

# A G E N D A



## REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE

**Thursday, August 17, 2023, 10:00 A.M.**

County Administration South  
601 N. Ross St., County Conference Center 106  
Santa Ana, CA 92701

**MARK WILLE, CPA**

AOC CHAIR  
Private Sector Member, Third District

**SUPERVISOR DONALD P. WAGNER**

BOARD CHAIRMAN  
Third District  
Member

**FRANK KIM**

COUNTY EXECUTIVE OFFICER  
Member

**LARRY HIMMEL**

Private Sector Member, Fourth District

**DREW ATWATER**

AOC VICE CHAIR  
Private Sector Member, First District

**SUPERVISOR ANDREW DO**

BOARD VICE CHAIRMAN  
First District  
Member

**TIM JOHNSON, CPA**

Private Sector Member, Second District

**YVONNE ROWDEN**

Private Sector Member, Fifth District

**Non-Voting Members**

Auditor-Controller:

Treasurer-Tax Collector:

Internal Audit Director:

Andrew Hamilton, CPA

Shari Freidenrich, CPA

Aggie Alonso, CPA

**Staff**

Deputy County Counsel:

AOC Clerk:

Ronnie Magsaysay

Stephany Franco

*All supporting documentation is available for public review 72 hours before the meeting. Documents are available online at <https://ia.ocgov.com/audit-oversight-committee/agendas-and-minutes>.*

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 on the agenda.

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

# A G E N D A

10:00 A.M.

Speaker

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1. Roll call	<i>Mark Wille, CPA AOC Chair</i>
2. New AOC Member Welcome, Introductions, and Training August 29, 2023	<i>Mark Wille, CPA AOC Chair</i>
3. Approve Audit Committee Regular Meeting Minutes of February 16, 2023	<i>Mark Wille, CPA AOC Chair</i>
4. Receive Report on Required Communication from External Auditors	<i>Jessica Andersen, CPA Partner, Eide Bailly LLP</i>
5. Approve Internal Audit Department's Quarterly Status Reports and Approve Executive Summaries of Internal Audit Reports for the Quarters Ended March 31 and June 30, 2023	<i>Aggie Alonso, CPA Director Internal Audit Department</i>
6. Approve the Internal Audit Department's Annual Risk Assessment & Audit Plan for FY 2023-24	<i>Aggie Alonso, CPA Director Internal Audit Department</i>
7. Approve External Audit Activity Status Reports for the Quarters Ended March 31 and June 30, 2023, and Receive Reports on Status of External Audit Recommendations Implementation	<i>Gianne Morgan, CPA Audit Manager Internal Audit Department</i>
8. Receive Reports on Status of Auditor-Controller Mandated Audits for the Quarters Ended March 31 and June 30, 2023	<i>Michael Steinhaus, CPA Audit Manager Auditor-Controller</i>
9. Receive Reports on Status of Performance Audits for the Quarters Ended March 31 and June 30, 2023	<i>Lilly Simmering Deputy County Executive Officer</i>
10. Receive Report on eProcurement and Impact on Audits	<i>Andrew Hamilton, CPA Auditor-Controller</i>
11. Receive Update on County IT Projects Quarterly Progress Report	<i>KC Roestenberg Chief Information Officer</i>
12. Approve Internal Audit Department's External Quality Assessment	<i>Aggie Alonso, CPA Director Internal Audit Department</i>
13. Receive Internal Audit Department's Fiscal Year 2022-23 Key Performance Indicators Report	<i>Aggie Alonso, CPA Director Internal Audit Department</i>
14. Receive Report on Internal Audit Department's Independence	<i>Aggie Alonso, CPA Director Internal Audit Department</i>

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# A G E N D A

Speaker

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**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 everyone may have to address the Committee.

*Mark Wille, CPA  
AOC Chair*

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**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.

*Mark Wille, CPA  
AOC Chair*

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**ADJOURNMENT:**

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**NEXT MEETING:**

Special Meeting. Tuesday, August 29, 2023, 9:00 a.m.

Regular Meeting. Thursday, November 9, 2023, 10:00 a.m.

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# Memorandum

August 17, 2023

**AOC Agenda Item No. 2**

TO: Audit Oversight Committee Members

Recommended Action:

New AOC Member Welcome, Introductions, and Training August 29, 2023

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New AOC Member Welcome, Introductions, and Training August 29, 2023, as stated in recommended action.



# Memorandum

August 17, 2023

**AOC Agenda Item No. 3**

TO: Audit Oversight Committee Members

Recommended Action:

Approve Audit Oversight Committee Regular Meeting Minutes of February 16, 2023

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Approve Audit Oversight Committee Regular Meeting Minutes of February 16, 2023, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Audit Oversight Committee Regular Minutes for February 16, 2023



REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE  
ORANGE COUNTY, CA  
Thursday, February 16, 2023, 10:00 A.M.

County Administration South  
601 N. Ross St. County Conference Center 104/106  
Santa Ana, CA 92701

**MARK WILLE, CPA**  
AOC CHAIR  
Private Sector Member, Third District

**DREW ATWATER**  
AOC VICE CHAIR  
Private Sector Member, First District

**SUPERVISOR DONALD P. WAGNER**  
BOARD CHAIRMAN  
Third District  
Member

**SUPERVISOR ANDREW DO**  
BOARD VICE CHAIRMAN  
First District  
Member

**FRANK KIM**  
COUNTY EXECUTIVE OFFICER  
Member

**YVONNE ROWDEN**  
Private Sector Member, Second District

**STELLA ACOSTA**  
Private Sector Member, Fourth District

**ROBERT BROWN**  
Private Sector Member, Fifth District

**Non-Voting Members**

Auditor-Controller:  
Treasurer-Tax Collector:  
Internal Audit Director:

Andrew Hamilton, CPA  
Shari Freidenrich, CPA  
Aggie Alonso, CPA

**Staff**

Deputy County Counsel:  
AOC Clerk:

Ronnie Magsaysay  
Mari Elias

ATTENDANCE: Mark Wille, AOC Chairman, Private Sector Member  
Drew Atwater, AOC Vice Chairman, Private Sector Member  
Patricia Welch-Foster, Proxy for Supervisor Wagner  
Hung Le, Proxy for Supervisor Do  
Frank Kim, County Executive Officer/Michelle Aguirre, County Financial Officer  
Yvonne Rowden, Private Sector Member  
Stella Acosta, Private Sector Member  
Robert Brown, Private Sector Member

PRESENT: James Kim, Proxy for Shari Freidenrich, Treasurer-Tax Collector  
Andrew Hamilton, Auditor-Controller  
Aggie Alonso, Internal Audit Director  
Ronnie Magsaysay, Deputy County Counsel  
Mari Elias, AOC Clerk

**1. Roll call**

Mr. Mark Wille, Audit Oversight Committee (AOC) Chair, called the meeting to order at 10:00 A.M. Attendance of AOC Members noted above.

**2. Approve Audit Oversight Committee Regular Meeting Minutes of November 10, 2022**

Mr. Wille asked for a motion to approve the Audit Oversight Committee Regular Meeting Minutes of November 10, 2022.

**Motion to approve the Regular Meeting Minutes of November 10, 2022, by Mr. Robert Brown, seconded by Mr. Drew Atwater.**

**All in favor.**

**Approved as recommended.**

**3. Approve Audit Oversight Committee Regular Meeting Schedule for 2023**

Mr. Wille asked for a motion to approve the Audit Oversight Committee Regular Meeting Schedule for 2023.

**Motion to approve the Audit Oversight Committee Regular Meeting Schedule for 2023, by Mr. Robert Brown, seconded by Mr. Drew Atwater.**

**All in favor.**

**Approved as recommended.**

**4. Receive Report on Required Communication from External Auditors**

Mr. Roger Alfaro, Partner at Eide Bailly, discussed attachments reflecting Eide Bailly's status on audits in progress, as well as those recently completed.

**5. Approve Internal Audit Department's Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for the Quarter Ended December 31, 2022****13. Discuss Social Services Agency Second Follow-Up Report****14. Receive Update on Fiscal Year 2022-23 Annual Risk Assessment & Audit Plan**

Mr. Aggie Alonso, Internal Audit Director, presented the Quarterly Status Report and Executive Summary of Internal Audit Reports for the Quarter Ended December 31, 2022. For ease of discussion, items 5, 13, and 14 were combined.

Mr. An Tran, Social Services Agency Director, answered questions regarding the two outstanding recommendations after the second follow-up audit.

**Motion to approve Internal Audit Department's Quarterly Status Report and approve Executive Summary of Internal Audit Reports for the Quarter Ended December 31, 2022, by Mr. Drew Atwater, seconded by Ms. Stella Acosta.**

All in favor.

Approved as recommended.

**6. Approve External Audit Activity Status Report for the Quarter Ended December 31, 2022, and Receive Report on Status of External Audit Recommendations Implementation**

Mr. Michael Dean, Senior Audit Manager, presented the External Audit Activity Status Report for the Quarter Ended December 31, 2022. Mr. Dean stated there were no material findings during this reporting period.

**Motion to approve External Audit Activity Status Report for the Quarter Ended December 31, 2022, and Receive Report on Status of External Audit Recommendations Implementation, by Mr. Robert Brown, seconded by Ms. Yvonne Rowden.**

All in favor.

Approved as recommended.

**7. Receive Report on Status of Auditor-Controller Mandated Audits for the Quarter Ended December 31, 2022**

Mr. Michael Steinhaus, Auditor-Controller Internal Audit Unit Audit Manager, provided a status report of Mandated Audits for the quarter ended September 30, 2022.

At 10:41 AM., Mr. Frank Kim had to leave, with Ms. Michelle Aguirre stepping in as Proxy.

**8. Receive Report on Status of Performance Audits for the Quarter Ended December 31, 2022**

Ms. Lala Ragen, Director, Performance Management and Policy, provided an update of Performance Audits.

**9. Receive Update on Implementation for Governmental Accounting Standards Board (GASB) Standard 96**

Ms. Claudia Vincent, Auditor-Controller General Accounting Manager, presented on GASB 96, which pertains to subscription-based information technology.

**10. Receive and File Results of the RFP Panel Selection for the Independent Auditing and Related Services Covering Fiscal Years Ending June 30, 2023, 2024, and 2025, to Be Presented to the Board of Supervisors for Contract Approval.**

Ms. Maribel Garcia, Auditor-Controller Procurement Manager, presented the results of the Request for Proposals panel selection for the independent auditing and related services.

**11. Receive Report on eProcurement**

Mrs. Michelle Aguirre, Chief Financial Officer, provided a status update on eProcurement.

**12. Receive Update on County IT Projects Quarterly Progress Report**

Mr. KC Roestenberg, Chief Information Officer, provided an update on the IT projects quarterly progress. Mr. Roestenberg also introduced Mr. Ed Althof, Chief Technology Officer, to the AOC.

**15. Receive Update on Internal Control Training Program**

Mr. Alonso stated the second version of Internal Audit's Internal Control Training will be available countywide in March.

**16. Discuss Training of New Audit Oversight Committee Members**

Mr. Wille discussed training to be provided to newly appointed AOC Members. For now, several public sector members remain as holdovers, until a new person is appointed. Training will be held in accordance with the Brown Act, regardless of whether there is a quorum or not.

**PUBLIC COMMENTS:** None.

**AOC COMMENTS:** Mr. Alonso provided an update regarding the External Quality Assessment and indicated that several surveys were sent out and asked the AOC to please reply.

Mr. Andrew Hamilton, Auditor-Controller, stated he was looking forward to his time on the AOC and thanks the AOC for being so welcoming.

**ADJOURNMENT:** Meeting adjourned at 11:39 A.M.

**NEXT MEETING:**

Regular Meeting, May 17, 2023 at 10:00 A.M.



# Memorandum

August 17, 2023

**AOC Agenda Item No. 4**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Required Communication from External Auditors

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

ATTACHMENT(S):

Attachment A – External Audit Update

Attachment A-1 – Projects and Timelines

Attachment B – Governance Letter



# County of Orange

## Audit Oversight Committee

Date: May 11, 2023  
Re: External Audit update

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- 1) **Audit Plan – Refer to Attachment A:**
  - Outline of projects and timelines
  
- 2) **Audits Completed:**
  - Single Audit – June 30, 2022
    - Issued – report dated 3/30/23
    - 2 material weaknesses and material non-compliance reported for federal programs
    - 10 significant deficiencies, 5 of which are instances of non-compliance related to federal programs
  - Tobacco Settlement Funds Agreed Upon Procedures – Issued 3/20/23
  - TTC Agreed Upon Procedures over compliance – June 30, 2021 – Issued 3/20/23
  - TTC Agreed Upon Procedures over compliance – June 30, 2022 – Issued 3/27/23
  - TTC Report on the Schedule of Assets – June 30, 2022 – Issued 4/18/23
  
- 3) **Required Communications:**
  - Updated communication letter – for completion of single audit – Refer to Attachment B
  
- 4) **Partner Rotation**
  - Introductions of Kinnaly Soukhaseum and David Showalter

Department / Agency / Division	Audit/Project	Audit/Project Date	Audit Scope	Anticipated Dates			Status
				Planning	Fieldwork	Reporting	
All	Financial Statement Audit - Annual Comprehensive Financial Report	6/30/2022	Financial Statements of the County, including audit of investment trust funds, and pension/OPEB trust funds	May 2022	May 2022 through November 2022	December 2022	Report issued - dated 12/21/22
All	Agreed Upon Procedures (AUP) over GANN Limit calculations	6/30/2022	GANN Limit Calculation -for County and OC Flood Control District	May 2022	May 2022	December 2022	Report issued - dated 12/21/22
All	Single Audit	6/30/2022	Audit over compliance in accordance with Uniform Guidance of the County, including components of JWA, OCWR, OCDA	October 2022	January through February 2023	March 2023	Report issued - dated 3/30/23
<b>John Wayne Airport (JWA)</b>	Financial Statement Audit	6/30/2022	John Wayne Airport (JWA), including Passenger Facility Charge	May 2022	August 2022 through November 2022	December 2022	Report issued - dated 12/16/22
<b>Orange County Waste &amp; Recycling</b>	Financial Statement Audit	6/30/2022	Orange County Waste & Recycling	May 2022	August 2022 through November 2022	December 2022	Report issued - dated 12/16/22
<b>OC Community Resources / Redevelopment Successor Agency</b>	Financial Statement Audit	6/30/2022	Redevelopment Successor Agency	May 2022	August 2022 through November 2022	December 2022	Report issued - dated 12/20/22
<b>District Attorney</b>	Grant Audits	6/30/2022	District Attorney Grant Audits	August 2022	September 2022	October 2022	Report issued - dated 10/20/22
<b>CEO; HCA and Sheriff's Department</b>	Tobacco Settlement Funds Agreed Upon Procedures	6/30/2022	HCA and Sheriff Tobacco Settlement Funds disbursements	November 2022	December 2022 through February 2023	March 2023	Report issued - dated 3/20/23
TTC	Agreed Upon Procedures over compliance	6/30/2021 and 6/30/2022	Compliance with Government Code and Investment Policy	February 2023	February 2023 through March 2023	April 2023	2021 - report issued - dated 3/20/23 2022 - report issued - dated 3/27/23
TTC	Schedule of Assets	6/30/2022	Report on the Schedule of Assets	February 2023	February 2023 through March 2023	April 2023	2022 - report issued - dated 4/18/23



March 30, 2023

To the Audit Oversight Committee,  
Board of Supervisors, and  
Auditor-Controller  
County of Orange, California

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, California (County), and the financial statements of the County of Orange Redevelopment Successor Agency, OC Waste & Recycling and John Wayne Airport as of and for the year ended June 30, 2022, and have issued our reports thereon dated as indicated below:

<u>Report</u>	<u>Audit Report Date</u>
County of Orange	December 21, 2022
County of Orange Redevelopment Successor Agency	December 20, 2022
OC Waste & Recycling	December 16, 2022
John Wayne Airport	December 16, 2022

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

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

Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under the Uniform Guidance**

As communicated in our letter dated July 15, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the County complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the County solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of the County major federal program compliance, is to express an opinion on the compliance for each of the County major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the County's internal control over compliance.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 21, 2022. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated March 30, 2023.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the County is included in Note 1 to the financial statements. On July 1, 2021, the County adopted GASB Statement No. 87, *Leases*, and have restated opening balances as described in Note 2 of the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions

and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Landfill closure and postclosure care liabilities are based on management's analysis of landfill capacity used and total closure and postclosure costs, as well as the landfill maximum capacity;
- Pollution remediation obligations are based on management's analysis of remediation time periods, type of remediation needed and historical trend data;
- Net pension and net other postemployment benefits (OPEB) liabilities, disclosures, related deferred inflows/outflows of resources, and expenses are based on actuarial valuations which include assumptions adopted by the Orange County Employees Retirement System (OCERS) and the County; and
- Self-insurance claims liabilities are based on actuarial studies performed by the County's independent actuaries.

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

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the County's financial statements relate to:

- Pension and OPEB liabilities in Notes 18 and 19, respectively, are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate. As disclosed in Notes 18 and 19, a 1% increase or decrease in the discount rate has a material effect on the Pension and OPEB liabilities.
- Estimated liabilities for self-insurance claims in Note 16 are based on actuarial valuations.
- Landfill closure and postclosure, and pollution remediation in Notes 14 and 17, respectively, are based on management's analysis.

#### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

#### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the

effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. As described in Note 2 to the financial statements, due to the adoption of GASB Statement No 87, *Leases*, the County restated opening balances as of July 1, 2021. We have included an emphasis of matter in our report regarding this restatement.

Additionally, our report on Compliance for Each Major Federal Program contained qualified opinions for the COVID-19 – Coronavirus State and Local Fiscal Recovery Funds (Assistance listing no. 21.027) and Foster Care Title IV-E (93.658), as the programs did not comply with requirements regarding reporting and subrecipient monitoring, respectively, as described in findings 2022-001 and 2022-002, respectively.

### **Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated as follows:

County of Orange	December 21, 2022
County of Orange Redevelopment Successor Agency	December 20, 2022
OC Waste & Recycling	December 16, 2022
John Wayne Airport	December 16, 2022

Additionally, we have requested certain written representations from management on the audit of compliance under the Uniform Guidance which are included in the management representation letter dated March 30, 2023.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the County, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the County's auditors.

## Noncompliance with Laws and Regulations

We have identified the following matters involving noncompliance with laws and regulations that came to our attention during the course of the audit.

As described above, the COVID-19 – Coronavirus State and Local Fiscal Recovery Funds (Assistance listing no. 21.027) and Foster Care Title IV-E (93.658) programs did not comply with requirements regarding reporting and subrecipient monitoring, respectively, as described in findings 2022-001 and 2022-002, respectively.

## Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in County's annual reports does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the other information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

## Group Audits

The County's financial statements include the financial activity of the Orange County Flood Control District, a blended component unit, which was audited as a major fund. The County's financial statements include the activity of OCERS, a fiduciary component unit, and CalOptima, a discretely presented component unit, which was audited by others as described previously. The County's financial statements include the activity of CFCC, a discretely presented component unit, with separately issued reports as described previously. The County's financial statements also include the financial activity of the following blended component units:

- Orange County Housing Authority
- Orange County Public Financing Authority
- South Orange County Public Financing Authority
- Capital Facilities Development Corporation
- Orange County Public Facilities Corporation
- County Service Areas, Special Assessment Districts, and Community Facilities Districts
- In-Home Supportive Services (IHSS) Public Authority

For the purposes of our audit, we do not consider these blended or discretely presented component units to be significant components of the County's financial statements. However, we do consider the OCERS fiduciary component unit to be a significant component of the County's financial statements.

Our audit included obtaining an understanding of these component units and their environment, including internal control, sufficient to assess the risks of material misstatement of the financial activity of the component units and completion of further audit procedures.

This report is intended solely for the information and 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.

*Eide Bailly LLP*

Laguna Hills, California



# Memorandum

August 17, 2023

**AOC Agenda Item No. 4**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Required Communication from External Auditors

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

ATTACHMENT(S):

Attachment A – External Audit Update

Attachment A-1 – Projects and Timelines

Attachment A-2 – Projects and Timelines

Attachment B – Governance Letter



# County of Orange

## Audit Oversight Committee

Date: August 17, 2023  
Re: External Audit update

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- 1) **Audit Plan – Refer to Attachment A:**
  - Outline of projects and timelines
  
- 2) **Audits Completed:**
  - Single Audit – June 30, 2022
    - Issued – report dated 3/30/23
    - 2 material weaknesses and material non-compliance reported for federal programs
    - 10 significant deficiencies, 5 of which are instances of non-compliance related to federal programs
  - Tobacco Settlement Funds Agreed Upon Procedures – Issued 3/20/23
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  - TTC Report on the Schedule of Assets – June 30, 2022 – Issued 4/18/23
  
- 3) **Required Communications:**
  - Updated communication letter – for completion of single audit – Refer to Attachment B

Department / Agency / Division	Audit/Project	Audit/Project Date	Audit Scope	Anticipated Dates			Status
				Planning	Fieldwork	Reporting	
All	Financial Statement Audit - Annual Comprehensive Financial Report	6/30/2022	Financial Statements of the County, including audit of investment trust funds, and pension/OPEB trust funds	May 2022	May 2022 through November 2022	December 2022	Report issued - dated 12/21/22
All	Agreed Upon Procedures (AUP) over GANN Limit calculations	6/30/2022	GANN Limit Calculation -for County and OC Flood Control District	May 2022	May 2022	December 2022	Report issued - dated 12/21/22
All	Single Audit	6/30/2022	Audit over compliance in accordance with Uniform Guidance of the County, including components of JWA, OCWR, OCDA	October 2022	January through February 2023	March 2023	Report issued - dated 3/30/23
<b>John Wayne Airport (JWA)</b>	Financial Statement Audit	6/30/2022	John Wayne Airport (JWA), including Passenger Facility Charge	May 2022	August 2022 through November 2022	December 2022	Report issued - dated 12/16/22
<b>Orange County Waste &amp; Recycling</b>	Financial Statement Audit	6/30/2022	Orange County Waste & Recycling	May 2022	August 2022 through November 2022	December 2022	Report issued - dated 12/16/22
<b>OC Community Resources / Redevelopment Successor Agency</b>	Financial Statement Audit	6/30/2022	Redevelopment Successor Agency	May 2022	August 2022 through November 2022	December 2022	Report issued - dated 12/20/22
<b>District Attorney</b>	Grant Audits	6/30/2022	District Attorney Grant Audits	August 2022	September 2022	October 2022	Report issued - dated 10/20/22
<b>CEO; HCA and Sheriff's Department</b>	Tobacco Settlement Funds Agreed Upon Procedures	6/30/2022	HCA and Sheriff Tobacco Settlement Funds disbursements	November 2022	December 2022 through February 2023	March 2023	Report issued - dated 3/20/23
TTC	Agreed Upon Procedures over compliance	6/30/2021 and 6/30/2022	Compliance with Government Code and Investment Policy	February 2023	February 2023 through March 2023	April 2023	2021 - report issued - dated 3/20/23 2022 - report issued - dated 3/27/23
TTC	Schedule of Assets	6/30/2022	Report on the Schedule of Assets	February 2023	February 2023 through March 2023	April 2023	2022 - report issued - dated 4/18/23

Department / Agency / Division	Audit/Project	Audit/Project Date	Audit Scope	Anticipated Dates			Status
				Planning	Fieldwork	Reporting	
All	Financial Statement Audit - Annual Comprehensive Financial Report	6/30/2023	Financial Statements of the County, including audit of investment trust funds, and pension/OPEB trust funds	May 2023	May 2023 through November 2023	December 2023	Fieldwork in progress
All	Agreed Upon Procedures (AUP) over GANN Limit calculations	6/30/2023	GANN Limit Calculation -for County and OC Flood Control District	May 2023	May 2023	December 2023	Fieldwork in progress
All	Single Audit	6/30/2023	Audit over compliance in accordance with Uniform Guidance of the County, including components of JWA, OCWR, OCDA	October 2023	January 2024 through February 2024	March 2024	n/a
John Wayne Airport (JWA)	Financial Statement Audit	6/30/2023	John Wayne Airport (JWA), including Passenger Facility Charge	May 2023	August 2023 through November 2023	December 2023	Fieldwork in progress
Orange County Waste & Recycling	Financial Statement Audit	6/30/2023	Orange County Waste & Recycling	May 2023	July 2023 through November 2023	December 2023	Fieldwork in progress
OC Community Resources / Redevelopment Successor Agency	Financial Statement Audit	6/30/2023	Redevelopment Successor Agency	May 2023	September 2023 through November 2023	December 2023	Fieldwork in progress
District Attorney	Grant Audits	6/30/2023	District Attorney Grant Audits	August 2023	September 2023	October 2023	n/a
CEO; HCA and Sheriff's Department	Tobacco Settlement Funds Agreed Upon Procedures	6/30/2023	HCA and Sheriff Tobacco Settlement Funds disbursements	November 2023	December 2023 through January 2024	March 2024	n/a
Sheriff's Department	James Musick Expansion Phase II (AB 900) Agreed Upon Procedures	6/30/2023	Compliance with California Board of State and Community Corrections (BSCC) construction-financing program through Assembly Bill (AB) 900 and Senate Bill (SB) 1022.	August 2023	August 2023 through October 2023	October 2023	n/a
TTC	Agreed Upon Procedures over compliance	6/30/2023	Compliance with Government Code and Investment Policy	January 2024	February 2024 through March 2024	March 2024	n/a
TTC	Schedule of Assets	6/30/2023	Report on the Schedule of Assets	January 2024	February 2024 through March 2024	March 2024	n/a



March 30, 2023

To the Audit Oversight Committee,  
Board of Supervisors, and  
Auditor-Controller  
County of Orange, California

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, California (County), and the financial statements of the County of Orange Redevelopment Successor Agency, OC Waste & Recycling and John Wayne Airport as of and for the year ended June 30, 2022, and have issued our reports thereon dated as indicated below:

<u>Report</u>	<u>Audit Report Date</u>
County of Orange	December 21, 2022
County of Orange Redevelopment Successor Agency	December 20, 2022
OC Waste & Recycling	December 16, 2022
John Wayne Airport	December 16, 2022

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

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

Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under the Uniform Guidance**

As communicated in our letter dated July 15, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the County complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the County solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of the County major federal program compliance, is to express an opinion on the compliance for each of the County major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the County's internal control over compliance.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 21, 2022. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated March 30, 2023.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the County is included in Note 1 to the financial statements. On July 1, 2021, the County adopted GASB Statement No. 87, *Leases*, and have restated opening balances as described in Note 2 of the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions

and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Landfill closure and postclosure care liabilities are based on management's analysis of landfill capacity used and total closure and postclosure costs, as well as the landfill maximum capacity;
- Pollution remediation obligations are based on management's analysis of remediation time periods, type of remediation needed and historical trend data;
- Net pension and net other postemployment benefits (OPEB) liabilities, disclosures, related deferred inflows/outflows of resources, and expenses are based on actuarial valuations which include assumptions adopted by the Orange County Employees Retirement System (OCERS) and the County; and
- Self-insurance claims liabilities are based on actuarial studies performed by the County's independent actuaries.

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

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the County's financial statements relate to:

- Pension and OPEB liabilities in Notes 18 and 19, respectively, are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate. As disclosed in Notes 18 and 19, a 1% increase or decrease in the discount rate has a material effect on the Pension and OPEB liabilities.
- Estimated liabilities for self-insurance claims in Note 16 are based on actuarial valuations.
- Landfill closure and postclosure, and pollution remediation in Notes 14 and 17, respectively, are based on management's analysis.

#### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

#### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the

effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. As described in Note 2 to the financial statements, due to the adoption of GASB Statement No 87, *Leases*, the County restated opening balances as of July 1, 2021. We have included an emphasis of matter in our report regarding this restatement.

Additionally, our report on Compliance for Each Major Federal Program contained qualified opinions for the COVID-19 – Coronavirus State and Local Fiscal Recovery Funds (Assistance listing no. 21.027) and Foster Care Title IV-E (93.658), as the programs did not comply with requirements regarding reporting and subrecipient monitoring, respectively, as described in findings 2022-001 and 2022-002, respectively.

### **Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated as follows:

County of Orange	December 21, 2022
County of Orange Redevelopment Successor Agency	December 20, 2022
OC Waste & Recycling	December 16, 2022
John Wayne Airport	December 16, 2022

Additionally, we have requested certain written representations from management on the audit of compliance under the Uniform Guidance which are included in the management representation letter dated March 30, 2023.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the County, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the County's auditors.

## Noncompliance with Laws and Regulations

We have identified the following matters involving noncompliance with laws and regulations that came to our attention during the course of the audit.

As described above, the COVID-19 – Coronavirus State and Local Fiscal Recovery Funds (Assistance listing no. 21.027) and Foster Care Title IV-E (93.658) programs did not comply with requirements regarding reporting and subrecipient monitoring, respectively, as described in findings 2022-001 and 2022-002, respectively.

## Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in County's annual reports does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the other information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

## Group Audits

The County's financial statements include the financial activity of the Orange County Flood Control District, a blended component unit, which was audited as a major fund. The County's financial statements include the activity of OCERS, a fiduciary component unit, and CalOptima, a discretely presented component unit, which was audited by others as described previously. The County's financial statements include the activity of CFCC, a discretely presented component unit, with separately issued reports as described previously. The County's financial statements also include the financial activity of the following blended component units:

- Orange County Housing Authority
- Orange County Public Financing Authority
- South Orange County Public Financing Authority
- Capital Facilities Development Corporation
- Orange County Public Facilities Corporation
- County Service Areas, Special Assessment Districts, and Community Facilities Districts
- In-Home Supportive Services (IHSS) Public Authority

For the purposes of our audit, we do not consider these blended or discretely presented component units to be significant components of the County's financial statements. However, we do consider the OCERS fiduciary component unit to be a significant component of the County's financial statements.

Our audit included obtaining an understanding of these component units and their environment, including internal control, sufficient to assess the risks of material misstatement of the financial activity of the component units and completion of further audit procedures.

This report is intended solely for the information and 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.

