

ORANGE COUNTY AUDIT OVERSIGHT COMMITTEE MEETING

Agenda Revision

Note: This supplemental agenda shows items that have been added, continued, deleted or modified.

AUGUST 15, 2019

The Orange County Audit Oversight Committee Meeting agenda revision reflects Salvador Lopez as the Auditor-Controller (Acting):

Non-Voting Members

Treasurer-Tax Collector:

Shari Freidenrich, CPA

Auditor-Controller (Acting):

Salvador Lopez

Additionally, the speaker for Item 8 has changed to Michael Steinhaus, CPA, Audit Manager:

8. Receive Report on Status of Mandated Audits

Michael Steinhaus, CPA

Audit Manager

Auditor-Controller

REVISED AGENDA

REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE ORANGE COUNTY, CA



Thursday, August 15, 2019, 10:00 a.m.

HALL OF RECORDS
12 Civic Center Plaza, 3rd Floor
Conference Room 300
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 A. 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 (Acting):

Shari Freidenrich, CPA
Salvador Lopez

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****

REVISED AGENDA

10:00 A.M.

Speaker

- | | |
|--|--|
| 1. Roll call | <i>Drew Atwater
AOC Chairman</i> |
| 2. Approve Second Amendment of Audit Oversight Committee Regular Meeting Minutes for February 14, 2019 | <i>Drew Atwater
AOC Chairman</i> |
| 3. Approve Audit Oversight Committee Regular Meeting Minutes of May 9, 2019 | <i>Drew Atwater
AOC Chairman</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
Eide Bailly LLP</i> |
| 7. Receive Report on External Audit Contract Update | <i>Megan Vu
Manager of Accounting &
Reporting
Auditor-Controller</i> |
| 8. Receive Report on Status of Mandated Audits | <i>Michael Steinhaus, CPA
Audit Manager
Auditor-Controller</i> |
| 9. Receive Report on Status of Performance Audits | <i>Frank Kim
County Executive Officer</i> |
| 10. Receive Report on Internal Audit Department's Independence | <i>Aggie Alonso, CPA
Director
Internal Audit Department</i> |
| 11. Approve Internal Audit Department's FY 2018-19 4 th Quarter Status Report and approve Executive Summary of Internal Audit Reports for the Quarter Ended June 30, 2019 | <i>Aggie Alonso, CPA
Director
Internal Audit Department</i> |
| 12. Receive Report on Status of External Audit Recommendations Implementation and approve Quarterly External Audit Activity Status Report for the Quarter Ended June 30, 2019 | <i>Aggie Alonso, CPA, Director
& Michael Dean, CPA,
Senior Audit Manager
Internal Audit Department</i> |

R E V I S E D 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, November 14, 2019, 10:00 a.m.



Memorandum

August 15, 2019

AOC Agenda Item No. 2

TO: Audit Oversight Committee Members

Recommended Action:

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

Approve Amendment to Audit Oversight Committee Regular Meeting Minutes to accurately reflect attendance at the February 14, 2019 meeting.

ATTACHMENT:

Attachment A – Amended Summary Minutes

AMENDED SUMMARY MINUTES



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
ABSENT

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

A M E N D E D 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.

A M E N D E D 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 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



Memorandum

August 15, 2019

AOC Agenda Item No. 3

TO: Audit Oversight Committee Members

Recommended Action:

Approve Audit Oversight Committee Regular Meeting Minutes of May 9, 2019

Approve Audit Oversight Committee Regular Meeting Minutes of May 9, 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, 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 A. 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
ABSENT

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
Arie Dana, Proxy for Supervisor Michelle Steel
Sara May, Proxy for Supervisor Lisa A. Bartlett
Frank Kim, County Executive Officer
Mark Wille, Private Sector Member

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 February 14, 2019

Mr. Drew Atwater asked the Clerk to read an amendment to the draft meeting minutes. Ms. Elias stated that a sentence in Item 8 would be changed from "The County Procurement Office is working to notify vendors that were awarded contracts so that work can commence" to "The County Procurement Office is working to notify the 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."

Motion to approve with amendment to Item 8 by Mr. Brown, seconded by Mr. Atwater.

All in favor.

Approved as recommended.

3. Receive Introduction from Director of Internal Audit

Mr. Aggie Alonso introduced himself to the Audit Oversight Committee.

4. Receive Report on County's Cybersecurity Program

Mr. Joel Golub, Chief Information Officer, stated that the Security Operation Center (SOC) went live on March 16, 2019. The SOC is a joint operation between SAIC who has staff there 24 hours a day, seven days a week, and a team from OCIT, present during regular business hours. Mr. Golub stated that creating a SOC is the right step in protecting the County's networks.

5. Discuss Audit Oversight Committee Vacancy

Mr. Atwater stated he sent a letter to Supervisor Chaffee regarding the Public Sector Member vacancy for the Fourth District.

Ms. Montana Sudul, Policy Advisor for Supervisor Chaffee's office, stated candidates have been interviewed and Supervisor Chaffee looks forward to appointing someone.

6. Receive Report on Required Communication from External Auditors

Mr. Alfaro, Partner at Vavrinek, Trine & Day (VTD), stated that for the Single Audit, VTD tested 12 major federal programs and identified key compliance requirements to ensure the County is in compliance. VTD previously issued an *unmodified* opinion on the County Annual Financial Report.

The Single Audit Report had one material weakness related to one major federal program, the Workforce Innovation and Opportunity Act Cluster. Mr. Alfaro stated that regarding the Qualitative Aspects of Accounting Practices on the Communication with Those Charged with Governance, the County adopted new accounting pronouncements, as required.

Mr. Alfaro was pleased to report that VTD did not encounter any difficulties in conducting its work nor disagreements with management with respect to accounting, auditing, or financial reporting

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

matters. Mr. Alfaro stated that County staff was professional and provided access to individuals, documents, and third parties, as necessary.

Ms. Shari Freidenrich, Treasurer-Tax Collector, stated that VTD is still working on the Agreed Upon Procedures engagement for the Treasurer's Annual Investment Compliance that was approved by the Treasury Oversight Committee and Board of Supervisors.

