

A G E N D A

REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE ORANGE COUNTY, CA



Thursday, May 9, 2019, 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 LISA BARTLETT
BOARD CHAIRWOMAN
Fifth District
Member

SUPERVISOR MICHELLE STEEL
BOARD VICE CHAIR
Second District
Member

FRANK KIM
COUNTY EXECUTIVE OFFICER
Member

RICHARD MURPHY
Private Sector Member, Second District

MARK WILLE, CPA
Private Sector Member, Third District

VACANT
Private Sector Member, Fourth District

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

Shari Freidenrich, CPA
Eric H. Woolery, CPA

Staff
Internal Audit Department:
Deputy County Counsel:
Clerk:

Aggie Alonso, CPA
Ronnie Magsaysay
Mari Elias

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

All supporting documentation is available for public review 72 hours before the meeting. Documents are available online at <http://www.ocgov.com/gov/ia/aoc/agemin> or in the office of the Internal Audit Department located in the 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

10:00 A.M.

Speaker

- | | |
|---|---|
| 1. Roll call | <i>Drew Atwater
AOC Chairman</i> |
| 2. Approve Audit Oversight Committee Regular Meeting Minutes of February 14, 2019 | <i>Drew Atwater
AOC Chairman</i> |
| 3. Receive Introduction from Director of Internal Audit | <i>Aggie Alonso, CPA
Director
Internal Audit Department</i> |
| 4. Receive Report on the County's Cybersecurity Program | <i>Joel Golub
Chief Information Officer
OCIT</i> |
| 5. Discuss Audit Oversight Committee Vacancy | <i>Drew Atwater
AOC Chairman</i> |
| 6. Receive Report on Required Communication from External Auditors | <i>Roger Alfaro, CPA
Partner
Vavrinek, Trine, Day & Co.</i> |
| 7. Receive Report on Status of Mandated Audits | <i>Eric H. Woolery, CPA
Auditor-Controller</i> |
| 8. Receive Report on Status of Performance Audits | <i>Frank Kim
County Executive Officer</i> |
| 9. Approve Internal Audit Department's Annual Risk Assessment & Audit Plan for FY 2019-20 | <i>Aggie Alonso, CPA
Director
Internal Audit Department</i> |
| 10. Approve Internal Audit Department's FY 2018-19 3rd Quarter Status Report and approve Executive Summary of Internal Audit Reports for the Quarter Ended March 31, 2019 | <i>Scott Suzuki, CPA
Assistant Director
Internal Audit Department</i> |
| 11. Approve Quarterly External Audit Activity Status Report for the Quarter Ended March 31, 2019 | <i>Michael Dean, CPA
Senior Audit Manager
Internal Audit Department</i> |

A G E N D A

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

*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, August 8, 2019, 10:00 a.m.



Memorandum

May 9, 2019

AOC Agenda Item No. 2

TO: Audit Oversight Committee Members

Recommended Action:

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

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

ATTACHMENT:

Attachment A – Summary Minutes

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



REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE ORANGE COUNTY, CA

Thursday, February 14, 2019, 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 LISA BARTLETT

BOARD CHAIRWOMAN
Fifth District
Member

SUPERVISOR MICHELLE STEEL

BOARD VICE CHAIR
Second District
Member

FRANK KIM

COUNTY EXECUTIVE OFFICER
Member

RICHARD MURPHY

Private Sector Member, Second District

MARK WILLE, CPA

Private Sector Member, Third District

VACANT

Private Sector Member, Fourth District

Present Non-Voting Members

Treasurer-Tax Collector:
Auditor-Controller:

Shari Freidenrich, CPA
Eric H. Woolery, CPA

Present Staff

Internal Audit Department:
Deputy County Counsel:
Clerk:

Scott Suzuki, CPA
Ronnie Magsaysay
Mari Elias

ATTENDANCE: Drew Atwater, AOC Chairman, Private Sector Member
Robert Brown, AOC Vice Chairman, Private Sector Member
Richard Murphy, Private Sector Member
Arie Dana, Proxy for Supervisor Michelle Steel
Frank Kim, County Executive Officer
Mark Wille, Private Sector Member

PRESENT: Shari Freidenrich, Treasurer-Tax Collector
Scott Suzuki, Acting Director
Ronnie Magsaysay, Deputy County Counsel
Mari Elias, Clerk

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

10:00 A.M.

1. Roll Call

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

2. Approve Audit Oversight Committee Regular Meeting Minutes of December 6, 2018

Motion to approve the Audit Oversight Committee Regular Meeting Minutes of December 6, 2018 by Mr. Wille, seconded by Mr. Brown.

Five in favor, none opposed; one abstention.

Approved as recommended.

3. Receive Report on County's Cybersecurity Program

Mr. Golub, Chief Information Officer, introduced Mr. Rafael Linares as the new Chief Information Security Officer, and presented statistics on cybersecurity threats and their impact on organizations. Mr. Linares presented information regarding the County Security Operations Center (SOC). The SOC is expected to begin operations on March 16, 2019.

4. Discuss Audit Oversight Committee Vacancy

Mr. Atwater stated he sent letters to the appropriate Board offices regarding the Audit Oversight Committee vacancies. Mr. Willie recommended that Mr. Atwater write a letter to the Chairwoman of the Board regarding voting member attendance.

Mr. Kim stated the Board may struggle to nominate someone to the Audit Oversight Committee (AOC) because they are not familiar with someone that may be qualified. Mr. Kim recommended that AOC members notify the Board office of a qualified individual within the district's jurisdiction.

5. Receive Report on Internal Audit Director Recruitment

Mr. Kim stated that the Board has selected a candidate and contract details are being negotiated. Mr. Kim would like to present a contract for the Board's approval at the February 26, 2019 meeting.

6. Receive Report on Required Communication from External Auditors

Mr. Alfaro, partner at Vavrinek, Trine, Day & Co. (VTD) stated that an opinion on the County Financial Statements for the Fiscal Year ended June 30, 2018 was issued on December 17, 2018. Mr. Alfaro stated that VTD issued an *unmodified* opinion, which is the highest level of assurance achieved in a financial statement audit.

7. Receive Report on Status of Mandated Audits

Mr. Steinhaus, Audit Manager for Auditor-Controller Internal Audit Division, stated a final report for a second follow-up on Management Letter on Review of Schedule of Assets as of September 30, 2016 is in process. Mr. Steinhaus stated that Tax Redemption Officer audits are done every three years, and the Tax Redemption Officer audit for the three years ended June 30, 2017 was issued in February. VTD is conducting the Audit of the Schedule of Assets As of June 30, 2018. The Quarterly Review of Schedule of Assets As of September 30, 2018 is in the draft report phase, and fieldwork is in process for the review of the quarter ended December 31, 2018.

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

8. **Receive Report on Status of Performance Audits**

Mr. Kim stated that the Board approved the Performance Audit Plan that was presented. The County Procurement Office is working to notify vendors that were awarded contracts so that work can commence. Mr. Kim will provide an update at the next meeting.

9. **Approve Internal Audit Department's FY 2018-19 2nd Quarter Status Report and approve Executive Summary of Internal Audit Reports for the Quarter Ended December 31, 2018**

Mr. Suzuki stated for the quarter ended December 31, 2018, one new audit and three follow-up reports were issued. Additionally, three draft audit reports were issued. Mr. Suzuki did not request any changes to the audit plan. Mr. Suzuki stated 47 engagements are on the approved audit plan, 12 have been completed as of December 31, 2018, and 25 are in process. Mr. Suzuki stated information gathering for the Fiscal Year 2019-20 Risk Assessment and Audit Plan has started.

Motion to approve Internal Audit Department's FY 2018-19 2nd Quarter Status Report and approve Executive Summary of Internal Audit Reports for the Quarter Ended December 31, 2018 by Mr. Brown, seconded by Mr. Murphy.

All in favor.

Approved as recommended.

10. **Approve Quarterly External Audit Activity Status Report for the Quarter Ended December 31, 2018**

Mr. Dean stated that for the quarter ended December 31, 2018, no material issues were reported. There was an issue with Health Care Agency (HCA) in an audit that was done by the California Department of Public Health. HCA submitted a claim for \$3.7 million, of that \$9,800 was disallowed. HCA has implemented procedures to prevent that from happening in the future.

Motion to approve Quarterly External Audit Activity Status Report for the Quarter Ended December 31, 2018 by Mr. Murphy, seconded by Mr. Wille.

All in favor.

Approved as recommended.

PUBLIC COMMENTS – None

AOC COMMENTS & ADJOURNMENT

AOC COMMENTS – None

ADJOURNMENT: Motion to adjourn the meeting made by Mr. Wille, seconded by Mr. Brown. Meeting adjourned at 11:00 AM.

NEXT MEETING

Regular Meeting, May 9, 2019, 10:00 AM



Memorandum

May 9, 2019

AOC Agenda Item No. 3

TO: Audit Oversight Committee Members

Recommended Action:

Receive Introduction from Director of Internal Audit

Receive Introduction from Director of Internal Audit, as stated in the recommended action.



Memorandum

May 9, 2019

AOC Agenda Item No. 4

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on the County's Cybersecurity Program

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



Memorandum

May 9, 2019

AOC Agenda Item No. 5

TO: Audit Oversight Committee Members

Recommended Action:

Discuss Audit Oversight Committee Vacancy

Discuss Audit Oversight Committee public sector member vacancy for the 4th District.

There are five public sector positions on the Audit Oversight Committee, one for each supervisorial district. Public sector members are appointed by the respective district supervisor and approved by the Board of Supervisors during a regular public meeting.

The 4th District public sector member position has been vacant since the public sector member resigned from the committee on June 12, 2017.



Memorandum

May 9, 2019

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.

ATTACHMENT(S):

Attachment A – Fiscal Year 2018 Audit Results

Attachment B – Single Audit

Attachment C – Management Letter

Attachment D – Agreed Upon Procedures reports over the GANN Limit for the County and Flood Control District

Attachment E – Opinion on stand-alone reports

Attachment F – Corrective Action Plan for County of Orange, California FY 2017-18 Single Audit

County of Orange

Audit Oversight Committee Meeting

FISCAL YEAR 2018 AUDIT RESULTS



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

Deliverables

Opinion on the County's Financial Statements

Single Audit

- Report on Internal Control over Financial Reporting in Accordance with Government Auditing Standards
- Report on Compliance for Each Major Federal Program in Accordance with the Uniform Guidance

Management letter

Agreed Upon Procedures reports over the GANN Limit for the County and Flood Control District

Opinion on stand-alone reports for:

- John Wayne Airport
- Orange County Waste and Recycling
- Orange County Successor Agency

Communication with Those Charged with Governance

Single Audit

Major Federal Programs

- Aging Cluster (CFDA 93.041/ 93.042/ 93.043/ 93.044/ 93.045/ 93.052/ 93.053)
- TANF Cluster (CFDA 93.558)
- Adoption Assistance (CFDA 93.659)
- Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959)
- Community Development Block Grant (CFDA 14.218)
- Continuum of Care Program (CFDA 14.267)
- Housing Voucher Cluster (CFDA 14.871)
- Crime Victim Assistance (CFDA 16.575)
- Equitable Sharing Program (CFDA 16.922)
- Workforce Innovation and Opportunity Act (WIOA) Cluster (CFDA 17.258/ 17.259/ 17.278)
- Airport Improvement Program (CFDA 20.106)
- Highway Planning and Construction Cluster (CFDA 20.205)

Summary of Auditors' Results

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

No

Significant deficiency(ies) identified?

Yes

Noncompliance material to financial statements noted?

No

FEDERAL AWARDS

Internal control over major federal programs:

Material weakness(es) identified?

Yes

Significant deficiency(ies) identified?

Yes

Type of auditors' report issued on compliance for major federal programs:

Unmodified for all major programs, except for CFDA Nos. 17.258/17.259/17.278 Workforce Innovation and Opportunity Act (WIOA) Cluster, which was qualified

Any audit findings disclosed that are required to be reported in accordance with

2 CFR Section 200.516(a)?

Yes

Dollar threshold used to distinguish between Type A and Type B programs:

\$3,000,000

Auditee qualified as low-risk auditee?

No

Summary of Findings and Questioned Costs

Finding	Department	CFDA No.	Federal Program Name	Compliance Requirement	Finding Type
2018-001	CEO-IT and Auditor Controller IT	N/A	N/A	N/A	Significant Deficiency
2018-002	Orange County Community Resources (OCCR)	17.258/ 17.259/ 17.278	Workforce Innovation and Opportunity Act (WIOA)	Procurement and Suspension and Debarment	Qualified Opinion, Material Weakness, Material Instance of Noncompliance and Questioned Costs of \$3.9 million
2018-003	Health Care Agency (HCA)	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Subrecipient Monitoring	Significant Deficiency and Other Matter
	CEO and District Attorney's (DA) Offices	16.575	Crime Victim Assistance Program		
2018-004	OCCR	93.041/ 93.042/ 93.043/ 93.044/ 93.045/ 93.052/ 93.053	Aging Cluster	Subrecipient Monitoring	Significant Deficiency and Other Matter
	HCA	93.959	Block Grants for Prevention and Treatment of Substance Abuse		
2018-005	OCCR	14.218	Community Development Block Grants (CDBG)	Procurement and Suspension and Debarment	Significant Deficiency and Other Matter
	OCCR	93.041/ 93.042/ 93.043/ 93.044/ 93.045/ 93.052/ 93.053	Aging Cluster		
	CEO and DA Offices	16.575	Crime Victim Assistance Program		
2018-006	Sheriff's Department	16.922	Equitable Sharing Program	Equipment and Real Property Management	Significant Deficiency and Other Matter
2018-007	OCCR	14.871	Housing Voucher Cluster	Eligibility	Significant Deficiency and Other Matter
2018-008	HCA	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Subrecipient Monitoring	Significant Deficiency and Other Matter
	CEO and DA Offices	16.575	Crime Victim Assistance Program		

Communications with Those Charged with Governance

Qualitative Aspects of Accounting Practices

Difficulties Encountered in Performing the Audit

Corrected and Uncorrected Misstatements

Disagreements with Management

Management Representations

Management Consultations with Other Independent Accountants

Other Audit Findings or Issues

Other Matters

Management Letter

Informational Items – Upcoming Financial Reporting Standards

Patching

End-of-Life Software and Baseline Deployment Images

Status of Prior Year Management Letter Observations

COUNTY OF ORANGE, CALIFORNIA

Single Audit Report
For the Year Ended June 30, 2018

COUNTY OF ORANGE, CALIFORNIA
Single Audit Report
For the Year Ended June 30, 2018

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
 REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
 OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
 WITH GOVERNMENT AUDITING STANDARDS**

Board of Supervisors
 County of Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, California (County), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 17, 2018. Our report included an emphasis of matter paragraph regarding the County's adoption of Governmental Accounting Standards Board (GASB) Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and No. 85, *Omnibus 2017*, effective July 1, 2017. Our report also includes a reference to other auditors who audited the financial statements of the Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima), as described in our report on the County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County's Response to Finding

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

Purpose of this Report

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



Laguna Hills, California
December 17, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE; AND REPORT ON SUPPLEMENTARY SCHEDULE OF GRANT EXPENDITURES FOR GRANTS PROVIDED BY THE CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY, DEPARTMENT OF AGING

Board of Supervisors
 County of Orange, California

Report on Compliance for Each Major Federal Program

We have audited the County of Orange, California's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2018. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Children and Families Commission of Orange County (CFCOC) and the Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima) (discretely presented component units), which expended \$519,989 and \$1,949,675, respectively, in federal awards, which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2018. Our audit, described below, did not include the operations of the CFCOC and CalOptima. CalOptima engaged other auditors to perform an audit in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The CFCOC did not issue a report in accordance with the Uniform Guidance because it did not meet the reporting threshold under the Uniform Guidance.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding CFDA Nos. 17.258/17.259/17.278 Workforce and Innovation Opportunity Act (WIOA) Cluster as described in finding 2018-002 for Procurement and Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

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

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA Nos. 17.258/17.259/17.278 Workforce and Innovation Opportunity Act (WIOA) Cluster for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-003 through 2018-008. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-002 to be a material weakness.

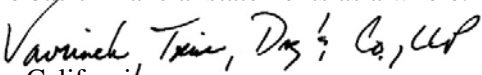
A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-003 through 2018-008 to be significant deficiencies.

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 17, 2018, which contained unmodified opinions on those financial statements. Our report included an emphasis of matter paragraph regarding the County's adoption of Governmental Accounting Standards Board (GASB) Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and No. 85, *Omnibus 2017*, effective July 1, 2017. Our report also included a reference to other auditors who audited the financial statements of CalOptima, as described in our report on the County's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards and the supplementary schedule of grant expenditures for grants provided by the California Health and Human Services Agency, Department of Aging, are presented for purposes of additional analysis as required by the Uniform Guidance and the California Health and Human Services Agency, Department of Aging, respectively, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the supplementary schedule of grant expenditures for grants provided by the California Health and Human Services Agency, Department of Aging, are fairly stated in all material respects in relation to the basic financial statements as a whole.


Laguna Hills, California
March 28, 2019

COUNTY OF ORANGE, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ County Program Name (Direct or Indirect) (1)	Catalog of Federal Domestic Assistance (CFDA) Number	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Federal Disbursements/ Expenditures	Amount Provided to Subrecipient	County Department
U.S. Department of Agriculture						
Plant and Animal Disease, Pest Control, and Animal Care						
Phytophthora Ramorum Program (Indirect)	10.025	17-0213-008-SF	CA Dept. of Food & Agriculture	\$ 14,520	\$ -	OC Public Works
Pierce's Disease Control Program (Indirect)	10.025	16-0329-SF	CA Dept. of Food & Agriculture	497,668	-	OC Public Works
Subtotal 10.025				512,188	-	
School Breakfast Program (Indirect)	10.553	02039-SN-30-R	CA Dept. of Education	40,713	-	Social Services Agency
School Breakfast Program (Indirect)	10.553	30-34306-9003500-1	CA Dept. of Education	202,786	-	Probation
National School Lunch Program (Indirect)	10.555	02039-SN-30-R	CA Dept. of Education	60,014	-	Social Services Agency
National School Lunch Program (Indirect)	10.555	30-34306-9003500-1	CA Dept. of Education	323,470	-	Probation
Subtotal 10.553 and 10.555 (Child Nutrition Cluster)				626,983	-	
WIC Special Supplemental Nutrition Program for Women, Infants, and Children						
Women, Infants, and Children (WIC) (Indirect)	10.557	15-10073	CA Dept. of Public Health	4,505,376	-	Health Care Agency
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program						
CalFresh-EBT 3 (Indirect)	10.561			12,031	-	Social Services Agency
Non-Assisted Benefits (Indirect)	10.561	1946001347 A7	CA Dept. of Social Services	32,293,128	-	Social Services Agency
Non-Assisted Benefits-CA Work Opportunity and Responsibility to Kids Information Network (CalWIN) (Indirect)	10.561	1946001347 A7	CA Dept. of Social Services	1,651,421	-	Social Services Agency
Nutrition Education and Obesity Prevention Program (Indirect)	10.561	16-10144	CA Dept. of Public Health	3,315,252	1,611,215	Health Care Agency
Subtotal 10.561 (SNAP Cluster)				37,271,832	1,611,215	
Senior Farmers Market Nutrition Program						
Value of Senior Farmer's Market Coupons (Indirect)	10.576		CA Dept. of Food & Agriculture	34,960	-	OC Community Resources
Schools and Roads - Grants to States						
Federal Forest Reserve Fund (Indirect)	10.665	12-5955	CA Dept. of Transportation	63,976	-	OC Public Works
Subtotal 10.665 (Forest Service Schools and Roads Cluster)				63,976	-	
Subtotal - U.S. Department of Agriculture				43,015,315	1,611,215	
U.S. Department of Health and Human Services						
Special Programs for the Aging Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation						
Title VII-B: Elder Abuse Prevention (Indirect)	93.041	AP-1718-22	CA Dept. of Aging	36,812	36,812	OC Community Resources
Special Programs for the Aging Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals						
Title VII-A: Ombudsman (Indirect)	93.042	AP-1718-22	CA Dept. of Aging	100,948	100,948	OC Community Resources
Special Programs for the Aging Title III, Part D, Disease Prevention and Health Promotion Services						
Title III-D: Preventive Health (Indirect)	93.043	AP-1718-22	CA Dept. of Aging	154,067	40,000	OC Community Resources
Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers						
Title III-B: Senior Supportive Services (Indirect)	93.044	AP-1718-22	CA Dept. of Aging	2,368,866	1,759,731	OC Community Resources
Special Programs for the Aging Title III, Part C, Nutrition Services						
Title III-C1: Congregate Meals for Seniors (Indirect)	93.045	AP-1718-22	CA Dept. of Aging	2,334,844	2,022,729	OC Community Resources
Title III-C2: Home Delivered Meals for Seniors (Indirect)	93.045	AP-1718-22	CA Dept. of Aging	2,459,375	2,302,293	OC Community Resources
National Family Caregiver Support, Title III, Part E						
Title III-E: National Family Caregiver Support Program (Indirect)	93.052	AP-1718-22	CA Dept. of Aging	1,145,310	797,481	OC Community Resources
Nutrition Services Incentive Program						
Title III-C1: Nutrition Services Incentive Program (NSIP) (Indirect)	93.053	AP-1718-22	CA Dept. of Aging	277,537	277,537	OC Community Resources
Title III-C2: Nutrition Services Incentive Program (NSIP) (Indirect)	93.053	AP-1718-22	CA Dept. of Aging	753,583	753,583	OC Community Resources
Subtotal 93.041, 93.042, 93.043, 93.044, 93.045, 93.052, and 93.053 (Aging Cluster)				9,631,342	8,091,114	

