California Health and Human Services Agency, Department of Aging, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Macias Gini & O'Connell LLP

Newport Beach, California
March 29, 2018

COUNTY OF ORANGE (OC), CALIFORNIA (CA)
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2017

Federal Grantor/ County Program Name (Direct or Indirect) (1)	Catalog of Federal Domestic Assistance (CFDA) Number	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Federal Disbursements/ Expenditures	Amount Provided to Subrecipients	County Department
U.S. Department of Agriculture						
Plant and Animal Disease, Pest Control, and Animal Care						
Phytophthora Ramorum Program (Indirect)	10.025	16-0392-SF	CA Dept. of Food & Agriculture	\$ 6,602	\$ -	OC Public Works
Pierce's Disease Control Program (Indirect)	10.025	16-0329-SF	CA Dept. of Food & Agriculture	478,650	-	OC Public Works
Subtotal 10.025				485,252	-	
School Breakfast Program (Indirect)	10.553	02039-SN-30-R	CA Dept. of Education	43,236	-	Social Services Agency
School Breakfast Program (Indirect)	10.553	30-34306-9003500-1	CA Dept. of Education	214,757	-	Probation
National School Lunch Program (Indirect)	10.555	02039-SN-30-R	CA Dept. of Education	64,638	-	Social Services Agency
National School Lunch Program (Indirect)	10.555	30-34306-9003500-1	CA Dept. of Education	350,429	-	Probation
Subtotal 10.553 and 10.555 (Child Nutrition Cluster)				673,060	-	
Special Supplemental Nutrition Program for Women, Infants, and Children						
Women, Infants, and Children (WIC) (Indirect)	10.557	15-10073	CA Dept. of Public Health	4,679,861	-	Health Care Agency
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program						
Non-Assisted Benefits (Indirect)	10.561	1946001347 A7	CA Dept. of Social Services	37,020,433	-	Social Services Agency
Non-Assisted Benefits - CA Work Opportunity and Responsibility to Kids Information Network (CalWIN) (Indirect)	10.561	1946001347 A7	CA Dept. of Social Services	1,801,581	-	Social Services Agency
Nutrition Education and Obesity Prevention Program (Indirect)	10.561	13-20487, 16-10144	CA Dept. of Public Health	3,816,593	2,189,605	Health Care Agency
Subtotal 10.561 (SNAP Cluster)				42,638,607	2,189,605	
Senior Farmers Market Nutrition Program						
Value of Senior Farmer's Market Coupons (Indirect)	10.576		CA Dept. of Aging	35,000	35,000	OC Community Resources
Schools and Roads - Grants to States						
Federal Forest Reserve Fund (Indirect)	10.665	12-5955	CA Dept. of Transportation	58,669	-	OC Public Works
Subtotal 10.665 (Forest Service Schools and Roads Cluster)				58,669	-	
Subtotal - U.S. Department of Agriculture						
U.S. Department of Health and Human Services						
Special Programs for the Aging Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation						
Title VII-B: Elder Abuse Prevention (Indirect)	93.041	AP-1617-22	CA Dept. of Aging	35,717	35,717	OC Community Resources
Special Programs for the Aging Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals						
Title VII-A: Ombudsman (Indirect)	93.042	AP-1617-22	CA Dept. of Aging	103,770	103,770	OC Community Resources
Special Programs for the Aging Title III, Part D, Disease Prevention and Health Promotion Services						
Title III-D: Preventive Health (Indirect)	93.043	AP-1617-22	CA Dept. of Aging	152,832	152,832	OC Community Resources
Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers						
Title III-B: Senior Supportive Services (Indirect)	93.044	AP-1617-22	CA Dept. of Aging	2,365,370	1,832,723	OC Community Resources
Special Programs for the Aging Title III, Part C, Nutrition Services						
Title III-C1: Congregate Meals for Seniors (Indirect)	93.045	AP-1617-22	CA Dept. of Aging	2,402,814	2,079,589	OC Community Resources
Title III-C2: Home Delivered Meals for Seniors (Indirect)	93.045	AP-1617-22	CA Dept. of Aging	2,703,568	2,538,307	OC Community Resources
National Family Caregiver Support, Title III, Part E						
National Family Caregiver Support Program (Indirect)	93.052	AP-1617-22	CA Dept. of Aging	1,208,225	842,475	OC Community Resources
Nutrition Services Incentive Program						
Title III-C1: Nutrition Services Incentive Program (NSIP) (Indirect)	93.053	AP-1617-22	CA Dept. of Aging	275,169	275,169	OC Community Resources
Title III-C2: Nutrition Services Incentive Program (NSIP) (Indirect)	93.053	AP-1617-22	CA Dept. of Aging	727,033	727,033	OC Community Resources
Subtotal 93.041, 93.042, 93.043, 93.044, 93.045, 93.052, and 93.053 (Aging Cluster)				9,974,498	8,587,615	
Public Health Emergency Preparedness						
Zika Preparedness and Response Grant (Indirect)	93.069	16-10879	CA Dept. of Public Health	31,878	-	Health Care Agency
Medicare Enrollment Assistance Program						
Medicare Improvements for Patients and Provider Act (MIPPA) (Indirect)	93.071	MI-1517-22	CA Dept. of Aging	111,116	98,051	OC Community Resources
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements						
Hospital Preparedness Program (HPP) (Indirect)	93.074	EPO 14-10527	CA Dept. of Public Health	867,053	-	Health Care Agency
PHEP Ebola Supplemental (Indirect)	93.074	15-10373	CA Dept. of Public Health	28,092	-	Health Care Agency
Public Health Emergency Preparedness (PHEP) (Indirect)	93.074	EPO 14-10527	CA Dept. of Public Health	2,471,865	-	Health Care Agency
Subtotal 93.074				3,367,010	-	

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COUNTY OF ORANGE (OC), CALIFORNIA (CA)
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Federal Grantor/ County Program Name (Direct or Indirect) (1)	Catalog of Federal Domestic Assistance (CFDA) Number	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Federal Disbursements/ Expenditures	Amount Provided to Subrecipients	County Department
Guardianship Assistance						
FEDGAP Assistance (Indirect)	93.090	1946001347 A7	CA Dept. of Social Services	464,264	-	Social Services Agency
Guardianship Assistance (Indirect)	93.090	1946001347 A7	CA Dept. of Social Services	72,772	-	Social Services Agency
Subtotal 93.090				537,036	-	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs						
TB Local Assistance (Base Award) (Indirect)	93.116	5U52PS900515	CA Dept. of Public Health	747,601	-	Health Care Agency
Projects for Assistance in Transition from Homelessness (PATH)						
Projects for Assistance in Transition from Homelessness (PATH) Grant (Indirect)	93.150	68-0317191	CA Dept. of Health Care Services	547,653	547,653	Health Care Agency
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children						
Childhood Lead Poisoning Prevention Program (CLPPP) (Indirect)	93.197	14-10027A01	CA Dept. of Public Health	233,944	-	Health Care Agency
Immunization Cooperative Agreements						
Pediatric Immunization - Immunization Assistance Program (IAP) (Indirect)	93.268	15-10438	CA Dept. of Public Health	684,589	-	Health Care Agency
State Health Insurance Assistance Program						
Health Insurance Counseling and Advocacy Program (Indirect)	93.324	HI-1617-22	CA Dept. of Aging	257,971	244,018	OC Community Resources
Cancer Detection and Diagnosis Research						
Every Woman Counts (EWC) (Indirect)	93.394	12-89327 A01, 16-93230	CA Dept. of Public Health	5,000	-	Health Care Agency
Promoting Safe and Stable Families						
Family Preservation (Indirect)	93.556	1946001347 A7	CA Dept. of Social Services	2,106,550	-	Social Services Agency
Temporary Assistance for Needy Families						
CalWorks (Indirect)	93.558	1946001347 A7	CA Dept. of Social Services	27,684,177	-	Social Services Agency
CalWorks - CalWIN (Indirect)	93.558	1946001347 A7	CA Dept. of Social Services	967,285	-	Social Services Agency
CalWorks Admin (Indirect)	93.558	1946001347 A7	CA Dept. of Social Services	95,527,250	-	Social Services Agency
Fraud Recovery Incentive (Indirect)	93.558	1946001347 A7	CA Dept. of Social Services	788,756	-	Social Services Agency
Subtotal 93.558 (TANF Cluster)				124,967,468	-	
Child Support Enforcement						
Child Support Enforcement Program (Indirect)	93.563	06-059	CA Dept. of Child Support Services	35,443,982	-	Child Support Services
Support Enforcement Incentive Fund (Indirect)	93.563	06-059	CA Dept. of Child Support Services	3,112,194	-	Child Support Services
Subtotal 93.563				38,556,176	-	
Refugee and Entrant Assistance State/Replacement Designee Administered Programs						
Refugee Cash Assistance (Indirect)	93.566	1946001347 A7	CA Dept. of Social Services	138,148	-	Social Services Agency
Refugee Employment Social Services (Indirect)	93.566	RESS 1403, RESS 1503, RESS 1604	CA Dept. of Social Services	326,250	-	Social Services Agency
Welfare Aid to Refugees (Indirect)	93.566	1946001347 A7	CA Dept. of Social Services	332,684	-	Social Services Agency
Welfare Aid to Refugees - CalWIN (Indirect)	93.566	1946001347 A7	CA Dept. of Social Services	1,218	-	Social Services Agency
Subtotal 93.566				798,300	-	
Refugee and Entrant Assistance Voluntary Agency Programs						
Refugee Health Assessment Program (Indirect)	93.567	15-30-90840-00, 16-30-90899-00	CA Dept. of Public Health	265,055	221,850	Health Care Agency
Child Care and Development Block Grant						
California State Preschool Program (Indirect)	93.575	CSPP6317	CA Dept. of Education	4,568	-	Social Services Agency
Child Care Mandatory and Matching Funds of the Child Care and Development Fund						
California State Preschool Program (Indirect)	93.596	CSPP6317	CA Dept. of Education	9,945	-	Social Services Agency
Subtotal 93.575 and 93.596 (CCDF Cluster)				14,513	-	
Refugee and Entrant Assistance Targeted Assistance Grants						
Targeted Assistance Grant (Indirect)	93.584	TAFO 1403, TAFO 1503	CA Dept. of Social Services	260,892	-	Social Services Agency
Community-Based Child Abuse Prevention Grants						
Community Based Child Abuse Prevention (Indirect)	93.590	1946001347 A7	CA Dept. of Social Services	84,933	-	Social Services Agency

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COUNTY OF ORANGE (OC), CALIFORNIA (CA)

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/ County Program Name (Direct or Indirect) (1)	Catalog of Federal Domestic Assistance (CFDA) Number	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Federal Disbursements/ Expenditures	Amount Provided to Subrecipients	County Department
Affordable Care Act State Health Insurance Assistance Program (SHIP) and Aging and Disability Resource Center (ADRC) Options Counseling for Medicare-Medicaid Individuals in States with Approved Financial Alignment Models						
SHIP Options Counseling for Medicare/Medicaid-Financial Alignment (Indirect)	93.626	FA-1516-22	CA Dept. of Aging	47,676	38,783	OC Community Resources
Stephanie Tubbs Jones Child Welfare Services Program						
Child Welfare System Title IV-B (Indirect)	93.645	1946001347 A7	CA Dept. of Social Services	2,066,245	-	Social Services Agency
Foster Care Title IV-E						
Children Welfare System Title IV-E (Indirect)	93.658	1946001347 A7	CA Dept. of Social Services	1,691,844	-	Probation
Children Welfare System Title IV-E (Indirect)	93.658	1946001347 A7	CA Dept. of Social Services	23,379,893	-	Social Services Agency
Foster Care- CalWIN (Indirect)	93.658	1946001347 A7	CA Dept. of Social Services	13,334	-	Social Services Agency
Welfare Aid to Children in Boarding Homes (Indirect)	93.658	1946001347 A7	CA Dept. of Social Services	8,920,137	-	Social Services Agency
Subtotal 93.658				34,005,208	-	
Adoption Assistance						
Adoption Assistance (Indirect)	93.659	1946001347 A7	CA Dept. of Social Services	20,008,929	-	Social Services Agency
Adoptions (Indirect)	93.659	1946001347 A7	CA Dept. of Social Services	2,491,059	-	Social Services Agency
Subtotal 93.659				22,499,988	-	
Social Services Block Grant (Indirect)	93.667	1946001347 A7	CA Dept. of Social Services	12,110,579	-	Social Services Agency
Chafee Foster Care Independence Program						
Independent Living Skills (Indirect)	93.674	1946001347 A7	CA Dept. of Social Services	526,177	-	Social Services Agency
Children's Health Insurance Program						
CA Children Services (CCS) Optional Targeted Low Income Children Program (Indirect)	93.767		CA Dept. of Health Care Services	1,745,082	-	Health Care Agency
Medical Assistance Program						
CA Children Services (CCS) Medi-Cal (Indirect)	93.778		CA Dept. of Health Care Services	5,942,567	-	Health Care Agency
Child Health and Disability Prevention (CHDP) Program Title XIX (Indirect)	93.778	201630	CA Dept. of Health Care Services	912,031	-	Health Care Agency
Child Welfare Services - Health (Indirect)	93.778	1946001347 A7	CA Dept. of Social Services	3,055,335	-	Social Services Agency
Children in Foster Care Title XIX- Administrative Expenses (Indirect)	93.778	201630	CA Dept. of Health Care Services	126,006	-	Health Care Agency
Children in Foster Care Title XIX- Health Care Program for Children in Foster Care (HCPFCF) (Indirect)	93.778	201630	CA Dept. of Health Care Services	675,050	-	Health Care Agency
County Services Block Grant and Adult Protective Services - Health (Indirect)	93.778	1946001347 A7	CA Dept. of Social Services	3,582,833	-	Social Services Agency
Medi-Cal (Indirect)	93.778	MCAC 2016-17-01	CA Dept. of Health Care Services	103,758,287	-	Social Services Agency
Medi-Cal CalWIN (Indirect)	93.778	1946001347 A7	CA Dept. of Social Services	5,290,755	-	Social Services Agency
Medi-Cal In-Home Supportive Services (Indirect)	93.778	1946001347 A7	CA Dept. of Social Services	10,701,403	-	Social Services Agency
Medi-Cal In-Home Supportive Services Admin (Indirect)	93.778	1946001347 A7	CA Dept. of Social Services	12,923,630	-	Social Services Agency
Medi-Cal Outreach & Enrollment (Indirect)	93.778		CA Dept. of Health Care Services	266,773	-	Social Services Agency
Subtotal 93.778 (Medicaid Cluster)				147,234,670	-	
HIV Emergency Relief Project Grants						
Minority AIDS Initiative (MAI) (Direct)	93.914			413,227	322,618	Health Care Agency
Ryan White Part A (Direct)	93.914			5,948,165	2,319,282	Health Care Agency
Subtotal 93.914				6,361,392	2,641,900	
HIV Care Formula Grants						
Care Services (Indirect)	93.917	15-11067	CA Dept. of Public Health, Office of AIDS	2,003,684	-	Health Care Agency
Human Immunodeficiency Virus (HIV) Expanded Testing (Indirect)	93.917	14-10737	CA Dept. of Public Health, Office of AIDS	82,189	-	Health Care Agency
Subtotal 93.917				2,085,873	-	
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease						
Ryan White Part C (HIV Primary Care) (Direct)	93.918			594,594	-	Health Care Agency
HIV Prevention Activities Health Department Based						
Pre-Exposure Prophylaxis (PrEP) (Indirect)	93.940	15-10972	CA Dept. of Public Health, Office of AIDS	793,027	-	Health Care Agency
Prevention, Testing and Partner Services (Indirect)	93.940	15-10943	CA Dept. of Public Health, Office of AIDS	998,546	449,173	Health Care Agency
Subtotal 93.940				1,791,573	449,173	

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COUNTY OF ORANGE (OC), CALIFORNIA (CA)

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Federal Grantor/ County Program Name (Direct or Indirect) (1)	Catalog of Federal Domestic Assistance (CFDA) Number	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Federal Disbursements/ Expenditures	Amount Provided to Subrecipients	County Department
Block Grants for Community Mental Health Services						
Block Grants for Community Mental Health Services - Substance Abuse and Mental Health Services Administration (SAMHSA) (Indirect)	93.958	68-0317191	CA Dept. of Health Care Services	2,670,074	1,214,313	Health Care Agency
Block Grants for Prevention and Treatment of Substance Abuse						
Alcohol and Drug Program (Indirect)	93.959	14-90077	CA Dept. of Health Care Services	17,695,471	10,166,264	Health Care Agency
Sexually Transmitted Diseases (STD) Prevention and Control Grants						
Chlamydia Screening Project (CLASP) (Indirect)	93.977	15-10259	CA Dept. of Public Health	28,049	-	Health Care Agency
Gonorrhea Isolate Surveillance Project (GISP) (Indirect)	93.977	15-10259	CA Dept. of Public Health	1,817	-	Health Care Agency
STD/HIV Service Integration (Indirect)	93.977	15-10259	CA Dept. of Public Health	129,415	-	Health Care Agency
Subtotal 93.977				159,281	-	
Maternal and Child Health Services Block Grant to the States						
Adolescent Family Life Program (AFLP) Title V and XIX (Indirect)	93.994	201630	CA Dept. of Public Health	388,446	-	Health Care Agency
Maternal, Child Health, and Adolescent Health (MCAH) (Indirect)	93.994	201630	CA Dept. of Public Health	743,124	24,997	Health Care Agency
Subtotal 93.994				1,131,570	24,997	
Subtotal - U.S. Department of Health and Human Services						
U.S. Department of Homeland Security						
Emergency Management Performance Grants						
2015 Emergency Management Performance Grant (EMPG) (Indirect)	97.042	2015-0049	California Office of Emergency Services	312,274	312,274	Sheriff-Coroner
2016 Emergency Management Performance Grant (EMPG) (Indirect)	97.042	2016-0010	California Office of Emergency Services	411,542	-	Sheriff-Coroner
Subtotal 97.042				723,816	312,274	
Homeland Security Grant Program						
2015 Homeland Security Grant Program (HSGP) (Indirect)	97.067	2015-00078	California Office of Emergency Services	1,971,963	420,343	Sheriff-Coroner
2015 Operation Stonegarden Supplemental Grant (Indirect)	97.067	2015-1078	County of San Diego, Sheriff Dept.	108,183	-	Sheriff-Coroner
2016 Homeland Security Grant Program (HSGP) (Indirect)	97.067	2016-0102	California Office of Emergency Services	610,287	-	Sheriff-Coroner
Homeland Security Grant Program (HSGP) (Indirect)	97.067	2015-00078, 2016-0102	California Office of Emergency Services	237,849	-	Health Care Agency
Subtotal 97.067				2,928,282	420,343	
Securing The Cities Program (Indirect)	97.106	2012-DN-106-00001	City of Los Angeles Mayor's Office	2,868	-	Sheriff-Coroner
Los Angeles Border Enforcement Security Taskforce (LA BEST) (Direct)	97.UNKNOWN			3,769	-	Sheriff-Coroner
TSA: National Explosives Detection Canine Team Program (Direct)	97.UNKNOWN			50,500	-	John Wayne Airport
Subtotal 97.UNKNOWN				54,269	-	
Subtotal - U.S. Department of Homeland Security						
U.S. Department of Housing and Urban Development						
Community Development Block Grants/Entitlement Grants						
Community Development Block Grant (Direct)	14.218			3,528,314	2,812,187	OC Community Resources
Subtotal 14.218 (CDBG Cluster)				3,528,314	2,812,187	
Emergency Solutions Grant Program						
Emergency Shelter Grant Program (Direct)	14.231			216,802	200,795	OC Community Resources
Shelter Plus Care (Direct)	14.238			97,376	-	OC Community Resources
HOME Investment Partnerships Program (Direct)	14.239			178,202	-	OC Community Resources
Housing Opportunities for Persons with AIDS (HOPWA) (Indirect)	14.241	9580.A	City of Anaheim	806,904	754,116	Health Care Agency
Continuum of Care Program						
Continuum of Care (CoC) - Planning Grant (Direct)	14.267			564,629	-	OC Community Resources
Continuum of Care (CoC) - Rental Assistance Grant (Direct)	14.267			7,504,655	-	OC Community Resources
Subtotal 14.267				8,069,284	-	
Section 8 Housing Choice Vouchers						
Family Self Sufficiency Program Evaluation (Indirect)	14.871	GS-10F-0245N	MDRC	2,499	-	OC Community Resources
Section 8 Housing Choice Vouchers (Direct)	14.871			131,094,226	-	OC Community Resources
Subtotal 14.871 (Housing Voucher Cluster)				131,096,725	-	

