

A G E N D A

REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE ORANGE COUNTY, CA



Thursday, December 6, 2018, 10:00 a.m.

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

DREW ATWATER
AOC CHAIRMAN
Private Sector Member, First District

ROBERT BROWN
AOC VICE CHAIRMAN
Private Sector Member, Fifth District

SUPERVISOR ANDREW DO
BOARD CHAIRMAN
First District
Member

SUPERVISOR SHAWN NELSON
BOARD VICE CHAIRMAN
Fourth District
Member

FRANK KIM
COUNTY EXECUTIVE OFFICER
Member

RICHARD MURPHY
Private Sector Member, Second District

MARK WILLE, CPA
Private Sector Member, Third District

VACANT
Private Sector Member, Fourth District

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

Shari Freidenrich, CPA
Eric Woolery, CPA

Staff
Internal Audit Department:
Deputy County Counsel:
Clerk:

Scott Suzuki, CPA
Ronnie Magsaysay
Mari Elias

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

All supporting documentation is available for public review 72 hours before the meeting. Documents are available online at <http://www.ocgov.com/gov/ia/aoc/agemin> or in the office of the Internal Audit Department located in the Hall of Finance and Records Building, 12 Civic Center Plaza, Room 232, Santa Ana, CA 92701, 7:00 a.m. - 4:00 p.m., Monday through Friday.

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

A G E N D A

REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE ORANGE COUNTY, CALIFORNIA

10:00 A.M.

- | | <u>Speaker</u> |
|--|--|
| 1. Roll call | Drew Atwater
AOC Chairman |
| 2. Approve Audit Oversight Committee Regular Meeting Minutes of September 6, 2018 | Drew Atwater
AOC Chairman |
| 3. Receive Report on County's Cybersecurity Program | Joel Golub
Chief Information Officer
OCIT |
| 4. Recommend Approval of Revised Audit Oversight Committee Bylaws | Drew Atwater
AOC Chairman |
| 5. Recommend Approval of Internal Audit Department's Revised Charter | Scott Suzuki, CPA
Acting Director
Internal Audit Department |
| 6. Receive Report on Required Communication from External Auditors | Roger Alfaro, CPA
Partner
Vavrinek, Trine, Day & Co. |
| 7. Receive Report on Status of Mandated Audits | Eric Woolery, CPA
Auditor-Controller |
| 8. Receive Report on Status of Performance Audits | Frank Kim
County Executive Officer |
| 9. Approve Internal Audit Department's FY 2018-19 1st Quarter Status Report and approve Executive Summary of Internal Audit Reports for the Quarter Ended September 30, 2018 | Scott Suzuki, CPA
Acting Director
Internal Audit Department |
| 10. Approve Quarterly External Audit Activity Status Report for the Quarter Ended September 30, 2018 | Michael Dean, CPA
Senior Audit Manager
Internal Audit Department |
| 11. Election of AOC Officers | Drew Atwater
AOC Chairman |

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



Memorandum

December 6, 2018

AOC Agenda Item No. 2

TO: Audit Oversight Committee Members

Recommended Action:

Approve Audit Oversight Committee Regular Meeting Minutes of September 6, 2018

Approve Audit Oversight Committee Regular Meeting Minutes of September 6, 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, CA

Thursday, September 6, 2018, 10:00 a.m.

HALL OF ADMINISTRATION
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Conference Room A
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AOC CHAIRMAN

Private Sector Member, First District

ROBERT BROWN

AOC VICE CHAIRMAN

Private Sector Member, Fifth District

SUPERVISOR ANDREW DO

BOARD CHAIRMAN

First District

Member

SUPERVISOR SHAWN NELSON

BOARD VICE CHAIRMAN

Fourth District

Member

FRANK KIM

COUNTY EXECUTIVE OFFICER

Member

RICHARD MURPHY

Private Sector Member, Second District

MARK WILLE, CPA

Private Sector Member, Third District

VACANT

Private Sector Member, Fourth District

Present Non-Voting Members

Treasurer-Tax Collector:

Auditor-Controller:

Shari Freidenrich, CPA

ABSENT

Present Staff

Internal Audit Department:

Deputy County Counsel:

Clerk:

Scott Suzuki, CPA

Ronnie Magsaysay

Maribel Garcia for Mari Elias

ATTENDANCE: Drew Atwater, AOC Chairman, Private Sector Member
Robert Brown, AOC Vice Chairman, Private Sector Member
Mark Wille, Private Sector Member
Richard Murphy, Private Sector Member
Chris Gaarder, Proxy for Supervisor Andrew Do
Michelle Aguirre, Proxy for Frank Kim

10:00 A.M.

1. Roll Call

Audit Oversight Committee (AOC) Chairman Mr. Atwater called the meeting to order at 10:00 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 June 14, 2018

Motion to approve the Audit Oversight Committee Regular Meeting Minutes of June 14, 2018 by Mr. Wille, seconded by Mr. Brown.

All in favor, none opposed.

Approved as recommended.

3. Receive Oral Report on Required Communication from External Auditors

Mr. Roger Alfaro, partner at Vavrinek Trine & Day (VTD), provided an update on the status of VTD's fieldwork.

4. Receive Report on Status of Performance Audits

Ms. Michelle Aguirre stated a list of qualified vendors is expected by mid-October and that CEO would make recommendations to the Board of Supervisors on areas of audit interest and the Board would make the final decision. Ms. Aguirre stated a performance audit plan will be created.

5. Receive Report on County's Cybersecurity Program

Mr. Joel Golub provided an update on the County's cybersecurity program. Ms. Linda Le stated OCIT is taking ownership of security operations with a more hands-on approach, until a new IT vendor begins work. Mr. Golub added that, in the past, a managed services vendor provided security operation center services but under the new contract, OCIT will have access to the same security information as the vendor.

6. Receive Report on New Internal Audit Department Start-up Activities

Mr. Scott Suzuki provided an update on the Internal Audit Department's (IAD) new reporting structure, the number of vacant positions, and office space planning. Mr. Suzuki stated the Internal Audit Charter would be revised and will be presented to the Audit Oversight Committee at its December meeting. Mr. Brown stated AOC Bylaws will also need to be revised.

7. Receive Report on Internal Audit Department Planned Key Performance Indicators

Mr. Suzuki provided 12 key performance indicators over four areas: provide department-focused services, execute high-quality work, facilitate cost-effective projects, and promote professional development.

8. Approve Internal Audit Department's Annual Risk Assessment & Audit Plan for FY 2018-19

Mr. Suzuki stated the changes to the Audit Plan were primarily due to staffing and there were no changes to the heat map or the 10-year prior audit coverage.

Motion to approve Internal Audit Department's Annual Risk Assessment & Audit Plan for FY 2018-19 by Mr. Wille, 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

9. Approve Internal Audit Department's FY 2017-18 4th Quarter Status Report and approve Executive Summary of Internal Audit Reports for the Quarter Ended June 30, 2018

Mr. Suzuki presented the 4th Quarter Status Report and Executive Summary of Internal Audit Reports for the Quarter Ended June 30, 2018. Mr. Chris Gaarder asked about the social security findings and the implementation status. Mr. Mark Malbon mentioned he did not have an answer but would return at the next meeting with an answer.

Motion to approve the 4th Quarter Status Report and approve Executive Summary of Internal Audit Reports for the Quarter Ended June 30, 2018 by Mr. Wille, seconded by Mr. Brown.

All in favor, none opposed.

Approved as recommended.

10. Approve Quarterly External Audit Activity Status Report for the Quarter Ended June 30, 2018

Mr. Suzuki presented the Quarterly External Audit Activity Status Report for the Quarter Ended June 30, 2018.

Motion to approve Quarterly External Audit Activity Status Report for the Quarter Ended June 30, 2018 by Mr. Wille, seconded by Mr. Murphy.

All in favor, none opposed.

Approved as recommended.

PUBLIC COMMENTS – None

AOC COMMENTS & ADJOURNMENT

AOC COMMENTS – Mr. Wille stated he would like IAD to work with the external auditors, as Macias Gini & O'Connell did in the past. Mr. Suzuki stated that one of three auditors that stayed with the Auditor-Controller's Internal Audit Division is working with VTD.

Ms. Freidenrich mentioned that VTD had reached out to her staff to review some processes.

ADJOURNMENT: Motion to adjourn the meeting made by Mr. Wille, seconded by Mr. Brown. Meeting adjourned at 11:28 AM.

NEXT MEETING

Regular Meeting, December 6, 2018, 10:00 AM



Memorandum

December 6, 2018

AOC Agenda Item No. 3

TO: Audit Oversight Committee Members

Recommended Action:

Receive report on the County's cybersecurity program

Receive report on the County's cybersecurity program, as stated in the recommended action.



Memorandum

December 6, 2018

AOC Agenda Item No. 4

TO: Audit Oversight Committee Members

Recommended Action:

Recommend Approval of Revised Audit Oversight Committee Bylaws.

A subcommittee of the AOC met to revise the AOC Bylaws to reflect the newly formed Internal Audit Department.

Recommend approval of the AOC Bylaws and request the CEO to present the bylaws to the Board of Supervisors for final approval.

ATTACHMENT(S):

Attachment A – Draft Audit Oversight Committee Bylaws

Attachment B – Draft Audit Oversight Committee Bylaws (redline)

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County of Orange
Audit Oversight Committee Bylaws

ARTICLE 1 ESTABLISHMENT

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

ARTICLE 2 PURPOSE

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

ARTICLE 3 MEMBERSHIP

- 3.1 The membership of the AOC shall consist of the following: the Chairperson and Vice-Chairperson of the Board of Supervisors, the County Executive Officer (CEO), and five public members from the private sector appointed by the Board of Supervisors. All public members shall serve a term of four (4) years, except that members selected to fill a vacancy for reasons other than the regular expiration of a term shall serve only for the remainder of that term. The public members may be reappointed or removed by the Board of Supervisors.
 - 3.1.1 Public members whose term has expired shall continue to discharge their duties as a holdover appointee until their successor has been appointed by the Board of Supervisors or they have resigned from the AOC, whichever is earlier.
- 3.2 Each member of the Board of Supervisors may nominate one public member for appointment by the Board of Supervisors. Public members shall possess sufficient knowledge and experience in finance, business, and accounting to discharge the AOC's duties with an emphasis on prior audit experience (*i.e.*, financial and internal controls).
- 3.3 In the event that a public member chooses to resign from the AOC, such member should notify the Chair of the AOC, in writing. The Chair of the AOC will then immediately notify the Board of Supervisors and the AOC of any such resignations. Upon notification, the CEO will then solicit nominations from the appropriate Board of Supervisors office that is responsible for nominating a public member for appointment by the Board of Supervisors to fill the vacancy.
- 3.4 The Director of Internal Audit, Auditor-Controller, and Treasurer-Tax Collector or their respective designees, shall attend all AOC meetings. The Director of Internal Audit,

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Auditor-Controller, and Treasurer-Tax Collector shall not be voting members of the AOC.

ARTICLE 4 CHAIR AND VICE CHAIR - POWERS AND DUTIES

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

ARTICLE 5 MEETINGS

- 5.1 The AOC shall meet at least quarterly, with authority to convene additional meetings as circumstances require. All meetings shall be subject to the Ralph M. Brown Act.
- 5.2 An agenda shall be prepared for each meeting by IAD staff and approved for distribution by the AOC Chair. The agenda shall contain a brief general description of each item of business to be transacted or discussed at the meeting of the AOC or as required by the Brown Act. The agenda shall include any item of business that is carried forward from a prior regular meeting at the request of the AOC. The agenda shall be posted within the time and in the manner required by the Brown Act. Additional items may be added to the agenda after it is posted only in accordance with the Brown Act.
- 5.3 The AOC Chair is required to call a meeting if requested to do so by the Board of Supervisors or two public members.
- 5.4 The quorum for a meeting shall be a majority of the voting members, and decisions made by a majority vote of the voting members present shall be regarded as acts of the AOC.