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

COUNTY OF ORANGE, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ County Program Name (Direct or Indirect) (1)	Catalog of Federal Domestic Assistance (CFDA) Number	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Federal Disbursements/ Expenditures	Amount Provided to Subrecipient	County Department
Public Health Emergency Preparedness						
Zika Preparedness and Response Grant (Indirect)	93.069	16-10879	CA Dept. of Public Health	\$ 19,175	\$ -	Health Care Agency
Medicare Enrollment Assistance Program						
Medicare Improvements for Patients and Provider Act (MIPPA) (Indirect)	93.071	MI-1718-22	CA Dept. of Aging	70,368	65,717	OC Community Resources
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements						
Hospital Preparedness Program (HPP) (Indirect)	93.074	17-10179	CA Dept. of Public Health	830,130	-	Health Care Agency
Public Health Emergency Preparedness (PHEP) (Indirect)	93.074	17-10179	CA Dept. of Public Health	2,846,960	-	Health Care Agency
Subtotal 93.074				3,677,090	-	
Guardianship Assistance						
FEDGAP Assistance (Indirect)	93.090	1946001347 A7	CA Dept. of Social Services	595,102	-	Social Services Agency
Guardianship Assistance (Indirect)	93.090	1946001347 A7	CA Dept. of Social Services	132,474	-	Social Services Agency
Subtotal 93.090				727,576	-	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs						
TB Local Assistance (Base Award) (Indirect)	93.116	5NU52PS004656	CA Dept. of Public Health	651,738	-	Health Care Agency
Projects for Assistance in Transition from Homelessness (PATH)						
Projects for Assistance in Transition from Homelessness (PATH) Grant (Indirect)	93.150	68-0317191	CA Dept. of Health Care Services	547,190	547,190	Health Care Agency
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children						
Childhood Lead Poisoning Prevention Program (CLPPP) (Indirect)	93.197	17-10252	CA Dept. of Public Health	245,381	-	Health Care Agency
Immunization Cooperative Agreements						
Pediatric Immunization - Immunization Assistance Program (IAP) (Indirect)	93.268	17-10336	CA Dept. of Public Health	688,839	-	Health Care Agency
Epidemiology and Laboratory Capacity for Infectious Disease (ELC)						
Enhanced Gonorrhea Isolate Surveillance Project (eGISP) (Indirect)	93.323	6NU50CK000410	Public Health Foundation Enterprises, Inc.	8,443	-	Health Care Agency
PHFE ELC Zika (Indirect)	93.323	6NU50CK000410-03-06	Public Health Foundation Enterprises, Inc.	25,809	-	Health Care Agency
Subtotal 93.323				34,252	-	
State Health Insurance Assistance Program						
Health Insurance Counseling and Advocacy Program (Indirect)	93.324	HI-1718-22	CA Dept. of Aging	166,957	166,957	OC Community Resources
Cancer Detection and Diagnosis Research						
Every Woman Counts (EWC) (Indirect)	93.394	16-93230	CA Dept. of Public Health	5,000	-	Health Care Agency
Promoting Safe and Stable Families						
Family Preservation (Indirect)	93.556	1946001347 A7	CA Dept. of Social Services	2,164,127	-	Social Services Agency
Temporary Assistance for Needy Families						
CalWORKs (Indirect)	93.558	1946001347 A7	CA Dept. of Social Services	23,863,099	-	Social Services Agency
CalWORKs-CalWIN (Indirect)	93.558	1946001347 A7	CA Dept. of Social Services	663,560	-	Social Services Agency
CalWORKs Admin (Indirect)	93.558	1946001347 A7	CA Dept. of Social Services	96,626,922	-	Social Services Agency
CalWORKs-EBT 3 (Indirect)	93.558			5,866	-	Social Services Agency
Subtotal 93.558 (TANF Cluster)				121,159,447	-	
Child Support Enforcement						
Child Support Enforcement Program (Indirect)	93.563	06-059	CA Dept. of Child Support Services	34,681,530	-	Child Support Services
Support Enforcement Incentive Fund (Indirect)	93.563	06-059	CA Dept. of Child Support Services	3,180,205	-	Child Support Services
Subtotal 93.563				37,861,735	-	
Refugee and Entrant Assistance State/Replacement Designee Administered Programs						
Refugee Cash Assistance (Indirect)	93.566	1946001347 A7	CA Dept. of Social Services	157,506	-	Social Services Agency
Refugee Employment Social Services (Indirect)	93.566	ORSA1604, ORSA1703, RESS1503, RESS1604, RESS1703	CA Dept. of Social Services	295,177	-	Social Services Agency
Refugees-EBT3 (Indirect)	93.566			21	-	Social Services Agency
Welfare Aid to Refugees (Indirect)	93.566	1946001347 A7	CA Dept. of Social Services	108,219	-	Social Services Agency
Welfare Aid to Refugees - CalWIN (Indirect)	93.566	1946001347 A7	CA Dept. of Social Services	3,507	-	Social Services Agency
Subtotal 93.566				564,430	-	

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

COUNTY OF ORANGE, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ County Program Name (Direct or Indirect) (1)	Catalog of Federal Domestic Assistance (CFDA) Number	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Federal Disbursements/ Expenditures	Amount Provided to Subrecipient	County Department
Refugee and Entrant Assistance Voluntary Agency Programs						
Refugee Health Assessment Program (Indirect)	93.567	16-30-90899-00, 17-30-90899-00	CA Dept. of Public Health	\$ 146,632	\$ 141,500	Health Care Agency
Child Care and Development Block Grant						
California State Preschool Program (Indirect)	93.575	CSPP7339	CA Dept. of Education	2,016	-	Social Services Agency
Child Care Mandatory and Matching Funds of the Child Care and Development Fund						
California State Preschool Program (Indirect)	93.596	CSPP7339	CA Dept. of Education	4,704	-	Social Services Agency
Subtotal 93.575 and 93.596 (CCDF Cluster)				6,720	-	
Refugee and Entrant Assistance Targeted Assistance Grants						
Targeted Assistance Grant (Indirect)	93.584	TAFO 1503, TAFO 1603, TAFO 1703	CA Dept. of Social Services	249,421	-	Social Services Agency
Community-Based Child Abuse Prevention Grants						
Community Based Child Abuse Prevention (Indirect)	93.590	1946001347 A7	CA Dept. of Social Services	92,143	-	Social Services Agency
Affordable Care Act State Health Insurance Assistance Program (SHIP) and Aging and Disability Resource Center (ADRC) Options Counseling for Medicare-Medicaid Individuals in States with Approved Financial Alignment						
SHIP Options Counseling for Medicare/Medicaid-Financial Alignment (Indirect)	93.626	FA-1718-22	CA Dept. of Aging	14,464	12,512	OC Community Resources
Stephanie Tubbs Jones Child Welfare Services Program						
Child Welfare System Title IV-B (Indirect)	93.645	1946001347 A7	CA Dept. of Social Services	2,058,650	-	Social Services Agency
Foster Care Title IV-E						
Children Welfare System Title IV-E (Indirect)	93.658	1946001347 A7	CA Dept. of Social Services	1,425,520	-	Probation
Children Welfare System Title IV-E (Indirect)	93.658	1946001347 A7	CA Dept. of Social Services	25,815,798	-	Social Services Agency
Foster Care-CalWIN (Indirect)	93.658	1946001347 A7	CA Dept. of Social Services	118,220	-	Social Services Agency
Welfare Aid to Children in Boarding Homes (Indirect)	93.658	1946001347 A7	CA Dept. of Social Services	9,438,661	5,085,856	Social Services Agency
Subtotal 93.658				36,798,199	5,085,856	
Adoption Assistance						
Adoption Assistance (Indirect)	93.659	1946001347 A7	CA Dept. of Social Services	20,998,425	-	Social Services Agency
Adoptions (Indirect)	93.659	1946001347 A7	CA Dept. of Social Services	1,981,644	-	Social Services Agency
Subtotal 93.659				22,980,069	-	
Social Services Block Grant (Indirect)	93.667	1946001347 A7	CA Dept. of Social Services	4,529,714	-	Social Services Agency
Chafee Foster Care Independence Program						
Independent Living Skills (Indirect)	93.674	1946001347 A7	CA Dept. of Social Services	493,973	-	Social Services Agency
Children's Health Insurance Program						
CA Children Services (CCS) Optional Targeted Low Income Children Program (Indirect)	93.767		CA Dept. of Health Care Services	1,930,130	-	Health Care Agency
Medical Assistance Program						
CA Children Services (CCS) Medi-Cal (Indirect)	93.778		CA Dept. of Health Care Services	5,997,013	-	Health Care Agency
Child Health and Disability Prevention (CHDP) Program Title XIX (Indirect)	93.778	201730	CA Dept. of Health Care Services	782,584	-	Health Care Agency
Child Welfare Services-Health (Indirect)	93.778	1946001347 A7	CA Dept. of Social Services	3,087,389	-	Social Services Agency
Children in Foster Care Title XIX-Administrative Expenses (Indirect)	93.778	201730	CA Dept. of Health Care Services	270,640	-	Health Care Agency
Children in Foster Care Title XIX-Health Care Program for Children in Foster Care (HCPFC) (Indirect)	93.778	201730	CA Dept. of Health Care Services	627,050	-	Health Care Agency
County Services Block Grant and Adult Protective Services-Health (Indirect)	93.778	1946001347 A7	CA Dept. of Social Services	3,689,031	-	Social Services Agency
HCPFC Psychotropic Medication Monitoring and Oversight (PMM&O) (Indirect)	93.778	201730	CA Dept. of Health Care Services	88,751	-	Health Care Agency
Medi-Cal (Indirect)	93.778	MCAC 2017-18-01R	CA Dept. of Health Care Services	116,152,486	-	Social Services Agency
Medi-Cal CalWIN (Indirect)	93.778	1946001347 A7	CA Dept. of Social Services	4,753,116	-	Social Services Agency
Medi-Cal In-Home Supportive Services (Indirect)	93.778	1946001347 A7	CA Dept. of Social Services	11,638,574	-	Social Services Agency
Medi-Cal In-Home Supportive Services Admin (Indirect)	93.778	1946001347 A7	CA Dept. of Social Services	11,881,332	-	Social Services Agency
Medi-Cal Outreach & Enrollment (Indirect)	93.778		CA Dept. of Health Care Services	313,979	-	Social Services Agency
Subtotal 93.778 (Medicaid Cluster)				159,281,945	-	

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

COUNTY OF ORANGE, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ County Program Name (Direct or Indirect) (1)	Catalog of Federal Domestic Assistance (CFDA) Number	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Federal Disbursements/ Expenditures	Amount Provided to Subrecipient	County Department
HIV Emergency Relief Project Grants						
Minority AIDS Initiative (MAI) (Direct)	93.914			\$ 460,605	\$ 411,074	Health Care Agency
Ryan White Part A (Direct)	93.914			6,010,879	2,370,016	Health Care Agency
Subtotal 93.914				6,471,484	2,781,090	
HIV Care Formula Grants						
Care Services (Indirect)	93.917	15-11067 A01	CA Dept. of Public Health, Office of AIDS	2,421,008	785,898	Health Care Agency
HIV Care Program X08 (Indirect)	93.917	17-10774	CA Dept. of Public Health, Office of AIDS	74,800	-	Health Care Agency
Human Immunodeficiency Virus (HIV) Expanded Testing (Indirect)	93.917	14-10737	CA Dept. of Public Health, Office of AIDS	37,962	-	Health Care Agency
Subtotal 93.917				2,533,770	785,898	
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease						
Ryan White Part C (HIV Primary Care) (Direct)	93.918			581,332	-	Health Care Agency
HIV Prevention Activities Health Department Based						
Pre-Exposure Prophylaxis (PrEP) (Indirect)	93.940	15-10972	CA Dept. of Public Health	714,011	-	Health Care Agency
Prevention, Testing and Partner Services (Indirect)	93.940	15-10943	CA Dept. of Public Health, Office of AIDS	1,049,703	480,391	Health Care Agency
Subtotal 93.940				1,763,714	480,391	
Block Grants for Community Mental Health Services						
Substance Abuse and Mental Health Services Administration (SAMHSA), Community Mental Health Services						
Block Grant (MHBG) (Indirect)	93.958	68-0317191	CA Dept. of Health Care Services	2,613,046	1,311,574	Health Care Agency
Block Grants for Prevention and Treatment of Substance Abuse						
Alcohol and Drug Program (Indirect)	93.959	17-94147	CA Dept. of Health Care Services	19,160,900	11,105,044	Health Care Agency
Sexually Transmitted Diseases (STD) Prevention and Control Grants						
Chlamydia Screening Project (CLASP) (Indirect)	93.977	15-10259	CA Dept. of Public Health	35,073	-	Health Care Agency
Gonorrhea Isolate Surveillance Project (GISP) (Indirect)	93.977	15-10259	CA Dept. of Public Health	3,247	-	Health Care Agency
STD/HIV Service Integration (Indirect)	93.977	15-10259	CA Dept. of Public Health	130,688	-	Health Care Agency
Subtotal 93.977				169,008	-	
Maternal and Child Health Services Block Grant to the States						
Maternal, Child Health, and Adolescent Health (MCAH) (Indirect)	93.994	201730	CA Dept. of Public Health	1,150,510	24,381	Health Care Agency
Subtotal - U.S. Department of Health and Human Services				441,240,471	30,599,224	
U.S. Department of Homeland Security						
Disaster Grants-Public Assistance (Presidentially Declared Disasters)						
FEMA - October 2017 California Wildfires (Indirect)	97.036	FEMA-4344-DR-CA	California Office of Emergency Services	5,704	-	Social Services Agency
(Indirect)	97.036	FEMA-4305-DR-CA, Cal OES ID: 059-00000	CA Governor's Office of Emergency Services	236,830	-	OC Public Works
Subtotal 97.036				242,534	-	
Emergency Management Performance Grants						
2016 Emergency Management Performance Grant (EMPG) (Indirect)	97.042	2016-0010	California Office of Emergency Services	366,438	366,438	Sheriff-Coroner
2017 Emergency Management Performance Grant (EMPG) (Indirect)	97.042	2017-0007	California Office of Emergency Services	449,590	-	Sheriff-Coroner
Subtotal 97.042				816,028	366,438	
Homeland Security Grant Program						
2015 Homeland Security Grant Program (HSGP) (Indirect)	97.067	2015-00078	California Office of Emergency Services	285,962	50,079	Sheriff-Coroner
2016 Homeland Security Grant Program (HSGP) (Indirect)	97.067	2016-0102	California Office of Emergency Services	1,813,076	556,232	Sheriff-Coroner
2017 Homeland Security Grant Program (HSGP) (Indirect)	97.067	2017-0083	California Office of Emergency Services	5,150	-	Sheriff-Coroner
Homeland Security Grant Program (HSGP) (Indirect)	97.067	2016-0102, 2017-0083	California Office of Emergency Services	209,506	-	Health Care Agency
2016 Homeland Security Program (UASI) (Indirect)	97.067	2016-SS-0102	City of Anaheim Police Department	26,992	-	Sheriff-Coroner
2015 Operation Stonegarden Supplemental Grant (Indirect)	97.067	2015-1078	San Diego County Sheriff's Department	17,909	-	Sheriff-Coroner
2016 Operation Stonegarden Supplemental Grant (Indirect)	97.067	2016-0102	San Diego County Sheriff's Department	147,378	-	Sheriff-Coroner
2017 Operation Stonegarden Supplemental Grant (Indirect)	97.067	2017-0083	San Diego County Sheriff's Department	32,426	-	Sheriff-Coroner
Subtotal 97.067				2,538,399	606,311	

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COUNTY OF ORANGE, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ County Program Name (Direct or Indirect) (1)	Catalog of Federal Domestic Assistance (CFDA) Number	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Federal Disbursements/ Expenditures	Amount Provided to Subrecipient	County Department
Securing The Cities Program (Indirect)	97.106	2012-DN-106-00001	City of Los Angeles Mayor's Office	\$ 31,624	\$ -	Sheriff-Coroner
Los Angeles Border Enforcement Security Taskforce (LA BEST) (Direct)	97.U01			1,469	-	Sheriff-Coroner
TSA: National Explosives Detection Canine Team Program (Direct)	97.U02			252,500	-	John Wayne Airport
Subtotal - U.S. Department of Homeland Security				3,882,554	972,749	
U.S. Department of Housing and Urban Development						
Community Development Block Grants/Entitlement Grants						
Community Development Block Grant (Direct)	14.218			4,503,388	2,124,931	OC Community Resources
Subtotal 14.218 (CDBG - Entitlement Grants Cluster)				4,503,388	2,124,931	
Emergency Solutions Grant Program						
Emergency Shelter Grant Program (Direct)	14.231			144,417	144,417	OC Community Resources
Emergency Solutions Grant Program (Indirect)	14.231	16-ESG-11129	CA Department of Housing and Community Development	881,021	814,556	OC Community Resources
Subtotal 14.231				1,025,438	958,973	
Shelter Plus Care (Direct)	14.238			17,989	-	OC Community Resources
HOME Investment Partnerships Program (Direct)	14.239			206,216	-	OC Community Resources
Housing Opportunities for Persons with AIDS (HOPWA) (Indirect)	14.241	9580.B	City of Anaheim	862,284	805,873	Health Care Agency
Continuum of Care Program						
Continuum of Care (CoC) - Planning Grant (Direct)	14.267			622,377	-	OC Community Resources
Continuum of Care (CoC) - Rental Assistance Grant (Direct)	14.267			8,338,859	-	OC Community Resources
Subtotal 14.267				8,961,236	-	
Section 8 Housing Choice Vouchers						
Family Self Sufficiency Program Evaluation (Indirect)	14.871	GS-10F-0245N	MDRC	692	-	OC Community Resources
Section 8 Housing Choice Vouchers (Direct)	14.871			132,423,054	-	OC Community Resources
Subtotal 14.871 (Housing Voucher Cluster)				132,423,746	-	
Family Self-Sufficiency Program						
Family Self Sufficiency Program Coordinator (Direct)	14.896			258,663	-	OC Community Resources
Subtotal - U.S. Department of Housing and Urban Development				148,258,960	3,889,777	
U.S. Department of the Interior						
Payments in Lieu of Taxes (PILT) (Direct)	15.226			92,511	-	Auditor-Controller
Subtotal - U.S. Department of the Interior				92,511	-	
U.S. Department of Justice						
Services for Trafficking Victims						
Orange County Human Trafficking Task Force (Indirect)	16.320	2017-VT-BX-K027	City of Anaheim	4,825	-	District Attorney
Crime Victim Assistance						
Child Abuse Treatment Services (Indirect)	16.575	AT16020300, AT17030300	California Office of Emergency Services	278,341	278,341	Social Services Agency
County Victim Services (XC) Program (Indirect)	16.575	XC16010300	California Governor's Office of Emergency Services	1,517,131	1,517,131	County Executive Office
Human Trafficking Advocacy Program (Indirect)	16.575	HA16030300	California Office of Emergency Services	126,225	126,225	District Attorney
Human Trafficking Advocacy Program (Indirect)	16.575	HA17040300	California Office of Emergency Services	82,284	56,268	District Attorney
Unserved/Underserved Victim Advocacy and Outreach Program (Indirect)	16.575	UV16020300	California Office of Emergency Services	202,523	170,785	County Executive Office
Victim Witness Assistance Program (Indirect)	16.575	VW16350300, VW17360300	California Office of Emergency Services	3,492,460	3,265,275	County Executive Office
Subtotal 16.575				5,698,964	5,414,025	
Violence Against Women Formula Grants						
Violence Against Women Vertical Prosecution Program (Indirect)	16.588	VV16080300	California Office of Emergency Services	16,961	2,958	District Attorney
Violence Against Women Vertical Prosecution Program (Indirect)	16.588	VV17090300	California Office of Emergency Services	218,000	16,646	District Attorney
Subtotal 16.588				234,961	19,604	

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

COUNTY OF ORANGE, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ County Program Name (Direct or Indirect) (1)	Catalog of Federal Domestic Assistance (CFDA) Number	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Federal Disbursements/ Expenditures	Amount Provided to Subrecipient	County Department
Edward Byrne Memorial Justice Assistance Grant Program						
2014 Edward Byrne Memorial Justice Assistance Grant (JAG) (Direct)	16.738			\$ 3,303	\$ -	Sheriff-Coroner
2015 Edward Byrne Memorial Justice Assistance Grant (JAG) (Direct)	16.738			14,089	3,748	Sheriff-Coroner
2016 Edward Byrne Memorial Justice Assistance Grant (JAG) (Direct)	16.738			68,362	50,688	Sheriff-Coroner
Subtotal 16.738				85,754	54,436	
DNA Backlog Reduction Program						
2015 DNA Backlog Reduction Grant (Direct)	16.741			73,914	-	Sheriff-Coroner
2016 DNA Backlog Reduction Grant (Direct)	16.741			68,474	-	Sheriff-Coroner
2017 DNA Backlog Reduction Grant (Direct)	16.741			9,564	-	Sheriff-Coroner
Subtotal 16.741				151,952	-	
Paul Coverdell Forensic Sciences Improvement Grant Program						
2016 Coverdell National Forensic Science Improvement Grant (Indirect)	16.742	CQ16120300	California Office of Emergency Services	75,581	-	Sheriff-Coroner
2017 Coverdell National Forensic Science Improvement Grant (Indirect)	16.742	CQ17130300	California Office of Emergency Services	8,610	-	Sheriff-Coroner
Subtotal 16.742				84,191	-	
Post-Conviction Testing of DNA Evidence						
Post-Conviction Testing of DNA Evidence to Exonerate the Innocent (Direct)	16.820			1,877	-	District Attorney
Post-Conviction Testing of DNA Evidence to Exonerate the Innocent (Direct)	16.820			84,168	-	Public Defender
Subtotal 16.820				86,045	-	
National Sexual Assault Kit Initiative						
Orange County District Attorney Sexual Assault Kit Initiative (Direct)	16.833			476,225	49,837	District Attorney
Orange County District Attorney Sexual Assault Kit Initiative (Direct)	16.833			3,830	-	Sheriff-Coroner
Subtotal 16.833				480,055	49,837	
Equitable Sharing Program						
Department of Justice Forfeiture Program (Direct)	16.922			59,599	-	District Attorney
Regional Narcotics Suppression Program (RNSP) Forfeitures (Direct)	16.922			4,928,598	-	Sheriff-Coroner
Sheriff's Narcotic Program (SNP) Forfeitures (Direct)	16.922			1,910,565	-	Sheriff-Coroner
Subtotal 16.922				6,898,762	-	
Cyber Task Force (Direct)	16.U01			11,566	-	District Attorney
OC Regional Computer Forensics Laboratory (OCRCFL) (Direct)	16.U02			71,484	-	District Attorney
Orange County Drug Enforcement Task Force (Direct)	16.U03			18,042	-	District Attorney
Regional Fugitive Task Force (Direct)	16.U04			15,759	-	District Attorney
Subtotal - U.S. Department of Justice				13,842,360	5,537,902	
U.S. Department of Labor						
Senior Community Service Employment Program						
Title V - Senior Community Services Employment Program (Indirect)	17.235	TV-1718-22	CA Dept. of Aging	670,583	620,615	OC Community Resources
WIOA Adult Program						
Workforce Investment Act Title I Adult (2015) (Indirect)	17.258	K698379	CA Employment Development Dept.	793,097	237,834	OC Community Resources
Workforce Investment Act Title I Adult (2016) (Indirect)	17.258	K7102052	CA Employment Development Dept.	2,027,971	897,882	OC Community Resources
Workforce Investment Act Title I Adult (2017) (Indirect)	17.258	K8106652	CA Employment Development Dept.	1,643,901	698,862	OC Community Resources
WIOA Youth Activities						
Workforce Investment Act Title I Youth (2016) (Indirect)	17.259	K7102052	CA Employment Development Dept.	2,283,115	1,399,580	OC Community Resources
Workforce Investment Act Title I Youth (2017) (Indirect)	17.259	K8106652	CA Employment Development Dept.	950,347	582,575	OC Community Resources
WIOA Dislocated Worker Formula Grants						
Workforce Investment Act Title I Dislocated Worker (2015) (Indirect)	17.278	K698379	CA Employment Development Dept.	400,678	64,692	OC Community Resources
Workforce Investment Act Title I Dislocated Worker (2016) (Indirect)	17.278	K7102052	CA Employment Development Dept.	911,136	584,106	OC Community Resources
Workforce Investment Act Title I Dislocated Worker (2017) (Indirect)	17.278	K8106652	CA Employment Development Dept.	3,255,263	1,623,072	OC Community Resources
Subtotal 17.258, 17.259, and 17.278 (WIOA Cluster)				12,265,508	6,088,603	