*Eide Bailly LLP*

Laguna Hills, California



# Memorandum

August 17, 2023

**AOC Agenda Item No. 5**

TO: Audit Oversight Committee Members

Recommended Action:

Approve Internal Audit Department's Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for Quarter Ended March 31, 2023

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Approve Internal Audit Department's Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for Quarter Ended March 31, 2023, as stated in 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

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April 26, 2023

To: Audit Oversight Committee Members

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

 Digitally signed by Agripino Alonso  
Date: 2023.04.26 16:09:16 -0700

Subject: Fiscal Year 2022-23 Internal Audit Department Status Report for the Quarter Ended March 31, 2023

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Attached for your review and approval is Internal Audit Department's status report on audit activity for the quarter ended March 31, 2023. 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 with a breakdown of the finding category (i.e., critical, significant, control). Attachment C is our "Quarterly Status Report," which is a listing of all audits scheduled for the year, along with budgeted hours, actual hours, variance between budget and actual, and milestone comments for each audit.

For the quarter ended March 31, 2023, Internal Audit issued nine final reports (three original reports and six follow-up reports) and four pre-draft reports. The three original audits included one (1) Critical Control Weakness, five (5) Significant Control Weaknesses, and three (3) Control Findings.

If you have any questions, please contact me at 714-834-5442 or Senior Audit Manager Michael Dean at 714-834-4101.

INTERNAL AUDIT DEPARTMENT  
EXECUTIVE SUMMARY - FINDING TYPE CLASSIFICATION  
FOR THE QUARTER ENDED MARCH 31, 2023

CATEGORY	ISSUED THIS PERIOD	ISSUED FOR FY 2023
<p><b>Critical Control Weaknesses</b> 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.</p>	<b>1</b>	<b>2</b>
<p><b>Significant Control Weaknesses</b> 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.</p>	<b>5</b>	<b>9</b>
<p><b>Control Findings</b> 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.</p>	<b>3</b>	<b>10</b>
<b>TOTAL</b>	<b>9</b>	<b>21</b>



EXECUTIVE SUMMARY  
INTERNAL AUDIT REPORTS  
FOR THE QUARTER ENDED MARCH 31, 2023

**COUNTY EXECUTIVE OFFICE**

**1. Internal Control Audit: County Executive Office Cash Disbursements & Payables**

Audit No. 2012 dated February 14, 2023 for the period of September 1, 2019 through May 31, 2022

OBJECTIVES	RESULTS	CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS	CONTROL FINDINGS
1. Evaluate the effectiveness of the internal control over the cash disbursements and payables process to ensure transactions are accurate, adequately supported, processed timely, properly recorded, and authorized in compliance with County and departmental policy.	CEO's internal control over the cash disbursements and payables process was generally effective to ensure transactions are accurate, adequately supported, processed timely, properly recorded, and authorized in compliance with County and department policy.	0	3
2. Review the cash disbursements and payables process for efficiency.	CEO's disbursements and payables process is generally efficient.		

**JOHN WAYNE AIRPORT**

**2. Internal Control Audit: John Wayne Airport Purchasing & Contracts**

Audit No. 2115 dated March 30, 2023 for the period of October 1, 2020 through September 30, 2021

OBJECTIVES	RESULTS	CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS	CONTROL FINDINGS
1. Evaluate the effectiveness of the internal control over the purchasing and contracts process to ensure requisitions and purchase of goods and services are executed in accordance with management's directives; adequately support and properly authorized; and properly recorded.	We concluded that JWA's internal control over the purchasing and contracts process is generally effective to ensure requisitions and purchase of goods and services are executed in accordance with management's directives; adequately supported; and properly authorized and recorded.	0	0
2. Review the purchasing process for efficiency.	We concluded that JWA's purchasing and contracts process is generally efficient.		



## PROBATION

## 3. Information Technology Audit: Probation Selected Cybersecurity Controls

Audit No. 2043 dated March 3, 2023 for the period October 1, 2021 to July 31, 2022

OBJECTIVES	RESULTS	CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS	CONTROL FINDINGS
<p>Our audit objectives were to evaluate Probation's design, implementation, and operating effectiveness of internal control to determine if IT control activities for:</p> <ol style="list-style-type: none"> <li>1. Continuous vulnerability management (including patch management) provide reasonable assurance the opportunity for attach is reduced.</li> <li>2. Account management and access control management provide reasonable assurance of proper user and privileged account administration.</li> <li>3. Change Management controls provide reasonable assurance of secured and authorized changes.</li> </ol>	<p>Content has been removed from this report due to the sensitive nature of the specific findings.</p>	<p><b>One (1) Critical Control Weakness</b> Due to the sensitive nature of the findings, details have been redacted from this report.</p> <p><b>Five (5) Significant Control Weaknesses</b> Due to the sensitive nature of the findings, details have been redacted from this report.</p>	<p>0</p>



EXECUTIVE SUMMARY  
INTERNAL AUDIT FOLLOW-UP REPORTS  
FOR THE QUARTER ENDED MARCH 31, 2023

**COUNTY COUNSEL****4. First & Final Close-Out Follow-Up Information Technology Audit: County Counsel Selected Application Cybersecurity Controls**

Audit No. 2259-D (Reference 2044-F1) dated March 3, 2023 for the period ended July 31, 2022; original audit dated December 7, 2021

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	
3	2	5	0	NA
<p><b>Three (3) Significant Control Weaknesses</b> Due to the sensitive nature of the findings, details have been redacted from this report.</p>				

**DISTRICT ATTORNEY-PUBLIC ADMINISTRATOR****5. First Follow-Up Information Technology Audit: District Attorney-Public Administrator Selected Cybersecurity Controls**

Audit No. 2159-B (Reference 2041-F1) dated February 23, 2023 as of September 30, 2022; original audit dated September 24, 2021

ORIGINAL AUDIT – 11 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
8	3	5	6	<p><b>Recommendation Nos. 1-3 (Critical Control Weaknesses)</b> Due to the sensitive nature of the finding, details have been redacted from this report.</p> <p><b>Recommendation Nos. 4-8 (Significant Control Weakness)</b> Due to the sensitive nature of the finding, details have been redacted from this report.</p>
<p><b>Three (3) Critical Control Weaknesses</b> Due to the sensitive nature of the finding, details have been redacted from this report.</p> <p><b>Five (5) Significant Control Weaknesses</b> Due to the sensitive nature of the findings, details have been redacted from this report.</p>				



## OC COMMUNITY RESOURCES

### 6. First & Final Close-Out Follow-Up Internal Control Audit: OC Community Resources Fee-Generated Revenue

Audit No. 2112-F1 (Reference 2239-E) dated March 15, 2023 as of January 31, 2023; original audit dated September 15, 2022

ORIGINAL AUDIT – 2 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
0	2	2	0	NA

### 7. Second Follow-Up Internal Control Audit: OC Community Resources Cash Disbursement & Payables

Audit No. 2239-L (Reference 2014-F2) dated March 22, 2023 as of January 31, 2023; original audit dated June 30, 2021

ORIGINAL AUDIT – 3 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
1  <b>One (1) Significant Control Weaknesses</b> OCCR redact PII from disbursement supporting documentation.	2	2	1	<b>Recommendation No. 3 (Control Finding)</b> OCCR is currently working with a third-party vendor and OC Public Libraries to implement an electronic invoicing process that is anticipated for completion in Fiscal Year 2023-24. OCCR indicated it will be able to process most invoices within 30 days once the project is completed, and the Accounts Payable unit is fully staffed.



**OC PUBLIC WORKS****8. Second & Final Close-Out Follow-Up Internal Control Audit: OC Public Works/OC Road Special Revenue Funds**

Audit No. 2239-O (Reference 2019-F2) dated March 7, 2023 as of December 31, 2022; original audit dated August 9, 2021

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

**SOCIAL SERVICES AGENCY****9. Second & Final Close-Out Follow-Up Internal Control Audit: Social Services Agency Purchasing & Contracts**

Audit No. 2239-M (Reference 2016-F2) dated March 27, 2023 as of January 30, 2023; original audit dated September 23, 2021

ORIGINAL AUDIT – 3 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
0	3	3	0	NA



EXECUTIVE SUMMARY  
APPENDIX A: DRAFT REPORTS  
FOR THE QUARTER ENDED MARCH 31, 2023

The following pre-draft/draft reports were issued during the reporting period:

1. **Internal Control Audit: John Wayne Airport Cash Disbursements & Payables**, Audit No. 2013
2. **Internal Control Audit: John Wayne Airport Cash Receipts**, Audit No. 2116
3. **First Follow-Up Internal Control Audit: Sheriff-Coroner Fee-Generated Revenue**, Audit No. 2239-I (Reference 2121-F1)
4. **Second Follow-Up Internal Control Audit: Social Security Agency Fiduciary & Special Revenue Funds**, Audit No. 2239-J (Reference 1823-F2)





Internal Audit Department  
3rd Quarter Status Report for the Audit Oversight Committee  
For the Quarter Ended 03/31/2023  
AOC Meeting Date: May 11, 2023

Audit Category and Name <sup>1,2,3</sup>	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan										FU Due	FU Number	Status <sup>4</sup>
				Total Budget	Actuals To Date	Budget	Changes	Revised Budget	#1	Actuals to Date Per Quarter				Est Remain	Budget Variance			
										#2	#3	#4	Total					
<b>Internal Control Audits (ICA)</b>																		
A-C Claims	2211	NA	NA			480	(480)	0	0	0	0	0	0	0	0		Deferred to FY 23-24	
A-C Fiduciary & Special Revenue Funds	2212	NA	NA			480	(480)	0	0	0	0	0	0	0	0		Canceled	
OCCA Purchasing & Contracts	2213	8/22/22				480	200	680	427	28	140		595	85	0		In process	
HCA/PG Cash Receipts	2214	2/08/23				440	0	440	32	4	345		381	59	0		In process	
HCA/PG Purchasing & Contracts	2215	2/08/23				480	0	480	39	20	254		313	167	0		In process	
OCCR Fiduciary & Special Revenue	2216	4/05/23				480	0	480	0	0	185		185	295	0		In process	
CSS (department request)	2217	NA	NA			400	(400)	0	0	0	0		0	0	0		Deferred to FY 23-24	
OCWR Credit Card Processing (department request)	2218	NA	NA			400	(400)	0	0	0	0		0	0	0		Deferred to FY 23-24	
OCPW Payroll (department request)	2219	NA	NA			0	0	0	0	0	0		0	0	0		Canceled	
OCIT Data Governance	2220	NA	NA			0	0	0	0	0	0		0	0	0		Deferred to FY 23-24	
<b>FY 21-22 Carryovers</b>																		
T-TC Accounts Receivable Controls	2011	9/24/20	NA	1,040	914	0	200	200	41	6	46		93	0	(107)		Cancelled, new T-TC Cash Receipts in FY 23-24 Audit Plan	
CEO Cash Disbursements & Payables	2012	9/03/20	2/14/23	800	759	0	200	200	173	4	7		184	0	(16)		Completed. Final report issued 2/14/23	
JWA Cash Disbursements & Payables	2013	3/03/22		680	681	0	400	400	213	92	114		419	11	30		Pre-draft report issued 3/22/23	
OCCR/Dana Point Harbor P3	2015	NA	NA	131	130	480	(480)	0	0	0	0		0	0	0		Deferred to FY 23-24	
CEO Fiduciary & Special Revenue Funds	2018	10/19/21		727	422	480	0	480	17	0	162		179	301	0		In process	
OCCR Fee-Generated Revenue	2112	10/22/21	9/15/22	520	536	0	0	0	15	0	0		15	0	15	3/31/23	2239-E	Completed. Final report issued 9/15/22
CEO Payroll	2113	10/19/21		480	423	0	160	160	73	1	32		106	54	0		In process	
JWA Purchasing & Contracts	2115	10/19/21	3/30/23	680	700	0	200	200	112	25	91		228	0	28		Completed. Final report issued 3/30/23	
JWA Cash Receipts & Accounts Receivable	2116	3/03/22		640	660	0	360	360	160	118	113		391	9	40		Pre-draft report issued 3/29/23	
JWA Payroll (department request)	2119	NA	NA	0	3	0	0	0	0	0	0		0	0	0		Deferred to FY 23-24	
OCCR Purchasing & Contracts	2120	NA	NA	0	0	0	0	0	0	0	0		0	0	0		Deferred to FY 23-24	
OCSD Fee-Generated Revenue	2121	10/25/21	9/15/22	520	531	0	0	0	19	0	0		19	0	19	3/31/23	2239-I	Completed. Final report issued 9/15/22
<b>First Follow-Up Audits</b>																		
CEO Cash Disbursements & Payables (2012)	2239-B																	Not started
JWA Cash Disbursements & Payables (2013)	2239-C																	Not started
CEO Fiduciary & Special Revenue Funds (2018)	2239-D																	Not started
OCCR Fee-Generated Revenue (2112)	2239-E	2/14/23	3/15/23															Completed. Final report issued 3/15/23
CEO Payroll (2113)	2239-F																	Not started
JWA Purchasing & Contracts (2115)	2239-G																	Not started
JWA Cash Receipts & Accounts Receivable (2116)	2239-H																	Not started
OCSD FGR (2121)	2239-I	3/27/23																In process
<b>Second Follow-Up Audits</b>																		
SSA Fiduciary (1823/2139-A)	2239-J	2/09/23																Draft report issued 3/27/23
HCA Department Request (1914/2139-C)	2239-K	NA	NA													NA	NA	Canceled; 2139-C final close-out
OCCR Cash Disbursements & Payables (2014/2139-H)	2239-L	1/20/23	3/22/23															Completed. Final report issued 3/22/23
SSA Purchasing & Contracts (2016/2139-J)	2239-M	2/14/23	3/27/23															Completed. Final report issued 3/27/23
PD Revolving Funds (2017/2139-K)	2239-N	NA	NA													NA	NA	Canceled; 2139-K final close-out
OCPW Fiduciary & Special Revenue Funds (2019/2139-M)	2239-O	1/17/23	3/07/23															Completed. Final report issued 3/7/23
Summary Close-Out						0	0	0	2	0	0		2	0	2	NA	NA	Close-out audits issued last FY
<b>Total Internal Control Audits</b>						<b>5,240</b>	<b>(950)</b>	<b>4,290</b>	<b>1,323</b>	<b>306</b>	<b>1,609</b>	<b>0</b>	<b>3,238</b>	<b>1,063</b>	<b>11</b>			
<b>Contract Compliance Audits (CCA)</b>																		
C-R Contract Review (department request)	2271	NA	NA			400	(400)	0	0	0	0		0	0	0			Canceled.
<b>FY 21-22 Carryover</b>																		
OCWR Waste Management	2172	11/19/21	12/28/22	120	140	0	0	0	0	1	0		1	0	1	NA	NA	Completed. Final memo issued 12/28/22
<b>First Follow-Up Audits</b>																		
Ocean Institute (2171)	2289-A	1/31/23				0	90	90	0	0	43		43	90	43			In process
Summary Close-Out						0	0	0	12	0	3		15	0	15	NA	NA	Close-out audits issued last FY
<b>Total Contract Compliance Audits</b>						<b>400</b>	<b>(310)</b>	<b>90</b>	<b>12</b>	<b>1</b>	<b>46</b>	<b>0</b>	<b>59</b>	<b>90</b>	<b>59</b>			
<b>Information Technology Audits (ITA)</b>																		
T-TC Cybersecurity	2241	NA	NA			480	(480)	0	0	0	0		0	0	0	NA	NA	Deferred to FY 23-24
OCIT Enterprise IT Governance	2242					360	0	360	0	0	18		18	342	0			Not started
OCIT Internet of Things Device Security	2243	NA	NA			0	0	0	0	0	0		0	0	0			Deferred to FY 23-24
HCA Cybersecurity	2244	NA	NA			0	0	0	0	0	0		0	0	0			Deferred to FY 23-24
OCIT Cybersecurity Joint Taskforce Advisory	2245	7/01/22				80	0	80	28	19	19		66	14	0	NA	NA	In process



Internal Audit Department  
 3rd Quarter Status Report for the Audit Oversight Committee  
 For the Quarter Ended 03/31/2023  
 AOC Meeting Date: May 11, 2023

Audit Category and Name <sup>1,2,3</sup>	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan										FU Due	FU Number	Status <sup>4</sup>
				Total Budget	Actuals To Date	Budget	Changes	Revised Budget	Actuals to Date Per Quarter				Est Remain	Budget Variance				
									#1	#2	#3	#4	Total					
<b>Information Technology Audits (ITA)(CON'T)</b>																		
A-C Claims System Implementation Advisory (Department Request)	2246	8/18/22				0	40	40	0	25	48		73	7	40	NA	NA	In process
FY 21-22 Carryovers																		
T-TC SunGard/Quantum Upgrade Advisory (Department Request)	1647	6/12/17		NA	464	0	0	0	6	1	1		8	2	10	NA	NA	Draft memo issued 9/23/22
Property Tax System Implementation Advisory (Department Request)	1754	7/01/18		NA	98	40	0	40	7	3	0		10	5	(25)	NA	NA	In process
ROV Cybersecurity	2042	12/10/21	9/12/22	720	752	0	0	0	12	0	9		21	0	21	3/31/23	2259-B	Completed. Final report issued 9/12/22
Probation Cybersecurity	2043	5/04/22	3/3/23	840	872	0	600	600	435	138	44		617	0	17	9/3/2023	NA	Completed. Final report issued 3/3/23
HRS Data Portal Access	2045	NA	NA	NA	NA	360	(320)	40	0	63	5		68	0	28	NA	NA	Canceled
(A-C) CAPS+ Application Security	2046			NA	NA	360	0	360	0	0	11		11	349	0			Not started
A-C Workforce/VTI Replacement	2048	6/12/20		NA	72	40	0	40	0	20	0		20	20	0			In process
C-R Cybersecurity	2151	3/07/23				480	0	480	0	0	77		77	403	0			In process
OCIT Remote Access Security	2152	NA	NA			360	(360)	0	0	0	0		0	0	0			Deferred to FY 23-24
OCIT Third-Party IT Security	2153	NA	NA			480	(480)	0	0	0	0		0	0	0			Deferred to FY 23-24
FY 21-22 Follow-Up Carryovers																		
OCSD ITGC (1845/1949-D)	2059-H	8/31/21	9/19/22						208	57	9		274	10	24	3/20/2023	2259-H	Completed. Final report issued 9/19/22; one rec in process
OCDA Cybersecurity (2041)	2159-B	5/17/22	2/23/23													8/23/2023		Completed. Final report issued 2/23/23; six recs in process
SSA ITGC (1846/1949-E)	2159-H	5/10/22	12/27/22													TBA	TBA	Completed. Final report issued 12/27/22; two recs in process
OCIT (1644/1748-A/1949-F)	2159-L	6/15/21	8/9/22													NA	NA	Completed. Final close-out report issued 8/9/22
First Follow-Up Audits																		
HCA Cybersecurity (1943)	2259-A	1/20/23				560	0	560	190	77	233		500	31	(29)			Draft issued 3/24/23
ROV Cybersecurity (2042)	2259-B																	Not started
Probation Cybersecurity (2043)	2259-C																	Not started
County Counsel Cybersecurity (2044)	2259-D	8/02/22	3/3/23													NA	NA	Completed. Final close-out report issued 3/3/23
Second & Third Follow-Up Audits																		
JWA ITGC (1941/2059-A)	2259-E	3/29/23																In process
PD Cybersecurity (1942/2059-B)	2259-F	8/02/22	12/21/22													NA	NA	Completed. Final close-out report issued 12/21/22
Assessor ITGC (1844/2059-E)	2259-G	8/03/22	9/26/22													NA	NA	Completed. Final close-out report issued 9/26/22
OCSD ITGC (1845/1949-D/2059-H)	2259-H																	Not started (new)
Summary Close-Out						0	0	0	9	7	0		16	0	16	NA	NA	Close-out audits issued last FY
<b>Total Information Technology Audits</b>						<b>3,660</b>	<b>(800)</b>	<b>2,860</b>	<b>895</b>	<b>410</b>	<b>474</b>	<b>0</b>	<b>1,779</b>	<b>1,183</b>	<b>102</b>			
<b>Total Audits Before Other Activities &amp; Administration</b>						<b>9,300</b>	<b>(2,060)</b>	<b>7,240</b>	<b>2,230</b>	<b>717</b>	<b>2,129</b>	<b>0</b>	<b>5,076</b>	<b>2,336</b>	<b>172</b>			
<b>Other Activities &amp; Administration</b>																		
Annual Risk Assessment & Audit Plan	2201					360	200	560	0	0	521		521	39	0			Not started
Cash Losses	2202					80	0	80	18	0	0		18	12	(50)			1 completed; 1 pending
TeamMate+ Administration	2203					80	0	80	20	2	11		33	47	0			In process
External Audit Reporting	2204					200	0	200	58	30	32		120	80	0			In process
On-Demand Department Advisory Services	2205					80	400	480	274	159	0		433	47	0			1 draft report issued
Quality Assessment	2206					200	0	200	9	0	6		15	185	0			In process
Board & AOC Services	2207					160	0	160	69	35	69		173	27	40			In process
Special Projects	2208					400	2,420	2,820	207	2,307	31		2,545	116	(159)			1 Board directed project report issued
CWCAP	2209					80	0	80	77	0	0		77	0	(3)			Completed. Submitted to A-C
<b>Total Other Activities &amp; Administration</b>						<b>1,640</b>	<b>3,020</b>	<b>4,660</b>	<b>732</b>	<b>2,533</b>	<b>670</b>	<b>0</b>	<b>3,935</b>	<b>553</b>	<b>(172)</b>			
Reserve for Board Directives/Contingency						1,660	(1,660)	0						0	0			
<b>Total Budget</b>						<b>12,600</b>	<b>(700)</b>	<b>11,900</b>	<b>2,962</b>	<b>3,250</b>	<b>2,799</b>	<b>0</b>	<b>9,011</b>	<b>2,889</b>	<b>0</b>			

Footnote 5



Internal Audit Department  
 3rd Quarter Status Report for the Audit Oversight Committee  
 For the Quarter Ended 03/31/2023  
 AOC Meeting Date: May 11, 2023

Audit Category and Name <sup>1,2,3</sup>	Audit Number	Start Date	End Date	Multi-Yr Projects		Current Audit Plan										Status <sup>4</sup>
				Total Budget	Actuals To Date	Budget	Changes	Revised Budget	#1	Actuals to Date Per Quarter				Est Remain	Budget Variance	

**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 other County audit functions. 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 of operations and the achievement of business and program goals and objectives.

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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.

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3. The annual Audit Plan is subject to change for such events where the director of Internal Audit or Board majority assesses 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 Status column 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 advisory services 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.

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4. For purposes regarding fiscal year-end reporting, we consider assignments completed (**Completed**) as of the official release of an audit report to the department head, and are shown as such in our Status column of this Quarterly Status Report.

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5. The initial FY 2022-23 Annual Audit Plan of 12,600 hours is based on 9,300 direct hours to be provided by seven senior auditors/audit manager Is, one audit manager II, and one senior audit manager plus 1,640 hours for other activities and administration/special projects and 1,660 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 engagement.



# Memorandum

August 17, 2023

**AOC Agenda Item No. 5**

TO: Audit Oversight Committee Members

Recommended Action:

Approve Internal Audit Department's Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for Quarter Ended June 30, 2023

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Approve Internal Audit Department's Quarterly Status Report and Approve Executive Summary of Internal Audit Reports for Quarter Ended June 30, 2023, as stated in 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

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July 13, 2023

To: Audit Oversight Committee Members

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

 Digitally signed by Agripino Alonso  
Date: 2023.07.13 12:11:34 -0700

Subject: Fiscal Year 2022-23 Internal Audit Department Status Report for the Quarter Ended June 30, 2023

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Attached for your review and approval is Internal Audit Department's status report on audit activity for the quarter ended June 30, 2023. 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 with a breakdown of the finding category (i.e., critical, significant, control). Attachment C is our "Quarterly Status Report," which is a listing of all audits scheduled for the year, along with budgeted hours, actual hours, variance between budget and actual, and milestone comments for each audit.

For the quarter ended June 30, 2023, Internal Audit issued six final reports (two original reports and four follow-up reports) and four draft reports. The two original audits included five (5) Control Findings.

If you have any questions, please contact me at (714) 834-5442 or Senior IT Audit Manager Michael Dean at (714) 834-4101.

INTERNAL AUDIT DEPARTMENT  
EXECUTIVE SUMMARY - FINDING TYPE CLASSIFICATION  
FOR THE QUARTER ENDED JUNE 30, 2023

CATEGORY	ISSUED THIS PERIOD	ISSUED FOR FY 2023
<p><b>Critical Control Weaknesses</b></p> <p>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.</p>	0	2
<p><b>Significant Control Weaknesses</b></p> <p>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.</p>	0	9
<p><b>Control Findings</b></p> <p>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.</p>	5	15
<b>TOTAL</b>	<b>5</b>	<b>26</b>

EXECUTIVE SUMMARY  
INTERNAL AUDIT REPORTS  
FOR THE QUARTER ENDED JUNE 30, 2023

**JOHN WAYNE AIRPORT****1. Internal Control Audit: John Wayne Airport Cash Disbursements & Payables**

Audit No. 2013 dated June 19, 2023 for the year ended December 31, 2021

OBJECTIVES	RESULTS	CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS	CONTROL FINDING
1. Evaluate the effectiveness of internal control over cash disbursements and payables to ensure transactions are accurate, adequately supported, processed timely, and properly recorded, and authorized in compliance with County departmental policy.	JWA's internal control over the cash disbursements and payables process was generally effective to ensure transactions are accurate, adequately supported, processed timely, properly recorded, and authorized in compliance with County and departmental policy.	0	1
2. Review the cash disbursements and payables process for efficiency.	JWA's disbursements and payables process is generally efficient.		

**JOHN WAYNE AIRPORT****2. Internal Control Audit: John Wayne Airport Cash Receipts**

Audit No. 2116 dated June 19, 2023 for the year ended December 31, 2021

OBJECTIVES	RESULTS	CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS	CONTROL FINDINGS
1. Evaluate the effectiveness of internal controls over the cash receipts process to ensure cash receipts are properly collected, recorded, deposited, and safeguarded.	We concluded that JWA's internal control over the cash receipts process is generally effective to ensure cash receipts are properly collected, recorded, deposited, and safeguarded.	0	4
2. Review the cash receipts processes for efficiency.	We concluded that JWA's cash receipts process is generally efficient.		