Mr. Mark Wille suggested that findings from the external auditor be added to the AOC agenda to facilitate monitoring of recommendations and the implementation status. Mr. Kim agreed to agendaize any open recommendations for future AOC meetings.

7. **Receive Report on Status of Mandated Audits**

Mr. Michael Steinhaus, Audit Manager for Auditor-Controller Internal Audit Division, provided an update on Mandated Audits.

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

Mr. Kim stated that the Request for Proposal process is completed for four of the five audits in the audit plan. For the fifth audit, Mr. Kim received feedback from the Board regarding the Scope of Work for the CEO Information Technology audit and will incorporate that feedback.

Mr. Kim stated that he received input from the Board for the audit plan for the 2019-20 fiscal year and will present it at the June 25th Board meeting.

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

Mr. Alonso stated that Internal Audit Department (IAD) identified 19 high risk audit areas relating to 13 County departments. Based on current staffing, IAD has resources to complete 16 of the 19 high risk audits. If IAD is unable to complete the other 3 high risk audits, those audits will be carried over to the next fiscal year's audit plan.

Motion to approve by Mr. Wille, seconded Mr. Brown.

All in favor, none opposed.

Approved as recommended.

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

Mr. Scott Suzuki, Assistant Director of Internal Audit, stated that five of the zero-hour audits on the audit plan were added this quarter due to an increase in resources from hiring new staff. Mr. Suzuki requested a cancellation of the Orange County Sheriff Department (OCSA) Payroll audit because the OCSA Billing audit had payroll controls within its scope. Cancellation of the Payroll audit will prevent duplication of work.

Motion to approve by Mr. Wille, seconded by Mr. Brown.

All in favor, none opposed.

Approved as recommended.

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

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

Mr. Michael Dean, Senior Audit Manager, stated that there were nine new findings reported by departments. Eight of those findings were in the Single Audit, and the ninth finding pertained to Health Care Agency (HCA) Public Health Nursing. This finding resulted in a disallowance of \$12,200. HCA has implemented procedures to prevent the error from reoccurring.

Mr. Dean stated there was one material finding from the Single Audit regarding OC Community Resources (OCCR), which Mr. Alfaro mentioned during the Communication from External Auditors. Mr. Dean stated that OCCR entered into a contract with a subrecipient that did not follow the County's procurement process that would ensure full and open competition. This was a repeat finding from last year.

Motion to approve by Mr. Wille, seconded by Mr. Brown

All in favor, none opposed.

Approved as recommended.

PUBLIC COMMENTS – None.

AOC COMMENTS & ADJOURNMENT

AOC COMMENTS – None.

ADJOURNMENT: Motion to adjourn the meeting by Mr. Wille, seconded by Mr. Brown. Meeting adjourned at 11:30 A.M.

NEXT MEETING

Regular Meeting, August 8, 2019, 10:00 A.M.



Memorandum

August 15, 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

August 15, 2019

AOC Agenda Item No. 5

TO: Audit Oversight Committee Members

Recommended Action:

Discuss Audit Oversight Committee Vacancy

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

August 15, 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:

Attachment A – Letter on Responsibilities under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and the Uniform Guidance



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

VALUE THE *difference*

July 21, 2019

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

We are engaged to audit 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) for the year ended June 30, 2019. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibilities under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and the Uniform Guidance

As stated in our engagement letter dated May 1, 2019, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also, in accordance with the Uniform Guidance, we will examine, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the County's compliance with those requirements.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis, the schedules related to the OCERS, schedules related to the Orange County Extra Help Defined Benefit Plan, and schedules related to the Orange County Retiree Medical Plan, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the Schedule of Expenditures of Federal Awards, the combining and individual fund financial statements and budgetary comparison schedules, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have not been engaged to report on the introductory section and statistical section, which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

As part of our audit of the County's basic financial statements, we have also been engaged to perform the following:

- Audit of the investment trust funds;
- Audit of the pension and other postemployment benefit trust funds;
- Single audit in accordance with the Uniform Guidance;
- Agreed Upon Procedures (AUP) for the Section 8 Cluster;
- Audit of the standalone financial statements and passenger facility charge revenue of John Wayne Airport;
- Audit of the standalone financial statements of OC Waste & Recycling;
- Audit of the standalone financial statement of the Orange County Development Agency Successor Agency;
- AUP over the Tobacco Settlement Revenue;
- AUP over the Appropriations Limit Calculations for the County of Orange and the Orange County Flood Control District;
- Audit of the Treasurer's Schedule of Assets;
- Annual Treasurer's compliance audit;
- Subsequent events review of CalOptima.

Planned Scope, Timing of the Audit, and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

We plan to use personnel from the Internal Audit Division of the Auditor-Controller's office of the County to provide direct assistance to us in performing our audit procedures.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

If any member of the Committee or Board is aware of matters that have a material bearing on the financial statements taken as a whole (such as those described above in items 1-4), please contact Roger Alfaro, Partner, at (949) 768-0833 or by email at ralfaro@vtdepa.com.

In accordance with professional standards, we will not assume responsibility or audit the financial statements of CalOptima, a discretely presented component unit. Those statements are audited by other auditors and we will make reference to the work of other auditors, as it relates to CalOptima, in our report on the County's financial statements.

Our decision to make reference to the report of other auditor's is based on the following:

- The other auditors will perform an audit of the financial statements of the component in accordance with the relevant requirements of GAAS,
- The other auditor will issue an auditor's report that is not restricted as to use,
- The consistency of the component's reporting framework to the County's financial statements.

We began our audit in May 2019 and expect to issue our report on the County's financial statements no later than December 16, 2019. We expect to issue the single audit report no later than March 31, 2020.

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

Very truly yours,

A handwritten signature in black ink, appearing to read 'R. Alfaro', is positioned above the printed name.

Roger Alfaro, Partner
Vavrinek, Trine, Day & Co., LLP



Memorandum

August 15, 2019

AOC Agenda Item No. 7

TO: Audit Oversight Committee Members

Recommended Action:

Notify the Audit Oversight Committee Members about the merger between Vavrinek, Trine, Day & Co, LLP (VTD) with Eide Bailly LLP, effective July 22, 2019, and answer any contractual questions associated with the Assignment and Consent Agreement of VTD's independent auditing and related services contract to Eide Bailly LLP.