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Federal Grantor/ County Program Name (Direct or Indirect) (1)	Catalog of Federal Domestic Assistance (CFDA) Number	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Federal Disbursements/ Expenditures	Amount Provided to Subrecipients	County Department
Family Self-Sufficiency Program						
Family Self Sufficiency Program Coordinator (Direct)	14.896			260,018	-	OC Community Resources
Subtotal - U.S. Department of Housing and Urban Development				144,253,625	3,767,098	
U.S. Department of the Interior						
Payments in Lieu of Taxes (PILT) (Direct)	15.226			85,385	-	Auditor-Controller
Coastal Impact Assistance Program						
Newport Bay Watershed Trash Management Plan (Direct)	15.668			23,629	-	OC Public Works
Subtotal - U.S. Department of the Interior				109,014	-	
U.S. Department of Justice						
Crime Victim Assistance						
Child Abuse Treatment Services (Indirect)	16.575	AT15010300, AT16020300	California Office of Emergency Services	268,333	268,333	Social Services Agency
County Victim Services (XC) Program (Indirect)	16.575	XC16010300	California Governor's Office of Emergency Services	343,601	343,601	County Executive Office
Human Trafficking Advocacy Program (Indirect)	16.575	HA15020300	California Office of Emergency Services	80,473	80,473	District Attorney
Human Trafficking Advocacy Program (Indirect)	16.575	HA16030300	California Office of Emergency Services	11,356	11,356	District Attorney
Unserved/Underserved Victim Advocacy and Outreach Program (Indirect)	16.575	UV15010300	California Office of Emergency Services	175,000	175,000	County Executive Office
Victim Witness Assistance Program (Indirect)	16.575	VW15340300, VW16350300	California Office of Emergency Services	767,323	767,323	County Executive Office
Subtotal 16.575				1,646,086	1,646,086	
Violence Against Women Formula Grants						
Violence Against Women Vertical Prosecution Program (Indirect)	16.588	VV15070300	California Office of Emergency Services	1,150	1,150	District Attorney
Violence Against Women Vertical Prosecution Program (Indirect)	16.588	VV16080300	California Office of Emergency Services	185,494	14,377	District Attorney
Subtotal 16.588				186,644	15,527	
State Criminal Alien Assistance Program (SCAAP) (Direct)	16.606			1,418,322	-	Sheriff-Coroner
Edward Byrne Memorial Justice Assistance Grant Program						
2013 Edward Byrne Memorial Justice Assistance Grant (JAG) (Direct)	16.738			698	55	Sheriff-Coroner
2014 Edward Byrne Memorial Justice Assistance Grant (JAG) (Direct)	16.738			76,427	66,196	Sheriff-Coroner
2015 Edward Byrne Memorial Justice Assistance Grant (JAG) (Direct)	16.738			170,533	147,961	Sheriff-Coroner
2016 Edward Byrne Memorial Justice Assistance Grant (JAG) (Direct)	16.738			267,788	265,970	Sheriff-Coroner
Subtotal 16.738				515,446	480,182	
DNA Backlog Reduction Program						
2014 DNA Backlog Reduction Grant (Direct)	16.741			47,789	-	Sheriff-Coroner
2015 DNA Backlog Reduction Grant (Direct)	16.741			283,280	-	Sheriff-Coroner
2016 DNA Backlog Reduction Grant (Direct)	16.741			4,789	-	Sheriff-Coroner
Subtotal 16.741				335,858	-	
Paul Coverdell Forensic Sciences Improvement Grant Program						
2015 Coverdell National Forensic Science Improvement Grant (Indirect)	16.742	CQ15110300	California Office of Emergency Services	68,592	-	Sheriff-Coroner
Support for Adam Walsh Act Implementation Grant Program						
2016 Sex Offender Registration and Notification Act (SORNA) (Indirect)	16.750	2016-DS-BX-0002	California Department of Justice	870	-	Sheriff-Coroner
Postconviction Testing of DNA Evidence						
Post-Conviction Testing of DNA Evidence to Exonerate the Innocent (Direct)	16.820			2,735	-	District Attorney
Post-Conviction Testing of DNA Evidence to Exonerate the Innocent (Direct)	16.820			69,464	-	Public Defender
Subtotal 16.820				72,199	-	
National Sexual Assault Kit Initiative						
Orange County District Attorney Sexual Assault Kit Initiative (Direct)	16.833			2,613	-	Sheriff-Coroner
Orange County District Attorney (OCDA) Sexual Assault Kit Initiative (Direct)	16.833			100,175	-	District Attorney
Subtotal 16.833				102,788	-	

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Federal Grantor/ County Program Name (Direct or Indirect) (1)	Catalog of Federal Domestic Assistance (CFDA) Number	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Federal Disbursements/ Expenditures	Amount Provided to Subrecipients	County Department
Equitable Sharing Program						
Department of Justice Forfeiture Program (Direct)	16.922			86,435	-	District Attorney
MethLab/PROACT Asset Forfeitures (Direct)	16.922			255,919	-	Sheriff-Coroner
Regional Narcotics Suppression Program (RNSP) Forfeitures (Direct)	16.922			5,405,701	-	Sheriff-Coroner
Sheriff's Narcotic Program (SNP) Forfeitures (Direct)	16.922			2,628,419	-	Sheriff-Coroner
Subtotal 16.922				8,376,474	-	
Cyber Task Force (Direct)	16.UNKNOWN			9,675	-	District Attorney
OC Regional Computer Forensics Laboratory (OCRCFL) (Direct)	16.UNKNOWN			31,052	-	District Attorney
Orange County Corruption Task Force (Direct)	16.UNKNOWN			3,828	-	District Attorney
Orange County Drug Enforcement Task Force (Direct)	16.UNKNOWN			17,753	-	District Attorney
Regional Fugitive Task Force (Direct)	16.UNKNOWN			38,704	-	District Attorney
Santa Ana Gang Task Force (Direct)	16.UNKNOWN			1,518	-	District Attorney
Subtotal 16.UNKNOWN				102,530	-	
Subtotal - U.S. Department of Justice				12,825,809	2,141,795	
U.S. Department of Labor						
Senior Community Service Employment Program						
Title V - Senior Community Services Employment Program (Indirect)	17.235	TV-1617-22	CA Dept. of Aging	737,728	687,095	OC Community Resources
WIA/WIOA Adult Program						
Workforce Investment Act Title I Adult (2014) (Indirect)	17.258	K594778	CA Employment Development Dept.	43,927	36,704	OC Community Resources
Workforce Investment Act Title I Adult (2015) (Indirect)	17.258	K698379	CA Employment Development Dept.	1,641,788	1,392,532	OC Community Resources
Workforce Investment Act Title I Adult (2016) (Indirect)	17.258	K7102052	CA Employment Development Dept.	1,727,258	634,068	OC Community Resources
WIA/WIOA Youth Activities						
Workforce Investment Act Title I Youth (2015) (Indirect)	17.259	K698379	CA Employment Development Dept.	1,882,399	1,248,684	OC Community Resources
Workforce Investment Act Title I Youth (2016) (Indirect)	17.259	K7102052	CA Employment Development Dept.	1,028,151	541,993	OC Community Resources
WIA/WIOA Dislocated Worker Formula Grants						
Workforce Investment Act Title I Dislocated Worker (2015) (Indirect)	17.278	K698379	CA Employment Development Dept.	1,163,275	869,803	OC Community Resources
Workforce Investment Act Title I Dislocated Worker (2016) (Indirect)	17.278	K7102052	CA Employment Development Dept.	4,745,447	2,783,773	OC Community Resources
Subtotal 17.258, 17.259, and 17.278 (WIOA Cluster)				12,232,245	7,507,557	
Reentry Employment Opportunities						
Linking to Employment Activities Pre-release Specialized American Job Center 1 (Direct)	17.270			475,645	362,021	OC Community Resources
Linking to Employment Activities Pre-release Specialized American Job Center 2 (Direct)	17.270			127,317	87,733	OC Community Resources
Subtotal 17.270				602,962	449,754	
Subtotal - U.S. Department of Labor				13,572,935	8,644,406	
U.S. Department of Transportation						
Airport Improvement Program						
FAA: Airport Improvement Programs Grant 44 & 45 (Direct)	20.106			269,869	-	John Wayne Airport
Highway Planning and Construction						
Highway Bridge Program (HBP) BR. No. 55C-0172 (Modjeska Canyon Road) (Indirect)	20.205	5955(094)	CA Dept. of Transportation	17,750	-	OC Public Works
Highway Bridge Program (HBP) BR. No. 55C-0174 (Silverado Canyon Road 1.6 miles east of Santiago Canyon Road) (Indirect)	20.205	5955(095)	CA Dept. of Transportation	21,075	-	OC Public Works
Highway Bridge Program (HBP) BR. No. 55C-0175 (Silverado Canyon) (Indirect)	20.205	5955(087)	CA Dept. of Transportation	5,978	-	OC Public Works
Highway Bridge Program (HBP) BR. No. 55C-0177 (Silverado Canyon Road 4.4 miles east of Santiago Canyon Road) (Indirect)	20.205	5955(096)	CA Dept. of Transportation	15,127	-	OC Public Works
Highway Bridge Program (HBP) BR. No. 55C-0400 (Edinger Avenue/Sunset Way over Bolsa Chica Channel) (Indirect)	20.205	5955(078)	CA Dept. of Transportation	20,827	-	OC Public Works
Highway Safety Improvement Program (Santiago Canyon Road from Live Oak Canyon to SR241/SR261) (Indirect)	20.205	5955(101)	Ca. Dept. of Transportation	3,878	-	OC Public Works
Highway Safety Improvement Program (Gilbert Street Improvements) (Indirect)	20.205	5955(086)	CA Dept. of Transportation	9,079	-	OC Public Works
Highway Safety Improvement Program (Trabuco Canyon Road) (Indirect)	20.205	5955(089)	CA Dept. of Transportation	9,693	-	OC Public Works
Subtotal 20.205 (Highway Planning and Construction Cluster)				103,407	-	

See accompanying Notes to the Schedule of Expenditures of Federal Awards and the Supplementary Schedule of Grant Expenditures for Grants Provided by the California Health and Human Services Agency, Department of Aging.

COUNTY OF ORANGE (OC), CALIFORNIA (CA)

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/ County Program Name (Direct or Indirect) (1)	Catalog of Federal Domestic Assistance (CFDA) Number	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Federal Disbursements/ Expenditures	Amount Provided to Subrecipients	County Department
State and Community Highway Safety						
2015 OTS- STEP (Selective Traffic Enforcement Program) (Indirect)	20.600	PT1648	CA Office of Traffic Safety	13,675	-	Sheriff-Coroner
2016 OTS- STEP (Selective Traffic Enforcement Program) (Indirect)	20.600	PT1786	CA Office of Traffic Safety	97,143	-	Sheriff-Coroner
Alcohol Impaired Driving Countermeasures Incentive Grants I						
Alcohol and Drug Impaired Driver Vertical Prosecution Program (Indirect)	20.601	DI1706	CA Office of Traffic Safety	537,645	-	District Attorney
Alcohol and Drug Impaired Driver Vertical Prosecution Program (Indirect)	20.601	DI1613	CA Office of Traffic Safety	195,005	-	District Attorney
National Priority Safety Programs						
2016 Standards and Training in DUID Toxicology (Indirect)	20.616	DI1722	CA office of Traffic Safety	15,063	-	Sheriff-Coroner
Subtotal 20.600, 20.601, and 20.616 (Highway Safety Cluster)				858,531	-	
Minimum Penalties for Repeat Offenders for Driving While Intoxicated						
2015 OTS- STEP (Selective Traffic Enforcement Program) (Indirect)	20.608	PT1648	CA Office of Traffic Safety	111,015	-	Sheriff-Coroner
2016 OTS- STEP (Selective Traffic Enforcement Program) (Indirect)	20.608	PT1786	CA Office of Traffic Safety	175,897	-	Sheriff-Coroner
Subtotal 20.608				286,912	-	
Subtotal - U.S. Department of Transportation				1,518,719	-	
U.S. Department of the Treasury						
Equitable Sharing						
Department of Treasury Forfeiture Program (Direct)	21.016			118,044	-	District Attorney
Regional Narcotics Suppression Program (RNSP) Forfeitures (Direct)	21.016			248,386	-	Sheriff-Coroner
Sheriff's Narcotics Program (SNP) Forfeitures (Direct)	21.016			639,154	-	Sheriff-Coroner
Subtotal 21.016				1,005,584	-	
Subtotal - U.S. Department of the Treasury				1,005,584	-	
Executive Office of the President						
High Intensity Drug Trafficking Areas Program						
2016 Domestic Highway Enforcement (DHE) - High Intensity Drug Trafficking Area (HIDTA) Grant (Indirect)	95.001	G16LA0006A	City of Monrovia	19,900	-	Sheriff-Coroner
High Intensity Drug Trafficking Area (HIDTA) (Direct)	95.001			211,637	-	Sheriff-Coroner
High Intensity Drug Trafficking Area (HIDTA) 2016 (Direct)	95.001			829,132	-	Sheriff-Coroner
High Intensity Drug Trafficking Area (HIDTA) 2017 (Direct)	95.001			-	-	Sheriff-Coroner
Regional Methamphetamine Task Force (RMTF) (Indirect)	95.001	G15LA0006A	City of Monrovia	687	-	Sheriff-Coroner
Regional Methamphetamine Task Force (RMTF) 2016 (Indirect)	95.001	G16LA0006A	City of Monrovia	67,923	-	Sheriff-Coroner
Regional Methamphetamine Task Force (RMTF) 2017 (Indirect)	95.001	G17LA0006A	City of Monrovia	9,326	-	Sheriff-Coroner
Subtotal - Executive Office of the President				1,138,605	-	
National Foundation on the Arts and the Humanities						
Promotion of the Arts Grants to Organizations and Individuals						
The Big Read 2016-1017 (Indirect)	45.024	00017830	Arts Midwest	15,000	-	OC Community Resources
Promotion of the Humanities Federal/State Partnership						
Community Stories Grant for Indigenous Voices of San Juan Capistrano (Indirect)	45.129	COS16-492	California Humanities	4,831	-	OC Community Resources
Subtotal - National Foundation on the Arts and the Humanities				19,831	-	
Grand Total				\$ 663,001,442	\$ 41,745,138	

LEGEND:

- (1) Indirect refers to Federal monies passed through various non-federal agencies, primarily State of CA agencies.
- (2) The State of CA does not assign a pass-through identification number for certain programs passed to the County. Accordingly, a pass-through identification number is not listed for certain indirect programs.

See accompanying Notes to the Schedule of Expenditures of Federal Awards and the Supplementary Schedule of Grant Expenditures for Grants Provided by the California Health and Human Services Agency, Department of Aging.

COUNTY OF ORANGE, CALIFORNIA (CA)
 Supplementary Schedule of Grant Expenditures
 For Grants Provided by the California Health and Human Services Agency, Department of Aging (1)
 For the Year Ended June 30, 2017

Federal or State Grantor/Pass-through Entity/County Program Name/Direct or Indirect	Catalog of Federal Domestic Assistance Number (3)	Pass-Through Entity's Identifying Number (2)	Grant Award			Expenditures		
			Federal	State	Total	Federal	State	Total
U.S. Department of Agriculture								
Pass-through the CA Department of Aging:								
Senior Farmers Market Nutrition Program								
Value of Senior Farmer's Market Coupons (Indirect)	10.576		\$ 35,000	\$ -	\$ 35,000	\$ 35,000	\$ -	\$ 35,000
Total U.S. Department of Agriculture			<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>
U.S. Department of Health and Human Services								
Pass-through the CA Department of Aging:								
Special Programs for the Aging Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation								
Title VII-B: Elder Abuse Prevention (Indirect)	93.041	AP-1617-22	35,717	-	35,717	35,717	-	35,717
Special Programs for the Aging Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals								
Title VII-A: Ombudsman (Indirect)	93.042	AP-1617-22	103,770	-	103,770	103,770	-	103,770
Special Programs for the Aging Title III, Part D, Disease Prevention and Health Promotion Services								
Title III-D: Preventive Health (Indirect)	93.043	AP-1617-22	152,832	-	152,832	152,832	-	152,832
Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers								
Title III-B: Senior Supportive Services (Indirect)	93.044	AP-1617-22	2,391,989	94,198	2,486,187	2,365,370	94,198	2,459,568
Special Programs for the Aging Title III, Part C, Nutrition Services								
Title III-C1: Congregate Meals for Seniors (Indirect)	93.045	AP-1617-22	2,402,814	260,939	2,663,753	2,402,814	260,939	2,663,753
Title III-C2: Home Delivered Meals for Seniors (Indirect)	93.045	AP-1617-22	2,704,018	408,126	3,112,144	2,703,568	408,126	3,111,694
National Family Caregiver Support, Title III, Part E								
National Family Caregiver Support Program (Indirect)	93.052	AP-1617-22	1,208,225	-	1,208,225	1,208,225	-	1,208,225
Nutrition Services Incentive Program								
Title III-C1: Nutrition Services Incentive Program (NSIP) (Indirect)	93.053	AP-1617-22	275,169	-	275,169	275,169	-	275,169
Title III-C2: Nutrition Services Incentive Program (NSIP) (Indirect)	93.053	AP-1617-22	<u>727,033</u>	<u>-</u>	<u>727,033</u>	<u>727,033</u>	<u>-</u>	<u>727,033</u>
Subtotal 93.041, 93.042, 93.043, 93.044, 93.045, 93.052, and 93.053 (Aging Cluster)			<u>10,001,567</u>	<u>763,263</u>	<u>10,764,830</u>	<u>9,974,498</u>	<u>763,263</u>	<u>10,737,761</u>
Medicare Enrollment Assistance Program								
Medicare Improvements for Patients and Provider Act (MIPPA) (Indirect)	93.071	MI-1517-22	116,610	-	116,610	111,116	-	111,116
State Health Insurance Assistance Program								
Health Insurance Counseling and Advocacy Program (Indirect)	93.324	HI-1617-22	266,706	-	266,706	257,971	-	257,971
Affordable Care Act State Health Insurance Assistance Program (SHIP) and Aging and Disability Resource Center (ADRC) Options Counseling for Medicare-Medicaid Individuals in States with Approved Financial Alignment Models								
SHIP Options Counseling for Medicare/Medicaid-Financial Alignment (Indirect)	93.626	FA-1516-22	<u>53,286</u>	<u>-</u>	<u>53,286</u>	<u>47,676</u>	<u>-</u>	<u>47,676</u>
Total U.S. Department of Health and Human Services			<u>10,438,169</u>	<u>763,263</u>	<u>11,201,432</u>	<u>10,391,261</u>	<u>763,263</u>	<u>11,154,524</u>
U.S. Department of Labor								
Pass-through the CA Department of Aging:								
Senior Community Service Employment Program								
Title V - Senior Community Services Employment Program (Indirect)	17.235	TV-1617-22	<u>748,435</u>	<u>-</u>	<u>748,435</u>	<u>737,728</u>	<u>-</u>	<u>737,728</u>
Total U.S. Department of Labor			<u>748,435</u>	<u>-</u>	<u>748,435</u>	<u>737,728</u>	<u>-</u>	<u>737,728</u>
CA Health and Human Services Agency								
Pass-through the CA Department of Aging:								
Long Term Care Ombudsman Program								
Special Deposit Fund (SDF) - State Health Facilities Citation Penalties Account			-	137,837	137,837	-	137,837	137,837
Skilled Nursing Facility Quality & Accountability Fund (SNFQAF)			-	178,977	178,977	-	178,963	178,963
Public Health L&C Program Fund			<u>-</u>	<u>37,679</u>	<u>37,679</u>	<u>-</u>	<u>37,679</u>	<u>37,679</u>
Total CA Health and Human Services Agency			<u>-</u>	<u>354,493</u>	<u>354,493</u>	<u>-</u>	<u>354,479</u>	<u>354,479</u>
Total			<u>\$ 11,221,604</u>	<u>\$ 1,117,756</u>	<u>\$ 12,339,360</u>	<u>\$ 11,163,989</u>	<u>\$ 1,117,742</u>	<u>\$ 12,281,731</u>

(1) All federal and state grants provided to the County of Orange, CA by the CA Health and Human Services Agency, Department of Aging.
 (2) The State of CA does not assign a pass-through identification number for certain programs passed to the County. Accordingly, a pass-through identification number is not listed for certain indirect programs.
 (3) State only funded programs do not have a federal CFDA number

COUNTY OF ORANGE, CALIFORNIA

Notes to the Schedule of Expenditures of Federal Awards and the Supplementary Schedule of Grant Expenditures for Grants Provided by the California Health and Human Services Agency, Department of Aging
For the Year Ended June 30, 2017

(1) GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the County of Orange, California (County), except as noted herein. The County's reporting entity is defined in Note 1 of the County's basic financial statements. These financial statements include the operations of the Children and Families Commission of Orange County (CFCOC) and the Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima) (discretely presented component units), which expended \$445,121 and \$1,949,675, respectively, in federal awards, which are not included in the SEFA. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies, primarily the State of California, are included on the schedule.

(2) BASIS OF ACCOUNTING

The accompanying SEFA and Supplementary Schedule of Grant Expenditures for Grants Provided by the California Health and Human Services Agency, Department of Aging (DOA), are presented using the modified accrual basis of accounting except for programs recorded in the County's enterprise funds, which are presented using the accrual basis of accounting, which are described in Note 1 of the County's basic financial statements. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The County has elected not to use the 10 percent de minimis indirect cost rate as allowed under Title 2 U.S. *Code of Federal Regulations*, section 200.414 Indirect (F&A) costs.

(3) RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures and the supplementary schedule of grant expenditures for grants provided by the DOA, agree or can be reconciled with the amounts reported in the County's basic financial statements.

(4) CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY, DEPARTMENT OF AGING

At the request of the DOA, the schedule of grant expenditures for their grant programs is included as a supplementary schedule on page 14.

(5) NONCASH ASSISTANCE

Senior Farmers Market Coupons valued at \$35,000 was provided by the Senior Farmers Market Nutrition Program, CFDA No. 10.576 to purchase food. This amount is included on the SEFA.

COUNTY OF ORANGE, CALIFORNIA

Notes to the Schedule of Expenditures of Federal Awards and the Supplementary Schedule of Grant Expenditures for Grants Provided by the California Health and Human Services Agency, Department of Aging (Continued)
For the Year Ended June 30, 2017

(6) OUTSTANDING LOANS OF FEDERAL FUNDS

The following schedule presents the amount of outstanding loans by CFDA number. All loans are provided by the U.S. Department of Housing and Urban Development and are not subject to federal continuing compliance requirements:

<u>CFDA No.</u>	<u>Federal Program Name</u>	<u>Outstanding Loans at June 30, 2017</u>	<u>New Loans for the Fiscal Year Ended June 30, 2017</u>
14.218	Community Development Block Grant (Direct)	\$ 2,495,102	\$ -
14.239	HOME Investment Partnerships Program (Direct)	26,508,376	-

COUNTY OF ORANGE, CALIFORNIA
 Schedule of Findings and Questioned Costs
 For Year Ended June 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness (es) identified?	No
• Significant deficiency (ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major federal programs:	
• Material weakness (es) identified?	Yes
• Significant deficiency (ies) identified?	Yes
Type of auditor’s report issued on compliance for major federal programs:	Unmodified for all major programs, except for the CFDA Nos. 17.258/17.259/17.278 Workforce Innovation and Opportunity Act (WIOA) Cluster, which was Qualified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	Yes

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.267	Continuum of Care Program
17.258/17.259/17.278	Workforce Innovation and Opportunity Act (WIOA) Cluster
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements
93.563	Child Support Enforcement
93.778	Medicaid Cluster
93.940	HIV Prevention Activities Health Department Based

Dollar threshold used to distinguish between Type A and Type B programs:	\$3,000,000
Auditee qualified as a low-risk auditee?	Yes

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section II – Financial Statement Findings

Reference Number: 2017-001
Category of Finding: Information Technology General Controls (ITGC)

Criteria

Governing bodies and executive management establish the goals and objectives of an entity to operate effectively, efficiently, and economically; safeguard resources; comply with laws and regulations, and ensure accurate, complete, and timely financial and non-financial reports to the County’s creditors, managers, and other stakeholders. This is accomplished when the entity:

1. Deploys control activities through policies that establish what is expected and procedures that put policies into action.
2. Selects and develops general control activities over technology to support the achievement of objectives.