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

COUNTY OF ORANGE, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ County Program Name (Direct or Indirect) (1)	Catalog of Federal Domestic Assistance (CFDA) Number	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Federal Disbursements/ Expenditures	Amount Provided to Subrecipient	County Department
Reentry Employment Opportunities						
Linking to Employment Activities Pre-release Specialized American Job Center 2 (Direct)	17.270			\$ 245,346	\$ 188,902	OC Community Resources
WIOA National Dislocated Worker Grants/WIA National Emergency Grants						
WIOA-National Emergency Grant (Indirect)	17.277	K8106652	CA Employment Development Dept.	403,818	-	OC Community Resources
Subtotal - U.S. Department of Labor				13,585,255	6,898,120	
U.S. Department of Transportation						
Airport Improvement Program						
FAA: Airport Improvement Programs Grant 44, 45 & 46 (Direct)	20.106			4,828,587	-	John Wayne Airport
Highway Planning and Construction						
Highway Bridge Program (HBP) BR. No. 55C-0172 (Modjeska Canyon Road) (Indirect)	20.205	5955(094)	CA Dept. of Transportation	61,418	-	OC Public Works
Highway Bridge Program (HBP) BR. No. 55C-0174 (Silverado Canyon Road 1.6 miles east of Santiago Canyon I	20.205	5955(095)	CA Dept. of Transportation	54,058	-	OC Public Works
Highway Bridge Program (HBP) BR. No. 55C-0175 (Silverado Canyon) (Indirect)	20.205	5955(087)	CA Dept. of Transportation	88,056	-	OC Public Works
Highway Bridge Program (HBP) BR. No. 55C-0177 (Silverado Canyon Road 4.4 miles east of Santiago Canyon I	20.205	5955(096)	CA Dept. of Transportation	63,127	-	OC Public Works
Highway Bridge Program (HBP) BR. No. 55C-0400 (Edinger Avenue/Sunset Way over Bolsa Chica Channel) (In	20.205	5955(078)	CA Dept. of Transportation	7,920,818	-	OC Public Works
Highway Safety Improvement Program (Gilbert Street Improvements) (Indirect)	20.205	5955(086)	CA Dept. of Transportation	437,605	-	OC Public Works
Highway Safety Improvement Program (Santiago Canyon Road from Live Oak Canyon to SR241/SR261) (Indire	20.205	5955(101)	CA Dept. of Transportation	157,052	-	OC Public Works
Highway Safety Improvement Program (Trabuco Canyon Road) (Indirect)	20.205	5955(089)	CA Dept. of Transportation	6,057	-	OC Public Works
Surface Transportation Program (STPL 5955 (097) Foothill Blvd from Hewes Street to Newport Avenue (Indirect	20.205	5955(097)	CA Dept. of Transportation	379,710	-	OC Public Works
Surface Transportation Program (STPL 5955 (098) Crown Valley Parkway and OSO Parkway (Indirect)	20.205	5955(098)	CA Dept. of Transportation	500,000	-	OC Public Works
Subtotal 20.205 (Highway Planning and Construction Cluster)				9,667,901	-	
State and Community Highway Safety						
2016 OTS- STEP (Selective Traffic Enforcement Program) (Indirect)	20.600	PT1786	CA Office of Traffic Safety	62,577	-	Sheriff-Coroner
2017 OTS- STEP (Selective Traffic Enforcement Program) (Indirect)	20.600	PT18106	CA Office of Traffic Safety	175,885	-	Sheriff-Coroner
National Priority Safety Programs						
2016 Standards and Training in DUID Toxicology (Indirect)	20.616	DI1722	CA Office of Traffic Safety	27,499	-	Sheriff-Coroner
Alcohol and Drug Impaired Driver Vertical Prosecution Program (Indirect)	20.616	DI1706	CA Office of Traffic Safety	289,059	-	District Attorney
Alcohol and Drug Impaired Driver Vertical Prosecution Program (Indirect)	20.616	DI18019	CA Office of Traffic Safety	414,376	-	District Attorney
California Traffic Safety Resource Program Training Network (Indirect)	20.616	DI18033	CA Office of Traffic Safety	249,659	-	District Attorney
Cannabinoid and Other Drug Prevalence in DUI Drivers (Indirect)	20.616	DI18020	CA Office of Traffic Safety	51,198	-	Sheriff-Coroner
Subtotal 20.600 and 20.616 (Highway Safety Cluster)				1,270,253	-	
Minimum Penalties for Repeat Offenders for Driving While Intoxicated						
2016 OTS- STEP (Selective Traffic Enforcement Program) (Indirect)	20.608	PT1786	CA Office of Traffic Safety	71,230	-	Sheriff-Coroner
2017 OTS- STEP (Selective Traffic Enforcement Program) (Indirect)	20.608	PT18106	CA Office of Traffic Safety	194,939	-	Sheriff-Coroner
Subtotal 20.608				266,169	-	
Subtotal - U.S. Department of Transportation				16,032,910	-	
U.S. Department of the Treasury						
Equitable Sharing						
Department of Treasury Forfeiture Program (Direct)	21.016			59,064	-	District Attorney
Regional Narcotics Suppression Program (RNSP) Forfeitures (Direct)	21.016			16,474	-	Sheriff-Coroner
Sheriff's Narcotics Program (SNP) Forfeitures (Direct)	21.016			520,015	-	Sheriff-Coroner
Subtotal - U.S. Department of the Treasury				595,553	-	

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

COUNTY OF ORANGE, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ County Program Name (Direct or Indirect) (1)	Catalog of Federal Domestic Assistance (CFDA) Number	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Federal Disbursements/ Expenditures	Amount Provided to Subrecipient	County Department
Election Assistance Commission						
Help America Vote Act Requirements Payments						
Help America Vote Act (HAVA) Polling Place Accessibility Training Program (Indirect)	90.401	17G26129	Secretary of State	\$ 28,315	\$ -	Registrar of Voters
Subtotal - Election Assistance Commission				28,315	-	
Executive Office of the President						
High Intensity Drug Trafficking Areas Program						
High Intensity Drug Trafficking Area (HIDTA) 2016 (Direct)	95.001			236,278	-	Sheriff-Coroner
High Intensity Drug Trafficking Area (HIDTA) 2017 (Direct)	95.001			730,171	-	Sheriff-Coroner
High Intensity Drug Trafficking Area VIPER (HIDTA) 2017 (Direct)	95.001			11,146	-	Sheriff-Coroner
Regional Methamphetamine Task Force (RMTF) 2017 (Indirect)	95.001	G17LA0006A	City of Monrovia	91,793	-	Sheriff-Coroner
Subtotal - Executive Office of the President				1,069,388	-	
National Foundation on the Arts and the Humanities						
Promotion of the Arts Grants to Organizations and Individuals						
The Big Read 2017-2018 (Indirect)	45.024	00019872	Arts Midwest	14,000	-	OC Community Resources
Promotion of the Humanities Federal/State Partnership						
Community Stories Grant for Indigenous Voices of San Juan Capistrano (Indirect)	45.129	COS16-492	California Humanities	5,169	-	OC Community Resources
Library Innovation Lab Grant (Indirect)	45.129	LIL16-06	California Humanities	5,000	-	OC Community Resources
Subtotal 45.129				10,169	-	
Subtotal - National Foundation on the Arts and the Humanities				24,169	-	
Grand Total Schedule of Expenditures of Federal Awards				\$ 681,667,761	\$ 49,508,987	

LEGEND:

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

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

COUNTY OF ORANGE, CALIFORNIA
Supplementary Schedule of Grant Expenditures
For Grants Provided by the California Health and Human Services Agency, Department of Aging (1)
For the Year Ended June 30, 2018

Federal or State Grantor/Pass-through Entity/County Program Name/Direct or Indirect	Catalog of Federal Domestic Assistance Number (CFDA #) (3)	Pass-Through Entity's Identifying Number (2)	Grant Award			Expenditures		
			Federal	State	Total	Federal	State	Total
U.S. Department of Health and Human Services								
Pass-through the CA Department of Aging:								
Special Programs for the Aging Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation Title VII-B: Elder Abuse Prevention (Indirect)	93.041	AP-1718-22	\$ 36,812	\$ -	\$ 36,812	\$ 36,812	\$ -	\$ 36,812
Special Programs for the Aging Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals Title VII-A: Ombudsman (Indirect)	93.042	AP-1718-22	101,053	-	101,053	100,948	-	100,948
Special Programs for the Aging Title III, Part D, Disease Prevention and Health Promotion Services Title III-D: Preventive Health (Indirect)	93.043	AP-1718-22	154,067	-	154,067	154,067	-	154,067
Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers Title III-B: Senior Supportive Services (Indirect)	93.044	AP-1718-22	2,372,310	95,094	2,467,404	2,368,866	95,094	2,463,960
Special Programs for the Aging Title III, Part C, Nutrition Services Title III-C1: Congregate Meals for Seniors (Indirect)	93.045	AP-1718-22	2,334,844	251,994	2,586,838	2,334,844	251,994	2,586,838
Title III-C2: Home Delivered Meals for Seniors (Indirect)	93.045	AP-1718-22	2,459,375	269,687	2,729,062	2,459,375	269,687	2,729,062
National Family Caregiver Support, Title III, Part E Title III-E: National Family Caregiver Support Program (Indirect)	93.052	AP-1718-22	1,145,310	-	1,145,310	1,145,310	-	1,145,310
Nutrition Services Incentive Program Title III-C1: Nutrition Services Incentive Program (NSIP) (Indirect)	93.053	AP-1718-22	277,537	-	277,537	277,537	-	277,537
Title III-C2: Nutrition Services Incentive Program (NSIP) (Indirect)	93.053	AP-1718-22	753,583	-	753,583	753,583	-	753,583
Subtotal 93.041, 93.042, 93.043, 93.044, 93.045, 93.052, and 93.053 (Aging Cluster)			9,634,891	616,775	10,251,666	9,631,342	616,775	10,248,117
Medicare Enrollment Assistance Program Medicare Improvements for Patients and Provider Act (MIPPA) (Indirect)	93.071	MI-1718-22	104,101	-	104,101	70,368	-	70,368
State Health Insurance Assistance Program Health Insurance Counseling and Advocacy Program (HICAP) (Indirect)	93.324	HI-1718-22	189,266	398,535	587,801	166,957	395,662	562,619
Affordable Care Act State Health Insurance Assistance Program (SHIP) and Aging and Disability Resource Center (ADRC) Options Counseling for Medicare-Medicaid Individuals in States with Approved Financial Alignment Models SHIP Options Counseling for Medicare/Medicaid-Financial Alignment (Indirect)	93.626	FA-1718-22	26,841	-	26,841	14,464	-	14,464
Total U.S. Department of Health and Human Services			9,955,099	1,015,310	10,970,409	9,883,131	1,012,437	10,895,568
U.S. Department of Labor								
Pass-through the CA Department of Aging:								
Senior Community Service Employment Program Title V - Senior Community Services Employment Program (Indirect)	17.235	TV-1718-22	685,333	-	685,333	670,583	-	670,583
Total U.S. Department of Labor			685,333	-	685,333	670,583	-	670,583
CA Health and Human Services Agency								
Pass-through the CA Department of Aging:								
Long Term Care Ombudsman Program Special Deposit Fund (SDF) - State Health Facilities Citation Penalties Account			-	136,830	136,830	-	123,407	123,407
Skilled Nursing Facility Quality & Accountability Fund (SNFQAF)			-	180,678	180,678	-	180,578	180,578
Public Health L&C Program Fund			-	38,038	38,038	-	35,438	35,438
Total CA Health and Human Services Agency			-	355,546	355,546	-	339,423	339,423
Total			\$ 10,640,432	\$ 1,370,856	\$ 12,011,288	\$ 10,553,714	\$ 1,351,860	\$ 11,905,574

(1) All federal and state grants provided to the County of Orange, CA by the CA Health and Human Services Agency, Department of Aging.

(2) The State of CA does not assign a pass-through identification number for certain programs passed to the County. Accordingly, a pass-through identification number is not listed for certain indirect programs.

(3) State only funded programs do not have a federal CFDA number.

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

COUNTY OF ORANGE, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards and the Supplementary Schedule of Grant
Expenditures for Grants Provided by the California Health and Human Services Agency,
Department of Aging
For the Year Ended June 30, 2018

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the County of Orange, California (County), except as noted herein. The County's reporting entity is defined in Note 1 of the County's basic financial statements. These financial statements include the operations of the Children and Families Commission of Orange County (CFCOC) and the Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima) (discretely presented component units), which expended \$519,989 and \$1,949,675, respectively, in federal awards, which are not included in the SEFA. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies, primarily the State of California, are included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING

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

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

NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

NOTE 4 – CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY, DEPARTMENT OF AGING

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

NOTE 5 – NONCASH ASSISTANCE

Senior Farmers Market Coupons valued at \$34,960 was provided by the Senior Farmers Market Nutrition Program, CFDA No. 10.576 to purchase food. This amount is included on the SEFA.

COUNTY OF ORANGE, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards and the Supplementary Schedule of Grant
Expenditures for Grants Provided by the California Health and Human Services Agency,
Department of Aging
For the Year Ended June 30, 2018

NOTE 6 – OUSTANDING LOANS OF FEDERAL FUNDS

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

CFDA #	Federal Program Name	Outstanding Loans at June 30, 2018	New Loans in Fiscal Year Ended June 30, 2018
14.218	Community Development Block Grant (Direct)	\$ 2,392,458	\$ -
14.239	HOME Investment Partnerships Program (Direct)	26,177,043	-

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

I. SUMMARY OF AUDITORS' RESULTS**FINANCIAL STATEMENTS**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Internal control over financial reporting:

Material weakness(es) identified?

Significant deficiency(ies) identified?

Noncompliance material to financial statements noted?

Unmodified

No

Yes

No

FEDERAL AWARDS

Internal control over major federal programs:

Material weakness(es) identified?

Significant deficiency(ies) identified?

Yes

Yes

Unmodified for all major programs, except for CFDA Nos. 17.258/17.259/17.278 Workforce Innovation and Opportunity Act (WIOA) Cluster, which was qualified

Type of auditors' report issued on compliance for major federal programs:

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?

Yes

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.041/93.042/93.043/93.044/93.045/93.052/93.053	Aging Cluster
93.558	TANF Cluster
93.659	Adoption Assistance
93.959	Block Grants for Prevention and Treatment of Substance Abuse
14.218	Community Development Block Grants/Entitlement Grants
14.267	Continuum of Care Program
14.871	Housing Voucher Cluster
16.575	Crime Victim Assistance
16.922	Equitable Sharing Program
17.258/17.259/17.278	Workforce Innovation and Opportunity Act (WIOA) Cluster
20.106	Airport Improvement Program
20.205	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$3,000,000

Auditee qualified as low-risk auditee?

No

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

II. FINANCIAL STATEMENT FINDINGS

Finding 2018-001

INFORMATION TECHNOLOGY GENERAL CONTROLS (ITGC)

Criteria:

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

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

Condition:

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

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

There were no written policies and procedures for the following:

- To classify systems and information that is stored, processed, shared, or transmitted with respect to the type of data (e.g. confidential or sensitive) and its value to critical business functions in place.
 - To protect data or electronic storage media, including CDs, USB drives, and tapes.
 - To identify, report, or correct the information system/application flaws to ensure the information integrity.
 - That states a developer security test and evaluation to ensure the software integrity practice is in place.
 - That SOC 1/SOC 2 reports are received and reviewed by the management to evaluate the impact of any control deficiencies noted by the service organizations' auditors to the County.
 - Analysis and mapping of complementary controls identified in service organizations' SOC 1/SOC 2 reports to County internal controls to ensure assets and information are safeguarded and financial reporting is appropriate.
2. Reassessment and Updating of Policies – The Usage and IT Security Policies have not been updated since 2009.
 3. Lack of Evidence of Review – IT personnel do not document the results of the evaluation of the SOC 1/SOC 2 reports provided by its service organizations, nor are compensating controls identified and evaluated for effectiveness
 4. System Access – User access of the CAPS+ application was not consistently disabled timely (within three (3) business days after the users' termination date).

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

II. FINANCIAL STATEMENT FINDINGS (Continued)**Cause:**

This item was a prior year finding (2017-001) and management was in the process of developing and updating the written policies and procedures during the fiscal year.

Effect:

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

Recommendation:

We recommend that the County perform the following:

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

Views of Responsible Officials and Planned Correction Action:

See separate corrective action plan.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The following findings represent material weaknesses, significant deficiencies, and/or instances of noncompliance, including questioned costs, required to be reported in accordance with 2 CFR 200, Subpart F.

Finding 2018-002

Program: Workforce Innovation and Opportunity Act (WIOA)

CFDA No.: 17.258/17.259/17.278

Federal Grantor: U.S. Department of Labor

Passed-through: California Employment Development Department

Award No. and Year: various

Compliance Requirements: Procurement and Suspension and Debarment

Criteria:

In accordance with 2 *CFR* section 215.43, all procurement transactions will be conducted in a manner providing full and open competition.

Condition:

During our testing of compliance with the procurement requirements for subrecipients, we noted that the Orange County Community Resources (OCCR) Department entered into a contract with a subrecipient that did not follow the County's procurement process prior to awarding the contract.

Questioned Costs:

\$3,911,557

Context:

Of the two (2) subrecipient contracts selected for testing totaling \$5,071,295 of current expenditures, one (1) subrecipient contract totaling \$3,911,557 of current expenditures did not adhere to the County's purchasing policy to ensure full and open competition.

Effect:

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

Cause:

OCCR did not adhere to established policies and procedures when awarding the subrecipient contract.

Repeat Finding:

This finding is a repeat finding of prior year finding 2017-002.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation:

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

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan

Finding 2018-003

Program: Block Grants for Prevention and Treatment of Substance Abuse

CFDA No.: 93.959

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

Passed-through: California Department of Health Care Services

Award No. and Year: 17-94147 (2018)

Program: Crime Victim Assistance

CFDA No.: 16.575

Federal Grantor: U.S. Department of Justice

Passed-through: California Office of Emergency Services and California Governor's Office of Emergency Services

Award No. and Year: Various

Compliance Requirements: Subrecipient Monitoring

Criteria:

2 CFR section 200.303(a), Internal Controls, states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

2 CFR section 200.331(b), Requirements for Pass-Through Entities, states that all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations and the terms and conditions of the subaward for purpose of determining the appropriate subrecipient monitoring.

Condition:

During our testing of the Health Care Agency, CEO's Office, and District Attorney's Office provisions for evaluating subrecipient's risk of noncompliance with Federal statutes, regulations and the terms and conditions of the subaward, we noted the following instances where evaluation of the subrecipient's risk of noncompliance was performed but not documented:

- Eight (8) of the eight (8) subawards selected for testing from the Block Grants for Prevention and Treatment of Substance Abuse.
- Three (3) of the three (3) Crime Victim Assistance Program subawards through the CEO's Office selected for testing.
- One (1) of the one (1) Crime Victim Assistance Program subawards through the District Attorney's Office selected for testing.

**COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition noted above was identified during our procedures over the Health Care Agency, CEO's Office, and District Attorney's Office subrecipient monitoring provisions.

Effect:

There is an increased risk that the monitoring procedures performed may not address the subrecipient's risk of noncompliance.

Cause:

The Health Care Agency, CEO Office, and District Attorney's Office did not have procedures implemented to ensure the evaluation of the subrecipient's risk of noncompliance was documented.

Recommendation:

We recommend that the Health Care Agency, CEO Office, and District Attorney's Office implement policies and procedures to ensure that the required evaluation of the subrecipient's risk of noncompliance be documented in accordance with 2 *CFR* section 200.331(b).

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan

Finding 2018-004

Program: Aging Cluster

CFDA No.: 93.041/93.042/93.043/93.044/93.045/93.052/93.053

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

Passed-through: California Department of Aging

Award No. and Year: AP-1718-22 (2018)

Program: Block Grants for Prevention and Treatment of Substance Abuse

CFDA No.: 93.959

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

Passed-through: California Department of Health Care Services

Award No. and Year: 17-94147 (2018)

Compliance Requirements: Subrecipient Monitoring

Criteria:

2 *CFR* Part 200.331(a), *Requirements for Pass-Through Entities*, states that all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes certain information as well as all the requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)**Condition:**

The following information was not provided at the time of subaward for four (4) of the four (4) subawards selected for testing from the Aging Cluster:

- Federal award date of award to the recipient by the Federal agency
- Identification of whether the award is research and development

The following information was not provided at the time of subaward for eight (8) of the eight (8) subawards selected for testing from the Block Grants for Prevention and Treatment of Substance Abuse:

- Federal award identification number
- Federal award date of award to the recipient by the Federal agency
- Name of federal awarding agency
- Identification of whether the award is research and development

For two (2) of the eight (8) subawards selected for testing for the Block Grants for Prevention and Treatment of Substance Abuse the CFDA number and name were missing.

For six (6) of the eight (8) subawards selected for testing for the Block Grants for Prevention and Treatment of Substance Abuse the indirect cost rate for the federal award was missing.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition noted above was identified during our procedures over the Orange County Community Resources (OCCR) department and the Health Care Agency's subrecipient monitoring provisions.

Effect:

OCCR and the Health Care Agency did not identify the required elements of the subaward to the subrecipients at the time of subaward, increasing the risk of noncompliance.

Cause:

OCCR and the Health Care Agency's procedures did not consistently ensure that the required award information and applicable requirements were communicated to subrecipients.

Recommendation:

We recommend that OCCCR and the Health Care Agency modify and/or strengthen its current policies and procedures to ensure that all required award information and applicable requirements is communicated to subrecipients at the time of subaward in accordance with *.2 CFR section 200.331(a)*.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2018-005

Program: Community Development Block Grants (CDBG)

CFDA No.: 14.218

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

Award No. and Year: Various

Program: Aging Cluster

CFDA No.: 93.041/93.042/93.043/93.044/93.045/93.052/93.053

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

Passed-through: California Department of Aging

Award No. and Year: AP-1718-22 (2018)

Program: Crime Victim Assistance

CFDA No.: 16.575

Federal Grantor: U.S. Department of Justice

Passed-through: California Office of Emergency Services and California Governor's Office of Emergency Services

Award No. and Year: Various

Compliance Requirements: Procurement and Suspension and Debarment

Criteria:

2 CFR section 200.303(a), Internal Controls, states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Title 2 CFR Section 200.213 of the Uniform Guidance states that the County must comply with 2 CFR part 180, which implements Executive Orders 12549 and 12689, "Debarment and Suspension;" Federal awarding agency regulations in Title 2 of the CFR adopting/implementing the OMB guidance in 2 CFR part 180; program legislation; and the terms and conditions of the award. The *2017 Compliance Supplement* states:

- Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.
- When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/SAM/>, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Condition:

During our testing of the Orange County Community Resources (OCCR) department, CEO's Office, and District Attorney's Office provisions for procurement requirements, we noted the following instances where there was no evidence that departments verified the entity was not suspended or debarred or otherwise excluded from participating in the transaction:

- One (1) of the two (2) CDBG contracts through the OCCR department selected for testing.
- Three (3) of the four (4) Aging subawards through the OCCR department selected for testing.
- One (1) of the three (3) Crime Victim Assistance subawards through the CEO's Office selected for testing.
- One (1) of the one (1) Crime Victim Assistance subawards through the District Attorney's Office selected for testing.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition above was identified during our testing of the procurement and suspension and debarment requirements of the programs.

Effect:

Verification of suspension and debarment of the entities that the departments entered into covered transactions with, was not documented in accordance with federal regulations resulting in non-compliance with procurement requirements.