On May 20, 2019, the Auditor-Controller's Office received an email notification (with the original letter received by mail thereafter) from VTD to announce its planned merger with Eide Bailly LLP on July 22, 2019. The planned merger will not impact the staffing of the service team in charge of the FY 2018-19 Audit, and the County will continue to receive the same level of service.

After consultation with the department's County Counsel, it was determined that Board approval is required to amend VTD's existing independent auditing and related services contract (MA-003-18011512) in order to change the vendor name in CAPS+ and have Eide Bailly LLP assume VTD's obligations under the existing contract. Currently we are in Year Two of a three-year contract, with a renewal option for two additional one year terms. The ASR for this vendor change is scheduled to go to the Board for approval on August 27th.



Memorandum

August 15, 2019

AOC Agenda Item No. 8

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Mandated Audits

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



Memorandum

August 15, 2019

AOC Agenda Item No. 9

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

August 15, 2019

AOC Agenda Item No. 10

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Internal Audit Department's Independence

Receive Report on Internal Audit Department's Independence, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – Report on Internal Audit Department's Independence



INTERNAL AUDIT DEPARTMENT

July 31, 2019

To: Audit Oversight Committee Members

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

Subject: Report on Internal Audit Department's Independence

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

To that end, this memo serves to confirm that for the period of June 2, 2018 through June 30, 2019, the Internal Audit Department's internal audit activity has been free from interference in determining the scope of internal auditing, performing work, and communicating results. For example, during this period, the Board of Supervisors and Audit Oversight Committee approved both the Internal Audit Charter and the Annual Risk Assessment & Audit Plan for FY 2019-20, appropriately received communications from the chief audit executive regarding the internal audit activity's performance relative to its plan and other matters, and made appropriate inquiries of management and the chief audit executive to determine whether there were inappropriate scope or resource limitations.

This report on independence will also be presented to the Board of Supervisors at its September 24, 2019 meeting.



Memorandum

August 15, 2019

AOC Agenda Item No. 11

TO: Audit Oversight Committee Members

Recommended Action:

Approve Internal Audit Department's FY 2018-19 4th Quarter Status Report and approve Executive Summary of Internal Audit Reports for the Quarter Ended June 30, 2019

Approve Internal Audit Department's reporting, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – Internal Audit Department Status Report Memo

Attachment B – Executive Summary of Internal Audit Reports

Attachment C – Quarterly Status Report



INTERNAL AUDIT DEPARTMENT

August 1, 2019

To: Audit Oversight Committee Members

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

Subject: Fiscal Year 2018-19 Internal Audit Department Status Report for the Quarter Ended June 30, 2019

Attached for your review and approval is Internal Audit's status report on audit activity for the quarter ended June 30, 2019. Specifically, Attachment B is our "Executive Summary of Internal Audit Reports" which provides a summary of audits and follow-up audits conducted during the reporting period including a breakdown of the finding type (e.g., critical, significant, etc.). Attachment C is our "Quarterly Status Report" which is a listing of all of the audits scheduled for the year, along with the budgeted hours, actual hours, variance between budget and actual, and milestone comments for each audit.

For the quarter ending June 30, 2019, Internal Audit issued four final reports, six draft reports, and six follow-up reports. The six final reports included one Significant Control Weakness and six Control Findings.

If you have any questions, please contact me at 714.834.5442, or Assistant Director Scott Suzuki at 714.834.5509.

INTERNAL AUDIT DEPARTMENT
EXECUTIVE SUMMARY - FINDING TYPE CLASSIFICATION
FOR THE QUARTER ENDED JUNE 30, 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.	0	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.	1	11
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.	6	23
TOTAL	7	40



EXECUTIVE SUMMARY
INTERNAL AUDIT REPORTS
FOR THE QUARTER ENDED JUNE 30, 2019

HEALTH CARE AGENCY/PUBLIC GUARDIAN

1. Internal Control Audit: Health Care Agency Payroll Process

Audit No. 1812 dated June 18, 2019 for the year ended September 30, 2018

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Assess internal control over payroll processing (including payroll changes and premium pay) to ensure payroll is complete, accurate, valid, timely, and in accordance with department procedures and management's authorization.	We found that HCA's internal control over the payroll process was generally effective to ensure payroll (including payroll changes and premium pay) was complete, accurate, valid, timely, and in accordance with department procedures and management's authorization.	None	3
2. Review the payroll process for efficiency.	We found that the payroll process was generally efficient.		

OC COMMUNITY RESOURCES

2. Internal Control Audit: OC Community Resources Payroll Process

Audit No. 1813 dated June 20, 2019 for the year ended September 30, 2018

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Assess internal control over payroll processing (including payroll changes and premium pay) to ensure payroll is complete, accurate, valid, timely, and in accordance with department procedures and management's authorization.	We concluded that OCCR's internal control over the payroll process was generally effective to ensure payroll (including payroll changes and premium pay) was complete, accurate, valid, timely, and in accordance with department procedures and management's authorization.	None	1
2. Review the payroll process for efficiency.	We concluded that the payroll process was generally efficient.		



INTERNAL AUDIT REPORTS (CON'T)

SHERIFF-CORONER

3. Internal Control Audit: Sheriff-Coroner Billing of Law Enforcement Services for Harbor Patrol and Airport Police Services

Audit No. 1632 dated June 18, 2019 for the year ended November 30, 2018

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Evaluate effectiveness of internal control over the billing process to ensure billing of law enforcement services for Harbor Patrol and Airport Police Services is complete (recorded/reported), accurate, valid (authorized), and processed timely in the County's financial system.	We concluded that OCSD's internal control over the billing process was generally effective to ensure billing transactions are complete, accurate, valid, and processed timely in the County's financial system.	One (1) Significant Control Weakness Due to the sensitive nature of the specific findings, the details for this finding have been redacted from this report.	2
2. Review the billing processes for efficiency	We concluded that business processes were generally efficient as related to the billing of law enforcement services for Harbor Patrol and Airport Police Services.		