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Audit Oversight Committee Bylaws**

- 5.5 All AOC members will have an equal voice in the decision-making process. Due to the scope of the AOC's assignment, and the value of each member's input, consistent attendance by all members is expected; however, the Chair and Vice-Chair of the Board of Supervisors and the County Executive Officer (CEO) may designate a substitute to attend an AOC meeting on their behalf by submitting the member's signed proxy to the Chair of the AOC at the start of the meeting.
- 5.6 The Chair may, as necessary, ask senior representatives of the performance auditor, the Internal Audit Department (IAD), and Auditor-Controller to attend AOC meetings to discuss plans, findings and other matters of mutual concern.
- 5.7 IAD staff will keep minutes of each meeting and offer them for AOC approval as the first item on the subsequent meeting agenda.
 - 5.7.1 Minutes of each meeting shall contain a record of the persons present. The minutes should provide a record of decisions taken and a high-level summary of the discussion, providing insight on the topics and subtopics discussed.
 - 5.7.2 IAD staff shall distribute the draft minutes, which will be presented for approval by the AOC at its next scheduled meeting, as soon as reasonably practical following the meeting.
 - 5.7.3 If the minutes for a prior meeting are corrected or amended during an AOC meeting, such minutes will be sent to the AOC members once approved by the AOC.
- 5.8 Reports and other documents distributed in conjunction with the AOC agenda shall be distributed in accordance with the Ralph M. Brown Act in advance of the meeting to allow for their review.
- 5.9 The Chair shall preserve order and decorum. The AOC shall operate under Roberts' Rules and the Chair shall decide all questions of order (unless overridden by a majority of the committee members present) consistent with such rules.
- 5.10 The AOC's meeting schedule will normally be tentatively set out one year in advance and finalized each quarter so that County management and IAD staff can prepare the information and reports required to support the AOC's work.

ARTICLE 6 OPERATIONS

- 6.1 The AOC's Bylaws shall be submitted to the Board of Supervisors for approval. The Bylaws shall be reviewed periodically, no less than once every three years, by the AOC and reaffirmed by the Board of Supervisors. Reassessments should specifically take into account any changes that may be needed as the result of changes in law, regulation, or professional standards.
- 6.2 Members shall be briefed on the AOC's purpose, responsibilities, objectives, and on the business of the County upon joining the AOC by IAD staff. A process of continuing education (e.g., briefings and information on emerging issues and risks) shall be provided at the AOC meetings as approved by the AOC subject to available budget appropriations.

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Public members shall receive ethics training as required by AB 1234, Government Code sections 53234, *et seq.*, which shall be provided by the County.

- 6.3 The AOC shall be provided with the resources necessary to carry out its role, responsibilities, and duties. To the extent it deems necessary to meet its responsibilities, and in keeping with its Bylaws, the AOC has the authority to retain independent advice and assistance pursuant to County purchasing policy and procedures subject to available budget appropriations.
- 6.4 The AOC may request funds needed for its operation during the County's normal budget process. Such appropriation will be included within the IAD's budget to be administered by IAD staff.
- 6.5 The IAD shall provide staffing and support for the AOC. This includes:
 - a. the timely preparation of all notices and draft agendas of meetings;
 - b. coordination of presentations and distribution of reports and/or related documents that are prepared for the AOC's information or consideration;
 - c. the timely preparation and distribution of minutes of meetings; and
 - d. the performance of other incidental duties as may be assigned.

ARTICLE 7 RESPONSIBILITIES AND DUTIES

- 7.1 *Representation Letter.* The County Executive Officer will annually provide the AOC with a copy of the signed representation letter issued to the external auditor. Furthermore, the CEO and all County agencies/departments under the authority of the CEO, will cooperate with internal/external auditors and will comply with all laws, regulations, policies, and standards of ethical conduct during the audits, and will request that County elected Department Heads similarly comply.
- 7.2 *Financial Statements and Reporting.* The AOC shall provide oversight of the County's independent external auditor and shall:
 - a. review the quality of the County's financial reporting activities;
 - b. review all findings, recommendations, and management's responses related to all external audit reports and consult with external auditors regarding audit adjustments, weaknesses in internal controls, fraud, and compliance matters related to laws, regulations, contracts and grant agreements that would have a material impact on the basic financial statements, included in the Comprehensive Annual Financial Report (CAFR), Single Audit and other audit reports prepared by the County's independent external auditors;
 - c. provide oversight for the periodic review and selection of the County's independent external auditor to perform the audit of the County's basic financial statements included in the CAFR, including all component units and the Single Audit;
 - d. review any additional work beyond the original scope of work conducted by the independent external auditors on behalf of the County;
 - e. review the independent external auditor's scope and plan and any significant changes to the scope during the audit process;
 - f. review the draft of the County's CAFR and provide questions and/or comments to the Auditor-Controller for consideration (Chair and Vice-Chair only);
 - g. discuss, as needed, with County Counsel, the independent external auditor, and the Director of Internal Audit, legal and regulatory matters that, in the opinion of

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County of Orange

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management, may have a material impact on the financial statements and compliance with federal, state, and local laws and regulations, grant agreements and contracts;

- h. review with the independent external auditor the latter's judgments about the quality, not just the acceptability, of the County's accounting principles as applied in its financial reporting;
- i. review all matters required to be discussed by auditing standards generally accepted in the United States of America (GAAS) and Government Auditing Standards issued by the Comptroller General of the United States (GAS), including those specific matters covered in AU-C Section 260, *The Auditor's Communication With Those Charged With Governance*;
- j. review with management and the independent external auditor the effect of any regulatory and accounting initiatives, such as related organizations financing structures, derivatives, or securities lending; and
- k. review all alternative treatments of financial information brought to the AOC's attention by the independent external auditor within accounting principles generally accepted in the United States of America (GAAP) that have been discussed with County management and the ramifications of each alternative and the treatment preferred by the County.

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

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

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

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

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

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Audit Oversight Committee Bylaws

- a. ensure that there are effective arrangements in place to monitor and follow-up on management action plans responding to recommendations from internal audits or other sources; and
 - b. review and receive reports from the IAD and performance auditor on whether management's action plans have been implemented and whether the actions taken have been effective. The IAD reports shall identify any areas where it believes management has accepted a level of risk that is unacceptable to the County.
- 7.6 *Peer Review/Quality Control.*
- a. The AOC shall ensure that an external quality control review (Peer Review) of the IAD be conducted as required by an organization not affiliated with the IAD in accordance with the GAGAS and/or the Institute of Internal Auditors Standards at the discretion of the Director of Internal Audit.
 - b. The AOC shall ensure that an external quality control review (Peer Review) of performance audit be conducted as required by an organization not affiliated with IAD in accordance with the guidelines contained in the Peer Review Guide published by the Association of Local Government Auditors (ALGA).
- 7.7 *Comprehensive Framework of Internal Control.* The AOC will review with the IAD and CEO the adequacy of the County's internal control structure. The AOC should consider a number of factors:
- a. the adequacy of the County's internal controls including computerized information systems;
 - b. determine adherence to the principle established in the COSO guidelines including cybersecurity
 - c. significant risks or exposures identified by County management and the steps management has taken or proposes to take to minimize such risks;
 - d. findings and recommendations of the independent external and internal auditors;
 - e. audit adjustments;
 - f. code of conduct;
 - g. Fraud Hotline complaints; and
 - h. pending accounting and regulatory changes.
- 7.8 *Oversight of Fraud Hotline.* The AOC shall ensure that the IAD has established procedures for the receipt, retention, investigation and treatment of Fraud Hotline complaints, which have been referred to the Auditor-Controller.
- 7.9 *Coordination and Scheduling of Audits.* The AOC shall review and provide recommendations regarding the coordination and scheduling of external, internal and performance audits to avoid disruption of departmental work flows and duplication of effort.
- 7.10 *Resolution of Audits.* The AOC shall be made aware of incidents in which management does not concur with an audit's findings or recommendations. The AOC may, at its discretion, request applicable management and auditors to appear at an AOC meeting to discuss the differing opinions.

ARTICLE 8 INDEMNIFICATION OF AOC MEMBERS

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**County of Orange
Audit Oversight Committee Bylaws**

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

County of Orange Audit Oversight Committee Bylaws

ARTICLE 1 ESTABLISHMENT

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ARTICLE 2 PURPOSE

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

ARTICLE 3 MEMBERSHIP

- 3.1 The membership of the AOC shall consist of the following: the Chairperson and Vice-Chairperson of the Board of Supervisors, the County Executive Officer (CEO), and five public members from the private sector appointed by the Board of Supervisors. All public members shall serve a term of four (4) years, except that members selected to fill a vacancy ~~caused by for reasons~~ other than the regular expiration of a term shall serve only for the remainder of that term. The public members may be reappointed or removed by the Board of Supervisors.
 - 3.1.1 Public members whose term has expired shall continue to discharge their duties as a holdover appointee until their successor has been appointed by the Board of Supervisors or they have resigned from the AOC, whichever is earlier.
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- 3.3 In the event that a public member chooses to resign from the AOC, such member should notify the Chair of the AOC, in writing. The Chair of the AOC will then immediately notify the Board of Supervisors and the AOC of any such resignations. Upon notification, the CEO will then solicit nominations from the appropriate Board of Supervisors office that is responsible for nominating a public member for appointment by the Board of Supervisors to fill the vacancy.
- 3.4 The Director of Internal Audit, Auditor-Controller, and Treasurer-Tax Collector ~~and Performance Auditor-Director,~~ or their respective designees, shall attend all AOC meetings.

County of Orange Audit Oversight Committee Bylaws

The Director of Internal Audit, Auditor-Controller, and Treasurer-Tax Collector ~~and Performance Audit Director~~ shall not be voting members of the AOC.

ARTICLE 4 CHAIR AND VICE CHAIR - POWERS AND DUTIES

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

ARTICLE 5 MEETINGS

- 5.1 The AOC shall meet at least quarterly, with authority to convene additional meetings as circumstances require. All meetings shall be subject to the Ralph M. Brown Act.
- 5.2 An agenda shall be prepared for each meeting by ~~the IAD staff Director of the Auditor-Controller's Internal Audit Division (AC-IAD)~~ and approved for distribution by the AOC Chair. The agenda shall contain a brief general description of each item of business to be transacted or discussed at the meeting of the AOC or as required by the Brown Act. The agenda shall include any item of business that is carried forward from a prior regular meeting at the request of the AOC. The agenda shall be posted within the time and in the manner required by the Brown Act. Additional items may be added to the agenda after it is posted only in accordance with the Brown Act.
- 5.3 The AOC Chair is required to call a meeting if requested to do so by the Board of Supervisors or two public members.
- 5.4 The quorum for a meeting shall be a majority of the voting members, and decisions made by a majority vote of the voting members present shall be regarded as acts of the AOC.

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Audit Oversight Committee Bylaws

- 5.5 All AOC members will have an equal voice in the decision-making process. Due to the scope of the AOC's assignment, and the value of each member's input, consistent attendance by all members is expected; however, the Chair and Vice-Chair of the Board of Supervisors and the County Executive Officer (CEO) may designate a substitute to attend an AOC meeting on their behalf by submitting the member's signed proxy to the Chair of the AOC at the start of the meeting.
- 5.6 The Chair may, as necessary, ask senior representatives of the ~~Office of the Performance Auditor-Director, and the Internal Audit Department (IAD), and Auditor-Controller-AC-IAD~~ to attend AOC meetings to discuss plans, findings and other matters of mutual concern.
- 5.7 ~~AC-IAD~~ staff will keep minutes of each meeting and offer them for AOC approval as the first item on the subsequent meeting agenda-~~meeting~~.
- 5.7.1 Minutes of each meeting shall contain a record of the persons present. The minutes should provide a record of decisions taken and a high-level summary of the discussion, providing insight on the topics and subtopics discussed.
- 5.7.2 ~~AC-IAD~~ staff shall distribute the draft minutes, which will be presented for approval by the AOC at its next scheduled meeting, as soon as reasonably practical following the meeting.
- 5.7.3 If the minutes for a prior meeting are corrected or amended during an AOC meeting, such minutes will be sent to the AOC members once approved by the AOC.
- 5.8 Reports and other documents distributed in conjunction with the AOC agenda shall be distributed in accordance with the Ralph M. Brown Act in advance of the meeting to allow for their review.
- 5.9 The Chair shall preserve order and decorum. The AOC shall operate under Roberts' Rules and the Chair shall decide all questions of order (unless overridden by a majority of the committee members present) consistent with such rules.
- 5.10 The AOC's meeting schedule will normally be tentatively set out one year in advance and finalized each quarter so that County management and ~~AC-IAD~~ staff can prepare the information and reports required to support the AOC's work.

