

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

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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.

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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 on the qualified vendors list of the Request for Proposals process, which will result in the award of contracts, so the 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