SOCIAL SERVICES AGENCY

4. Internal Control Audit: Social Services Agency Payroll Process

Audit No. 1814 dated June 18, 2019 for the year ended September 30, 2018

OBJECTIVES	RESULTS	CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS
1. Assess internal control over payroll processing (including payroll changes and premium pay) to ensure payroll is complete, accurate, valid, timely, and in accordance with department procedures and management's authorization.	We found that SSA's internal control over the payroll process was generally effective to ensure payroll (including payroll changes and premium pay) was complete, accurate, valid, timely, and in accordance with department procedures and management's authorization.	None	0
2. Review the payroll process for efficiency.	We concluded that the payroll process was generally efficient.		



EXECUTIVE SUMMARY
INTERNAL AUDIT FOLLOW-UP REPORTS
FOR THE QUARTER ENDED JUNE 30, 2019

ASSESSOR

1. First & Final Close-Out Follow-Up Internal Control Audit Countywide Audit of County Business Travel and Meeting Policy – Assessor

Audit No. 1839-C (Reference 1626-C-F1) dated June 28, 2019 as of March 31, 2019; original audit dated June 8, 2018

ORIGINAL AUDIT – 4 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
0	4	4	0	NA

AUDITOR-CONTROLLER

2. Second & Final Close-Out Follow-Up Internal Control Audit: Auditor-Controller Overtime/Straight Overtime Calculations

Audit No. 1839-Q (Reference 1629-F2 & 1630-F2) dated June 18, 2019 as of April 30, 2019; original audits dated August 31, 2017 (both)

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	
0	1	1	0	NA



FOLLOW-UP AUDIT REPORTS (CON'T)

COUNTY EXECUTIVE OFFICE/OC INFORMATION TECHNOLOGY

3. First Follow-Up Information Technology Audit: County Executive Office/OC Information Technology General Controls

Audit No. 1748-A (Reference 1644-F1) dated June 26, 2019 as of November 30, 2018; original audit dated April 10, 2018

ORIGINAL AUDIT – 31 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>14</p> <p>Six (6) Critical Control Weaknesses Due to the sensitive nature of the findings, details have been redacted from this report.</p> <p>Eight (8) Significant Control Weakness Due to the sensitive nature of the findings, details have been redacted from this report for two of the eight Significant Control Weaknesses. The remaining six are as follows:</p> <ol style="list-style-type: none"> 1. Change request risk assessment not consistently completed. 2. Shared Services change management tool lacked critical information. 3. Shared Services lacks service level agreements/requirements with client departments 4. Cybersecurity Framework not fully implemented 5. Security risks from lack of Countywide IT security authority 6. Lack of comprehensive IT risk management framework 	17	19	12	<p>Recommendation Nos. 2, 4, 5, 6 (Critical Control Weakness). Due to the sensitive nature of the findings, details have been redacted from this report.</p> <p>Recommendation No. 7 (Significant Control Weakness). Due to the sensitive nature of the findings, details have been redacted from this report.</p> <p>Recommendation No. 9 (Control Finding). OCIT is going through a wide-scale transition of consolidating IT vendor functions for its Managed Services. Since portions of our recommendation involve OCIT Managed Services, we will test these areas during our second follow-up, once the transition is complete.</p> <p>Recommendation No. 10 (Control Finding). Due to the sensitive nature of the findings, details have been redacted from this report.</p> <p>Recommendation No. 11 (Control Finding). OCIT is going through a wide-scale transition of consolidating IT vendor functions for its Managed Services. Since portions of our recommendation involve OCIT Managed Services, we will test these areas during our second follow-up, once the transition is complete.</p>



FOLLOW-UP AUDIT REPORTS (CON'T)

COUNTY EXECUTIVE OFFICE/OC INFORMATION TECHNOLOGY (CON'T)

				<p>Recommendation No. 20 (Significant Control Weakness). OCIT has not finalized or implemented the SLAs and SLRs. OCIT Shared Services indicated they submitted a request to SAIC to implement the changes into ServiceNow (SMS) to enable the SLAs and SLRs to be monitored and tracked.</p> <p>Recommendation No. 23 (Control Finding). OCIT Shared Services developed documented procedures for quarterly review of scheduled backup jobs, and review and authorization of changes made to those jobs. While the procedures documented the process for management review, the last available evidence of reviews being performed was May 2017.</p> <p>Recommendation No. 25 (Control Finding). OCIT will migrate OCCR's physical server data to virtual machines, before it can migrate backup jobs onto the consolidated backup solution. At CSS, there is currently no budgeted funding so the backup solution is not scheduled for consolidation at this time. OCIT Shared Services has implemented ServiceNow (SMS) for its centralized incident management tool, except for the Probation Department, which is expected to be implemented by quarter one or two of Fiscal Year 2019-20.</p> <p>Recommendation No. 31 (Control Finding). OCIT advised IAD that it has contracted a reputable cybersecurity third-party vendor to develop new IT policies, as well as revise existing policies to meet industry best practice.</p>
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FOLLOW-UP AUDIT REPORTS (CON'T)

OC COMMUNITY RESOURCES

4. Second & Final Close-Out Follow-Up Internal Control Audit: OC Dana Point Harbor Special Revenue Fund 108 Selected Processes & Controls

Audit No. 1839-J (Reference 1423-F2) dated June 11, 2019 as of March 31, 2019; original audit dated April 24, 2017

ORIGINAL AUDIT – 5 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
0	5	5	0	NA

SHERIFF-CORONER

5. Second & Final Close-Out Follow-Up Countywide Audit of Fiduciary Funds – Sheriff-Coroner

Audit No. 1839-I (Reference 1519-F2) dated June 27, 2019 as of May 31, 2019; original audit dated June 8, 2017

ORIGINAL AUDIT – 5 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
0	5	5	0	NA

SOCIAL SERVICES AGENCY

6. Second & Final Close-Out Follow-Up Internal Control Audit: Social Services Agency Revolving Funds

Audit No. 1839-N (Reference 1633-F2) dated May 23, 2019 as of March 31, 2019; original audit dated May 30, 2017

ORIGINAL AUDIT – 7 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
1	6	7	0	NA
One (1) Critical Control Weaknesses 1. Segregation of duties for profiles within CalWIN system				



EXECUTIVE SUMMARY
APPENDIX A: DRAFT REPORTS
FOR THE QUARTER ENDED JUNE 30, 2019

The following draft reports were issued during the reporting period:

1. **Internal Control Audit: OC Community Resources/OC Animal Care Cash Receipts**, Audit No. 1815 (management response due August 28, 2019).
2. **Internal Control Audit: OC Information Technology Capital Assets**, Audit No. 1732 (management response due August 26, 2019).
3. **Internal Control Audit: OC Public Works' Facilities Operations & Custodial Billing**, Audit No. 1734 (management response due August 27, 2019).
4. **Internal Control Audit: OC Waste & Recycling Fee-Generated Revenue**, Audit No. 1821 (management response due August 28, 2019).
5. **Information Technology Audit: Social Services Agency IT Logical Security & Change Management**, Audit No. 1846 (management response due August 28, 2019).
6. **Second & Final Follow-Up Internal Control Audit: Electronic Funds Transfer Process – Treasurer-Tax Collector**, Audit No. 1839-M.