Condition

1. The County has not deployed, reassessed and refreshed certain entity-wide information technology general control policies and procedures. ITGC policies establish what is expected. Policies reflect management’s statement of what should be done to effect control. Policies and procedures specifically relate to those control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. Policy statements and related procedures should be documented and disseminated.

The general controls policies and procedures that apply to all or a large segment of the County’s information systems include security management, logical and physical access, configuration management, segregation of duties, and contingency planning.

There are no written policies and procedures for the following:

- To classify systems and information that is stored, processed, shared, or transmitted with respect to the type of data (e.g. confidential or sensitive) and its value to critical business functions in place.
- To protect data or electronic storage media, including CDs, USB drives, and tapes.
- To identify, report, or correct the information system/application flaws to ensure the information integrity.
- That states a developer security test and evaluation to ensure the software integrity practice is in place.
- That SOC 1/SOC 2 reports are received and reviewed by the management to evaluate the impact of any control deficiencies noted by the service organizations’ auditors to the County.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section II – Financial Statement Findings (Continued)

- Analysis and mapping of complementary controls identified in service organizations’ SOC 1/SOC 2 reports to County internal controls to ensure assets and information are safeguarded and financial reporting is appropriate.
2. Reassessment and Updating of Policies – The Usage and IT Security Policies have not been updated since 2009.
 3. Lack of Evidence of Review – IT personnel do not document the results of the evaluation of the SOC 1/SOC 2 reports provided by its service organizations, nor are compensating controls identified and evaluated for effectiveness.
 4. System Access – For nine (9) of ten (10) sampled users of the CAPS+ application, access was disabled more than three (3) business days after the users’ termination date.

Cause

Management has prioritized other projects and issues as higher priority, and the County organization has decentralized ITGC responsibilities.

Effect

Missing or out-of-date ITGC policies and procedures increase the risk that the County and its resources, including its personally identifiable and confidential (business) information may be subject to exploits that access, disclose, or alter information.

Recommendation

We recommend that the County establish the following:

1. Formalize written policies and procedures for critical processes.
2. Revisit and update the Usage and IT Security Policies to ensure the risk of inaccurate information is minimized and the integrity of the data is maintained.
3. Formalize policies that require the evaluation of the SOC 1/SOC 2 reports provided by its service organizations to be documented and compensating controls identified and evaluated for effectiveness.
4. Implement the established system access policy to disable terminated employees timely and monitor compliance with the updated policy.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section II – Financial Statement Findings (Continued)

Management Response and Planned Correction Action

1. Person Responsible: Jacob Margolis, CISO and Phillip Daigneau, Auditor-Controller IT Director
2. Corrective Action Plan:
 - i. Recommendation 1: The County has established a Cybersecurity Joint Task Force, which is tasked with developing a Cybersecurity Manual. The manual will address the development and implementation of policy and procedures including critical processes.
 - ii. Recommendation 2: The County has established a Cybersecurity Joint Task Force, which is tasked with developing a Cybersecurity Manual. The manual will address the development and implementation of policy and procedures including update the Usage and IT Security Policies.
 - iii. Recommendation 3: The County is in the process of documenting its policy and associated procedures that require the evaluation of the SOC 1/SOC 2 reports provided by its service organizations to be documented and compensating controls identified and evaluated for effectiveness.
 - iv. Recommendation 4: AC/IT to work with HR to develop a new HR report by January 1, 2019. This report will compare the transaction date to the effective date and report on any transactions that occurs greater than the accepted days per updated policy. This report will be monitored and reviewed in the CAPS+ HR weekly meeting for staff to then take the necessary action.
3. Anticipated Implementation Date: January 1, 2019

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section III – Federal Award Findings and Questioned Costs

Reference Number:	2017-002
Federal Program Title:	Workforce Innovation and Opportunity Act (WIOA) Cluster
Federal Catalog Numbers:	17.258/17.259/17.278
Federal Agency:	U.S. Department of Labor
Pass-Through Entity:	California Employment Development Department
Federal Award Numbers and Year:	K594778 (2016), K698379 (2016), K7102052 (2016)
Category of Finding:	Procurement and Suspension and Debarment

Criteria

In accordance with 2 CFR §180.300, when an entity enters into a covered transaction with another person at the next lower tier, the entity must verify that the person is not excluded or disqualified. The entity can do this by:

1. Checking the Excluded Parties List System (EPLS) (i.e. System for Award Management Exclusions); or
2. Collecting a certification from that person; or
3. Adding a clause or condition to the covered transaction with that person.

Per 2 CFR §180.985, person means any individual, corporation, partnership, associate, unit of government, or legal entity, however organized.

In accordance with Title 26 Code of Federal Regulation §97.36(c)(1), all procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of §97.36.

Condition

During our review of compliance with the procurement requirements for subrecipients, we noted that the Orange County Community Resources (OCCR) department entered into a contract with a subrecipient in FY 2016-17 and did not verify that the subrecipient was not excluded or disqualified. In addition, the subrecipient did not go through the procurement process prior to awarding the contract.

Cause

OCCR had previously contracted with the subrecipient; however, the subrecipient was a subcontractor of another vendor that was awarded the contract, thus the subrecipient was not subject to the competitive bidding process.

Effect

Failure to follow the procurement standards when entering into a contract results in noncompliance with federal regulations.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section III – Federal Award Findings and Questioned Costs (Continued)

Questioned Costs

\$5,030,931

Context

Four (4) subrecipients totaling \$5,564,282 were selected for testing from a population of 16 subrecipients totaling \$7,511,048. One (1) subrecipient tested totaling \$5,030,931 was not subjected to OCCR's procurement procedures. All samples selected are statistically valid samples.

Recommendation

We recommend that OCCR adhere to their procurement procedures prior to entering into a contract with the subrecipient.

Management Response and Planned Corrective Action

1. Person responsible: Lydia Garcia, Contract Development & Management Manager
2. Corrective action plan:
 - The next procurement for the WIOA funded services will be handled by OCCR Contract Development and Management by employees trained and certified in County procurement processes to ensure procurement transactions are consistent with open competitive procurement requirements.
 - Implemented a procurement checklist to ensure the suspension/debarment screening is completed prior to Board approval; Copies of screening results are retained with the procurement documents; Annual file reviews will be performed to verify the suspension/debarment screening is completed in a timely manner.
3. Anticipated implementation date: March 22, 2018

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section III – Federal Award Findings and Questioned Costs (Continued)

Reference Number: 2017-003

Federal Program Title: Hospital Preparedness Program (HPP) and Public Health
Emergency Preparedness (PHEP) Aligned Cooperative
Agreements

Federal Catalog Number: 93.074

Federal Agency: U.S. Department of Health and Human Services

Pass-Through Entity: California Department of Public Health

Federal Award Number and Year: EPO 14-10527 (2015)

Federal Program Title: Continuum of Care

Federal Catalog Number: 14.267

Federal Agency: U.S. Department of Housing and Urban Development

Federal Award Numbers and Year: CA0581L9D021508 (2016) and CA1440L9D021500
(2016)

Federal Program Titles: WIA/WIOA Adult Program, WIA/WIOA Youth
Activities, WIA/WIOA Dislocated Worker Formula
Grants (WIOA Cluster)

Federal Catalog Numbers: 17.258/17.259/17.278

Federal Agency: U.S. Department of Labor

Pass-Through Entity: California Employment Development Department

Federal Award Numbers and Year: K594778 (2016), K698379 (2016), K7102052 (2016)

Federal Program Title: HIV Prevention Activities Health Department Based

Federal Catalog Number: 93.940

Federal Agency: U.S. Department of Health and Human Services

Pass-Through Entity: California Department of Public Health, Office of Aids

Federal Award Numbers and Year: 15-10943 (2016) and 15-10972 (2016)

Category of Finding: Procurement and Suspension and Debarment

Criteria

In accordance with *Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) Subpart D §200.110 –Effective/applicability date states:*

- (a) The standards set forth in this part that affect the administration of Federal awards issued by Federal awarding agencies become effective once implemented by Federal awarding agencies or when any future amendment to this part becomes final. Federal awarding agencies must implement the policies and procedures applicable to Federal awards by promulgating a regulation to be effective by December 26, 2014, unless different provisions are required by statute or approved by OMB. For the procurement standards in §§ 200.317 through 200.326, non-Federal entities may continue to comply with the procurement standards in previous OMB guidance (as reflected in §200.104) for a total of three fiscal years after this part goes into effect. As such, the effective date for implementation of the

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section III – Federal Award Findings and Questioned Costs (Continued)

procurement standards for non-Federal entities will start for fiscal years beginning on or after December 26, 2017. If a non-Federal entity chooses to use the previous procurement standards for all or part of these three fiscal years before adopting the procurement standards in this part, the non-Federal entity must document this decision in its internal procurement policies.

Condition

During our review of compliance with procurement requirements stated in 2 CFR §200.110, we noted that the County of Orange (County) did not document its election to defer the implementation of the procurement provisions under Uniform Guidance until July 1, 2018 in its County Procurement Manual (CPM).

Cause

The County Procurement Office (CPO) was not aware of the new procurement requirements stated in 2 CFR §200.110.

Effect

Failure to document the decision to defer the implementation of the procurement provisions under Uniform Guidance results in a noncompliance with 2 CFR §200.110.

Questioned Costs

There are no questioned costs.

Context

Not applicable.

Recommendation

We recommend that the CPO include a statement in the CPM regarding the election to defer the implementation of the procurement provisions under Uniform Guidance until July 1, 2018.

Management Response and Planned Corrective Action

1. Person responsible: Rob Richardson, County Procurement Officer
2. Corrective action plan: CPO will revise the CPM to include a statement indicating the County has elected to defer the implementation of the procurement provisions under Uniform Guidance until July 1, 2018. In addition, CPO has already updated its intranet site to include a statement regarding the deferment of the procurement provisions.
3. Anticipated implementation date: June 1, 2018

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section III – Federal Award Findings and Questioned Costs (Continued)

Reference Number:	2017-004
Federal Program Title:	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements
Federal Catalog Number:	93.074
Federal Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	California Department of Public Health
Federal Award Number and Year:	EPO 14-10527 (2015)
Category of Finding:	Program Income

Criteria

In accordance with the *California Department of Public Health (CDPH) Local Grant Application & Guidance for FY 2016-17 for Public Health Emergency Preparedness Program (PHEP) and Hospital Preparedness Program (HPP)*, the interest bearing accounts section states:

Local Entities may spend up to \$500 in “Interest Funds”. All funds can only be spent for administrative costs. Local Entities are responsible for tracking and spending these funds appropriately and do not need to be reflected in the FY 16-17 budgets and invoices. The remaining balance from FY 15-16 interest, as well as all other remaining interest, must all be paid back to CDPH on an annual basis.

Condition

During our review of compliance with the program income requirements stated in the CDPH Local Grant Application & Guidance for FY 2016-17 for program income for the PHEP and HPP program, we noted that the interest earned during FY 2016-17 and all other remaining interest from prior years in the amounts of \$6,660 and \$4,611, respectively, were not returned to the CDPH on an annual basis.

Cause

The Health Care Agency was not aware of the new program income requirements as stated in the CDPH Local Grant Application & Guidance for FY 2016-17.

Effect

Failure to return the interest earned on an annual basis, results in noncompliance as stated in the CDPH Local Grant Application & Guidance for FY 2016-17.

Questioned Costs

\$11,271 (amount represents unremitted program income)

Context

Not applicable.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section III – Federal Award Findings and Questioned Costs (Continued)

Recommendation

We recommend that management return interest earned annually as stated in the CDPH Local Grant Application & Guidance for FY 2016-17.

Management Response and Planned Corrective Action

1. Person responsible: Salvador Lopez, HCA Accounting Manager
2. Corrective action plan: The Auditor-Controller Health Care Agency Accounting Unit will implement procedures to monitor interest earned and ensure that interest earned in excess of \$500 be returned to the CDPH on an annual basis per the CDPH Local Grant Application & Guidance.
3. Anticipated implementation date: July 1, 2018

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section III – Federal Award Findings and Questioned Costs (Continued)

Reference Number:	2017-005
Federal Program Title:	HIV Prevention Activities Health Department Based
Federal Catalog Number:	93.940
Federal Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	California Department of Public Health, Office of Aids
Federal Award Number and Year:	15-10943 (2016)
Category of Finding:	Subrecipient Monitoring

Criteria

In accordance with *Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) Subpart D §200.331 –Requirements for pass-through entities states:*

All pass-through entities must:

- (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

- (1) Federal Award Identification:

- (ii) Subrecipient's DUNS number

In accordance with 2 CFR Appendix A to Part 25(B), *Requirement for Data Universal Numbering System (DUNS) Numbers*, if you are authorized to make subawards under this award, you:

1. Must notify potential subrecipients that no entity may receive a subaward from you unless the entity has provided its DUNS number to you.
2. May not make a subaward to an entity unless the entity has provided its DUNS number to you.

Condition

During our review of compliance with the subrecipient monitoring requirements stated in 2 CFR section 200.331(a)(1) for two (2) subrecipients selected for testing, we noted that four (4) out of eight (8) subawards did not contain the DUNS number, which is required to be obtained prior to the issuance of the subaward as stated in 2 CFR Appendix A to Part 25(B). Each of the subrecipients selected included four (4) subawards that were in effect during the audit period of July 1, 2016 – June 30, 2017 resulting in a total eight (8) subawards.

Due to a prior year finding, the Health Care Agency addressed and issued a policy in November 2014, that requires a DUNS numbers effective for contracts issued after July 1, 2015. We noted that four (4) of the eight (8) subawards reviewed were issued after July 1, 2015 and included the DUNS number.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section III – Federal Award Findings and Questioned Costs (Continued)

Cause

The Health Care Agency did not have policies and procedures in place to obtain the DUNS number prior to issuance of the subaward. As a result, the DUNS number for the subrecipient was not included in the subaward.

Effect

Failure to obtain the DUNS number prior to the issuance of the subaward, results in an incomplete evaluation of the subrecipient's eligibility for Federal funds and results in noncompliance with 2 CFR §200.331 and 2 CFR Appendix A to Part 25.

Questioned Costs

There are no questioned costs.

Context

Two (2) subrecipients totaling \$335,377 were selected for testing from a total population of three (3) subrecipients, totaling \$449,173. Each of the two (2) subrecipients were issued four (4) subawards during the period of July 1, 2016 – June 30, 2017 resulting in a total of eight (8) subawards. For four (4) of the eight (8) subawards tested, a DUNS number was not included in the subaward. All samples selected are statistically valid samples.

Recommendation

We recommend that management design and implement procedures to obtain and update the DUNS number for subrecipients prior to the issuance of a subaward in accordance with the Federal requirements.

Management Response and Corrective Action

1. Person responsible: Susie Kim, Contract Services Division Manager
2. Corrective action plan: The Health Care Agency implemented procedures in November of 2014 to begin collecting DUNS number for new contracts starting on July 1, 2015 and after but acknowledges that this process was implemented after the issuance of the subaward(s) in question. The Contract Services Division will review all current subrecipient contracts for compliance and document any corrections necessary.
3. Implementation date: November 24, 2014, for new contracts started on July 1, 2015.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section III – Federal Award Findings and Questioned Costs (Continued)

Reference Number:	2017-006
Federal Program Title:	Continuum of Care Program
Federal Catalog Number:	14.267
Federal Agency:	U.S. Department of Housing and Urban Development
Federal Award Numbers and Year:	CA0581L9D021508 (2016) and CA1440L9D021500 (2016)
Category of Finding:	Procurement and Suspension and Debarment

Criteria

In accordance with 2 CFR §180.300, when an entity enters into a covered transaction with another person at the next lower tier, the entity must verify that the person is not excluded or disqualified. The entity can do this by:

1. Checking the Excluded Parties List System (EPLS) (i.e. System for Award Management Exclusions); or
2. Collecting a certification from that person; or
3. Adding a clause or condition to the covered transaction with that person.

Condition

During our review of compliance with the procurement requirements for vendors, we noted that the Orange County Community Resources (OCCR) department entered into two (2) contracts with two (2) vendors in FY 2016-17 and did not verify that the vendors were not debarred, suspended, or otherwise excluded.

Cause

OCCR was unaware of the suspension and debarment requirements as stated in 2 CFR §180.300.

Effect

Failure to follow the procurement standards when entering into a contract results in noncompliance with federal regulations.

Questioned Costs

Not applicable.

Context

Two (2) vendors totaling \$342,602 were selected for testing from a population of two (2) vendors entering into contracts in FY 2016-17. The two (2) vendors tested were not evaluated for suspension/debarment prior to the execution of the contract.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section III – Federal Award Findings and Questioned Costs (Continued)

Recommendation

We recommend that OCCR adhere to their procurement procedures prior to entering into a contract with the vendor.

Management Response and Planned Corrective Action

1. Person responsible: Lydia Garcia, Contract Development & Management Manager and Tui Tuiteleapaga, Purchasing Manager
2. Corrective action plan:
 - The two vendors identified were screened as of March 29, 2018.
 - OC Community Resources will conduct additional training to ensure that program managers and procurement staff are aware of the requirement for debarment screening.
 - Copies of screening results are retained with the procurement documents.
 - Annual file reviews will be performed to verify the suspension/debarment screening is completed in a timely manner.
3. Anticipated implementation date: March 29, 2018

COUNTY OF ORANGE, CALIFORNIA

Schedule of Prior Audit Findings

For the Year Ended June 30, 2017

<i>Prior Year Federal Award Findings</i>				
Finding No.	Federal Program Name	CFDA No.	Compliance Requirements	Status of Corrective Action
2014-003	Block Grants for Prevention and Treatment of Substance Abuse	93.959	Subrecipient Monitoring	In progress. A policy was established to address the issue in November 2014 and will be applied prospectively to new contracts. There were no new contracts entered into in fiscal year 2017.
2015-001	Aging Cluster; Medical Assistance Program	93.044; 93.045; 93.053; 93.778	Subrecipient Monitoring	In progress. Orange County Community Resources – A policy was established to address the issue in March 2016 and will be applied prospectively to new contracts. There were no new contracts entered into in fiscal year 2017. Health Care Agency – A policy was established to address the issue in November 2014 and will be applied prospectively to new contracts. There were no new contracts entered into in fiscal year 2017.
2016-001	SNAP Cluster; HIV Emergency Relief Project Grants; Block Grants for Community Mental Health Services	10.561; 93.914; 93.958	Subrecipient Monitoring	In progress. A policy was established to address the issue in November 2014 and will be applied prospectively to new contracts. There were no new contracts entered into in fiscal year 2017.



May 23, 2018

Audit Oversight Committee,
Board of Supervisors, and
Eric Woolery, Auditor-Controller
County of Orange, California

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, California (County), and the financial statements of the County of Orange Redevelopment Successor Agency, Orange County Waste & Recycling and John Wayne Airport for the year ended June 30, 2017, and have issued our reports thereon dated as indicated below:

<u>Reporting Entity</u>	<u>Audit Report Date</u>
County of Orange	December 14, 2017
County of Orange Redevelopment Successor Agency	December 11, 2017
Orange County Waste & Recycling	December 14, 2017
John Wayne Airport	December 8, 2017
Single Audit	March 29, 2018

We did not audit the financial statements of the Children and Families Commission of Orange County (CFCOC) and the Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima), which are included as discretely presented component units in the County’s basic financial statements. Those financial statements were audited by other auditors as stated in our report dated December 14, 2017, on the County’s basic financial statements. This communication does not include the results of the audits of CFCOC and CalOptima conducted by the other auditors.

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2017. Professional standards also require that we communicate to you the following information related to our audits.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the basic financial statements. The County implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, with an immaterial effect to the County; GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment to GASB Statement No. 14*, and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* without an impact to the County, as described in Note 1 to the basic financial statements.

We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the County's financial statements were:

- Fair values of investments are based on pricing received from the County's third party vendors;
- Allowances for doubtful accounts for accounts receivable are based on historical collection rates;
- Depreciation estimates for capital assets are based on estimated useful lives for capital assets;
- Landfill closure and postclosure care liabilities are based on management's analysis of landfill capacity used and total closure and postclosure costs, as well as the landfill maximum capacity;
- Pollution remediation obligations are based on management's analysis of remediation time periods, type of remediation needed and historical trend data for closed landfill sites;
- Accrual and disclosure of compensated absences are based on unused vacation, compensatory, and holiday time at year-end multiplied by current pay rates;
- Actuarial valuations of annual required contributions for the pension and other postemployment benefits (OPEB) plans, the net pension liability for pension benefits, and the funded status of the OPEB plan are based on actuarial calculations, which incorporate actuarial methods and assumptions adopted by the Board of Retirement of the Orange County Employees Retirement System and the County; and
- Accrual and disclosure of self-insured claims liabilities are based on actuarial studies performed by the County's independent actuaries.

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

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were: estimated liabilities for self-insurance claims, retirement benefits (pension), OPEB, and estimated liabilities for litigation and claims, landfill closure and postclosure care costs, and pollution remediation. The disclosures about estimated liabilities for self-insurance claims, retirement benefits (pension), and OPEB in Note 15, Note 17 and Note 18 to the basic financial statements, respectively, are based on actuarial valuations. The disclosures about estimated liabilities for litigation and claims, landfill closure and postclosure care costs, and pollution remediation in Note 19, Note 13, and Note 16, respectively, are based on management's analysis of significant industry factors and advice from legal counsel.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit’s financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter for the respective entities dated as follows:

County of Orange	December 14, 2017
County of Orange Redevelopment Successor Agency	December 11, 2017
Orange County Waste & Recycling	December 14, 2017
John Wayne Airport	December 8, 2017
Single Audit	March 29, 2018

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the County’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management’s discussion and analysis and information related to the pension and other postemployment benefit plans, which are required supplementary information (RSI) that supplement the basic financial statements.

Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements and budgetary comparison schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the Audit Oversight Committee, the 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.

Very truly yours,

Macias Gini & O'Connell LLP

COUNTY OF ORANGE, CALIFORNIA

Management Letter
For the Year Ended June 30, 2017



Certified
Public
Accountants

COUNTY OF ORANGE, CALIFORNIA
Management Letter
For the Year Ended June 30, 2017

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To the Board of Supervisors and
Management of the
County of Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, California (County), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 14, 2017. Our report includes a reference to other auditors who audited the financial statements of the Children and Families Commission of Orange County and the Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance, as described in our report on the County's financial statements. This letter does not include the results of the other auditors' testing of internal control over financial reporting that are reported on separately by those auditors.

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A separate letter dated December 14, 2017, which was included in the County's Single Audit report for the year ended June 30, 2017, contains our communication of our consideration of the County's internal control in accordance with *Government Auditing Standards*. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify a deficiency in internal control that we consider to be a significant deficiency, which was reported as item 2017-001 in the Schedule of Findings and Questioned Costs in the County's Single Audit report.

We have included informational comments on new accounting standards in the accompanying schedule of current year recommendation, which will be required to be implemented in subsequent fiscal years. Furthermore, the accompanying schedule of status of prior year recommendations summarizes the status of prior year recommendations previously communicated to you about the County's internal control in our letter dated December 15, 2016. This letter does not affect our report dated December 14, 2017, on the financial statements of the County.

We have already discussed these comments and recommendations with County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, Board of Supervisors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Newport Beach, California
March 30, 2017

COUNTY OF ORANGE, CALIFORNIA
Schedule of Current Year Recommendation
For the Year Ended June 30, 2017

Item 2017-A: NEW ACCOUNTING AND FINANCIAL REPORTING STANDARDS

Informational

The following GASB pronouncements were issued subsequent to December 15, 2016, the date of our prior letter with informational comments noting the most recently issued pronouncements in the prior year.

GASB Statement No. 84 – *Fiduciary Activities*

In January 2017, GASB issued Statement No. 84, “*Fiduciary Activities*.” This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for financial statements beginning after December 15, 2018, which requires the County to implement this statement in FY 2019-20, although early implementation is encouraged.

GASB Statement No. 85 – *Omnibus 2017*

In March 2017, GASB issued Statement No. 85, “*Omnibus 2017*.” This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The requirements of this statement are effective for reporting periods beginning after June 15, 2017, which requires the County to implement this statement in FY 2017-18, although early implementation is encouraged.

GASB Statement No. 86 – *Certain Debt Extinguishment Issues*

In May 2017, GASB issued Statement No. 86, “*Certain Debt Extinguishment Issues*.” This statement improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for reporting periods beginning after June 15, 2017, which requires the County to implement this statement in FY 2017-18, although early implementation is encouraged.

GASB Statement No. 87 – *Leases*

In June 2017, GASB issued Statement No. 87, “*Leases*.” This statement is intended to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying assets. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, which requires the County to implement this statement in FY 2020-21, although early implementation is encouraged.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Current Year Recommendation (Continued)
For the Year Ended June 30, 2017

GASB Statement No. 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

In March 2018, GASB issued Statement No. 88, “*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*” This statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018, which requires the County to implement this statement in FY 2018-19, although early implementation is encouraged.

Recommendation

The County should evaluate the impacts of the new standards and develop implementation plans to address these new accounting and financial reporting requirements.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Status of Prior Year Recommendations
For the Year Ended June 30, 2017

Finding 2013-A: IT CONTROLS: COMPREHENSIVE DISASTER RECOVERY PLAN

Control Deficiency

Criteria

General computer operation controls require that an agency develop and implement disaster recovery and business continuity plans to provide contingency to minimize disruption to an entity's operations, including financial and data management, in the event of a disaster.

Condition

While the County performs regular backups and testing of system and data files using the County of Los Angeles' system resources, no formal disaster recovery plan has been implemented. The County has developed an agreement with Science Applications International Corporation (SAIC) to provide both backup and recovery services, which should be implemented in the first quarter of calendar year 2014.

Cause

The County's disaster recovery plan had not been finalized.

Effect

Until the County's disaster recovery plan has been fully implemented and tested, the County is at risk of data loss and data integrity in the event of a disaster.

Recommendation for Corrective Action

We recommend County CIO office continue with efforts to implement a comprehensive disaster recovery plan. Once implemented, the plan should be periodically tested to ensure County systems and data can be recovered in a timely manner. Any findings from the testing should be incorporated into updates to the plan.

Status of Corrective Action Plan

In Progress.

The County of Orange activated the Disaster Recovery Site in Scottsdale, Arizona on June 8, 2015. The Disaster Recovery Stack (infrastructure/hardware) for CAPS has been established at the Scottsdale, Arizona Disaster Recovery (DR) data center.

The Disaster Recovery Services Annual Test (responsibility of managed services contractor, SAIC), was executed the week of February 27 – March 3, 2017. SAIC provides a report that summarizes the results and any remediation activities associated with the execution of the County approved test plan. The Annual Test comprises of 3 areas: (1) Business Recovery Center (BRC); (2) Disaster Recovery Infrastructure Services; and (3) County Agency testing of their Disaster Recovery environments.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Status of Prior Year Recommendations (Continued)
For the Year Ended June 30, 2017

The following items are in progress of implementation:

- The County-Wide DR plan continues to be worked on by OCIT Security. The County-Wide plan shall consist of the departmental plans along with a prioritization of which services are to be restored.
- The Auditor-Controller is in the process of establishing the CAPS application layer at the DR data center. In addition, the DR plan will be tested once the CAPS application software is established at the DR data center.

Finding 2013-B: IT CONTROLS: PASSWORD CONTROLS

Control Deficiency

Criteria

General IT controls require that access to programs and data be properly secured. A primary method of controlling access is through the use and enforcement of passwords with strict standards.

Condition

A County-wide Password Standard is not enforced. The County Security Director has been tasked by the County's Technology Council to address this new initiative.

Cause

The County had not completed efforts to standardize and centrally enforce password standards among the financial applications the County uses.

Effect

The County is at risk of data loss and data integrity in the event of unauthorized users accessing its systems.

Recommendation for Corrective Action

The County Security Director, working with the County's Technology Council, should revise the County-wide Security Policy to strengthen the minimum password standard and update systems securities to force user compliance. Best practices related to the password controls include the following configuration requirements:

- Length: 8-14 characters
- Expiration Period: 30-90 days
- Password History Maintained: 12
- Password Complexity Requirement: Strong (must contain at least three of the following four character types: Lower case letter, Upper case letter, Number, and Special Character)
- Three to five failed logon attempts will lock the user account.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Status of Prior Year Recommendations (Continued)
For the Year Ended June 30, 2017

Status of Corrective Action Plan

In Progress.

The County-Wide Password Policy is to be published as part of its Cybersecurity Manual by July 2018. In the interim, the County CISO issued a memo to the Technology Council recommending the following password settings:

- Passwords must be between 8 and 15 characters in length
- Passwords will contain a minimum of two upper case letters
- Passwords will contain a minimum of two lower case letters
- Passwords will contain a minimum of two numbers: 1- 0
- Passwords will contain a minimum of two symbols: !, @, #, \$, %, ^, &, *, (,)
- Password characters will not be sequential (Do not use: ABCD , This is ok: ACDB)
- Passwords characters will not be repeated in a row (Do not use: P@\$\$\$. This is ok: P@\$\$)
- Users will be required to change their password every 90 days
- A history of the last 12 user passwords will be kept

In addition, user account should be locked after a maximum of five unsuccessful logon attempts.

Finding 2016-A: Duplicate Bank Files In Quantum And Error In Correcting The Duplication Resulted In A Delay Of The Approval Of Month-End Summary Bank Reconciliations

Control Deficiency

Criteria

Established internal controls over investments require that Month-End Summary Bank Reconciliations are reviewed and approved ten (10) days after month-end by authorized management in the County's Treasurer-Tax Collector Department (TTC), Treasury Division.

Condition

During our test of internal controls over the County's investments, we noted that the December 2015 through May 2016 Month-End Summary Bank Reconciliations did not receive written approval on a timely basis caused by the duplicate importing of the daily bank files on December 21, 2015. This was due to an employee who erroneously thought the bank file import for December 18, 2015 was missing, and imported it a second time. In the process of correcting the duplication, a related \$110 million of ZBA cash flow entries were deleted. The \$110 million of offsetting ZBA cash flow entries resulted in zero net impact to the cash balances reflected in the Treasurer's subsidiary bank balance records in Quantum. The preliminary Month-End Summary Bank Reconciliation at December 31, 2015, reflected the \$110 million of duplicate ZBA cash flow entries as unreconciled differences based on incorrect reports generated by the database query program. The clean-up process took approximately five months due to the Month-End Summary database query not properly recognizing the deleted duplicate transactions requiring significant additional staff time to prepare the Month-End Summary Bank Reconciliations using alternative reports and manual review of timing differences. Treasury management met with Auditor Controller, Information Technology (AC-IT) to develop an approach to correct the duplicative impact in the database query program. AC-IT

COUNTY OF ORANGE, CALIFORNIA
Schedule of Status of Prior Year Recommendations (Continued)
For the Year Ended June 30, 2017

modified the database query program, which corrected the problem. During the period from December to May, reconciliations were performed, which took into consideration the \$110 million discrepancy. Throughout this period, Treasury staff continued to reconcile all bank activity on a daily basis and management reviewed reconciliations monthly, but did not approve until the duplicate file issue was fully resolved. This error did not affect any County-wide systems (CAPS+, FAS, or Quantum, except for the deleted ZBA cash flow entries which netted out to zero).

Cause

An employee erroneously imported the bank file a second time on December 21, 2015, and in the process of correcting it, \$110 million of ZBA cash flow entries were deleted.

Effect

The timely approval of the Month-End Summary Bank Reconciliation did not occur due to the impact of the duplicate and deleted records on the reports used to reconcile month-end bank balances with the Quantum general ledger bank balances. However, the bank activity was reconciled on a daily basis and management reviewed reconciliations monthly.

Recommendation for Corrective Action

We recommend that the Treasury Division modify their procedures for the daily import of bank files requiring management approval for any manual import of bank files and when corrections are made.

Corrective Action Plan

The procedure for manually importing bank files has been updated to include required written management approval prior to importing bank files along with specific steps to validate the need to import files. In addition, specific steps for the correction of an erroneous import of bank files have also been added to the procedure.

Status of Corrective Action Plan

Implemented.



Memorandum

June 14, 2018

AOC Agenda Item No. 4

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Countywide IT Risk Assessment

In April 2017, A-C Internal Audit contracted the services of external audit firm Macias Gini & O'Connell for assistance with our Countywide IT Risk Assessment to augment the general risk assessment. The IT risk assessment was conducted with a phased implementation methodology identified in the phases below. This phased approach allowed increased granularity of work performed as knowledge and understanding were gained. The second phase was built on the knowledge and results of the first phase.

Phase I identified inherent IT risk indicators for all County departments and was based on threats of theft/damage/denial to IT or information resources and the inherent vulnerabilities of people, processes, and technology. We conducted a survey of County departments and summarized the results.

Phase II risk-ranked departments based on support documentation obtained from evaluating the IT control environment. In Phase II, we met with County departments to perform interviews and obtained support documentation pertaining to IT Governance, Risk, and Compliance and summarized the results.

The end result was a comprehensive and prioritized risk-based heat map of IT risks for development of our IT Audit Plan illustrated in the Information Technology line of Attachment B, Annual Risk Assessment & Audit Plan for Fiscal Year 2018-19.



Memorandum

June 14, 2018

AOC Agenda Item No. 5

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Transition Plan to Incoming External Audit Firm

Receive Report on Transition Plan to Incoming External Audit Firm, as stated in the recommended action.



Memorandum

June 14, 2018

AOC Agenda Item No. 6

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Hiring Director of Performance Audit

Receive Report on Status of Hiring Director of Performance Audit, as stated in the recommended action.



Memorandum

June 14, 2018

AOC Agenda Item No. 7

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on External Audits Performed Under the Purview of the Board of Supervisors

Receive Report on External Audits Performed Under the Purview of the Board of Supervisors, as stated in the recommended action.



Memorandum

June 14, 2018

AOC Agenda Item No. 8

TO: Audit Oversight Committee Members

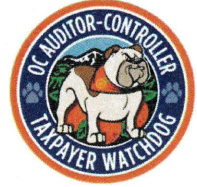
Recommended Action:

Receive Report on Criteria for Financial Reporting of County Component Units

Receive Report on Criteria for Financial Reporting of County Component Units, as stated in the recommended action.



ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



May 31, 2018

TO: Audit Oversight Committee
SUBJECT: Orange County Cemetery District presentation

The Orange County's Comprehensive Annual Financial Report (CAFR) presents financial information for both the County (the primary government) and its component units, entities for which the County is considered to be financially accountable. Most of them are blended component units. These component units are in substance part of the County's operations; therefore, the blended component units' data are combined with data of the primary government. However, discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

Annually, the Auditor-Controller's Financial Reporting and Mandated Costs Unit performs its review of all Boards, Commissions, and Committees included in the Clerk of the Board's website to determine whether any are blended or discretely presented component unit by applying the criteria stated in Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," Statement No. 39, "*Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*," Statement No. 61, "*The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*," and Statement No. 80, "*Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*."

The criteria, but not limited to, for component units to be included in the County's CAFR are:

- The County appoints the voting majority
- There is a financial benefit/burden relationship
- The County is able to impose its will
- The component unit is fiscally dependent on the County
- The component unit's governing body is substantially the same as the County
- Management of the County have operational responsibility for the activities of the component unit.

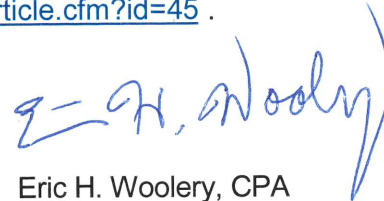
Our review identified Orange County Cemetery District (District) as a discretely presented component unit. However, based on the following, the District's has historically been excluded from the County's CAFR:

1. Materiality - Based on the District's FY 2015-16 CAFR, which was available when we performed the review, its net position as of June 30, 2016 was approximately \$29.9 million, and its total revenue for the same period was approximately \$6 million, which were immaterial to the County's financials.
2. Public interest – Historically low.

3. Timing - The District issued the FY 2016-17 CAFR on December 18, 2017, FY 2015-16 CAFR on January 16, 2017, and FY 2014-15 CAFR on January 22, 2016. Due to the Government Finance Officers Association submission deadline, the County issues its audited CAFR around December 15 annually. The District's CAFR would not be available for inclusion.

In addition, every GASB statement includes a "materiality box" that states "*The provisions of this Statement need not be applied to immaterial items.*" The exclusion of the District from the County's CAFR due to the materiality has been agreed upon by the independent auditors.

The District's separate stand-alone audited annual financial report can be obtained by accessing the website at <https://occemeterydistrict.com/article.cfm?id=45>.



Eric H. Woolery, CPA
Auditor-Controller



Memorandum

June 14, 2018

AOC Agenda Item No. 9

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Auditor-Controller Internal Audit Division's Independence

The International Standards for the Professional Practice of Internal Auditing (Standards) of the Institute of Internal Auditors (IIA) requires that the chief audit executive confirm to the Board (AOC), at least annually, the organizational independence of the internal audit activity (Standard 1110).

Examples of when organizational independence occurs include the AOC: approving the internal audit charter, approving the risk-based internal audit plan, receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters, and making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.

For the period of June 2, 2017 through June 1, 2018, the internal audit activity has been free from interference in determining the scope of internal auditing, performing work, and communicating results.



Memorandum

June 14, 2018

AOC Agenda Item No. 10

TO: Audit Oversight Committee Members

Recommended Action:

Approve the Auditor-Controller Internal Audit Division's Annual Risk Assessment & Audit Plan for Fiscal Year 2018-19

The A-C Internal Audit Division is pleased to present the Annual Risk Assessment & Audit Plan for FY 2018-19. This comprehensive report details our risk-based plan for audits in the upcoming fiscal year.

Per the County of Orange Audit Oversight Committee Bylaws, the Audit Oversight Committee (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 July 17, 2018 meeting.



Orange County Auditor-Controller Internal Audit



Annual Risk Assessment & Audit Plan For Fiscal Year 2018-19

Audit Number 1701
Report Date: July 17, 2018



O R A N G E C O U N T Y
AUDITOR-CONTROLLER
I N T E R N A L A U D I T

DRAFT

Eric H. Woolery, CPA
Orange County Auditor-Controller

Scott Suzuki, CPA, CIA, CISA	Director of Internal Audit
Lily Chin, CPA, CGMA	Audit Manager II
Michael Dean, CPA, CIA, CISA	Audit Manager II
Jimmy Nguyen, CISA, CFE	IT Audit Manager II

12 Civic Center Plaza, Room 200
Santa Ana, CA 92701

Auditor-Controller Website

www.ac.ocgov.com



ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



Transmittal Letter

July 17, 2018

TO: Honorable Members, Board of Supervisors
Members, Audit Oversight Committee

SUBJECT: Risk Assessment & Audit Plan for Fiscal Year 2018-19

As the elected Auditor-Controller for Orange County, it is my great privilege to present the Auditor-Controller Internal Audit Division's Fiscal Year 2018-19 Risk Assessment & Audit Plan. The Auditor-Controller's responsibility, as cited in California Government Code Section 26881, includes reviewing departmental and countywide internal control over accounting for all County offices and departments.

Auditor-Controller's Mission

The Auditor-Controller Office's mission is to promote public oversight, provide accountability, and support financial decision-making for the County.

To assist us in achieving our mission, we have prepared the attached Risk Assessment & Audit Plan that provides a systematic approach for evaluating and improving the effectiveness and efficiency of County operations including risk management, governance, and internal control processes.

The Audit Oversight Committee reviewed and approved the FY 2018-19 Risk Assessment & Audit Plan on June 14, 2018. On July 17, 2018, it will be presented to the Board of Supervisors.

We look forward to providing professional, ethical, and reliable audit and advisory services to the various stakeholders and citizens of Orange County during this fiscal year.

Sincerely,

Eric H. Woolery, CPA
Auditor-Controller & Chief Audit Executive

*Honorable Members, Board of Supervisors
Members, Audit Oversight Committee
Risk Assessment & Audit Plan for Fiscal Year 2018-19
July 17, 2018*

Attachments

cc: Audit Oversight Committee Members
Drew Atwater, AOC Chairman, Private Sector Member (1st District)
Robert Brown, AOC Vice Chairman, Private Sector Member (5th District)
Supervisor Andrew Do, 1st District, Board Chairman
Supervisor Shawn Nelson, 4th District, Board Vice Chairman
Frank Kim, County Executive Officer
Shari Freidenrich, CPA, Treasurer-Tax Collector
Richard Murphy, Private Sector Member (2nd District)
Mark Wille, CPA, Private Sector Member (3rd District)
Vacant, Private Sector Member (4th District)

Other Recipients of this Report

Lala Ragen, Deputy Chief Operating Officer
Lilly Simmering, Deputy Chief Operating Officer
Department Heads
Scott Suzuki, CPA, Director of Internal Audit, Auditor-Controller
Foreperson, Grand Jury
Robin Stieler, Clerk of the Board of Supervisors
Vavrinek, Trine, Day & Company, County External Auditor



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For Fiscal Year 2018-19
Audit No. 1701*

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Executive Summary

INTRODUCTION

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

We support and assist the BOS 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. County management relies on these systems and processes for safeguarding the County's assets and resources, reasonable and prudent financial stewardship, accurate recording and reporting, and achieving the County's goals and objectives.

Internal Audit utilizes professional standards and guidelines for the development of the annual 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 client. We strive to minimize the disruption to client operations through this approach.

Internal Audit completed risk assessments to help identify and measure risk and prioritize potential audits for the FY 2018-19 Audit Plan. We are committed to auditing business activities or processes identified as high risk. Our approach is to provide coverage of the most critical or 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.

RESULTS

Our FY 2018-19 general risk assessment resulted in 13 areas identified as high risk including: Auditor-Controller disbursements, fee-generated revenue, and fiduciary funds & special revenue funds; Health Care Agency payroll and contracts; OC Community Resources payroll, CEO accounts receivable, OC Public Works fee-generated revenue; OC Waste & Recycling fee-generated revenue, Sheriff-Coroner payroll and fee-generated revenue; and Social Services Agency payroll and fiduciary funds & special revenue funds. Engagement scheduling has been given priority to address these areas of high risk.

To supplement audits of general business processes/cycles, our FY 2018-19 IT risk assessment resulted in two departments with high risk IT areas including Assessor and Sheriff-Coroner. Engagement scheduling has been given priority to address these areas of high risk.

ACKNOWLEDGEMENT

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



Risk Assessment

GENERAL RISK ASSESSMENT

Internal Audit performed a general risk assessment that included members of the BOS, 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 BOS 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 Audit Plan is submitted, reviewed, and approved by the AOC and BOS prior to the beginning of each fiscal year. The passage of time is not a key factor in allocating audit resources. Our risk-based assessment is driven by numerous risk factors and is the reason we do not have a firm cycle of audits.

A department with a high risk score indicates the services or functions it is responsible for are a high priority 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.

SPECIALTY INFORMATION TECHNOLOGY RISK ASSESSMENT

Due to the complexities and widespread use of information technology throughout County operations, a specialty IT risk assessment was performed to augment the general risk assessment. The IT risk assessment was conducted with a phased implementation methodology identified in the phases below. This phased approach allowed increased granularity of work performed as knowledge and understanding were gained. The second phase was built on the knowledge and results of the first phase.

Phase I identified inherent IT risk indicators for all County departments and was based on threats of theft/damage/denial to IT or information resources and the inherent vulnerabilities of people, processes, and technology. We conducted a survey of County departments and summarized the results. A risk-ranking heat map was developed to illustrate each inherent risk indicator.