EXECUTIVE SUMMARY  
INTERNAL AUDIT FOLLOW-UP REPORTS  
FOR THE QUARTER ENDED JUNE 30, 2023

**HEALTH CARE AGENCY****3. First & Final Close-Out Follow-Up Information Technology Audit: Health Care Agency Selected Cybersecurity Controls**

Audit No. 2259-A (Reference 1943-F1) dated April 4, 2023 as of February 28, 2023; original audit dated June 30, 2022

ORIGINAL AUDIT – 8 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
5	3	8	0	NA
<p><b>Five (5) Significant Control Weaknesses</b> Due to the sensitive nature of the findings, details have been redacted from this report.</p>				

**JOHN WAYNE AIRPORT****4. Second & Final Close-Out Follow-Up Information Technology Audit: John Wayne Airport Selected IT General Controls**

Audit No. 2259-E (Reference 1941-F2) dated June 29, 2023 as of March 31, 2023; original audit dated December 17, 2020

ORIGINAL AUDIT – 9 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
3	6	5	0	NA
<p><b>One (1) Critical Control Weakness</b> Due to the sensitive nature of the findings, details have been redacted from this report.</p> <p><b>Two (2) Significant Control Weaknesses</b> Due to the sensitive nature of the findings, details have been redacted from this report.</p>				

**SHERIFF-CORONER****5. First & Final Close-Out Follow-Up Internal Control Audit: Sheriff-Coroner Fee-Generated Revenue**

Audit No. 2239-I (Reference 2121-F1) dated May 11, 2023 as of March 22, 2023; original audit dated September 15, 2022

ORIGINAL AUDIT – 1 FINDING		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDING	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
0	1	1	0	

**SOCIAL SERVICES AGENCY****6. Second & Final Close-Out Follow-Up Internal Control Audit: Social Services Agency Fiduciary & Special Revenue Funds**

Audit No. 2239-J (Reference 1823-F2) dated April 19, 2023 as of March 2, 2023; original audit dated August 9, 2021

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	
1	3	1	0	
<p><b>One (1) Significant Control Weakness</b>            Inadequate security over PII could result in identity theft. If this PII was accessed via unauthorized means, the impact to the County could include loss of the public's trust, legal liability, and remediation costs.</p>				

EXECUTIVE SUMMARY  
APPENDIX A: DRAFT REPORTS  
FOR THE QUARTER ENDED JUNE 30, 2023

The following pre-draft/draft reports were issued during the reporting period:

1. **Internal Control Audit: County Executive Office Special Revenue Fund 13Y**, Audit No. 2018
2. **Information Technology Audit: Clerk-Recorder Selected Cybersecurity Controls**, Audit No. 2151
3. **Internal Control Audit: OC Community Resources/OC Public Libraries Special Revenue Fund 120**, Audit No. 2216
4. **First Follow-Up Contract Compliance Audit: OC Community Resources/OC Parks – Ocean Institute**, Audit No. 2289-A



Internal Audit Department  
4th Quarter Status Report for the Audit Oversight Committee  
For the Quarter Ended 06/30/2023

Audit Category and Name <sup>1,2,3</sup>	Audit Number	Start Date	End Date	Multi-Yr Projects		Budget	Changes	Revised Budget	Current Audit Plan					Est Remain	Budget Variance	FU Due	FU Number	Status <sup>4</sup>
				Total Budget	Actuals To Date				Actuals to Date Per Quarter									
									#1	#2	#3	#4	Total					
<b>Internal Control Audits (ICA)</b>																		
A-C Claims	2211	NA	NA			480	(480)	0	0	0	0	0	0	0	0			Deferred to FY 23-24
A-C Fiduciary & Special Revenue Funds	2212	NA	NA			480	(480)	0	0	0	0	0	0	0	0			Canceled
OCDA Purchasing & Contracts	2213	8/22/22				480	200	680	427	28	140	44	639	0	(41)			In process. Carried forward to FY 23-24
HCA/PG Cash Receipts	2214	2/08/23				440	200	640	32	4	345	275	656	0	16			In process. Carried forward to FY 23-24
HCA/PG Purchasing & Contracts	2215	2/08/23				480	150	630	39	20	254	381	694	0	64			In process. Carried forward to FY 23-24
OCCR Fiduciary & Special Revenue	2216	4/05/23				480	0	480	0	0	185	365	550	0	70			Pre-draft report issued 6/28/23
CSS (department request)	2217	NA	NA			400	(400)	0	0	0	0	0	0	0	0			Deferred to FY 23-24
OCWR Credit Card Processing (department request)	2218	NA	NA			400	(400)	0	0	0	0	0	0	0	0			Deferred to FY 23-24
OCPW Payroll (department request)	2219	NA	NA			0	0	0	0	0	0	0	0	0	0			Canceled
OCIT Data Governance	2220	NA	NA			0	0	0	0	0	0	0	0	0	0			Deferred to FY 23-24
<b>FY 21-22 Carryovers</b>																		
T-TC Accounts Receivable Controls	2011	9/24/20	NA	1,040	914	0	200	200	41	6	46	0	93	0	(107)			Canceled, new T-TC Cash Receipts in FY 23-24 Audit Plan
CEO Cash Disbursements & Payables	2012	9/03/20	2/14/23	800	759	0	200	200	173	4	7	0	184	0	(16)	8/31/23	2012-F1	Completed. Final report issued 2/14/23
JWA Cash Disbursements & Payables	2013	3/03/22	6/19/23	680	681	0	400	400	213	92	114	0	419	0	19	12/31/23	2013-F1	Completed. Final report issued 6/19/23
OCCR/Dana Point Harbor P3	2015	NA	NA	131	130	480	(480)	0	0	0	0	0	0	0	0			Deferred to FY 23-24
CEO Fiduciary & Special Revenue Funds	2018	10/19/21		727	764	480	0	480	17	0	162	342	521	0	41			Pre-draft report issued 6/27/23
OCCR Fee-Generated Revenue	2112	10/22/21	9/15/22	520	536	0	0	0	15	0	0	0	15	0	15	3/31/23	2239-E	Completed. Final report issued 9/15/22
CEO Payroll	2113	10/19/21		480	492	0	160	160	73	1	32	69	175	0	15			In process. Carried forward to FY 23-24
JWA Purchasing & Contracts	2115	10/19/21	3/30/23	680	700	0	200	200	112	25	91	0	228	0	28	NA	NA	Completed. Final report issued 3/30/23
JWA Cash Receipts & Accounts Receivable	2116	3/03/22	6/19/23	640	662	0	360	360	160	118	113	2	393	0	33	12/31/23	2116-F1	Completed. Final report issued 6/19/23
JWA Payroll (department request)	2119	NA	NA	0	3	0	0	0	0	0	0	0	0	0	0			Deferred to FY 23-24
OCCR Purchasing & Contracts	2120	NA	NA	0	0	0	0	0	0	0	0	0	0	0	0			Deferred to FY 23-24
OCSD Fee-Generated Revenue	2121	10/25/21	9/15/22	520	531	0	0	0	19	0	0	0	19	0	19	3/31/23	2239-I	Completed. Final report issued 9/15/22
<b>First Follow-Up Audits</b>																		
CEO Cash Disbursements & Payables (2012)	2239-B																	Not started
JWA Cash Disbursements & Payables (2013)	2239-C																	Not started
CEO Fiduciary & Special Revenue Funds (2018)	2239-D																	Not started
OCCR Fee-Generated Revenue (2112)	2239-E	2/14/23	3/15/23													NA	NA	Completed. Final report issued 3/15/23
CEO Payroll (2113)	2239-F																	Not started
JWA Purchasing & Contracts (2115)	2239-G	NA	NA															Original report had no findings. No follow-up required.
JWA Cash Receipts & Accounts Receivable (2116)	2239-H																	Not started
OCSD FGR (2121)	2239-I	3/27/23	5/11/23													NA	NA	Completed. Final report issued 5/11/23
<b>Second Follow-Up Audits</b>																		
SSA Fiduciary (1823/2139-A)	2239-J	2/09/23	4/19/23															Completed. Final report issued 4/19/23
HCA Department Request (1914/2139-C)	2239-K	NA	NA															Canceled; 2139-C final close-out
OCCR Cash Disbursements & Payables (2014/2139-H)	2239-L	1/20/23	3/22/23															Completed. Final report issued 3/22/23
SSA Purchasing & Contracts (2016/2139-J)	2239-M	2/14/23	3/27/23															Completed. Final report issued 3/27/23
PD Revolving Funds (2017/2139-K)	2239-N	NA	NA															Canceled; 2139-K final close-out
OCPW Fiduciary & Special Revenue Funds (2019/2139-M)	2239-O	1/17/23	3/07/23															Completed. Final report issued 3/7/23
Summary Close-Out						0	0	0	2	0	0	0	2	0	2			Close-out audits issued last FY
<b>Total Internal Control Audits</b>						<b>5,240</b>	<b>(600)</b>	<b>4,640</b>	<b>1,323</b>	<b>306</b>	<b>1,609</b>	<b>1,490</b>	<b>4,728</b>	<b>0</b>	<b>88</b>			
<b>Contract Compliance Audits (CCA)</b>																		
C-R Contract Review (department request)	2271	NA	NA			400	(400)	0	0	0	0	0	0	0	0			Canceled.
<b>FY 21-22 Carryover</b>																		
OCWR Waste Management	2172	11/19/21	12/28/22	120	140	0	0	0	0	1	0	0	1	0	1	NA	NA	Completed. Final memo issued 12/28/22
<b>First Follow-Up Audits</b>																		
Ocean Institute (2171)	2289-A	1/31/23				0	90	90	0	0	43	77	120	0	30			Draft report issued 6/27/23
Summary Close-Out						0	0	0	12	0	3	3	18	0	18	NA	NA	Close-out audits issued last FY
<b>Total Contract Compliance Audits</b>						<b>400</b>	<b>(310)</b>	<b>90</b>	<b>12</b>	<b>1</b>	<b>46</b>	<b>80</b>	<b>139</b>	<b>0</b>	<b>49</b>			
<b>Information Technology Audits (ITA)</b>																		
T-TC Cybersecurity	2241	NA	NA			480	(480)	0	0	0	0	0	0	0	0	NA	NA	Deferred to FY 23-24
OCIT Enterprise IT Governance	2242					360	(330)	30	0	0	18	10	28	0	(2)			In process. Carried forward to FY 23-24
OCIT Internet of Things Device Security	2243	NA	NA			0	0	0	0	0	0	0	0	0	0			Deferred to FY 23-24
HCA Cybersecurity	2244	NA	NA			0	0	0	0	0	0	0	0	0	0			Deferred to FY 23-24
OCIT Cybersecurity Joint Taskforce Advisory	2245	7/01/22				80	0	80	28	19	19	19	85	0	5	NA	NA	Completed.



Internal Audit Department  
4th Quarter Status Report for the Audit Oversight Committee  
For the Quarter Ended 06/30/2023

Audit Category and Name <sup>1,2,3</sup>	Audit Number	Start Date	End Date	Multi-Yr Projects		Budget	Changes	Revised Budget	Current Audit Plan					Est Remain	Budget Variance	FU Due	FU Number	Status <sup>4</sup>
				Total Budget	Actuals To Date				#1	#2	#3	#4	Total					
<b>Information Technology Audits (ITA)(CON'T)</b>																		
A-C Claims System Implementation Advisory (Department Request)	2246	8/18/22				0	180	180	0	25	48	105	178	0	(3)	NA	NA	Completed.
<b>FY 21-22 Carryovers</b>																		
T-TC SunGard/Quantum Upgrade Advisory (Department Request)	1647	6/12/17	6/30/23	NA	464	0	0	0	6	1	1	0	8	0	8	NA	NA	Completed.
Property Tax System Implementation Advisory (Department Request)	1754	7/01/18	6/30/23	NA	98	40	0	40	7	3	0	0	10	0	(30)	NA	NA	Completed.
ROV Cybersecurity	2042	12/10/21	9/12/22	720	755	0	0	0	12	0	9	3	24	0	24	3/31/23	2259-B	Completed. Final report issued 9/12/22
Probation Cybersecurity	2043	5/04/22	3/3/23	840	872	0	600	600	435	138	44	0	617	0	17	9/3/2023	NA	Completed. Final report issued 3/3/23
HRS Data Portal Access	2045	NA	NA	NA	NA	360	(320)	40	0	63	5	0	68	0	28	NA	NA	Canceled
(A-C) CAPS+ Application Security	2046	5/23/23		NA	NA	360	(300)	60	0	0	11	55	66	0	6	NA	NA	In process. Carried forward to FY 23-24
A-C Workforce/VTI Replacement	2048	6/12/20	6/30/23	NA	72	40	0	40	0	20	0	0	20	0	(20)	NA	NA	Completed.
C-R Cybersecurity	2151	3/07/23				480	80	560	0	0	77	481	558	0	(2)			Draft report issued 6/28/23
OCIT Remote Access Security	2152	NA	NA			360	(360)	0	0	0	0	0	0	0	0			Deferred to FY 23-24
OCIT Third-Party IT Security	2153	NA	NA			480	(480)	0	0	0	0	0	0	0	0			Deferred to FY 23-24
<b>FY 21-22 Follow-Up Carryovers</b>																		
OCSD ITGC (1845/1949-D)	2059-H	8/31/21	9/19/22													3/20/2023	2259-H	Completed. Final report issued 9/19/22; one rec in process
OCDA Cybersecurity (2041)	2159-B	5/17/22	2/23/23													8/23/2023	2041	Completed. Final report issued 2/23/23; six recs in process
SSA ITGC (1846/1949-E)	2159-H	5/10/22	12/27/22													TBA	TBA	Completed. Final report issued 12/27/22; two recs in process
OCIT (1644/1748-A/1949-F)	2159-L	6/15/21	8/9/22													NA	NA	Completed. Final close-out report issued 8/9/22
<b>First Follow-Up Audits</b>																		
HCA Cybersecurity (1943)	2259-A	1/20/23	4/04/23															Completed. Final close-out report issued 4/4/23
ROV Cybersecurity (2042)	2259-B	4/18/23																In process
Probation Cybersecurity (2043)	2259-C																	Not started
County Counsel Cybersecurity (2044)	2259-D	8/02/22	3/3/23															Completed. Final close-out report issued 3/3/23
<b>Second &amp; Third Follow-Up Audits</b>																		
JWA ITGC (1941/2059-A)	2259-E	3/29/23	6/29/23															Completed. Final close-out report issued 06/29/23
PD Cybersecurity (1942/2059-B)	2259-F	8/02/22	12/21/22															Completed. Final close-out report issued 12/21/22
Assessor ITGC (1844/2059-E)	2259-G	8/03/22	9/26/22															Completed. Final close-out report issued 9/26/22
OCSD ITGC (1845/1949-D/2059-H)	2259-H																	Not started (new)
Summary Close-Out						0	0	0	9	7	0	0	16	0	16	NA	NA	Close-out audits issued last FY
<b>Total Information Technology Audits</b>						<b>3,660</b>	<b>(910)</b>	<b>2,750</b>	<b>895</b>	<b>410</b>	<b>474</b>	<b>993</b>	<b>2,772</b>	<b>0</b>	<b>22</b>			
<b>Total Audits Before Other Activities &amp; Administration</b>						<b>9,300</b>	<b>(1,820)</b>	<b>7,480</b>	<b>2,230</b>	<b>717</b>	<b>2,129</b>	<b>2,563</b>	<b>7,639</b>	<b>0</b>	<b>159</b>			
<b>Other Activities &amp; Administration</b>																		
Annual Risk Assessment & Audit Plan	2201					360	200	560	0	0	521	109	630	0	70			Completed.
Cash Losses	2202					80	0	80	18	0	0	0	18	0	(62)			Completed.
TeamMate+ Administration	2203					80	0	80	20	2	11	14	47	0	(33)			Completed.
External Audit Reporting	2204					200	0	200	58	30	32	56	176	0	(24)			Completed.
On-Demand Department Advisory Services	2205					80	510	590	274	159	0	0	433	0	(157)			Completed.
Quality Assessment	2206					200	(150)	50	9	0	6	0	15	0	(35)			Completed.
Board & AOC Services	2207					160	0	160	69	35	69	53	226	0	66			Completed.
Special Projects	2208					400	2,420	2,620	207	2,307	31	2	2,547	0	(74)			Completed.
CWCAP	2209					80	0	80	77	0	0	0	77	0	(3)			Completed. Submitted to A-C
<b>Total Other Activities &amp; Administration</b>						<b>1,640</b>	<b>2,980</b>	<b>4,420</b>	<b>732</b>	<b>2,533</b>	<b>670</b>	<b>233</b>	<b>4,168</b>	<b>0</b>	<b>(252)</b>			
Reserve for Board Directives/Contingency						1,660	(1,660)	0						0	0			
<b>Total Budget</b>						<b>12,600</b>	<b>(500)</b>	<b>11,900</b>	<b>2,962</b>	<b>3,250</b>	<b>2,799</b>	<b>2,796</b>	<b>11,807</b>	<b>0</b>	<b>(94)</b>			

Footnote 5



Internal Audit Department  
 4th Quarter Status Report for the Audit Oversight Committee  
 For the Quarter Ended 06/30/2023

Audit Category and Name <sup>1,2,3</sup>	Audit Number	Start Date	End Date	Multi-Yr Projects		Budget	Changes	Revised Budget	#1	Current Audit Plan				Est Remain	Budget Variance	FU Due	FU Number	Status <sup>4</sup>
				Total	Actuals To Date					Actuals to Date Per Quarter								
											#2	#3	#4	Total				

**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 other County audit functions. 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 of operations and the achievement of business and program goals and objectives.

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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.

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3. The annual Audit Plan is subject to change for such events where the director of Internal Audit or Board majority assesses 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 Status column 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 advisory services 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.

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4. For purposes regarding fiscal year-end reporting, we consider assignments completed (**Completed**) as of the official release of an audit report to the department head, and are shown as such in our Status column of this Quarterly Status Report.

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5. The initial FY 2022-23 Annual Audit Plan of 12,600 hours is based on 9,300 direct hours to be provided by seven senior auditors/audit manager Is, one audit manager II, and one senior audit manager plus 1,640 hours for other activities and administration/special projects and 1,660 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 engagement.



# Memorandum

August 17, 2023

**AOC Agenda Item No. 6**

TO: Audit Oversight Committee Members

Recommended Action:

Approve Internal Audit Department's Annual Risk Assessment & Audit Plan for FY 2023-24

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The Internal Audit Department is pleased to present the Annual Risk Assessment & Audit Plan for FY 2023-24. This comprehensive report details our risk-based plan for audits in FY 2023-24.

Per the County of Orange Audit Oversight Committee Bylaws, the AOC shall review and approve the risk assessment and internal audit plan. If approved by the AOC, the Risk Assessment & Audit Plan will be presented to the Board of Supervisors at the September 26, 2023 meeting.

ATTACHMENT(S):

Attachment A – Annual Risk Assessment & Audit Plan for Fiscal Year 2023-24



# INTERNAL AUDIT DEPARTMENT

RISK ASSESSMENT

Assessment Item	RARE (A)	UNLIKELY (B)	POSSIBLE (C)	LIKELY (D)	ALMOST CERTAIN (E)
Severity					
CRITICAL (5)	MEDIUM	MEDIUM	HIGH	HIGH	HIGH
SERIOUS (4)	MEDIUM	MEDIUM	MEDIUM	HIGH	HIGH
	LOW	MEDIUM	MEDIUM	MEDIUM	MEDIUM

**Annual Risk Assessment & Audit Plan  
For Fiscal Year 2023-24**

**Audit Number: 2201  
Report Date: April 27, 2023**

**OC Board of Supervisors**

CHAIRMAN DONALD P. WAGNER  
3rd DISTRICT

VICE CHAIRMAN ANDREW DO  
1st DISTRICT

SUPERVISOR VICENTE SARMIENTO  
2nd DISTRICT

SUPERVISOR DOUG CHAFFEE  
4th DISTRICT

SUPERVISOR KATRINA FOLEY  
5th DISTRICT



## INTERNAL AUDIT DEPARTMENT

Audit No. 2201

April 27, 2023

To: Audit Oversight Committee Members

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

 Digitally signed by Agripino Alonso  
Date: 2023.04.27 13:57:07 -07'00'

Subject: Annual Risk Assessment &amp; Audit Plan for Fiscal Year 2023-24

Attached for your review and approval is our Fiscal Year 2023-24 Annual Risk Assessment and Audit Plan. On an annual basis, we perform a countywide risk assessment that we use to develop our Audit Plan. The risk assessment, coupled with the Audit Plan, delivers a systematic approach for evaluating the effectiveness of internal controls and the efficiency of County business operations. For Fiscal Year 2023-24, we identified a total of 23 high-risk or high-priority areas in 10 County departments as follows:

DEPARTMENT	NUMBER OF HIGH-RISK (HR)/ HIGH-PRIORITY (HP) AREAS	AUDIT AREA
1. Auditor-Controller	2	Employee Claims (HR)
		Information Technology (HR)
2. Child Support Services	1	Cash Receipts (HR)
3. County Executive Office	7	County Procurement Office (HR)
		County Ethics Program (HP)
		Remote Access Security (HR)
		Third-Party IT Security (HR)
		Enterprise IT Governance (HR)
		Data Governance (HR)
4. District Attorney-Public Administrator	1	Payroll (HR) (time permitting)
5. Health Care Agency	1	Information Technology (HR)
6. OC Community Resources	2	Dana Point Harbor Public-Private Partnership Purchasing & Contract (HR)
		Purchasing & Contracts (HR)
7. OC Public Works	1	Information Technology (HR)

**Internal Audit Department Mission**

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

DEPARTMENT	NUMBER OF HIGH-RISK (HR)/ HIGH-PRIORITY (HP) AREAS	AUDIT AREA
8. OC Waste & Recycling	3	Cash Receipts/Credit Card Processing (HP)
		Contract Compliance (HP)
		Information Technology (HR)
9. Sheriff-Coroner	2	Payroll (HR) (time permitting)
		Information Technology (HR)
10. Treasurer-Tax Collector	3	Information Technology (HR)
		Cash Receipts (HR)
		Tax Redemption Officer Mandate (HP)
<b>TOTAL HIGH-RISK/ HIGH-PRIORITY AREAS</b>	<b>23</b>	

Due to limited staffing resources, our Audit Plan only includes audits addressing 21 of the 23 high-risk or high-priority areas. If hours become available in Fiscal Year 2023-24, we will incorporate the remaining two high-risk areas into the Audit Plan. The remaining high-risk audits that have not been incorporated by the end of Fiscal Year 2023-24 will be included in our Fiscal Year 2024-25 Audit Plan.

We look forward to a successful year of providing professional, reliable, and objective audit and advisory services to the Board of Supervisors, County Executive Office, and County departments. If you have any questions, please contact me at (714) 834-5442 or Michael Dean at (714) 834-4101.

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# INTERNAL AUDIT DEPARTMENT

## EXECUTIVE SUMMARY

### INTRODUCTION

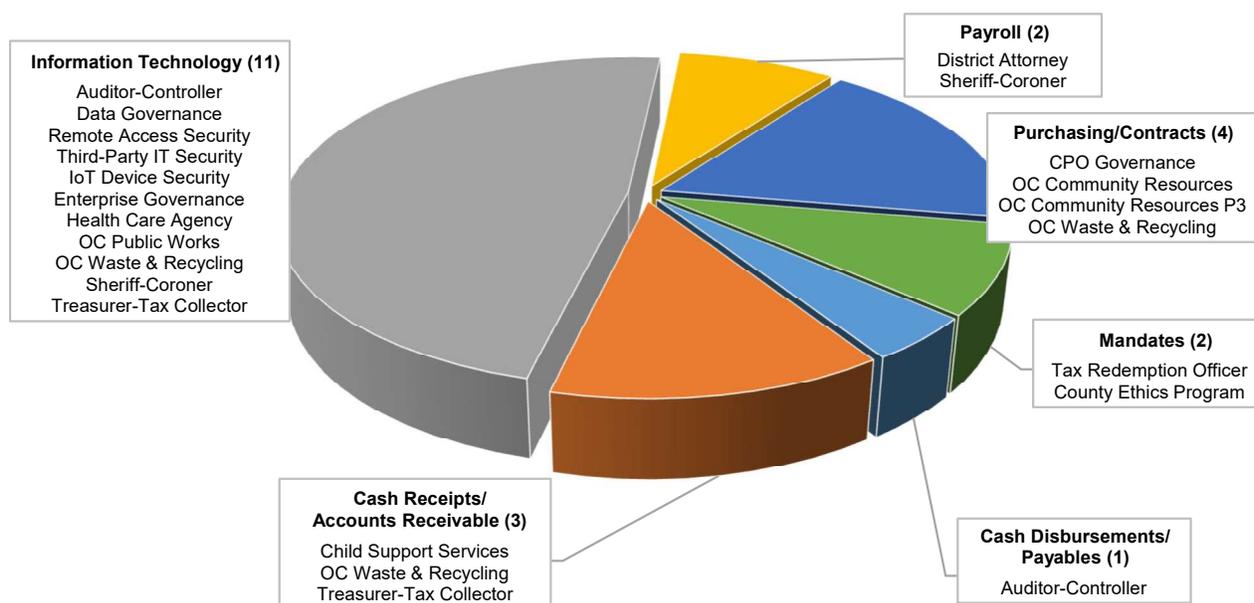
The mission of the Internal Audit Department is to provide highly reliable, independent, objective evaluations, and business and financial consulting services to the Board of Supervisors (Board) and County management to assist them with their important business and financial decisions.

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

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

We completed a risk assessment to identify and measure risk and prioritize potential audits for the Audit Plan. We are committed to auditing business activities/processes identified as: (1) as high risk by our risk assessment process or (2) high priority by Board, County Executive Office, or department head request. Our approach is to provide coverage of the most critical and sensitive aspects of the activity identified. We may make exceptions to this approach when there are carryover audits from the prior year, where there has been recent audit coverage, or if our professional judgment determines otherwise.

Our Fiscal Year 2023-24 Risk Assessment identified 23 high-risk or high-priority areas in 10 County departments, as illustrated in the chart below.



# INTERNAL AUDIT DEPARTMENT

## RESULTS

Our Fiscal Year 2023-24 Audit Plan includes 21 scheduled audits: 17 high-risk audits (one is also a department request), one high-priority Board request, one high-priority department request, and two high-priority mandated audits.

<b>17</b> HIGH-RISK AUDITS SCHEDULED (ONE IS ALSO A DEPARTMENT REQUEST)	+	<b>4</b> HIGH-PRIORITY AUDITS SCHEDULED (ONE BOARD REQUEST, ONE DEPARTMENT REQUEST, TWO MANDATES)	=	<b>21</b> AUDITS SCHEDULED
<b>2</b> TIME PERMITTING HIGH-RISK AUDITS			=	<b>2</b> TIME- PERMITTING AUDITS
<b>19</b> HIGH-RISK AUDITS	+	<b>4</b> HIGH-PRIORITY AUDITS	=	<b>23</b> TOTAL AUDITS IN PLAN

Due to limited staffing resources, our Audit Plan only includes audits addressing 21 of the 23 high-risk or high-priority areas. If hours become available in Fiscal Year 2023-24, we will incorporate the remaining two high-risk audits into the Audit Plan. Any audits that have not been incorporated by the end of Fiscal Year 2023-24 will be included in our Fiscal Year 2024-25 Audit Plan.

## RISK ASSESSMENT

### GENERAL RISK ASSESSMENT

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

We designed our risk-based Audit Plan to address what we considered to be the highest priority areas, while limiting the scope of work to what could realistically be accomplished with available staffing resources. Our risk ratings were based on current information that can fluctuate frequently given the nature, diversity, size, and impact of County operations on the public.

A department with a high-risk score indicates the services or functions it handles are a high-risk activity because of factors such as having a large amount of expenditures and/or revenues, having a high level of liquid assets such as cash, management’s assessment of the control environment, or a high degree of public interest. A high-risk score indicates that if something were



## INTERNAL AUDIT DEPARTMENT

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to go wrong, it could have a greater impact. A high-risk score does not mean that a business process is managed ineffectively or that internal controls are inadequate.

### INFORMATION TECHNOLOGY RISK ASSESSMENT

Due to the complexities and use of information technology throughout County operations, we performed a separate IT risk assessment to augment the general risk assessment. We conducted the IT risk assessment via IT-specific questions in our risk assessment questionnaire that provided Internal Audit with an increased understanding of the department's IT environment. We distributed the survey for input on risks and areas of IT audit interest and summarized the results. A risk-rating value was assigned to each department to illustrate the relative information technology risk applicable to the department. The result was a comprehensive and prioritized risk-based heat map of IT risks for developing the IT component of our Audit Plan.

A department with a high-risk score indicates the services or functions it is responsible for are a high-risk activity because of factors such as maintaining and managing systems that process sensitive information, contracts with third-party vendors, on-site server rooms that host critical systems, a large number of privileged user access, and/or remote access users. As with the general risk assessment, a high-risk score indicates that if something were to go wrong, it could have a greater impact. A high-risk score does not mean that an IT process is managed ineffectively or that internal controls are not adequate.

### FY 2023-24 AUDIT PLAN

Our Audit Plan is based on 13,050 productive hours provided by eight audit professionals and two supervising audit managers. Audit hours for the director of Internal Audit and assistant director are not included in the above total, and the time for audit managers is adjusted to allow for administrative duties. Some audits we identified as high risk are listed on the Audit Plan as "time permitting" audits. If hours become available, we will begin performing those audits. Otherwise, those audit areas will remain as high-risk (unless ongoing risk assessment dictates otherwise) and will be included in next year's Audit Plan.

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



## INTERNAL AUDIT DEPARTMENT

SERVICE	OBJECTIVE	HOURS	%
<b>Internal Control Audits</b>	Review effectiveness and efficiency of departmental operations including the safeguarding of assets, reporting (internal and external, financial and non-financial), and compliance with laws, regulations, and procedures as related to the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework.	4,520	35%
<b>Information Technology Audits</b>	Review IT controls such as general controls over computer operations, access to programs and data, disaster recovery/business continuity, program development, program changes, and provide advisory services for system implementations.	4,545	35%
<b>Mandated Audits</b>	Audits required to be performed by government code or auditing standards.	880	7%
<b>Board Requests &amp; Contingency Reserve</b>	Hours reserved for special request audits from the Board, position vacancies, and other unforeseen events.	2,025	15%
<b>Other Activities &amp; Administration</b>	Perform the annual risk assessment; prepare the Audit Plan; investigate cash losses; support TeamMate+; provide technical assistance to departments on operational, reporting, or compliance issues; compile and present External Audit Reports to the AOC; perform required quality assessments; prepare and present oversight reporting to the AOC and Board; complete annual CWCAP reporting; complete special projects.	1,080	8%
<b>TOTALS</b>		<b>13,050</b>	<b>100%</b>

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

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



## INTERNAL AUDIT DEPARTMENT

AUDIT	PRELIMINARY AUDIT OBJECTIVES	HOURS
<b>High-Risk Audits</b>		
<b>Internal Control Audits</b>		<b>Supervising Audit Manager: Michael Dean, Senior Audit Manager</b>
1. <b>T-TC Cash Receipts</b>	To assess internal controls over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records.	440
2. <b>County Procurement Office – Procurement Governance</b>	To evaluate CPO's governance over County department procurement activities.	480
3. <b>OCCR/Dana Point Harbor Public-Private Partnership Purchasing &amp; Contract (2015)</b> Carryover from FY 2022-23	To assess contractor compliance with the Dana Point Master Lease (Public-Private Partnership, P3) and efficiency of lease administration.	480
4. <b>OCCR Purchasing &amp; Contracts (2120)</b> Carryover from FY 2022-23	To assess procurement processes (other than human services).	480
5. <b>A-C Employee Claims (2211)</b> Carryover from FY 2022-23	To assess internal controls over employee claims (mileage and educational/professional reimbursement).	480
6. <b>CSS Cash Receipts (2217)</b> Carryover from FY 2022-23 (Department Request)	To assess internal controls over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records.	440
7. <b>OCIT Data Governance (2220)</b> Carryover from FY 2022-23	To assess data governance (classification, retention) controls.	420

<b>Information Technology Audits</b>		<b>Supervising Audit Manager: Jimmy Nguyen, IT Audit Manager II</b>
8. <b>OCWR Cybersecurity</b>	To assess cybersecurity controls.	480
9. <b>OCPW Cybersecurity</b>	To assess cybersecurity controls.	400
10. <b>OCSO Cybersecurity</b>	To assess cybersecurity controls.	480
11. <b>A-C CAPS+ Application Security (2046)</b> Carryover from FY 2022-23	To assess CAPS+ security controls.	240
12. <b>OCIT Remote Access Security (2152)</b> Carryover from FY 2022-23	To assess remote access security controls.	360



## INTERNAL AUDIT DEPARTMENT

AUDIT	PRELIMINARY AUDIT OBJECTIVES	HOURS
<b>High-Risk Audits (cont.)</b>		
13. <b>OCIT Third-Party IT Security (2153)</b> Carryover from FY 2022-23	To assess IT security controls for third-party vendors that directly assist with maintaining, managing, or supporting critical systems.	480
14. <b>OCIT Internet of Things Device Security (2243)</b> Carryover from FY 2022-23	To assess IT security controls over IoT (Internet of Things) devices.	400
15. <b>OCIT Enterprise IT Governance (2242)</b> Carryover from FY 2022-23	To assess information technology governance processes.	240
16. <b>T-TC Cybersecurity (2241)</b> Carryover from FY 2022-23	To assess cybersecurity controls.	480
17. <b>HCA Cybersecurity (2244)</b> Carryover from FY 2022-23	To assess cybersecurity controls.	400
<b>High Risk Time-Permitting IT Audits:</b>		
18. <b>OCDA Payroll</b>	To assess internal control over payroll processing to ensure payroll is accurate, authorized, reviewed, and duties are properly segregated.	0
19. <b>OCSD Payroll</b>	To assess internal control over payroll processing to ensure payroll is accurate, authorized, reviewed, and duties are properly segregated.	0
<b>Total High-Risk Audits</b>		<b>7,180</b>



## INTERNAL AUDIT DEPARTMENT

AUDIT	PRELIMINARY AUDIT OBJECTIVES	HOURS
<b>High-Priority Audits</b>		
20. <b>OCWR – Waste Management Contract Compliance Review</b> Board Request	To validate that service rates charged were in conformance with the franchise agreements (contracts) between OCWR and waste haulers.	400
21. <b>OCWR Credit Card Processing</b> Department Request	To assess internal controls over credit card processing.	420
22. <b>T-TC Tax Redemption Officer</b> Mandate	To evaluate the reliability/integrity of tax redemption records and compliance with laws/regulations as required by the Revenue and Taxation Code.	480
23. <b>CEO – County Ethics Program</b> Mandate	To evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.	400
<b>Total High-Priority Audits</b>		<b>1,700</b>

<b>Follow-Up Audits</b>		
<b>Follow-Up Internal Control Audits</b>	Follow-up on management's implementation of audit recommendations provided in prior audit reports.	480
<b>Follow-Up Information Technology Audits</b>		385
<b>Total Follow-Up Audits</b>		<b>865</b>

<b>Advisory Engagements</b>		
<b>A-C Employee Reimbursement System Implementation</b>	To advise on application controls and System Development Life Cycle (SDLC) internal controls.	80
<b>A-C Policies and Procedures</b>	To advise on department policies and procedures effectiveness over key business processes.	40
<b>Countywide Cybersecurity</b>	Participate in Countywide Cybersecurity meetings related to various workgroups and committees.	80
<b>Total Advisory Engagements</b>		<b>200</b>



## INTERNAL AUDIT DEPARTMENT

<b>Other Activities &amp; Administration</b>	
Special Projects	400
Annual Risk Assessment & Audit Plan for Fiscal Year 2024-25	400
External Audit Reporting	200
Board of Supervisors & Audit Oversight Committee Support	160
On-Demand Department Advisory Services	80
Cash Loss Investigations	80
TeamMate+ Administration	80
Countywide Cost Allocation Plan (CWCAP)	80
<b>Total Other Activities &amp; Administration</b>	<b>1,480</b>
Board-Requested Audits	800
Contingency Reserve	825
<b>TOTAL HOURS</b>	<b>13,050</b>

**ACKNOWLEDGEMENT**

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

<b>PROJECT TEAM</b>		
	Michael Dean, CPA, CIA, CISA	Senior IT Audit Manager
	Jimmy Nguyen, CISA, CFE, CEH	IT Audit Manager II
	Scott Kim, CPA, CISA, CFE	IT Audit Manager I
	Gianne Morgan, CIA, CISA	IT Audit Manager I
	Zan Zaman, CPA, CIA, CISA	IT Audit Manager I
	Mari Elias, DPA	Administrative Services Manager
	Gabriela Cabrera	Senior Auditor
	Alejandra Luna	Senior Auditor
	Stephany Franco	Senior Auditor
	Mary Ann Cosep	Senior Auditor
	Thuy Lu	Staff Specialist



# INTERNAL AUDIT DEPARTMENT

## APPENDIX A: AUDIT PLAN METHODOLOGY

### 1. DEFINE AUDIT UNIVERSE

An *audit universe* is all potential areas subject to risk assessment and audits. There are several approaches to defining the audit universe and we defined the County audit universe as 19 departments (excluding Internal Audit, OC Ethics, and Office of Independent Review), with six standard business processes/cycles and information technology. This results in an audit universe of 133 auditable business processes (19 departments, seven business processes/cycles).