Internal Audit Department
4th Quarter Status Report for the Audit Oversight Committee
For the Quarter Ended 6/30/19
AOC Meeting Date: August 15, 2019

Attachment C

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						
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	1,045	490	100	45	145	133	8			141	0	(4)	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	6/18/19	550	402	400	(25)	375	23	145	206	8	382	0	7	12/31/19	1939-A	Completed; final report issued 6/18/19		
Countywide Accounts Receivable Controls (FY 2017-18 carryover)	1729	5/23/18		275	242	400	(225)	175	54	81	9	32	176	0	1			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	(10)	390		42	251	96	389	0	(1)			Draft report issued 6/25/19, management response due 8/26/19		
OCPW Billing of Public Works Services to County Departments (FY 2017-18 carryover)	1734	9/13/17		510	489	200	70	270	71	51	43	105	270	0	0			Draft report issued 6/27/19, management response due 8/27/19		
A-C Claims	1811	1/11/19				400	50	450		20	178	250	448	0	(2)			In progress; draft report expected FY 2019-20 Q1		
HCA Payroll	1812	9/20/18	6/18/19			400	35	435	6	313	111	11	441	0	6	12/31/19	1939-G	Completed; final report issued 6/18/19		
OCCR Payroll	1813	9/20/18	6/20/19			400	25	425	6	274	136	5	421	0	(4)	12/31/19	1939-H	Completed; final report issued 6/20/19		
SSA Payroll	1814	9/20/18	6/18/19			400	50	450	5	358	81	6	450	0	0	NA	NA	Completed; final report issued 6/18/19		
OCCR Animal Care Cash Receipts	1815	11/14/18				400	75	475		90	153	228	471	0	(4)			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	33	33			21	12	33	0	0	NA	NA	Cancelled; risk re-evaluated to medium		
A-C Fiduciary Funds	1818					0	0	0					0	0	0			Not started; carryover FY 2019-20		
HCA Contracts & Procurement	1819	4/25/19				0	75	75				83	83	0	8			In progress; carryover FY 2019-20		
OCPW Fee Generated Revenue	1820	1/24/19				0	370	370			104	273	377	0	7			In progress; draft report expected FY 2019-20 Q1		
OCWR Fee Generated Revenue	1821	1/23/19				0	400	400			136	270	406	0	6			Draft report issued 6/28/19, management response due 8/28/19		
Probation P-Card	1822	3/25/19				0	140	140			46	90	136	0	(4)			In progress; carryover FY 2019-20		
SSA Fiduciary Funds	1823					0	0	0					0	0	0			Not started; carryover FY 2019-20		
Follow-Up Audits (FY 2017-18 carryover)	1735					220	115	335	194	108	32	0	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 3/05/19		
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	145	755	28	233	124	367	752	0	(3)					
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	6/28/19													NA	NA	Completed; final (close-out) report issued 6/28/19		
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	4/15/19																In progress; draft report expected FY 2019-20 Q1		
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; follow-up form received		
Second Follow-Up Audits	1839																			
OCSD Fiduciary Funds (1519/1735-P)	1839-I	10/24/18	6/27/19													NA	NA	Completed; final (close-out) report issued 6/27/19		
OCCR Fund 108 (1423/1735-B)	1839-J	4/15/19	6/11/19													NA	NA	Completed; final (close-out) report issued 6/11/19		
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													NA	NA	Completed; final (close-out) report issued 3/19/19		
T-TC Electronic Funds Transfers Process (1583/1735-H)	1839-M	5/17/19																Draft report issued 6/27/19; final report FY 2019-20 Q1		
SSA Revolving Cash Funds (1633/1735-K)	1839-N	4/15/19	5/23/19													NA	NA	Completed; final (close-out) report issued 5/23/19		
CEO Countywide Audit of New Travel & Meeting Policy Implementation (1626-A/1839-A)	1839-P																	Not started; follow-up form received		
A-C Payroll (1629/1630)	1839-Q	6/18/19	6/18/19													NA	NA	Completed; final report issued 6/18/19		
Summary Close-Out						5,330	644	5,974	688	1,810	1,651	1,836	5,985	0	11	3/30/19	1839-G	Completed. Final report issued: SSA Travel & Meeting (1626-I)		
Total Internal Control Audits																				



Internal Audit Department
4th Quarter Status Report for the Audit Oversight Committee
For the Quarter Ended 6/30/19
AOC Meeting Date: August 15, 2019