ARTICLE 6 OPERATIONS

- 6.1 The AOC's Bylaws shall be submitted to the Board of Supervisors for approval. The Bylaws shall be reviewed periodically, no less than once every three years, by the AOC and reaffirmed by the Board of Supervisors. Reassessments should specifically take into account any changes that may be needed as the result of changes in law, regulation, or professional standards.
- 6.2 Members shall be briefed on the AOC's purpose, responsibilities, objectives, and on the business of the County upon joining the AOC by ~~the Director of IAD staff~~ the AC-IAD. A process of continuing education (e.g., briefings and information on emerging issues and risks) shall be provided at the AOC meetings as approved by the AOC subject to available budget appropriations. Public members shall receive ethics training as required

County of Orange Audit Oversight Committee Bylaws

by AB 1234, Government Code sections 53234, *et seq.*, which shall be provided by the County.

- 6.3 The AOC shall be provided with the resources necessary to carry out its role, responsibilities, and duties. To the extent it deems necessary to meet its responsibilities, and in keeping with its Bylaws, the AOC has the authority to retain independent advice and assistance pursuant to County purchasing policy and procedures subject to available budget appropriations.
- 6.4 The AOC may request funds needed for its operation during the County's normal budget process. Such appropriation will be included within the ~~IAD's Auditor-Controller's~~ budget to be administered by ~~IAD Auditor-Controller~~ staff.
- 6.5 The ~~Auditor-Controller's office~~ IAD shall provide staffing and support for the AOC. This includes:
 - a. the timely preparation of all notices and draft agendas of meetings;
 - b. coordination of presentations and distribution of reports and/or related documents that are prepared for the AOC's information or consideration;
 - c. the timely preparation and distribution of minutes of meetings; and
 - d. the performance of other incidental duties as may be assigned.

ARTICLE 7 RESPONSIBILITIES AND DUTIES

- 7.1 ~~Compliance Statement~~ Representation Letter. The County Executive Officer will annually provide the AOC with a copy of an annual the signed Compliance Statement representation letter issued to the external auditor. Furthermore, the CEO and all ~~pledging that~~ County agencies/departments, under ~~the authority of the County Executive Officer~~ authority of the CEO, will cooperate with internal/external auditors and will comply with all laws, regulations, policies, and standards of ethical conduct during the audits, and will request that County elected Department Heads similarly comply.
- 7.2 *Financial Statements and Reporting*. The AOC shall provide oversight of the County's independent external auditor and shall:
 - a. review the quality of the County's financial reporting activities;
 - b. review all findings, recommendations, and management's responses related to all external audit reports and consult with external auditors regarding audit adjustments, weaknesses in internal controls, fraud, and compliance matters related to laws, regulations, contracts and grant agreements that would have a material impact on the basic financial statements, included in the Comprehensive Annual Financial Report (CAFR), Single Audit and other audit reports prepared by the County's independent external auditors;
 - c. provide oversight for the periodic review and selection of the County's independent external auditor to perform the audit of the County's basic financial statements included in the CAFR, including all component units and the Single Audit;
 - d. ~~approve~~ review any additional work beyond the original scope of work conducted by the independent external auditors on behalf of the County; all non-assurance work to be conducted by the independent external auditors;
 - e. review the independent external auditor's scope and plan and any significant changes to the scope during the audit process;
 - f. review the draft of the County's CAFR and provide questions and/or comments to the Auditor-Controller for consideration (Chair and Vice-Chair only);

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- g. discuss, as needed, with County Counsel, the independent external auditor, and the Director ~~of the AC-IAD~~ of Internal Audit, legal and regulatory matters that, in the opinion of management, may have a material impact on the financial statements and compliance with federal, state, and local laws and regulations, grant agreements and contracts;
- h. review with the independent external auditor the latter's judgments about the quality, not just the acceptability, of the County's accounting principles as applied in its financial reporting;
- i. review all matters required to be discussed by auditing standards generally accepted in the United States of America (GAAS) and Government Auditing Standards issued by the Comptroller General of the United States (GAS), including those specific matters covered in AU-C Section 260, *The Auditor's Communication With Those Charged With Governance*;
- j. review with management and the independent external auditor the effect of any regulatory and accounting initiatives, such as related organizations financing structures, derivatives, or securities lending; and
- k. review all alternative treatments of financial information brought to the AOC's attention by the independent external auditor within accounting principles generally accepted in the United States of America (GAAP) that have been discussed with County management and the ramifications of each alternative and the treatment preferred by the County.

7.3 *Oversight of ~~the Auditor-Controller~~ Internal Audit ~~Division-Department~~ (AC-IAD).* The AOC shall:

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

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

- a. ~~oversee the establishment and maintenance of~~ provide input regarding the County's performance auditing function, including oversight over the auditing activities of the ~~pPerformance aAuditor-Director~~;
- b. review performance audit reports and determine whether they adequately address whether the audited functions are effective, efficient, economical, equitable, compliant with Federal and State laws, ethical, and are based on reliable data;
- c. review and discuss, as necessary, findings and recommendations contained in performance audit reports and management action plans to address recommendations; and

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Audit Oversight Committee Bylaws

- d. review and make recommendations regarding the ~~Performance Auditor's~~ annual work plan prepared by the County Executive Office.
- 7.5 *Follow-up Audits.* The AOC shall:
- a. ensure that there are effective arrangements in place to monitor and follow-up on management action plans responding to recommendations from internal audits or other sources; and
 - ~~b. review, assist and resolve differing opinions between management and independent external or internal auditors arising from the audit process; and~~
 - e.b. review and receive reports from the ~~AC~~-IAD and ~~P~~performance ~~A~~auditor on whether management's action plans have been implemented and whether the actions taken have been effective. The ~~AC~~-IAD reports shall identify any areas where it believes management has accepted a level of risk that is unacceptable to the County.
- 7.6 *Peer Review/Quality Control.*
- a. The AOC shall ensure that an external quality control review (Peer Review) of the ~~AC~~-IAD be conducted as required by an organization not affiliated with the ~~Auditor-Controller~~IAD in accordance with the GAGAS and/or the Institute of Internal Auditors Standards at the discretion of the Director of Internal Audit~~department head~~.
 - b. The AOC shall ensure that an external quality control review (Peer Review) of ~~p~~Performance ~~A~~audit be conducted as required by an organization not affiliated with ~~the Auditor-Controller~~IAD in accordance with the guidelines contained in the Peer Review Guide published by the Association of Local Government Auditors (ALGA).
- 7.7 *Comprehensive Framework of Internal Control.* The AOC will review with the ~~Auditor-Controller~~IAD and CEO the adequacy of the County's internal control structure. The AOC should consider a number of factors:
- a. the adequacy of the County's internal controls including computerized information systems;
 - b. determine adherence to the principle established in the COSO guidelines including cybersecurity
 - c. significant risks or exposures identified by County management and the steps management has taken or proposes to take to minimize such risks;
 - d. findings and recommendations of the independent external and internal auditors;
 - e. audit adjustments;
 - f. code of conduct;
 - g. Fraud Hotline complaints; and
 - h. pending accounting and regulatory changes.
- 7.8 *Oversight of Fraud Hotline.* The AOC shall ensure that the ~~AC~~-IAD has established procedures for the receipt, retention, investigation and treatment of Fraud Hotline complaints, which have been referred to the Auditor-Controller.
- 7.9 *Coordination and Scheduling of Audits.* The AOC shall review and provide recommendations regarding the coordination and scheduling of external, internal and performance audits to avoid disruption of departmental work flows and duplication of effort.

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

ARTICLE 8 INDEMNIFICATION OF AOC MEMBERS

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



Memorandum

December 6, 2018

AOC Agenda Item No. 5

TO: Audit Oversight Committee Members

Recommended Action:

Recommend approval of Internal Audit Department's Revised Charter

The County's Internal Audit charter requires revision as a result of Board action which established the Internal Audit Department separate from the Auditor-Controller. Accordingly, the charter has been revised to reflect this change.

If approval is recommended by the AOC, the revised charter will be presented to the Board of Supervisors for approval.

ATTACHMENT(S):

Attachment A – Draft Internal Audit Department Charter

Attachment B – Draft Internal Audit Department Charter (redline)

DRAFT**COUNTY OF ORANGE
INTERNAL AUDIT DEPARTMENT
CHARTER****INTERNAL AUDIT DEPARTMENT MISSION**

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

The IAD supports and assists the Board and County management in the realization of their business goals and objectives. The IAD's 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.

PROFESSIONALISM AND DEFINITION OF INTERNAL AUDITING

The IAD will adhere to the mandatory guidance issued by the Institute of Internal Auditors (IIA), including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance describes the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit function's performance.

The IAD will adhere to County policies and the IAD's operational procedures. The IIA defines internal auditing as follows:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

INDEPENDENCE AND OBJECTIVITY

Independence is the fundamental principle that guides the reporting relationship of the internal auditor. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. The IAD will not implement internal controls, develop procedures, install or modify systems or prepare records, or engage in any activity that will impair judgment.

The IAD will remain free from interference including matters of audit selection, scope, procedures, frequency, timing, or report content to maintain independence and objectivity.

The Internal Audit Director (Director) will confirm to the Audit Oversight Committee (AOC), at least annually, the organizational independence of the internal audit function.

ORGANIZATIONAL REPORTING

The Director shall report directly to the Board and be advised by the AOC designated by the Board.

DRAFT**COUNTY OF ORANGE
INTERNAL AUDIT DEPARTMENT
CHARTER****AUDIT OVERSIGHT COMMITTEE**

The AOC is an advisory committee to the Board and provides oversight over the IAD, performance audit function, mandated audits, and external audit coverage. The AOC assists the Board in ensuring the independence of the internal audit function and that appropriate action is taken on audit findings. The AOC helps to promote and enhance effective internal controls for County operations, and serves as an important communication link between external auditors, internal auditors, and operating management.

The AOC will:

- Approve the IAD internal audit charter.
- Approve the annual Risk Assessment and Audit Plan.
- Receive communications from the Director on the IAD activity's performance relative to its plan and other matters.

OBJECTIVE AND SCOPE

The objective of internal auditing is to assist the Board, County Executive Officer, and County management in the effective discharge of their fiduciary responsibilities. To this end, internal auditing furnishes them with audits, analyses, evaluations, recommendations, counsel, and information concerning the activities reviewed. The audit objective includes promoting effective internal control at reasonable costs.

The scope of internal auditing encompasses the examination and evaluation of the adequacy of the County's system of internal control. The scope of internal auditing will include:

- Reviewing the reliability and integrity of financial and business information systems and the means used to identify, measure, classify, and report such information.
- Reviewing the systems and processes established to ensure compliance with those policies, plans, procedures, laws, and regulations that are fundamental to the operation of the County and could have a significant impact on operations and financial reports and disclosures.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.

The scope of internal auditing may include:

- Appraising the economy and efficiency with which resources are employed and reviewing operations and programs to determine whether results are consistent with established objectives and goals, and if operations or programs are being carried out as planned.