**Table 1. County Audit Universe**

BUSINESS PROCESS/CYCLE (FINANCIAL ACTIVITY FOR FY 2020-21)	DESCRIPTION
<b>1. Cash Receipts &amp; Receivables</b> \$15 Billion	Reviewing controls over receipting, recording, transferring, depositing, safeguarding, and reconciling of monies received in departments.
<b>2. Cash Disbursements &amp; Payables</b> \$5.5 Billion	Verifying receipt of goods and services, supervisory reviews and approvals adequacy, invoice processing timeliness, completeness and accuracy of payments, proper reconciliations, and safeguarding of assets.
<b>3. Purchasing &amp; Contracts</b> \$5 Billion	County-issued purchasing cards, vendor payment review and approval processes, ensuring terms of contracts were met prior to issuing payments, ensuring contracts executed in accordance with County policies, reviewing justification of sole source contracts, and monitoring CPO's oversight responsibilities.
<b>4. Revolving Funds</b> \$3.2 Million	Validating compliance with the County Accounting Manual, ensuring revolving cash fund disbursements are proper, approved, monitored, and safeguarded.
<b>5. Payroll</b> \$2.4 Billion	Reviewing timekeeping practices, premium and overtime pay practices, payroll unit supervision and payroll reports, Central Payroll's role in processing payroll, and monitoring for unauthorized payroll changes.
<b>6. Fiduciary Funds &amp; Special Revenue Funds</b> \$3.2 Billion	Validating the purpose and objectives of fiduciary funds and special revenue funds, ensuring sources and uses of the funds are in accordance with County policy or laws and regulations, and reconciliations are prepared timely and completely to safeguard funds.
<b>7. Information Technology</b>	Reviewing controls over IT and cybersecurity including general controls, application controls, system development, network security, and computer operations.



## INTERNAL AUDIT DEPARTMENT

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### 2. APPLY WEIGHTED RISK FACTORS

Our Risk Assessment Schedule for FY 2023-24 (see Attachment B) shows the 133 auditable business processes and assigned risk ratings. We consider the following factors in assigning risk levels for the six general business process/cycles (cash receipts, cash disbursements, purchasing, revolving funds, payroll, fiduciary/special revenue):

- Financial Activity (40%). Assessed department financial information for each auditable business process.
- Department Changes (10%). Assessed factors such as management and/or organizational changes, significant increases or decreases in staffing and workloads, new or eliminated programs, and significant changes in laws/regulations or IT.
- Operating Environment (10%). Assessed factors related to changes in the operating environment such as public image, laws and regulations, safety and environmental issues, sensitivity to economic factors, major crises, pending litigation, and business continuity.
- Last Audit Performed (40%). Identified all Internal Control Audits, Financial Audits & Mandates, and Information Technology Audits conducted in the last 10 years. Areas with no recent or prior audits are assessed higher risk (see Attachment C).

We consider the following factors in assigning risk levels for information technology:

- IT Survey (30%). Identified significant changes impacting critical systems, governance, security management, change management, computer operations, IT staffing, and cybersecurity incidents that may have impacted the department.
- General Risk Factors (20%). Drawn from department changes and operating environment above.
- Last Audit Performed (50%). Identified all Information Technology Audits conducted in the last 10 years. Areas with no recent or prior audits are assessed higher risk (see Attachment C).

### 3. CATEGORIZE RESULTS

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

Risk levels for the 133 auditable business processes we identify in our Risk Assessment Schedule for FY 2023-24 (see Attachment B) are as follows:

- 14 (11%) are High Risk
- 108 (81%) are Moderate Risk
- 11 (8%) are Low Risk

*Note: there are 19 high-risk audits in the 14 high-risk processes. This is because the single CEO IT high-risk box represents five separate audits, and OCCR Purchasing & Contracts represents two separate audits.*



## INTERNAL AUDIT DEPARTMENT

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### 4. IDENTIFY ENGAGEMENTS AND ALLOCATE AVAILABLE RESOURCES

Our Audit Plan is based on 9,945 available audit hours (13,050 productive hours minus 1,080 hours for other activities and administration, 800 hours for Board-requested audits, 400 hours for special projects, and 825 hours for contingency reserve) to be provided by eight audit professionals and two supervising audit managers. We ensure the ratio of gross hours to available audit hours aligns with industry standards. The contingency reserve is for position vacancies and other unforeseen events.

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

Our follow-up audit process ensures that our audit recommendations are implemented satisfactorily. Our first follow-up audit begins about six months following the release of an audit report. If necessary, a second follow-up audit will be conducted about six months following the issuance of the first follow-up audit report.



## INTERNAL AUDIT DEPARTMENT

## APPENDIX B: ACRONYMS

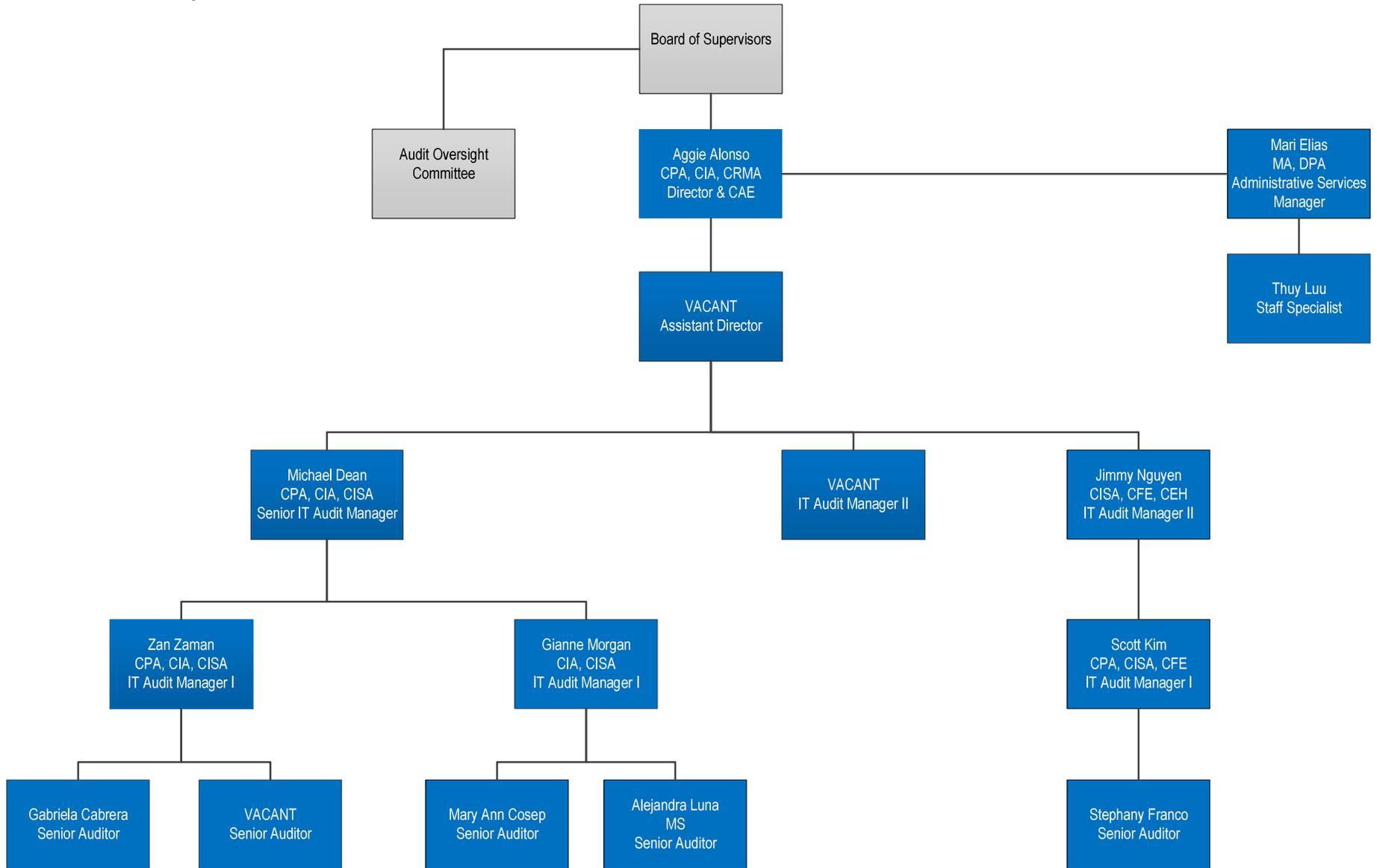
Acronym	Definition
A-C	Auditor-Controller
AOC	Audit Oversight Committee
C-R	Clerk-Recorder
CEO	County Executive Office
CPO	County Procurement Office
CSS	Child Support Services
HCA	Health Care Agency
JWA	John Wayne Airport
OCCR	OC Community Resources
OCDA	District Attorney-Public Administrator
OCIT	Orange County Information Technology
OCPW	OC Public Works
OCSD	Sheriff-Coroner
OCWR	OC Waste & Recycling
T-TC	Treasurer-Tax Collector





# INTERNAL AUDIT

As of February 24, 2023



ATTACHMENT B: RISK ASSESSMENT SCHEDULE FOR FISCAL YEAR 2023-24

BUSINESS PROCESS/CYCLE Financial Activity for FY 2020-21	1. Assessor	2. Auditor-Controller	3. Child Support Services	4. Clerk of the Board	5. Clerk-Recorder	6. County Counsel	7. County Executive Office	8. District Attorney-Public Administrator	9. Health Care Agency	10. John Wayne Airport	11. OC Community Resources	12. OC Public Works	13. OC Waste & Recycling	14. Probation Department	15. Public Defender	16. Registrar of Voters	17. Sheriff-Coroner	18. Social Services Agency	19. Treasurer-Tax Collector	COMMENTS	
CASH RECEIPTS & RECEIVABLES \$15 billion	M	M	H	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	H	Reflects all cash receipt transactions posted to 8010 Cash Account by the department that processed the transaction. A/R reported as year-end balances.
CASH DISBURSEMENTS & PAYABLES \$5.5 billion	L	H	M	L	M	M	M	M	M	L	M	M	M	L	M	M	M	M	M	M	Reflects all cash disbursements including automatic (A/P) disbursements, manual disbursements, and EFT/Wire disbursements.
PURCHASING & CONTRACTS \$5 billion	M	M	M	M	M	M	H	L	M	M	H	M	M	L	M	M	M	M	M	M	Reflects all purchases and contracts processed by departments including purchase orders, price agreements, and negotiated contracts.
REVOLVING FUNDS \$3.2 million	L	M	M	M	M	M	M	M	M	M	M	M	M	L	M	M	M	M	M	M	Reflects the total revolving fund replenishments to all departments.
PAYROLL \$2.4 billion	M	M	M	M	M	M	M	H	M	M	M	M	M	M	M	M	M	H	M	M	Reflects total payroll for our audit population of all departments shown.
FIDUCIARY & SPECIAL REVENUE FUNDS \$3.2 billion	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	Reflects year-end balances in Agency Funds and Private Purpose Trust Funds designated for restricted purposes and use.
INFORMATION TECHNOLOGY	M	H	M	M	L	L	H	M	H	M	M	H	H	L	M	M	H	M	H	H	
AUDITS ON FY 2023-24 PLAN See Appendix A for Audit Plan Methodology  DR = Department request CO = Carryover audit TP = Time-permitting audit		CAPS+ Application Security (CO); Employee Claims (CO)	Cash Receipts (DR/CO)				OCIT Enterprise IT Governance(CO); Remote Access (CO); 3rd Party IT Security (CO); IOT Security (CO); OCIT Data Governance (CO); CPO Governance; County Ethics Program	Payroll (TP)	Cybersecurity(CO)		Dana Point Harbor Purchasing & Contracts (CO); Purchasing (CO)	Cybersecurity	Cybersecurity; Credit Card Processing (DR/CO); Franchise Hauler				Cybersecurity(TP); Payroll (TP)		Cybersecurity (CO); Cash Receipts; Tax Redemption Officer		

High Priority Processes:	14	11%	High-priority audit areas (as determined by risk assessment)
Moderate Priority Processes:	108	81%	Moderate-priority audit areas (as determined by risk assessment)
Low Priority Processes:	11	8%	Low-priority audit areas (as determined by risk assessment)
Total Auditable Business Processes/Cycles:	133		

**ATTACHMENT C: SCHEDULE OF 10-YEAR PRIOR AUDIT COVERAGE  
For The Period July 2013 through June 2023**

	1. Assessor	2. Auditor-Controller	3. Child Support Services	4. Clerk of the Board	5. Clerk-Recorder	6. County Counsel	7. County Executive Office	8. District Attorney-Public Administrator	9. Health Care Agency/Public Guardian	10. John Wayne Airport	11. OC Community Resources	12. OC Public Works	13. OC Waste & Recycling	14. Probation Department	15. Public Defender	16. Registrar of Voters	17. Sheriff-Coroner	18. Social Services Agency	19. Treasurer-Tax Collector
CASH RECEIPTS & ACCOUNTS RECEIVABLE		#1315 & #1415 Quarterly Reconciliation Compliance; #1818 Fiduciary Funds					#1317 Community Facilities Districts	#1325 Fiduciary Funds; 2012-2016 Annual Grants	#1325 Fiduciary Funds; #1420 Fund 13Y; #1619 Unearned Revenue; #2214 Cash Receipts	#2116 Cash Receipts	#1456 OC Parks Ticket Sales; #1578 Animal Care; #1579 Library; #1655 OC Parks; #1619 Unearned Revenue; #1815 AC Cash Receipts	#1619 Unearned Revenue; #1734 Billing	#1525 Cash Receipts	#1567 Juvenile; #1724 Mandate			#1918 Cash Receipts	#1619 Unearned Revenue	2014, 2017 & 2020 Audits of Tax Redemption Officer; 2012-2017 Annual TFA; 2011-2016 Annual Compliance
CASH DISBURSEMENTS & PAYABLES	#1626 Travel	#1315 & #1415 Quarterly Reconciliation Compliance; #1626 Travel; #1811 Claims; #1818 Fiduciary Funds		#1626 Travel			#1318 OCEA Pension Enhancement; #1316 Retiree Medical; #1317 Community Facilities Districts; #1626 Travel; #2012 Cash Disbursements	#1325 Fiduciary Funds; 2012-2016 Annual Grants	#1325 Fiduciary Funds; #1420 Fund 13Y; #1728 Mental Health Services Disbursements	#2013 Cash Disbursements	#2014 Cash Disbursements	#1626 Travel; #2022 Toll Usage		#1323 AB109; #1567 Juvenile; #1724 Mandate; #1822 Cal Cards		#1626 Travel	#1626 Travel	#1626 Travel; #1625 CalWORKs / ResCare Contract	2011-2017 Qtrly TFA; 2012-2017 Annual TFA; #1583 Wire Transfers
PURCHASING & CONTRACTS		#1522 Procurement					#1521 Procurement; #1730 CEO/Real Estate Revenue Generating Lease Administration Process; #1732 OCIT Capital Assets; #1624 OCIT Contract Admin	#2213 Purchasing & Contracts	#1631 Procurement; #1819 Contracts & Procurement; #2215 Purchasing & Contracts	#2115 Purchasing & Contracts	#1455 Expediter; #1426 Human Services Contracts	#1455 Expediter; #1911 Purchasing & Contracts	#1334 La Pata Contract; #1455 Expediter				#1912 Purchasing & Contracts	#1625 CalWORKs / ResCare Contract; #2016 Purchasing & Contracts	
REVOLVING FUNDS	#1626 Travel	#1626 Travel					#1626 Travel	#1913 Revolving Funds			#1578 Animal Care; #1579 Library	#1626 Travel		#1567 Juvenile; #1822 Cal Cards	#2017 Revolving Funds	#1626 Travel	#1626 Travel; #1917 Revolving Funds	#1633 Revolving Funds; #1626 Travel	
PAYROLL		#1350-B Payroll					#2113 Payroll	#1629 Payroll	#1350 Payroll CAATs; #1812 Payroll		#1813 Payroll	#1916 Payroll		#1630 Payroll			#1350 Payroll CAATs; #1632 Billing of Law Enforcement Services for DPH & JWA	#1350 Payroll CAATs; #1814 Payroll	
FIDUCIARY FUNDS & SPECIAL REVENUE FUNDS		#1315 & #1415 Quarterly Reconciliation Compliance; #1337 Fiduciary Funds; #1818 Fiduciary Funds	#1519 Fiduciary Funds		#1519 Fiduciary Funds		#1317 Community Facilities Districts; #1519 Fiduciary Funds; #2018 Fiduciary Funds	#1325 Fiduciary Funds; #1519 Fiduciary Funds; #1523 PA	#1325 Fiduciary Funds; #1420 Fund 13Y; #1519 Fiduciary Funds; #1524 PG; #1914 PG Fund 165		#1422 OC Parks Fund 405; #1423 DPH; #1519 Fiduciary Funds; #2216 Fiduciary & Special Reserve Funds	#1421 Flood Fund; #1519 Fiduciary Funds; #2019 Special Revenue Funds		#1323 AB109; #1519 Fiduciary Funds		#1519 Fiduciary Funds	#1519 Fiduciary Funds; #1520 Special Revenue Funds	#1336 Special Revenue Funds; #1823 Fiduciary Funds	2012-2017 Qtrly TFA & 2012-2017 Annual TFA; 2011-2016 Annual Compliance Audit; #1519 Fiduciary Funds
INFORMATION TECHNOLOGY	#1844 Cybersecurity	#1357 2014 ARA; #1741 ITGC	#1644 ITGC		#1840 Vital Records Index Access System	#2044 Selected Cybersecurity	#1454 Off-Site Data Backup; #1455 Expediter; #1644 ITGC; #1945 OCIT Cybersecurity	#2041 Selected Cybersecurity	#1943 Cybersecurity	#1444 ITGC; #1941 ITGC	#1644 ITGC	#1354 ITGC; #1644 ITGC	#1445 Paradigm; #1644 ITGC	#2043 Cybersecurity	#1942 ITGC	#2042 Cybersecurity	#1353 ITGC; #1845 ITGC	#1644 ITGC; #1846 ITGC	#1583 Wire Transfers

10-Year Prior Audit Coverage (2013 to June 2023)      5-Year Prior Audit Coverage (2018 to June 2023)      Current/In-Progress Audits      No Audit Coverage Within 10 Years



# Memorandum

August 17, 2023

**AOC Agenda Item No. 7**

TO: Audit Oversight Committee Members

Recommended Action:

Approve External Audit Activity Status Report for Quarter Ended March 31, 2023, and Receive Report on Status of External Audit Recommendations Implementation

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Approve External Audit Activity Status Report for Quarter Ended March 31, 2023, and Receive Report on Status of External Audit Recommendations Implementation, as stated in recommended action.

ATTACHMENT(S):

Attachment A – External Audit Activity Status Report Memo

Attachment B – Executive Summary 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

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April 24, 2023

To: Audit Oversight Committee Members

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

 Digitally signed by Agripino Alonso  
Date: 2023.04.24 10:45:08 -07'00'

Subject: External Audit Activity Status Report for the Quarter Ended March 31, 2023

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Attached for your review and approval is our External Audit Activity Status Report for the Quarter ended March 30, 2023. 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 its May 9, 2019 meeting, we have included County department reported corrective action taken to implement recommendations related to significant audit findings identified.

To facilitate the AOC's review, we are pleased to include an Executive Summary (Attachment B) that presents the total audit additions and deletions from the prior quarter, and the total current audits in process. In addition, the Executive Summary references any new significant findings and provides a summary of any material issues reported for the quarter. For individual report details, see Attachment C. Finally, for corrective action taken to implement recommendations, see Attachment D.

For the quarter ended March 31, 2023, no new material issues were reported.

If you have any questions, please contact me at 714-834-5442 or Michael Dean at 714-834-4101.

**EXECUTIVE SUMMARY OF EXTERNAL AUDIT ACTIVITY**  
**For the Quarter Ended 3/31/23**

<b><u>SUMMARY ACTIVITY</u></b>	
Total Audits Prior Quarter (12/31/22)	<b>65</b>
Additions: In Progress	<b>12</b>
Planned	<b>0</b>
Started and Completed	<b>4</b>
Deletions	<b><u>18</u></b>
(Completed, Canceled, and Removed in Prior Quarter)	
Total Audits Current Quarter (3/31/23)	<b><u>63</u></b>
(In Progress, Planned, and/or Completed this Quarter)	

**Results for the Quarter:**

Completed	<b>24</b>
Canceled	<b>0</b>
Removed for Other Reasons	<b>0</b>
 New Findings/Issues Reported by the Departments	 <b>12</b>
 <b><u>Material Issues:</u></b> (Includes Disallowances over \$100K)	 <b>0</b>

**EXTERNAL AUDIT ACTIVITY  
Quarterly Status Report  
3rd Quarter FY 2022-23 (3/31/23)**

**Results:**

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

The schedule below identifies the status of external audits as of 3/31/23, including any significant findings, as reported to us by Orange County Departments/Agencies. This schedule does not include reviews performed by the OC Grand Jury.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2023	Significant Findings
Assessor		No audits in progress.						
Auditor-Controller	Financial Reporting	Eide Bailly	Single Audit	FY 2022 Annual	6/30/2022	Uniform Guidance Expenditures of Federal Assistance	Completed.	<p><b>Twelve (12) New Findings:</b></p> <p><b>#2022-001 (AC):</b> Expenditure information was materially different from expenditures reported on the SEFA;</p> <p><b>#2022-002 (SSA):</b> No formal controls or procedures in place for subrecipient monitoring for the program;</p> <p><b>#2022-003 (CEO &amp; OCPW):</b> No evidence of verification that the entity was not suspended or debarred or otherwise excluded, prior to entering the contract;</p> <p><b>#2022-004 (OCSD):</b> The required evaluation of the subrecipient's risk of noncompliance was not documented, and onsite reviews were not performed;</p> <p><b>#2022-005 (OCSD &amp; SSA):</b> Certain required information was not provided at the time of the subaward;</p> <p><b>#2022-006 (SSA):</b> No documentation that the SAM clearance was performed prior to entering the contract with the subrecipient;</p>

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2023	Significant Findings
Auditor-Controller (continued)	Financial Reporting	Eide Bailly	Single Audit					#2022-007 (HCA): Performance reports were not reviewed or approved prior to submission to the State, and supporting documents for the reports were not retained; #2022-008 (SSA): Reports were prepared, reviewed, and approved by the same individual; #2022-009 (CEO & OCPW): Certain required information was not provided at the time of the contract award; #2022-010 (SSA): No evidence of review and certification of the participants IEVS report, and the income verification document was not retained. #2022-011 (SSA): Participant's application was not retained. #2022-012 (HCA): Reports were prepared on the cash basis, but reports indicated that the costs were reported on the accrual basis of accounting.
	Cost, Revenue & Budget	State Controller's Office	County Cost Allocation Plan Field Review for FYE 6/30/22	3-5 years	6/4/2014	Management and Budget Circular Uniform Administrative Requirements, Cost	In Progress.	
	Property Tax	No audits in progress.						
	General Accounting	No audits in progress.						
Child Support Services	Program Support Services	Office of Audits and Compliance State of California Department of Child Support Services (DCSS)	Review of Local Child Support Agency CS 356 Administrative Expense Claim.	Every 4 Years	FY 16/17	Review of expenditures, abatements, internal control, and records related to Child Support Program claims for FY 2019-2020. Also, review of walk-in payments.	In progress.	
	Program Support Services/ Policy & Process Management	CA Department of Child Support Services	Policy & Process Management Data Reliability Review (DRR)	Quarterly	FY 22/23	Review of case management actions affecting federal performance measures	Completed.	None.
Clerk of the Board		No audits in progress.						