Cause:

OCCR, CEO's Office, and District Attorney's Office did not document the review of the contract for compliance with the suspension and debarment requirements as stated in 2 *CFR* §180.300.

Recommendation:

We recommend that OCCR, CEO's Office, and District Attorney's Office adhere to their procurement procedures prior to entering into a covered transaction.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)**Finding 2018-006****Program:** Equitable Sharing**CFDA No.:** 16.922**Federal Grantor:** U.S. Department of Justice**Award No. and Year:** various**Compliance Requirements:** Equipment and Real Property Management**Criteria:**

In accordance with 2 *CFR* section 200.313(d)(1), a non-federal entity must maintain property records that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, acquisition date, cost of the property, percentage of Federal participation in project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.

Condition:

During our testing of compliance with the equipment and real property management requirements, we noted the following instances of non-compliance:

- Six (6) of ten (10) equipment purchases selected for physical inspection did not include the correct location of the equipment on the Sheriff's department property records.
- One (1) of the ten (10) equipment purchases selected for physical inspection did not have the correct serial number on the Sheriff's department property records.
- Six (6) of the ten (10) assets selected for physical inspection were not tagged with an asset identification number for tracking purposes.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition above was identified during our testing of the equipment and real property management requirements of the program.

Effect:

Failure to follow the equipment and real property management requirements results in non-compliance with Federal regulations.

Cause:

The Sheriff department's procedures did not consistently ensure property records were accurate and that assets were consistently tagged with asset identification numbers.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)**Recommendation:**

We recommend that the Sheriff's department adhere to their policies and procedures to ensure that property records are maintained in accordance with the equipment and real property management requirements.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

Finding 2018-007

Program: Housing Voucher Cluster

CFDA No.: 14.871

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

Award No. and Year: various

Compliance Requirements: Eligibility

Criteria:

Public housing agencies are required to determine income eligibility and calculate the tenant's rent payment using the documentation from third-party verification in accordance with *24 CFR part 5 subpart F*.

Condition:

During our testing of eligibility requirements, of the three (3) of the forty (40) participants selected for testing, adjusted income was incorrectly calculated. Adjusted income is the basis for determining the participant's monthly housing assistance payment.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition above was identified during our testing of the eligibility requirements of the program.

Effect:

The condition causes housing assistance payments to be incorrectly calculated.

Cause:

The Orange County Community Resources (OCCR) department's procedures did not consistently calculate participants' adjusted income in accordance with Federal regulations.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation:

We recommend that OCCR update policies and procedures related to the verification and calculation of the participants' adjusted income.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

Finding 2018-008

Program: Block Grants for Prevention and Treatment of Substance Abuse
CFDA No.: 93.959

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

Passed-through: California Department of Health Care Services

Award No. and Year: 17-94147 (2018)

Program: Crime Victim Assistance

CFDA No.: 16.575

Federal Grantor: U.S. Department of Justice

Passed-through: California Office of Emergency Services and California Governor's Office of Emergency Services

Award No. and Year: Various

Compliance Requirements: Subrecipient Monitoring

Criteria:

2 CFR section 200.303(a), Internal Controls, states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

2 CFR section 200.331(d), Requirements for Pass-Through Entities, states that all pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and the subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- Reviewing financial and performance reports required by the pass-through entity.
- Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
- Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521 *Management decision*.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)**Condition:**

For one (1) of the eight (8) Block Grants for Prevention and Treatment of Substance Abuse subawards selected for testing, we noted there was no evidence that appropriate follow-up occurred to ensure that the subrecipient took timely and appropriate action in regards to deficiencies pertaining to the Federal award provided to the subrecipient.

For three (3) of the three (3) Crime Victim Assistance subawards through the CEO's Office selected for testing, we noted there was no evidence or documentation that a management decision for audit findings pertaining to the Federal award was provided to the subrecipient from the CEO's Office as required by § 200.521 *Management decision*.

For one (1) of the one (1) Crime Victim Assistance subawards through the District Attorney's Office selected for testing, we noted there was no evidence or documentation that a management decision for audit findings pertaining to the Federal award was provided to the subrecipient from the District Attorney's Office as required by § 200.521 *Management decision*.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition noted above was identified during our procedures over the Health Care Agency, CEO's Office, and District Attorney's Office subrecipient monitoring provisions.

Effect:

Subrecipient monitoring procedures were not documented in accordance with federal regulations resulting in non-compliance with subrecipient monitoring requirements.

Cause:

The Health Care Agency, CEO's Office, and District Attorney's Office did not have appropriate procedures implemented to document performance of subrecipient monitoring.

Recommendation:

We recommend the Health Care Agency, CEO's Office, and District Attorney's Office implement policies and procedures to document the monitoring of subrecipients is documented in accordance with 2 *CFR section 200.331(d)*.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan

COUNTY OF ORANGE, CALIFORNIA
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

Financial Statement Findings

Finding No.	Category	Status of Corrective Action
2017-001	Information Technology General Controls (ITGC)	In progress. See current year finding 2018-001

Federal Awards Findings

Finding No.	Program	CFDA No.	Compliance Requirements	Status of Corrective Action
2014-003	Block Grants for Prevention and Treatment of Substance Abuse	93.959	Subrecipient Monitoring	Implemented
2015-001	Aging Cluster; Medical Assistance Program	93.044; 93.045; 93.053; 93.778	Subrecipient Monitoring	Implemented - Orange County Community Resources In progress. Health Care Agency - A policy was established to address the issue in November 2014 and will be applied prospectively to new contracts.
2016-001	SNAP Cluster; HIV Emergency Relief Project Grants; Block Grants for Community Mental Health Services	10.561; 93.914; 93.958	Subrecipient Monitoring	In progress. A policy was established to address the issue in November 2014 and will be applied prospectively to new contracts.
2017-002	Workforce Innovation and Opportunity Act (WIOA) Cluster	17.258/17.259/17.278	Procurement and Suspension and Debarment	Implemented with respect to the suspension and debarment provisions. For procurement policies, the condition noted in 2017-002 carried into fiscal year 2018. See current year finding 2018-002.
2017-003	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Continuum of Care Program WIA/WIOA Adult Program, WIA/WIOA Youth Activities, WIA/WIOA Dislocated Worker Formula Grants (WIOA Cluster) HIV Prevention Activities Health Department Based	93.074 14.267 17.258/17.259/17.278 93.940	Procurement and Suspension and Debarment	Implemented
2017-004	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Program Income	Implemented
2017-005	HIV Prevention Activities Health Department Based	93.940	Subrecipient Monitoring	Implemented
2017-006	Continuum of Care Program	14.267	Procurement and Suspension and Debarment	Implemented

COUNTY OF ORANGE, CALIFORNIA

MANAGEMENT LETTER

JUNE 30, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

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

In planning and performing our audit of the financial statements of the County of Orange, California (County), as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

We have issued our Report on Internal Control Over Financial Reporting and on Compliance, in accordance with *Government Auditing Standards*, dated December 17, 2018. This letter does not affect our report dated December 17, 2018, on the financial statements of the County.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

PATCHING

OBSERVATION:

The Orange County Auditor-Controller Office (ACO) is in the process of applying patches to the Information Systems (IS) environment but needs to establish a more sustainable patch management framework that includes third party applications. We noted inconsistent Microsoft patching, and unpatched and unnecessary software installed on workstations that have access to CAPS+.

RECOMMENDATION:

Patch management is a critical risk area of the IS environment. An unpatched workstation could be exploited and affect CAPS+ and the underlying operating system. A formal implementation plan, enterprise solution and assessment of required resources and timeline should be established so that patches are prioritized and implemented. Implementing a patch management solution should automate the patching of operating systems and third-party applications. In addition, patch management should provide visibility regarding the patch status of internal and external servers, workstations and appliances that are within reach of the CAPS+ systems. Further, if a desktop, server or appliance cannot support patching or routine updates, the County should evaluate a viable or sustainable alternative.

MANAGEMENT'S RESPONSE:

Due to operational needs and current budget constraints, we did automated software patching through group policies to update these workstations twice a month with forced reboots during off hours. Enhancements to this solution will be considered once we have the available budget for such an enhanced option.

END-OF-LIFE SOFTWARE AND BASELINE DEPLOYMENT IMAGES

OBSERVATION:

Testing and observation in the ACO indicated that there was end-of-life (unsupported) software installed on workstations within the production environment. The largest risk of using unsupported software is security, compatibility issues and feature updates that cannot be leveraged. Once software has reached the end of its life, the manufacturer no longer provides security updates for it or enhancements to mitigate usability of the software. That means that any vulnerabilities found by attackers will never be patched, so they can be continually exploited. Even with the malware prevention practices, firewalls and mitigating controls, it may not protect against attackers if end-of-life software is being utilized.

Secondly, base images, used for workstation deployment, should be routinely updated and unnecessary software should be removed from the image. In our sample, we did observe unnecessary and outdated applications or software that was part of the base image.

RECOMMENDATION:

We recommend that the ACO remove or upgrade end-of-life software (e.g. Adobe 10, Microsoft Office 2007, and Microsoft Server 2003). We also recommend that the ACO begin preparing for Microsoft Windows 7 and Microsoft Server 2008 end-of-life, which is currently slated for January 14, 2020. System software, such as Windows 7 and Server 2008 will continue to become more vulnerable, leading up to their end-of-life dates.

The base image that is used to flash workstations, servers, and other appliances can often grow and become polluted as the age of the image increases. This image is often referred to as the golden image and is a tested, clean, supported and sustainable build platform. If the golden image is not current, there is an increased risk of end-of-life software being installed in the production environment.

MANAGEMENT'S RESPONSE:

Some of the A/C legacy applications require older software to work and the business needs necessitate the use of some end-of-life software (i.e. Adobe). These legacy applications have been submitted through budget request in the SFP for replacement. The recommended upgrades are a major undertaking and will require additional budget to complete. Until then, we will work on alternative solutions to mitigate the risk of exposure due to the use of such software.

Gold images are predicated by the needs of each A/C group. We do have images for each group depending on functional needs. These images are updated when baseline software changes are made.

NEW FINANCIAL REPORTING STANDARDS

INFORMATIONAL ONLY

GASB Statement No. 83 - Certain Asset Retirement Obligations: In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the 2018-19 fiscal year.

GASB Statement No. 84 - Fiduciary Activities: In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the 2019-20 fiscal year.

GASB Statement No. 87 - Leases: In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2019, or 2020-2021 fiscal year.

GASB Statement No. 88 - Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements: In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the 2018-19 fiscal year.

GASB Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period: In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, or the 2020-21 fiscal year.

To the Board of Supervisors and Management
 County of Orange, California
 Page 4 of 5

GASB Statement No. 90 - Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61: In August 2018, GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the 2019-20 fiscal year.

PRIOR YEAR MANAGEMENT LETTER OBSERVATIONS

Summarized below is the current status of observations reported in the management letter for the year ended June 30, 2017:

IT CONTROLS: COMPREHENSIVE DISASTER RECOVERY PLAN

OBSERVATION:

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

STATUS OF CORRECTIVE ACTION:

In Progress.

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

The annual test of the SAIC managed DR Data Center (DC) located in Scottsdale, AZ, took place during the week of October 22 – October 25, 2018, from 8:00am PST to approximately 4:30pm PST daily. The exercises consisted of SAIC performing the documented and approved test procedures then recorded the associated test results. All tests were performed using both a Wide Area Network (WAN) connection and the internet via WebEx. The tests contained 7 separate sections including:

- A. Operations with Primary Circuit Only (no secondary circuit)
- B. Operations with Secondary Circuit (no primary circuit)
- C. Local Area Network (LAN)
- D. Internet Access into DR Data Center and PulseSecure Virtual Private Network
- E. Operation of all OCIT DRDC Virtual Machine (VM) Infrastructure
- F. OnBase Electronic Document Management Systems (EDMS)
- G. Replication Services - Virtual Tape Library (VTL) / Backup Recovery Services (BRS)

The following items are in progress of implementation:

- The County-Wide DR plan continues to be worked on by OCIT Security. The County-Wide plan shall consist of the departmental plans along with a prioritization of which services are to be restored. An experienced Disaster Recovery and Business Continuity Planning professional has joined our team who will be establishing the DR/BCP strategy and execution going forward.

To the Board of Supervisors and Management
 County of Orange, California
 Page 5 of 5

- The Auditor-Controller has established the CAPS applications at the DR Data Center and tested the Financial. Testing is currently in progress for the Human Resource / Payroll, but due to dropped firewall rules the team of SAIC / ACIT are working to resolved. Both systems have data copied nightly at the completion of the cycle process. This is to ensure current end of day business is available at the DR Data Center.

IT CONTROLS: PASSWORD CONTROLS

OBSERVATION:

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

STATUS OF CORRECTIVE ACTION:

In Progress.

Although the overall set of cybersecurity policies have been drafted, their approval by all county agencies is yet to be finalized. The County-Wide Password Policy has been published as part of its Cybersecurity Best Practices Manual created by the Cyber Security Joint Task Force (CSJTF), which has representatives from all county agencies and was approved by the IT Executive Council on August 21, 2018. Following are the password settings:


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

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

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the County gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

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


 Laguna Hills, California
 March 28, 2019

COUNTY OF ORANGE

Independent Accountants' Report on Applying
Agreed-Upon Procedures Related to the
Article XIII-B Appropriations Limit Calculation

For the Fiscal Year Ended June 30, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES RELATED TO THE ARTICLE XIII-B APPROPRIATIONS LIMIT CALCULATION

To the Board of Supervisors
 County of Orange

We have performed the procedures enumerated below, which were agreed to by the County of Orange (County) (the specified party), on the Appropriations Limit Calculation of the County prepared in accordance with Article XIII-B of the California Constitution for the fiscal year ended June 30, 2018. The County's management is responsible for the Appropriations Limit Calculation. The sufficiency of these procedures is solely the responsibility of the County. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been required or for any other purpose.

The procedures and associated findings are as follows:

1. We obtained the completed worksheets setting forth the calculation necessary to establish the County's appropriations limit and compared the 2017-18 limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the County's Board of Supervisors. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the County's Board of Supervisors.

Findings: No exceptions were found as a result of this procedure.

2. We added last year's limit to the annual adjustment amount, and compared the resulting amount to the 2017-18 appropriations limit.

Findings: No exceptions were found as a result of this procedure.

3. We compared the current year information to the worksheet described in No. 1 above and to information provided by the California State Department of Finance.

Findings: No exceptions were found as result of this procedure.

4. We agreed the prior year appropriations limit to the prior appropriations limit adopted by the County's Board of Supervisors.

Findings: No exceptions were found as result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the County's Appropriation Limit Calculation. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the information and use of the Board of Supervisors and management of the County of Orange and is not intended to be and should not be used by anyone other than those specified parties.



Laguna Hills, California

December 17, 2018

**COUNTY OF ORANGE
FLOOD CONTROL DISTRICT**

Independent Accountants' Report on Applying
Agreed-Upon Procedures Related to the
Article XIII-B Appropriations Limit Calculation

For the Fiscal Year Ended June 30, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES RELATED TO THE ARTICLE XIII-B APPROPRIATIONS LIMIT CALCULATION

To the Board of Supervisors
 County of Orange

We have performed the procedures enumerated below, which were agreed to by the County of Orange (County) (the specified party), on the Appropriations Limit Calculation of the Orange County Flood Control District prepared in accordance with Article XIII-B of the California Constitution for the fiscal year ended June 30, 2018. The County's management is responsible for the Appropriations Limit Calculation. The sufficiency of these procedures is solely the responsibility of the County. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been required or for any other purpose.

The procedures and associated findings are as follows:

1. We obtained the completed worksheets setting forth the calculation necessary to establish the Orange County Flood Control District appropriations limit and compared the 2017-18 limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the County's Board of Supervisors. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the County's Board of Supervisors.

Findings: No exceptions were found as a result of this procedure.

2. We added last year's limit to the annual adjustment amount, and compared the resulting amount to the 2017-18 appropriations limit.

Findings: No exceptions were found as a result of this procedure.

3. We compared the current year information to the worksheet described in No. 1 above and to information provided by the California State Department of Finance.

Findings: No exceptions were found as result of this procedure.

4. We agreed the prior year appropriations limit to the prior appropriations limit adopted by the County's Board of Supervisors.

Findings: No exceptions were found as result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Orange County Flood Control District Appropriation Limit Calculation. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the information and use of the Board of Supervisors and management of the County and the Orange County Flood Control District and is not intended to be and should not be used by anyone other than those specified parties.



Laguna Hills, California

December 17, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, California (County), and the financial statements of the County of Orange Redevelopment Successor Agency, OC Waste & Recycling and John Wayne Airport, for the year ended June 30, 2018, and have issued our reports thereon dated as indicated below:

<u>Report</u>	<u>Audit Report Date</u>
County of Orange	December 17, 2018
County of Orange Redevelopment Successor Agency	December 10, 2018
OC Waste & Recycling	December 10, 2018
John Wayne Airport	December 5, 2018

We are currently performing the audit of the County's federal award programs (Single Audit) and anticipate issuing our reports thereon prior to March 31, 2019.

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

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

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 14, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. As described in Notes 2 and 19 to the financial statements, the County adopted Governmental Accounting Standards Board (GASB) Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and No. 85, *Omnibus 2017*, effective July 1, 2017. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is described in Note 2.

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

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

- Fair values of investments are based on pricing received from the County's third party vendors;
- Allowances for doubtful accounts for accounts receivable are based on historical collection rates;
- Depreciation estimates for capital assets are based on estimated useful lives for capital assets;
- Landfill closure and postclosure care liabilities are based on management's analysis of landfill capacity used and total closure and postclosure costs, as well as the landfill maximum capacity;
- Pollution remediation obligations are based on management's analysis of remediation time periods, type of remediation needed and historical trend data;
- Net pension and net other postemployment benefits (OPEB) liabilities, disclosures, related deferred inflows/outflows of resources, and expenses are based on actuarial valuations which include assumptions adopted by the Orange County Employees Retirement System (OCERS) and the County; and
- Self-insured claims liabilities are based on actuarial studies performed by the County's independent actuaries.

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

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

Pension and OPEB liabilities in Notes 18 and 19, respectively, are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate. As disclosed in Notes 18 and 19, a 1% increase or decrease in the discount rate has a significant effect on the pension and OPEB liabilities.

Estimated liabilities for self-insurance claims in Note 16 are based on actuarial valuations.

Landfill closure and postclosure care costs, and pollution remediation in Notes 14 and 17, respectively, are based on management's analysis.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letters dated as follows:

County of Orange	December 17, 2018
County of Orange Redevelopment Successor Agency	December 10, 2018
OC Waste & Recycling	December 10, 2018
John Wayne Airport	December 5, 2018

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the management's discussion and analysis and information related to the pension and other postemployment benefit plans, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

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

Restriction on Use

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

Vavrinch, Train, Day & Co., LLP

Laguna Hills, California

December 17, 2018

**AUDITOR-CONTROLLER
COUNTY OF ORANGE**

HALL OF FINANCE AND RECORDS
12 CIVIC CENTER PLAZA, ROOM 200
POST OFFICE BOX 567
SANTA ANA, CALIFORNIA 92702-0567

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**COUNTY EXECUTIVE OFFICE
COUNTY OF ORANGE**

ROBERT E. THOMAS HALL OF
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March 28, 2019

**SUBJECT: CORRECTIVE ACTION PLAN FOR COUNTY OF ORANGE, CALIFORNIA
FY 2017-18 SINGLE AUDIT**

Under the provisions of Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200 (Uniform Guidance), the auditee is responsible for follow-up and corrective action plans on all single audit findings. As part of this responsibility, the County of Orange has prepared a corrective action plan for current year audit finding (Attachment No. 1) and a summary schedule of prior audit findings (Attachment No. 2).

Attachments

cc: Frank Kim, County Executive Officer
Michelle Aguirre, County Finance Officer
Eric H. Woolery, Auditor-Controller
Salvador Lopez, Chief Deputy Auditor-Controller
JC Squires, A/C Director, Central Accounting Operations
Megan Vu, A/C Accounting and Reporting Manager
Rafael Linares, Chief Information Security Officer
Phillip Daigneau, A/C Director Information Technology
Selina Chan-Wychgel, CEO Fiscal Services Manger
Kenneth Brockbank, DA Fiscal Services Manger
Cindy Wong, HCA Accounting Manager
Bill Malohn, OCCR Accounting Manager
Noma Crook, Director Financial/Adm. Services Division, O.C Sheriff's Department
Monique Vansuch, Audit Manager, Orange County Sheriff's Department

COUNTY OF ORANGE, CALIFORNIA
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018

II. FINANCIAL STATEMENT FINDINGS

Finding 2018-001

Information Technology General Controls (ITGC)

Criteria:

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

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

Condition:

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

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

There were no written policies and procedures for the following:

- To classify systems and information that is stored, processed, shared, or transmitted with respect to the type of data (e.g. confidential or sensitive) and its value to critical business functions in place.
 - To protect data or electronic storage media, including CDs, USB drives, and tapes.
 - To identify, report, or correct the information system/application flaws to ensure the information integrity.
 - That states a developer security test and evaluation to ensure the software integrity practice is in place.
 - That SOC 1/SOC 2 reports are received and reviewed by the management to evaluate the impact of any control deficiencies noted by the service organizations' auditors to the County.
 - Analysis and mapping of complementary controls identified in service organizations' SOC 1/SOC 2 reports to County internal controls to ensure assets and information are safeguarded and financial reporting is appropriate.
2. Reassessment and Updating of Policies – The Usage and IT Security Policies have not been updated since 2009.
 3. Lack of Evidence of Review – IT personnel do not document the results of the evaluation of the SOC 1/SOC 2 reports provided by its service organizations, nor are compensating controls identified and evaluated for effectiveness.
 4. System Access – User access of the CAPS+ application was not consistently disabled timely (within three (3) business days after the users' termination date).

COUNTY OF ORANGE, CALIFORNIA
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018

II. FINANCIAL STATEMENT FINDINGS (Continued)**Cause:**

This item was a prior year finding (2017-001) and management was in the process of developing and updating the written policies and procedures during the fiscal year.

Effect:

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

Recommendation:

We recommend that the County perform the following:

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

Management Response and Planned Correction Action

1. Person Responsible: Rafael Linares, CISO and Phillip Daigneau, Auditor-Controller IT Director
2. Corrective Action Plan:
 - i. Recommendation 1: The County established a Cybersecurity Joint Task Force (CSJTF), which was tasked with developing a Cybersecurity Manual. The manual was issued in August 2018 and addresses the development and implementation of policy and procedures including critical processes.
 - ii. Recommendation 2: The County's Cybersecurity Joint Task Force has drafted the County's IT Security Policy and IT Usage Policy, which will be reviewed during the next CSJTF meeting scheduled for April 11, 2019.
 - iii. Recommendation 3: The County has developed an External Dependencies Management (EDM) policy and associated procedures that require the documentation of the evaluation of Service Providers including those that require SOC 1/SOC 2 reports where applicable, as part of the Cybersecurity Best practices Manual approved by the IT Executive Council on August 21, 2018.
 - iv. Recommendation 4: AC/IT worked with HR to develop a new HR report in January 2019. This report compares the transaction date to the effective date and reports on any transactions that occur greater than the accepted days per updated policy. This report is monitored and reviewed in the CAPS+ HR weekly meeting for staff to then take the necessary action.
3. Anticipated Implementation Date:
 - i. August 2018
 - ii. Targeted for CSJTF approval June 2019
 - iii. August 2018
 - iv. January 2019

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The following findings represent material weaknesses, significant deficiencies, and/or instances of noncompliance, including questioned costs, required to be reported in accordance with 2 CFR 200, Subpart F.