AUTHORITY AND RESPONSIBILITY

The responsibility of the IAD is to serve the County in a manner that is consistent with the Standards and with professional standards of conduct in the Code of Ethics of the Institute of Internal Auditors, Inc., as required by Government Code Section 1236.

DRAFT**COUNTY OF ORANGE
INTERNAL AUDIT DEPARTMENT
CHARTER**

In addition, when appropriate and necessary, and depending on the type of audit being conducted, the IAD follows the ethical and professional standards promulgated by the American Institute of Certified Public Accountants (AICPA), by the Information Systems Audit and Control Association (ISACA), and by the Government Accounting Office (GAO). In this context, the IAD is responsible for:

- Establishing policies for auditing and directing its technical and administrative functions.
- Developing and executing a comprehensive audit program for the evaluation of internal controls established over County financial and business activities.
- Assisting management in their stewardship of County resources and their compliance with established policies and procedures.
- Recommending improvements in the internal controls designed to safeguard County resources and to help ensure compliance with government laws and regulations.
- Reviewing procedures and accounting records for their completeness and accuracy to accomplish and report on intended objectives.
- Publishing reports on the results of audit examinations including recommendations for improvements in the internal control processes.
- Appraising the adequacy of actions taken by operating management to correct reported deficient conditions.
- Conducting special examinations and financial analyses.

INTERNAL AUDITOR ACCESS TO INFORMATION AND PERSONNEL

Except where prohibited by law, the Director and the IAD staff shall have complete and unrestricted access to all of the County's financial records, files, information systems, personnel, and properties. The Director shall promptly report in writing to the Chair of the AOC whenever significant barriers or resistance to access to information and personnel occurs. To protect legally confidential information, no internal audit report shall directly reference or quote confidential information that is protected.

Upon discovery of an audit involving potential or suspected financial fraud, the Director shall work with the County Counsel fraud hotline team and County Counsel for legal advice and coordination of efforts.

BOARD OF SUPERVISORS ACCESS TO INTERNAL AUDIT

The IAD reserves resources to accommodate Board requests. Individual Board members desiring specific audit projects shall place on the Board agenda their proposal for review and approval by Board majority. The Director reserves the right to determine how to best fit the directed review into the audit plan.

ANNUAL RISK ASSESSMENT & AUDIT PLAN

The Director shall be responsible for preparing an annual audit plan identifying the most productive and essential audit projects. The internal audit plan will include budget and resource requirements for the next fiscal year. The Director will communicate the impact of resource limitations and significant interim changes to the AOC. Once the AOC approves the audit plan, it will be presented to the Board for approval.

DRAFT**COUNTY OF ORANGE
INTERNAL AUDIT DEPARTMENT
CHARTER**

The internal audit plan will be developed based on a prioritization of audits using a risk-based methodology, including input from the Board, CEO, and County departments. The Director will review and adjust the plan in response to changes in the County's business, risks, operations, programs, systems, and controls. All deviations from the approved internal audit plan will be communicated to the AOC through quarterly status reports.

AUDIT REPORTING AND FOLLOW-UP

A written report will be prepared and issued by the Director or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will be communicated to the Board.

In accordance with the Standards, the Director shall establish a system to follow up on reported audit findings. The system established should include updated comments and recommendations as appropriate.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The IAD will maintain a quality assurance program and improvement program that covers all aspects of the internal audit function. The program will include an evaluation of the IAD's conformance with the Definition of Internal Auditing, Code of Ethics, and the Standards.

The Director will report the results of the IAD's quality assurance and improvement program, including external assessments to the AOC and Board.

EFFECTIVE DATE

This charter and the policies therein become effective immediately upon adoption by the Board of Supervisors of the County of Orange.

Date of Adoption: TBA

DRAFT

COUNTY OF ORANGE
~~AUDITOR-CONTROLLER~~ INTERNAL AUDIT ~~DIVISION~~ DEPARTMENT
 CHARTER

INTERNAL AUDIT ~~DIVISION~~ DEPARTMENT MISSION

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

~~We support~~ The IAD supports and ~~assist~~ assists the Board ~~of Supervisors~~ and County management in the realization of their business goals and objectives. ~~Our~~ The IAD's 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.~~

PROFESSIONALISM AND DEFINITION OF INTERNAL AUDITING:

The ~~A-C~~ IAD will adhere to the mandatory guidance issued by the Institute of Internal Auditors' Auditors (IIA), including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). ~~This mandatory guidance describes the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit function's performance.~~

~~A-C~~ The IAD will adhere to County policies and the ~~A-C~~ IAD's operational procedures. The IIA defines internal auditing as follows:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. ~~It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.~~

INDEPENDENCE AND OBJECTIVITY:

Independence is the fundamental principle that guides the reporting relationship of the internal auditor. ~~Internal auditors will have no direct operational responsibility or authority over any of the activities audited. The A-C/IAD will not implement internal controls, develop procedures, install or modify systems or prepare records, or engage in any activity that will impair judgment.~~

The ~~A-C~~ IAD will remain free from interference including matters of audit selection, scope, procedures, frequency, timing, or report content to maintain independence and objectivity.

The ~~A-C~~ IAD Internal Audit Director (Director) will confirm to the Audit Oversight Committee (AOC), at least annually, the organizational independence of the internal audit function.

~~ORGANIZATIONAL~~ ORGANIZATIONAL REPORTING:

The ~~A-C~~ IAD Director shall report directly to the ~~Auditor-Controller~~ Board and be advised by the AOC designated by the Board.

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COUNTY OF ORANGE
~~AUDITOR-CONTROLLER~~ INTERNAL AUDIT ~~DIVISION~~ DEPARTMENT
 CHARTER

AUDIT OVERSIGHT COMMITTEE:

The AOC is an advisory committee to the Board ~~of Supervisors~~ and provides oversight over the ~~A-C/IAD~~, performance audit function, mandated audits, and external audit coverage. - The AOC assists the Board in ensuring the independence of the internal audit function and that appropriate action is taken on audit findings. - The AOC helps to promote and enhance effective internal controls for County operations, and serves as an important communication link between external auditors, internal auditors, and operating management.

The AOC will:

- Approve the ~~A-C/IAD~~ internal audit cCharter.
- Approve the ~~risk-based internal audit plan~~ annual Risk Assessment and Audit Plan.
- Receive communications from the ~~A-C/IAD~~ Director on the ~~internal audit~~ IAD activity's performance relative to its plan and other matters.

OBJECTIVE AND SCOPE:

The objective of internal auditing is to assist the ~~Auditor-Controller~~, ~~Board of Supervisors~~, County Executive Officer, and ~~county~~ County management in the effective discharge of their fiduciary responsibilities. - To this end, internal auditing furnishes them with audits, analyses, evaluations, recommendations, counsel, and information concerning the activities reviewed. - The audit objective includes promoting effective internal control at reasonable costs.

The scope of internal auditing encompasses the examination and evaluation of the adequacy of the ~~county's~~ County's system of internal control. - The scope of internal auditing will include:

- Reviewing the reliability and integrity of financial and business information systems and the means used to identify, measure, classify, and report such information; ~~;~~
- Reviewing the systems and processes established to ensure compliance with those policies, plans, procedures, laws, and regulations that are fundamental to the operation of the County and could have a significant impact on operations and financial reports and disclosures; ~~;~~
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets; ~~;~~

The scope of internal auditing may include:

- Appraising the economy and efficiency with ~~how management employs~~ which resources are employed and reviewing operations and programs to determine whether results are consistent with established objectives and goals, and if operations or programs are being carried out as planned.

AUTHORITY AND RESPONSIBILITY:

The responsibility of ~~A-C/the~~ IAD is to serve the County in a manner that is consistent with the Standards ~~for the Professional Practice of Internal Auditing~~ and with professional standards of

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COUNTY OF ORANGE
~~AUDITOR-CONTROLLER~~ INTERNAL AUDIT ~~DIVISION~~ DEPARTMENT
 CHARTER

conduct in the Code of Ethics of the Institute of Internal Auditors, Inc., as required by Government Code Section 1236.

In addition, when appropriate and necessary, and depending on the type of audit being conducted, ~~A-C/the~~ IAD follows the ethical and professional standards promulgated by the American Institute of Certified Public Accountants (AICPA), by the Information Systems Audit and Control Association (ISACA), and by the Government Accounting Office (GAO). ~~In this context, A-C/the~~ IAD is responsible for:

- Establishing policies for auditing and directing its technical and administrative functions;
- Developing and executing a comprehensive audit program for the evaluation of internal controls established over ~~county~~ County financial and business activities;
- Assisting management in their stewardship of ~~county~~ County resources and their compliance with established policies and procedures;
- Recommending improvements in ~~the~~ internal controls designed to safeguard ~~county~~ County resources and to help ensure compliance with government laws and regulations;
- Reviewing procedures and accounting records for their completeness and accuracy to accomplish and report on intended objectives;
- Publishing reports on the results of audit examinations including recommendations for improvements in the internal control processes.
- Appraising the adequacy of actions taken by operating management to correct reported deficient conditions; ~~and~~
- Conducting special examinations and financial analyses.

INTERNAL AUDITOR ACCESS TO INFORMATION AND PERSONNEL:

Except where prohibited by law, the ~~A-C/IAD~~ Director and the IAD staff ~~of the internal audit division~~ shall have complete and unrestricted access to all of the County's financial records, files, information systems, personnel, and properties. ~~The A-C/IAD~~ Director shall promptly report in writing to the Chair of the AOC whenever significant barriers or resistance to access to information and personnel occurs. ~~To protect legally confidential information, no internal audit report shall directly reference or quote confidential information that is protected.~~

Upon ~~referral~~ discovery of an audit involving potential or suspected financial fraud, ~~The A-C/IAD~~ the Director shall work with the County Counsel fraud hotline team and County Counsel for legal advice and coordination of efforts.

DRAFT

COUNTY OF ORANGE
~~AUDITOR-CONTROLLER~~ INTERNAL AUDIT ~~DIVISION~~ DEPARTMENT
 CHARTER

BOARD OF SUPERVISORS' ACCESS TO INTERNAL AUDIT:

~~A-C/The~~ IAD reserves resources to accommodate Board ~~of Supervisors~~ requests. ~~Individual board~~ Board members desiring specific audit projects shall place on the Board agenda their proposal for review and approval by Board majority. ~~The Auditor-Controller and A-C/IAD~~ Director ~~reserves~~ reserves the right to determine how to best fit the directed review into the audit plan.

ANNUAL RISK ASSESSMENT & AUDIT PLAN:

The ~~A-C/IAD~~ Director shall be responsible for preparing an annual audit plan identifying the most productive and essential audit projects. ~~The internal audit plan will include budget and resource requirements for the next fiscal year. The A-C/IAD Director will communicate the impact of resource limitations and significant interim changes to the AOC. Once the AOC approves the audit plan, the audit plan~~ it will be approved by presented to the Board ~~of Supervisors for approval.~~

The internal audit plan will be developed based on a prioritization of audits using a risk-based methodology, including input from the Board ~~of Supervisors~~, CEO, and County departments ~~/agencies.~~ The ~~A-C/IAD~~ Director will review and adjust the plan in response to changes in the County's business, risks, operations, programs, systems, and controls. ~~All deviations from the approved internal audit plan will be communicated to the AOC through quarterly status reports.~~

AUDIT REPORTING AND FOLLOW-UP:

A written report will be prepared and issued by the ~~A-C/IAD~~ Director or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. ~~Internal audit results will be communicated to the Board of Supervisors.~~

In accordance with the Standards ~~for the Professional Practice of Internal Auditing, the A-C/IAD,~~ the Director shall establish a system to follow up on reported audit findings. ~~The system established should include updated comments and recommendations as appropriate.~~

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM:

The ~~A-C/IAD~~ will maintain a quality assurance program and improvement program that covers all aspects of the internal audit function. ~~The program will include an evaluation of the A-C/IAD's conformance with the Definition of Internal Auditing, Code of Ethics, and the Standards.~~

The ~~A-C/IAD~~ Director will report the results of ~~A-C/the~~ IAD's quality assurance and improvement program, including external assessments to the AOC and Board ~~of Supervisors.~~

EFFECTIVE DATE:

This charter and the policies therein become effective immediately upon adoption by the Board of Supervisors of the County of Orange.