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2023	Significant Findings
Clerk-Recorder		No audits in progress.						
County Counsel		No audits in progress.						
County Executive Office	Finance	Eide Bailly	Single Audit - COVID-19 Coronavirus State and Local Fiscal Recovery Funds	6/30/2022	6/30/2021	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2022-003 and 2022-009 under Auditor-Controller Single Audit.
	Risk Management	AON Risk Solutions, Inc.	Risk Management Workers' Compensation Program - Third Party Administrator/Sedgwick CMS	2/2022 - 2/2023 Annual	2021	Review Performance/ Claims Best Practice	In progress.	
	Information Technology	No audits in progress.						
	Corporate Real Estate	No audits in progress.						
	Human Resource Services	OCERS (Moss Adams)	HRS - Employee Records	2022 Annual	2022	Census Data Testing - Review records and supporting documentation of new hire information that includes employee name, status, gender, date of birth and date of hire.	In progress.	
District Attorney-Public Administrator		State of CA, Office of Program Oversight & Accountability	CA Witness Relocation Program	7/01/14 - 6/30/19	FY 15/16	Program Audit	In progress.	
Health Care Agency	Administration	Eide Bailly	Single Audit - Immunization Cooperative Agreements and COVID-19 Emergency Rental Assistance Program	6/30/2022	6/30/2021	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2022-007 and 2022-012 under Auditor-Controller Single Audit.
		Eide Bailly	Tobacco Settlement Funds Agreed Upon Procedures	FY21/22 Annual	6/30/2021	HCA and Sheriff Tobacco Settlement Funds disbursements	Completed.	None.
	Correctional Health Services	Vaccines for Children (VFC)	Juvenile Hall and Orangewood	FY 22/23	N/A	Vaccine program compliance review	In progress.	
	Mental Health & Recovery Services	State Department of Health Care Services (DHCS) contracted External Quality Review Organization (EQRO)	Drug Medi-Cal-Organized Delivery Systems (DMC-ODS) External Quality Review (EQR)	FY 21/22 Annual	FY 20/21	Review of operational process and regulatory compliance for DMC medical services.	Completed.	None.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2023	Significant Findings
Health Care Agency (continued)	Mental Health & Recovery Services (continued)	State Department of Health Care Services (DHCS)	Mental Health Cost Report; Short-Doyle/Medi-Cal Cost Report	FY 14/15 Annual	FY 13/14	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	In progress.	
		State Department of Health Care Services (DHCS) Contractor Behavioral Health Concepts CalEQRO	Mental Health Plan (MHP)	FY 22/23 Annual	FY 21/22	Quality Improvement	Completed.	None.
		State Department of Health Care Services (DHCS) County Compliance Unit	Mental Health Plan (MHP)	FY 21/22 Triennial	FY 19/20	Quality Assurance/ Compliance and Medi-Cal Beneficiary Chart Review	In progress.	
		Board of State Community Corrections (BSCC)	Prop 47 Comprehensive Monitoring Visit - Cohort 2	Biennial	05/19	Financial and compliance review	In progress.	
		State Department of Health Care Services	Substance Abuse Block Grant Audit	FY 17/18 Triennial	FY 14/15	Fiscal and program compliance review	In progress.	
	Public Health Services	Environmental Laboratory Accreditation Program (ELAP)	Audit of environmental water testing performed at the Water Quality Laboratory to maintain ELAP certification.	CY 21/22 Biennial	09/19	Two-day in-person inspection of water testing and document review.	In progress.	
		Health Resources and Services Administration (HRSA)	Ending the HIV Epidemic Initiative (EHE) Program	FY 22/23 Biennial	FY 20/21	Comprehensive Site Review	In progress.	
		CalEPA	Environmental Health - CUPA Program	FY 21/22 into FY 22/23 Triennial	FY 18//19	Review of inspections, enforcement and compliance activities of electronic records in CERS; field audit of staff is TBD	In progress.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2023	Significant Findings
Health Care Agency (continued)	Public Health Services (con't)	State Controller's Office	Environmental Health - Local Oversight Program	FY 19/20 - FY 20/21 Biennial	FY 17/18 - FY 18/19	Fiscal compliance review	In progress.	
		State Department of Resources Recycling and Recovery (CalRecycle)	Environmental Health - Solid Waste, Local Enforcement Agency	07/17 - 12/21 Every 2-3 years	12/18	Program review. Ensure LEA's implement effective programs in accordance with laws, regulations, and Enforcement Program Plan and verify LEA compliance with certification requirements.	In progress.	
		Department of Food and Nutrition Services, Western Regional Office (FNSWRO)	Nutrition Education and Obesity Prevention (NEOP) / Supplemental Nutrition Assistance Program Education (SNAP-Ed)	FY 20/21	01/15	Management Evaluation - Determine how nutrition education and obesity prevention interventions are provided and how the program is run in each state. FNSWRO will examine the following areas: program planning and implementation; fiscal integrity; staffing; reporting; communication and coordination; civil rights; edu materials, curricula, and reinforcements; and program evaluation.	In progress.	
		Gilbey and Associates (First 5)	Orange County Children & Families Commission / Prop 10 / Maternal Child Health Nursing	FY 21/22 Annual	FY 20/21	Fiscal and program compliance review	In progress.	
		California Department of Public Health	Ryan White Part B	FY 22/23 Biennial	FY 20/21	Comprehensive Site Review	Completed.	None.
		DHCS Audits & Investigations - Targeted Case Management	Targeted Case Management, Program Financial Audit of the TCM Cost Report	FY 18/19 Annual	FY 17/18	Fiscal compliance review	In progress.	
		DHCS Audits & Investigations - Targeted Case Management	Targeted Case Management, Program Financial Audit of the TCM Cost Report	FY 19/20 Annual	FY 17/18	Fiscal compliance review	In progress.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2023	Significant Findings
Health Care Agency (continued)	Public Health Services (con't)	California State Controller's Office	Women, Infant, and Children (WIC)	FFY 20/21 Biennial	FFY 18/19	WIC Financial Management Review. This will include, but is not limited to, examination of contracts, invoices, document files, time study records, general ledger, salaries, fringe benefits, and other pertinent records	In progress.	
John Wayne Airport	Finance & Administration	No audits in progress.						
	Operations	Federal Aviation Administration	Airport Certification Inspection	2023	2022	Compliance with Title 14, Code of Federal Regulations, Part 139, the Airport Certification Manual and the Airport Operation Certificate	Planned.	
		Tevora Business Solutions	Common Use Passenger Processing System	2022	2021	Compliance with Payment Card Industry Data Security Standard	Completed.	None.
		Transportation Security Administration	Airport Security	2023	2022	Compliance with Title 49, Code of Federal Regulations, Part 1542, Airport Security	In progress.	
OC Community Resources	Orange County Housing Authority (OCHA)	U.S. Department of Housing and Urban Development (HUD)	2022 Monitoring - CoC Program	FY21/22	FY 21/22 One-Time	Compliance review of OCHA policies and performance related to CoC grants	Completed.	None.
	Office on Aging (OoA)	No audits in progress.						
	Workforce & Economic Development Division	Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA - Fiscal and Procurement	FY 16/17 Annual	FY 15/16	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	Completed.	None.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2023	Significant Findings
OC Community Resources (continued)	Workforce & Economic Development Division (con't)	Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA - Fiscal and Procurement	FY 17/18 Annual	FY 16/17	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, methods of procurement, property management, etc.	Completed.	None.
		Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA Fiscal & Procurement	FY 18/19 Annual	FY 17/18	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	Completed.	None.
		Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA Fiscal & Procurement	FY 19/20 Annual	18/19	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	Completed.	None.
		Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA Fiscal & Procurement	FY 20/21 Annual	FY 19/20	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	Completed.	None.
		Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA Fiscal & Procurement	FY 21/22 Annual	FY 20/21	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	Completed.	None.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2023	Significant Findings
OC Community Resources (continued)	Workforce & Economic Development Division (con't)	Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA (NEG Fire) - Fiscal and Procurement	FY 17/18 One-Time	N/A	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	
		Employment Development Department (EDD), Department of Labor (DOL), & Office of Inspector General (OIG)	WIOA (NEG Fire) - Fiscal and Procurement	FY 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	Enhanced Desk Monitoring Review WIOA-Slingshot 2.0	FY 19/20 One-Time	N/A	To determine OCDB's compliance with applicable federal and state laws, regulations, and policies specific to program operations and systems related to WIOA-Slingshot 2.0. Interviews with OCDB staff, training and service providers staff, and participants, review of selected participant case files, review of policies and procedures pertaining to program operations.	Completed.	None.
		Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	Enhance Desk Monitoring Review WIOA 85% Formula Grant	FY 20/21 Annual	FY 19/20	Scope Period: 9/1/18-12/31/20. To determine OCDB's compliance with applicable federal and state laws, regulations, and policies specific to program operations and systems related to WIOA. Interviews with OCDB staff, training and service providers staff, and participants, review of selected participant case files, review of policies and procedures pertaining	Completed.	None.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2023	Significant Findings
<b>OC Community Resources (continued)</b>	<b>Workforce &amp; Economic Development Division (con't)</b>	Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	COVID-19 National Dislocated Worker Grant Review	FY 21/22 One-Time	N/A	To determine OCDB's compliance with applicable federal and state laws, regulations, and policies specific to program operations and systems related to WIOA-COVID-19 National Dislocated Worker Grant # 1194. Interviews with OCDB staff, training and service providers staff, and participants, review of selected participant case files, review of policies and procedures pertaining to program operations.	Completed.	None.
	<b>OC Parks</b>	No audits in progress.						
	<b>OC Libraries</b>	No audits in progress.						
	<b>OC Animal Care</b>	Macias, Gini & O'Connell LLP	City Billing	FY 20/21 Triennial	FY 17/18	Contracted examination of calculation of cost recovery from contracted cities.	In progress.	
	<b>Redevelopment Successor Agency</b>	No audits in progress.						
<b>OC Public Works</b>		Eide Bailly	Single Audit - COVID-19 Coronavirus State and Local Fiscal Recovery Funds	6/30/2022	6/30/2021	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2022-003 and 2022-009 under Auditor-Controller Single Audit.
	<b>Accounting and Agriculture Commissioner</b>	California Department of Food & Agriculture (CDFA)	Ag Commissioner's Office: Ag Services Program Cooperative Agreements'; - Pierce's Disease Control Program - Plant Health & Pest Prevention Services Program - Citrus Pest & Disease Prevention Division Program	7/1/2018 - 12/31/2021	2016	To determine whether invoiced expenditures were supported in accordance with agreement requirements, laws, regulations, and policies.	Completed.	None.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2023	Significant Findings
<b>OC Public Works (con't)</b>	<b>Accounting, Infrastructure Programs, &amp; OC Construction</b>	Independent Office of Audits and Investigations (formerly part of California Department of Transportation)	- Santiago Canyon Road from Live Oak Canyon Rd to SR 241/SR261 - Live Oak Canyon Road from the T-intersection of El Toro Rd/Santiago Canyon Rd - OC Loop El Cajon (Segment H) Bikeway Gap Closure - OC Loop Segment OPQ Coyote Creek Bikeway	7/1/2017 - 3/31/2021	N/A	Audit of incurred costs	Completed.	None.
		Orange County Transportation Authority (OCTA)	Orange County Ranch Ride	FY 2019/20 & 20/21	N/A	Financial and Compliance audit of the Orange County Ranch Ride partially funded by the Measure M2 Comprehensive Transportation Funding Program.	In progress.	
		Orange County Transportation Authority (OCTA)	La Pata Avenue Phase II (Grant is for Phase I & II Final Construction and Mitigation)	Construction from 12/2013 through 12/2018 and Mitigation through 04/2019.	10/18	Financial and Compliance audit of La Pata Avenue Phase II construction costs partially funded by Measure M2 Comprehensive Transportation Program	In progress.	
	<b>Accounting &amp; OC Fleet Services</b>	BCA Watson Rice LLP	South Coast Air Quality Management District AB-2766 Fund (Fund 140)	FY 19/20 & FY 20/21 Bi-annual	01/22	A Financial and Compliance Audit to determine if recipient is in compliance with provisions of Assembly Bill 2766 Chapter 1705 [44220 through 44247].	Planned.	
	<b>Administrative Services / Revenue Streams</b>	Transportation Corridor Agency (TCA)	Road Fee Programs (TCA Fees specific)	CY 2022 Annual	06/22	TCA Fee Program for CY 2022. Audit of major thoroughfare fees collected by the County of Orange.	Planned.	
<b>OC Waste &amp; Recycling</b>	<b>Accounting</b>	No audits in progress.						
<b>Probation</b>	<b>Administrative and Fiscal</b>	No audits in progress.						
<b>Public Defender</b>		No audits in progress.						
<b>Registrar of Voters</b>		No audits in progress.						

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2023	Significant Findings
<b>Sheriff-Coroner</b>	<b>Financial/ Administrative Services</b>	Eide Bailly	Single Audit - Homeland Security Grant Program	6/30/2022	6/30/2021	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2022-004 and 2022-005 under Auditor-Controller Single Audit.
	<b>Custody Operations</b>	Disability Rights Commission (DRC)	Theo Lacy, Central Men's Jail, Intake Release Center, James A Musick Facility	Current	N/A	Disability Rights	In progress.	
		BSCC	Theo Lacy, Central Men's Jail, Intake Release Center, James A Musick Facility	Biannual FY 20/21 - FY 21/22	N/A	Compliance	Completed.	None.
		BSCC	Theo Lacy, Central Men's Jail, Intake Release Center, James A Musick Facility	Biannual FY 22/23 - FY 23/24	FY 20/21 - FY 21/22	Compliance	In progress.	
		BSCC	Theo Lacy, Central Men's Jail, Intake Release Center, James A Musick Facility	One Time		Clothing items, hygiene kits and mattresses	Completed.	None.
	<b>Crime Lab</b>	ANSI National Accreditation Board (ANAB)	ISO/IEC 17025:2017 and AR 3125, Forensic Science Testing and Calibration	Every 4 years	07/10	Conformance	In progress.	
	<b>Technology</b>	Tech Advisory Committee (TAC)	Information Technology	10/19 to 03/20	2017	Operational Review	In progress.	
		Motorola	800MHz CCCS Network and Program	One Time	N/A	Cybersecurity assessment	In progress.	
	<b>Records</b>	California Department of Justice N-DEX Team	National Data Exchange (N-DEX) Audit	2020-2022	01/20	To check for Unauthorized Use, Weak and Noncompliant Searches, Correct Reason Codes used.	In progress.	
<b>Social Services Agency</b>	<b>Administrative Services</b>	Eide Bailly	Single Audit - Foster Care, Supplemental Nutrition Assistance Program Cluster, and Medicaid Cluster	6/30/2022	6/30/2021	Uniform Guidance Expenditures of Federal Assistance	Completed.	See Finding #2022-002, 2022-006, 2022-008, 2022-010, and 2022-011 under Auditor-Controller Single Audit.
	<b>Children &amp; Family Services</b>	Community Care Licensing/CDSS	Annual inspection of our licensed facility. Youth files/ employee files/grounds inspection.	Annual	04/19	All buildings and grounds/client files and employee files	Completed.	None.
		Nutrition Service Division California Department of Education National School Lunch Program	Audit of school reimbursement documentation	Triennial	2019	Review of menu, meal prep practices, documentation of residents and number of meals served daily in month of March 2022	In progress.	

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2023	Significant Findings
Social Services Agency (con't)	Assistance Programs	California Department of Social Services (CDSS)	CalFresh Employment & Training (CF E&T)	03/22 Annual	05/22	Management Evaluation (ME) of OC'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.	
		Food and Nutrition Service (FNS)	CalFresh	UNK	05/22	Management Evaluation (ME) of the California Department of Social Services (CDSS) to assess compliance with Federal regulations and policies in the following areas: <ul style="list-style-type: none"> <li>• Able-Bodied Adults Without Dependents (ABAWD)</li> <li>• CalFresh Employment and Training (CF E&amp;T)</li> <li>• Recipient Claims</li> <li>• Reporting Program Access Review (PAR)</li> <li>• SNAP-Ed</li> </ul>	In progress.	
	Family Self-Sufficiency & Adult Services	California Department of Social Services (CDSS), Family Engagement & Empowerment Division, CalWORKs Early Engagement & Eligibility Bureau	CalWORKs Eligibility Case File Review	March 27-30, 2023	10/20	Review cases in order to increase CDSS' oversight capacity, to assess the implementation of recent CalWORKs Eligibility policy changes, and to assess the need for further technical assistance.	In progress.	
Treasurer-Tax Collector	Treasury and Investments	Eide Bailly, LLP	Annual IPS Compliance	FY 20/21 Annual	6/30/2020	Required Annual Examination of the Treasurer's Investment Compliance with Government Code 27130-27137 and County Investment Policy Statement	Completed.	None.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of March 31, 2023	Significant Findings
Treasurer-Tax Collector (continued)	Treasury and Investments	Eide Bailly, LLP	Annual IPS Compliance	FY 21/22 Annual	6/30/2020	Required Annual Examination of the Treasurer's Investment Compliance with Government Code 27130-27137 and County Investment Policy Statement	Completed.	None.

EXTERNAL AUDIT REPORT  
 Implementation Status of Prior Quarter Significant & Material Issues  
 Quarter Ended March 31, 2023

No.	Department	Audit Name	Finding	Recommendation	Material or Significant	Implementation Status* & Actions Taken or Planned
			No outstanding items from prior quarter.			

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



# Memorandum

August 17, 2023

**AOC Agenda Item No. 7**

TO: Audit Oversight Committee Members

Recommended Action:

Approve External Audit Activity Status Quarter Ended June 30, 2023, and Receive Report on Status of External Audit Recommendations Implementation

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Approve External Audit Activity Status Quarter Ended June 30, 2023, and Receive Report on Status of External Audit Recommendations Implementation, as stated in recommended action.

ATTACHMENT(S):

Attachment A – External Audit Activity Status Report Memo

Attachment B – Executive Summary 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

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July 13, 2023

To: Audit Oversight Committee Members

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

Digitally signed by  
Agripino Alonso  
Date: 2023.07.13 10:28:57  
-07'00'

Subject: External Audit Activity Status Report for the Quarter Ended June 30, 2023

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Attached for your review and approval is our External Audit Activity Status Report for the Quarter ended June 30, 2023. 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 its May 9, 2019 meeting, we have included County department reported corrective action taken to implement recommendations related to significant audit findings identified.

To facilitate the AOC's review, we are pleased to include an Executive Summary (Attachment B) that presents the total audit additions and deletions from the prior quarter, and the total current audits in process. In addition, the Executive Summary references any new significant findings and provides a summary of any material issues reported for the quarter. For individual report details, see Attachment C. Finally, for corrective action taken to implement recommendations, see Attachment D.

For the quarter ended June 30, 2023, no new material issues were reported.

If you have any questions, please contact me at (714) 834-5442 or Senior IT Audit Manager Michael Dean at (714) 834-4101.

**EXECUTIVE SUMMARY OF EXTERNAL AUDIT ACTIVITY**  
**For the Quarter Ended 6/30/23**

<b><u>SUMMARY ACTIVITY</u></b>	
Total Audits Prior Quarter (3/31/23)	<b>63</b>
Additions: In Progress	<b>11</b>
Planned	<b>0</b>
Started and Completed	<b>1</b>
Deletions	<b><u>24</u></b>
(Completed, Canceled, and Removed in Prior Quarter)	
Total Audits Current Quarter (6/30/23)	<b><u>51</u></b>
(In Progress, Planned, and/or Completed this Quarter)	

**Results for the Quarter:**

Completed	<b>14</b>
Canceled	<b>0</b>
Removed for Other Reasons	<b>1</b>

New Findings/Issues Reported by the Departments	<b>1</b>
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<b><u>Material Issues:</u></b> (Includes Disallowances over \$100K)	<b>0</b>
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**EXTERNAL AUDIT ACTIVITY**  
**Quarterly Status Report**  
**4th Quarter FY 2022-23 (6/30/23)**

**Results:**

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

The schedule below identifies the status of external audits as of 6/30/23, including any significant findings, as reported to us by Orange County Departments/Agencies. This schedule does not include reviews performed by the OC Grand Jury.

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of June 30, 2023	Significant Findings
Assessor		No audits in progress.						
<b>Auditor-Controller</b>	<b>Financial Reporting</b>	Eide Bailly	Single Audit	FY 2022 Annual	6/30/2022	Uniform Guidance Expenditures of Federal Assistance	Completed. (Reported 3/31/23)	See Attachment D for corrective actions taken related to findings from this audit.
		Eide Bailly	Annual Comprehensive Financial Report (ACFR)	Annual	6/30/2022	Annual Financial GAAP Audit	In progress.	
		Eide Bailly	Agreed Upon Procedures (AUP) over GANN Limit calculations	Annual	6/30/2022	GANN Limit Calculation - for County and OC Flood Control District	In progress.	
	<b>Cost, Revenue &amp; Budget</b>	State Controller's Office	County Cost Allocation Plan Field Review for FYE 6/30/22	3-5 years	6/4/2014	Management and Budget Circular Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Grants (Uniform Guidance), Title 2, Code of Federal Regulations, Part 200 and supplemental guidance promulgated by federal Department of Health and Human Services	Completed.	<b>One (1) New Finding:</b> SCO recommended County spend down funds (reserves) in excess of the allowable working capital for the following Internal Service Funds (ISFs): Fund 291 - Unemployment Insurance and Fund 298 - Self-Insured Benefits by FY 2024-25, and Fund 29W - Wellness Program by FY 2025-26.
	<b>Property Tax</b>	No audits in progress.						
	<b>General Accounting</b>	No audits in progress.						
<b>Child Support Services</b>	<b>Program Support Services</b>	Office of Audits and Compliance State of California Department of Child Support Services (DCSS)	Review of Local Child Support Agency CS 356 Administrative Expense Claim.	Every 4 Years	FY 16/17	Review of expenditures, abatements, internal control, and records related to Child Support Program claims for FY 2019-2020. Also, review of walk-in payments.	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, 2023	Significant Findings
Clerk of the Board		No audits in progress.						
Clerk-Recorder	Information System	Lawrence R. Halme	SECURE: Biennial System Audit Report (BSAR)	Every two years	05/23	Biennial System Audit of SECURE ERDS pursuant to California Code of Regulations, Title 11, Division 1, Chapter 18, Articles 1-9	Completed.	None.
		Lawrence R. Halme	SECURE: Modified System Audit Report (MSAR)	As Needed	11/22	New software	In progress.	
County Counsel		No audits in progress.						
County Executive Office	Finance	No audits in progress.						
	Risk Management	AON Risk Solutions, Inc.	Risk Management Workers' Compensation Program - Third Party Administrator/Sedgwick CMS	2/2022 - 2/2023 Annual	2021	Review Performance/ Claims Best Practice	Completed.	None.
	Information Technology	No audits in progress.						
	Corporate Real Estate	No audits in progress.						
	Human Resource Services	OCERS (Moss Adams)	HRS - Employee Records	2022 Annual	2022	Census Data Testing - Review records and supporting documentation of new hire information that includes employee name, status, gender, date of birth and date of hire.	In progress.	
District Attorney-Public Administrator		State of CA, Office of Program Oversight & Accountability	CA Witness Relocation Program	7/01/14 - 6/30/19	FY 15/16	Program Audit	In progress.	
		Office of State Controller, Division of Audits, Compliance Audits Bureau	Mandated cost claims - Custody of Minors - Child Abduction and Recovery Program	7/01/18 - 6/30/22	None	Program Audit	In progress.	
Health Care Agency	Administration	No audits in progress.						
	Correctional Health Services	Vaccines for Children (VFC)	Juvenile Hall and Orangewood	FY 22/23	N/A	Vaccine program compliance 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, 2023	Significant Findings
Health Care Agency (continued)	Mental Health & Recovery Services	State Department of Health Care Services (DHCS)	Mental Health Cost Report; Short-Doyle/Medi-Cal Cost Report	FY 14/15 Annual	FY 13/14	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.	In progress.	
		State Department of Health Care Services (DHCS) County Compliance Unit	Mental Health Plan (MHP)	FY 21/22 Triennial	FY 19/20	Quality Assurance/ Compliance and Medi-Cal Beneficiary Chart Review	In progress.	
		Board of State Community Corrections (BSCC)	Prop 47 Comprehensive Monitoring Visit - Cohort 2	FY 21/22 Biennial	05/19	Fiscal and compliance review	In progress.	
		State Department of Health Care Services	Substance Abuse Block Grant Audit	FY 17/18 Triennial	FY 14/15	Fiscal and program compliance review	Completed.	None.
		State Department of Health Care Services	SABG/DMC-ODS Service Review	FY 22/23 Annual	FY 21/22	Review of Programmatic Services	In progress.	
	Public Health Services	Environmental Laboratory Accreditation Program (ELAP)	Audit of environmental water testing performed at the Water Quality Laboratory to maintain ELAP certification.	CY 21/22 Biennial	09/19	Two-day in-person inspection of water testing and document review.	In progress.	
		Health Resources and Services Administration (HRSA)	Ending the HIV Epidemic Initiative (EHE) Program	FY 22/23 Biennial	FY 20/21	Comprehensive Site Review	In progress.	
		CalEPA	Environmental Health - CUPA Program	FY 21/22 into FY 22/23 Triennial	FY 18//19	Review of inspections, enforcement and compliance activities of electronic records in CERS; field audit of staff is TBD	In progress.	
		State Controller's Office	Environmental Health - Local Oversight Program	FY 19/20 - FY 20/21 Biennial	FY 17/18 - FY 18/19	Fiscal compliance 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, 2023	Significant Findings
Health Care Agency (continued)	Public Health Services (con't)	State Department of Resources Recycling and Recovery (CalRecycle)	Environmental Health - Solid Waste, Local Enforcement Agency	07/17 - 12/21 Every 2-3 years	12/18	Program review. Ensure LEA's implement effective programs in accordance with laws, regulations, and Enforcement Program Plan and verify LEA compliance with certification requirements.	In progress.	
		Department of Food and Nutrition Services, Western Regional Office (FNSWRO)	Nutrition Education and Obesity Prevention (NEOP) / Supplemental Nutrition Assistance Program Education (SNAP-Ed)	FY 20/21	01/15	Management Evaluation - Determine how nutrition education and obesity prevention interventions are provided and how the program is run in each state. FNSWRO will examine the following areas: program planning and implementation; fiscal integrity; staffing; reporting; communication and coordination; civil rights; edu materials, curricula, and reinforcements; and program evaluation.	In progress.	
		Gilbey and Associates (First 5)	Orange County Children & Families Commission / Prop 10 / Maternal Child Health Nursing	FY 21/22 Annual	FY 20/21	Fiscal and program compliance review	Completed.	None.
		DHCS Audits & Investigations - Targeted Case Management	Targeted Case Management, Program Financial Audit of the TCM Cost Report	FY 18/19 Annual	FY 17/18	Fiscal compliance review	In progress.	
		DHCS Audits & Investigations - Targeted Case Management	Targeted Case Management, Program Financial Audit of the TCM Cost Report	FY 19/20 Annual	FY 17/18	Fiscal compliance review	In progress.	
		California State Controller's Office	Women, Infant, and Children (WIC)	FFY 20/21 Biennial	FFY 18/19	Fiscal and program compliance review	In progress.	
John Wayne Airport	Finance & Administration	Eide Bailly	Financial Statements, including Passenger Facility Charge Revenue and Expenditures	2023 Annual	2022	Audit of Financial Statements	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, 2023	Significant Findings
John Wayne Airport (continued)	Operations	Federal Aviation Administration	Airport Certification Inspection	2023	2022	Compliance with Title 14, Code of Federal Regulations, Part 139, the Airport Certification Manual and the Airport Operation Certificate	Completed.	None.
		Transportation Security Administration	Airport Security	2023	2022	Compliance with Title 49, Code of Federal Regulations, Part 1542, Airport Security	Completed.	None.
OC Community Resources	Orange County Housing Authority (OCHA)	No audits in progress.						
	Office on Aging (OoA)	No audits in progress.						
OC Community Resources (continued)	Workforce & Economic Development Division (con't)	Employment Development Department (EDD) - State Workforce Innovation & Opportunity Act (WIOA) Development Area	WIOA (NEG Fire) - Fiscal and Procurement	FY 17/18 One-Time	N/A	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	In progress.	
		Employment Development Department (EDD), Department of Labor (DOL), & Office of Inspector General (OIG)	WIOA (NEG Fire) - Fiscal and Procurement	FY 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.	To be deleted next quarter. This is a duplicate audit.
	OC Parks	No audits in progress.						
	OC Libraries	No audits in progress.						
	OC Animal Care	Macias, Gini & O'Connell LLP	City Billing	FY 20/21 Triennial	FY 17/18	Contracted examination of calculation of cost recovery from contracted cities.	Completed.	None.
	Redevelopment Successor Agency	Eide Bailly	Financial Statement Audit	Annual	6/30/2022	Redevelopment Successor Agency	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, 2023	Significant Findings
OC Public Works	Accounting, Infrastructure Programs, & OC Construction	Orange County Transportation Authority (OCTA)	Orange County Ranch Ride	FY 2019/20 & 20/21	N/A	Financial and Compliance audit of the Orange County Ranch Ride partially funded by the Measure M2 Comprehensive Transportation Funding Program.	Completed.	None.
		Orange County Transportation Authority (OCTA)	La Pata Avenue Phase II (Grant is for Phase I & II Final Construction and Mitigation)	Construction from 12/2013 through 12/2018 and Mitigation through 04/2019.	10/18	Financial and Compliance audit of La Pata Avenue Phase II construction costs partially funded by Measure M2 Comprehensive Transportation Program	Completed.	None.
	Accounting & OC Fleet Services	BCA Watson Rice LLP	South Coast Air Quality Management District AB-2766 Fund (Fund 140)	FY 19/20 & FY 20/21 Bi-annual	01/22	A Financial and Compliance Audit to determine if recipient is in compliance with provisions of Assembly Bill 2766 Chapter 1705 [44220 through 44247].	Planned.	
	Administrative Services / Revenue Streams	Transportation Corridor Agency (TCA)	Road Fee Programs (TCA Fees specific)	CY 2022 Annual	06/22	TCA Fee Program for CY 2022. Audit of major thoroughfare fees collected by the County of Orange.	Completed.	None.
OC Waste & Recycling	Accounting	Eide Bailly LLP,	OCWR Accounting	FYE 06/30/23 Annual	FYE 06/30/22	Financial and Compliance Audit	In progress.	
Probation	Administrative and Fiscal	No audits in progress.						
Public Defender		No audits in progress.						
Registrar of Voters		No audits in progress.						

Department / Agency	Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Scope	Status as of June 30, 2023	Significant Findings
Sheriff-Coroner	Custody Operations	Disability Rights Commission (DRC)	Theo Lacy, Central Men's Jail, Intake Release Center, James A Musick Facility	Current	N/A	Disability Rights	In progress.	
		BSCC	Theo Lacy, Central Men's Jail, Intake Release Center, James A Musick Facility	Biannual FY 22/23 - FY 23/24	FY 20/21 - FY 21/22	Compliance	In progress.	
	Crime Lab	ANSI National Accreditation Board (ANAB)	ISO/IEC 17025:2017 and AR 3125, Forensic Science Testing and Calibration	Annual	2022	Conformance	Completed.	None.
	Technology	Tech Advisory Committee (TAC)	Information Technology	10/19 to 03/20	2017	Operational Review	In progress.	
		Motorola	800MHz CCCS Network and Program	One Time	N/A	Cybersecurity assessment	Completed.	None.
	Records	California Department of Justice N-DEX Team	National Data Exchange (N-DEX) Audit	2020-2022	01/20	To check for Unauthorized Use, Weak and Noncompliant Searches, Correct Reason Codes used.	Completed.	None.
Social Services Agency	Administrative Services	No audits in progress.						
	Children & Family Services	Nutrition Service Division California Department of Education National School Lunch Program	Audit of school reimbursement documentation	Triennial	2019	Review of menu, meal prep practices, documentation of residents and number of meals served daily in month of March 2022	In progress.	
	Assistance Programs	California Department of Social Services (CDSS)	CalFresh Employment & Training (CF E&T)	03/22 Annual	05/22	Management Evaluation (ME) of OC'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.	
		Food and Nutrition Service (FNS)	CalFresh	UNK	05/22	Management Evaluation (ME) of the California Department of Social Services (CDSS) to assess compliance with Federal regulations and policies in the following areas: • Able-Bodied Adults Without Dependents (ABAWD) • CalFresh Employment and Training (CF E&T) • Recipient Claims • Reporting Program Access Review (PAR) • SNAP-Ed	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, 2023	Significant Findings
Social Services Agency (con't)	Family Self-Sufficiency & Adult Services	California Department of Social Services (CDSS), Family Engagement & Empowerment Division, CalWORKs Early Engagement & Eligibility Bureau	CalWORKs Eligibility Case File Review	March 27-30, 2023	10/20	Review cases in order to increase CDSS' oversight capacity, to assess the implementation of recent CalWORKs Eligibility policy changes, and to assess the need for further technical assistance.	In progress.	
		California Department of Social Services (CDSS), Refugee Programs Bureau Quality Assurance	Refugee Cash Assistance (RCA) and Refugee Social Service (RSS) Programs	May 2023 Triennial	06/17	Monitoring to ensure County and Service Provider compliance with Federal and State Refugee Resettlement Programs rules and regulations.	In progress.	
		California Department of Social Services (CDSS), Parent Engagement and Policy	Temporary Aid for Needy Families (TANF) Work Participation Rate	FFY 2021 Triennial	05/20	The purpose of the review is to determine the accuracy of your reported TANF activity hours for federal fiscal year 2021.	In progress.	
		California Department of Social Services (CDSS), Parent Engagement and Policy	Work Incentive Nutritional Supplement (WINS) Work Participation Rate	FFY 2021 Annual	10/21	The purpose of the review is to determine the accuracy of your reported WINS activity hours for federal fiscal year 2021.	In progress.	
Treasurer-Tax Collector	Treasury and Investments	No audits in progress.						