Attachment C

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	#1	#2	#3	#4	Total							
Information Technology Audits (IT)																				
HCA/Public Guardian E-Pages System Implementation (FY 2017-18 carryover)	1645	10/25/17		105	70	50	(20)	30	9	7	10		26	0	(4)	NA	NA	Completed; advisory engagement		
TTC Sungard/Quantum upgrade (Department Request) (FY 2017-18 carryover)	1647	6/12/17		295	265	50	(5)	45	11	17	15		43	0	(2)			In progress; advisory engagement		
A-C/IT General Controls (FY 2017-18 carryover)	1741	10/23/17	3/06/19	975	964	50	195	245	194	14	35	1	244	0	(1)	9/30/19	1949-A	Completed; final report issued 3/06/19		
PTS System Implementation (FY 2017-18 carryover)	1754	7/01/18		50	38	100	(65)	35	18	6	7	1	32	0	(3)			In progress; advisory engagement		
C-R Inter-County Access	1840	8/08/18	3/22/19			400	75	475	266	189	21	3	479	0	4	9/30/19	1949-B	Completed; final report issued 3/22/19		
Probation Compliance	1841	11/30/18				400	(155)	245	5	96	80	71	252	0	7			In progress; carryover FY 2019-20		
Cybersecurity	1842	7/01/18				50	(20)	30	5	5	10	10	30	0	0	NA	NA	Completed. Annual assignment		
Continuous Auditing R&D	1843	7/01/18				100	(99)	1		1			1	0	0			Cancelled due to other IT audit priorities		
Assessor IT General Controls	1844	8/01/18				400	(275)	125	84	16		25	125	0	0			Deferred; resume FY 2019-20 Q1		
OCSD IT General Controls	1845	2/14/19				0	365	365			93	271	364	0	(1)			In progress; draft report expected FY 2019-20 Q1		
SSA IT General Controls	1846	1/29/19				0	475	475			95	379	474	0	(1)			Draft report issued 6/28/19, management response due 8/28/19		
IT Assistance w/ICAs						140	(140)	0					0		0			Hours charged to ICA projects		
Follow-Up Audits (FY 2017-18 carryover)	1748					320	130	450		248	183	28	459	0	9					
CEO/IT General Controls (1644)	1748-A	11/01/18																Completed; final report issued 6/26/19		
First Follow-Up Audits:	1859					100	(100)	0				1	1	0	1					
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						2,160	364	2,524	592	602	549	790	2,533	0	9					
Other Activities & Administration																				
Annual Risk Assessment & Audit Plan	1801					400	(85)	315		1	234	79	314	0	(1)			Completed. Approved by Board on 6/25/19		
Cash Losses	1802					100	(100)	0					0	0	0			Completed. Annual assignment		
Fraud Hotline	1803					400	(400)	0					0	0	0			Completed. Annual assignment		
External Audit Reporting	1804					300	(35)	265	93	84	36	51	264	0	(1)			Completed. Annual assignment		
On-Demand Department Advisory Services	1805					200	(185)	15	10	3	2		15	0	0			Completed. Annual assignment		
Special Projects	1806					1,000	(795)	205		97	10	98	205	0	0			Completed. Annual assignment		
Board & AOC Services	1807					200	(180)	20	8	3	3	2	16	0	(4)			Completed. Annual assignment		
Total Other Activities & Administration						2,600	(1,780)	820	111	188	285	230	814	0	(6)					
Reserve for Board Directives/Contingency	1808					1,123	(1,102)	21	21				21	0	0			Completed. Final reports issued: Sunset Aquatic Park (1738), Ocean Institute 1FU (1740-B), Mile Square Golf 1FU (1740-E)		
Total Budget						11,213	(1,874)	9,339	1,412	2,600	2,485	2,856	9,353	0	14					
						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 9,339 hour revised audit plan consists of: a) the 11,213 hour initial audit plan; b) less 1,874 hours for vacancies at the audit manager and senior auditor levels.



Memorandum

August 15, 2019

AOC Agenda Item No. 12

TO: Audit Oversight Committee Members

Recommended Action:

Approve Quarterly External Audit Activity Status Report for the Quarter Ended June 30, 2019

Approve Quarterly External Audit Activity Status Report for the Quarter Ended June 30, 2019, as stated in the recommended action.

ATTACHMENT(S):

Attachment A – External Audit Activity Status Report Memo

Attachment B – Executive Summary of External Audit Activity


Attachment C – External Audit Activity Quarterly Status Report

Attachment D – External Audit Report, Implementation Status of Prior Quarter Significant & Material Issues

INTERNAL AUDIT DEPARTMENT

July 31, 2019

To: Audit Oversight Committee Members

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

Subject: External Audit Activity Status Report for the Quarter Ended June 30, 2019

Attached for your review and approval is our External Audit Activity Status Report for the Quarter ended June 30, 2019. Pursuant to Audit Oversight Committee (AOC) 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 AOC informed of all third-party audits being performed and any significant findings identified. In addition, as requested by the AOC at the May 9th, 2019 meeting, we have also included the County departments' reported corrective action taken to implement the recommendations related to the significant audit findings identified.

To facilitate the AOC'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, please see Attachment B. For individual report details, see Attachment C. Finally, for corrective action taken to implement recommendations, see Attachment D. For the quarter ended June 30, 2019, no new material issues were reported.

If you have any questions, please contact me at 714.834.5442, or Assistant Director Scott Suzuki at 714.834.5509.

EXECUTIVE SUMMARY OF EXTERNAL AUDIT ACTIVITY

For the Quarter Ended 06/30/19

<u>SUMMARY ACTIVITY</u>	
Total Audits Prior Quarter (03/31/19)	108
Additions: In Progress	12
Planned	0
Started and Completed	1
Deletions: Canceled	0
Completed	24
Removed	<u>0</u>
Total Audits Current Quarter (06/30/19)	<u>97</u>
(In Progress, Planned, and/or Completed this Quarter)	

Results for the Quarter:

Audits Completed, Canceled and to be Removed Next Quarter **29**

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

Material Issues: (Includes Disallowances over \$100K) **0**

EXTERNAL AUDIT ACTIVITY
Quarterly Status Report
4th Quarter FY 18-19 (06/30/19)

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of June 30, 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.	See Attachment D for corrective actions taken related to findings from this audit.
		Vavrinek, Trine, Day & Co.	CAFR	6/30/19 Annual	6/30/2018	Annual Financial GAAP Audit	In progress.	
		Vavrinek, Trine, Day & Co.	Agreed Upon Procedures (AUP) over GANN Limit calculations	6/30/19 Annual	6/30/2018	GANN Limit Calculation - for County and OC Flood Control District	In progress.	
		Vavrinek, Trine, Day & Co.	Single Audit	6/30/19 Annual	6/30/2018	Uniform Guidance Expenditures of Federal Assistance	In progress.	
Child Support Services		Office of Child Support Enforcement (OCSE)	2018 Federal Data Reliability Audit	Every 3 Years	10/16	Review of line items related to cases with support orders, paternity establishment and medical support for the Annual CS157 State Statistical report. Line items 1, 2, 2e, 5, 6, 16, 21, 21a, 24, 25, 28 and 29.	Planned.	To be removed next quarter. Audit was not performed this FY.
		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	Completed.	None.
Clerk of the Board of Supervisors		No audits in progress.						
County Clerk-Recorder	Information Systems	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.	Completed.	None.