Date of Adoption: ~~July 12, 2016~~ TBA



Memorandum

December 6, 2018

AOC Agenda Item No. 6

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.



Memorandum

December 6, 2018

AOC Agenda Item No. 7

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Mandated Audits

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



Memorandum

December 6, 2018

AOC Agenda Item No. 8

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Performance Audits

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

FY 2018-19
RECOMMENDED PERFORMANCE AUDITS

The FY 2018-19 Adopted Budget includes \$802,765 for the cost of performance audits performed by third party consultants. The list of qualified consultants was established on [insert date]. Selection of consultants to perform the work associated with the recommended performance audits will be conducted through the Request for Proposals process with responses coming from only previously qualified vendors.

Department	Scope Summary
Follow-Up Audits http://www.ocgov.com/about/openoc/opad_reports Link to previous reports	
CEO Risk Management	A performance audit of CEO Risk Management was conducted in 2012. Since that time Risk Management has implemented the recommendations associated with the audit findings. Another audit is requested to identify recommendations for further improvement.
OC Sheriff's Department	In 2008, a performance audit was conducted of the overtime usage in the Sheriff's Department. The cost of overtime continues to be of concern. A follow up audit of overtime expenditures in the Sheriff's main operating budget and Court Security budget is recommended to identify the reasons for the increasing cost of overtime and to identify recommendations for reducing overtime costs without increasing the number of positions within the department.
CEO Human Resources	A performance audit of CEO Human Resources was conducted in 2012 resulting in 50 findings and recommendations. Due to several changes in leadership in Human Resources since 2012, and considering the Chief Human Resources Officer position is currently vacant, now is the time to conduct another performance audit to determine the status of the 50 recommendations, revisit them for relevance if not already implemented, and to identify other recommendations for improvement.

Department	Scope Summary
New Audits	
CEO Information Technology	The County of Orange has a large number of IT projects managed by OCIT project managers. The existing project management software is no longer adequate for proper tracking of the County's numerous IT projects. Consultant services are requested to assess the current need and to obtain a recommendation for a new project management tool. The FY 2018-19 budget includes \$250K for a new project management tool; however, an assessment is required first to ensure effective use of the \$250K.
Clerk of the Board	The Clerk of the Board provides direct support to the Board of Supervisors with limited resources. Consultant services are requested to review current operations, policies, practices, and procedures to identify any areas for improvement, streamlining, enhanced efficiencies, etc. that will allow the department to operate at maximum efficiency within the existing resources.



Memorandum

December 6, 2018

AOC Agenda Item No. 9

TO: Audit Oversight Committee Members

Recommended Action:

Approve Internal Audit Department's FY 2018-19 1st Quarter Status Report and approve Executive Summary of Internal Audit Reports for the Quarter Ended September 30, 2018

These reports are provided as a standing agenda item for the AOC to compare the approved 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. New columns have been added to assist the AOC's tracking of follow-up audits (follow-up audit number and follow-up due date).

Executive Summary of Internal Audit Reports. This report provides a summary of audits and follow-up audits within the reporting period including a breakdown of report item classifications. Additionally, a summary of draft reports issued for the period is provided in Appendix A.

ATTACHMENT(S):

Attachment A – Quarterly Status Report

Attachment B – Executive Summary of Internal Audit Reports



Internal Audit Department
1st Quarter Status Report for the Audit Oversight Committee
For the Quarter Ended 9/30/18
AOC Meeting Date: December 6, 2018

Attachment A

Audit Category and Name ^{1,2,3}	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan					Est Remain	(Under) Budget	FU Due	FU Number	Milestones & Comments ⁴		
				Total Budget	Actuals To Date	Budget	Changes	Revised Budget	#1	#2						#3	#4
Internal Control Audits (ICA)																	
OCIT Contract Administration (FY 2017-18 carryover)	1624					400		400			0	400	0			Not started	
OCIT Internal Service Fund Billing Rates to County Departments (FY 2017-18 carryover)	1627	11/08/16				0		0			0	0	0			In progress	
OCCR/Dana Point Harbor Procurement (FY 2017-18 carryover)	1628					400		400			0	400	0			Not started	
HCA/Public Guardian Procurement/Contract Administration (FY 2017-18 carryover)	1631	6/23/17			1,050	482	100	50	150	133	133	17	0			Draft report issued 9/27/18; response due 11/27/18	
OCSD Billing of Law Enforcement Services to OC DPH & JWA (FY 2017-18 carryover)	1632	4/16/18			575	43	400		400	23	23	377	0			In progress	
Countywide Accounts Receivable Controls (FY 2017-18 carryover)	1729	5/23/18			500	120	400		400	54	54	346	0			In progress	
CEO/Real Estate Procurement/Contract Administration (FY 2017-18 carryover)	1730	5/02/18			320	245	200		200	147	147	53	0			In progress	
OCIT Capital Assets (FY 2017-18 carryover)	1732					400		400			0	400	0			Not started	
OCPW Billing of Public Works Services to County Departments (FY 2017-18 carryover)	1734	9/13/17			440	290	200		200	71	71	130	0			In progress	
A-C Disbursements	1811					400		400			0	400	0			Not started	
HCA Payroll	1812	9/20/18				400		400	6		6	394	0			In progress	
OCCR Payroll	1813	9/20/18				400		400	6		6	394	0			In progress	
SSA Payroll	1814	9/20/18				400		400	5		5	395	0			In progress	
OCCR Animal Care Cash Receipts	1815					400		400			0	400	0			Not started	
Follow-Up Audits (FY 2017-18 carryover)	1735					220		220	194		194	26	0				
OC Dana Point Harbor Fund 108 (1423)	1735-B	6/27/18	7/30/18											1/31/19	1839-J	Completed; final report issued 7/30/18	
Sheriff Special Revenue Funds (1520)	1735-C															Not started; follow-up form received	
CEO Procurement/Contract Administration (1521)	1735-E															Not started; follow-up form due 10/31/18	
T-TC Electronic Funds Transfers Process (1583)	1735-H	4/16/18	8/30/18											2/28/19	1839-M	Completed; final report issued 8/30/18	
OCIT ISF Billing Rates (1627)	1735-I															Not started; pending 1627 completion	
ROV Countywide Audit of New Travel & Meeting Policy Implementation (1626-F)	1735-J	7/18/18	9/27/18											NA	NA	Completed; final (close-out) report issued 9/26/18	
SSA Revolving Cash Funds (1633)	1735-K	6/26/17	9/07/18											3/30/19	1839-N	Completed; final report issued 9/07/18	
Countywide Fiduciary Funds - Clerk-Recorder (1519)	1735-N	5/21/18	7/30/18											NA	NA	Completed; final (close-out) report issued 7/30/18	
Countywide Fiduciary Funds - Probation (1519)	1735-O	11/07/17	7/30/18											NA	NA	Completed; final (close-out) report issued 7/30/18	
First Follow-Up Audits	1839					610		610	28		28	582	0				
CEO Countywide Audit of New Travel & Meeting Policy Implementation (1626-A)	1839-A															Not started; follow-up form received	
OCPW Countywide Audit of New Travel & Meeting Policy Implementation (1626-B)	1839-B															Not started; follow-up form received	
Assessor Countywide Audit of New Travel & Meeting Policy Implementation (1626-C)	1839-C															Not started; follow-up form due 12/28/18	
A-C Countywide Audit of New Travel & Meeting Policy Implementation (1626-D)	1839-D															Not started; follow-up form due 12/28/18	
COB Countywide Audit of New Travel & Meeting Policy Implementation (1626-E)	1839-E															Not started; follow-up form due 10/31/18	
OCSD Countywide Audit of New Travel & Meeting Policy Implementation (1626-H)	1839-F															Not started; follow-up form due 10/31/18	
SSA Countywide Audit of New Travel & Meeting Policy Implementation (1626-I)	1839-G															Not started; follow-up form due 3/30/19	
SSA ResCare (1625)	1839-H	7/18/18	9/26/18											NA	NA	Completed; final (close-out) report issued 9/26/18	
Second Follow-Up Audits	1839																
OCSD Fiduciary Funds (1519/1735-P)	1839-I															Not started; follow-up form received	
OCCR Fund 108 (1423/1735-B)	1839-J															Not started; follow-up form due 1/31/19	
OCWR Cash Handling (1525/1735-G)	1839-K															Not started; follow-up form received	
CEO Fiduciary Funds (1519/1735-Q)	1839-L															Not started; follow-up form due 12/28/18	
T-TC Electronic Funds Transfers Process (1583/1735-H)	1839-M															Not started; follow-up form due 2/28/19	
SSA Revolving Cash Funds (1633/1735-K)	1839-N															Not started; follow-up form due 3/30/19	
Summary Close-Out							21	21	21		21	0	0	3/30/19	1839-G	Completed. Final report issued: SSA Travel & Meeting (1626-I)	
Total Internal Control Audits						5,330	71	5,401	688	0	0	0	688	4,714	0		
Information Technology Audits (IT)																	
HCA/Public Guardian E-Pages System Implementation (FY 2017-18 carryover)	1645	10/25/17				50		50	9		9	41	0			In progress	
TTC Sungard/Quantum upgrade (Department Request) (FY 2017-18 carryover)	1647	6/12/17				50		50	11		11	40	0			In progress	
A-C/IT General Controls (FY 2017-18 carryover)	1741	10/23/17				50	160	210	194		194	17	0			Draft report issued 9/26/18; response due 11/26/18	
PTS System Implementation (FY 2017-18 carryover)	1754	7/01/18				100		100	18		18	83	0			In progress	
C-R Inter-County Access	1840	8/08/18				400		400	266		266	135	0			In progress	
Probation Compliance	1841					400		400	5		5	396	0			Not started	
Cybersecurity	1842	7/01/18				50		50	5		5	45	0			In progress	
Continuous Auditing R&D	1843	7/01/18				100		100			0	100	0			In progress	
Assessor IT General Controls	1844	8/01/18				400		400	84		84	316	0			In progress	
IT Assistance w/ICAs						140		140			0	140	0			In progress	
Follow-Up Audits (FY 2017-18 carryover)	1748					320		320			0	320	0				
CEO/IT General Controls (1644)	1748-A															Not started	
First Follow-Up Audits:	1859					100		100			0	100	0				
A-C IT General Controls (1741)	1859-A															Not started	
Summary Close-Out								0			0	0	0				
Total Information Technology Audits						2,160	160	2,320	590	0	0	0	590	1,731	0		



Internal Audit Department
1st Quarter Status Report for the Audit Oversight Committee
For the Quarter Ended 9/30/18
AOC Meeting Date: December 6, 2018

Attachment A

Audit Category and Name ^{1,2,3}	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan										FU Due	FU Number	Milestones & Comments ⁴	
				Total Budget	Actuals To Date	Budget	Changes	Revised Budget	(Per AOC Reports - Not Cumulative)					Est Remain	(Under) Budget				
									#1	#2	#3	#4	Total						
Other Activities & Administration																			
Annual Risk Assessment & Audit Plan	1801					400	0	400					0	400	0		Not started		
Cash Losses	1802					100	0	100					0	100	0		In progress		
Fraud Hotline	1803					400	0	400					0	400	0		In progress		
External Audit Reporting	1804					300	0	300	93				93	207	0		In progress		
On-Demand Department Advisory Services	1805					200	0	200	10				10	190	0		In progress		
Special Projects	1806					1,000	0	1,000					0	1,000	0		In progress		
Board & AOC Services	1807					200	0	200	8				8	192	0		In progress		
Total Other Activities & Administration						2,600	0	2,600	111	0	0	0	111	2,489	0				
Reserve for Board Directives/Contingency	1808					1,123	(231)	892	21				21	871	0		Completed. Final reports issued: Sunset Aquatic Park (1738), Ocean Institute 1FU (1740-B), Mile Square Golf 1FU (1740-E)		
Total Budget						11,213	0	11,213	1,409	0	0	0	1,409	9,804	0				
						Footnote 5		Footnote 6											