EXTERNAL AUDIT REPORT  
Implementation Status of Prior Quarter Significant & Material Issues  
Quarter Ended June 30, 2023

No.	Department	Audit Name	Finding	Recommendation	Material or Significant	Implementation Status* & Actions Taken or Planned
1	AC	Single Audit YE 6/30/22	#2022-001: Expenditure information was materially different from expenditures reported on the SEFA.	We recommend the County enhance internal controls to ensure Project and Expenditure Reports are prepared in accordance with governing requirements, and updated timely if revisions are made by the County, to avoid material variances to the underlying expenditures reported on the SEFA.	Significant	<b>Implemented.</b> The County updated the temporary difference between the amount reported in the SEFA and the US Treasury Report on the report submitted to the US Treasury on April 30, 2023.
2	SSA	Single Audit YE 6/30/22	#2022-002: No formal controls or procedures in place for subrecipient monitoring for the program.	We recommend that the County implement policies and procedures in accordance with 2 CFR 200.332 to ensure compliance with subrecipient monitoring requirements.	Significant	<b>In progress.</b> Finalizing P&P and forms to be utilized to meet subrecipient monitoring requirements.
3	CEO & OCPW	Single Audit YE 6/30/22	#2022-003: No evidence of verification that the entity was not suspended or debarred or otherwise excluded, prior to entering the contract.	We recommend that the OCPW and CEO departments adhere to their procurement procedures requiring the suspension or debarment verification is performed prior to entering into a covered transaction.	Significant	<b>CEO: Implemented.</b> The County Executive Office has continued to adhere to the Contract Policy Manual (CPM) and internal policy and procedure of ensuring the suspension or debarment verification of a contractor is performed/documented prior to awarding a contract. The County Procurement Office has also continued to provide trainings and reminders to County-wide procurement staff of this guideline to ensure compliance with Federal Award Protocol.  <b>OCPW: Implemented.</b> OC Public Works created an Alternative Funding Procurement Acknowledgement Form and implemented it to use for all non-county funded projects requiring Project Managers to alert Procurement of all special funding provisions to ensure solicitations are following the correct guidelines.
4	OCS D	Single Audit YE 6/30/22	#2022-004: The required evaluation of the subrecipient's risk of noncompliance was not documented, and onsite reviews were not performed.	We recommend that the Sheriff-Coroner department follow the implemented policies and procedures to ensure that the required evaluation of the subrecipient's risk of noncompliance be documented in accordance with 2 CFR section 200.332(b).	Significant	<b>Implemented.</b> OCS D conducted documented subrecipient monitoring visits as of 6/30/23.
5	OCS D & SSA	Single Audit YE 6/30/22	#2022-005: Certain required information was not provided at the time of the subaward.	We recommend that the Sheriff-Coroner and SSA departments modify and strengthen its current policies and procedures to ensure that all required award information and applicable requirements are communicated to subrecipients at the time of subaward in accordance with 2 CFR section 200.331(a).	Significant	<b>OCS D: Implemented.</b> Subaward letters were revised and identifies whether the award is R&D, and whether there is an indirect cost rate for the federal award.  <b>SSA: Implemented.</b> SSA revised the current Subrecipient Monitoring Policy and Procedures to ensure that all required award information and applicable requirements are communicated to subrecipients at the time of subaward in accordance with 2 CFR section 200.331(a). A check list was developed to track activities and ensure that the required award information and applicable requirements were communicated to subrecipients.

EXTERNAL AUDIT REPORT  
Implementation Status of Prior Quarter Significant & Material Issues  
Quarter Ended June 30, 2023

No.	Department	Audit Name	Finding	Recommendation	Material or Significant	Implementation Status* & Actions Taken or Planned
6	SSA	Single Audit YE 6/30/22	#2022-006: No documentation that the SAM clearance was performed prior to entering the contract with the subrecipient.	We recommend that SSA adhere to their procedures required documentation of the SAM check prior to entering the contract.	Significant	<b>Implemented.</b> A checklist was developed listing all the required documentation to be completed, including the SAM clearance check, prior to entering into a contract with a vendor. Contracts staff will be required to complete the checklist prior to entering into a contract with a vendor and maintain documentation of the verification in the Contracts file.
7	HCA	Single Audit YE 6/30/22	#2022-007: Performance reports were not reviewed or approved prior to submission to the State, and supporting documents for the reports were not retained.	We recommend the HCA adhere to their policies and ensure the review and approval of reports are clearly documented prior to the report's submission and adhere to their policies of record retention of supporting documents for the performance reports submitted to the State.	Significant	<b>Implemented.</b> HCA Public Health Services Communicable Disease Control Division will ensure retention of proper documentation supporting the performance reports and substantiating the review/approval prior to report submission to the State for the Immunization Cooperative Agreement.
8	SSA	Single Audit YE 6/30/22	#2022-008: Reports were prepared, reviewed, and approved by the same individual.	We recommend the SSA adhere to their policies and ensure segregation of duties over the preparation and review and approval of performance reports.	Significant	<b>Implemented.</b> Effective August 2022, the report has been assigned to the Research Unit which is following and adhering to the policy of segregation of duties. One individual prepares the report submits to supervisor for review and approval. Once approved by supervisor Report is then sent back to preparer who submitted to the State.
9	CEO & OCPW	Single Audit YE 6/30/22	#2022-009: Certain required information was not provided at the time of the contract award.	We recommend the OCPW and CEO departments modify and strengthen its current policies and procedures to ensure that all applicable required provisions are communicated to contractors in accordance with 2 CFR Appendix II to Part 200.	Significant	<b>CEO: Implemented.</b> The County Executive Office has continued to adhere to the Contract Policy Manual (CPM) and internal policy and procedure of ensuring all applicable required provisions are communicated to contractors in accordance with 2 CFR Appendix II to Part 200. The County Procurement Office has strengthened its current policy and procedure of these provisions, as well as continued to provide trainings and reminders to County-wide staff of the related guideline to ensure compliance with Federal Award protocol.  <b>OCPW: Implemented.</b> OC Public Works created an Alternative Funding Procurement Acknowledgement Form and implemented it to use for all non-county funded projects requiring Project Managers to alert Procurement of all special funding provisions to ensure solicitations are following the correct guidelines.

EXTERNAL AUDIT REPORT  
Implementation Status of Prior Quarter Significant & Material Issues  
Quarter Ended June 30, 2023

No.	Department	Audit Name	Finding	Recommendation	Material or Significant	Implementation Status* & Actions Taken or Planned
10	SSA	Single Audit YE 6/30/22	#2022-010: No evidence of review and certification of the participants IEVS report, and the income verification document was not retained.	We recommend the County strengthen its established policies and procedures with regard to initial and ongoing eligibility determination, required documentation and verifications, maintenance of participant files, and ensure that policies and procedures are strictly adhered to by County personnel.	Significant	<b>Implemented.</b> April 2023 - Single Audit findings provided to all staff in a mandatory Program Summary meeting. The Quality Assurance team continued to complete case reviews to ensure eligibility workers are following policies and procedures in completing accurate eligibility determinations.
11	SSA	Single Audit YE 6/30/22	#2022-011: Participant's application was not retained.	We recommend the SSA department adhere to their policies and ensure case workers retain participant applications.	Significant	<b>Implemented.</b> April 2023 - Single Audit findings provided to all staff in a mandatory Program Summary meeting. The Quality Assurance team continued to complete case reviews to ensure eligibility workers are following policies and procedures in completing accurate eligibility determinations.
12	HCA	Single Audit YE 6/30/22	#2022-012: Reports were prepared on the cash basis, but reports indicated that the costs were reported on the accrual basis of accounting.	We recommend the HCA adhere to their policies and apply the same basis of accounting on a consistent basis for the program.	Significant	<b>Implemented.</b> HCA Accounting has ensured the appropriate basis of accounting is reported correctly and applied consistently for the ERAP program, after the finding was identified during the prior year's Single Audit.

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



# Memorandum

August 17, 2023

**AOC Agenda Item No. 8**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Auditor-Controller Mandated Audits for Quarter Ended March 31, 2023

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Receive Report on Status of Auditor-Controller Mandated Audits for Quarter Ended March 31, 2023, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Status of Mandated Audits as of March 31, 2023



Auditor-Controller Internal Audit  
 Status of Mandated Audits  
 As of March 31, 2023  
 AOC Meeting Date: May 11, 2023

Audit Name	Audit No.	Budget Hours	Actual Hours	Variance	Draft Report	Final Report	Status
Audit of Schedule of Assets as of 6/30/22	N/A	N/A	N/A	N/A	N/A		Fieldwork completed
Cash Shortages FY 20-21	2001	100	203	-103	N/A	N/A	1 in process, 9 completed
Cash Shortages FY 22-23	2202	120	29	92	N/A	N/A	3 in process, 4 completed
JPAs and Special Districts FY 21-22*	2211	120	31	89	N/A	N/A	Collection in process
Review of Schedule of Assets as of 9/30/22	2207	300	293	7	2/16/2023	2/27/2023	Report issued
Review of Schedule of Assets as of 12/31/22	2208	300	121	180			Fieldwork in process
Review of Schedule of Assets as of 3/31/23	2209	300	2	298			Planning in process

\*We collect copies and post them online.



Auditor-Controller Internal Audit  
 Status of Mandated Audits  
 As of March 31, 2023  
 AOC Meeting Date: May 11, 2023

### Audit of Schedule of Assets as of 6/30/22

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Control Deficiencies
To perform an annual audit to express an opinion on whether the Schedule of Assets is presented fairly, in all material respects, in accordance with the modified-cash basis of accounting. This engagement has been contracted out to Eide Bailly LLP.	Fieldwork has been completed.	0	0

### Cash Shortages FY 20-21

Objective	Status/Results	Critical or Significant Control Weaknesses	Control Findings
To perform an investigation to determine whether to approve replenishment of cash shortages.	We completed 9 investigations and have 1 in process. Departments in process: Child Support Services	0	0

### Cash Shortages FY 22-23

Objective	Status/Results	Critical or Significant Control Weaknesses	Control Findings
To perform an investigation to determine whether to approve replenishment of cash shortages.	We completed 4 investigations and have 3 in process. Departments in process: Clerk-Recorder and OC Sheriff's Department	0	0



Auditor-Controller Internal Audit  
 Status of Mandated Audits  
 As of March 31, 2023  
 AOC Meeting Date: May 11, 2023

### JPs and Special Districts FY 21-22

Objective	Status/Results	Modified Reports Received/Reviewed	Total Reports Reviewed
To ensure all JPAs and Special District within the County file their annual audits within 12 months of their fiscal year end.	We are collecting audited financial statements. JPAs remaining: 25 of 73. Special Districts remaining: 13 of 34. Total reports received: 69	0/0	35

### Review of Schedule of Assets as of 9/30/22

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Control Deficiencies
To perform a quarterly review to express a conclusion on whether we are aware of any material modifications that should be made to the Schedule of Assets for it to be in accordance with the modified-cash basis of accounting.	We issued the report on March 27, 2023.	0	0

### Review of Schedule of Assets as of 12/31/22

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Control Deficiencies
To perform a quarterly review to express a conclusion on whether we are aware of any material modifications that should be made to the Schedule of Assets for it to be in accordance with the modified-cash basis of accounting.	We received the Schedule of Assets from the Treasurer-Tax Collector on February 27, 2023. Fieldwork is in process.	0	0



Auditor-Controller Internal Audit  
 Status of Mandated Audits  
 As of March 31, 2023  
 AOC Meeting Date: May 11, 2023

**Review of Schedule of Assets as of 3/31/23**

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Control Deficiencies
To perform a quarterly review to express a conclusion on whether we are aware of any material modifications that should be made to the Schedule of Assets for it to be in accordance with the modified-cash basis of accounting.	Planning is in process.	0	0



Auditor-Controller Internal Audit  
 Status of Mandated Audits  
 As of March 31, 2023  
 AOC Meeting Date: May 11, 2023

<b>Past-Due Submissions of Audited Financial Statements</b>			
<b>Entity Type</b>	<b>Entity Name</b>	<b>FYE Date</b>	<b>Rectified Date</b>
JPA	Public Cable Television Authority (PCTA)	6/30/2021	
JPA	Public Cable Television Authority (PCTA)	6/30/2020	
JPA	Saddleback Valley USD PFA	6/30/2020	
JPA	Santa Ana River Flood Protection Agency (SARFPA)	6/30/2019	
JPA	School Employers Association of CA	6/30/2019	
JPA	North Orange County Cities JPA	6/30/2018	
JPA	Saddleback Valley USD PFA	6/30/2018	
JPA	Santa Ana River Flood Protection Agency (SARFPA)	6/30/2018	
JPA	School Employers Association of CA (SEAC)	6/30/2018	
JPA	Southern California Coastal Water Research Project (SCCWRP)	6/30/2018	
Special District	Rossmoor Community Services District	6/30/2018	2/7/2023
Special District	Rossmoor/Los Alamitos Area Sewer District	6/30/2018	3/14/2023
Special District	Three Arch Bay Community Services District	6/30/2018	2/3/2023



# Memorandum

August 17, 2023

**AOC Agenda Item No. 8**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Auditor-Controller Mandated Audits for Quarter Ended June 30, 2023

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Receive Report on Status of Auditor-Controller Mandated Audits for Quarter Ended June 30, 2023, as stated in recommended action.

ATTACHMENT(S):

Attachment A – FY 2023-24 Internal Audit Plan and Internal Audit Charter

Attachment B – Status of Mandated Audits as of June 30, 2023



OFFICE OF THE  
**ORANGE COUNTY AUDITOR-CONTROLLER**

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**ANDREW N. HAMILTON, CPA**  
AUDITOR-CONTROLLER

DATE: August 17, 2023  
TO: Members, Audit Oversight Committee  
FROM: Michael Steinhaus, Internal Audit Manager  
SUBJECT: FY 2023-24 Internal Audit Plan and Internal Audit Charter

The Auditor-Controller's FY 2023-24 Internal Audit Plan and Internal Audit Charter are attached for your review. If you have any questions please contact me at 714-834-6106.



## FY 2023-24 Internal Audit Plan

### **MISSION STATEMENT**

The mission of Auditor-Controller Internal Audit (Internal Audit) is to provide independent, objective assurance and management consulting services designed to add value and improve the Auditor-Controller's Office and County operations.

### **BACKGROUND**

The Auditor-Controller is an elected official with legislatively mandated responsibility to perform or cause to be performed certain audits and reviews of the County. Internal Audit was established in February 2007 to perform the Auditor-Controller's mandated projects and assist the Auditor-Controller with consulting services, investigations, and special requests.

### **INDEPENDENCE**

In order to preserve auditor independence, Internal Audit is functionally and structurally independent of Auditor-Controller operations. The Audit Manager is the Chief Audit Executive (CAE) of Internal Audit and is responsible for the audit planning, audit management, and administrative functions of the unit. The Audit Manager reports directly to the Auditor-Controller.

### **AUDIT OVERSIGHT COMMITTEE**

Orange County has an Audit Oversight Committee (AOC) that oversees the County's audit functions and serves as an advisory committee to the Board of Supervisors (BOS). The Audit Manager presents a status of Internal Audit's mandated projects at the AOC's quarterly meetings, and annually submits the Internal Audit Charter and Internal Audit Plan for them to receive and file. All AOC meetings are subject to the Brown Act.

### **AUDIT PLAN**

The FY 2023-24 Internal Audit Plan at attachment A is limited to activities under the Auditor-Controller's authority and hours are allocated between four project types: mandated projects, special request projects, risk-based projects, and other projects.

#### **I. Mandated Projects**

**Treasury Audits and Reviews:** Internal Audit performs quarterly reviews of the Treasurer's Schedule of Assets in accordance with GOV Section 26920; the Auditor-Controller causes the annual audit to be performed by the County's external auditors. The reports for these projects are addressed to the BOS and copied to the AOC, Treasurer-Tax Collector management, Grand Jury, and the Clerk of the Board (COB).

**Probation Audits:** WIC Section 275 requires that the Auditor-Controller audit the Probation Department's juvenile books and accounts once every two years. This audit was last performed in FY 2021-22 and is scheduled for FY 2023-24. The reports for this project are addressed to the Presiding Judge of the Superior Court and copied to the BOS, AOC, Probation Department management, COB, Grand Jury, and the County's external auditor.

**Special Districts and Joint Powers Authorities:** Pursuant to GOV Section 26909, Internal Audit collects and reviews the audited financial reports for the Special Districts within Orange County. If a Special District does not hire a CPA firm to perform a financial statement audit, the Auditor-Controller must perform or cause to be performed a financial statement audit at the Special District's expense. The Auditor-Controller also receives copies of Joint Powers Authorities audited financial statements pursuant to GOV Section 6505.



## FY 2023-24 Internal Audit Plan

**Cash Shortages:** Pursuant to GOV Section 29390.1, the Auditor-Controller performs cash shortage investigations and replenishment instead of the BOS. To meet the requirements of Board Resolution 05-033, Internal Audit performs the procedures in County Accounting Manual Procedure C-3.

**Fraud Hotline:** Per GOV Section 53087.6, the Auditor-Controller may maintain a whistleblower hotline to receive information from people regarding fraud, waste, or abuse by local government employees.

### II. Special Request Projects

Internal Audit performs projects in response to requests from County departments, agencies or committees. The BOS sends its special request projects to the Internal Audit Department.

**Treasury Compliance Monitoring:** Pursuant to an engagement letter with the Treasury Oversight Committee (TOC), Internal Audit performs quarterly monitoring projects to determine whether the Treasurer's investment portfolio complied with the Treasurer's Investment Policy Statement. The reports for this project are addressed to the TOC and copied to the BOS, AOC, Treasurer-Tax Collector management, COB, Grand Jury, and the County's external auditor.

### III. Risk-based Projects

The Internal Audit Risk Assessment at attachment B found the following Auditor-Controller sections to be high or medium risk:

#### High-risk Sections

SSA Accounting  
HCA Accounting  
Claims and Compliance  
OCWR Accounting

#### Medium-risk Sections

OCCR Accounting  
OCPW Accounting  
Accounting and Reporting  
JWA Accounting  
Central Payroll

### IV. Other Projects

These projects may include consulting services, managing Internal Audit's quality and assurance improvement program, preparing the risk-based audit plan; presenting the status of mandated projects to AOC; managing the CPA certification program; or assisting other County departments, counties, or entities on behalf of the Auditor-Controller's Office.

*Michael Steinhaus*

Michael Steinhaus, CPA, CISA, CIA  
Audit Manager  
July 18, 2023

*Andrew N. Hamilton*

Andrew N. Hamilton, Auditor-Controller

*7/19/2023*

Date



## Attachment A: FY 2023-24 Internal Audit Plan

## FY 2023-24 Internal Audit Plan

Project Code	Project Title	Budget	Prior Year Budget
2301	Quality Assurance and Improvement Program	180	180
2302	Cash Shortages	120	120
2303	Investment Compliance Monitoring QE 6/30/23	180	180
2304	Investment Compliance Monitoring QE 9/30/23	180	180
2305	Investment Compliance Monitoring QE 12/31/23	180	180
2306	Investment Compliance Monitoring QE 3/31/24	180	180
2307	Review of Schedule of Assets as of 9/30/23	280	280
2308	Review of Schedule of Assets as of 12/31/23	280	280
2309	Review of Schedule of Assets as of 3/31/24	280	280
2310	JPAs and Special Districts FY 22-23	120	120
2311	Assistance to Other County Departments	50	50
2312	Fraud Hotline	80	80
2313	CPA Coordinator	50	50
2314	Assistance to Other A-C Units	100	100
2315	Mentorship Advisory Committee	50	50
2316	Follow-up Audits	60	40
2317	Special Projects	20	20
2318	Probation Audit 2YE 6/30/23	600	
	Total Project Hours	2,990	2,370

Internal Audit Risk Assessment

Attachment B: Internal Audit Risk Assessment

Section Name	Risk Area 1 Staffing and Rate of Changes [Likelihood]	Risk Area 2 Dollar Volume of Financial Activity [Impact]	Risk Area 3 Audit Coverage [Likelihood]	Risk Area 4 Quality of Internal Controls [Likelihood]	Risk Area 5 Regulatory Compliance [Impact]	Total Risk Rating	Risk Level
IT/CAPS+ Functional Support	3	1	2	1	4	11	Low
CEO Public Finance Accounting	2	3	2	2	2	11	Low
IT Technical Support	3	1	2	1	3	10	Low
OCCR Accounting	4	4	4	2	1	15	Medium
SSA Accounting	4	5	3	3	4	19	High
Financial Services	2	1	1	1	3	8	Low
OCPW Accounting	2	3	3	2	3	13	Medium
HCA Accounting	4	5	3	4	4	20	High
Accounting and Reporting	5	1	2	1	5	14	Medium
Claims and Compliance	3	5	5	4	4	21	High
OCWR Accounting	4	4	3	4	4	19	High
JWA Accounting	2	1	3	3	5	14	Medium
Property Tax	2	1	3	1	2	9	Low
Central Payroll	3	5	2	3	4	17	Medium

High-risk Section Total of 19-25.  
 Medium-risk Section Total of 12-18.  
 Low-risk Section Total of 5-11.





## Internal Audit Charter

### Purpose and Mission

The purpose of the Orange County Auditor-Controller's Internal Audit Unit is to provide independent, objective assurance and consulting services designed to add value and improve Orange County's operations. The Auditor-Controller Internal Audit Unit performs the Auditor-Controller's mandated audit and review requirements as prescribed by Government Code and Welfare & Institution Code statutes. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit Unit helps the Auditor-Controller's Office and the County of Orange accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

### Standards for the Professional Practice of Internal Auditing

The Internal Audit Unit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Internal Audit Manager will report periodically to the Auditor-Controller and senior management regarding the Internal Audit Unit's conformance to the Code of Ethics and the *Standards*.

### Authority

Authority for the Auditor-Controller to conduct certain audits is granted by the legislature under various code sections including *Government Code Section 26881*, *Government Code Section 26920*, and *Welfare and Institutions Code Section 275*.

The Internal Audit Manager will report functionally to the Auditor-Controller and administratively (i.e., day-to-day operations) to the Chief Deputy Auditor-Controller. To establish, maintain, and assure that Auditor-Controller's Internal Audit Unit has sufficient authority to fulfill its duties, the Auditor-Controller will:

- Approve the Internal Audit Charter.
- Approve the risk-based internal audit plan.
- Approve the Internal Audit Unit's budget and resource plan.
- Receive communications from the Internal Audit Manager on the Internal Audit Unit's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Internal Audit Manager.
- Approve the remuneration of the Internal Audit Manager.
- Make appropriate inquiries of management and the Internal Audit Manager to determine whether there is inappropriate scope or resource limitations.

The Internal Audit Manager will have unrestricted access to, and communicate and interact directly with, the Auditor-Controller, including in private meetings without management present.

The Auditor-Controller authorizes the Internal Audit Unit to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of Orange County, as well as other specialized services from within or outside Orange County in order to complete the engagement.

### Independence and Objectivity

The Internal Audit Manager will ensure that the Internal Audit Unit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Internal Audit Manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for Orange County or its affiliates.
- Initiating or approving transactions external to the Internal Audit Unit.
- Directing the activities of any Orange County employee not employed by the Internal Audit Unit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Internal Audit Manager has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Internal Audit Manager will confirm to the Auditor-Controller, at least annually, the organizational independence of the Internal Audit Unit.

The Internal Audit Manager will disclose to the Auditor-Controller any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

### Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Auditor-Controller, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for Orange County. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the Auditor-Controller's and the County of Orange's strategic objectives are appropriately identified and managed.
- The actions of Orange County's officers, directors, employees, and contractors comply with Orange County's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Auditor-Controller's Office or the County of Orange.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Internal Audit Manager will report periodically to the Auditor-Controller and senior management regarding:

- The Internal Audit Unit's purpose, authority, and responsibility.
- The Internal Audit Unit's plan and performance relative to its plan.
- The Internal Audit Unit's conformance with The IIA's Code of Ethics and *Standards*, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Auditor-Controller.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the Auditor-Controller's Office or the County of Orange.

The Internal Audit Manager also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Internal Audit Unit may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Internal Audit Unit does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

## Responsibility

Government Code 1236 requires that all County employees that conduct audits or that conduct audit activities of the County shall conduct their work under the general and specified standards prescribed by the Institute of Internal Auditors (IIA) or the Government Auditing Standards issued by the Comptroller General of the United States, as appropriate. The Internal Audit Unit conducts its work under the IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)*.

The Internal Audit Manager has the responsibility to:

- Submit, at least annually, to the Auditor-Controller and senior management a risk-based internal audit plan for review and approval.
- Communicate to the Auditor-Controller and senior management the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in Orange County's business, risks, operations, programs, systems, and controls.
- Communicate to the Auditor-Controller and senior management any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to the Auditor-Controller and senior management any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the Internal Audit Unit collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact Orange County are considered and communicated to the Auditor-Controller and senior management as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit Unit.
- Ensure adherence to the Auditor-Controller's Office and the County of Orange's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to the Auditor-Controller and senior management.
- Ensure conformance of the Internal Audit Unit with the *Standards*, with the following qualifications:
  - If the Internal Audit Unit is prohibited by law or regulation from conformance with certain parts of the *Standards*, the Internal Audit Manager will ensure appropriate disclosures and will ensure conformance with all other parts of the *Standards*.
  - If the *Standards* are used in conjunction with requirements issued by other authoritative bodies, the Internal Audit Manager will ensure that the Internal Audit Unit conforms with the *Standards*, even if the Internal Audit Unit also conforms with the more restrictive requirements of other authoritative bodies.

Quality Assurance and Improvement Program

The Internal Audit Unit will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Unit. The program will include an evaluation of the Internal Audit Unit's conformance with the *Standards* and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the Internal Audit Unit and identify opportunities for improvement.

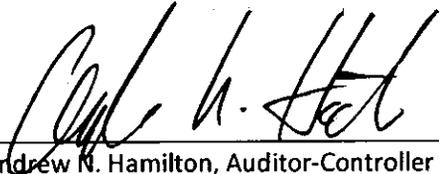
The Internal Audit Manager will communicate to the Auditor-Controller and senior management on the Internal Audit Unit's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside County of Orange.

Effective Date

This charter becomes effective immediately upon approval by the Auditor-Controller.

  
\_\_\_\_\_  
Michael Steinhaus, Internal Audit Manager

7/17/23  
Date

  
\_\_\_\_\_  
Andrew N. Hamilton, Auditor-Controller

7/19/2023  
Date



Auditor-Controller Internal Audit  
 Status of Mandated Audits  
 As of June 30, 2023  
 AOC Meeting Date: August 17, 2023

Audit Name	Audit No.	Budget Hours	Actual Hours	Variance	Draft Report	Final Report	Status
Audit of Schedule of Assets as of 6/30/22	N/A	N/A	N/A	N/A	N/A	4/18/2023	Completed
Cash Shortages FY 20-21	2001	100	209	-109	N/A	N/A	1 in process, 9 completed
Cash Shortages FY 22-23	2202	120	45	76	N/A	N/A	3 in process, 7 completed
JPAs and Special Districts FY 21-22*	2211	120	44	76	N/A	N/A	Collection in process
Review of Schedule of Assets as of 12/31/22	2208	300	258	43			Fieldwork in process
Review of Schedule of Assets as of 3/31/23	2209	300	141	159			Fieldwork in process

\*We collect copies and post them online.