Phase II risk-ranked departments based on support documentation obtained from evaluating the IT control environment. In Phase II, we met with County departments to perform interviews and obtained support documentation pertaining to IT Governance, Risk, and Compliance and summarized the results. A risk-ranked heat map was developed to illustrate each risk factor indicator.

The end result was a comprehensive and prioritized risk-based heat map of IT risks for development of our IT Audit Plan.



FY 2018-19 Audit Plan

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, Financial Audits and Mandates, and Information Technology Audits. Below is a description of these primary service areas, related objectives, and hours allocated to the service area.

SERVICE	OBJECTIVE	HOURS	%
Internal Control Audits (ICA)	Review departmental operations (effectiveness, efficiency, safeguarding of assets), reporting (internal and external, financial and non-financial), and compliance objectives (laws, regulations, procedures) as related to the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework.	8,615	42%
Information Technology Audits (IT)	Review IT controls (e.g., general controls over computer operations, physical/logical access, disaster recovery/business continuity, program development, program changes) and provide advisory services for system implementations.	2,955	14%
Financial Audits & Mandates (FAM)	Determine whether financial statements are fairly stated in accordance with applicable financial reporting framework, and management complied with applicable laws and regulations. These engagements are conducted in accordance with Generally Accepted Auditing Standards, Statement on Standards for Accounting and Review Services, or in conformance with IIA standards.	2,700	13%
Fiscal Monitoring (FM)	Perform federally-mandated reviews of Office on Aging and Community Investment Division grant subrecipients.	1,430	7%
Revenue Generating Lease Audits (RGL)	Ensure lessees report and pay the correct amount of rent to the County. Review contracts and identify ambiguities and omissions that may be to the County's disadvantage. These audits are generally performed at the request of OCCR, JWA, and OCPW.	300	1%
Other Activities & Administration	Investigate cash losses; provide 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/BOS; investigate allegations of financial fraud; complete special projects.	2,600	13%
Contingency Reserve	Hours reserved for special request audits from the BOS, position vacancies, and other unforeseen events.	2,067	10%
TOTALS		20,667	100%



FY 2018-19 Audit Plan

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 Auditor-Controller & Chief Audit Executive, Director of Internal Audit, or BOS majority assesses it is warranted to substitute, postpone, or cancel a scheduled audit due to timing, priority, resources, and/or other risk considerations. 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.

AUDIT	DEPARTMENT	PRELIMINARY AUDIT OBJECTIVES	HOURS
Internal Control Audits		Supervising Audit Manager: Michael Dean, Audit Manager II	
Payroll	HCA OCCR OCSD SSA	To assess internal control over payroll processing to ensure payroll is accurate, authorized, reviewed, and duties are properly segregated.	1,600
Fee-Generated Revenue	A-C OCPW OCWR	To assess internal control over fee studies and fee development processes for establishing cost-recovery fees charged to the public.	1,200
Fiduciary Funds & Special Revenue Funds	A-C SSA	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
Cash Disbursements	A-C	To assess internal control over cash disbursements to ensure payments are properly reviewed and complete, valid, and accurate. Also, to follow-up on A-C finding from original OCDA and Probation payroll audits.	400
Procurement	HCA	To assess HCA's procurement processes (other than human services) to ensure they are in compliance with the Contract Policy Manual.	400



FY 2018-19 Audit Plan

AUDIT	DEPARTMENT	PRELIMINARY AUDIT OBJECTIVES	HOURS
Internal Control Audits (con't)			
P-Card	Probation	To assess internal control over purchasing card usage and compliance with County policy.	400
Cash Receipts Department Request	OCCR/OC Animal Care	To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records.	400
Accounts Receivable (1729) Carryover from FY 2017-18	CEO	To assess CEO's internal control over accounts receivable to ensure receivable accounts are accurate, valid, properly approved, and recorded.	400
Capital Assets (1732) Carryover from FY 2017-18	OCIT	To assess internal control over OCIT's oversight of contracted management of computer-related assets to ensure assets are properly inventoried, valued, correctly depreciated, and properly recorded in the County's financial statements.	400
Contract Administration (1624) Carryover from FY 2017-18	OCIT	To assess OCIT's oversight of billing practices and internal control over contracted services.	400
Dana Point Harbor Procurement (1628) Carryover from FY 2017-18	OCCR/OC Parks	To assess Dana Point Harbor's internal control over procurement processes/systems for compliance with the Contract Policy Manual.	400
Billing of Law Enforcement Services for Harbor Patrol and Airport Police Services (1632) Carryover from FY 2017-18	OCSD	To assess OCSD's internal control over billing for Harbor Patrol and Airport Police Services.	400
Contract Administration (1730) Carryover from FY 2017-18	CEO/Real Estate	To assess CEO/Real Estate's internal control over lease management processes and systems. Audit will include review of CEO Real Estate's ongoing oversight of the County's leases in coordination with County departments.	200



FY 2018-19 Audit Plan

AUDIT	DEPARTMENT	PRELIMINARY AUDIT OBJECTIVES	HOURS
Internal Control Audits (con't)			
Billing of Public Works Services to County Departments (1734) Carryover from FY 2017-18	OCPW	To assess OCPW's internal control over billing of services to County departments to ensure costs are accurate, reasonable, and properly allocated.	200
Procurement (1631) Carryover from FY 2017-18	HCA	To assess HCA's human services procurement processes to ensure compliance with the Contract Policy Manual.	100
Follow-Up Audits	Various	Follow-up on management's implementation of audit recommendations provided in prior audit reports.	915
Total Internal Control Audits			8,615

Information Technology Audits		Supervising Audit Manager: Jimmy Nguyen, IT Audit Manager II	
IT General Controls	Assessor SSA	To assess controls over the IT environment, e.g., computer operations, access to programs and data, program development, and program changes.	800
OCSD IT Selected Controls	OCSD	To assess selected controls over the IT environment.	400
Clerk-Recorder Inter-County Access Department Request	C-R	To assess other County departments' access to C-R IT resources is as prescribed by the C-R.	400
Probation Mandate Compliance Department Request	Probation	To assess compliance with program changes resulting from SB-190 revisions.	400
A-C IT General Controls (1741) Carryover from FY 2017-18	A-C	To assess controls over the IT environment, e.g., computer operations, access to programs and data, program development, and program changes.	50



FY 2018-19 Audit Plan

AUDIT	DEPARTMENT	PRELIMINARY AUDIT OBJECTIVES	HOURS
Information Technology Audits (con't)			
E-Pages System Implementation (1645) Carryover from FY 2017-18	HCA	To advise on internal control for the application implementation.	50
Quantum Upgrade (1647) Department Request Carryover from FY 2017-18	T-TC	To advise on System Development Life Cycle (SDLC) internal control including project management, system functionality/integration testing, interfaces, data conversion, documentation & training, go live, segregation of duties/security, and change management.	50
Property Tax System Implementation (1754) Carryover from FY 2017-18	A-C COB T-TC	To advise on System Development Life Cycle (SDLC) internal control including project management, system functionality/integration testing, interfaces, data conversion, documentation & training, go live, segregation of duties/security, and change management.	100
Follow-Up Audits	OCIT A-C	Follow-up on management's implementation of audit recommendations provided in prior audit reports.	420
Cybersecurity	Countywide	Participate in Countywide IT and Cybersecurity meetings.	50
Continuous Auditing Research & Development	Countywide	Research and develop continuous auditing methodology.	100
IT Audit Assistance with ICAs	Various	Provide technical assistance with ICAs.	135
Total Information Technology Audits			2,955



FY 2018-19 Audit Plan

AUDIT	DEPARTMENT	PRELIMINARY AUDIT OBJECTIVES	HOURS
Financial Audits & Mandates		Supervising Audit Manager: Lily Chin, Audit Manager II	
Quarterly Review of the Schedule of Assets	T-TC	To review information presented on the Schedule of Assets held by the County Treasury pursuant to Government Code Section 26920(a).	940
Quarterly Investment Compliance Monitoring	T-TC	To assess whether funds managed by the Treasurer are in compliance with certain provisions of the Orange County Treasurer Investment Policy Statement.	720
Mandated Audit of Tax Redemption Officer for the Three Years Ended 6/30/2017 (1725) Carryover from FY 2017-18	T-TC	To audit the records and accounts of the Treasurer-Tax Collector related to the tax redemption process as required by Section 4108.5 of the California Revenue and Taxation Code.	400
External Auditor Assistance	Countywide	Provide assistance to external auditor Vavrinek, Trine, Day & Company with the FY 2017-18 Comprehensive Annual Financial Report (CAFR).	600
Follow-Up Audits	T-TC	Follow-up on management's implementation of audit recommendations provided in initial audit reports.	40
Total Financial Audits & Mandates			2,700

Fiscal Monitoring & Revenue Generating Lease Audits		Supervising Audit Manager: Lily Chin, Audit Manager II	
Subrecipient Fiscal Monitoring – Office on Aging & Community Investment Divisions	OCCR	To assess subrecipients' federal expenditures to ensure federal funds are used for authorized purposes in compliance with federal statutes, regulations, grant agreements, and County policy.	1,300
Revenue Generating Lease Audits	OCCR	To assess whether lessee records adequately support gross receipts reported to the County and compliance with specific lease terms.	300



FY 2018-19 Audit Plan

AUDIT	DEPARTMENT	PRELIMINARY AUDIT OBJECTIVES	HOURS
Fiscal Monitoring & Revenue Generating Lease Audits (con't)			
Fiscal Monitoring Transition	OCCR	To provide assistance to OCCR in transitioning fiscal monitoring services.	100
Follow-Up Audits	OCCR	Follow-up on management's implementation of audit recommendations provided in initial audit reports.	30
Total Fiscal Monitoring & Revenue Generating Lease Audits			1,730
Other Activities & Administration			
Special Projects			1,000
Risk Assessment & Audit Plan for Fiscal Year 2019-20			400
Financial Fraud Hotline Referrals from County Counsel			400
External Audit Reporting			300
On-Demand Department Advisory Services			200
Board of Supervisors & Audit Oversight Committee Services			200
Cash Loss Investigations			100
Total Other Activities & Administration			2,600
Contingency Reserve			2,067
TOTAL HOURS			20,667



FY 2018-19 Audit Plan

APPENDIX A: AUDIT PLAN METHODOLOGY

1. DEFINE AUDIT UNIVERSE

There are several approaches to defining an audit universe (all areas subject to risk assessment and audits). We defined the County audit universe as 19 departments excluding the Office of the Performance Auditor and Office of Independent Review.

Our audit universe is further defined by nine standard business processes/cycles (see Table 1 below) and information technology common to all departments (except one which applies only to departments with revenue generating lease agreements), with our primary emphasis on financial accounts and transactions. This results in an audit universe consisting of 155 auditable business processes (19 departments, eight business processes/cycles, plus three departments with revenue generating lease agreements).

Table 1. County Audit Universe

BUSINESS PROCESS/CYCLE	DESCRIPTION
Cash Receipts & Accounts Receivable \$15 Billion for FY 2016-17	The receipting, recording, transferring, depositing, safeguarding, and reconciling of monies received in departments.
Cash Disbursements & Payables \$5.7 Billion for FY 2016-17	Verifying receipt of goods/services, adequacy of supervisory reviews and approvals, timeliness of invoice processing, completeness and accuracy of payments, proper reconciliations, and safeguarding of assets.
Fee-Generated Revenue \$841 Million for FY 2016-17	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 are submitted to the BOS for approval.
Purchasing & Contracts \$1.2 Billion for FY 2016-17	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.
Revolving Funds \$5.8 Million for FY 2016-17	Validating compliance with the County Accounting Manual, ensuring revolving cash fund disbursements are proper, approved, monitored, and safeguarded.
Payroll \$2.1 Billion for FY 2016-17	Timekeeping practices (VTI time reporting system or in-house developed payroll system), premium and overtime pay practices, payroll unit supervision and payroll reports, Central Payroll's role in processing payroll, and monitoring for unauthorized payroll changes.
Fiduciary Funds & Special Revenue Funds \$1.8 Billion for FY 2016-17	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.
Information Technology	IT controls including general controls, application controls, and system development.
Revenue Generating Leases \$161 Million for FY 2016-17	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.

Note: FY 2016-17 data was used as this was the most recent, complete fiscal year data available.



FY 2018-19 Audit Plan

2. APPLY WEIGHTED RISK FACTORS

Our Risk Assessment Schedule for FY 2018-19 (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 (20%). 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 (20%). Assessed factors related to changes in the operating environment such as public image, laws/regulations, safety and environmental issues, sensitivity to economic factors, pending litigation, and business continuity.
- Last Audit Performed (10%). 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 and audit priority level is assigned to each auditable business process as High Priority, Moderate Priority, or Low Priority. The overall risk levels assigned determine the focus of our audit resources and audit priorities.

Priorities of the 155 auditable business processes we identify in our Risk Assessment Schedule for FY 2018-19 (Attachment B) are as follows:

- 15 (10%) are High Priority
- 120 (77%) are Moderate Priority
- 20 (13%) are Low Priority

4. IDENTIFY ENGAGEMENTS AND ALLOCATE AVAILABLE RESOURCES

Our Audit Plan is based on 16,000 available audit hours (20,667 productive hours less 2,600 hours for other activities and administration, and 2,067 hours for contingency reserve) to be provided by 11 audit professionals and four supervising audit managers. We ensure the ratio of gross hours to available audit hours aligns with industry norms. We also deduct 10% as a contingency reserve for special request audits from the BOS, position vacancies, and other unforeseen events.

We judgmentally select the highest priority 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.



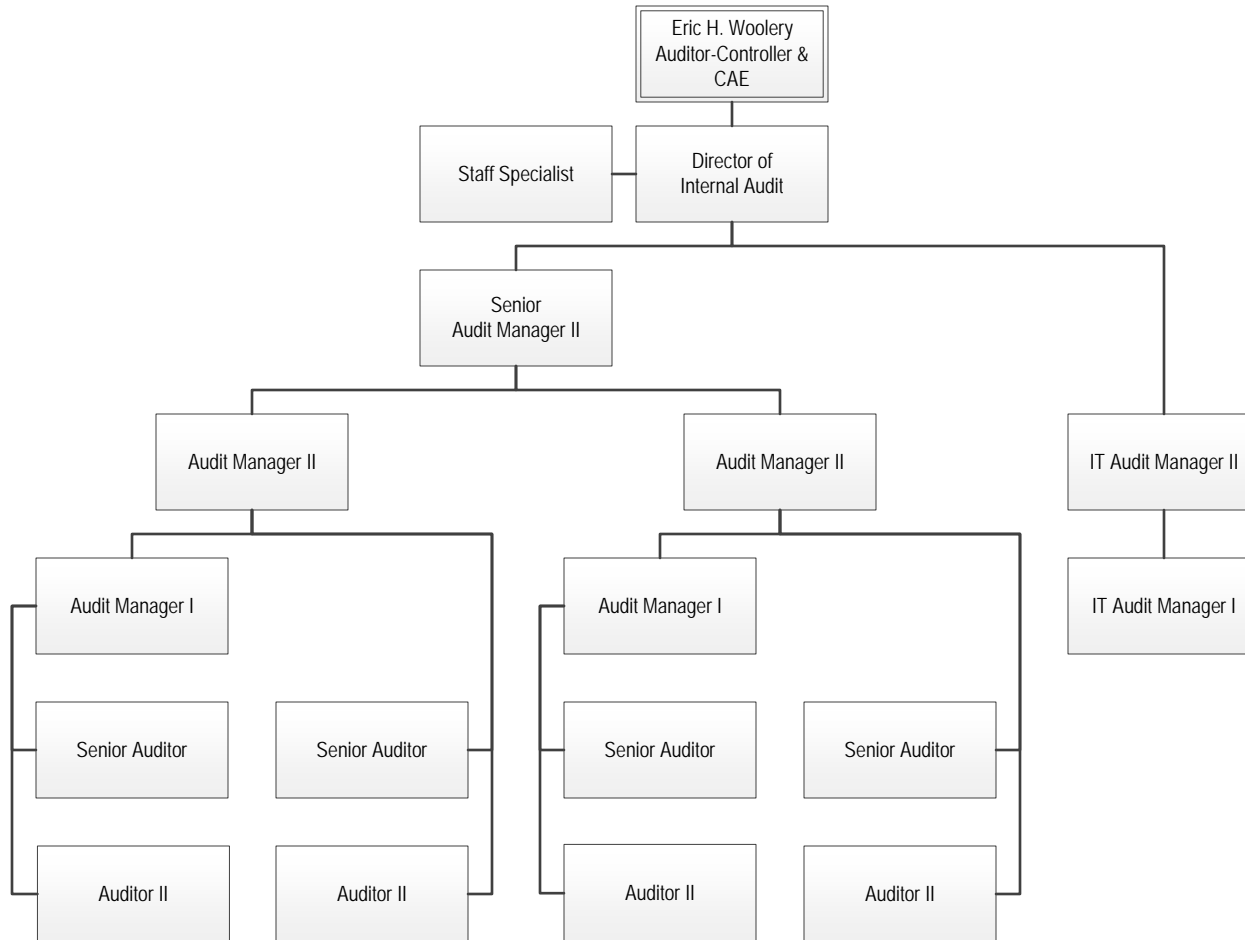
FY 2018-19 Audit Plan

APPENDIX B: ACRONYMS

Acronym	Definition
A-C	Auditor-Controller
C-R	Clerk-Recorder
CEO	County Executive Office
COB	Clerk of the Board
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



ATTACHMENT B: Risk Assessment Schedule for Fiscal Year 2018-19

DRAFT

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 \$15 billion in FY 2016-17	M	M	M	L	M	L	H	M	M	M	M	M	M	M	M	M	M	M	M	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 \$5.7 billion in FY 2016-17	L	H	M	L	M	M	M	M	M	M	M	M	M	M	M	L	M	M	M	Reflects all cash disbursements including automatic (A/P) disbursements, manual disbursements, and EFT/Wire disbursements.
FEE-GENERATED REVENUE \$841 million in FY 2016-17	M	H	L	M	M	M	M	M	M	M	M	H	H	M	M	M	H	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 \$1.2 billion in FY 2016-17	M	M	M	L	M	L	M	M	H	M	M	M	M	M	M	M	M	M	M	Reflects all purchases and contracts processed by departments including purchase orders, price agreements, and negotiated contracts.
REVOLVING FUNDS \$5.8 million in FY 2016-17	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	L	M	M	M	Reflects the total revolving fund replenishments to all departments.
PAYROLL \$2.1 billion in FY 2016-17	M	M	M	L	M	M	M	M	H	M	H	M	M	M	M	M	H	H	M	Reflects total payroll for our audit population of all departments shown.
FIDUCIARY & SPECIAL REVENUE FUNDS \$1.8 billion in FY 2016-17	M	H	M	L	M	L	M	M	M	M	M	M	M	M	M	L	M	H	M	Reflects year-end balances in Agency Funds and Private Purpose Trust Funds designated for restricted purposes and use.
INFORMATION TECHNOLOGY	H	M	L	M	L	L	M	M	M	L	M	M	L	M	M	L	H	M	M	
REVENUE GENERATING LEASES \$161 million in FY 2016-17	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	M	L	M	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
AUDITS ON FY 2018-19 PLAN See Appendix A for Audit Plan Methodology	<i>IT General Controls</i>	<i>Fee-Generated Revenue, Fiduciary Funds & Special Revenue Funds, Cash Disbursements, IT General Controls, Property Tax System Implementation</i>		<i>Property Tax System Implementation</i>	<i>Inter-County Access</i>		<i>Accounts Receivable, OCIT Capital Assets, OCIT Contract Administration, CEO/Real Estate Contract Administration</i>		<i>Payroll, Procurement, E-Pages System Implementation</i>		<i>Payroll, OC Animal Care Cash Receipts, Dana Point Harbor Procurement</i>	<i>Fee-Generated Revenue, Billing</i>	<i>Fee-Generated Revenue</i>	<i>Mandate Compliance, P-Cards</i>			<i>Payroll, Fee-Generated Revenue, IT Selected Controls, Billing for Harbor Patrol and Airport Police Services</i>	<i>Payroll, Fiduciary Funds & Special Revenue Funds, IT General Controls</i>	<i>Quarterly Review of Schedule of Assets, Quarterly Investment Compliance, Tax Redemption Officer, Quantum Upgrade, Property Tax System Implementation</i>	

High Priority Processes:	15	10%	High-priority audit areas (as determined by risk assessment)
Moderate Priority Processes:	120	77%	Moderate-priority audit areas (as determined by risk assessment)
Low Priority Processes:	20	13%	Low-priority 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 2007 through June 2017**