Footnotes

1. The mission of the Internal Audit Department (IA) is to provide highly reliable, independent, objective evaluations and business and financial consulting services to the Board of Supervisors (Board) and County management to assist them with their important business and financial decisions. The director of Internal Audit shall report directly to the Board and be advised by the Audit Oversight Committee (AOC) designated by the Board. The director of Internal Audit and staff shall have complete and unrestricted access to all of the County's financial records, files, information systems, personnel, and properties, except where prohibited by law. The AOC is an advisory committee to the Board and provides oversight of IA and the external auditors. The scope of IA shall include reviews of the reliability and integrity of financial, compliance, property and business systems, and may include appraising the efficiency and effectiveness of operations and the achievement of business and program goals and
2. IA generates several different types of reports including audit reports, summary reports, and status reports. In addition, IA undertakes several different projects including audits of 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. IA also assists the CEO, as authorized by the AOC, by facilitating meetings, preparing summary reports and providng staff resources for technical assistance.
3. The annual Audit Plan is subject to change for such events where the director of Internal Audit or Board majority assesses if it is warranted, to substitute, postpone, or cancel a scheduled audit due to timing, priority, resource, or risk considerations. Such modifications will be noted in the Milestones & Comments section of this Quarterly Status Report for review by the AOC. **The acceptance of the Quarterly Status Report by the AOC authorizes both the content herein and any changes noted.** During the course of the year, the director of Internal Audit has discretion to research issues of interest to members of the Board, AOC, or County management and provide them with Technical Assistance. When charged, these projects will be directed either to Technical Assistance or to a separate project. Assistance of this nature generally involves between 10 and 80 hours and results are communicated through discussions, memos, or a written report for public distribution.
4. For purposes regarding fiscal year-end reporting, we consider assignments completed (**Completed**) as of the official release of a completed pre-draft or draft audit report to the department head, and are shown as such in our Milestones & Comments column of this Quarterly Status Report.
5. The FY 2018-19 Annual Audit Plan of 11,213 hours is based on 7,490 direct hours to be provided by 7 auditors, 3 Senior Audit Managers, and 1 Assistant Director plus 2,600 hours for other activities and administration and 1,123 hours reserved for board directives/contingency. The direct hours exclude time charges for vacation, sick leave, holidays, training, administrative time, and other time not directly charged to an audit. This approach and percentage are within industry standards/benchmarks.
6. The Audit Plan has not required any budget adjustment as of 9/30/18.

INTERNAL AUDIT DEPARTMENT
EXECUTIVE SUMMARY – REPORT ITEM CLASSIFICATIONS
FOR THE QUARTER ENDED SEPTEMBER 30, 2018

CATEGORY	ISSUED THIS PERIOD	ISSUED FOR FY 2018-19
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.	2	2
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.	3	3
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.	4	4
TOTAL	9	9



EXECUTIVE SUMMARY
INTERNAL AUDIT REPORTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2018

OC COMMUNITY RESOURCES

1. Revenue Generating Lease Audit: OC Community Resources/OC Parks – Sunset Aquatic Park, Ltd., dba Sunset Aquatic Marina

Audit No. 1738 dated August 6, 2018 for the year ended December 31, 2017

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Determine whether Sunset Aquatic Marina's records adequately supported its monthly gross receipts remitted and reported to the County.	We found that, in general, Sunset Aquatic Marina's records adequately supported its monthly gross receipts remitted and reported to the County.	None	3
2. Determine whether Sunset Aquatic Marina complied with certain other financial provisions of the Agreement, such as financial statements and monthly gross receipts statement format.	We found that Sunset Aquatic Marina is generally in compliance with certain other financial provisions of the Agreement.		
3. Identify any internal control weaknesses noted while performing the audit, and provide suggestions for improvement.	We noted one area for improving internal control.		



AUDIT REPORTS (CON'T)

SOCIAL SERVICES AGENCY

2. Internal Control Audit: Countywide Audit of County Business Travel and Meeting Policy – Social Services Agency

Audit No. 1626-I dated September 7, 2018 for the year ended June 30, 2017

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.	Two (2) Critical Control Weaknesses <ol style="list-style-type: none"> 1. SSA was not properly completing reconciliations of a revolving cash fund which resulted in an unreconciled/unaccounted for amount of approximately \$47,000. 2. When outlying revolving fund locations were seeking reimbursement from the SSA main fund for cash disbursements, the main fund custodian was writing checks payable to "cash". Three (3) Significant Control Weaknesses <ol style="list-style-type: none"> 1. The revolving fund custodian accepted cash repayments. 2. Non-compliant timing of expense claim submittal. 3. Cash advances issued to employees with outstanding travel cash advances. 	1
2. Determine whether expenditures are made in compliance with the County policy.	We found that expenditures are generally made in compliance with County policy.		
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.		



EXECUTIVE SUMMARY
INTERNAL AUDIT FOLLOW-UP REPORTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2018

CLERK-RECORDER**3. Second & Final Close-Out Follow-Up Countywide Audit of Fiduciary Funds: Clerk-Recorder**

Audit No. 1735-N (Reference 1519-F2) dated July 30, 2018 as of April 30, 2018; original audit dated April 21, 2016.

ORIGINAL AUDIT – 4 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
None	4	4	0	NA

OC COMMUNITY RESOURCES**4. First Follow-Up Internal Control Audit: OC Dana Point Harbor Special Revenue Fund 108 Selected Processes & Controls**

Audit No. 1735-B (Reference 1423-F1) dated July 30, 2018 as of March 31, 2018; original audit dated April 24, 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	
None	8	7	1	Recommendation No. 5 (Control Finding). OCCR has assigned the responsibility of monitoring Fund 108 journal vouchers prior to posting to a Budget Analyst; however, written policies and procedures have not yet been established.



FOLLOW-UP AUDIT REPORTS (CON'T)

OC COMMUNITY RESOURCES (CON'T)

5. First Follow-Up Revenue Generating Lease Audit: OC Community Resources/OC Parks – Ocean Institute

Audit No. 1740-B (Reference 1532-F1) dated July 27, 2018 as of March 31, 2018; original audit dated May 1, 2017.

ORIGINAL AUDIT – 10 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	10	7	3*	<p>Recommendation No. 1 (Control Finding). Ocean Institute has not provided documents to determine if any additional rent for the months not included in the audit sample are owed to the County. OCCR indicated that OCCR Accounting, the Harbor Manager, and Ocean Institute personnel are still working on this matter.</p> <p>Recommendation No. 4 (Control Finding). Ocean Institute still uses cash drawers that are part of the QuickBooks POS system. The Z-close out tapes from these devices are not numbered and the cash drawers of the QuickBooks do not lock in total sales, which is an important control in determining the completeness of reported sales receipts.</p> <p>Recommendation No. 8 (Control Finding). The Chief Financial Officer of Ocean Institute indicated that they follow generally accepted accounting principles regarding revenue recognition, indicating they will not report deposits as gross receipts until the event for which the deposit was collected occurs.</p>

*OCCR has advised they will be responsible for following up on the implementation of the remaining three (3) Control Findings. Accordingly, Internal Audit will not perform a second follow-up audit.



FOLLOW-UP AUDIT REPORTS (CON'T)

OC COMMUNITY RESOURCES (CON'T)

6. First and Final Close-Out Follow-Up Revenue Generating Lease Audit: OC Community Resources/OC Parks – Mile Square Golf

Audit No. 1740-E (Reference 1637-F1) dated July 26, 2018 as of April 30, 2018; original audit dated August 28, 2017.

ORIGINAL AUDIT – 7 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
2	5*	2	0	NA
<p>One (1) Critical Control Weakness The minimum annual rent was incorrect due to rent calculation errors. The Agreement requires MSGC to pay either the minimum annual rent or percentage rent, whichever is greater. Due to the factors mentioned below, MSGC underpaid the County a total of \$2,994,238 for the period July 1, 2001 through December 31, 2016.</p> <p>One (1) Significant Control Weakness OC Parks Real Estate did not revise MSGC's security deposit as required by the Agreement.</p>				

*OCCR will be responsible for following up on the implementation of recommendations for the five (5) Control Findings. This report includes the status of OCCCR's actions taken to implement recommendations for the one (1) Critical Control Weakness and the one (1) Significant Control Weaknesses.



FOLLOW-UP AUDIT REPORTS (CON'T)

PROBATION DEPARTMENT

7. Second & Final Close-Out Follow-Up Countywide Audit of Fiduciary Funds: Probation Department

Audit No. 1735-O (Reference 1519-F2) dated July 30, 2018 as of May 31, 2018; original audit dated May 4, 2016.

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	
1	4	5	0	NA
One (1) Significant Control Weakness Probation has not established subsidiary records for Funds 346 and 2AE, and monthly reconciliations are not performed.				

REGISTRAR OF VOTERS

8. First & Final Close-Out Follow-Up Internal Control Audit: Countywide Audit of County Business Travel and Meeting Policy – Registrar of Voters

Audit No. 1735-J (Reference 1626-F-F1) dated September 27, 2018 as of June 30, 2018; original audit dated December 5, 2017.

ORIGINAL AUDIT – 6 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	
0	6	6	0	NA



FOLLOW-UP AUDIT REPORTS (CON'T)

SOCIAL SERVICES AGENCY

9. First Follow-Up Internal Control Audit Social Services Agency Revolving Cash Funds

Audit No. 1735-K (Reference 1633-F1) dated September 7, 2018 as of March 31, 2018; original audit dated May 30, 2017.

ORIGINAL AUDIT – 7 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
<p style="text-align: center;">1</p> <p>One (1) Critical Control Weakness</p> <p>In the CalWIN System, there were 13 “superusers” and 489 users with a “golden” profile. These profiles, 502 in total, have the ability to perform all five key benefit issuance functions. Key duties need to be segregated to ensure only appropriate benefit payments are issued.</p>	6	6	1	<p>Recommendation No. 1 (Critical Control Weakness). Regarding performing audits according to its Quarterly Audit Processing Guide, SSA is in the process of completing audits for the first quarter of 2018, January through March 2018, and the second quarter of 2018, April through June 2018.</p>

10. First & Final Close-Out Follow-Up Internal Control Audit: Social Services Agency ResCare Workforce Services Contract Oversight and CalWORKs Disbursements

Audit No. 1839-H (Reference 1625-F1) dated September 26, 2018 as of June 30, 2018; original audit dated April 30, 2018.

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	
NA	1	1	0	NA



FOLLOW-UP AUDIT REPORTS (CON'T)

TREASURER-TAX COLLECTOR

11. First Follow-Up Internal Control Audit: Electronic Funds Transfer Process – Treasurer-Tax Collector

Audit No. 1735-H (Reference 1583-F1) dated August 30, 2018 as of July 31, 2018; original audit dated June 13, 2017.