Auditor-Controller Internal Audit  
 Status of Mandated Audits  
 As of June 30, 2023  
 AOC Meeting Date: August 17, 2023

### Audit of Schedule of Assets as of 6/30/22

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Control Deficiencies
To perform an annual audit to express an opinion on whether the Schedule of Assets is presented fairly, in all material respects, in accordance with the modified-cash basis of accounting. This engagement has been contracted out to Eide Bailly LLP.	Eide Bailly is the report on April 18, 2023.	0	0

### Cash Shortages FY 20-21

Objective	Status/Results	Critical or Significant Control Weaknesses	Control Findings
To perform an investigation to determine whether to approve replenishment of cash shortages.	We completed 9 investigations and have 1 in process. Departments in process: Child Support Services	0	0

### Cash Shortages FY 22-23

Objective	Status/Results	Critical or Significant Control Weaknesses	Control Findings
To perform an investigation to determine whether to approve replenishment of cash shortages.	We completed 7 investigations and have 3 in process. Departments in process: Clerk-Recorder and OC Sheriff's Department	0	0



Auditor-Controller Internal Audit  
 Status of Mandated Audits  
 As of June 30, 2023  
 AOC Meeting Date: August 17, 2023

### JPAs and Special Districts FY 21-22

Objective	Status/Results	Modified Reports Received/Reviewed	Total Reports Reviewed
To ensure all JPAs and Special District within the County file their annual audits within 12 months of their fiscal year end.	We are collecting audited financial statements. JPAs remaining: 5 of 73. Special Districts remaining: 6 of 34. Total reports received: 96	0/0	35

### Review of Schedule of Assets as of 12/31/22

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Control Deficiencies
To perform a quarterly review to express a conclusion on whether we are aware of any material modifications that should be made to the Schedule of Assets for it to be in accordance with the modified-cash basis of accounting.	We received the Schedule of Assets from the Treasurer-Tax Collector on February 27, 2023. Fieldwork is in process.	0	0

### Review of Schedule of Assets as of 3/31/23

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Control Deficiencies
To perform a quarterly review to express a conclusion on whether we are aware of any material modifications that should be made to the Schedule of Assets for it to be in accordance with the modified-cash basis of accounting.	We received the Schedule of Assets from the Treasurer-Tax Collector on May 30, 2023. Fieldwork is in process.	0	0



Auditor-Controller Internal Audit  
 Status of Mandated Audits  
 As of June 30, 2023  
 AOC Meeting Date: August 17, 2023

<b>Past-Due Submissions of Audited Financial Statements</b>			
<b>Entity Type</b>	<b>Entity Name</b>	<b>FYE Date</b>	<b>Rectified Date</b>
Special District	Moulton Niguel Water District	6/30/2022	
Special District	Orange County Public Law Library	6/30/2022	
Special District	Placentia Library District	6/30/2022	
Special District	Rossmoor/Los Alamitos Area Sewer District	6/30/2022	
Special District	Silverado Modjeska Recreation and Park District	6/30/2022	
Special District	Sunset Beach Sanitary District	6/30/2022	
JPA	Newport-Mesa USD PFA	6/30/2022	
JPA	Public Cable Television Authority (PCTA)	6/30/2022	
JPA	Santa Ana River Flood Protection Agency (SARFPA)	6/30/2022	
JPA	School Employers Association of CA (SEAC)	6/30/2022	
JPA	Trabuco Canyon PFA	6/30/2022	
JPA	Public Cable Television Authority (PCTA)	6/30/2021	
JPA	Public Cable Television Authority (PCTA)	6/30/2020	
JPA	Saddleback Valley USD PFA	6/30/2020	
JPA	Santa Ana River Flood Protection Agency (SARFPA)	6/30/2019	
JPA	School Employers Association of CA	6/30/2019	
JPA	North Orange County Cities JPA	6/30/2018	
JPA	Saddleback Valley USD PFA	6/30/2018	
JPA	Santa Ana River Flood Protection Agency (SARFPA)	6/30/2018	
JPA	School Employers Association of CA (SEAC)	6/30/2018	
JPA	Southern California Coastal Water Research Project (SCCWRP)	6/30/2018	



# Memorandum

August 17, 2023

**AOC Agenda Item No. 9**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Performance Audits for the Quarter Ended March 31, 2023

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Receive Report on Status of Performance Audits for the Quarter Ended March 31, 2023, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Performance Audits Quarterly Status Report

**PERFORMANCE AUDITS QUARTERLY STATUS REPORT**  
February 16, 2023

Department	Division/Program	Third Party Auditor	Previous Audit	Audit Scope	Status
<b>FY 2021-22</b>					
Sheriff Coroner	Procurement	National institute of Governmental Purchasing (NIGP) Consulting (Powered by Periscope)	N/A	Review of procurement functions, including process mapping to address the effectiveness of procurement functions for compliance with County policies and procedures and government procurement-related statutes, to provide the basis for recommendations for streamlining and improving efficiencies and establishing performance metrics and measures	OCSD submitted response to audit findings on March 24. CEO transmitted to BOS and posted the audit and response online on April 28.
Child Support Services	Administration/Department Head Transition	Macias Gini & O'Connell LLP (MGO)	N/A	Review administrative operations, policies, practices and procedures, and make recommendations to identify opportunities for streamlining processes, expanding efficiencies, applying best practices, and establishing performance metrics and measures	In progress following 12/23/22 contract execution.
Health Care Agency	Behavioral Health Services (BHS)	Health Management Associates, Inc. (HMA)	N/A	Review of BHS' Mental Health Services Act (MHSA) programming to evaluate effectiveness of the MHSA governance structure (MHSA Steering Committee and MHSA Advisory Board), BHS' ability to identify and track appropriate performance measures for each MHSA program; compliance with MHSA mandates, goals, and objectives; alignment with County strategic priorities and initiatives such as OC Cares, Be Well Initiative, and Homelessness; and overall client experience such as outreach, navigation, referrals, assessments, warm hand-offs, linkages	In progress following 1/19/23 contract execution.

**PERFORMANCE AUDITS QUARTERLY STATUS REPORT**  
February 16, 2023

<b>Department</b>	<b>Division/Program</b>	<b>Third Party Auditor</b>	<b>Previous Audit</b>	<b>Audit Scope</b>	<b>Status</b>
Social Services Agency	Case Management Services under Temporary Aid to Needy Families (TANF) and California Work Opportunity and Responsibility to Kids Act (CalWORKs)	Moss Adams LLP	N/A	As directed by the Board on 5/24/22, performance audit to examine performance metrics related to case management services provided by Maximus and SSA staff.	In progress following 10/13/22 contract execution.
<b>FY 2022-23</b>					
Registrar of Voters	Administration/Department Head Transition	MGT of America Consulting, LLC (MGT)	N/A	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	Draft audit report is completed.
Social Services Agency	Administration/Department Head Transition	Moss Adams LLP	N/A	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	In progress following 12/23/22 contract execution.
John Wayne Airport	Administration/Department Head Transition	To Be Determined	N/A	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	Contract issued to Weaver. Firm specializes in performance audits of transportation organizations. Entrance interview with CEO completed in March 2023.
<b>IMPLEMENTATION STATUS OF RECOMMENDATIONS FOR COMPLETED PERFORMANCE AUDITS</b>					
<b>FY 2020-21</b>					
OC Public Works	Administration/Department Head Transition	Macias Gini & O'Connell LLP (MGO)	N/A	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	Audit completed. Follow up in six months for status of implementation of recommendations.
Probation	Administration/Department Head Transition	MGT of America Consulting, LLC (MGT)	N/A	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	Audit completed. Follow up in six months for status of implementation of recommendations.



# Memorandum

August 17, 2023

**AOC Agenda Item No. 9**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Status of Performance Audits for the Quarter Ended June 30, 2023

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Receive Report on Status of Performance Audits for the Quarter Ended June 30, 2023, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Performance Audits Quarterly Status Report

**PERFORMANCE AUDITS QUARTERLY STATUS REPORT**  
February 16, 2023

Department	Division/Program	Third Party Auditor	Previous Audit	Audit Scope	Status
<b>FY 2021-22</b>					
Sheriff Coroner	Procurement	National institute of Governmental Purchasing (NIGP) Consulting (Powered by Periscope)	N/A	Review of procurement functions, including process mapping to address the effectiveness of procurement functions for compliance with County policies and procedures and government procurement-related statutes, to provide the basis for recommendations for streamlining and improving efficiencies and establishing performance metrics and measures	OCSD submitted response to audit findings on March 24. CEO transmitted to BOS and posted the audit and response online on April 28.
Child Support Services	Administration/Department Head Transition	Macias Gini & O'Connell LLP (MGO)	N/A	Review administrative operations, policies, practices and procedures, and make recommendations to identify opportunities for streamlining processes, expanding efficiencies, applying best practices, and establishing performance metrics and measures	In progress following 12/23/22 contract execution.
Health Care Agency	Behavioral Health Services (BHS)	Health Management Associates, Inc. (HMA)	N/A	Review of BHS' Mental Health Services Act (MHSA) programming to evaluate effectiveness of the MHSA governance structure (MHSA Steering Committee and MHSA Advisory Board), BHS' ability to identify and track appropriate performance measures for each MHSA program; compliance with MHSA mandates, goals, and objectives; alignment with County strategic priorities and initiatives such as OC Cares, Be Well Initiative, and Homelessness; and overall client experience such as outreach, navigation, referrals, assessments, warm hand-offs, linkages	In progress following 1/19/23 contract execution.

PERFORMANCE AUDITS QUARTERLY STATUS REPORT

February 16, 2023

Department	Division/Program	Third Party Auditor	Previous Audit	Audit Scope	Status
Social Services Agency	Case Management Services under Temporary Aid to Needy Families (TANF) and California Work Opportunity and Responsibility to Kids Act (CalWORKs)	Moss Adams LLP	N/A	As directed by the Board on 5/24/22, performance audit to examine performance metrics related to case management services provided by Maximus and SSA staff.	In progress following 10/13/22 contract execution.
<b>FY 2022-23</b>					
Registrar of Voters	Administration/Department Head Transition	MGT of America Consulting, LLC (MGT)	N/A	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	Draft audit report is completed. Department has completed response. Will finalize by early August.
Social Services Agency	Administration/Department Head Transition	Moss Adams LLP	N/A	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	In progress following 12/23/22 contract execution.
John Wayne Airport	Administration/Department Head Transition	To Be Determined	N/A	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	Contract issued to Weaver. Firm specializes in performance audits of transportation organizations. Entrance interview with CEO completed in March 2023.
<b>FY 2023-24</b>					
Auditor-Controller	Administration/Department Head Transition	TBD	FY 2019-20	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	CEO is working on scope of work.
Health Care Agency	Administration/Department Head Transition	TBD	N/A	Review administrative operations, policies, practices and procedures and make recommendations to streamline, reduce costs, expand efficiencies, apply best practices	CEO is working on scope of work.

February 16, 2023

Department	Division/Program	Third Party Auditor	Previous Audit	Audit Scope	Status
Health Care Agency	Mental Health and Recovery Services/ Outreach and Engagement	TBD	N/A	Homeless and mental health outreach programs are evolving as federal and state policies and funding re-shape how local municipalities address homelessness. HCA's Outreach and Engagement (O&E) program is a cornerstone of the County of Orange's (County) homeless response. As the County increases its focus on addressing homelessness and mental health through an individual-by-individual approach as opposed to a "one-size fit all" approach, it is important that O&E level of resources are evaluated, and performance metrics established to monitor effectiveness. Aside from resource evaluation and performance metrics, the audit will also focus on identifying best practices and additional models for consideration.	CEO is working on scope of work.
OC Community Resources	Workforce Innovation and Opportunity Act Program	TBD	N/A	In recent years, the Workforce Innovation and Opportunity Act (WIOA) program has become increasingly important to the County. With the launch of OC Cares in 2019, ensuring that there are workforce development programs available for all eligible County residents, especially those in the most vulnerable of populations, has become a major focus. Additionally, as the County demographics changes, it is important that WIOA is prepared to assist County residents with job training and job search. The WIOA program has never undergone a County performance audit. The audit will include, but not limited to: WIOA resources, inventory of WIOA services, WIOA performance as it relates to state regulations and County goals, etc.	CEO is working on scope of work.



# Memorandum

August 17, 2023

**AOC Agenda Item No. 10**

TO: Audit Oversight Committee Members

Recommended Action:  
Receive Report on eProcurement

---

Receive Report on eProcurement, as stated in recommended action.



# Memorandum

August 17, 2023

**AOC Agenda Item No. 11**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Update on County IT Projects Quarterly Progress Report

---

Receive Update on County IT Projects Quarterly Progress Report, as stated in recommended action.

ATTACHMENT(S):

Attachment A –County IT Projects Quarterly Progress Report (Summary)

# County IT Projects

## Quarterly Progress Report

3<sup>rd</sup> Quarter, FY22-23  
Jan 1 – Mar 31, 2023



# Summary

The Quarterly OC Information Technology (OCIT) Project Progress Report provides the status of all County IT projects with a budget of \$150,000 or more and/or that have been identified as meriting the Board of Supervisors' attention.

The IT projects included in this report reflect the County's ongoing commitment to align IT with the County's business values. Projects included in the portfolio cover the upgrade or replacement of aging infrastructure and end-of-life systems and investment in new, innovative, and reliable technology and platforms. These projects also enhance the County's ability to maintain critical business operations, improve productivity, and deliver more and better services to constituents.

In addition to project status updates, this report also describes the County's IT overall project performance trends over the last 12 quarters.

## Highlights



### At a Glance

The number of projects in this reporting period is 15, one more than the number of projects reported in the previous quarter. One project was completed last quarter and two new projects were added this quarter. The total budget increased from \$17,051,112 to \$17,855,799.

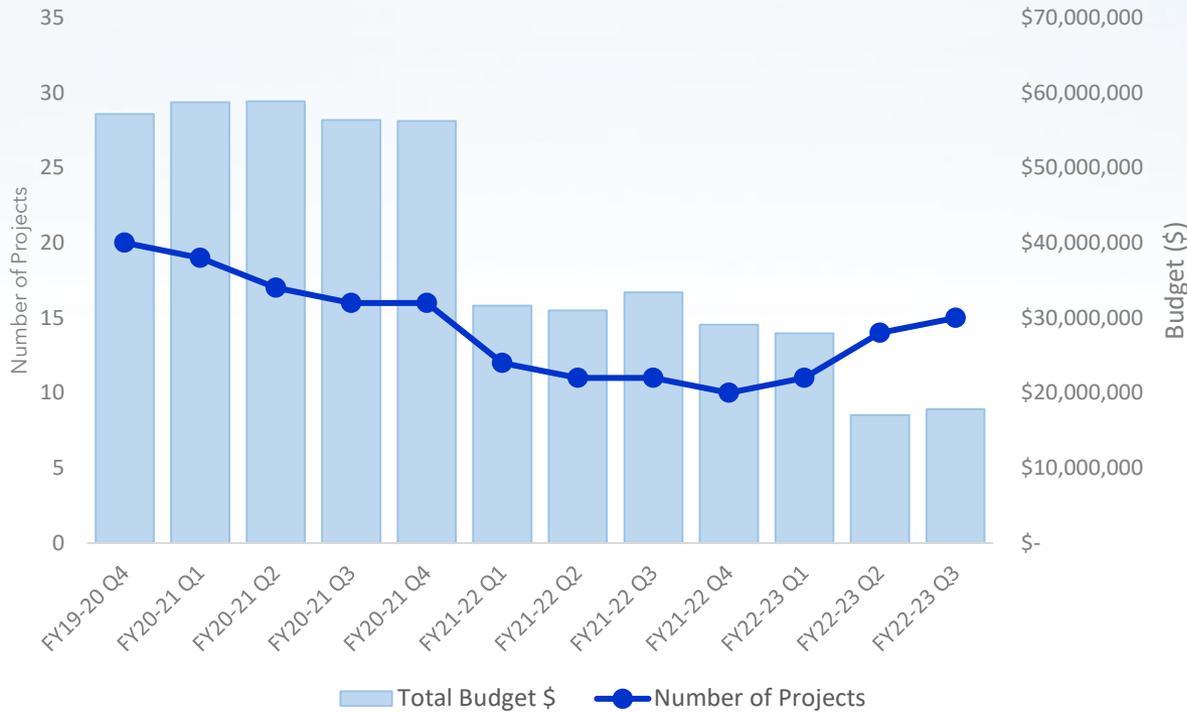


### Key Accomplishments

No projects were completed in FY22-23 Q3. A key long-term project, CalSAWS Migration Technical Support, is on track to be completed in FY22-23 Q4.

# IT Portfolio Size and Budget

This chart depicts the County’s IT project portfolio size and budget trends over the last 12 quarters.

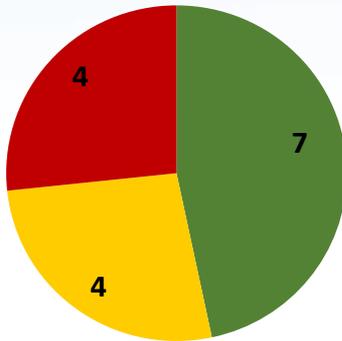


The chart above reflects projects that were active or completed during the reporting period. **Item 14, AOC Meeting 08/07/2023, Page 3 of 8**

# Portfolio Performance

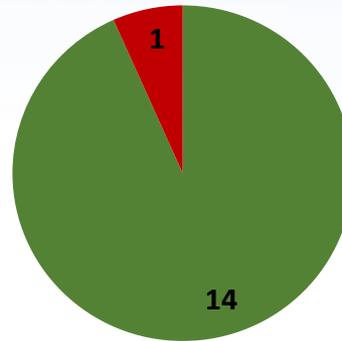
The charts below depict the County's IT project portfolio schedule and budget performance of the active and completed projects during the reporting period.

## Schedule



- On Schedule
- At risk; 10% - 20% over schedule
- Critical; >20% over schedule

## Budget



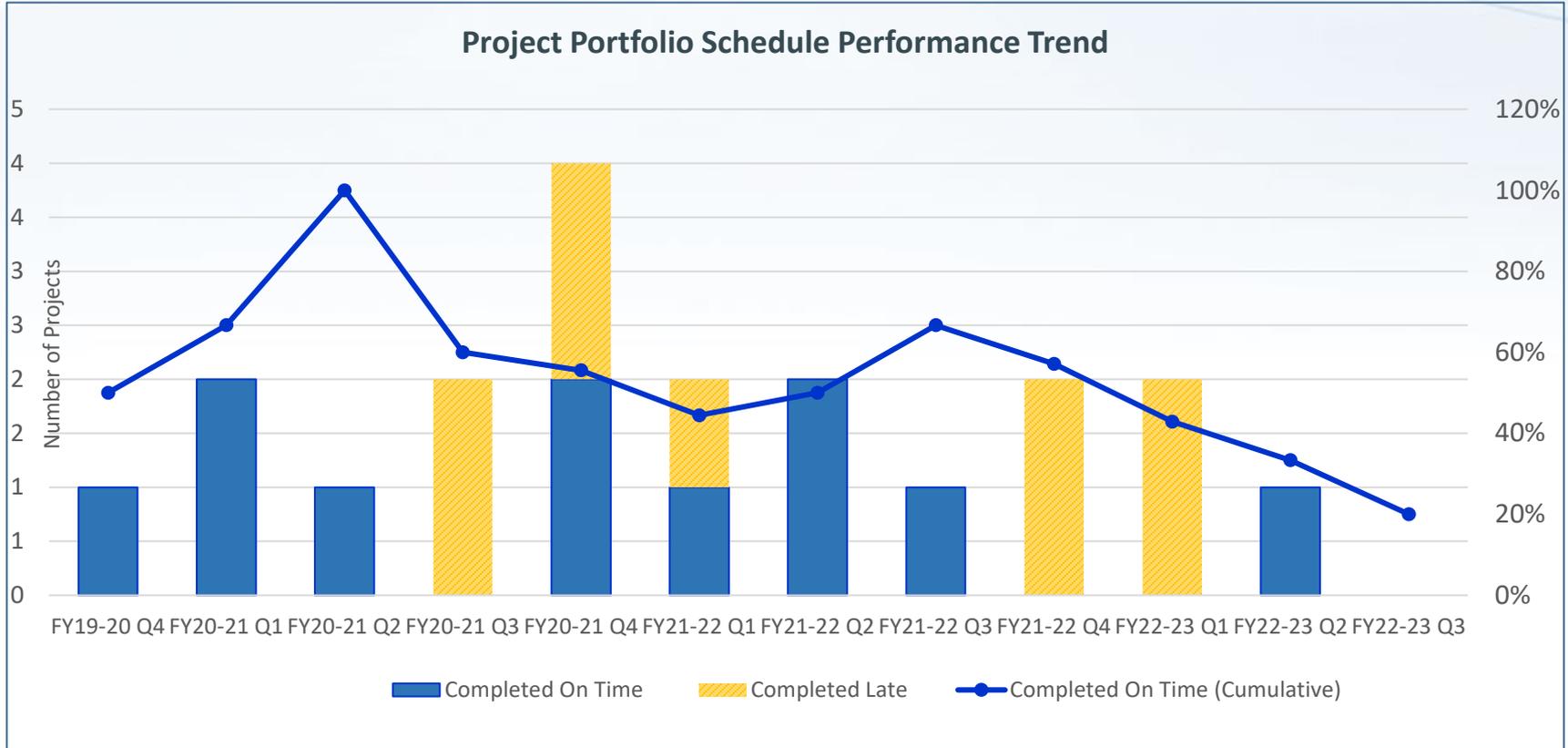
- On Budget
- At risk; 10% - 20% over budget
- Critical; >20% over budget

During this reporting period, eight projects are experiencing schedule delays, and one project exceeds its original budget by more than 20%.

Vendor, resource, and equipment availability and product quality issues are the primary contributors to project schedule delays.

# Portfolio Performance Trend

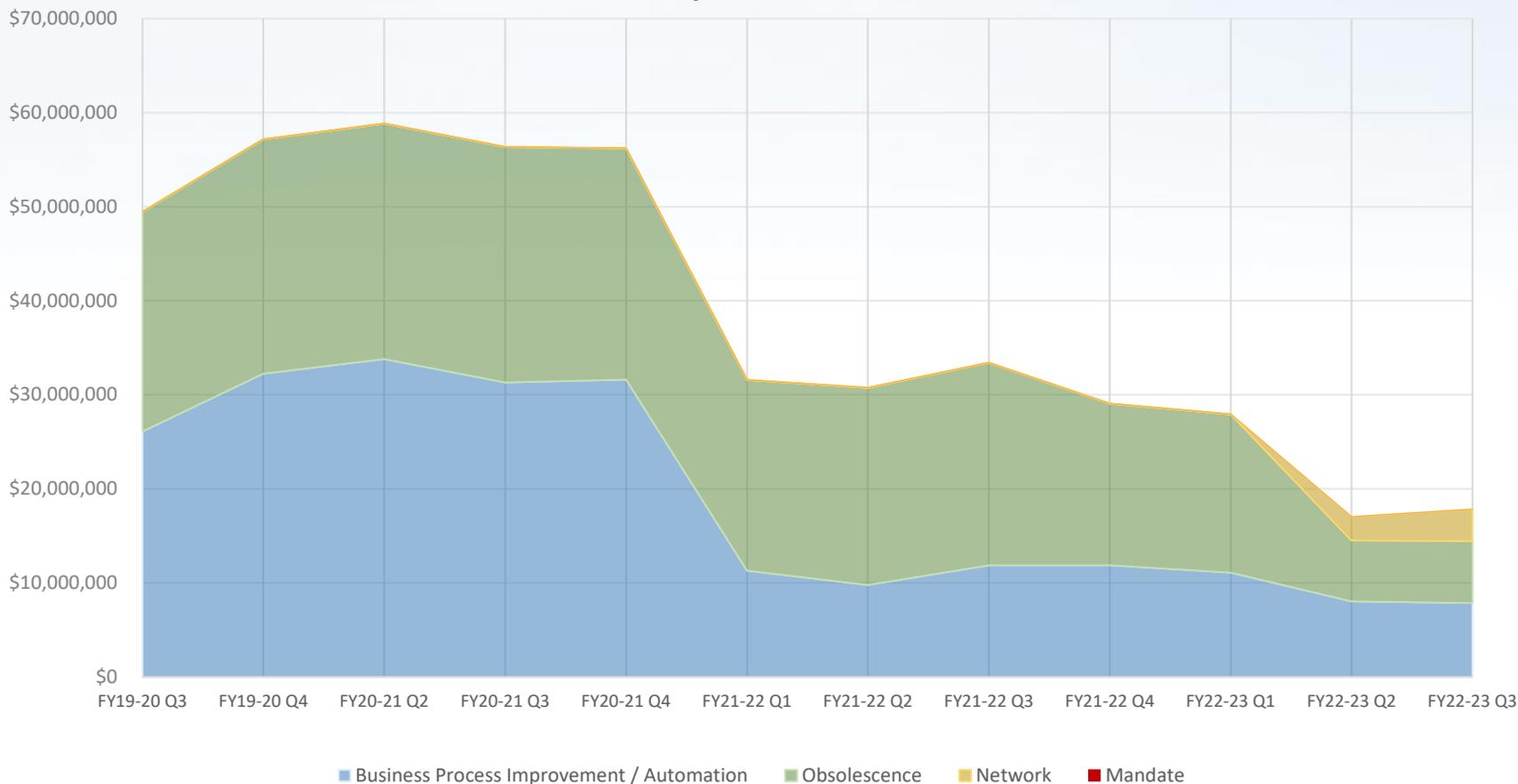
The chart below depicts the County’s IT project schedule performance trend for the projects that were completed over the last 12 quarters. The bars reflect the total number of projects completed in each quarter and the number completed on schedule. The line reflects the percentage of projects completed on schedule over four consecutive quarters.



# Project Investment Trends

Projects intended to improve or automate business processes account for approximately 44% of the County's IT budget this quarter. Projects for replacing end-of-life or obsolete systems account for approximately 37% of the budget. Network projects account for approximately 19% of the budget.

### Investment by Business Justification



The chart above reflects projects that were active or completed during each quarter.

# Investment by Service Area

Health Care Services and Enterprise Cybersecurity projects account for the largest share of the County’s IT project investments this quarter. John Wayne Airport, Public Protection, and Countywide projects also have a large share of the IT project budget.



*The chart above reflects projects that were active or completed during this reporting period.*

# Project Landing Map

The map below depicts when project benefits have been or are expected to be realized.

Q1 FY21-22 Jul – Sep 2021	Q2 FY21-22 Oct – Dec 2021	Q3 FY21-22 Jan – Mar 2022	Q4 FY21-22 Apr – Jun 2022
<ul style="list-style-type: none"> <li>✓ eGov - Web Content Management System</li> <li>✓ JWA Building Automation System</li> </ul>	<ul style="list-style-type: none"> <li>✓ OCCR/OCPW Voice Migration</li> <li>✓ Workfront PPM Tool Implementation</li> </ul>	<ul style="list-style-type: none"> <li>✓ JWA Network Redesign</li> </ul>	<ul style="list-style-type: none"> <li>✓ ServiceNow for Shared Services</li> </ul>
Q1 FY22-23 Jul – Sep 2022	Q2 FY22-23 Oct – Dec 2022	Q3 FY22-23 Jan – Mar 2023	Q4 FY22-23 Apr – Jun 2023
<ul style="list-style-type: none"> <li>✓ OC TIME Implementation</li> <li>✓ Property Tax System</li> </ul>	<ul style="list-style-type: none"> <li>✓ Privileged Access Management (PAM) Implementation</li> </ul>		<ul style="list-style-type: none"> <li>■ CalSAWS Migration Technical Support</li> </ul>
Q1 FY23-24 Jul – Sep 2023	Q2 FY23-24 Oct – Dec 2023	Q3 FY23-24 Jan – Mar 2024	Q4 FY23-24 Apr – Jun 2024
<ul style="list-style-type: none"> <li>■ Integrated Talent Management System (ITMS) - Performance Module</li> <li>■ OC Agenda</li> <li>■ Shared Services Server Platform</li> </ul>	<ul style="list-style-type: none"> <li>■ County Enterprise Network Redundancy</li> <li>■ Electronic Health Records (EHR) Interoperability</li> <li>■ HCA Business Intelligence &amp; Analytics</li> <li>■ Identity and Badge Data Integration</li> <li>■ IntraOC Site Design Refresh</li> <li>■ Zscaler Private Access – Phase 1</li> </ul>		<ul style="list-style-type: none"> <li>■ iConnect Lab Portal</li> <li>■ JWA Baggage Handling System</li> </ul>
Q1 FY24-25 Jul – Sep 2024	Q2 FY24-25 Oct – Dec 2024	Q3 FY24-25 Jan – Mar 2025	Q4 FY24-25 Apr – Jun 2025
<ul style="list-style-type: none"> <li>■ County Reimbursement System</li> <li>■ Mandated Reporter App</li> </ul>	<ul style="list-style-type: none"> <li>■ Automated Jail System (AJS)</li> </ul>		

- *On schedule*
- *10% - 20% over schedule*
- *>20% over schedule*
- ✓ *Project has been completed.*

\*\* *Project will be baselined after initiation or procurement activities are complete.*



# Memorandum

August 17, 2023

**AOC Agenda Item No. 12**

TO: Audit Oversight Committee Members

Recommended Action:

Approve Internal Audit Department's External Quality Assessment

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Approve Internal Audit Department's External Quality Assessment, as stated in recommended action.

ATTACHMENT(S):

Attachment A – External Quality Assessment



## INTERNAL AUDIT DEPARTMENT

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May 10, 2023

To: Chairman Donald P. Wagner, Supervisor, 3<sup>rd</sup> District  
 Vice Chairman Andrew Do, 1<sup>st</sup> District  
 Supervisor Vicente Sarmiento, 2<sup>nd</sup> District  
 Supervisor Doug Chaffee, 4<sup>th</sup> District  
 Supervisor Katrina Foley, 5<sup>th</sup> District  
 Audit Oversight Committee Members

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

Digitally signed by Agripino  
 Alonso  
 Date: 2023.05.10 12:18:25 -0700

Subject: Internal Audit Department – External Quality Assessment

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The Internal Audit Department (IAD) adheres to the mandatory guidance issued by the Institute of Internal Auditors (IIA), including the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (Standards). Under the Standards, an external quality assessment (EQA) of the internal audit activity must be conducted at least once every five years by a qualified independent assessor or a qualified assessment team from outside the organization.

In March 2023, the Institute of Internal Auditors (IIA) Quality Services group performed IAD's EQA (attached). **The IIA concluded that Orange County's Internal Audit Department "generally conforms" with the Standards and the IIA Code of Ethics, which is the highest level of conformance possible.** Specifically, IAD generally conforms with the 11 major categories and 38 of the 41 subcategories. While three of the subcategories received a "partially conforms" rating, the conformance gaps noted were not significant enough to affect either the overall or major category ratings of "generally conforms."

The following are the successful practices, conformance gaps, and leading practices (not related to conformance) noted by the IIA.

### **Successful Practices Identified by the IIA**

The IIA identified six areas where IAD has established best practices. These practices related to:

1. **Effective working relationships.** IAD has developed effective working relationships with key audit stakeholder groups and departments including the Board of Supervisors (Board), Audit Oversight Committee (AOC), Information Technology, Chief Executive Office, and Chief Financial Office.
2. **Implementation of Information Technology tools.** IAD effectively utilizes TeamMate+ electronic workpapers and TeamMate+ Data Analytics.

3. **Use of quality assurance checklists.** An engagement quality assurance checklist is completed at the conclusion of engagement planning.
4. **Incorporating a risk and control matrix that references back to control frameworks.** IAD utilizes a Risk and Control Matrix, which includes control objectives, control activity, risk and key controls, test procedures, and references back to the COBIT (Control Objectives for Information and Related Technologies) and NIST (National Institute of Standards and Technology) control frameworks.
5. **Excellent quarterly status reporting.** IAD's quarterly status reporting to the Board and AOC includes comprehensive tracking of all original and follow-up audits, audit milestones, budget-to-actual hours, and current audit status. The quarterly status reports are approved by both the Board and AOC.
6. **Robust follow-up reporting and monitoring process.** IAD's process includes follow-up reviews six months and one year following issuance of reports, which helps ensure corrective action was taken to address the recommendations. Any recommendations that remain open after the second follow-up audit is conducted are discussed with the AOC.