DRAFT

	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		09/10 CFD #2919; CAPS+ FS #2845, 2943, #1249, 1315 & 1415 Qtr Reconciliation Compliance			2008 South Cty Branch #2723, #1159 Fund 12D		07/08 Public Finance #2722, 08/09 Bond Disclosure #2814, 09/10 CFD #2919, #1317 CFD	09/10 Case Mgmt #2923, #1325 Fiduciary Funds 2006-2016 Annual Grants	09/10 Case Mgmt #2923, #1325 Fiduciary Funds 10/11 Medical Billing #1018, #1420 Fund 13Y, #1619 Unearned Revenue		#1456 OC Parks Ticket Sales, 15/16 #1578 Animal Care, #1579 Library, #1655 OC Parks, #1619 Unearned Revenue	08/09 Transportation Billings #2823, 09/10 CFD #2919, #1619 Unearned Revenue, #1734 Billing	16/17 #1525 Cash Receipts	08/09 Title IV-E Claims #2822; GPS Programs 2011, FY 15/16 #1567 Juvenile, #1724 Mandate			Inmate Welfare Fund 2011	#1619 Unearned Revenue	2008, 2011, 2014, 2017 Tax Redemption Officer; 2007-16 Annual TFA, 2008 Int Apportion; 2010 Tax Collections; 2010 Budget Practices, 2010-16 Annual Compliance
CASH DISBURSEMENTS & PAYABLES	16/17 #1626 Travel	08/09 EFT #2821; 09/10 CFD #2919; 10/11 HCA #1025; OCWR #1027; CAPS+ #2845, 2943; CAATS #1041; Ongoing CAATs 2011, #1259, 1315 & 1415 Qtr Recon Compliance, #1626 Travel		16/17 #1626 Travel	#1159 Fund 12D		07/08 Public Finance #2722; 07/08 Pension Cost Alloc #2765; 08/09 Retiree Medical #2813; 09/10 Risk Mgmt #2921; 09/10 CFD #2919; #1216/#1318 OCEA Pension, #1316 Retiree Medical, #1317 CFDs, #1626 Travel	09/10 Case Mgmt #2923, #1325 Fiduciary Funds 2005-2016 Annual Grants	09/10 Case Mgmt #2923, 10/11 #1025, #1325 Fiduciary Funds #1420 Fund 13Y, #1728 Mental Health Services Disbursements		07/08 Housing Choice #2724; #2820 Contracts, OCCR Disbursements 2012	07/08 Fac. Ops. ICR; 08/09 Transportation Billings #2823; APPS #2824; 09/10 CFD #2919; 10/11 Fleet Svcs #1028; Fuel Cards #1029, #1223 Disbursements, #1626 Travel	10/11 Cash Disb #1027	08/09 Title IV-E Claims #2822; GPS Programs 2011, #1323 AB109, 15/16 #1567 Juvenile, #1724 Mandate		#1626 Travel	07-08 ICR Contract Admin; 07/08 Sheriff Admin. #2766; Inmate Welfare Fund 2011, #1626 Travel	#1626 Travel, #1625 CalWorks / Rescare Contract	2007-17 Qtr TFR, 2007-16 Annual TFA, 07/08 Int Apportion; 08/09 Wire & EFT Transfers #2821; PTMS Impl Tax Refunds; 2010 Tax Collections, #1583 Wire Transfers
FEE-GENERATED REVENUE		09/10 Fee Dev #2921		09/10 Fee Dev #2921	#1159 Fund 12D		09/10 Fee Dev #2921, 09/10 Pension Practices #2913, #1627 OC IT Billing		10/11 Fee Dev #1023, #1327 Env. Health Fees		#1222 Fee Dev	2011 Fee-Generated Revenues	10/11 Fee Dev #1023						2010 Admin/Budget #2915
PURCHASING & CONTRACTS		16/17 #1522 Procurement					08/09 IT Contract Admin. #2827; CAPS+ Fin. Implementation #2845, 2943; CAATS - Emp-Vendor Match #1041; 2011, #1521 Procurement, #1624 OCIT Contract Admin		10/11 Contract Admin #1030, #1631 Procurement	Tech Asst. on Improvement Plan #1008; Change Orders #1125	#2820 Contracts, 10/11 Boat Slips, #1455 Expediter, #1426 Human Services Contracts	07/08 Fac. Ops. Contract Admin. ICR; 10/11 Fleet Mgmt #1028; Fuel Card Admin. #1029, #1225 Contract Admin., #1455 Expediter	#1334 La Pata Contract, #1455 Expediter				07/08 #2664; 07/08 P-cards and Sole Source #2766; 07/08 DMJM #2768; ICE Contract Admin 2011; City Contracts 2012	#1224 Contract Admin, #1625 CalWorks / Rescare Contract	
REVOLVING FUNDS	Cash Advance Audit 2011, 16/17 #1626 Travel	07/08 Various Dept Rev Fund + A-C Replenishments; 10/11 Rev Fund Audits - #1053 PD, CoCo; Cash Advance Audit 2011, #1626 Travel	Cash Advance Audit 2011	Cash Advance Audit 2011	Cash Advance Audit 2011	FY10/11 #1055; Cash Advance Audit 2011	Cash Advance Audit 2011, 16/17 #1626 Travel	Cash Advance Audit 2011	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, FY 15/16 #1567 Juvenile	FY 110/11 #1053; Cash Advance Audit 2011	Cash Advance Audit 2011, #1626 Travel	07/08 Sheriff Admin #2766 Cash Advance Audit 2011, #1626 Travel	Cash Advance Audit 2011; Revolving Funds 2011, #1633 Revolving Funds, #1626 Travel	Cash Advance Audit 2011
PAYROLL		CAPS+ Payroll #2247, 07/08 VTI and Emp SS#s #2763; CAPS+ Impl. #2944; CAATs Pay. Direct Dep. #1041, #1350 Payroll						#1629 Payroll	07/08 Payroll ICR, #1350 Payroll CAATs			09/10 Payroll #2925		07/08 Payroll #1630			08/09 Payroll #2825, #1350 Payroll CAATs	#1350 Payroll CAATs	
FIDUCIARY FUNDS & SPECIAL REVENUE FUNDS		#1259, 1315 & 1415 Qtr Reconciliation Compliance, #1337 Fiduciary Funds	2016 #1519		#1159 Fund 12D, 2016 #1519		07/08 Public Finance #2722, 09/10 Risk Management #2921; 09/10 CFD #2919, #1317 CFDs, 2017 #1519	09/10 Case Mgmt & Fid. Funds #2923, #1325 Fiduciary Funds, 2016 ICA #1523, 2017 #1519	09/10 Fid. Funds #2923, #1325 Fiduciary Funds #1420 Fund 13Y, 2016 #1519, 2016 ICA 1524		2016 #1519, 2017 DPH #1423	2016 Flood Fund #1421, 2016 #1519		#1323 AB109, 2016 #1519		2016 #1519	2017 #1519, 2018 #1520	#1336 Special Revenue Funds	2007-17 Qtr TFR, 2007-16 Annual TFA, 2010-16 Annual Compliance, 2016 #1519
INFORMATION TECHNOLOGY		2010 CAPS+ DB #2948-A 2014 ARA #1357					2009 CEOIT Contract Admin #2827; 2014 Off-Site Data Backup #1454; 2015 Expediter #1455; 2018 ITGC #1644	2012 ITGC #1143		2015 ITGC #1444		2013 ITGC #1354	2014 Paradigm #1445				2014 ITGC #1353	2011 ITGC #1142	2009 PCI DSS #2946

10-Year Prior Engagement Coverage (2007 to June 2017)

5-Year Prior Engagement Coverage (2012 to June 2017)

Current/In-Progress Engagements

No Engagement Coverage Within 10 Years



Memorandum

June 14, 2018

AOC Agenda Item No. 11

TO: Audit Oversight Committee Members

Recommended Action:

Approve Auditor-Controller Internal Audit Division's FY 2017-18 3rd Quarter Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended March 31, 2018

These reports are provided as a standing agenda item for the AOC to compare the approved Internal Audit Plan with actual work completed.

Quarterly Status Report. Listing of all audits scheduled for the year, along with the budgeted hours, actual hours, variance between budget and actual, and milestone comments for each audit.

Executive Summary of Internal Audit Reports. This new report provides a summary of audits and follow-up audits within the reporting period including a breakdown of report item classifications. Additionally, summaries of draft reports and Fraud Hotline Assistance are provided.



**EXECUTIVE SUMMARY OF INTERNAL AUDIT REPORTS
REPORT ITEM CLASSIFICATIONS
FOR THE QUARTER ENDED MARCH 31, 2018**



CATEGORY	ISSUED THIS PERIOD	ISSUED FOR FY 2017-18
Critical Control Weaknesses These are audit findings or a combination of audit findings that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise the department's or County's reputation for integrity. Management is expected to address Critical Control Weaknesses brought to its attention immediately.	0	1
Significant Control Weaknesses These are audit findings or a combination of audit findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses require prompt corrective actions.	0	1
Control Findings These are audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.	17	55
TOTAL	17	57



**EXECUTIVE SUMMARY OF INTERNAL AUDIT REPORTS
FINAL REPORTS
FOR THE QUARTER ENDED MARCH 31, 2018**



COUNTY EXECUTIVE OFFICE

1. Internal Control Audit: Countywide Audit of County Business Travel and Meeting Policy – County Executive Office

Audit No. 1626-A dated February 7, 2018 for the six months ended December 31, 2016

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Evaluate operational effectiveness of internal control for expenditures governed by the County Business Travel and Meeting Policy (Travel Policy) to ensure expenditures are complete, accurate, and valid.	We found that internal control is generally effective to ensure that expenditures governed by the Travel Policy are complete, accurate, and valid; however, we noted one Control Finding.	None	3
2. Determine if expenditures are made in compliance with the County policy.	We found that expenditures are generally made in compliance with County policy; however, we noted two Control Findings.		
3. Review travel and meeting expenditure business processes for efficiency improvement.	We found that business processes are generally efficient as related to the process of incurring travel and meeting expenditures.		

OC COMMUNITY RESOURCES

2. Revenue Generating Contract Audit: OC Community Resources/OC Parks – Parking Concepts, Inc.
 Audit No. 1739 dated March 13, 2018 for the year ended June 30, 2017

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Determine whether PCI's records adequately support monthly gross receipts remitted and reported to the County.	We found that, generally, PCI's records adequately support monthly gross receipts remitted and reported to the County; however, we noted two Control Findings.	None	11
2. Determine whether PCI complied with certain other financial provisions of the Contract, such as financial statements, accounting methods, and monthly gross receipts statement format.	We found that PCI is generally in compliance with certain other financial provisions of the Contract; however, we noted five Control Findings.		
3. Identify any internal control weaknesses noted while performing the audit, and provide suggestions for improvement.	We found that internal controls at PCI are generally effective; however, we noted four Control Findings.		

OC PUBLIC WORKS

3. Internal Control Audit: Countywide Audit of County Business Travel and Meeting Policy – OC Public Works

Audit No. 1626-B dated February 7, 2018 for the six months ended December 31, 2016

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Evaluate operational effectiveness of internal control for expenditures governed by the County Business Travel and Meeting Policy (Travel Policy) to ensure expenditures are complete, accurate, and valid.	We found that internal control is generally effective to ensure that expenditures governed by the Travel Policy are complete, accurate, and valid.	None	1
2. Determine if expenditures are made in compliance with the County policy.	We found that expenditures are generally made in compliance with County policy; however, we noted one Control Finding.		
3. Review travel and meeting expenditure business processes for efficiency improvement.	We found that business processes are generally efficient as related to the process of incurring travel and meeting expenditures.		

PROBATION DEPARTMENT

4. Audit of Probation Department Juvenile Books and Accounts

Audit No. 1724 dated February 6, 2018 for the two fiscal years ended June 30, 2017

OBJECTIVES	RESULTS	REPORTABLE ISSUES
Audit Probation Department's juvenile books and accounts as required by Chapter 2, Section 275(b) of the Welfare & Institutions Code. Our audit included an evaluation of Probation Department's internal control and processes related to receipts, disbursements, and case file management of juvenile probation cases.	Probation's internal control over its books and accounts relating to receipts, disbursements, and case file management of juvenile cases was generally adequate and effective to ensure management's goals and objectives were accomplished in accordance with Welfare & Institutions Code 275(b).	None

SHERIFF-CORONER

5. Internal Control Audit: Sheriff-Coroner Special Revenue Funds

Audit No. 1520 dated January 30, 2018 for the year ended December 31, 2016

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Evaluate internal controls to ensure special revenue fund transactions are accurate, valid, adequately supported, processed timely, properly approved, and properly recorded.	Our audit found that internal controls are in place to ensure special revenue fund transactions are accurate, valid, adequately supported, processed timely, properly approved, and properly recorded.	None	2
2. Evaluate internal controls to ensure special revenue fund transactions are made in accordance with the established fund purpose and uses in compliance with County and departmental policy.	Our audit found that internal controls are in place to ensure special revenue fund transactions are made in accordance with the established fund purpose and uses, in compliance with County and departmental policy; however, we noted two Control Findings.		
3. Determine if administration of special revenue funds is effective and efficient (e.g., no backlogs, duplication of work, benefit in automating manual process).	Our audit did not disclose any instances concerning duplication of work, backlogs, or manual processes needing automation.		

TREASURER-TAX COLLECTOR

6. Report on Review of the Schedule of Assets Held by the County Treasury

Audit No. 1717 dated March 20, 2018 as of September 30, 2017

OBJECTIVES	RESULTS	REPORTABLE ISSUES
Review the Schedule of Assets Held by the County Treasury— Modified Cash-Basis (financial schedule) of the County of Orange, California, as of September 30, 2017, pursuant to Government Code Section 26920(a).	Based on our review, except for the issue noted in the Known Departure from Modified Cash-Basis of Accounting paragraph, we are not aware of any material modifications that should be made to the accompanying financial schedule in order for it to be in accordance with the modified cash-basis of accounting.	None

TREASURER-TAX COLLECTOR

7. Compliance Monitoring of the Treasurer’s Investment Portfolio

Audit No. 1721 dated March 27, 2018 for the quarter ended December 31, 2017

OBJECTIVES	RESULTS	REPORTABLE ISSUES
Determine whether the Orange County Investment Pool (OCIP), Orange County Educational Investment Pool (OCEIP), and various other non-pooled investments managed by the Treasurer, such as John Wayne Airport Investment Fund, were in compliance with the applicable provisions of its Investment Policy Statement (IPS) and that instances of noncompliance, including technical incidents, were properly reported in the Treasurer’s Monthly Investment Report.	Based on the procedures performed, no instances of noncompliance were identified.	None



**EXECUTIVE SUMMARY OF INTERNAL AUDIT REPORTS
FINAL FOLLOW-UP REPORTS
FOR THE QUARTER ENDED MARCH 31, 2018**



OC COMMUNITY RESOURCES

8. First Follow-Up Revenue Generating Operating Agreement Audit: OC Community Resources/OC Parks – Vintage Marina Partners, LP

Audit No. 1740-A (Reference 1531-F1) dated February 20, 2018 as of November 30, 2017; original audit dated March 2, 2017.

ORIGINAL AUDIT – 14 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
3	11*	2	1	Recommendation No. 1 (Significant Control Weakness). Although OCCR/OC Parks prepared new policies and procedures, they did not address the oversight and management of the Agreement with Vintage Marina or define the roles and responsibilities of compliance monitoring and administration of the Vintage Marina Agreement. Therefore, OCCR/OC Parks is in the process of re-writing its policies and procedures to address the noted issues.
Three Significant Control Weaknesses 1. Lack of Oversight and Management of Vintage Marina 2. Tenants' Gross Receipts Need to be Validated and Reconciled 3. Tenants' Rent Payments Are Not Calculated or Reported In Accordance with Lease Agreements				

*OCCR will be responsible for following up on the implementation of recommendations for the 11 Control Findings. This report includes the status of OCCR's actions taken to implement recommendations for the three remaining Significant Control Weaknesses.

FINAL FOLLOW-UP AUDIT REPORTS (CON'T)

SHERIFF-CORONER

9. First Follow-up Audit: Countywide Audit of Fiduciary Funds: Sheriff-Coroner

Audit No. 1735-P (Reference 1519) dated March 27, 2018 as of January 24, 2018; original audit dated June 8, 2017.

ORIGINAL AUDIT – 5 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
None	5	3	2	<p>Recommendation No. 1 (Control Finding). OCSD has submitted escheatment documentation for inactive accounts and plans to meet with the Treasurer-Tax Collector to discuss the escheatment and closing of the inactive funds.</p> <p>Recommendation No. 5 (Control Finding). OCSD plans to close Fund 370 and transfer the monies to Fund 142 once the budget has been established.</p>

AUDITOR-CONTROLLER

10. Second and Final Close-Out Follow-Up Information Technology Audit: Access Request Application Using Computer-Assisted Audit Techniques: Auditor-Controller

Audit No. 1652 (Reference 1357-F2) dated February 27, 2018 as of November 1, 2017; original audit dated August 20, 2014.

ORIGINAL AUDIT – 3 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
None	3	3	0	NA

OC COMMUNITY RESOURCES

11. First and Final Close-Out Follow-Up Internal Control Audit: OC Community Resources/OC Parks Special Revenue Fund 405

Audit No. 1735-A (Reference 1422-F1) dated February 27, 2018 as of November 30, 2017; original audit dated May 30, 2017.

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

OC COMMUNITY RESOURCES

12. First and Final Close-Out Follow-Up Internal Control Audit of Unearned Revenue: OC Community Resources

Audit No. 1727-C (Reference 1619-B-F1) dated March 20, 2018 as of December 31, 2017; original audit dated May 30, 2017.

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

OC COMMUNITY RESOURCES

13. First and Final Close-Out Follow-Up Revenue Generating Lease Audit: OC Community Resources/OC Parks – Canyon R.V./Featherly Park

Audit No. 1740-D (Reference 1641-F1) dated March 27, 2018 as of February 28, 2018; original audit dated June 22, 2017.

ORIGINAL AUDIT – 8 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
2	6*	2	0	NA
<p>Two Significant Control Weaknesses</p> <ol style="list-style-type: none"> Orange County Ropes Course Lacks Adequate Internal Controls and Financial Records Canyon R.V. and OC Ropes Course Did Not Calculate OC Ropes Course Gross Receipts in Accordance With the Sub-Operating Agreement 				

*OCCR will be responsible for following up on the implementation of recommendations for the six Control Findings. This report includes the status of OCCR's actions taken to implement recommendations for the two remaining Significant Control Weaknesses.



EXECUTIVE SUMMARY OF INTERNAL AUDIT REPORTS DRAFT REPORTS FOR THE QUARTER ENDED MARCH 31, 2018

The following draft reports were issued during the reporting period. Departments have 60 days to provide responses to audit recommendations:

1. **Internal Control Audit: County Executive Office/County Procurement Office Procurement Processes**, Audit No. 1521 (the final report was issued on April 30, 2018).
2. **Internal Control Audit: Social Services Agency ResCare Workforce Services Contract Oversight and CalWORKs Disbursements**, Audit No. 1625 (the final report was issued on April 30, 2018).
3. **Internal Control Audit: Countywide Audit of County Business Travel & Meeting Policy – Sheriff-Coroner**, Audit No. 1626-H (the final report was issued on April 30, 2018).
4. **First & Final Close-Out Follow-Up Internal Control Audit: Auditor-Controller Procurement & Contract Administration**, Audit No. 1735-F (the final report was issued on April 30, 2018)



**EXECUTIVE SUMMARY OF INTERNAL AUDIT REPORTS
FRAUD HOTLINE ASSISTANCE
FOR THE QUARTER ENDED MARCH 31, 2018**



SUMMARY OF FINANCIAL-RELATED COMPLAINTS	
New Actionable Cases Referred from County Counsel ¹	1
Referred to County Counsel ²	0
TOTAL NEW ALLEGATIONS/COMPLAINTS	
	1

STATUS OF ACTIONABLE CASES								
ACTIONABLE CASES	CARRY OVER CASES	INVESTIGATIONS				CLOSED CASE DISPOSITION		
		NEW	TOTAL	UNDER INVESTIGATION	CLOSED	SUBSTANTIATED	PARTIALLY SUBSTANTIATED	NOT SUBSTANTIATED
Employee	1	1	2	1	1	-	1	-
Contractor	0	0	0	0	0	-	-	-
TOTALS	1	1	2	1	1	-	1	-

¹ **Background:** In accordance with the Board of Supervisors' direction, the Office of County Counsel, with assistance from the Orange County Auditor-Controller, operates and maintains the Orange County Fraud, Waste, and Abuse Hotline ("Hotline"). For those complaints involving allegations of financial fraud, waste, and abuse (theft of County funds and/or physical resources), the investigation of the case shall be referred to the Auditor-Controller, with any resulting reports submitted to County Counsel for review, release, and further handling.

² **Referred to County Counsel:** In the event a complaint is received directly by the Auditor-Controller's Office, either by mail, in person, by phone, or email, the complaint will be referred to the County Counsel Fraud Hotline for its discretion and further action if needed.