ORIGINAL AUDIT – 9 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	
<p>3</p> <p>Two (2) Critical Control Weaknesses Due to the sensitive nature of the findings, details have been redacted from this report.</p> <p>One (1) Significant Control Weakness Due to the sensitive nature of the finding, details have been redacted from this report.</p>	6	6	3	<p>Recommendation No. 1 (Critical Control Weakness). Due to the sensitive nature of the finding, details have been redacted from this report.</p> <p>Recommendation No. 3 (Significant Control Weakness). Due to the sensitive nature of the finding, details have been redacted from this report.</p> <p>Recommendation No. 7 (Control Finding). Due to the sensitive nature of the finding, details have been redacted from this report.</p>



EXECUTIVE SUMMARY
APPENDIX A: DRAFT REPORTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2018

The following draft reports were issued during the reporting period:

1. **Internal Control Audit: Health Care Agency/Public Guardian**, Audit No. 1631 (management response due November 27, 2018)
2. **Information Technology Audit: Auditor-Controller Information Technology General Controls**, Audit No. 1741 (management response due November 26, 2018)





Memorandum

December 6, 2018

AOC Agenda Item No. 10

TO: Audit Oversight Committee Members

Recommended Action:

Approve Quarterly External Audit Activity Status Report for the Quarter Ended September 30, 2018

Pursuant to Audit Oversight Committee Administrative Procedure Number 2, Reporting on External Audits, County departments are required to communicate the status of all third party audits, including any significant audit findings identified, to Internal Audit on a quarterly basis. The procedure was established to keep the 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 September 30, 2018, no Material Issues were reported. Please see the Executive Summary for details.

ATTACHMENT(S):

Attachment A – Executive Summary of External Audit Activity

Attachment B – External Audit Activity Quarterly Status Report

EXECUTIVE SUMMARY OF EXTERNAL AUDIT ACTIVITY

For the Quarter Ended 09/30/18

<u>SUMMARY ACTIVITY</u>	
Total Audits Prior Quarter (06/30/18)	101
Additions: In Progress	15
Planned	32
Started and Completed	2
Deletions: Canceled	1
Completed	18
Removed	<u>6</u>
Total Audits Current Quarter (09/30/18)	<u>125</u>
(In Progress, Planned, and/or Completed this Quarter)	

Results for the Quarter:

Audits Completed, Canceled and to be Removed Next Quarter **10**

New Findings/Issues Reported by the Departments **0**

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

EXTERNAL AUDIT ACTIVITY
Quarterly Status Report
1st Quarter FY 18-19 (9/30/18)

Results:

No material issues were reported to the Internal Audit Department this quarter.

The schedule below identifies the status of external audits as of 9/30/18, 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 September 30, 2018	Significant Findings
Assessor		No audits in progress.						
Auditor-Controller	Financial Reporting	Vavrinek, Trine, Day & Co.	Comprehensive Annual Financial Report (CAFR)	Annual	6/30/2017	Annual Financial GAAP Audit	In progress.	
		Vavrinek, Trine, Day & Co.	Appropriations Limit (GANN) County and Flood	Annual	6/30/2017	Agreed-Upon Procedures	In progress.	
		Vavrinek, Trine, Day & Co.	Single Audit	Annual	6/30/2017	Uniform Guidance Expenditures of Federal Assistance	In progress.	
Child Support Services		Office of Child Support Enforcement (OCSE)	2018 Federal Data Reliability Audit	Every 3 Years	10/16	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 29.	Planned.	
		Department of Child Support Services (DCSS)	Annual Performance Review (2018 Federal Self-Assessment Review))	2018 Annual	2017	Program Administration and Expedited Process components of Annual Compliance Review; Case Review components of Annual Compliance Review	Planned.	To be removed next quarter.

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 September 30, 2018	Significant Findings
Clerk of the Board of Supervisors		No audits in progress.						
County Clerk-Recorder	Information Systems	Lawrence R. Halme	SECURE: Modified System Audit	As Needed	03/18	Review substantive changes to the SECURE Multi-County ERDS system for compliance with the CA Attorney General ERDS certified system requirements.	Planned.	
		Lawrence R. Halme	SECURE: Biennial Audit	June 2016 to June 2018; Biennial	10/16	1) Assessing the safety of the system; 2) Verifying that the system is secure from vulnerabilities and unauthorized penetration; 3) Ensuring ERDS operating procedures are in place and are being followed; 4) validating that ERDS have no capability to modify, manipulate, insert, or delete information in the public record.	Planned.	
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 September 30, 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	No audits in progress.						
District Attorney		CA Office of Emergency Services	Violence Against Women Vertical Prosecution Program	FY 15/16 Annually	5/15	Compliance Review	In progress.	
		Department of the Treasury	Treasury Equitable Sharing	FY 14-15 to FY 16-17	Unknown	Compliance Review	In progress.	
		Vavrinek, Trine, & Day, LLP	Insurance Fraud Programs for Workers' Compensation, Automobile, Disability & Healthcare & Supplemental	FY 17/18 Annual	FY 16-17	Program Audit	In progress.	
		CA Department of Insurance (CDI)	Insurance Fraud Programs for Workers' Compensation, Automobile, Disability & Healthcare & Supplemental, Life & Annuity Consumer Protection	FY 15/16 - FY 16/17 Bi-Annual	FY 16-17	Program Audit	In progress.	
		Office of Traffic Safety	Alcohol and Drug Impaired Driver Vertical Prosecution Program	FY 17/18 Annual	FY 16-17	Performance Review	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 September 30, 2018	Significant Findings
Health Care Agency	Administration	Vavrinek, Trine, Day & Co.	Tobacco Settlement Revenue-Measure H	FY 17/18 Annual	FY 16/17	Ensure funding allocations are in compliance with Measure H	Planned.	
	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	Juvenile Hall and Camps	FY 17/18 Annual	FY 16/17	Healthcare program - ensure compliance with Title 15	In progress.	
		Department of Justice	Theo Lacy, James Musick, and Central Jail Complex	FY 17/18 Varies	FY 15/16	Healthcare services for all adult facilities	In progress.	
		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	In progress.	
		Environmental Health -- Title 15 Audit	Theo Lacy, James Musick, and Central Jail Complex	FY 17/18 Annual	FY 16/17	Ensure compliance with Title 15	In progress.	
		Vaccines for Children (VFC)	Juvenile Hall, Camps, and Orangewood	FY 17/18 Varies	FY 16/17	Vaccine program	Planned.	Audit not performed. To be removed next quarter.
		Juvenile Detention Alternatives Initiative	Juvenile Hall and Camps	2018 Every 3 Years	FY16/17	Healthcare program	Planned.	Audit not performed. To be removed next quarter.
		Community Care Licensing	Orangewood Children and Family Center	TBD, Annually	03/18	State Licensing Compliance	Planned.	
		Disability Rights of California	Theo Lacy, James Musick, and Central Jail Complex	FY 17/18 TBD	N/A	Healthcare services for all adult facilities	In Progress	
		State of California/Department of Justice/Office of the Attorney General	Theo Lacy, James Musick, and Central Jail Complex	FY 17/18 TBD	N/A	Healthcare services for all adult facilities	In Progress	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of September 30, 2018	Significant Findings
Health Care Agency (continued)	Behavioral Health	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 18/19 Annual	FY 17/18	Review the cost funded by the SAPT Block Grant, QFFMR, and ADAS Cost Report; County/State Contract	Planned.	
		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 Department of Health Care Services contracted External Quality Review Organization (EQRO)	Mental Health Plan	FY 18/19 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 10/11 Annual	FY 09/10	An audit of SB 90 Consolidated SED and HDS cost Claims filed for FY 10/11	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of September 30, 2018	Significant Findings
Health Care Agency (continued)	Behavioral Health (continued)	State Department of Health Care Services	Mental Health Cost Report; Short-Doyle/Medi-Cal Cost Report	FY 11/12 Annual	FY 10/11	Adjusting Short Doyle Medi-Cal units of service/time, the distribution of administrative costs between Medi-Cal and non-Medi-Cal, the distribution of utilization review costs between Medi-Cal and non-Medi-Cal, crossover revenues, contract maximums, and the overall accuracy of computations in the cost report	Planned.	
		State Department of Health Care Services	Mental Health Cost Report; Short-Doyle/Medi-Cal Cost Report	FY 12/13 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 September 30, 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. Also, 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 FY 15-16.	Planned.	
		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.	To be removed next quarter since this is a duplicate of the above audit.
		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.	
		State of California Department of Alcohol and Drug Programs	Alcohol and Drug Abuse Services' Substance Abuse Prevention and Treatment (SAPT) Block Grant	FY 11/12 Annual	FY 09/10	Review the cost funded by the SAPT Block Grant, QFFMR, and ADAS Cost 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 September 30, 2018	Significant Findings
Health Care Agency (continued)	Behavioral Health (continued)	California Health Policy Strategies, LLC	Mental Health Services Act/Prop 63	One-time	N/A	Performance Audit and Evaluation of MHSA/Prop 63's: funding and how they are utilized and allocated; performance outcome and how they compare statewide and against other comparable counties	In progress.	
		Board of State and Community Corrections	Prop 47 Grant	6/16/17-8/15/20, TBD	N/A	Ensure compliance with grant funding and was an opportunity to gain greater insight on the service delivery model, ask questions, and meet the many individuals involved with the implementation of the grant.	In progress.	
	Regulatory / Medical Services	California Emergency Management Agency (Cal EMA)	Health Disaster Management - State Homeland Security Funds; HCA is subrecipient through OCSD	GY 2006; Varies	N/A	Compliance field review - Grant Year 2006, 2007 and 2008 Note: OCSD is the lead on this audit and is coordinating all findings and responses	Draft report issued 2/2/12.	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).