Finding 2018-002

Program: Workforce Innovation and Opportunity Act (WIOA)

CFDA No.: 17.258/17.259/17.278

Federal Grantor: U.S. Department of Labor

Passed-through: California Employment Development Department

Award No. and Year: various

Compliance Requirements: Procurement and Suspension and Debarment

Criteria:

In accordance with 2 *CFR section 215.43*, all procurement transactions will be conducted in a manner providing full and open competition.

Condition:

During our testing of compliance with the procurement requirements for subrecipients, we noted that the Orange County Community Resources (OCCR) Department entered into a contract with a subrecipient that did not follow the County's procurement process prior to awarding the contract.

Questioned Costs:

\$3,911,557

Context:

Of the two (2) subrecipient contracts selected for testing totaling \$5,071,295 of current expenditures, one (1) subrecipient contract totaling \$3,911,557 of current expenditures did not adhere to the County's purchasing policy to ensure full and open competition.

Effect:

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

Cause:

OCCR did not adhere to established policies and procedures when awarding the subrecipient contract.

Repeat Finding:

This finding is a repeat finding of prior year finding 2017-002.

Recommendation:

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

COUNTY OF ORANGE, CALIFORNIA
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Management Response and Planned Correction Action

1. Person Responsible: Lydia Garcia, Contract Development & Management Manager
2. Corrective Action Plan:
 OCCR released a Request for Proposals (RFP) for WIOA Title I Career Services and for an AJCC Operator on April 30, 2018. This RFP resulted in successful contract awards for a term of eighteen months beginning January 1, 2019. This corrective action was fully implemented as of January 1, 2019.
3. Anticipated Implementation Date: January 1, 2019

Finding 2018-003

Program: Block Grants for Prevention and Treatment of Substance Abuse

CFDA No.: 93.959

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

Passed-through: California Department of Health Care Services

Award No. and Year: 17-94147 (2018)

Program: Crime Victim Assistance

CFDA No.: 16.575

Federal Grantor: U.S. Department of Justice

Passed-through: California Office of Emergency Services and California Governor's Office of Emergency Services

Award No. and Year: Various

Compliance Requirements: Subrecipient Monitoring

Criteria:

2 CFR section 200.303(a), Internal Controls, states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

2 CFR section 200.331(b), Requirements for Pass-Through Entities, states that all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations and the terms and conditions of the subaward for purpose of determining the appropriate subrecipient monitoring.

Condition:

During our testing of the Health Care Agency, CEO's Office, and District Attorney's Office provisions for evaluating subrecipient's risk of noncompliance with Federal statutes, regulations and the terms and conditions of the subaward, we noted the following instances where evaluation of the subrecipient's risk of noncompliance was performed but not documented:

- Eight (8) of the eight (8) subawards selected for testing from the Block Grants for Prevention and Treatment of Substance Abuse.
- Three (3) of the three (3) Crime Victim Assistance subawards through the CEO's Office selected for testing.
- One (1) of the one (1) Crime Victim Assistance Program subawards through the District Attorney's Office selected for testing.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Context:

The condition noted above was identified during our procedures over the Health Care Agency, CEO's Office, and District Attorney's Office subrecipient monitoring provisions.

Effect:

There is an increased risk that the monitoring procedures performed may not address the subrecipient's risk of noncompliance.

Cause:

The Health Care Agency, CEO Office, and District Attorney's Office did not have procedures implemented to ensure the evaluation of the subrecipient's risk of noncompliance was documented.

Recommendation:

We recommend that the Health Care Agency, CEO's Office, and District Attorney's Office implement policies and procedures to ensure that the required evaluation of the subrecipient's risk of noncompliance be documented in accordance with 2 *CFR* section 200.331(b).

Management Response and Planned Correction Action

Health Care Agency:

1. Person Responsible: Maria Pirona, HCA Contract Services Manager
2. Corrective Action Plan:
The Health Care Agency will review and update, as necessary, the detailed Policies, Procedures and checklists that are currently in place to ensure the capturing all contract monitoring elements for the purpose of mitigating risk, and encompasses our subrecipient monitoring for various activities.
3. Anticipated Implementation Date: December 31, 2019

CEO's Office and District Attorney's Office:

1. Person Responsible: Selina Chan-Wychgel, CEO Fiscal Services Manager and Kenneth Brockbank, District Attorney Fiscal Services Manager
2. Corrective Action Plan:
The CEO's and OC District Attorney's Offices will develop and implement procedures to ensure the subrecipient's risk of noncompliance is properly documented.
3. Anticipated Implementation Date: August 31, 2019

COUNTY OF ORANGE, CALIFORNIA
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2018-004

Program: Aging Cluster

CFDA No.: 93.041/93.042/93.043/93.044/93.045/93.052/93.053

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

Passed-through: California Department of Aging

Award No. and Year: AP-1718-22 (2018)

Program: Block Grants for Prevention and Treatment of Substance Abuse

CFDA No.: 93.959

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

Passed-through: California Department of Health Care Services

Award No. and Year: 17-94147 (2018)

Compliance Requirements: Subrecipient Monitoring

Criteria:

2 CFR Part 200.331(a), Requirements for Pass-Through Entities, states that all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes certain information as well as all the requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award.

Condition:

The following information was not provided at the time of subaward for four (4) of the four (4) subawards selected for testing from the Aging Cluster:

- Federal award date of award to the recipient by the Federal agency
- Identification of whether the award is research and development

The following information was not provided at the time of subaward for eight (8) of the eight (8) subawards selected for testing from the Block Grants for Prevention and Treatment of Substance Abuse:

- Federal award identification number
- Federal award date of award to the recipient by the Federal agency
- Name of federal awarding agency
- Identification of whether the award is research and development

For two (2) of the eight (8) subawards selected for testing for the Block Grants for Prevention and Treatment of Substance Abuse the CFDA number and name were missing.

For six (6) of the eight (8) subawards selected for testing for the Block Grants for Prevention and Treatment of Substance Abuse the indirect cost rate for the federal award was missing.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition noted above was identified during our procedures over the Orange County Community Resources (OCCR) department and the Health Care Agency's subrecipient monitoring provisions.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Effect:

OCCR and the Health Care Agency did not identify the required elements of the subaward to the subrecipients at the time of subaward, increasing the risk of noncompliance.

Cause:

OCCR and the Health Care Agency's procedures did not consistently ensure that the required award information and applicable requirements were communicated to subrecipients.

Recommendation:

We recommend that OCCR and the Health Care Agency modify and/or strengthen its current policies and procedures to ensure that all required award information and applicable requirements is communicated to subrecipients at the time of subaward in accordance with .2 *CFR section 200.331(a)*.

Management Response and Planned Correction Action

OCCR:

1. Person Responsible: Lydia Garcia, Contract Development & Management Manager
2. Corrective Action Plan:
OCCR will include a Federal Award Identification paragraph that includes all required award information and applicable requirements for all Aging contracts that allocate federal funds.
3. Anticipated Implementation Date: July 1, 2019

Health Care Agency:

1. Person Responsible: Maria Pirona, HCA Contract Services Manager
2. Corrective Action Plan:
The Health Care Agency will review and update the Policies and Procedures to ensure this information is included where required in all future contracts.
3. Anticipated Implementation Date: December 31, 2019

COUNTY OF ORANGE, CALIFORNIA
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2018-005

Program: Community Development Block Grants (CDBG)

CFDA No.: 14.218

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

Award No. and Year: Various

Program: Aging Cluster

CFDA No.: 93.041/93.042/93.043/93.044/93.045/93.052/93.053

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

Passed-through: California Department of Aging

Award No. and Year: AP-1718-22 (2018)

Program: Crime Victim Assistance

CFDA No.: 16.575

Federal Grantor: U.S. Department of Justice

Passed-through: California Office of Emergency Services and California Governor's Office of Emergency Services

Award No. and Year: Various

Compliance Requirements: Procurement and Suspension and Debarment

Criteria:

2 CFR section 200.303(a), Internal Controls, states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Title 2 CFR Section 200.213 of the Uniform Guidance states that the County must comply with 2 CFR part 180, which implements Executive Orders 12549 and 12689, "Debarment and Suspension;" Federal awarding agency regulations in Title 2 of the CFR adopting/implementing the OMB guidance in 2 CFR part 180; program legislation; and the terms and conditions of the award. The *2017 Compliance Supplement* states:

- Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.
- When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/SAM/>, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)**Condition:**

During our testing of the Orange County Community Resources (OCCR) department, CEO's Office, and District Attorney's Office provisions for procurement requirements for subrecipients, we noted the following instances where there was no evidence that departments verified the entity was not suspended or debarred or otherwise excluded from participating in the transaction:

- One (1) of the two (2) CDBG contracts through the OCCR department selected for testing.
- Three (3) of the four (4) Aging subawards through the OCCR department selected for testing.
- One (1) of the three (3) Crime Victim Assistance subawards through the CEO's Office selected for testing.
- One (1) of the one (1) Crime Victim Assistance subawards through the District Attorney's Office selected for testing.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition above was identified during our testing of the procurement and suspension and debarment requirements of the programs.

Effect:

Verification of suspension and debarment of the entities that the departments entered into covered transactions which was not documented in accordance with federal regulations resulting in non-compliance with procurement requirements.

Cause:

OCCR, CEO's Office, and District Attorney's Office did not document the review of the contract for compliance with the suspension and debarment requirements as stated in 2 CFR §180.300.

Recommendation:

We recommend that OCCCR, CEO's Office, and District Attorney's Office adhere to their procurement procedures prior to entering into a covered contract.

Management Response and Planned Correction Action

OCCR:

1. Person Responsible: Lydia Garcia, Contract Development & Management Manager
2. Corrective Action Plan:
On March 22, 2018, the Contract Development & Management team implemented the Contract Compliance Checklist that includes the Suspension and Debarment screening.
These screenings are conducted prior to contract approval and execution. Additionally, OCCCR has updated its standard contract language regarding Suspension and Debarment consistent with the requirements of 2 CFR Section 180.300.
3. Anticipated Implementation Date: March 22, 2018

COUNTY OF ORANGE, CALIFORNIA
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

CEO's Office and District Attorney's Office:

1. Person Responsible: Selina Chan-Wychgel, CEO Fiscal Services Manager and Kenneth Brockbank, District Attorney Fiscal Services Manager
2. Corrective Action Plan:
 The CEO's Office will ensure policies and procedures are in place and followed to verify and document subrecipient's status regarding being suspended, disbarred or otherwise excluded in accordance with Title 2 CFR Section 200.213 of the Uniform Guidance.

 The OC District Attorney's Office currently has policies and procedures in place to verify that subrecipients are not suspended, disbarred or otherwise excluded in accordance with Title 2 CFR Section 200.213 of the Uniform Guidance; however, OC District Attorney's Office will add new procedures to ensure the verifications are properly documented.
3. Anticipated Implementation Date: August 31, 2019

Finding 2018-006

Program: Equitable Sharing

CFDA No.: 16.922

Federal Grantor: U.S. Department of Justice

Award No. and Year: various

Compliance Requirements: Equipment and Real Property Management

Criteria:

In accordance with 2 CFR section 200.313(d)(1), a non-federal entity must maintain property records that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, acquisition date, cost of the property, percentage of Federal participation in project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.

Condition:

During our testing of compliance with the equipment and real property management requirements, we noted the following instances of non-compliance:

- Six (6) of ten (10) equipment purchases selected for physical inspection did not include the correct location of the equipment on the Sheriff's department property records.
- One (1) of the ten (10) equipment purchases selected for physical inspection did not have the correct serial number on the Sheriff's department property records.
- Six (6) of the ten (10) assets selected for physical inspection were not tagged with an asset identification number for tracking purposes.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)**Context:**

The condition above was identified during our testing of the equipment and real property management requirements of the program.

Effect:

Failure to follow the equipment and real property management requirements results in non-compliance with Federal regulations.

Cause:

The Sheriff department's procedures did not consistently ensure property records were accurate and that assets were consistently tagged with asset identification numbers.

Recommendation:

We recommend that the Sheriff's department adhere to their policies and procedures to ensure that property records are maintained in accordance with the equipment and real property management requirements.

Management Response and Planned Correction Action

1. Person Responsible: Monique Vansuch, Audit Manager
2. Corrective Action Plan:
The Orange County Sheriff's Department Financial/Administrative Services Division will adhere to the Sheriff-Coroner Department Fixed Asset and Controlled Equipment Inventory procedure to ensure property records are maintained in accordance with the equipment and real property management requirements.
3. Anticipated Implementation Date: March 27, 2019

Finding 2018-007

Program: Housing Voucher Cluster

CFDA No.: 14.871

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

Award No. and Year: various

Compliance Requirements: Eligibility

Criteria:

Public housing agencies are required to determine income eligibility and calculate the tenant's rent payment using the documentation from third-party verification in accordance with *24 CFR part 5 subpart F*.

Condition:

During our testing of eligibility requirements, of the three (3) of the forty (40) participants selected for testing, adjusted income was incorrectly calculated. Adjusted income is the basis for determining the participant's monthly housing assistance payment.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)**Context:**

The condition above was identified during our testing of the eligibility requirements of the program.

Effect:

The condition causes housing assistance payments to be incorrectly calculated.

Cause:

The Orange County Community Resources (OCCR) department's procedures did not consistently calculate participants' adjusted income in accordance with Federal regulations.

Recommendation:

We recommend that OCCR updates policies and procedures related to the verification and calculation of the participants' adjusted income.

Management Response and Planned Correction Action

1. Person Responsible: Marie Vu, Housing Manager, Orange County Housing Authority (OCHA).
2. Corrective Action Plan:
 - OCHA, as a high performing Housing Authority, maintains less than a 10% error rate for determinations of adjusted income. The 3 out of 40 files found with errors is less than 10% which is allowable under HUD SEMAP guidelines for a high performing Housing Authority.
 - OCHA will continue to conduct monthly quality control reviews of determinations of tenant adjusted income calculations. OCHA will coordinate and conduct ongoing and refresher training at section meetings based on results of its monthly quality control reviews.
3. Anticipated Implementation Date: March 26, 2019

Finding 2018-008

Program: Block Grants for Prevention and Treatment of Substance Abuse

CFDA No.: 93.959

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

Passed-through: California Department of Health Care Services

Award No. and Year: 17-94147 (2018)

Program: Crime Victim Assistance

CFDA No.: 16.575

Federal Grantor: U.S. Department of Justice

Passed-through: California Office of Emergency Services and California Governor's Office of Emergency Services

Award No. and Year: Various

Compliance Requirements: Subrecipient Monitoring

Criteria:

2 CFR section 200.303(a), *Internal Controls*, states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2 CFR section 200.331(d), Requirements for Pass-Through Entities, states that all pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and the subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- Reviewing financial and performance reports required by the pass-through entity.
- Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
- Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521 *Management decision*.

Condition:

For one (1) of the eight (8) Block Grants for Prevention and Treatment of Substance Abuse subawards selected for testing, we noted there was no evidence that appropriate follow-up occurred to ensure that the subrecipient took timely and appropriate action in regards to deficiencies pertaining to the Federal award provided to the subrecipient.

For three (3) of the three (3) Crime Victim Assistance subawards through the CEO's Office selected for testing, we noted there was no evidence or documentation that a management decision of audit findings pertaining to the Federal award was provided to the subrecipient from the CEO's Office as required by § 200.521 *Management decision*.

For one (1) of the one (1) Crime Victim Assistance subawards through the District Attorney's Office selected for testing, we noted there was no evidence or documentation that a management decision for audit findings pertaining to the Federal award was provided to the subrecipient from the District Attorney's Office as required by § 200.521 *Management decision*.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition noted above was identified during our procedures over the Health Care Agency, CEO's Office, and District Attorney's Office subrecipient monitoring provisions.

Effect:

Subrecipient monitoring procedures were not documented in accordance with federal regulations resulting in non-compliance with subrecipient monitoring requirements.

Cause:

The Health Care Agency, CEO's Office, and District Attorney's Office did not have appropriate procedures implemented to document performance of subrecipient monitoring.

Recommendation:

We recommend the Health Care Agency, CEO's Office, and District Attorney's Office implement policies and procedures to document the monitoring of subrecipients is documented in accordance with *2 CFR section 200.331(d)*.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Management Response and Planned Correction Action

Health Care Agency:

1. Person Responsible: Maria Pirona, HCA Contract Services Manager
2. Corrective Action Plan:
The Health Care Agency will review and update, as necessary, the detailed Policies, Procedures and checklists that are currently in place to ensure the capturing all contract monitoring elements for the purpose of mitigating risk, and encompasses our subrecipient monitoring for various activities.
3. Anticipated Implementation Date: December 31, 2019

CEO's Office and District Attorney's Office:

1. Person Responsible: Selina Chan-Wychgel, CEO Fiscal Services Manager and Kenneth Brockbank, District Attorney Fiscal Services Manager
2. Corrective Action Plan:
The CEO's and District Attorney's Offices will develop and implement procedures to ensure management decisions, resulting from the monitoring of the subrecipients are formally communicated and properly documented.
3. Anticipated Implementation Date: August 31, 2019

COUNTY OF ORANGE, CALIFORNIA
Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

Prior Year Financial Statement Finding				
Finding No.	Finding Description	Status of Corrective Action	Reason for Findings Recurrence	Contact Info
2017-001	Information Technology General Controls (ITGC)	In progress. See current year finding 2018-001.	Two items pending approval in FY 2018-19.	Rafael Linares - Chief Information Security Officer Phillip Daigneau - A/C Director Information Technology

Prior Year Federal Award Findings						
Finding No.	Federal Program Name	CFDA No.	Compliance Requirements	Status of Corrective Action	Reason for Findings Recurrence	Contact Info
2014-003	Block Grants for Prevention and Treatment of Substance Abuse	93.959	Subrecipient Monitoring	Implemented	N/A	N/A
2015-001	Aging Cluster; Medical Assistance Program	93.044; 93.045; 93.053; 93.778	Subrecipient Monitoring	Implemented - Orange County Community Resources In progress. Health Care Agency - A policy was established to address the issue in November 2014 and will be applied prospectively to new contracts.	Health Care Agency - Due to multi-year contract(s) that were issued prior to the DUNS number process put into effect in Nov 2014. The multi-year contracts were still active without the contracts modified to include DUNS number.	Cindy Wong - HCA Accounting Manager Maria Pirona - HCA Contract Services Manager
2016-001	SNAP Cluster; HIV Emergency Relief Project Grants; Block Grants for Community Mental Health Services	10.561; 93.914; 93.958	Subrecipient Monitoring	In progress. A policy was established to address the issue in November 2014 and will be applied prospectively to new contracts.	Due to multi-year contract(s) that were issued prior to the DUNS number process put into effect in Nov 2014. The multi-year contracts were still active without the contracts modified to include DUNS number.	Cindy Wong - HCA Accounting Manager Maria Pirona - HCA Contract Services Manager
2017-002	Workforce Innovation and Opportunity Act (WIOA) Cluster	17.258; 17.259; 17.278	Procurement and Suspension and Debarment	Implemented with respect to the suspension and debarment provision. For procurement policies, the condition noted in 2017-002 carried into fiscal year 2018. See current year finding 2018-002.	Procurement policies implementation carried forward into fiscal year 2018.	Lydia Garcia - OCCR Contract Development & Management Manager
2017-003	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Continuum of Care Program WIA/WIOA Adult Program, WIA/WIOA Youth Activities, WIA/WIOA Dislocated Worker Formula Grants (WIOA Cluster) HIV Prevention Activities Health Department Based	93.074 14.267 17.258; 17.259; 17.278 93.940	Procurement and Suspension and Debarment	Implemented	N/A	N/A

COUNTY OF ORANGE, CALIFORNIA
Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

Prior Year Federal Award Findings (Continued)						
Finding No.	Federal Program Name	CFDA No.	Compliance Requirements	Status of Corrective Action	Reason for Findings Recurrence	Contact Info
2017-004	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness	93.074	Program Income	Implemented	N/A	N/A
2017-005	HIV Prevention Activities Health Department Based	93.940	Subrecipient Monitoring	Implemented	N/A	N/A
2017-006	Continuum of Care Program	14.267	Procurement and Suspension and Debarment	Implemented	N/A	N/A



Memorandum

May 9, 2019

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.

ATTACHMENT:

Attachment A – Response to AOC Inquiry



ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



April 22, 2019

TO: Drew Atwater, AOC Chairman
Audit Oversight Committee

FROM: Michael Steinhaus, Audit Manager *MS*
Auditor-Controller Internal Audit Division

SUBJECT: Response to AOC Inquiry

In response to your inquiry during the Regular Meeting of the Audit Oversight Committee on February 14, 2019, regarding whether the Auditor-Controller could provide a written schedule for mandated audits, the Audit Oversight Committee may submit any questions they have for the elected Auditor-Controller in writing and we will provide any information that is statutorily obligated or any other information deemed appropriate under our discretion.

CC:

Audit Oversight Committee Members
Audit Oversight Committee Clerk



Memorandum

May 9, 2019

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.



Memorandum

May 9, 2019

AOC Agenda Item No. 9

TO: Audit Oversight Committee Members

Recommended Action:

Approve the Internal Audit Department's Annual Risk Assessment & Audit Plan for FY 2019-20

The Internal Audit Department is pleased to present the Annual Risk Assessment & Audit Plan for FY 2019-20. This comprehensive report details our risk-based plan for audits in FY 2019-20.

Per the County of Orange Audit Oversight Committee Bylaws, the AOC shall review and approve the risk assessment and internal audit plan. If approved by the AOC, the Risk Assessment & Audit Plan will be presented to the Board of Supervisors at its June 25, 2019 meeting.

ATTACHMENT(S):

Attachment A – Annual Risk Assessment & Audit Plan for Fiscal Year 2019-20



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INTERNAL AUDIT DEPARTMENT



Annual Risk Assessment & Audit Plan For Fiscal Year 2019-20

Audit No. 1801
Report Date: June 25, 2019

OC Board of Supervisors

Chairwoman Lisa A. Bartlett
5th District

Vice Chair Michelle Steel
2nd District

Supervisor Andrew Do
1st District

Supervisor Donald P. Wagner
3rd District

Supervisor Doug Chaffee
4th District

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INTERNAL AUDIT DEPARTMENT

Audit No. 1801

June 25, 2019

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

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

Subject: Annual Risk Assessment & Audit Plan for Fiscal Year 2019-20

Attached for your review and approval is our Fiscal Year 2019-20 Annual Risk Assessment and Audit Plan, which was approved by the Audit Oversight Committee on May 9, 2019. On an annual basis, we perform a Countywide Risk Assessment which we use to develop our Audit Plan. The Risk Assessment, coupled with the Audit Plan, provides for a systematic approach for evaluating the effectiveness of internal controls and the efficiency of County business operations. For Fiscal Year 2019-20, we identified a total of 19 high risk areas in 13 County departments as follows:

DEPARTMENT	NUMBER OF HIGH RISK AREAS	HIGH RISK AREA
1. Assessor	1	Information Technology
2. Auditor-Controller	1	Fiduciary and Special Revenue Funds
3. Clerk of the Board	1	Information Technology
4. CEO/OC Information Technology	1	Purchasing and Contracts
5. District Attorney-Public Administrator	1	Revolving Funds
6. Health Care Agency/Public Guardian	4	Fee-Generated Revenue Fiduciary and Special Revenue Funds Information Technology Purchasing and Contracts
7. John Wayne Airport	1	Information Technology
8. OC Public Works	2	Payroll Purchasing and Contracts
9. Probation Department	1	Cal-Cards
10. Public Defender	1	Information Technology
11. Sheriff-Coroner	3	Cash Receipts and Accounts Receivable Purchasing and Contracts Revolving Funds
12. Social Services Agency	1	Fiduciary and Special Revenue Funds
13. Treasurer-Tax Collector	1	Cash Receipts and Accounts Receivable
TOTAL HIGH RISK AREAS	19	

Internal Audit Department Mission

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

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Due to limited staffing resources, our Audit Plan only includes audits addressing 16 of the high risk areas. In the event that hours become available in Fiscal Year 2019-20, we will incorporate the remaining three high risk areas into the Audit Plan. The remaining high-risk audits that have not been incorporated by the end of Fiscal Year 2019-20, will be included in our Fiscal Year 2020-21 Audit Plan.