Auditor-Controller Internal Audit Division
3rd Quarter Status Report for the Audit Oversight Committee
 Fiscal Year 2017-18

Time Period Covered: 7/01/17 - 3/31/18

AOC Meeting Date: June 14, 2018

Audit Category and Name ^{1,2,3,7}	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan							Over / (Under) Budget Hours	Milestones & Comments ⁴		
				Total Budget	Actuals To Date	Budget	Revisions	Revised Budget	Actuals to Date (Per AOC Reports - Not Cumulative)						Est. to Comp. Hours	
									#1	#2	#3	#4	Total			
Financial Audits & Mandates (FAM)																
(1) Investment Compliance Monitoring:																
Compliance Monitoring Quarter Ended 6/30/17 (FY 2016-17 carryover)	1618	5/01/17	8/31/17	115	96	50	10	60	57				57	0	(3)	Done. Final report issued 8/08/17.
Compliance Monitoring Quarter Ended 9/30/17	1720	8/09/17	11/30/17			180	(50)	130	56	66			122	8	0	Done. Final report issued 11/28/17.
Compliance Monitoring Quarter Ended 12/31/17	1721	11/21/17	3/27/18			180	10	190		36	153		189	1	0	Done. Final report issued 3/27/18.
Compliance Monitoring Quarter Ended 3/31/18	1722	3/01/18				180	(35)	145			38		38	107	0	Fieldwork in process.
Compliance Monitoring Quarter Ended 6/30/18	1723					120		120					0	120	0	
(2) I-TC Schedule of Assets:																
Treasury Funds Review Quarter Ended 3/31/17 (FY 2016-17 carryover)	1614	3/15/17	7/31/17	225	182	50	(50)	0					0	0	0	Done. Hours charged to #1712.
Treasury Funds Audit Year Ended 6/30/17	NA					1,000	(1,000)	0					0	0	0	Contracted out to MGO. In process.
Treasury Funds Review Quarter Ended 9/30/17	1717	10/25/17	3/20/18			280	(30)	250	23	50	177		250	0	0	Done. Final report issued 3/20/18.
Treasury Funds Review Quarter Ended 12/31/17	1718	12/21/17				280	(15)	265		4	127		131	134	0	Fieldwork in process.
Treasury Funds Review Quarter Ended 3/31/18	1719	3/20/18				280		280			11		11	269	0	Fieldwork in process.
Treasury Funds Audit Year Ended 6/30/18	1756					50	(50)	0					0	0	0	Contracted out to VTD.
Probation Juvenile Division Books and Accounts for the Two Years Ended 6/30/2017	1724	7/27/17	2/06/18			700	115	815	294	453	66		813	0	(2)	Done. Final report issued 2/06/18.
Tax Redemption Officer for the Three Years Ended 6/30/2017	1725	11/28/17				600	(200)	400	16	42	122		180	220	0	Fieldwork in process.
Assistance to MGO	1726	8/01/17	1/31/18			600	30	630	196	399	35		630	0	0	Done. Assistance completed.
First Follow-Up Audits:																
Treasury Funds Review Management Letter 9/30/2016 (1612)	1727-A	11/28/17	12/31/17			160	(100)	60		11	17		28	32	0	Done. Final report issued 12/19/17.
Treasury Funds Audit Management Letter 6/30/2016 (1611)	1727-B															
Audit of Unearned Revenue (1619)	1727-C	1/18/18	3/22/18													Done. Final report issued 3/22/18.
Total Financial Audits & Mandates						4,710	(1,365)	3,345	642	1,061	746	0	2,449	891	(5)	
Information Technology Audits (IT)																
OCIT General Controls (FY 2016-17 carryover)	1644	9/14/16		2,735	2,529	0	845	845	748	71	13		832	13	0	Draft report issued 11/09/17.
HCA/Public Guardian E-Pages System Implementation (FY 2016-17 carryover)	1645	10/25/17				175	(120)	55		8	22		30	25	0	Fieldwork in process.
DA/Public Administration E-Pages System Implementation (FY 2016-17 carryover)	1646	7/24/17	2/28/18			175	(10)	165	26	95	43		165	0	0	Done. Advisory engagement completed.
TTC Sungard/Quantum upgrade (Department Request) (FY 2016-17 carryover)	1647	6/12/17		220	236	100	120	220	80	77	55		212	8	0	Fieldwork in process.
A-C/IT General Controls	1741	10/23/17				550	75	625		44	107		151	474	0	
Probation IT General Controls	1742					550	(550)	0					0	0	0	Cancelled. Objectives covered by #1644.
ROV IT General Controls/Voter Application Controls	1743					500	(500)	0					0	0	0	Cancelled. Coverage by state auditors.
OCIT Project Management Audit Governance/Risk Management	1744					400	(400)	0					0	0	0	Cancelled. Objectives covered by #1644.
OCWR Paradigm	1745					400	(400)	0					0	0	0	Cancelled. No longer requested by department.
Information Technology Comprehensive Risk Assessment Phase II	1746	8/25/17				700	160	860	77	160	550		787	73	0	Fieldwork in process.
Cyber Security Remediation	1747					50	(45)	5					0	5	0	
PTS System Implementation	1754					0	5	5					0	5	0	
First Follow-Up Audits:																
CEO/IT General Controls (1644)	1748-A					300	(300)	0					0	0	0	Postpone to FY 2018-19.
Second Follow-Up Audits																
Auditor-Controller - Audit of ARA System/Segregation of Duties CAATs (1357)	1652-A	1/27/17	2/27/18			0	85	85	10	64	8		82	3	0	Done. Final report issued 2/27/18.
Computer Assisted Audit Techniques	1752	7/01/17				200	(170)	30	7	2	16		25	5	0	Fieldwork in process.
IT Audit Assistance with ICAs	1753					200	(200)	0					0	0	0	Hours charged to #1627.
Inter-County Access	TBD															
Total Information Technology Audits						4,300	(1,405)	2,895	948	521	814	0	2,284	611	0	
Internal Control Audits (ICA)																
Sheriff-Coroner Special Revenue Funds (FY 2016-17 carryover)	1520	3/29/16	1/30/18	1,025	677	0	175	175	150	21	3		174	0	(1)	Done. Final report issued 1/30/18.
CEO Procurement/Contract Administration (FY 2016-17 carryover)	1521	2/16/17		1,010	950	400	310	710	357	302	47		706	4	0	Draft report issued 2/21/18.
OCIT Procurement/Contract Administration (FY 2016-17 carryover)	1624					0	0	0					0	0	0	Postponed to FY 2018-19.
SSA ResCare Workforce Svs. Contract Oversight and CalWorks Disb. (FY 2016-17 carryover)	1625	5/04/17		970	401	400	(30)	370	137	102	124		363	7	0	Draft report issued 3/13/18.
Countywide Audit of New Travel & Meeting Policy Implementation (FY 2016-17 carryover)	1626	1/11/17		2,650	2,437	300	1,650	1,950	971	463	416		1,850	100	0	Fieldwork in process. 3 Final reports and 2 draft reports issued.
OCIT Internal Service Fund Billing Rates to County Departments (FY 2016-17 carryover)	1627	11/08/16		885	747	200	(115)	85	6	63	0		69	16	0	Fieldwork in process.
OCCR/Dana Point Harbor Procurement (FY 2016-17 carryover)	1628					400	(400)	0					0	0	0	Postponed to FY 2018-19.
HCA/Public Guardian Procurement/Contract Administration (FY 2016-17 carryover)	1631	6/23/17		900	356	450		450	65	225	29		319	131	0	Fieldwork in process.
OCSB Billing of Law Enforcement Services to OC Dana Point Harbor and JWA (FY 2016-17 carryover)	1632					450	(275)	175	1				1	174	0	



Auditor-Controller Internal Audit Division
3rd Quarter Status Report for the Audit Oversight Committee
 Fiscal Year 2017-18

Time Period Covered: 7/01/17 - 3/31/18

AOC Meeting Date: June 14, 2018

Audit Category and Name ^{1,2,3,7}	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan							Over / (Under) Budget Hours	Milestones & Comments ⁴	
				Total Budget	Actuals To Date	Budget	Revisions	Revised Budget	Actuals to Date (Per AOC Reports - Not Cumulative)						Est. to Comp. Hours
									#1	#2	#3	#4			
Internal Control Audits (ICA)(continued)															
(10) HCA/PG Mental Health Services Act (Prop 63) Disbursements	1728					500	(500)	0				0	0	0	Postponed to FY 2018-19.
(11) Countywide Accounts Receivable Controls	1729					700	(600)	100				0	100	0	
(12) CEO/Real Estate Procurement/Contract Administration	1730					400	(250)	150				0	150	0	
(13) OCSD Billing of Law Enforcement Services to Contract Cities	1731					600	(600)	0				0	0	0	Cancelled. Cities have contracted for audit.
(14) OCIT Capital Assets	1732					400	(400)	0				0	0	0	Postpone to FY 2018-19.
(15) OCCR Billing of Animal Care Services to Contract Cities	1733					600	(600)	0				0	0	0	Cancelled. OCCR contracting audit.
(16) OCPW Billing of Public Works Services to County Departments	1734	9/13/17				600	(300)	300	32	48	22	102	198	0	Fieldwork in process.
(17) OCSD Payroll Controls	TBD					0		0				0	0	0	As time permits.
(18) OCWR Procurement/Contract Administration	TBD					0		0				0	0	0	As time permits.
(19) CEO Insurance Liabilities	TBD					0		0				0	0	0	As time permits.
(20) First Follow-Up Audits:	1735					1,230	(655)	575	32	29	274	335	240	0	
a. OC Parks Fund 405 (1422)	1735-A	12/20/17	2/28/18												Done. Final report issued 2/28/18.
b. OC Dana Point Harbor Fund 108 (1423)	1735-B	1/23/18													Fieldwork in process.
c. Sheriff Special Revenue Funds (1520)	1735-C														Postpone to FY 2018-19.
d. Countywide Fiduciary Funds - OCDA (1519)	1735-D	9/06/17	9/20/17												Done. Final report issued 9/20/17.
e. CEO Procurement/Contract Administration (1521)	1735-E														Postpone to FY 2018-19.
f. A-C Procurement/Contract Administration (1522)	1735-F	3/14/18													Draft report issued 3/30/18.
g. Cash Handling Activities - OCWR (1525)	1735-G	3/27/18													Fieldwork in process.
h. T-TC Electronic Funds Transfers Process (1583)	1735-H														
i. OCIT ISF Billing Rates (1627)	1735-I														Postpone to FY 2018-19.
j. Countywide Audit of New Travel & Meeting Policy Implementation (1626)	1735-J														
k. SSA Revolving Cash Funds (1633)	1735-K														Combined with 1626-I.
l. OCDA Payroll Controls (1629)	1735-L	3/08/18													Fieldwork in process.
m. Probation Payroll Controls (1630)	1735-M	3/08/18													Fieldwork in process.
(21) Second Follow-Up Audits:															
n. Countywide Fiduciary Funds - Clerk-Recorder (1519)	1735-N														
o. Countywide Fiduciary Funds - Probation (1519)	1735-O	11/07/17													Fieldwork in process.
p. Countywide Fiduciary Funds - Sheriff-Coroner (1519)	1735-P	1/23/18	3/29/18												Done. Final report issued 3/29/18.
Total Internal Control Audits						7,630	(2,590)	5,040	1,751	1,253	915	0	3,919	1,120	(1)
Revenue Generating Lease (RGL) Audits															
(1) OCCR Dana Point East Basin	1736	9/26/17	3/01/18			700	(597)	103	3	95	0	98	5	0	Cancelled by OCCR.
(2) OCCR Dana Point West Basin	1737					600	(600)	0	0	0	0	0	0	0	Cancelled by OCCR.
(3) OCCR Sunset Harbor	1738	11/14/17				490	50	540	0	133	324	457	83	0	Fieldwork in process.
(4) OCCR Parking Concepts, Inc. (FY 2016-17 reschedule)	1739	7/13/17	3/13/18			650	130	780	464	306	7	777	3	0	Done. Final report issued 3/13/18.
(5) First Follow-Up Audits (FY 2016-17 carryover):	1642						140	140	129	7	1	137	3	0	
a. OCCR/OC Parks - Pacific Asian Enterprises (1433)	1642-A	11/30/16	8/02/17												Done. Final report issued 8/2/17.
b. OCCR/OC Parks - David Baker Fore Golf Mgmt. (1559)	1642-B	6/15/17	10/05/17												Done. Final report issued 10/5/17.
c. OCCR/OC Parks - Newport Dunes Partnership (1561)	1642-C	4/20/17	8/01/17												Done. Final report issued 8/1/17.
d. OCCR/OC Parks - The Irvine Company, Bayshore Marina (1557)	1642-E	11/30/16	8/01/17												Done. Final report issued 8/1/17.
First Follow-Up Audits:	1740					620	(250)	370		100	124	224	146	0	
e. OCCR/OC Parks - Vintage Marina (1531)	1740-A	10/12/17	2/20/18												Done. Final report issued 2/20/18.
f. OCCR/OC Parks - Ocean Institute (1532)	1740-B	12/28/17													Fieldwork in process.
g. OCCR/OC Parks - Dana Point Yacht Club (1435)	1740-C														Cancelled by OCCR.
h. OCCR/OC Parks - Canyon R.V. (1641)	1740-D	2/27/18	3/29/18												Done. Final report issued 3/29/18.
i. OCCR/OC Parks - Mile Square Golf Course (1637)	1740-E														
Total Revenue Generating Lease Audits						3,060	(1,127)	1,933	596	641	456	0	1,693	240	0
Fiscal Monitoring															
(1) OCCR Third Party Grant Subrecipient Fiscal Monitoring-Office of Aging (1749)	1749	7/01/17				3,170	(5)	3,165	1,055	590	922	2567	598	0	11 Final reports issued. 1 Draft report issued.
(2) OCCR Third Party Grant Subrecipient Fiscal Monitoring-Community Invest. Div. (1750)	1750	7/01/17				3,170	(50)	3,120	808	356	630	1794	1,326	0	8 Final reports issued.
(3) Cash Compliance Follow-Up Audits:	1751					110		110			44	44	66	0	
a. OCCR/OC Public Library Cash Compliance (1579)	1751-A														Cancelled. No issues requiring follow-up.
b. OCCR/OC Parks (1655)	1751-B	3/21/18													Fieldwork in process.



Auditor-Controller Internal Audit Division
3rd Quarter Status Report for the Audit Oversight Committee
Fiscal Year 2017-18

Time Period Covered: 7/01/17 - 3/31/18

AOC Meeting Date: June 14, 2018

Audit Category and Name ^{1,2,3,7}	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan							Over / (Under) Budget Hours	Milestones & Comments ⁴		
				Total Budget	Actuals To Date	Budget	Revisions	Revised Budget	Actuals to Date (Per AOC Reports - Not Cumulative)						Est. to Comp. Hours	
							#1	#2	#3	#4	Total					
(4) Work Paper Close-Out & Final Report Issuance		7/01/17	8/03/17				5	5	5	0	0	5	0	0	Done. Final report issued: OCCR Cash Compliance Review - OC Parks (1655) 8/3/17.	
Total Fiscal Monitoring						6,450	(50)	6,400	1,868	946	1,596	0	4410	1,990	0	
Other Audit Activities																
(1) Annual Risk Assessment & Audit Plan	1701	7/01/17				400	(50)	350		22	171	193	157	0	Ongoing assignment.	
(2) Cash Losses	1702	7/01/17				100		100	9	11	20	40	60	0	Ongoing assignment.	
(3) Fraud Hotline	1703	7/01/17				500	(400)	100	37	33	8	78	22	0	Ongoing assignment.	
(4) External Audit Reporting	1704	7/01/17				300	(25)	275	68	82	44	194	81	0	Ongoing assignment.	
(5) Technical Assistance/Training/Research to Other Departments/Agencies	1705	7/01/17				200	(100)	100	5	8	40	53	47	0	Ongoing assignment.	
(6) TeamMate Administration	1706	7/01/17				100	200	300	59	126	60	245	55	0	Ongoing assignment.	
(7) Reports for Board and AOC	1707	7/01/17				300	(50)	250	100	70	66	236	14	0	Ongoing assignment.	
(8) A-C Internal Audit Division Policy & Procedure Update	1709	7/01/17				500	(290)	210	70	130	10	210	0	0	Postpone to FY 2018-19.	
(9) A-C Internal Audit Division Budget	1710	7/01/17				150	(70)	80	14	2	62	78	2	0	Ongoing assignment.	
(10) Work Paper Close-Out & Final Report Issuance - ICA	1711	7/01/17	9/20/17			30	157	187	123	64	4	191	0	4	Done. Final reports issued: A-C Procurement (1522); OCWR Cash Handling (1525); OCDA Payroll (1629); Probation Payroll (1630); First FU HCA (1634-L); First FU OCPW (1634-J); First FU OCCR (1634-C).	
(11) Work Paper Close-Out & Final Report Issuance - FAM	1712	7/01/17	12/31/17			30	10	40	39	0	0	39	0	(1)	Done. Final reports issued: TTC Review 3/31/17 (#1614) on 7/12/17; TFA Mgmt. Letter (#1611) on 9/19/17.	
(12) Work Paper Close-Out & Final Report Issuance - IT	1713	7/01/17	7/31/18			40	(40)	0	2	0	0	2	0	2	Done.	
(13) Work Paper Close-Out & Final Report Issuance - RGL	1714	7/01/17	8/31/17			30	(10)	20	18	3	2	23	0	3	Done. Final reports issued: OCCR Mile Square Golf Course (1637) on 8/28/17; OCCR Strawberry Farms Golf Club (1638) issued 8/29/17.	
(14) Special Districts/JPA Monitoring	1715	7/01/17	3/31/18			100	(80)	20	10	1	5	16	4	0	Done. Transferred to A-C Administration.	
(15) Auditing Standards & Updates	1716	7/01/17				80	(25)	55	27	16	2	45	10	0	Ongoing assignment.	
Total Other Audit Activities						2,860	(773)	2,087	581	568	494	0	1,643	452	8	
Reserve for AOC and BOS Directives						300		300	0	0	0	0	0	300	0	
Total Budget						29,310	(7,310)	22,000	6,386	4,990	5,021	0	16,398	5,604	2	
Additional Coverage Provided by Consultants:						Footnote 5			Footnote 6							
Total Contract Audit Resources						0	0	0	0	0	0	0	0	0	0	

Footnotes:

- The mission of the Auditor-Controller Internal Audit Division (A-C IAD) is to provide highly reliable, independent, objective evaluations and business and financial consulting services to the Board of Supervisors (BOS) and County management to assist them with their important business and financial decisions. The director of Internal Audit shall report directly to the Auditor-Controller and be advised by the Audit Oversight Committee (AOC) designated by the BOS. 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 of Supervisors and provides oversight of the County's A-C IAD and the External Auditors. The scope of A-C IAD 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 objectives.
- The A-C IAD generates several different types of reports including audit reports, summary reports, and status reports. In addition, A-C IAD undertakes several different projects including audits of financial statements, audits of internal controls, audits of transactions through the use of computer programs, audits of lessee compliance with County contracts, and audits of IT controls. A-C IAD also assists the CEO, as authorized by the AOC, by facilitating meetings, preparing summary reports and providing staff resources for technical assistance.
- 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 BOS, AOC, A-C, 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 communicated through discussions, memos, or a written report for public distribution.
- For purposes regarding Fiscal Year-End reporting, we consider assignments completed (**Done**) 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.
- The A-C IAD FY 2017-18 Annual Audit Plan is based on 29,310 direct hours to be provided by 15 auditors (less a vacancy factor of 1 FTE), 3 Senior Audit Managers, and 1 Assistant Audit Director. The direct hours exclude time charges for vacation, sick leave, holidays, training, administrative time, and other time not directly charged to an audit. This approach and percentage are within industry standards/benchmarks.
- The 22,000 hour Revised Audit Plan consists of: a) the 29,310 hour initial Audit Plan; b) less 7,310 hours for vacancies at the audit manager, senior audit manager, and assistant director levels.
- The A-C IAD has entered into an MOU with OC Community Resources (OCCR) to provide: a) fiscal monitoring services of OCCR's 16 third-party grant subrecipients (including completion of some fiscal monitorings from the prior year) and b) cash compliance reviews of controls over cash handling/receipting at OCCR's OC Public Libraries (24), OC Parks (17), and OC Animal Care (1) locations on a rotational or risk-based cycle. The fiscal monitoring of OCCR third-party grant subrecipients is considered management advisory services and report distribution is limited to OCCR management and subrecipients.



Memorandum

June 14, 2018

AOC Agenda Item No. 12

TO: Audit Oversight Committee Members

Recommended Action:

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

Pursuant to Audit Oversight Committee Administrative Procedure Number 2, Reporting on External Audits, County Departments/Agencies are required to communicate the status of all third party audits, including any significant audit findings identified, to the Auditor-Controller Internal Audit Director on a quarterly basis. The procedure was established to keep the Audit Oversight Committee informed of all third-party audits being performed and any significant findings identified. Accordingly, this quarterly activity report is presented for approval.

To facilitate the Audit Oversight Committee'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.

For the quarter ended March 31, 2018, no Material Issues were reported. Please see the Executive Summary for details.

EXECUTIVE SUMMARY OF OC EXTERNAL AUDIT ACTIVITY
For the Quarter Ended 3/31/18

<u>SUMMARY ACTIVITY</u>	
Total Audits Prior Quarter (12/31/17)	109
Additions: In Progress	6
Planned	0
Started and Completed	9
Deletions: Canceled	18
Completed	0
Removed	<u>2</u>
Total Audits Current Quarter (3/31/18)	<u>104</u>
(In Progress, Planned, and/or Completed this Quarter)	

Results for the Quarter:

Audits Completed, Canceled and to be Removed Next Quarter **31**

New Findings/Issues Reported by the Departments **6**
 (6 Findings from 1 Audit, see page 1)

Material Issues (Includes Disallowances over \$100K) **None**

OC EXTERNAL AUDIT ACTIVITY
Quarterly Status Report
3rd Quarter FY 17-18 (3/31/18)

Results:

No material issues were reported to the Auditor-Controller Internal Audit Division this quarter.

The schedule below identifies the status of external audits as of 3/31/18, 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, 2018	Significant Findings
Assessor		No audits in progress.						
Auditor-Controller	Financial Reporting	Macias, Gini & O'Connell LLP	Single Audit	6/30/17 Annual	6/30/16	Uniform Guidance Expenditures of Federal Assistance	Completed.	Six (6) New Findings: #2017-001 (CEO & AC) Certain entity-wide information technology general control policies and procedures not deployed, reassessed and refreshed; #2017-002 (OCCR) Did not verify that a subrecipient was not excluded or disqualified. Subrecipient did not go through the procurement process prior to awarding the contract; #2017-003 (CEO) Did not document election to defer the implementation of procurement provisions under Uniform Guidance in the CPM; #2017-004 (HCA) Program income was not returned to the CDPH on an annual basis; #2017-005 (HCA) For two subrecipients, 4 of 8 subawards did not contain the DUNS number, which is required to be obtained prior to the issuance of the subaward; #2017-006 (OCCR) Did not verify that two contracted vendors were not debarred, suspended, or otherwise excluded.
		Macias, Gini & O'Connell LLP	Management Letter	6/30/17 Annual	6/30/16	Report to Management on Internal Controls	In progress.	
		Macias, Gini & O'Connell LLP	Tobacco Settlement Revenue (TSR)	6/30/17 Annual	6/30/16	Agreed-Upon Procedures	Completed.	This audit is also reported under Health Care Agency.
	Cost, Revenue & Budget	State Controller's Office	Trial Court	FY 09/10 through FY 13/14	FY02/03 through FY08/09	Court Revenues	In progress.	This audit is also reported under Probation.

Pursuant to Audit Oversight Committee Administrative Procedure Number 2, Reporting on External Audits, County Departments/Agencies governed by the Board of Supervisors are required to notify the Internal Audit Director of all third party audit activity. The procedure was established to keep the Audit Oversight Committee informed of all third party audits being performed and any significant findings identified.