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 June 30, 2019	Significant Findings
County Counsel		No audits in progress.						
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	Maureen Mahoney and Associates	Risk Management Workers' Compensation Program	03/01/19 - 05/30/19 Annual	3/20/2018	Analyze the costs and savings of the managed care program generated by the Third Party Administrator (TPA).	Completed.	None.
	IT & Finance	No audits in progress.						
District Attorney		Office of Traffic Safety	Alcohol and Drug Impaired Driver Vertical Prosecution Program	FY 16/17	N/A	Compliance Review	Completed.	None.
		Vavrinek, Trine, Day & Co.	Grant Audits	Annual	6/30/2018	District Attorney Grant Audits	In progress.	
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	Completed.	None.
	Correctional Health	Community Care Licensing	Orangewood Children and Family Center	TBD, Annually	03/18	State Licensing Compliance	Planned.	To be removed next quarter. Audit was not performed this FY.
	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	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 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	Canceled.	To be removed next quarter. Audit canceled.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of June 30, 2019	Significant Findings
Health Care Agency (continued)	Behavioral Health (continued)	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	Completed.	None.
		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.	To be removed next quarter. Audit was not performed this FY.
		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	Canceled.	To be removed next quarter. Audit canceled.
		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.	To be removed next quarter. Audit was not performed this FY.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of June 30, 2019	Significant Findings
Health Care Agency (continued)	Behavioral Health (continued)	Center for Medicaid & Medicare Services, Payment Error Rate Measurement (CMS PERM)	Mental Health Plan	1/1/2016-11/9/2018 Triennial	N/A	CMS is measuring improper payments in Medicaid/CHIP under the PERM program.	In progress.	
		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 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.	To be removed next quarter. Audit was not performed this FY.
		California Health Policy Strategies, LLC	Mental Health Services Act/Prop 63	One-time	N/A	Performance Audit and Evaluation of MHSA/Prop 63's: funding and how they are utilized and allocated; performance outcome and how they compare statewide and against other comparable counties	In progress.	
		Board of State and Community Corrections	Collaborative/Intensive Outpatient Services - Proposition 47 Grant	TBD	N/A	Review of compliance with Contract with BSCC.	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 June 30, 2019	Significant Findings
Health Care Agency (continued)	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	In progress.	
	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	FY 12/13	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	Targeted Case Management, Program Financial Audit of the TCM Cost Report	FY 15/16 Annual	FY 14/15	All aspects related to fiscal compliance for charges claimed on the cost report	In progress.	
		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	Completed.	None.
		HRSA	Ryan White Part C	FY16/17	FY12/13	Fiscal Audit, Administrative, Clinical	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 June 30, 2019	Significant Findings
Health Care Agency (continued)	Public Health (continued)	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.	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.	To be removed next quarter. Audit was not performed this FY.
John Wayne Airport	Finance Administration	Vavrinek, Trine, Day & Co.	Financial Statements	6/30/19 Annual	6/30/2018	Annual Audit of Financial Statements	In progress.	
	Operations	Tevora Business Solutions	Common Use Passenger Processing System and Parking Access and Revenue Control System	2019 Annual	2018	Compliance with Payment Card Industry Data Security Standard	In progress.	
		Transportation Security Administration	Airport Security	2019 Annual	2018	Compliance with Title 49, Code of Federal Regulations, Part 1542, Airport Security	Completed.	None.
OC Community Resources	OCDA Successor Agency	Vavrinek, Trine, Day & Co.	Financial Statements	6/30/19 Annual	6/30/2018	Annual Audit of Financial Statements	In progress.	
	Housing Community Development & Homeless	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.	
		HUD	CDBG & ESG Financial & Procurement	17/18	N/A	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of June 30, 2019	Significant Findings
OC Community Resources (continued)	Housing Community Development & Homeless (continued)	U.S. Department of Housing and Urban Development (HUD)	CoC, CDBG, HOME, ESG	FY 17/18 Triennial	N/A	The scope of this monitoring will include review of environmental files and supporting documentation, interviews with key staff and may include a brief visit to project sites.	In progress.	
	Office on Aging (OoA)	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.	
	Community Investment Division	Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA - 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.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of June 30, 2019	Significant Findings
OC Community Resources (continued)	Community Investment Division (continued)	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.	In progress.	
		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.	To be removed next quarter. Audit not performed this FY.
		California Department of Aging Audit Department	SCSEP Monitoring	17/18 Annual	16/17	Program implementation and compliance	Planned.	To be removed next quarter. Audit not performed this FY.
		California Department of Aging (CDA)	Data Validation	Annual	17/18	SCSEP Program participant eligibility, host agencies, community service assignments, etc.	Planned.	To be removed next quarter. Audit not performed this FY.
	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	In progress.	
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.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of June 30, 2019	Significant Findings
OC Public Works (continued)	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.	Completed.	None.
	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.	
	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	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 June 30, 2019	Significant Findings
OC Public Works (continued)	Infrastructure Programs	OCTA	Active Transportation Program (ATP) and Transportation Control Measures (TCM) funding	TBD	N/A	Review project files for the Lambert Bikeway Project	Planned.	
		OCTA	Measure M2 Water Quality Grant and Prop 42	TBD	N/A	Financial and compliance audit of the completed Catch Basins Phases I through V	Planned.	
		OCTA	Measure M2 Comprehensive Transportation Funding Program (CTFP)	TBD	N/A	Financial and compliance audit of the completed Cow Camp Road Segment 1 Construction	Planned.	
		Caltrans (DOT)	Program Supplement No. N054 to Administering Agency-State Agreement for Federal-Aid Projects No 12-5955R	TBD	N/A	Financial and compliance audit of the completed Gilbert Street from Katella Avenue to Ball Road	Planned.	
OC Waste & Recycling	Accounting	Vavrinek, Trine, Day & Co.	Financial Statements	6/30/19 Annual	6/30/2018	Annual Audit of Financial Statements	In progress.	
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	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.
		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.	
		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.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of June 30, 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.	
	Orange County Crime Lab	No audits in progress.						
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.	To be removed next quarter. Audit not performed this FY.
		California Department of Social Services (CDSS) Welfare Fraud Bureau (WFB)	Administrative Services, Adult Services & Assistance Programs, and Family Self-Sufficiency	April 16-19, 2019 Varies	07/16	Determine County's effectiveness in processing Income and Eligibility Verification System (IEVS) matches, identifying and collecting CalWORKs Overpayments and CalFresh Over Issuances, and reviewing Social Services Agency (SSA) processes intersecting with District Attorney Public Assistance Division (DAPAD).	In progress.	
	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.	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 June 30, 2019	Significant Findings
Social Services Agency (continued)	Assistance Programs (continued)	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.	To be removed next quarter. Audit not performed this FY.
		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.	To be removed next quarter. Audit not performed this FY.
		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 June 30, 2019	Significant Findings
Social Services Agency (continued)	Family Self-Sufficiency & Adult Services (continued)	California Department of Social Services (CDSS)/IHSS Quality Assurance (QA) and Monitoring	In-Home Supportive Services (IHSS)	04/19 Annual	04/18	Quality Assurance monitoring of Orange County's administration of IHSS program.	Completed.	None.
		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.	To be removed next quarter. Audit not performed this FY.
Treasurer-Tax Collector	Treasury and Investments	Vavrinek, Trine, Day, & Co., LLP	Annual IPS Compliance	FY 17/18 Annual	6/30/2017	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.	