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

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For Fiscal Year 2019-20
Audit No. 1801**

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INTERNAL AUDIT DEPARTMENT

EXECUTIVE SUMMARY

INTRODUCTION

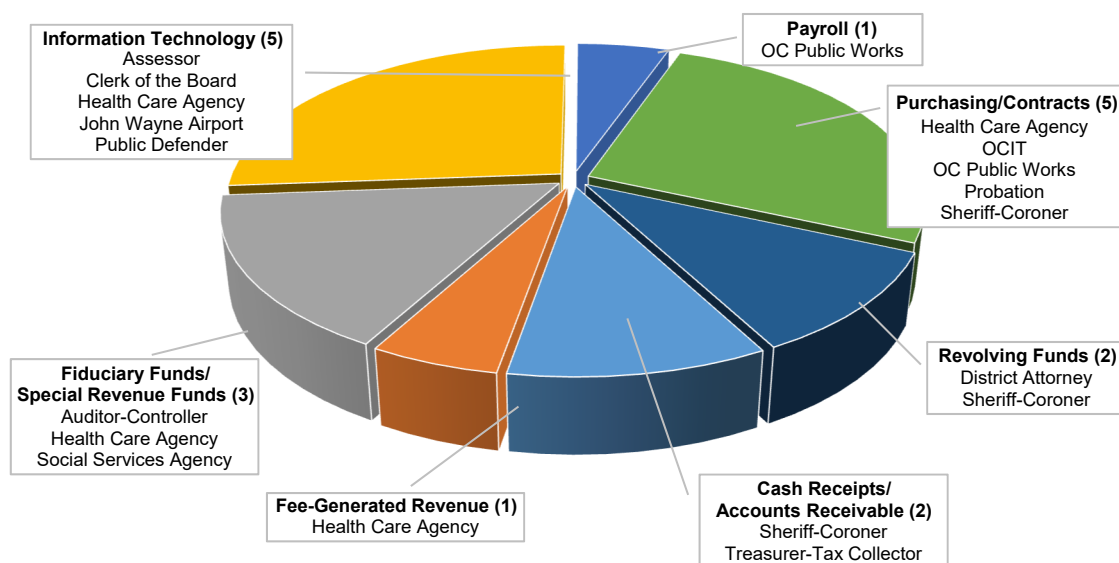
The mission of the Internal Audit Department is to provide highly reliable, independent, objective evaluations, and business and financial consulting services to the Board of Supervisors (Board) and County management to assist them with their important business and financial decisions.

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

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

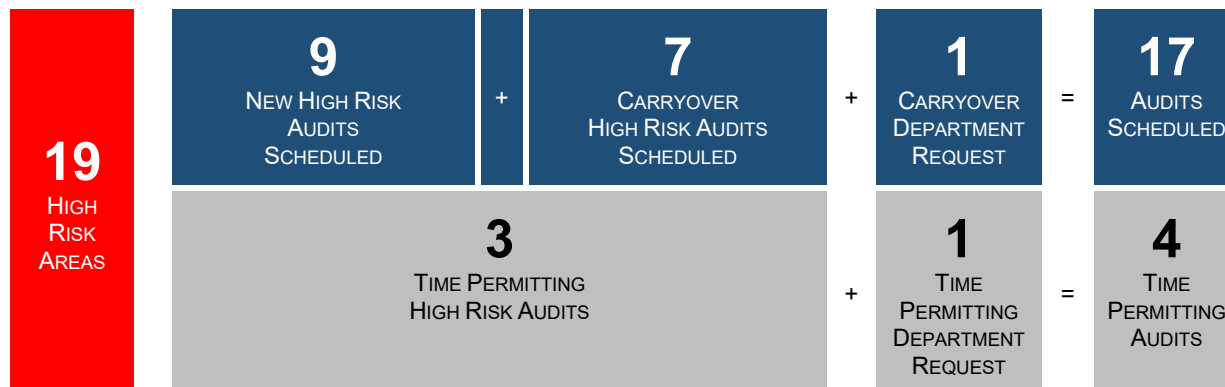
We completed a risk assessment to identify and measure risk and prioritize potential audits for the Audit Plan. We are committed to auditing business activities/processes identified as high risk. Our approach is to provide coverage of the most critical/sensitive aspects of the activity identified. We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

Our Fiscal Year 2019-20 Risk Assessment identified 19 high risk areas in 13 County departments as illustrated in the chart below.



DRAFT**INTERNAL AUDIT DEPARTMENT****RESULTS**

Our Fiscal Year 2019-20 Audit Plan includes 17 total audits, nine of which are new audits and eight (seven high risk + one department request) are carried over from Fiscal Year 2018-19.

**Total Audits in Plan = 21**

Due to limited staffing resources, our Audit Plan only includes audits addressing 16 (nine new high risk audits + seven high risk audits carried over from Fiscal Year 2018-19) of the 19 high risk areas. In the event that hours become available in Fiscal Year 2019-20, we will incorporate the remaining three high risk areas and the one department requested audit into the Audit Plan (time permitting audits). Any audits that have not been incorporated by the end of Fiscal Year 2019-20 will be included in our Fiscal Year 2020-21 Audit Plan.

RISK ASSESSMENT**GENERAL RISK ASSESSMENT**

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

We designed our risk-based Audit Plan to address what we considered to be the highest priority areas, while limiting the scope of work to what could realistically be accomplished with available staff resources. Our risk ratings were based on current information that fluctuates frequently given the nature, diversity, size, and impact of County operations on the public. Our risk-based assessment is driven by numerous risk factors and is the reason we do not have a firm cycle of audits. The passage of time is not a key factor in allocating audit resources.



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INTERNAL AUDIT DEPARTMENT

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

INFORMATION TECHNOLOGY RISK ASSESSMENT

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

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

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

FY 2019-20 AUDIT PLAN

Our Audit Plan is based on 12,538 productive hours to be provided by seven audit professionals and two supervising audit managers. Audit hours for the director of Internal Audit and assistant director are not included in the above total, while time for the supervising audit managers is adjusted to allow time for administrative duties. Some audits we identified as high risk are listed on the Audit Plan as "time permitting" audits. In the event hours become available, we will begin performing the time permitting audits. Otherwise, these audit areas will remain as high risk and will be included in next year's Audit Plan.

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



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INTERNAL AUDIT DEPARTMENT

SERVICE	OBJECTIVE	HOURS	%
Internal Control Audits (ICA)	Review departmental operations (effectiveness, efficiency, safeguarding of assets), reporting (internal and external, financial and non-financial), and compliance objectives (laws, regulations, procedures) as related to the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework.	6,101	49%
Information Technology (IT) Audits	Review IT controls (e.g., general controls over computer operations, physical/logical access, disaster recovery/business continuity, program development, program changes) and provide advisory services for system implementations.	1,729	14%
Board/Contingency Reserve	Hours reserved for special request audits from the Board, position vacancies, and other unforeseen events.	2,408	19%
Other Activities & Administration	Investigate cash losses; provide technical assistance to departments on business, accounting, internal control, compliance, and policy and procedural issues; perform the annual risk assessment; compile and present External Audit Activity Reports to the AOC; compile and present oversight reporting to the AOC and Board; investigate allegations of financial fraud; complete special projects.	2,300	18%
TOTALS		12,538	100%

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

The Audit Plan is subject to change for such events where the director of the Internal Audit Department, or Board majority assesses it is warranted to substitute, postpone, or cancel a scheduled audit due to timing, priority, resources, and/or other risk considerations. Such modifications will be noted in the Quarterly Status Reports submitted to the AOC. The acceptance of the Quarterly Status Report by the AOC authorizes any changes noted.

AUDIT	PRELIMINARY AUDIT OBJECTIVES	HOURS
High Risk Audits		
Internal Control Audits	Supervising Audit Manager: Michael Dean, Senior Audit Manager	
1. OCPW Purchasing & Contracts 2. OCSD Purchasing & Contracts	To assess procurement processes (other than human services) to ensure they are in compliance with the Contract Policy Manual.	800
3. HCA Purchasing & Contracts (1819) 4. OCIT Purchasing & Contracts (1624)		800
Carryovers from FY 2018-19		



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INTERNAL AUDIT DEPARTMENT

AUDIT	PRELIMINARY AUDIT OBJECTIVES	HOURS
High Risk Audits (con't)		
5. HCA Fiduciary Funds & Special Revenue Funds Department Request	To assess internal control over fiduciary or special revenue funds to ensure sources and uses of funds are proper and in compliance with County and departmental policy, procedures, and laws.	400
6. A-C Fiduciary Funds & Special Revenue Funds (1818) 7. SSA Fiduciary Funds & Special Revenue Funds (1823) Carryovers from FY 2018-19		800
8. OCDA Revolving Funds 9. OCSD Revolving Funds		800
10. HCA Fee-Generated Revenue	To assess internal control over fee studies and fee development processes for establishing cost-recovery fees charged to the public.	400
11. OCPW Payroll	To assess internal control over payroll processing to ensure payroll is accurate, authorized, reviewed, and duties are properly segregated.	400
12. T-TC Accounts Receivable (1729) Carryover from FY 2018-19	To assess internal control over accounts receivable to ensure receivable accounts are accurate, valid, properly approved, and recorded.	400
13. Probation Cal-Card (1822) Carryover from FY 2018-19	To assess internal control over Cal-Card usage and compliance with County policy.	200
Information Technology Audits <div>Supervising Audit Manager: Jimmy Nguyen, IT Audit Manager II</div>		
14. PD IT General Controls 15. JWA IT General Control	To assess controls over the IT environment, e.g., computer operations, access to programs and data, program development, and program changes.	800
16. Assessor IT General Controls (1844) Carryover from FY 2018-19		300



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INTERNAL AUDIT DEPARTMENT

AUDIT	PRELIMINARY AUDIT OBJECTIVES	HOURS
High Risk Audits (con't)		
The following high risk engagements are time permitting audits and will be completed as audit resources become available:		
17. OCSD Cash Receipts	To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records.	0
18. HCA IT General Controls 19. COB IT General Controls	To assess controls over the IT environment, e.g., computer operations, access to programs and data, program development, and program changes.	0
Total High Risk Audits		6,100

Department Requested Audits		
20. Probation Mandate Compliance (1841) Carryover from FY 2018-19	To assess compliance with program changes resulting from SB-190 revisions.	200
21. C-R Fee-Generated Revenue Time Permitting Audit	To assess internal control over fee studies and fee development processes for establishing cost-recovery fees charged to the public.	0
Total Department Requested Audits		200

Follow-Up Audits		
Follow-Up Internal Control Audits	Follow-up on management’s implementation of audit recommendations provided in prior audit reports.	900
Follow-Up Information Technology Audits		480
Total Follow-Up Audits		1,380



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INTERNAL AUDIT DEPARTMENT

AUDIT	PRELIMINARY AUDIT OBJECTIVES	HOURS
Advisory Engagements		
T-TC Quantum Upgrade (1647) Department Request Carryover from FY 2018-19	To advise on System Development Life Cycle (SDLC) internal control including project management, system functionality/integration testing, interfaces, data conversion, documentation & training, segregation of duties, and change management.	50
Property Tax System Implementation (1754) Department Request Carryover from FY 2018-19	To advise on System Development Life Cycle (SDLC) internal control including project management, system functionality/integration testing, interfaces, data conversion, documentation & training, segregation of duties, and change management.	50
Cybersecurity	Participate in Countywide IT and Cybersecurity meetings.	50
Total Advisory Engagements		150

Other Activities & Administration	
Special Projects	800
Annual Risk Assessment & Audit Plan for Fiscal Year 2020-21	400
Financial Fraud Hotline Referrals from County Counsel	200
External Audit Reporting	300
On-Demand Department Advisory Services	200
Board of Supervisors & Audit Oversight Committee Reporting	200
Annual Report	100
Cash Loss Investigations	100
Total Other Activities & Administration	2,300



DRAFT**INTERNAL AUDIT DEPARTMENT**

Board Requested Audits	1,200
Contingency Reserve	1,208

TOTAL HOURS	12,538
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ACKNOWLEDGEMENT

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

RISK ASSESSMENT TEAM	Scott Suzuki, CPA, CIA, CISA Michael Dean, CPA, CIA, CISA Jimmy Nguyen, CISA, CFE, CEH Gianne Acosta, CIA Scott Kim, CPA, CISA Zan Zaman, CPA, CIA	Assistant Director Senior Audit Manager IT Audit Manager II Audit Manager IT Audit Manager I Audit Manager
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INTERNAL AUDIT DEPARTMENT

APPENDIX A: AUDIT PLAN METHODOLOGY

1. DEFINE AUDIT UNIVERSE

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

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

Table 1. County Audit Universe

BUSINESS PROCESS/CYCLE	DESCRIPTION
1. Cash Receipts & Accounts Receivable \$15 Billion for FY 2016-17	The receipting, recording, transferring, depositing, safeguarding, and reconciling of monies received in departments.
2. Cash Disbursements & Payables \$5.7 Billion for FY 2016-17	Verifying receipt of goods/services, adequacy of supervisory reviews and approvals, timeliness of invoice processing, completeness and accuracy of payments, proper reconciliations, and safeguarding of assets.
3. Fee-Generated Revenue \$841 Million for FY 2016-17	Department fee studies and fee-development processes, methodologies, and assumptions used for establishing cost-recovery fees charged to the public for "Licenses, Permits and Franchises," and "Charges for Services," and are submitted to the Board for approval.
4. Purchasing & Contracts \$1.2 Billion for FY 2016-17	County-issued purchasing cards, vendor payment review/approval processes, ensuring terms of contracts were met prior to issuing payments, reviewing justification of sole source contracts, and monitoring CPO's oversight responsibilities.
5. Revolving Funds \$5.8 Million for FY 2016-17	Validating compliance with the County Accounting Manual, ensuring revolving cash fund disbursements are proper, approved, monitored, and safeguarded.
6. Payroll \$2.1 Billion for FY 2016-17	Timekeeping practices (VTI time reporting system or in-house developed payroll system), premium and overtime pay practices, payroll unit supervision and payroll reports, Central Payroll's role in processing payroll, and monitoring for unauthorized payroll changes.
7. Fiduciary Funds & Special Revenue Funds \$1.8 Billion for FY 2016-17	Validating the purpose/objectives of fiduciary funds and special revenue funds, ensuring sources and uses of the funds are in accordance with County policy or laws/regulations, and reconciliations are prepared timely/completely to safeguard funds.
8. Information Technology (IT)	IT controls including general controls, application controls, and system development.
9. Revenue Generating Leases \$161 Million for FY 2016-17	Review of records of businesses with revenue generating leases at OCCR, JWA, and OCPW to ensure the correct amount of rent is paid to the County.



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INTERNAL AUDIT DEPARTMENT

2. APPLY WEIGHTED RISK FACTORS

Our Risk Assessment Schedule for FY 2019-20 (Attachment B) shows the 155 auditable business processes and assigned risk ratings. We consider the following factors in assigning risk levels:

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

3. CATEGORIZE RESULTS

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

Priorities of the 155 auditable business processes we identify in our Risk Assessment Schedule for FY 2019-20 (Attachment B) are as follows:

- 19 (12%) are High Priority
- 121 (78%) are Moderate Priority
- 15 (10%) are Low Priority

4. IDENTIFY ENGAGEMENTS AND ALLOCATE AVAILABLE RESOURCES

Our Audit Plan is based on 7,830 available audit hours (12,538 productive hours less 1,500 hours for other activities and administration, 1,200 hours for Board requested audits, 1,208 hours for contingency reserve, and 800 hours for special projects) to be provided by seven audit professionals and two supervising audit managers. We ensure the ratio of gross hours to available audit hours aligns with industry norms. The contingency reserve is for position vacancies and other unforeseen events.

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

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



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INTERNAL AUDIT DEPARTMENT

APPENDIX B: ACRONYMS

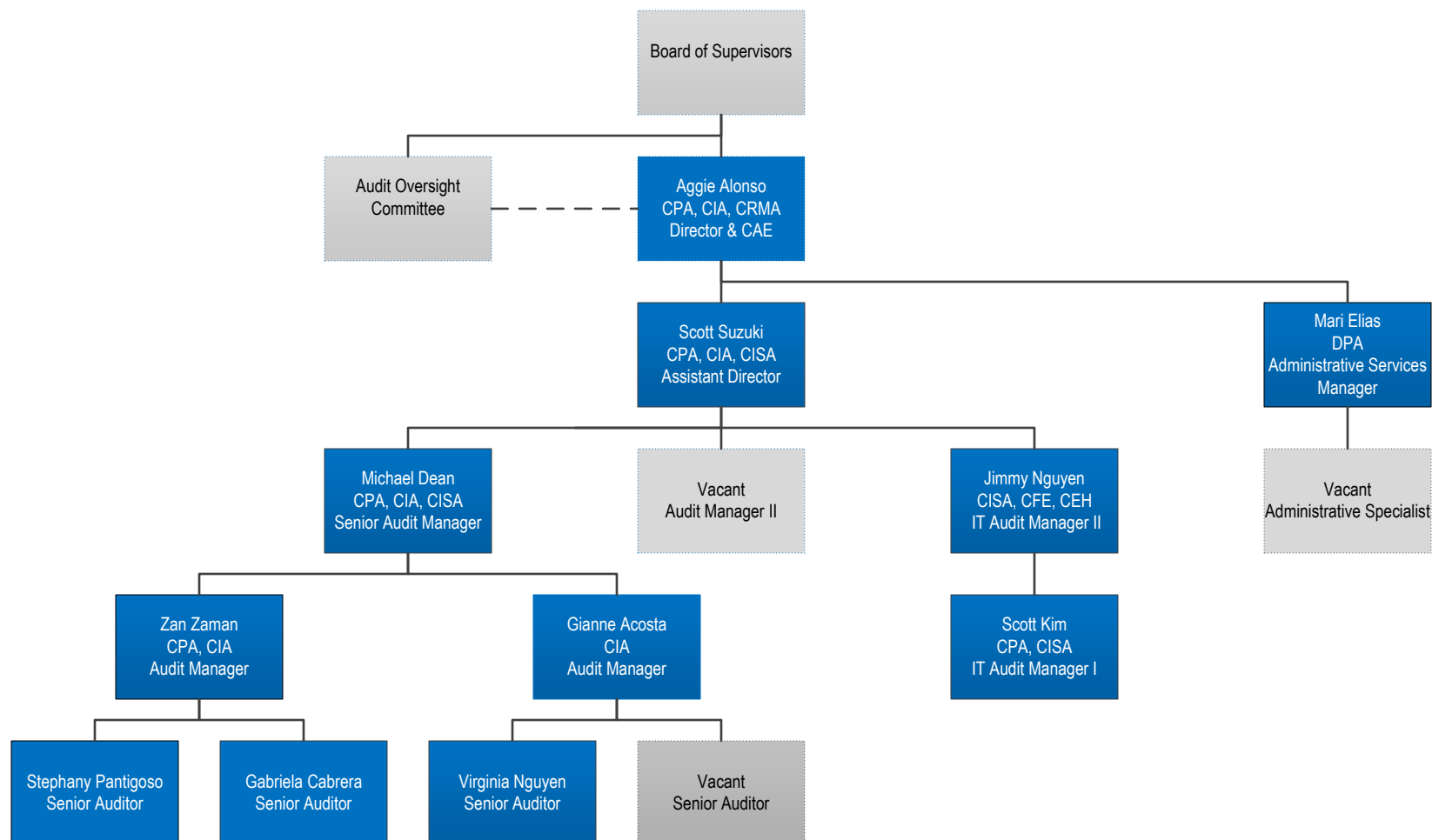
Acronym	Definition
A-C	Auditor-Controller
AOC	Audit Oversight Committee
C-R	Clerk-Recorder
CEO	County Executive Office
COB	Clerk of the Board of Supervisors
COCO	County Counsel
CPO	County Procurement Office
CSS	Child Support Services
HCA	Health Care Agency/Public Guardian
JWA	John Wayne Airport
OCCR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



ATTACHMENT A: ORGANIZATION CHART



INTERNAL AUDIT



ATTACHMENT B: RISK ASSESSMENT SCHEDULE FOR FISCAL YEAR 2019-20

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BUSINESS PROCESS/CYCLE	1. Assessor	2. Auditor-Controller	3. Child Support Services	4. Clerk of the Board	5. Clerk-Recorder	6. County Counsel	7. County Executive Office	8. District Attorney-Public Administrator	9. Health Care Agency/Public Guardian	10. John Wayne Airport	11. OC Community Resources	12. OC Public Works	13. OC Waste & Recycling	14. Probation Department	15. Public Defender	16. Registrar of Voters	17. Sheriff-Coroner	18. Social Services Agency	19. Treasurer-Tax Collector	COMMENTS
CASH RECEIPTS & ACCOUNTS RECEIVABLE \$15 billion in FY 2016-17	M	M	M	L	M	L	M	M	M	M	M	M	M	M	M	M	H	M	H	Reflects all cash receipt transactions posted to 8010 Cash Account by the department that processed the transaction. A/R reported as year-end balances.
CASH DISBURSEMENTS & PAYABLES \$5.7 billion in FY 2016-17	L	M	M	L	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	Reflects all cash disbursements including automatic (A/P) disbursements, manual disbursements, and EFT/Wire disbursements.
FEE-GENERATED REVENUE \$841 million in FY 2016-17	M	M	L	M	M	M	M	M	H	M	M	M	M	M	M	M	M	M	M	Reflects revenue from cost-recovery fees (licenses, permits, franchises and charges for services) that are charged to the public and require BOS approval.
PURCHASING & CONTRACTS \$1.2 billion in FY 2016-17	M	M	M	L	M	L	H	M	H	M	M	H	M	H	M	M	H	M	M	Reflects all purchases and contracts processed by departments including purchase orders, price agreements, and negotiated contracts.
REVOLVING FUNDS \$5.8 million in FY 2016-17	M	M	M	M	M	M	M	H	M	M	M	M	M	M	M	L	H	M	M	Reflects the total revolving fund replenishments to all departments.
PAYROLL \$2.1 billion in FY 2016-17	M	M	M	L	M	M	M	M	M	M	M	H	M	M	M	M	M	M	M	Reflects total payroll for our audit population of all departments shown.
FIDUCIARY & SPECIAL REVENUE FUNDS \$1.8 billion in FY 2016-17	M	H	M	L	M	L	M	M	H	M	M	M	M	M	M	L	M	H	M	Reflects year-end balances in Agency Funds and Private Purpose Trust Funds designated for restricted purposes and use.
INFORMATION TECHNOLOGY	H	M	M	H	L	M	M	M	H	H	M	L	L	M	H	M	M	M	M	
REVENUE GENERATING LEASES \$161 million in FY 2016-17	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	M	M	M	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
AUDITS ON FY 2019-20 PLAN See Appendix A for Audit Plan Methodology	IT General Controls (carryover)	Fiduciary/Special Rev (carryover)		IT General Controls (time permitting)	Fee-Generated Rev (department request/time permitting)		OCIT Purchasing/Contracts (carryover)	Revolving Funds	Purchasing/Contracts (carryover) Fiduciary/Special Rev (dept request) Fee-Generated Rev IT General Controls (time permitting)	IT General Controls		Purchasing/Contracts Payroll		Cal Cards (carryover) Mandate Compliance (carryover/department request)	IT General Controls		Purchasing/Contracts Revolving Funds Cash Receipts (time permitting)	Fiduciary/Special Rev (carryover)	Accounts Receivable (carryover)	