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, 2018	Significant Findings
Child Support Services		Department of Child Support Services (DCSS)	Q1 2018 Quarterly Data Reliability Review	Quarterly	3/18	Review of line items related to cases with support orders, paternity establishment and medical support for the Annual CS157 State Statistical report. Line items 1, 2, 2e, 5, 6, 16, 21, 21a, 24, 25, 28 and 30	Completed Q3 2017. Completed Q4 2017. Completed Q1 2018. Q2 2018 planned.	To be removed next quarter since these are internal reviews.
		Department of Child Support Services (DCSS)	Q1 2018 Quarterly Internal Compliance Review	Quarterly	3/18	Self-assessment of case review components of establishment, review and adjustment, enforcement, disbursement, intergovernmental, medical support and case closure	Completed Q3 2017. Completed Q4 2017. Completed Q1 2018. Q2 2018 planned.	To be removed next quarter since these are internal reviews.
		Department of Child Support Services (DCSS)	Annual Performance Review	2018 Annual	2017	Program Administration and Expedited Process components of Annual Compliance Review; Case Review components of Annual Compliance Review	Planned.	
		Macias, Gini & O'Connell LLP	Child Support Enforcement CFDA 93-563	6/30/17 Every 2	6/30/15	Uniform Guidance	Completed.	None.
Clerk of the Board of Supervisors		No audits in progress.						
County Clerk-Recorder		Lawrence R. Halme	SECURE: Modified System Audit	As Needed	3/17	Review substantive changes to the SECURE multi-county ERDS system for compliance with the CA Attorney General ERDS certified system requirements	Completed.	None.
County Counsel		No audits 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, 2018	Significant Findings
County Executive Office	Public Finance	No audits in progress.						
	Budget	No audits in progress.						
	Information Technology	No audits in progress.						
	Procurement	No audits in progress.						
	Corporate Real Estate	No audits in progress.						
	Human Resources	No audits in progress.						
	Workers' Compensation	AON Risk Solutions, Inc.	Risk Management Workers' Compensation Program	1/17 - 12/17 Annual	2/17	Technical claims audit of County's Third Party Administrator (TPA)	Completed.	None.
	IT & Procurement	Macias, Gini & O'Connell LLP	Single Audit	6/30/17 Annual	6/30/16	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2017-001 and #2017-003 under Auditor-Controller Single Audit.
District Attorney		CA Office of Emergency Services	Violence Against Women Vertical Prosecution Program	FY 15/16 Annually	5/15	Compliance Review	In progress.	
		U.S. Dept. of Justice/Office of Justice Program	Orange County District Attorney Sexual Assault Kit Initiative Program	FY 16/17 Annually	5/17	Monitoring Review	Completed.	None.
Health Care Agency	Administration	Macias, Gini & O'Connell LLP	Tobacco Settlement Revenue (TSR) Fund	FY 16/17 Annual	FY 15/16	Agreed-Upon Procedures	Completed.	None.
		Macias, Gini & O'Connell LLP	Hospital Preparedness Program & Public Health Emergency Program Aligned Cooperative Agreements - CFDA 93.074	FY 16/17 Varies	FY 13/14	Uniform Guidance	Completed.	See Finding #2017-004 under Auditor-Controller Single Audit.
		Macias, Gini & O'Connell LLP	HIV Prevention Activities Health Department Based/Post-Exposure Prophylaxis (PrEP) and the Prevention, Testing and Partner Services CFDA 93.940	FY 16/17 Annual	N/A	Uniform Guidance	Completed.	See Finding #2017-005 under Auditor-Controller Single Audit.
		Macias, Gini & O'Connell LLP	CA Children Services (CSS) Medi-Cal – Medicaid Cluster CFDA 93.778	FY 16/17 Annual	FY 14/15	Uniform Guidance	Completed.	None. This audit also reported under Social Services Agency.

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, 2018	Significant Findings
Health Care Agency (continued)	Correctional Health	Immigration and Customs Enforcement (ICE) Office of Detention Oversight	Theo Lacy, James Musick, and Central Jail Complex	FY 17/18 Annual	FY 16/17	ICE Program including healthcare services	In progress.	
		Immigration and Customs Enforcement (ICE) Nakimoto group	Theo Lacy, James Musick, and Central Jail Complex	FY 17/18 Annual	FY 16/17	ICE Program including healthcare services	Planned.	
		Environmental Health -- Title 15 Audit	All five adult facilities	FY 17/18 Annual	FY 16/17	Healthcare program - ensure compliance with Title 15	Planned.	
		Department of Justice	All five adult facilities	FY 17/18 Varies	FY 15/16	Healthcare services for all adult facilities	In progress.	
		Department of Justice	Correctional Health Services - All 5 Adult Facilities	8/17	2015	Healthcare services for all adult facilities	In progress.	To be removed next quarter since this is a duplicate of the above audit.
		Board of State and Community Corrections	Theo Lacy, James Musick, and Central Jail Complex	FY 17/18 Annual	FY 16/17	Ensure compliance with Title 15	Planned.	
		Environmental Health -- Title 15 Audit	Juvenile Hall and Camps	2017 Annual	2016	Ensure compliance with Title 15	Planned.	
		Vaccines for Children (VFC)	Juvenile Hall, Camps, and Orangewood	FY 17/18 Varies	FY 16/17	Vaccine program	Planned.	
		Juvenile Detention Alternatives Initiative	Juvenile Hall and Camps	2018 Every 3 Years	FY16/17	Healthcare program	Planned.	
CA Dept of Social Services Community Care Licensing Division (CCLD)	Orangewood Children and Family Center	FY 17/18 At discretion	N/A	Ensure compliance with Title 22	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, 2018	Significant Findings
Health Care Agency (continued)	Behavioral Health	State Department of Health Care Services contracted External Quality Review Organization (EQRO)	Mental Health Plan	FY 17/18 Annual	FY 16/17	Service quality and management	Planned.	
		State Controller's Office	Consolidated Handicapped and Disabled Students (HDS), HDS II, and Seriously Emotionally Disturbed Pupils (SEDP)	FY 09/10 Annual	FY 06/07 through 08/09	Reconciliation of costs and revenues and documentations needed to support the SB90 and eligibility verification	In progress.	
		State Controller's Office	Consolidated Handicapped and Disabled Students (HDS), HDS II, and Seriously Emotionally Disturbed Pupils (SEDP)	FY 10/11 Annual	FY 09/10	An audit of SB 90 Consolidated SED and HDS cost Claims filed for FY 10/11	Planned.	
		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	Planned.	
		DHCS	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.	

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, 2018	Significant Findings
Health Care Agency (continued)	Behavioral Health (continued)	Department of Health Care Services -- Systems Review	Tri-annual review on Systems Review and chart reviews	FY 15/16 Tri-Annual	FY 12/13	Review of compliance with contract with DHCS. Review of policies and procedures. Review of 20 consumers clinical charts. 10 CYBH consumers and 10 AOABH consumers. The chart reviews consisted in the review of a 3-month period from FY15/16.	In progress.	
		State of California Department of Alcohol and Drug Programs	Alcohol and Drug Abuse Services' Substance Abuse Prevention and Treatment (SAPT) Block Grant	FY 10/11	FY 09/10	Review the cost funded by the SAPT Block Grant, QFFMR, and ADAS Cost Report	Planned.	
		DHCS Substance Use Disorder Compliance Unit	Alcohol and Drug Abuse Services' Substance Abuse Prevention and Treatment (SAPT) Block Grant and Drug Medi-Cal (DMC) Compliance Review	FY 17/18 Annual	FY 16/17	Review the cost funded by the SAPT Block Grant, QFFMR, and ADAS Cost Report; County/State Contract	Completed.	None.
	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.	Reported in Prior Quarters: Estimated findings total \$742,852 (\$183,101.51 leases and \$559,750.23 equipment), of which HCA requests clarification of approximately \$41,000 pertaining to subgrantee charged expenditures belonging to another grant year. HCA does not concur with the remaining estimated findings of \$701,852. Since the draft report is being discussed with the State and HCA disagrees, we will not yet consider this a finding (same status as several prior quarters).
		State Department of Resources Recycling and Recovery (CalRecycle)	Environmental Health Services -- Solid Waste, Local Enforcement Agency	8/14 through 11/16	2/14	Ensure LEA's implement effective programs in accordance with laws, regulations, and Enforcement Program Plan and verify LEA compliance with certification requirements	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, 2018	Significant Findings
Health Care Agency (continued)	Public Health	California Department of Health Care Services, Cancer Detection and Treatment Branch	Health Promotion Division, Every Woman Counts	TBD Every 1-2 Years	FY 15/16	Non-monetary Program Monitoring Site Visit	Planned.	
		California Department of Health Care Services, Adult Investigations	Targeted Case Management, Program Financial Audit of the TCM Cost Report	FY 11/12 Annual	FY 10/11	All aspects related to fiscal compliance for charges claimed on the cost report	In progress.	
		California Department of Health Care Services, Adult Investigations	Targeted Case Management, Program Financial Audit of the TCM Cost Report	FY 12/13 Annual	N/A	All aspects related to fiscal compliance for charges claimed on the cost report	In progress.	
		HRSA	Ryan White Part C	FY16/17	FY12/13	Fiscal Audit, Administrative, Clinical	In progress.	
		California Department of Public Health, State Office of Aids	Disease Control and Epidemiology - Ryan White Part B	FY17/18 Annual	FY 16/17	Review of compliance with Health Resources Services Administration and State Office of AIDS requirements	In progress.	
		State WIC Controller's Office	Family Health HCA WIC Program Review	2017 Every 2 Years	2016	All aspects related to fiscal compliance for charges claimed on the WIC invoice to the State	Planned.	
		Gilbey and Associates	Children and Families Commission Prop 10	FY17/18 Annual	FY16/17	Risk assessment not an actual audit. Review all the funded contracts with an emphasis on compliance	Planned.	
		California Department of Public Health, State Office of AIDS	Disease Control and Epidemiology Prevention/PrEP	FY17/18 Varies	FY16/17	Review of compliance with Health Resources Services Administration and State Office of AIDS requirements	In progress.	
		NEOP	NEOP	FY 17/18 Every 2 Years	N/A	Desk review of all documents related to fiscal compliance for charges claimed on the NEOP invoice to the State	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, 2018	Significant Findings
Health Care Agency (continued)	Public Health (continued)	CA Environmental Laboratory Accreditation Program	Water Quality Laboratory	FY 17/18 Every 2 Years	FY16/17	Inspection of all aspects of environmental testing performed in the Water Quality Laboratory. Reviews quality assurance practices, quality control results and procedures, personnel competency, etc.	Planned.	
		Laboratory Field Services/CMS - CLIA	Public Health Laboratory	FY 17/18 Every 2 Years	FY16/17	Compliance with the Clinical Laboratory Improvement Amendments of 1988 regulations and requirements. Reviews quality assurance practices, quality control results and procedures, personnel competency, etc.	Planned.	
		US Department of Transportation Pipeline and Hazardous Safety Administration	Public Health Laboratory	FY 17/18 Every 3 Years	FY 15/16	Compliance inspection conducted in accordance with Title 49 U.S.C. Section 5121(c) related to the proper shipment of hazardous materials, including dry ice and biological materials.	Completed.	None.
		Federal Select Agent Program	Public Health Laboratory	FY 17/18 Every 3 Years	FY 15/16	Compliance with the Federal Select Agent Program regulations and requirements.	Planned.	
	Correctional Health Services (CHS) Juvenile Health Services (JHS)	Immigration and Customs Enforcement - ODO	Correctional Health Services - Central Jail Complex	7/17	2016	Healthcare services for the detainee population at Central Jail Complex	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, 2018	Significant Findings
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	2018 Annual	2017	Compliance with Payment Card Industry Data Security Standard	In Process	
		Tevora Business Solutions	Cyber Security Assessment	2018	N/A	State of Cyber Security	In Process.	
		Federal Aviation Administration (FAA)	Airport Certification Inspection	2017 Annual	2016	Compliance with Title 14, Code of Federal Regulations, Part 139, Airport Certification	Completed.	None.
		Transportation Security Administration (TSA)	Airport Security	2017 Annual	2016	Compliance with Title 49, Code of Federal Regulations, Part 1542, Airport Security	Planned.	
OC Community Resources	OC Community Services	Macias, Gini & O'Connell LLP	OC Housing Authority (OCHA)	FY 16/17 Annual	FY 15/16	Agreed-Upon Procedures for Attestation of Section 8 Cluster to the US Department of Housing & Urban Development	Completed.	None.
		Macias, Gini & O'Connell LLP	Continuation of Care Program CFDA 14.267	FY 16/17 Varies	FY 13/14	Uniform Guidance	Completed.	See Finding #2017-006 under Auditor-Controller Single Audit.
		Macias, Gini & O'Connell LLP	WIA/WIOA Cluster - CFDA 17.258; 17.259; 17.278	FY 16/17 Varies	FY 13/14	Uniform Guidance	Completed.	See Finding #2017-002 under Auditor-Controller Single Audit.
	Office on Aging	California Department of Aging Audit Department	Area Plan, HICAP, OMB, MIPPA, FA, Title V	FY 11 through 15 Every 3 years	FY 07 through FY 10	Annual closeouts, internal controls, compliance with laws and regulations, and contract requirements	Completed.	None.
	Community Investment Division	State Workforce Innovation and Opportunity Act (WIAO) Development Area	WIAO - Fiscal and Procurement	17/18 Annual	16/17	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	Planned.	
		State Workforce Innovation and Opportunity Act (WIOA) Development Area	WIOA - Program	17/18 Annual	16/17	Program administration, program delivery, policies and procedures, etc,	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, 2018	Significant Findings
OC Community Resources (continued)	Community Investment Division (continued)	State WIOA EEO	WIOA Section 188 Nondiscrimination and Equal Opportunity Provisions	17/18	N/A	Compliance with WIOA Section 188 and 29 CFR Part 38	Completed.	None.
		California Department of Aging Audit Department	SCSEP Monitoring	17/18 Annual	16/17	Program implementation and compliance	Planned.	
	OC Parks	No audits in progress.						
	OC Libraries	No audits in progress.						
	OC Animal Care	No audits in progress.						
OC Public Works	OC Facilities - Design & Construction	California Department of Finance	Juvenile Hall -- Multipurpose Rehabilitation Center	TBD	N/A	TBD	Planned.	
	OC Infrastructure Programs	California Department of Transportation	San Juan Creek Bike Trail	12/31/13	N/A	Audit of incurred costs	In progress.	
		California Department of Transportation	17th Street at Esplanade	12/31/13	N/A	Audit of incurred costs	In progress.	
		California Department of Transportation	Antonio Parkway	12/31/13	N/A	Audit of incurred costs	In progress.	
		California Department of Transportation	Edinger Avenue Bridge Replacement #BRLS-5955 (078)	Random	N/A	Responsible Charge process review for Edinger Avenue / Sunset Way over Bolsa Chica Channel bridge replacement	In progress.	
		California Department of Finance	Prop 84 Round 1 Stormwater Flood Management Grant, Prop 1E	TBD	2014	DOF is evaluating DWR's grant administration and management processes	Planned.	
	OC Environmental Resources	US Environmental Protection Agency (EPA) and EPA Contractor PG Environmental LLC	OC Municipal Separate Storm Sewer System NPDES Permit No. CAS0108740	Random	N/A	Assess compliance with requirements of State of California Order No. R9-2009-002. Assess effectiveness of storm water program with focus on Jurisdictional Runoff Management Program	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, 2018	Significant Findings
OC Public Works (continued)	Administration	Transportation Corridor Agency (TCA)	Road Fee Programs	2018 Annual	2017	TCA Fee Program for CY 2017. Audit of major thoroughfare fees collected by the County	Planned.	
	Construction	CalTrans	Federal Arterial Pavement Management (APM) Funding	TBD	N/A	Review project files for the Crown Valley and Oso Parkway Project	Planned.	
		CalTrans	Federal Arterial Pavement Management (APM) Funding	TBD	N/A	Review project files for the Foothill and Hewes Avenue Project	Planned.	
		OCTA	Active Transportation Program (ATP) and Transportation Control Measures (TCM) funding	TBD	N/A	Review project files for the Lambert Bikeway Project	Planned.	
	Infrastructure Programs / Construction	OCTA	Prop 84 Grant Funds	TBD	N/A	Review project files for the Glassell Yard Campus Stormwater LID Project	Planned.	
		OCTA	Prop 1B SLPP	TBD	N/A	Review project files for the La Pata Avenue Gap Closure Project	Planned.	
		OCTA	Prop 84 Grant Funds	TBD	N/A	Review project files for the San Juan Creek Channel Phases 4, 5, and 6	Planned.	
		CTC and CalTrans	TCA	TBD	N/A	Review project files for the Oso Parkway Bridge - 241	Planned.	
		California Department of Transportation	Edinger Avenue Bridge Replacement #BRLS-5955 (078)	Random	N/A	Review project files for the Edinger Avenue Bridge Replacement	Planned.	
		CalTrans	Highway Safety Improvement Program	TBD	N/A	Review project files for the Live Oak Canyon and Trabuco Canyon	Planned.	
OC Waste & Recycling	Accounting	No audits in progress.						
Office of Independent Review		No audits 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, 2018	Significant Findings
Office of Performance Audit Director		No audits in progress.						
Probation	Administrative and Fiscal	State Controller's Office - Division of Audits / Local Government Compliance	Trial Court Revenue	7/1/09 through 6/30/14	7/1/02 through 6/30/09	Audit of Court Revenue	In progress.	This audit is also reported under the Auditor-Controller.
Public Defender		No audits in progress.						
Registrar of Voters		No audits in progress.						
Sheriff-Coroner		Cal EMA / Grants Management Section	Homeland Security Grants	FY 06 through 08	FY 06/07	Financial / Compliance	In progress.	This audit is also reported under HCA / Regulatory/Medical Services.
	Financial/ Administrative Services	California State Auditor	Statewide Hate Crime Law and Regulations compliance	1/07 to 12/16	N/A	Compliance	In progress.	
		Matrix Consulting	Contract Partners Efficiency Study	FY13/14 thru FY17/18	N/A	Cost and Efficiency	In progress.	
		California State Auditor	SB 90 Audit (PC 530.5) - Identity Theft Reports	FY02/03 thru FY12/13	N/A	Claimed Costs	In progress.	
	Support Services	NCIS - LINX	LINX Data-sharing application	10/16 to 09/17	8/16	Usage Review	Completed.	None.
		Tevara Business Solutions	IT Security	FY17/18	N/A	Compliance, Information Security	In progress.	
	RNSP	Abt Associates	Los Angeles High Intensity Drug Trafficking Area (LAHIDTA)	CY2015 & CY2016	N/A	Performance Audit	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, 2018	Significant Findings
Social Services Agency	Administrative Services	California Office of Emergency Services (CalOES)	Child Abuse and Treatment (CHAT)	10/15 - 09/16 & 10/16 - 03/17; Varies	N/A	Review of County's grant processes and documentation related to Grant Subaward #AT15010300 and #AT16020300	In progress.	
		California Department of Social Services (CDSS) Civil Rights Bureau	All SSA Divisions	8/17 Annual	2015	Compliance with Civil Rights Division 21 requirements. American with Disabilities Act (ADA) compliance for SSA facilities and a review of programs.	Completed.	None.
		Macias, Gini & O'Connell LLP	Medicaid Cluster - CFDA 93.778	FY 16/17 Annual	FY15/16	Uniform Guidance	Completed.	None. This audit also reported under Health Care Agency.
		California Department of Health Care Services (DHCS) and California Department of Social Services (CDSS)	All SSA Divisions	2016 Every 3 Years	2013	Compliance with the Privacy and Security Agreement	Planned.	
		California Department of Education (CDE) Early Education and Support Division (EESD)	Tustin Family Campus Early Education California State Preschool Program (CSPP)	2017 Annual	2016	Review of compliance with the California Education Codes Title 5 Regulations and CSPP regulations including fiscal	Planned.	
	Assistance Programs	Social Security Administration	Interim Assistance Reimbursement (IAR)	10/16 Every 3 to 4 years	2012	Review of compliance with the IAR Program payments made in October 2016	In progress.	
		California Department of Health Care Services (CDHCS)	Medi-Cal	4/14 through 12/14; Varies	11/16	To ensure Refugee Medical Assistance (RMA) beneficiaries receive a Medi-Cal evaluation under Affordable Care Act rules in accordance with ACWDL 14-16	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, 2018	Significant Findings
Social Services Agency (continued)	Family Self-Sufficiency & Adult Services	California Department of Social Services (CDSS) Children & Family Services Division, Adoptions Bureau	Adoptions Assistance Program (AAP)	9/16 to 7/17 Annual	9/17	Random selection of AAP cases for review to ensure compliance.	In progress.	
		California Department of Social Services (CDSS)	Remote review of the Work Incentive Nutritional Supplement (WINS) Federal Work Participation Rate (WPR) data and supporting docs	10/14 to 9/15; Varies	8/16	CDSS Performance Monitoring Unit (PMU) conducted review of OC's procedures for collecting and reporting WINS WPR hours in the Research and Development Enterprise Project (RADEP) system & support docs. 8 WINS cases were reviewed.	In progress.	
		California Department of Social Services (CDSS)	Remote review of the Work Incentive Nutritional Supplement (WINS) Federal Work Participation Rate (WPR) data and supporting docs	10/15 to 9/16; Varies	8/17	CDSS Performance Monitoring Unit (PMU) conducted review of OC's procedures for collecting and reporting WINS WPR hours in the Research and Development Enterprise Project (RADEP) system & support docs. 23 WINS cases sent for review.	In progress.	
		California Department of Social Services (CDSS)	Title IV-E Foster Care Eligibility Determination Case File Review	05/17 - 10/17	N/A	Random sample of seven cases selected from CWS/CMS and reviewed to ensure federal eligibility was determined correctly.	Completed.	
	Assistance Programs	California Department of Social Services (CDSS) US Department of Agriculture (USDA) Food and Nutrition Services (FNS)	CalFresh	05/17 Annual	08/16	Management evaluation focusing on program access, payment accuracy, operational procedures, 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, 2018	Significant Findings
Social Services Agency (continued)	Adult Services & Assistance Programs	In-Home Supportive Services (IHSS) Program Support Quality Assurance on behalf of California Department of Social Services (CDSS)	In-Home Supportive Services (IHSS)	2017 Annual	2016	Quality Assurance monitoring of OC's administration of IHSS program. Case reviews include desk reviews and home visits	Planned.	
		California Department of Social Services (CDSS)	In-Home Supportive Services (IHSS)	2017 Annual	2016	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.	
Treasurer-Tax Collector	Treasury and Investments	TBD	Required Annual Examination of the Treasurer's Investment Compliance with Government Code and County Investment Policy Statement	18 months ended June 30, 2017	12/31/15	California Government Code 27134	Planned.	