EXTERNAL AUDIT REPORT
Implementation Status of Prior Quarter Significant & Material Issues
Quarter Ended June 30, 2019

No.	Department	Audit Name	Finding	Recommendation	Material or Significant	Implementation Status* & Actions Taken or Planned
1	OCCR	Single Audit YE 6/30/18	Contract with a subrecipient that did not go through the procurement process prior to awarding the contract.	We recommend that OCCR adhere to their procurement policies and procedures prior to entering into a contract with the subrecipient.	Material	Implemented. OCCR ensures that all procurement is done through a competitive process.
2	A-C & CEO	Single Audit YE 6/30/18	Certain entity-wide information technology general control policies and procedures not deployed	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.	Significant	CEO: Not yet implemented. The written policy encompassing all 4 recommended items has not yet been formalized. During our last Cybersecurity policy voting session in June 2019, the policy was not approved by the agencies. The agencies overwhelmingly agree with the policy's content, but have concerns related to resources, tool implementations, and process changes that may be required to meet compliance. The OCIT Senior Management team is working with the agencies one-by-one to address these concerns, with the aim of securing a "YES" vote prior to our next voting session on August 08, 2019. A-C: The A-C leverages policy as established by the CEO CISO.
3	CEO, DA & HCA	Single Audit YE 6/30/18	Evaluation of the subrecipient's risk of noncompliance was performed but not documented.	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).	Significant	CEO & DA: In progress. Original corrective action plan for implementation of policies and procedures are on schedule to be completed by August 31, 2019. HCA: Implemented. HCA Contract Services has implemented the Countywide Procurement File Folder System, which will assist in maintaining consistency and providing guidelines for adhering to County policy.

No.	Department	Audit Name	Finding	Recommendation	Material or Significant	Implementation Status* & Actions Taken or Planned
4	HCA & OCCR	Single Audit YE 6/30/18	Certain information was not provided at the time of subaward.	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).	Significant	<u>HCA</u> : In progress. Being incorporated in 2019 procedures (HCA Contract Services). <u>OCCR</u> : Implemented. CDM created and uses the Contract Compliance Checklist to ensure that all required information has been received prior to award of contract.
5	CEO, DA & OCCR	Single Audit YE 6/30/18	No evidence of verification that the entity was not suspended or debarred or otherwise excluded.	We recommend that OCCR, CEO's Office, and District Attorney's Office adhere to their procurement procedures prior to entering into a covered transaction.	Significant	<u>CEO & DA</u> : Implemented. Staff assigned to manage the Crime Victim Assistance subawards is now responsible for ensuring the subrecipients are not suspended or debarred. This is achieved by printing the subrecipient status at sam.gov every fiscal year during July, and, in addition, the Procurement Unit is responsible for obtaining verification that the subrecipient is not suspended or debarred prior to entering into a new Contract. <u>OCCR</u> : Implemented. CDM created and uses the Federal Award Identification template to verify suspension/debarment.
6	OCSD	Single Audit YE 6/30/18	Non-compliance with equipment and real property management requirements.	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.	Significant	Implemented. The Orange County Sheriff's Department Financial/Administrative Services Division held a training for Department Commanders in May 2019. Property Records and adherence to the Sheriff-Coroner Department Fixed Asset and Controlled Equipment Inventory procedure were discussed during the training.
7	OCCR	Single Audit YE 6/30/18	Adjusted income used for eligibility was incorrectly calculated.	We recommend that OCCR update policies and procedures related to the verification and calculation of the participants' adjusted income.	Significant	Implemented. The housing authority provided evidence of its efforts to ensure future compliance, and the Los Angeles Office of Public Housing closed out the audit finding.

No.	Department	Audit Name	Finding	Recommendation	Material or Significant	Implementation Status* & Actions Taken or Planned
8	CEO, DA & HCA	Single Audit YE 6/30/18	Certain subrecipient monitoring procedures were not documented.	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).	Significant	<p>CEO & DA: In progress. Original corrective action plan for implementation of policies and procedures are on schedule to be completed by August 31, 2019. Staff assigned to manage the Crime Victim Assistance subawards is currently working on reviewing and evaluating the subrecipient's single audit report to issue a formal letter with the results.</p> <p>HCA: In progress. Being incorporated in 2019 procedures (HCA Contract Services).</p>
9	HCA	DHCS - Public Health Nursing TCM Desk Review FY16/17	Disallowance of \$12,200; \$11,400 due to using incorrect NPI number.	Please reference PPL 07-020R and ensure that the information regarding NPI numbers registered to individual case managers is used during the encounter billing process. Please submit a refund check to DHCS/TCM program in the amount of \$12,160.50.	Significant	Implemented. Check was mailed to DHCS on 4/30/19.

* Implementation status reported as (1) implemented, (2) in progress, or (3) not yet implemented.