High Priority Processes:	19	12%	High-priority audit areas (as determined by risk assessment)
Moderate Priority Processes:	121	78%	Moderate-priority audit areas (as determined by risk assessment)
Low Priority Processes:	15	10%	Low-priority audit areas (as determined by risk assessment)
Total Auditable Business Processes/Cycles:	155		

ATTACHMENT C: SCHEDULE OF 10-YEAR PRIOR AUDIT COVERAGE
For The Period July 2008 through June 2018

	DRAFT																		
	1. Assessor	2. Auditor-Controller	3. Child Support Services	4. Clerk of the Board	5. Clerk-Recorder	6. County Counsel	7. County Executive Office	8. District Attorney Public Administrator	9. Health Care Agency/Public Guardian	10. John Wayne Airport	11. OC Community Resources	12. OC Public Works	13. OC Waste & Recycling	14. Probation Department	15. Public Defender	16. Registrar of Voters	17. Sheriff-Coroner	18. Social Services Agency	19. Treasurer-Tax Collector
CASH RECEIPTS & ACCOUNTS RECEIVABLE		09/10 Comm. Fac. District #2919; CAPS+ Fin. Impl. #2845, 2943, #1249, 1315 & 1415 Quarterly Reconciliation Compliance			2008 South Cty Branch #2723, #1159 Fund 12D		09/10 Comm. Fac. District #2919, #1317 Community Facilites Districts,	09/10 Case Mgmt #2923, #1325 Fiduciary Funds 2006-2016 Annual Grants**	09/10 Case Mgmt #2923, #1325 Fiduciary Funds 10/11 Medical Billing #1018, #1420 Fund 13Y, #1619 Unearned Revenue		#1456 OC Parks Ticket Sales, 15/16 #1578 Animal Care, #1579 Library, #1655 OC Parks, #1619 Unearned Revenue, #1815 OCCR AC Cash Receipts	09/10 Comm. Fac. District #2919, #1619 Unearned Revenue, #1734 Billing	16/17 #1525 Cash Receipts	GPS Programs 2011, FY 15/16 #1567 Juvenile, #1724 Mandate			Inmate Welfare Fund 2011	#1619 Unearned Revenue	2008, 2011, 2014, 2017 Audits of Tax Redemption Officer** 2006 NSF ICR; 1998-March 2007 Qrtly Audits & 2004-2017 Annual TFA, 2008 Interest Apportionment; 2010 Tax Collections; Admin. Budget Practices 2010, Annual Compliance 2010-2016
CASH DISBURSEMENTS & PAYABLES	16/17 #1626 Travel	09/10 CFD #2919; 10/11 HCA Cash Disb #1025; OCWR #1027; CAPS+ Fin. Impl. #2845, 2943; CAATS - Dup. Pymts. #1041; Ongoing CAATS 2011, #1259, 1315 & 1415 Quarterly Reconciliation Compliance, #1626 Travel, #1811 A-C Claims		16/17 #1626 Travel	#1159 Fund 12D		09/10 Risk Mgmt #2921; 09/10 Comm. Fac. District #2919; #1216 and 1318 OCEA Pension Enhancement , #1316 Retiree Medical, #1317 Community Facilities Districts, #1626 Travel	09/10 Case Mgmt #2923, #1325 Fiduciary Funds 2005-2016 Annual Grants**	09/10 Case Mgmt #2923, 10/11 #1025, #1325 Fiduciary Funds #1420 Fund 13Y, #1728 Mental Health Services Disbursements		#2820 Contracts, OCCR Disbursements 2012	09/10 Comm. Fac. District #2919; 10/11 Fleet Svcs #1028; Fuel Cards #1029, #1223 Disbursements, #1626 Travel	10/11 Cash Disb #1027	GPS Programs 2011, #1323 AB109, 15/16 #1567 Juvenile, #1724 Mandate, #1822 Probation Cal Cards		#1626 Travel	Inmate Welfare Fund 2011, #1626 Travel	#1626 Travel, #1625 CalWorks / Rescare Contract	2007-2017 Qrtly TFA, 2007-2017 Annual TFA, 07/08 ICR Int. Apportionment; 08/09 Wire & EFT Transfers #2821; PTMS Impl. Tax Refunds; 2010 Tax Collections, #1583 Wire Transfers
FEE-GENERATED REVENUE		09/10 Fee Dev #2921		09/10 Fee Dev #2921	#1159 Fund 12D		09/10 Fee Dev #2921, 09/10 Pension Practices #2913, #1627 OC IT Billing		10/11 Fee Dev #1024, #1327 Env. Health Fees		#1222 Fee Dev	2011 Fee Generated revenues, #1820 OCPW FGR	10/11 Fee Dev #1023, #1821 OCWR FGR	18-19 #1841 Probation Compliance SB-190			16/17 #1632 OCSD Billing of Law Enforcement Services for DPH & JWA		2010 Admin/Budget #2915
PURCHASING & CONTRACTS		16/17 #1522 Procurement					CAPS+ Fin. Implementation #2845, 2943; CAATS - Emp-Vendor Match #1041; 2011, #1521 Procurement, #1624 OC IT Contract Admin #1030, #1730 CEO/Real Estate Procurement-Revenue Generating Lease Administration Process #1732 OCIT Capital Assets		10/11 Contract Admin #1030, #1631 Procurement	Tech Asst. on Improvement Plan #1008; Change Orders #1125	#2820 Contracts, 10/11 Boat Slips, #1455 Expediter, #1426 Human Services Contracts	10/11 Fleet Mgmt #1028; Fuel Card Admin. #1029, #1225 Contract Admin., #1455 Expediter	#1334 La Pata Contract, #1455 Expediter				#2768; ICE Contract Admin 2011; City Contracts 2012	#1224 Contract Admin, #1625 CalWorks / Rescare Contract	
REVOLVING FUNDS	Cash Advance Audit 2011, 16/17 #1626 Travel	10/11 Rev. Fund audits - #1053 - Pub. Def. Co.Co.; Cash Advance Audit 2011, #1626 Travel	Cash Advance Audit 2011	Cash Advance Audit 2011	Cash Advance Audit 2011	FY10/11 #1055; Cash Advance Audit 2011	Cash Advance Audit 2011, 16/17 #1626 Travel	Cash Advance Audit 2011	Cash Advance Audit 2011	Cash Advance Audit 2011	Cash Advance Audit 2011, #1578 Animal Care, #1579 Library	Cash Advance Audit 2011, #1626 Travel	Cash Advance Audit 2011	Cash Advance Audit 2011, FY 15/16 #1567 Juvenile, #1822 Probation Cal Cards	FY 110/11 #1053; Cash Advance Audit 2011	Cash Advance Audit 2011, #1626 Travel	Cash Advance Audit 2011, #1626 Travel	Cash Advance Audit 2011; Revolving Funds 2011, #1633 Revolving Funds, #1626 Travel	Cash Advance Audit 2011
PAYROLL		CAPS+ Impl. #2944; CAATS Pay. Direct Dep. #1041, #1350 Payroll						#1629 Payroll	#1350 Payroll CAATs, FY 18-19 #1812 HCA Payroll		FY 18-19 #1813 OCCR Payroll	09/10 Payroll #2925		#1630 Payroll			#1350 Payroll CAATs, 16/17 #1632 OCSD Billing of Law Enforcement Services for DPH & JWA	#1350 Payroll CAATs, FY 18-19 #1814 OCCR Payroll	
FIDUCIARY FUNDS & SPECIAL REVENUE FUNDS		#1259, 1315 & 1415 Quarterly Reconciliation Compliance, #1337 Fiduciary Funds	15/16 #1519		#1159 Fund 12D, 15/16 #1519		09/10 Risk Management #2921; 09/10 Comm. Fac. District #2919, #1317 CFDs, #1519	09/10 Case Mgmt & Fid. Funds #2923, #1325 Fiduciary Funds, 15/16 #1519 & #1523 PA	09/10 Fid. Funds #2923, #1325 Fiduciary Funds #1420 Fund 13Y, 15/16 #1519, 1524 PG		15/16 #1423 DPH, #1519	15/16 #1421 Flood Fund, #1519		#1323 AB109, 15/16 #1519		15/16 #1519	15/16 #1519 & #1520	#1336 Special Revenue Funds	2007-2017 Qtrly TFA & 2005-2017 Annual TFA, 2010-2016 Annual Compliance Audit, 15/16 #1519
INFORMATION TECHNOLOGY		2010 CAPS+ DB #2948-A 2014 ARA #1357 FY 17/18 ITGC #1741			FY 18/19 #1840 Vital Records Index Access System		2009 CEOIT Contract Admin #2827; 2014 Off-Site Data Backup #1454; 2015 Expediter #1455; 2018 ITGC #1644	2012 ITGC #1143		2015 ITGC #1444		2013 ITGC #1354	2014 Paradigm #1445				2014 ITGC #1353 FY 18/19 ITGC #1845	2011 ITGC #1142 FY 18/19 ITGC #1846	2009 PCI DSS #2946

10-Year Prior Audit Coverage (2008 to June 2018)	5-Year Prior Audit Coverage (2013 to June 2018)	Current/In-Progress Audits	No Audit Coverage Within 10 Years
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Memorandum

May 9, 2019

AOC Agenda Item No. 10

TO: Audit Oversight Committee Members

Recommended Action:

Approve Internal Audit Department's FY 2018-19 3rd Quarter Status Report and approve Executive Summary of Internal Audit Reports for the Quarter Ended March 31, 2019

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

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.

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.

ATTACHMENT(S):

Attachment A – Executive Summary of Internal Audit Reports

Attachment B – Quarterly Status Report

INTERNAL AUDIT DEPARTMENT
EXECUTIVE SUMMARY – REPORT ITEM CLASSIFICATIONS
FOR THE QUARTER ENDED MARCH 31, 2019

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.	4	6
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.	7	10
Control Findings These are audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.	11	17
TOTAL	22	33



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

AUDITOR-CONTROLLER**1. Information Technology Audit: Auditor-Controller Information Technology General Controls**

Audit No. 1741 dated March 6, 2019 for the year ended February 28, 2018

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Ensure physical and logical access to data, network, programs, and applications was appropriate, approved, managed, maintained, and adequately supported.	We found that controls over physical and logical access to data, network, programs, and applications should be improved to ensure access is appropriate, approved, managed, maintained, and adequately supported.	Four (4) Critical Control Weaknesses Due to the sensitive nature of the specific findings, the details for three of the four findings have been redacted from this report. 1. Inconsistent change management process for changes made to the A-C network and critical applications managed by A-C IT.	4
2. Ensure change management processes were appropriate, approved, and adequately supported.	With exception to the CAPS+ environment, we found that controls over change management processes should be improved to ensure changes are appropriate, approved, and adequately supported.	Four (4) Significant Control Weaknesses Due to the sensitive nature of the specific findings, the details for all four findings have been redacted from this report.	
3. Ensure computer operations were appropriately, adequately, and effectively managed to ensure timely and proper continuation of system processing.	We found that controls over computer operations were generally appropriate, adequate, and effectively managed to ensure timely and proper continuation of system processing.		



INTERNAL AUDIT REPORTS (CON'T)

CLERK-RECORDER

2. Information Technology Audit: Clerk-Recorder County Agency Vital Records Index Access System

Audit No. 1840 dated March 22, 2019 as of August 31, 2018

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Ensure controls provide reasonable assurance that logical access to the County Agency Vital Records Index Access System is appropriate such as limiting general access and privileged access to authorized individuals, and access is revoked timely upon termination.	We found that controls over logical access to the County Agency Vital Records Index Access System were generally appropriate.	Three (3) Significant Control Weaknesses Due to the sensitive nature of the specific findings, the details for two of the three findings have been redacted from this report. 1. There was a discrepancy between records maintained by the C-R administrative support group and the C-R Information System group for the number of external department accounts with access to the County Agency Vital Records Index Access System.	3
2. Ensure controls provide reasonable assurance that physical access to the server room is limited to authorized individuals.	We found that certain physical security controls should be improved.		

COUNTY EXECUTIVE OFFICE

3. Internal Control Audit: CEO/Real Estate – Revenue Generating Lease Administration Process

Audit No. 1730 dated March 5, 2019 as of April 30, 2018

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Evaluate internal control over the revenue generating lease administration process to ensure CEO/Real Estate is providing adequate oversight over those leases.	We found that CEO/Real Estate's internal control over the revenue generating lease administration process was generally effective to ensure CEO/Real Estate is providing adequate oversight over those leases.	None	4
2. Review revenue generating lease administration processes for efficiency.	We found that business processes were generally efficient as related to the revenue generating lease administration process.		



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

AUDITOR-CONTROLLER

1. First Follow-Up Internal Control Audit Countywide Audit of County Business Travel and Meeting Policy – Auditor-Controller

Audit No. 1839-D (Reference 1626-D-F1) dated March 26, 2019 as of December 31, 2018; original audit dated June 29, 2018

ORIGINAL AUDIT – 7 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
<p style="text-align: center;">2</p> <p>Two (2) Significant Control Weaknesses</p> <ol style="list-style-type: none"> 1. Personally identifiable information displayed. 2. Employee Social Security Numbers Requested on Cash Advance Request Form. 	5	6	1	<p>Recommendation No. 1 (Significant Control Weaknesses). A-C is in the process of fully encrypting the Human Resources database. Currently, there are licensing issues with the user acceptance testing environment and the Shared Services vendor continues to work with the database vendor to resolve the issues.</p>



FOLLOW-UP AUDIT REPORTS (CON'T)

CLERK OF THE BOARD OF SUPERVISORS

2. First Follow-Up Internal Control Audit: Countywide Audit of County Business Travel and Meeting Policy – Clerk of the Board of Supervisors

Audit No. 1839-E (Reference 1626-E-F1) dated February 22, 2019 as of September 30, 2018; original audit dated April 10, 2018

ORIGINAL AUDIT – 11 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
None	11	8	3	<p>Recommendation No. 2 (Control Finding). Travel Cards were transferred to other staff members for use in two of 27 (7%) transactions. COB will continue to train new Board office staff on the internal and County policies regarding the use of Cal-Cards for business travel and meeting purchases.</p> <p>Recommendation No. 9 (Control Finding). We found that five transactions related to registration fees and bottled water were paid on the P-Card when the Travel Card should have been used.</p> <p>Recommendation No. 10 (Control Finding). COB procured a “paid” stamp, but had not applied the cancellation to all revolving fund supporting documentation (i.e., invoices and receipts).</p>



FOLLOW-UP AUDIT REPORTS (CON'T)

COUNTY EXECUTIVE OFFICE

3. First & Final Close-Out Follow-Up Internal Control Audit: County Executive Office/County Procurement Office Procurement Processes

Audit No. 1735-E (Reference 1521-F1) dated March 5, 2019 as of October 31, 2018; original audit dated April 30, 2018

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	10	0	NA

4. Second & Final Close-Out Follow-Up Countywide Audit of Fiduciary Funds: County Executive Office

Audit No. 1839-L (Reference 1519-F2) dated March 19, 2019 as of December 31, 2018; original audit dated June 12, 2017

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

SHERIFF-CORONER

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

Audit No. 1735-C (Reference 1520-F1) dated January 22, 2019 as of September 30, 2018; original audit dated January 30, 2018

ORIGINAL AUDIT – 2 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
None	2	1	1	Recommendation No. 1 (Control Finding). OCSD now excludes Fund 15L costs from the actual revenue for the 800 MHz BBCS. OCSD has calculated the overstated amounts for FY 2012-2013 to FY 2016-2017 to be approximately \$887,000. A Quarterly Budget Adjustment Request (QBAR) was drafted to offset the overstated amount. OCSD plans to submit the QBAR to the Board of Supervisors in April 2019.



FOLLOW-UP AUDIT REPORTS (CON'T)
6. First & Final Close-Out Follow-Up Internal Control Audit: Countywide Audit of County Business Travel & Meeting Policy – Sheriff-Coroner

Audit No. 1839-F (Reference 1626-H-F1) dated February 11, 2019 as of December 31, 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	
None	1	1	0	NA



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

The following draft reports were issued during the reporting period:

1. **Internal Control Audit: Sheriff-Coroner Billing of Law Enforcement Services for Harbor Patrol and Airport Police Services**, Audit No. 1632 (management response due May 29, 2019).
2. **Internal Control Audit: Health Care Agency Payroll Process**, Audit No. 1812 (management response due May 28, 2019).
3. **Internal Control Audit: OC Community Resources Payroll Process**, Audit No. 1813 (management response due May 28, 2019).
4. **Internal Control Audit: Social Services Agency Payroll Process**, Audit No. 1814 (management response not required as there were no findings requiring corrective action).
5. **First Follow-Up Information Technology Audit: County Executive Office/OC Information Technology General Controls**, Audit No 1748-A.





Internal Audit Department
3rd Quarter Status Report for the Audit Oversight Committee
For the Quarter Ended 3/31/19
AOC Meeting Date: May 9, 2019

Attachment B

Audit Category and Name ^{1,2,3}	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan										Est Remain	Budget Variance	FU Due	FU Number	Milestones & Comments ⁴
				Total Budget	Actuals To Date	Budget	Changes	Revised Budget	Actuals to Date Per Quarter					Total						
									#1	#2	#3	#4	Total							
Internal Control Audits (ICA)																				
OCIT Contract Administration (FY 2017-18 carryover)	1624					400	(399)	1		1			1	0	0				Not started; carryover FY 2019-20	
OCIT Internal Service Fund Billing Rates to County Departments (FY 2017-18 carryover)	1627	11/08/16	12/21/18			0		0					0	0	0	NA	NA		Withdrawn; follow-up on preliminary findings in 1624	
OCCR/Dana Point Harbor Procurement (FY 2017-18 carryover)	1628	10/31/18	12/21/18			400	(366)	34		34			34	0	0	NA	NA		Withdrawn; scope no longer applicable due to P3	
HCA/Public Guardian Procurement/Contract Administration (FY 2017-18 carryover)	1631	6/23/17	12/06/18		1,050	490	100	50	150	133	8		141	0	(9)	6/6/19	1839-O		Completed; final report issued 12/6/18	
OCSD Billing of Law Enforcement Services to OC DPH & JWA (FY 2017-18 carryover)	1632	4/16/18			575	394	400	0	400	23	145	206	374	26	0				Draft report issued 3/26/19, management response due 5/29/19	
Countywide Accounts Receivable Controls (FY 2017-18 carryover)	1729	5/23/18			250	210	400	(250)	150	54	81	9	144	0	(6)				In progress; carryover FY 2019-20	
CEO/Real Estate Procurement/Contract Administration (FY 2017-18 carryover)	1730	5/02/18	3/05/19		340	317	200	20	220	147	52	20	219	0	(1)	9/30/19	1939-C		Completed; final report issued 3/05/19	
OCIT Capital Assets (FY 2017-18 carryover)	1732	11/30/18				400	(50)	350		42	251		293	57	0				In progress; draft report expected Q4	
OCPW Billing of Public Works Services to County Departments (FY 2017-18 carryover)	1734	9/13/17		440	384	200	0	200	71	51	43		165	35	0				In progress; draft report expected Q4	
A-C Claims	1811	1/11/19				400	0	400		20	178		198	202	0				In progress; draft report expected Q4	
HCA Payroll	1812	9/20/18				400	40	440	6	313	111		430	10	0				Draft report issued 3/28/19, management response due 5/28/19	
OCCR Payroll	1813	9/20/18				400	25	425	6	274	136		416	10	1				Draft report issued 3/25/19; management response due 5/28/19	
SSA Payroll	1814	9/20/18				400	50	450	5	358	81		444	10	4				Draft report issued 3/28/19	
OCCR Animal Care Cash Receipts	1815	11/14/18				400		400		90	153		243	157	0				In progress; draft report expected Q4	
OCSD Payroll	1816					0	0	0					0	0	0	NA	NA		Cancelled; audit objectives covered by 1632	
A-C Fee Generated Revenue	1817					0	20	20			21		21	0	1				Not started; carryover FY 2019-20	
A-C Fiduciary Funds	1818					0	0	0					0	0	0				Not started; carryover FY 2019-20	
HCA Contracts & Procurement	1819					0	0	0					0	0	0				Not started; carryover FY 2019-20	
OCPW Fee Generated Revenue	1820	1/24/19				0	400	400			104		104	296	0				In progress; draft report expected Q4	
OCWR Fee Generated Revenue	1821	1/23/19				0	400	400			136		136	264	0				In progress; draft report expected Q4	
Probation P-Card	1822	3/25/19				0	200	200			46		46	154	0				In progress; carryover FY 2019-20	
SSA Fiduciary Funds	1823					0	0	0					0	0	0				Not started; carryover FY 2019-20	
Probation Compliance	1841	11/30/18				400	0	400	5	96	80		181	219	0				In progress; carryover FY 2019-20	
Follow-Up Audits (FY 2017-18 carryover)	1735					220	115	335	194	108	32		334	0	(1)					
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	10/09/18	1/22/19													7/21/19	1939-O		Completed; final report issued 1/22/19	
CEO Procurement/Contract Administration (1521)	1735-E	11/08/18	3/05/19													NA	NA		Completed; final (close-out) report issued 3/05/18	
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															NA	NA		Cancelled due to 1627 withdrawal	
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	233	124		385	225	0					
CEO Countywide Audit of New Travel & Meeting Policy Implementation (1626-A)	1839-A	10/02/18	12/13/18													6/11/19	1839-P		Completed; final report issued 12/13/18	
OCPW Countywide Audit of New Travel & Meeting Policy Implementation (1626-B)	1839-B	10/09/18	11/08/18													NA	NA		Completed; final (close-out) report issued 11/08/18	
Assessor Countywide Audit of New Travel & Meeting Policy Implementation (1626-C)	1839-C	1/10/19																	In progress	
A-C Countywide Audit of New Travel & Meeting Policy Implementation (1626-D)	1839-D	1/10/19	3/26/19													9/30/19	1939-P		Completed; final report issued 3/26/19	
COB Countywide Audit of New Travel & Meeting Policy Implementation (1626-E)	1839-E	10/15/18	2/22/19													8/30/19	1939-Q		Completed; final report issued 2/22/19	
OCSD Countywide Audit of New Travel & Meeting Policy Implementation (1626-H)	1839-F	12/06/18	2/11/19													NA	NA		Completed; final (close-out) report issued 2/11/19	
SSA Countywide Audit of New Travel & Meeting Policy Implementation (1626-I)	1839-G																		Not started; follow-up form received	
SSA ResCare (1625)	1839-H	7/18/18	9/26/18													NA	NA		Completed; final (close-out) report issued 9/26/18	
HCA Human Services (1631)	1839-O																		Not started	
Second Follow-Up Audits	1839																			
OCSD Fiduciary Funds (1519/1735-P)	1839-I	10/24/18																	In progress	
OCCR Fund 108 (1423/1735-B)	1839-J																		Not started; follow-up form received	
OCWR Cash Handling (1525/1735-G)	1839-K	11/16/18	12/13/18													NA	NA		Completed; final (close-out) report issued 12/13/18	
CEO Fiduciary Funds (1519/1735-Q)	1839-L	1/30/19	3/19/19																Completed; final (close-out) report issued 3/19/19	
T-TC Electronic Funds Transfers Process (1583/1735-H)	1839-M																		Not started; follow-up form 2-month extension granted 4/30/19	
SSA Revolving Cash Funds (1633/1735-K)	1839-N																		Not started; follow-up form received	
CEO Countywide Audit of New Travel & Meeting Policy Implementation (1626-A/1839-A)	1839-P																		Not started	
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						5,730	276	6,006	693	1,906	1,731	0	4,330	1,665	(11)					