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of September 30, 2018	Significant Findings
Health Care Agency (continued)	Regulatory / Medical Services (continued)	California Department of Public Health, Office of Compliance - Grant Compliance	Public Health Emergency Preparedness (PHEP) and Hospital Preparedness Program (HPP) Grant	FY 15/16	N/A	Review of compliance with grant agreement focused on expenditures and payments, and grant funds did not supplant existing State and local funding.	In progress.	
	Public Health	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.	
		DHCS Audits & Investigations - Targeted Case Management	Public Health Nursing - TCM Program Financial Audit of the TCM Cost Report	FY 12/13, Annually	2018	Targeted Case Management claiming	Planned.	
		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.	
		HRSA	Ryan White Part C	FY16/17	FY12/13	Fiscal Audit, Administrative, Clinical	In progress.	
		HRSA	Ryan White Part A	TBD, Approx every 4 to 5 years	05/14	Programmatic Site visit to ensure compliance with Ryan White legislation.	Planned.	
		State Office of AIDS	Ryan White Part B	TBD, Annually	12/17	Programmatic Site visit to ensure compliance with Ryan White legislation.	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of September 30, 2018	Significant Findings
Health Care Agency (continued)	Public Health (continued)	State WIC Controller's Office	Family Health HCA WIC Program Review	17/18 Every 2 Years	2016	All aspects related to fiscal compliance for charges claimed on the WIC invoice to the State	In progress.	
		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	17/18 Every 2 Years	2016	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.	
		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.	In progress.	
		Vaccines for Children (VFC)	Juvenile Hall/ Orangewood Children and Family Center	TBD, Annually	08/16	Federal Vaccine for Children program compliance	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 September 30, 2018	Significant Findings
John Wayne Airport	Finance Administration	Vavrinek, Trine, Day & Company	Financial Statements	2018 Annual	2017	Annual Audit of Financial Statements	In progress.	
		Vavrinek, Trine, Day & Company	Passenger Facility Charge Revenue and Expenditures	2018 Annual	2017	Audit of Financial Statements	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 progress.	
		Transportation Security Administration (TSA)	Airport Security	2017 Annual	2016	Compliance with Title 49, Code of Federal Regulations, Part 1542, Airport Security	Completed.	None.
		Federal Aviation Administration	Airport Certification Inspection	Annual	01/18	Compliance with Title 14, Code of Federal Regulations, Part 139, the Airport Certification Manual and the Airport Operation Certificate	Planned.	
OC Community Resources	OC Homeless, Housing Community Development / OCDA Successor Agency	Vavrinek, Trine, Day & Company	Financial	Annual	12/17	Basic Financial Statements and Supplemental Information	In progress.	
	OC Homeless, Housing Community Development / OCHCA	Vavrinek, Trine, Day & Company	Financial	Annual	03/18	Financial Data Schedules	Planned.	
	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.	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 September 30, 2018	Significant Findings
OC Community Resources (continued)	Community Investment Division (continued)	State Workforce Innovation and Opportunity Act (WIOA) Development Area	WIOA - Fiscal & Procurement	Program Year & Annual	17/18	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, methods of procurement, property management, etc.	Planned.	
		State WIOA	WIOA Formula	Program Year & Annual	17/18	WDB and Youth Council composition, local program monitoring, MIS/reporting, incident reporting, nondiscrimination and equal opportunity, grievance and complaint system, and youth program operations.	Planned.	
		State WIOA EEO Office	WIOA Section 188 Nondiscrimination and Equal Opportunity Provisions	Program Year & Annual	17/18	Compliance with WIOA nondiscrimination and equal opportunity requirements per Section 188 of WIOA and 29 CFR Part 38.	Planned.	
		California Department of Aging Audit Department	SCSEP Monitoring	17/18 Annual	16/17	Program implementation and compliance	Planned.	
		California Department of Aging (CDA)	Data Validation	Annual	17/18	SCSEP Program participant eligibility, host agencies, community service assignments, etc.	Planned.	
	OC Parks	No audits in progress.						
	OC Libraries	No audits in progress.						
	OC Animal Care	Macias, Gini & O'Connell LLP	City billing	17/18	N/A	Contracted examination of calculation of cost recovery from contracted cities	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of September 30, 2018	Significant Findings
OC Public Works	Accounting	California Department of Transportation	San Juan Creek Bike Trail, 17th Street at Esplanade, Antonio Parkway	12/31/13	N/A	Audit of incurred costs	In progress.	
	Accounting / Procurement	OCTA	Measure M2 Comprehensive Transportation Funding Program (CTFP) & Prop 1B SLPP	FY 13/14 - FY 17/18 - Random	07/15	Financial and compliance audit of the completed La Pata Ave Phase 1, partially funded by Measure M2 CTFP in the amount of \$10,220,000.	In progress.	
	Administrative Services	Transportation Corridor Agency (TCA)	Road Fee Programs	2017 CY Annual	2017	TCA Fee Program for CY 2017. Audit of major thoroughfare fees collected by the County	Completed.	None.
		Transportation Corridor Agency (TCA)	Road Fee Programs (TCA Fees specific)	2018 CY Annual	05/18	TCA Fee Program for CY 2018. Audit of major thoroughfare fees collected by the County of Orange.	Planned.	
	Construction	OCTA	Prop 84 Grant Funds	TBD	N/A	Review project files for the Glassell Yard Campus Stormwater LID Project	Planned.	
		OCTA	Prop 84 Grant Funds	TBD	N/A	Review project files for the San Juan Creek Channel Phases 4, 5, and 6	Planned.	
		CTC and CalTrans	TCA	TBD	N/A	Review project files for the Oso Parkway Bridge - 241	Planned.	
		California Department of Transportation	Edinger Avenue Bridge Replacement #BRLS-5955 (078)	Random	N/A	Review project files for the Edinger Avenue Bridge Replacement	Planned.	
		CalTrans	Highway Safety Improvement Program	TBD	N/A	Review project files for the Live Oak Canyon and Trabuco Canyon	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of September 30, 2018	Significant Findings
OC Public Works (continued)	Construction/ Infrastructure Programs	CalTrans	Federal Arterial Pavement Management (APM) Funding	TBD	N/A	Review project files for the Slurry Seal of Crown Valley and Oso Parkway Project	Planned.	
		CalTrans	Federal Arterial Pavement Management (APM) Funding	TBD	N/A	Review project files for the Foothill and Hewes Avenue Project	Planned.	
	Environmental Resources	California Department of Food & Agriculture (CDFA)	Pierce's Disease Control Program	TBD	8/16	To verify the accuracy and appropriateness of charges and expenditures.	Planned.	
		Department of Pesticide Regulation / Product Compliance Branch (DPR)	Pesticide Use Enforced Mill Assessment	TBD	N/A	The records shall clearly demonstrate proof of payment of all applicable assessments for each registered pesticide product.	Planned.	
		California Department of Food & Agriculture (CDFA)	Unrefunded Agriculture Gas Tax	TBD	N/A	To identify all federal revenues and the expenditure of the revenue.	Planned.	
		US Environmental Protection Agency (EPA) and EPA Contractor PG Environmental LLC	OC Municipal Separate Storm Sewer System NPDES Permit No. CAS0108740	2005 - 2013; One-Time	2017	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	Completed.	None.
	Fleet Services	IRS	Form 8849 claims for CNG and LNG	2017 CY	N/A	Review of Tax Returns	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 September 30, 2018	Significant Findings
OC Public Works (continued)	Infrastructure Programs	OCTA	Active Transportation Program (ATP) and Transportation Control Measures (TCM) funding	TBD	N/A	Review project files for the Lambert Bikeway Project	Planned.	
		OCTA	Measure M2 Water Quality Grant and Prop 42	TBD	N/A	Financial and compliance audit of the completed Catch Basins Phases I through V	Planned.	
		OCTA	Measure M2 Comprehensive Transportation Funding Program (CTFP)	TBD	N/A	Financial and compliance audit of the completed Cow Camp Road Segment 1 Construction	Planned.	
		Caltrans (DOT)	Program Supplement No. N054 to Administering Agency-State Agreement for Federal-Aid Projects No 12-5955R	TBD	N/A	Financial and compliance audit of the completed Gilbert Street from Katella Avenue to Ball Road	Planned.	
		California Department of Finance	Prop 84 Round 1 Stormwater Flood Management Grant, Prop 1E	9/30/08-3/31/13; One-Time	2014	DOF is evaluating DWR's grant administration and management processes	Completed.	None.
OC Waste & Recycling	Accounting	Vavrinek, Trine, Day & Co, LLP	OCWR Accounting	FY 17/18 Annual	FY 16/17	Financial and Compliance Audit	In progress.	
Probation	Administrative and Fiscal	No audits in progress.						
Public Defender		No audits in progress.						
Registrar of Voters		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 September 30, 2018	Significant Findings
Sheriff-Coroner	Financial/ Administrative Services	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.
		Matrix Consulting	Contract Partners Efficiency Study	FY13/14 thru FY17/18	N/A	Cost and Efficiency	In progress.	
		Office of the State Controller Division of Audits	SB 90 Audit (PC 530.5) - Identity Theft Reports	FY02/03 thru FY12/13	N/A	Claimed Costs	In progress.	
		US Department of Labor	Fair Labor Standards Act (FLSA)	3/29/2016 - 3/29/2018	N/A	Compliance	Completed.	None.
		US Department of Treasury Executive Office for Asset Forfeiture (TEOAF)	RNSP and SNP Compliance	2015 - 2017	N/A	Compliance	In progress.	
		California Office of State Audits and Evaluations	Office of Traffic Safety (OTS) STEP Grant	10/1/2015 - 9/30/2016	N/A	Compliance	In progress.	
	Custody Operations	US Department of Justice	Classification Review - Theo Lacy, Intake Release Center	Varied	N/A	Site visit, Compliance	In progress.	
		Board of State and Community Corrections (BSCC)	Theo Lacy, Central Men's Jail, Intake Release Center	Biennial	05/16	Site visit, Compliance	In progress.	
		Disability Rights Commission (DRC)	Theo Lacy, Central Men's Jail, Intake Release Center, James A Musick Facility	Current	N/A	Disability Rights	In progress.	
		ICE Annual Inspection	Intake Release Center	Annual	06/17	Site visit, Compliance	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 September 30, 2018	Significant Findings
Sheriff-Coroner (continued)	Support Services	Dimension Data	Service continuity, disaster recovery	06/18 to 08/18	N/A	Review business critical applications, provide recommendations and documents for BC/DR.	In progress.	
		California Department of Justice	National Crime Information Center (NCIC)/Criminal Justice Information System (CJIS) Database Audit	Triennial	01/16	Compliance review	In progress.	
		California Department of Justice	Criminal Offender Record Information (CORI)	Triennial	04/16	Compliance Review	Planned.	
		California Department of Justice	California Law Enforcement Telecommunications System (CLETS) Audit	Triennial	FY 15/16	Compliance Review	Planned.	
		Tevora Business Solutions	IT	Annual	2018	Operational Review	Planned.	
		Tech Advisory Committee (TAC)	IT	Quarterly / Semi-Annual	08/17	Operational Review	Planned.	
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 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.	Audit not performed. To be removed next quarter.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of September 30, 2018	Significant Findings
Social Services Agency (continued)	Administrative Services (continued)	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.	Audit not performed. To be removed next quarter.
		California Department of Social Services (CDSS)	Program Integrity	Every 3 Years	07/16	Review of county's processing of IEVS reports received.	Planned.	
	Assistance Programs	California Department of Health Care Services (DHCS)	Medi-Cal Annual Renewals	11/17 Varies	N/A	Review of random selection of 90 Medi-Cal beneficiaries with an annual renewal due in Nov 2017. Review focused on accurate and timely processing of the renewal, as well as identifying error trends caused by worker actions or system defects.	In progress.	
		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.	
		Federal Social Security Administration	Interim Assistance Reimbursement (IAR)	Every 3 Years	01/17	Compliance of IAR Program requirements.	Planned.	
		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.	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 September 30, 2018	Significant Findings
Social Services Agency (continued)	Assistance Programs (continued)	California Department of Social Services (CDSS) US Department of Agriculture (USDA) Food and Nutrition Services (FNS)	CalFresh	05/18 Annual	08/17	Management evaluation focusing on program access, payment accuracy, operational procedures, etc.	In progress.	
	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)	Adoptions Assistance Program (AAP)	Annual	9/17	Ensure compliance with federal and state regulations; Review of AAP eligibility and AAP case files.	Planned.	
		California Department of Social Services (CDSS)	Review of federal Work Participation Rate (WPR) data and supporting documentation	10/15 to 9/16; Varies	6/17	To ensure compliance with federal Temporary Assistance for Needy Families data reporting requirements and work participation procedures.	Planned.	
		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.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of September 30, 2018	Significant Findings
Social Services Agency (continued)	Family Self-Sufficiency & Adult Services (continued)	California Department of Social Services (CDSS)	In-Home Supportive Services (IHSS)	Annual	04/18	Quality Assurance monitoring of Orange County's administration of IHSS program.	Planned.	
		Administration for Children, Youth and Families	Foster Care Program	Every 3 Years	07/15	Compliance review to ensure Foster Care program administration from eligibility determination to benefit issuance are consistent with federal regulations.	Planned.	
		Christy White Associates, Inc.	California State Preschool Program (CSPP) Grant	Annual	11/17	Financial audit conducted based on California Department of Education (CDE) Audit Guide for Child Care and Development Programs Attendance and Fiscal Reports.	Planned.	
Treasurer-Tax Collector	Treasury and Investments	Macias Gini & O'Connell LLP	Annual IPS Compliance	18 months ended 6/30/2017 Annual	12/31/15	California Government Code 27134	In progress.	
		Vavrinek, Trine, Day, & Co., LLP	Annual IPS Compliance	FY 17/18 Annual	12/31/15	California Government Code 27130-27137	In progress.	
		Macias, Gini & O'Connell LLP	Annual Audit of Statement of Assets Held by the County Treasury	6/30/17 Annual	6/30/16	California Government Code 26920(b)	In progress.	
		Vavrinek, Trine, Day, & Co., LLP	Annual Audit of Statement of Assets Held by the County Treasury	6/30/18 Annual	6/30/17	California Government Code 26920(b)	In progress.	



Memorandum

December 6, 2018

AOC Agenda Item No. 11

TO: Audit Oversight Committee Members

Recommended Action:
Election of AOC Officers

Election of AOC Officers, as stated in the recommended action.