Internal Audit Department
3rd Quarter Status Report for the Audit Oversight Committee
For the Quarter Ended 3/31/19
AOC Meeting Date: May 9, 2019

Attachment B

Audit Category and Name ^{1,2,3}	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan										FU Due	FU Number	Milestones & Comments ⁴
				Total Budget	Actuals To Date	Budget	Changes	Revised Budget	Actuals to Date Per Quarter				Total	Est Remain	Budget Variance			
									#1	#2	#3	#4	Total					
Information Technology Audits (IT)																		
HCA/Public Guardian E-Pages System Implementation (FY 2017-18 carryover)	1645	10/25/17		110	70	50	(15)	35	9	7	10		26	9	0			In progress; advisory engagement
TTC Sungard/Quantum upgrade (Department Request) (FY 2017-18 carryover)	1647	6/12/17		300	265	50		50	11	17	15		43	7	0			In progress; advisory engagement
A-C/IT General Controls (FY 2017-18 carryover)	1741	10/23/17	3/06/19	980	963	50	200	250	194	14	35		243	0	(7)	9/30/19	1949-A	Completed; final report issued 3/06/19
PTS System Implementation (FY 2017-18 carryover)	1754	7/01/18		55	37	100	(60)	40	18	6	7		31	9	0			In progress; advisory engagement
C-R Inter-County Access	1840	8/08/18	3/22/19			400	75	475	266	189	21		476	0	1	9/30/19	1949-B	Completed; final report issued 3/22/19
Cybersecurity	1842	7/01/18				50	(20)	30	5	5	10		20	10	0			In progress
Continuous Auditing R&D	1843	7/01/18				100		100		1			1	99	0			In progress
Assessor IT General Controls	1844	8/01/18				400	(100)	300	84	16			100	200	0			Deferred; resume late Spring 2019
OCSD IT General Controls	1845	2/14/19				0	400	400			93		93	307	0			In progress
SSA IT General Controls	1846	1/29/19				0	400	400			95		95	305	0			In progress
IT Assistance w/ICAs						140	(140)	0					0		0			Hours charged to ICA projects
Follow-Up Audits (FY 2017-18 carryover)	1748					320	125	445		248	183		431	14	0			
CEO/IT General Controls (1644)	1748-A	11/01/18																Draft report issued 3/21/19
First Follow-Up Audits:	1859					100	(100)	0					0	0	0			
A-C IT General Controls (1741)	NA																	Not started; FY 2019-20 plan
Summary Close-Out							3	3		3			3	0	0			
Total Information Technology Audits						1,760	768	2,528	587	506	469	0	1562	960	(6)			
Other Activities & Administration																		
Annual Risk Assessment & Audit Plan	1801					400	0	400		1	234		235	165	0			In progress
Cash Losses	1802					100	(75)	25					0	25	0			No referrals received
Fraud Hotline	1803					400	(300)	100					0	100	0			No referrals received
External Audit Reporting	1804					300	0	300	93	84	36		213	87	0			In progress; Q1, Q2, and Q3 completed
On-Demand Department Advisory Services	1805					200	(175)	25	10	3	2		15	10	0			In progress
Special Projects	1806					1,000	(750)	250		97	10		107	143	0			In progress; annual CWCAP completed
Board & AOC Services	1807					200	(175)	25	8	3	3		14	11	0			In progress
Total Other Activities & Administration						2,600	(1,475)	1,125	111	188	285	0	584	541	0			
Reserve for Board Directives/Contingency	1808					1,123	(714)	409	21				21	388	0			Completed. Final reports issued: Sunset Aquatic Park (1738), Ocean Institute 1FU (1740-B), Mile Square Golf 1FU (1740-E)
Total Budget						11,213	(1,145)	10,068	1,412	2,600	2,485	0	6,497	3,554	(17)			
						Footnote 5		Footnote 6										

Footnotes

1. The mission of the Internal Audit Department (IA) is to provide highly reliable, independent, objective evaluations and business and financial consulting services to the Board of Supervisors (Board) and County management to assist them with their important business and financial decisions. The director of Internal Audit shall report directly to the Board and be advised by the Audit Oversight Committee (AOC) designated by the Board. The director of Internal Audit and staff shall have complete and unrestricted access to all of the County's financial records, files, information systems, personnel, and properties, except where prohibited by law. The AOC is an advisory committee to the Board and provides oversight of IA and the external auditors. The scope of IA shall include reviews of the reliability and integrity of financial, compliance, property and business systems, and may include appraising the efficiency and effectiveness of operations and the achievement of business and program goals and
2. IA generates several different types of reports including audit reports, summary reports, and status reports. In addition, IA undertakes several different projects including audits of internal controls, audits of lessee compliance with County contracts, and audits of IT controls. IA also serves the AOC by providing clerk services (meeting agenda preparation, minutes, etc.) and by preparing summary reports.
3. The annual Audit Plan is subject to change for such events where the director of Internal Audit or Board majority assesses if it is warranted, to substitute, postpone, or cancel a scheduled audit due to timing, priority, resource, or risk considerations. Such modifications will be noted in the Milestones & Comments section of this Quarterly Status Report for review by the AOC. **The acceptance of the Quarterly Status Report by the AOC authorizes both the content herein and any changes noted.** During the course of the year, the director of Internal Audit has discretion to research issues of interest to members of the Board, AOC, or County management and provide them with Technical Assistance. When charged, these projects will be directed either to Technical Assistance or to a separate project. Assistance of this nature generally involves between 10 and 80 hours and results are generally communicated through discussions, memos, or a written report for public distribution.
4. For purposes regarding fiscal year-end reporting, we consider assignments completed (**Completed**) as of the official release of a completed pre-draft or draft audit report to the department head, and are shown as such in our Milestones & Comments column of this Quarterly Status Report.
5. The initial FY 2018-19 Annual Audit Plan of 11,213 hours is based on 7,490 direct hours to be provided by 7 senior auditors/audit manager I's, 2 audit manager II's, and 1 senior audit manager 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.
6. The 10,068 hour revised audit plan consists of: a) the 11,213 hour initial audit plan; b) less 1,145 hours for vacancies at the audit manager and senior auditor levels.



Memorandum

May 9, 2019

AOC Agenda Item No. 11

TO: Audit Oversight Committee Members

Recommended Action:

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

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 March 31, 2019, there was one Material Issue noted by the County's external auditor Vavrinek, Trine, Day, & Co. regarding a subrecipient at OC Community Resources. 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 03/31/19

<u>SUMMARY ACTIVITY</u>	
Total Audits Prior Quarter (12/31/18)	126
Additions: In Progress	5
Planned	4
Started and Completed	10
Deletions: Canceled	0
Completed	33
Removed	<u>4</u>
Total Audits Current Quarter (03/31/19)	<u>108</u>
(In Progress, Planned, and/or Completed this Quarter)	

Results for the Quarter:

Audits Completed, Canceled and to be Removed Next Quarter **24**

New Findings/Issues Reported by the Departments **9**
(9 Findings from 2 Audits, see page 1 and 7)

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

The County's external auditors, Vavrinek, Trine, Day & Co. (VTD), conducted the annual Single Audit. During testing of compliance with the procurement requirements for subrecipients for the Workforce Innovation and Opportunity Act (WIOA) program, VTD noted that OC Community Resources (OCCR) Department entered into a contract with a subrecipient that did not follow the County's procurement process prior to awarding the contract. One (1) subrecipient contract totaling \$3,911,557 of current expenditures did not adhere to the County's purchasing policy to ensure full and open competition. Per 2 *CFR* section 215.43, all procurement transactions will be conducted in a manner providing full and open competition. This resulted in noncompliance with Federal regulations. This finding is a repeat of prior year finding 2017-002.

EXTERNAL AUDIT ACTIVITY
Quarterly Status Report
3rd Quarter FY 18-19 (03/31/19)

Results:

One material issue was reported to the Internal Audit Department this quarter. See page 1 below.

The schedule below identifies the status of external audits as of 03/31/19, including any significant findings, as reported to us by Orange County Departments/Agencies. This schedule does not include reviews performed by the OC Grand Jury.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2019	Significant Findings
Assessor		No audits in progress.						
Auditor-Controller	Financial Reporting	Vavrinek, Trine, Day & Co.	Single Audit	YE 6/30/18 Annual	6/30/2017	Uniform Guidance Expenditures of Federal Assistance	Completed.	<p>One (1) New Material Issue: Finding #2018-002 (OCCR) Contract with a subrecipient that did not go through the procurement process prior to awarding the contract.</p> <p>Seven (7) New Findings: #2018-001 (CEO & AC) Certain entity-wide information technology general control policies and procedures not deployed; #2018-003 (CEO, DA & HCA) Evaluation of the subrecipient's risk of noncompliance was performed but not documented; #2018-004 (HCA & OCCR) Certain information was not provided at the time of subaward; #2018-005 (CEO, DA & OCCR) No evidence of verification that the entity was not suspended or debarred or otherwise excluded; #2018-006 (OCSD) Non-compliance with equipment and real property management requirements; #2018-007 (OCCR) Adjusted income used for eligibility was incorrectly calculated; #2018-008 (CEO, DA & HCA) Certain subrecipient monitoring procedures were not documented.</p>

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

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2019	Significant Findings
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), Program Monitoring and Compliance Unit (PMCU)	Policy & Process Management	10/01/2017 - 09/30/2018 Annual	10/18	Case Review	In progress.	
Clerk of the Board of Supervisors		No audits in progress.						
County Clerk-Recorder	Information Systems	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.	Completed.	None.
		Lawrence R. Halme	SECURE: Modified System Audit	As Needed	10/18	Review substantive changes to the SECURE Multi-County ERDS system for compliance with the CA Attorney General ERDS certified system requirements.	In progress.	
County Counsel		No audits in progress.						

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2019	Significant Findings
County Executive Office	Public Finance	No audits in progress.						
	Budget	No audits in progress.						
	Information Technology	No audits in progress.						
	Corporate Real Estate	No audits in progress.						
	Human Resources	No audits in progress.						
	Risk Management	AON Audit	Workers Compensation Best Practice Audit	2/11/19-2/16/19 Annual	N/A	To measure the effectiveness of the third party performance.	Completed.	None.
	IT & Finance	Vavrinek, Trine, Day & Co.	Single Audit	YE 6/30/18 Annual	6/30/2017	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2018-001, #2018-003, #2018-005 and #2018-008 under Auditor-Controller Single Audit.
District Attorney		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	Completed.	None.
		Office of Traffic Safety	Alcohol and Drug Impaired Driver Vertical Prosecution Program	FY 16/17	N/A	Compliance Review	In progress.	
		Vavrinek, Trine, Day & Co.	Single Audit - Crime Victim Assistance	YE 6/30/18 Annual	6/30/2017	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2018-003, #2018-005 and #2018-008 under Auditor-Controller Single Audit.
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	In progress.	
		Vavrinek, Trine, Day & Co.	Single Audit - Alcohol and Drug Abuse Services' Substance abuse Prevention and Treatment (SAPT) Block Grant	YE 6/30/18 Annual	6/30/2017	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2018-003, #2018-004 and #2018-008 under Auditor-Controller Single Audit.
	Correctional Health	Community Care Licensing	Orangewood Children and Family Center	TBD, Annually	03/18	State Licensing Compliance	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2019	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 of California Department of Alcohol and Drug Programs	Alcohol and Drug Abuse Services' Substance Abuse Prevention and Treatment (SAPT) Block Grant	FY 14/15 Annual	FY 09/10	Review the cost funded by the SAPT Block Grant, QFFMR, and ADAS Cost Report	In progress.	
		State of California Department of Alcohol and Drug Programs	Alcohol and Drug Abuse Services' Substance Abuse Prevention and Treatment (SAPT) Block Grant	FY 11/12 Annual	FY 09/10	Review the cost funded by the SAPT Block Grant, QFFMR, and ADAS Cost Report	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	In progress.	
		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 March 31, 2019	Significant Findings
Health Care Agency (continued)	Behavioral Health (continued)	State Department of Health Care Services	Mental Health Cost Report; Short-Doyle/Medi-Cal Cost Report	FY 11/12 Annual	FY 10/11	Adjusting Short Doyle Medi-Cal units of service/time, the distribution of administrative costs between Medi-Cal and non-Medi-Cal, the distribution of utilization review costs between Medi-Cal and non-Medi-Cal, crossover revenues, contract maximums, and the overall accuracy of computations in the cost report	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.	
		State Department of Health Care Services	Mental Health Services Act (MHSA)/Prop 63 Compliance of Performance Contract	TBD, At least once Every 3 years	TBD	Program Reviews of MHSA Performance Contract to determine compliance	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2019	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.	
		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.	
	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).
		California Office of State Controller, Division of Audits, Local Government Audits Bureau	Environmental Health Services - Local Oversight Program (LOP)	FY15-16 & FY16-17 ; Approx every 2 to 3 years	05/17	Program costs claimed by local agencies under the LOP program	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2019	Significant Findings
Health Care Agency (continued)	Public Health	DHCS Audits & Investigations - Targeted Case Management	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.	
		DHCS Audits & Investigations - Targeted Case Management	Targeted Case Management, Program Financial Audit of the TCM Cost Report	FY 14/15 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	FY 11/12	Targeted Case Management claiming	In progress.	
		DHCS Audits & Investigations - Targeted Case Management	Public Health Nursing - TCM Desk Review	FY 16/17	N/A	Review time cards/time sheets, time surveys, and encounters during FY 2016-17 for TCM services to target population of "Children Under the Age of 21 and Negative Outcomes"	Completed.	One (1) New Finding: Disallowance of \$12,200, of which \$11,400 was due to CBO using the incorrect NPI number.
		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	FY 17/18, Approx every 4 to 5 years	05/14	Programmatic Site visit to ensure compliance with Ryan White legislation.	In progress.	
		State Office of AIDS	Ryan White Part B	FY 17/18, Annually	12/17	Programmatic Site visit to ensure compliance with Ryan White legislation.	Completed.	None.
		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.	
	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	Completed.	None.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2019	Significant Findings
John Wayne Airport	Operations	Tevora Business Solutions	Common Use Passenger Processing System and Parking Access and Revenue Control System	2019 Annual	2017	Compliance with Payment Card Industry Data Security Standard	In progress.	
		Federal Aviation Administration	Airport Certification Inspection	2019 Annual	01/18	Compliance with Title 14, Code of Federal Regulations, Part 139, Airport Certification	Completed.	None.
		Transportation Security Administration	Airport Security	2019 Annual	2018	Compliance with Title 49, Code of Federal Regulations, Part 1542, Airport Security	Planned.	
OC Community Resources	OC Homeless, Housing Community Development/ OCHCA	Vavrinek, Trine, Day & Co.	Financial	Annual	03/18	Financial Data Schedules	Planned.	
	Housing & Community Development	Vavrinek, Trine, Day & Co.	Single Audit - CDBG Entitlement Cluster	YE 6/30/18 Annual	6/30/2017	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2018-005 under Auditor-Controller Single Audit.
		State HCD	State ESG	FY 17/18	N/A	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	
		Vavrinek, Trine, Day & Co.	Single Audit - Section 8 Housing Voucher Cluster	YE 6/30/18 Annual	6/30/2017	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2018-007 under Auditor-Controller Single Audit.
	Office on Aging (OoA)	Vavrinek, Trine, Day & Co.	Single Audit - Aging Cluster	YE 6/30/18 Annual	6/30/2017	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2018-004 and #2018-005 under Auditor-Controller Single Audit.
		California Dept of Aging	Office on Aging	FY 16/17 - FY 18/19 Every 3 years	FY 15/16	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	Planned.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2019	Significant Findings
OC Community Resources (continued)	Community Investment Division	Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIAO - Fiscal and Procurement	16/17 Annual	15/16	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	
		Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA - Fiscal & Procurement	17/18 Annual	16/17	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, methods of procurement, property management, etc.	In progress.	
		Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA (NEG Fire) - Fiscal and Procurement	17/18 One-Time	N/A	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	
		Employment Development Department (EDD), Department of Labor (DOL), & Office of Inspector General (OIG)	WIOA (NEG Fire) - Fiscal and Procurement	17/18 N/A	N/A	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress	
		Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA Fiscal & Procurement	18/19 Annual	17/18	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	Planned.	
		Vavrinek, Trine, Day & Co.	Single Audit - WIOA Cluster	YE 6/30/18 Annual	6/30/2017	Uniform Guidance Expenditures of Federal Assistance	Completed.	One Material Issue: See Finding #2018-002 under Auditor-Controller Single Audit.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2019	Significant Findings
OC Community Resources (continued)	Community Investment Division (continued)	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.	
OC Public Works	Accounting	California Department of Transportation	San Juan Creek Bike Trail, 17th Street at Esplanade, Antonio Parkway	12/31/13	N/A	Audit of incurred costs	In progress.	
	Accounting and Fleet Services	Simpson & Simpson	Air Quality Management	FY15/16 & FY16/17 Biennial	2017	Fiscal audit of activity for Fund 140 and the annual reports submitted for FY 15/16 and 16/17	Planned.	
	Administrative Services	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 March 31, 2019	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.	
	Fleet Services	IRS	Form 8849 claims for CNG and LNG	2017 CY	2017	IRS Audit of OC Fleet's Excise Tax Returns	In progress.	
	Infrastructure Programs	OCTA	Active Transportation Program (ATP) and Transportation Control Measures (TCM) funding	TBD	N/A	Review project files for the Lambert Bikeway Project	Planned.	
		OCTA	Measure M2 Water Quality Grant and Prop 42	TBD	N/A	Financial and compliance audit of the completed Catch Basins Phases I through V	Planned.	
		OCTA	Measure M2 Comprehensive Transportation Funding Program (CTFP)	TBD	N/A	Financial and compliance audit of the completed Cow Camp Road Segment 1 Construction	Planned.	
		Caltrans (DOT)	Program Supplement No. N054 to Administering Agency-State Agreement for Federal-Aid Projects No 12-5955R	TBD	N/A	Financial and compliance audit of the completed Gilbert Street from Katella Avenue to Ball Road	Planned.	
OC Waste & Recycling	Accounting	No audits in progress.						

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2019	Significant Findings
Probation	Administrative and Fiscal	No audits in progress.						
Public Defender		No audits in progress.						
Registrar of Voters		No audits in progress.						
Sheriff-Coroner	Financial/ Administrative Services	Vavrinek, Trine, Day & Co.	Single Audit - Equitable Sharing	YE 6/30/18 Annual	6/30/2017	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2018-006 under Auditor-Controller Single Audit.
		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	Completed.	None.
		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.	
		California State Auditor	Contract with US Immigration and Customs Enforcement (ICE)	FY12/14 thru FY17/18	N/A	ICE Contract	Completed.	None.
		US Department of Treasury Executive Office for Asset Forfeiture (TEOAF)	RNSP and SNP Compliance	2015 - 2017	N/A	Compliance	Completed.	None.
		Clifton Larson Allen LLP	800 MHz Countywide Coordinated Communication System	N/A	N/A	Participant reconciliations	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	2016	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 Bi-Annual PREHA Inspection	James A. Musick Facility	Bi-Annual	N/A	Site visit, Compliance	Completed.	None.
		CA Department of Justice/ Attorney General	ICE Detention	12/2017-Present	N/A	ICE Compliance	Completed.	None.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2019	Significant Findings
Sheriff-Coroner (continued)	Support Services	Dimension Data	Service continuity, disaster recovery	06/18 to 08/18	N/A	Review business critical applications, provide recommendations and documents for BC/DR.	In progress.	
		California Department of Justice	Criminal Offender Record Information (CORI)	Triennial	2016	Compliance Review	Planned.	
		California Department of Justice	California Law Enforcement Telecommunications System (CLETS) Audit	Triennial	FY 15/16	Compliance Review	In progress.	
		Tevora Business Solutions	IT	Annual	2018	Operational Review	Planned.	
		Tech Advisory Committee (TAC)	IT	Quarterly / Semi-Annual	2017	Operational Review	Planned.	
		Navel Criminal Investigative Service (NCIS) - LInX	LInX Data-sharing application	Annual	2017	Compliance Review	Completed.	None.
	Orange County Crime Lab	ANSI National Accreditation Board (ANAB)	OC Crime Lab accreditation	Annual	2017	All OCCL Operations	Completed.	None.
Social Services Agency	Administrative Services	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.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2019	Significant Findings
Social Services Agency (continued)	Assistance Programs (continued)	California Department of Social Services (CDSS)	CalFresh	05/18 Annual	08/17	Management evaluation of CalFresh Program access with an emphasis on the recertification process and timeliness of application processing, payment accuracy, and assessment of corrective action.	In progress.	
		California Department of Social Services (CDSS)	CalFresh Employment & Training (CF E&T)	3/27/19 Annual	N/A	Management evaluation of the County's CF E&T program to determine the compliance of the program rules and regulations, and the County's approved CF E&T plan.	In progress.	
	Family Self-Sufficiency & Adult Services	California Department of Social Services (CDSS) Children & Family Services Division, Adoptions Bureau	Adoptions Assistance Program (AAP)	9/16 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)	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 March 31, 2019	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.	
Treasurer-Tax Collector	Treasury and Investments	Macias Gini & O'Connell LLP	Annual IPS Compliance	18 months ended 6/30/2017 Annual	12/31/15	Required Annual Examination of the Treasurer's Investment Compliance with Government Code 27130-27137 and County Investment Policy Statement	Completed.	None.
		Vavrinek, Trine, Day, & Co., LLP	Annual IPS Compliance	FY 17/18 Annual	12/31/15	Required Annual Examination of the Treasurer's Investment Compliance with Government Code 27130-27137 and County Investment Policy Statement	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.	