### **Conformance Gaps**

The IIA identified three conformance gaps related to two major categories as follows:

1. **Standard 1300 – Quality Assurance and Improvement Program (Standard 1311 – Internal Assessments and Standard 1320 – Reporting on the Quality Assurance and Improvement Program)**

#### **Observation**

The IIA noted that IAD conducted a periodic internal assessment during this assessment period, but the results were not formally reported to senior management and the AOC.

#### **Corrective Action**

IAD will conduct annual internal assessments and formally report the results to senior management and the AOC.

2. **Standard 2110.A1 – Governance**

#### **Observation**

IAD has not yet conducted an evaluation of the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.

#### **Corrective Action**

IAD has included an audit of the County Ethics Program in the Fiscal Year 2023-24 Risk Assessment and Audit Plan.

**Leading Practice (not related to conformance)**

**Observation**

IAD adjust their Key Performance Indicator related to periodic assessments to also include internal assessments.

**Corrective Action**

IAD adjusted the Fiscal Year 2022-23 quality assessment Key Performance Indicator (KPI) to include internal assessments in addition to the external assessments and will report the results of this KPI at the end of this fiscal year.

The final External Quality Assessment of Orange County's Internal Audit Department will formally be submitted to the Board of Supervisors at the June 27, 2023 Board meeting and the Audit Oversight Committee at the August 17, 2023 quarterly meeting.

If you have any questions, please contact me at (714) 834-5442 or Michael Dean at (714) 834-4101.

Attachment

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A REPORT PRESENTED TO  
**ORANGE COUNTY**  
**INTERNAL AUDIT**

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# QUALITY ASSESSMENT REPORT

Prepared March 2023

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# Overall Conclusion

## Orange County Internal Audit

**Generally Conforms** to the *International Standards for the Professional Practices of Internal Auditing* and the IIA Code of Ethics. Generally Conforms is the highest level of conformance possible.

GOVERNANCE		STAFF		MANAGEMENT		PROCESS	
Standard	Rating	Standard	Rating	Standard	Rating	Standard	Rating
1000	GC	1200	GC	2000	GC	2200	GC
1100	GC			2100	GC	2300	PC
1300	PC			2450	GC	2400	GC
Code of Ethics	GC			2600	GC	2500	GC



*Steve Goodson*

Steve Goodson, CIA, CGAP, CISA, MBA  
Team Leader  
IIA Quality Services

Team Member

Monica Sykes, CIA, CFSA, CRMA

*Warren Hersh*

Warren Hersh, CIA, CISA, CPA, CFE  
Director, IIA Quality Services  
IIA Quality Services

# Executive Summary

# Conformance Summary

## STANDARDS AND THE IIA CODE OF ETHICS

	GC	PC	DNC
<b>ATTRIBUTE STANDARDS</b>			
<b>1000 - Purpose, Authority, and Responsibility</b>	X		
1010 Recognizing Mandatory Guidance in the Internal Audit Charter	X		
<b>1100 - Independence and Objectivity</b>	X		
1110 Organizational Independence	X		
1111 Direct Interaction with the Board	X		
1112 Chief Audit Executive Roles Beyond Internal Auditing	X		
1120 Individual Objectivity	X		
1130 Impairments to Independence or Objectivity	X		
<b>1200 - Proficiency and Due Professional Care</b>	X		
1210 Proficiency	X		
1220 Due Professional Care	X		
1230 Continuing Professional Development	X		
<b>1300 - Quality Assurance and Improvement Program (QAIP)</b>	X		
1310 Requirements of the QAIP	X		
1311 Internal Assessments		X	
1312 External Assessments	X		
1320 Reporting on the QAIP		X	
1321 Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing" Statement	X		
1322 Disclosure of Nonconformance	X		
<b>PERFORMANCE STANDARDS</b>			
<b>2000 - Managing the Internal Audit Activity</b>	X		
2010 Planning	X		
2020 Communication and Approval	X		
2030 Resource Management	X		
2040 Policies and Procedures	X		
2050 Coordination and Reliance	X		
2060 Reporting to Senior Management and the Board	X		
2070 External Service Provider and Organizational Responsibility for Internal Auditing	X		

	GC	PC	DNC
<b>PERFORMANCE STANDARDS (CONTINUED)</b>			
<b>2100 - Nature of Work</b>	X		
2110 Governance		X	
2120 Risk Management	X		
2130 Control	X		
<b>2200 - Engagement Planning</b>	X		
2201 Planning Considerations	X		
2210 Engagement Objectives	X		
2220 Engagement Scope	X		
2230 Engagement Resource Allocation	X		
2240 Engagement Work Programs	X		
<b>2300 - Performing the Engagement</b>	X		
2310 Identifying Information	X		
2320 Analysis and Evaluation	X		
2330 Documenting Information	X		
2340 Engagement Supervision	X		
<b>2400 - Communicating Results</b>	X		
2410 Criteria for Communicating	X		
2420 Quality of Communications	X		
2421 Errors and Omissions	X		
2430 Use of "Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing"	X		
2431 Engagement Disclosure of Nonconformance	X		
2440 Disseminating Results	X		
2450 Overall Opinions	X		
<b>2500 - Monitoring Progress</b>	X		
<b>2600 - Communicating the Acceptance of Risks</b>	X		
<b>IIA CODE OF ETHICS</b>			
Code of Ethics	X		
<b>OVERALL CONFORMANCE RATING</b>			
	X		

## Overall Opinion

### OPINION AS TO CONFORMANCE WITH THE *STANDARDS* AND THE IIA CODE OF ETHICS

**Orange County Internal Audit generally conforms with the *Standards* and the IIA Code of Ethics.**

A summary of conformance with individual Standards and the IIA Code of Ethics is provided in the “Conformance Summary” section of this report. Upon issuance of this report, Internal Audit may use the phrases “Conforms with the International Standards for the Professional Practice of Internal Auditing” and “Conducted in conformance with the International Standards for the Professional Practice of Internal Auditing” within its practice materials and/or audit reports.

The Quality Assessment Manual for the Internal Audit Activity (QA Manual) suggests a scale of three ratings, “Generally Conforms,” “Partially Conforms,” and “Does Not Conform.” Detailed rating definitions and criteria associated with “Generally Conforms,” “Partially Conforms,” and “Does Not Conform” are described within Appendix A of this report and are consistent with IIA guidance stated in its QA Manual.

## Overall Opinion

### OPINION AS TO CONFORMANCE WITH THE *STANDARDS* AND THE IIA CODE OF ETHICS - CONTINUED

Under the Standards, an External Quality Assessment (EQA) of an internal audit activity must be conducted at least once every five years by a qualified, independent assessor or an independent assessment team from outside the organization. IIA Quality Services was selected to lead this assessment. This engagement's Assessment Team demonstrated competence in both the professional practice of internal auditing and the EQA process as required by the Standards. The EQA was conducted virtually between March 1, 2023 and March 30, 2023. Conclusions were as of March 30, 2023.

Future changes in external factors and actions taken by personnel, including actions taken to address our recommendations, may have an impact on the operation of Internal Audit in a manner that this report did not and cannot anticipate. Considerable professional judgment is involved in evaluating the observations and developing recommendations. Accordingly, it should be recognized that others could evaluate the results differently and draw different conclusions.

All information included in this report is proprietary and confidential and is intended for internal use only. This report may not be distributed to any other third party (other than your regulator, Audit Committee, or external auditor) without the prior written consent of IIA Quality Services.

## Background

### PROVIDED BY ORANGE COUNTY INTERNAL AUDIT LEADERSHIP

From 1995 to 2015, the Internal Audit Department existed as a separate department reporting to the Board of Supervisors. On August 21, 2015, the Internal Audit Department was merged with the office of the Auditor-Controller. On June 26, 2018, the Internal Audit Department was re-established via Board Resolution 18-068, effective July 1, 2018.

# Objectives, Scope, and Methodology

## OBJECTIVES

The primary objective of this assessment was to evaluate conformance to the *Standards*, which require an EQA of an internal audit activity at least every five years. In addition, the Assessment Team:

- Assessed conformance with the IIA Code of Ethics
- Assessed Orange County Internal Audit's effectiveness in providing assurance and advisory services to stakeholders and other interested parties
- Identified opportunities, offered recommendations for improvement, and provided counsel to Internal Audit for improving its performance and services, as well as promoting its image and credibility throughout the organization

## SCOPE

The scope of this assessment included an evaluation of Orange County Internal Audit's efficiency and effectiveness in executing its mission, as set forth by its Internal Audit Charter, which defines the purpose, authority, responsibilities, and accountabilities of Internal Audit.

## METHODOLOGY

To accomplish the objectives, the Assessment Team:

- Reviewed information prepared by Internal Audit at the Assessment Team's request
- Conducted interviews with key stakeholders of Internal Audit including the Audit Committee chair, senior executives, the Chief Audit Executive (CAE), and Internal Audit staff
- Reviewed a sample of audit projects and associated work papers and reports
- Reviewed survey data received from Internal Audit's stakeholders and internal audit staff resulting from IIA Quality Services' survey process
- Prepared diagnostic tools consistent with the methodology established for an EQA as stated in the *QA Manual*

# Overall Summary

Orange County Internal Audit generally conforms with the *Standards* and the IIA Code of Ethics. A conformance rating of generally conforms means:

- For individual *Standards*, the internal audit activity conforms to the requirements of the *Standard* (i.e., 1000, 1010, 2000, 2010, etc.) or elements of the IIA Code of Ethics (both Principles and Rules of Conduct) in all material respects.
- For the sections (Attribute and Performance) and major categories (i.e., 1000, 1100, 2000, 2100, etc.), the internal audit activity achieves general conformity to a majority of the individual *Standards* and/or elements of the IIA Code of Ethics, and at least partial conformity to others, within the section/category.
- For the internal audit activity overall, there may be opportunities for improvement, but these should not represent situations where the internal audit activity has not implemented the *Standards* or the IIA Code of Ethics, has not applied them effectively or has not achieved their stated objectives.

## SUCCESSFUL PRACTICES

The Assessment Team identified six areas where Internal Audit operates in a successful practice manner. These practices relate to:

- Effective working relationships
- Implementation of TeamMate+ electronic workpapers and data analytics functions
- Use of an engagement quality assurance checklist
- Incorporating a risk and control matrix that references back to control frameworks
- Excellent quarterly status reports presented to and approved by the Audit Oversight Committee
- Robust follow-up / monitoring process

# Overall Summary

## CONFORMANCE GAPS

Three gaps in conformance with standards were identified resulting in the following recommendations:

- **Standard 1311 – Internal Assessments**
- **Standard 1320 – Reporting on the Quality Assurance and Improvement Program**  
We recommend the Internal Audit conduct internal assessments annually and report the results to senior management and the AOC.
- **Standard 2110.A1 - Governance -**  
We recommend Internal Audit evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities

## OPPORTUNITIES TO IMPROVE (not related to Conformance)

One opportunity to improve, unrelated to conformance with Standards, was identified:

- **Leading Practice** - We recommend Internal Audit adjust the tracked Key Performance Indicators to include periodic internal assessments.

# Detailed Observations

## Successful Practices

The Assessment Team identified the following areas where Internal Audit operates in a successful practice manner:

- IAD has developed effective working relationships with key audit stakeholder groups and departments including the Board, Audit Oversight Committee, Information Technology, Chief Executive Office, and Chief Financial Office.
- IAD effectively utilizes TeamMate+ electronic workpapers and TeamMate+ Data Analytics.
- A quality assurance checklist is completed at the conclusion of engagement planning.

## Successful Practices - continued

- A Risk and Control Matrix references back to control frameworks (i.e., COBIT and NIST) includes control objectives, control activity, risk and key controls and test procedures.
- All audits, including follow-up audit reports, are tracked in Internal Audit's quarterly status to the Audit Oversight Committee, which they formally approve.
- IAD has a robust monitoring process. The process includes follow-up reviews six months and one year following issuance of reports. This helps ensure corrective action was taken to address the recommendations. Recommendations that remain open after the second follow-up is conducted are discussed with the Audit Oversight Committee.

# Conformance Gaps

The Assessment Team identified the following conformance gaps:

#	STANDARD	OBSERVATION	MANAGEMENT RESPONSE
CG1	<p><b>Standard 1311 – Internal Assessments</b></p> <p>Internal assessments must include “periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.” “Periodic” has been interpreted as “at least annually.”</p>	<p>Internal Audit conducted one periodic internal assessment during this assessment period. The results were not formally reported to the senior management and the Audit Oversight Committee.</p> <p><b>Recommendation:</b> We recommend the CAE conduct internal assessments annually and report the results to senior management and the AOC.</p>	<p><b>Concur.</b> Internal Audit will conduct annual internal assessments and formally report the results to senior management and the Audit Oversight Committee.</p>
CG2	<p><b>Standard 1320 – Reporting on the Quality Assurance and Improvement Program</b></p> <p>The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board.</p>		
CG3	<p><b>Standard 2110.A1 – Governance</b></p> <p>The internal audit activity must evaluate the design, implementation, and effectiveness of the organization’s ethics-related objectives, programs, and activities.</p>	<p>Internal Audit has not yet conducted an evaluation of the design, implementation, and effectiveness of the organization’s ethics-related objectives, programs, and activities.</p> <p><b>Recommendation:</b> We recommend Internal Audit perform an Ethics audit, focusing on the design, implementation and effectiveness of the organization’s ethics-related objectives, programs, and activities.</p>	<p><b>Concur.</b> Internal Audit will include an audit of the County Ethics Program in the Fiscal Year 2023-24 Risk Assessment &amp; Audit Plan.</p>

# Improvement Opportunities

One opportunity to improve, unrelated to conformance with Standards, was identified:

#	STANDARD	OBSERVATION	MANAGEMENT RESPONSE
IO1	<b>Leading Practice</b>	We recommend Internal Audit adjust the tracked Key Performance Indicators to include periodic internal assessments.	<b>Concur.</b> Internal Audit will adjust our Key Performance Indicators to include periodic internal assessments.

# Appendix A

## Conformance Rating Criteria

# Conformance Rating Criteria

**“Generally Conforms”** (GC) means the Assessment Team concluded the following:

- For individual *Standards*, the internal audit activity conforms to the requirements of the *Standard* (i.e., 1000, 1010, 2000, 2010, etc.) or elements of the IIA Code of Ethics (both Principles and Rules of Conduct) in all material respects.
- For the sections (Attribute and Performance) and major categories (i.e., 1000, 1100, 2000, 2100, etc.), the internal audit activity achieves general conformity to a majority of the individual *Standards* and/or elements of the IIA Code of Ethics, and at least partial conformity to others, within the section/category.
- For the internal audit activity overall, there may be opportunities for improvement, but these should not represent situations where the internal audit activity has not implemented the *Standards* or the IIA Code of Ethics, has not applied them effectively, or has not achieved their stated objectives.

**“Partially Conforms”** (PC) means the Assessment Team concluded the following:

- For individual *Standards*, the internal audit activity is making good faith efforts to conform to the requirements of the *Standard* (i.e., 1000, 1010, 2000, 2010, etc.) or element of the IIA Code of Ethics (both Principles and Rules of Conduct) but falls short of achieving some major objectives.
- For the sections (Attribute and Performance) and major categories (i.e., 1000, 1100, 2000, 2100, etc.), the internal audit activity partially achieves conformance with a majority of the individual *Standards* within the section/category and/or elements of the IIA Code of Ethics.
- For the internal audit activity overall, there will be significant opportunities for improvement in effectively applying the *Standards* or the IIA Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organization.

**“Does Not Conform”** (DNC) means the Assessment Team concluded the following:

- For individual *Standards*, the internal audit activity is not aware of, is not making good faith efforts to conform to, or is failing to achieve many/all of the objectives of the *Standard* (i.e., 1000, 1010, 2000, 2010, etc.) and/or elements of the IIA Code of Ethics (both Principles and Rules of Conduct).
- For the sections (Attribute and Performance) and major categories (i.e., 1000, 1100, 2000, 2100, etc.), the internal audit activity does not achieve conformance with a majority of the individual *Standards* within the section/category and/or elements of the IIA Code of Ethics.
- For the internal audit activity overall, there will be deficiencies that will usually have a significant negative impact on the internal audit activity’s effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board.

# Appendix B

## Stakeholder Feedback

# Stakeholder Feedback

## SENIOR MANAGEMENT AND KEY STAKEHOLDERS

NAME	TITLE
Andrew Do	Vice Chairman, Board of Supervisors
Hung Le	Policy Advisor, Vice Chairman Do
Mark Wille	Chair, Audit Oversight Committee
Michelle Aguirre	Chief Financial Officer
KC Roestenberg	Chief Information Officer
Selina Chan-Wychgel	Fiscal Services Manager, County Executive Office
Steven Hsia	Audit Coordinator, OC Public Works



In addition to interviews with the individuals listed above, broad-based and confidential surveys were conducted by IIA Quality Services. Surveys were sent to senior management and stakeholders throughout the organization. A separate survey was sent to internal audit management and staff.

# Stakeholder Feedback

## INTERNAL AUDIT MANAGEMENT AND STAFF

NAME	TITLE
Aggie Alonso CPA, CIA, CRMA	Director and Chief Audit Executive
Michael Dean CPA, CIA, CISA	Senior Audit Manager
Gianne Morgan CIA, CISA	Audit Manager
Mari Elias, MA, DPA	Administrative Services Manager
Gabriela Cabrera	Senior Auditor
Mary Ann Cosep	Senior Auditor

In addition to interviews with the individuals listed above, broad-based and confidential surveys were conducted by IIA Quality Services. Surveys were sent to senior management and stakeholders throughout the organization. A separate survey was sent to internal audit management and staff.

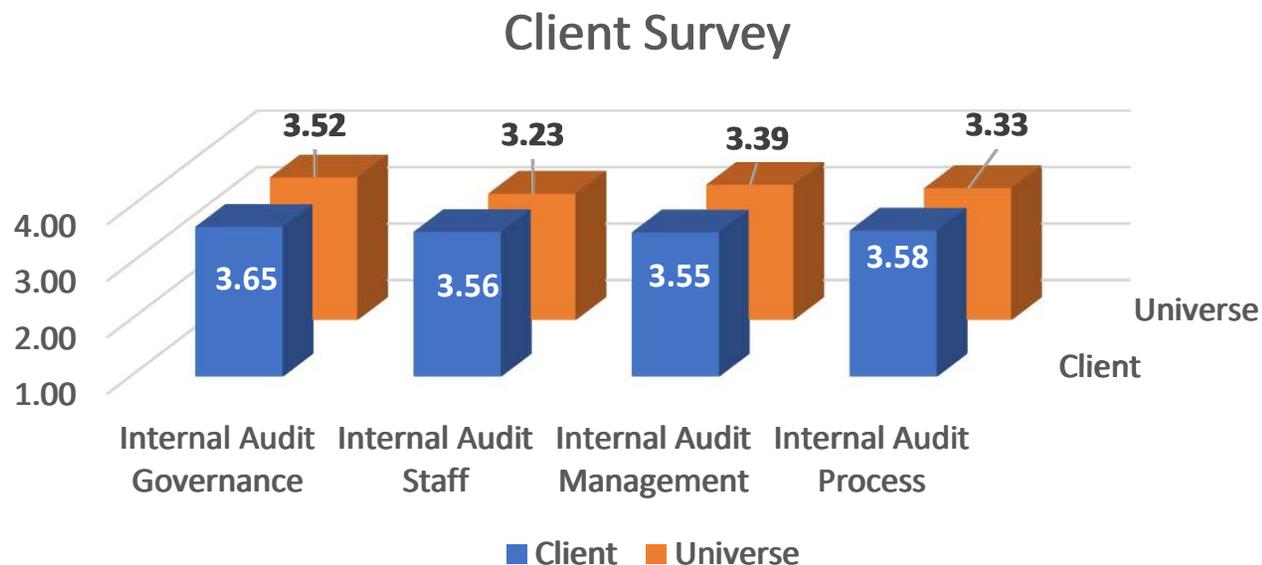
# Stakeholder Feedback

The Assessment Team interviewed and surveyed Internal Audit stakeholders and staff. Below are selected comments that represent the feedback received.

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> <li>▪ Strong, knowledgeable leadership, good staffing, collaborative and collegial relationship with other departments.</li> <li>▪ The benefits of our audit include enhanced security, cost savings, better decision-making, and improved efficiency for our organization.</li> <li>▪ IA has developed a strong IT audit function.</li> <li>▪ Ability to collect and use data to identify risks and potential issues.</li> <li>▪ Audit planning and timing of the audits during the fiscal year.</li> <li>▪ The County of Orange is very fortunate to have such a talented, devoted, and overall professional internal audit team.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The only opportunity for improvement would be to have the ability to add more staff to handle additional audits and ad hoc requests.</li> </ul>

# Stakeholder Feedback

## • SURVEY RESULTS (SUMMARY)



### CLIENT SURVEY

“Client” represents the weighted average of all stakeholder respondents (excluding Group 1, which is reserved for the CAE). “Universe” represents the weighted average of all respondents from all organizations that completed this survey since May 2013 (excluding Group 1, which is reserved for the CAE).

4.00 = Strongly Agree | 3.00 = Agree | 2.00 = Disagree | 1.00 = Strongly Disagree | 0.00 = Do Not Know/No Response

# Stakeholder Feedback

## • SURVEY RESULTS (DETAIL)

Internal Audit Governance	1	2	3	4	5	AVG	UNV
IA activity personnel respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.	4.00	3.67	3.67	3.80	3.40	3.65	3.70
IA activity personnel exhibit the highest level of professional objectivity in performing their work, making a balanced assessment of all relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.	4.00	3.50	3.67	3.60	3.60	3.60	3.47
The IA activity is perceived as adding value and helping our organization accomplish its objectives.	3.00	3.50	3.67	3.60	3.80	3.60	3.35
The integrity of the IA activity establishes confidence, providing the basis for their role as trusted advisor within our organization.	4.00	3.67	3.67	3.80	3.80	3.75	3.43
Organizational placement of the IA activity ensures its independence and ability to fulfill its responsibilities.	4.00	3.50	4.00	3.40	3.80	3.65	3.56
IA activity personnel have free and unrestricted access to records, information, locations, and employees during the performance of their engagements.	4.00	3.60	3.67	3.60	3.80	3.68	3.62

### LEGEND

Group 1 CAE (1 or 1 responded)

Group 2 Board Offices (2 of 10 responded)

Group 3 Audit Oversight Committee Members (3 of 5 responded)

Group 4 Department Heads & Executives (5 of 8 responded)

Group 5 Operating Management (3 of 8 responded)

“AVG” represents the weighted average of all respondents for all stakeholders (excluding Group 1, which is reserved for the CAE).

“UNV” represents the weighted average of all respondents from all organizations that completed this survey since May 2013 (excluding Group 1, which is reserved for the CAE).

4.00 = Strongly Agree | 3.00 = Agree | 2.00 = Disagree | 1.00 = Strongly Disagree | 0.00 = Do Not Know/No Response

# Stakeholder Feedback

## • SURVEY RESULTS (DETAIL)

Internal Audit Staff	1	2	3	4	5	AVG	UNV
IA activity staff and management communicate effectively (oral, written, and presentations).	4.00	3.50	3.67	3.75	3.60	3.63	3.34
IA activity staff and management keep up to date with changes in my business, our industry and relevant regulatory issues.	3.00	3.60	3.67	3.50	3.60	3.56	3.22
IA activity staff display adequate knowledge of my business processes including critical success factors.	3.00	3.50	3.67	3.33	3.60	3.50	3.14
IA activity staff exhibit effective problem identification and solution skills.	4.00	3.50	3.67	3.25	3.60	3.53	3.23
IA activity management demonstrate effective conflict resolution and negotiating skills.	4.00	3.40	3.67	3.50	3.80	3.63	3.27
The IA activity is viewed as viable source of talented individuals who could successfully transfer to other parts of our organization.	4.00	3.33	3.67	3.67	3.50	3.53	3.19

### LEGEND

Group 1 CAE (1 or 1 responded)

Group 2 Board Offices (2 of 10 responded)

Group 3 Audit Oversight Committee Members (3 of 5 responded)

Group 4 Department Heads & Executives (5 of 8 responded)

Group 5 Operating Management (3 of 8 responded)

“AVG” represents the weighted average of all respondents for all stakeholders (excluding Group 1, which is reserved for the CAE).

“UNV” represents the weighted average of all respondents from all organizations that completed this survey since May 2013 (excluding Group 1, which is reserved for the CAE).

4.00 = Strongly Agree | 3.00 = Agree | 2.00 = Disagree | 1.00 = Strongly Disagree | 0.00 = Do Not Know/No Response

# Stakeholder Feedback

## • SURVEY RESULTS (DETAIL)

Internal Audit Management	1	2	3	4	5	AVG	UNV
Internal audit activity management communicates effectively (oral, written, and presentations).	4.00	3.33	3.67	3.75	3.80	3.63	3.37
Internal audit activity management keeps up to date with changes in my business, our industry, and relevant regulatory issues.	3.00	3.33	3.33	3.50	3.40	3.35	3.23
The IA activity establishes annual audit plans to assess areas or topics that are significant to our organization and consistent with our organizational goals.	3.00	3.33	3.33	3.67	3.80	3.50	3.44
The IA activity sufficiently communicates its audit plans to management of areas being reviewed. This includes descriptions of audit objectives and scope of review.	4.00	3.33	3.67	4.00	3.80	3.68	3.42
The IA activity effectively promotes appropriate ethics and values within our organization.	3.00	3.33	3.67	4.00	3.60	3.58	3.55
The IA activity adequately assesses the effectiveness of risk management processes employed by management to achieve objectives.	3.00	3.33	3.33	3.50	3.80	3.47	3.33

### LEGEND

Group 1 CAE (1 or 1 responded)

Group 2 Board Offices (2 of 10 responded)

Group 3 Audit Oversight Committee Members (3 of 5 responded)

Group 4 Department Heads & Executives (5 of 8 responded)

Group 5 Operating Management (3 of 8 responded)

“AVG” represents the weighted average of all respondents for all stakeholders (excluding Group 1, which is reserved for the CAE).

“UNV” represents the weighted average of all respondents from all organizations that completed this survey since May 2013 (excluding Group 1, which is reserved for the CAE).

4.00 = Strongly Agree | 3.00 = Agree | 2.00 = Disagree | 1.00 = Strongly Disagree | 0.00 = Do Not Know/No Response

# Stakeholder Feedback

## • SURVEY RESULTS (DETAIL)

Internal Audit Process	1	2	3	4	5	AVG	UNV	
The IA activity competently assesses the adequacy and effectiveness of our organization's system of internal controls.	4.00	3.33	3.33	3.75	3.60	3.53	3.37	
The IA activity exhibits proficient project management and organizational skills to assure the timely completion of their audit engagements.	4.00	3.40	3.67	3.75	3.60	3.61	3.30	
The IA activity demonstrates sufficient knowledge of key information technology risks and controls in performing its audit engagements.	3.00	3.33	3.67	4.00	3.80	3.61	3.28	
The IA activity demonstrates sufficient knowledge of fraud to identify "red flags" indicating possible fraud when planning its audit engagements.	3.00	3.33	3.67	4.00	4.00	3.63	3.40	
IA activity audit reports are accurate, objective, clear, concise, constructive, complete, and timely.	3.00	3.33	3.67	3.75	3.40	3.47	3.29	
						<b>TOTAL</b>	<b>3.58</b>	<b>3.37</b>

### LEGEND

Group 1 CAE (1 or 1 responded)

Group 2 Board Offices (2 of 10 responded)

Group 3 Audit Oversight Committee Members (3 of 5 responded)

Group 4 Department Heads & Executives (5 of 8 responded)

Group 5 Operating Management (3 of 8 responded)

"AVG" represents the weighted average of all respondents for all stakeholders (excluding Group 1, which is reserved for the CAE).

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# Stakeholder Feedback

- SURVEY RESULTS (SUMMARY)



## STAFF SURVEY

“Client” represents the weighted average excluding Group 1, which is reserved for the CAE).

4.00 = Strongly Agree | 3.00 = Agree | 2.00 = Disagree | 1.00 = Strongly Disagree | 0.00 = Do Not Know/No

Response of all stakeholder respondents (excluding Group 1, which is reserved for the CAE).

“Universe” represents the weighted average of all respondents from all organizations that completed this survey since May 2013

# Stakeholder Feedback

## • INTERNAL AUDIT MANAGEMENT AND STAFF SURVEY RESULTS (DETAIL)

Internal Audit Governance	1	2	AVG	UNV
Our internal audit activity is perceived as adding value and helping our organization accomplish its objectives.	--	3.80	--	3.47
Our internal audit activity personnel have free and unrestricted access to records, information, locations, and employees during the performance of their engagements.	--	3.50	--	3.33
My chief audit executive effectively promotes the value of our internal audit activity within our organization.	--	3.70	--	3.64
Our internal audit activity staff is fully aware of, and completely conforms with, both the Principles and the Rules of Conduct that comprise the Code of Ethics established by The Institute of Internal Auditors (IIA).	--	3.80	--	3.59
Our internal audit activity staff is fully aware of, and completely conforms with, The IIA's International Standards for the Professional Practice of Internal Auditing (Standards) relating to objectivity and due professional care and the Code of Ethics.	--	3.80	--	3.56
Our internal audit activity has a conflict of interest policy to report any perceived or actual issues that may have an influence on the independence and objectivity of the auditors.	--	3.70	--	3.53

### LEGEND

Group 1 = CAE (0 of 1 responded)

Group 2 = Internal Audit Team (10 of 10 responded)

“AVG” represents the weighted average of all respondents for all stakeholders (excluding Group 1, which is reserved for the CAE).

“UNV” represents the weighted average of all respondents from all organizations that completed this survey since May 2013 (excluding Group 1, which is reserved for the CAE).

4.00 = Strongly Agree | 3.00 = Agree | 2.00 = Disagree | 1.00 = Strongly Disagree | 0.00 = Do Not Know/No Response

# Stakeholder Feedback

## • INTERNAL AUDIT MANAGEMENT AND STAFF SURVEY RESULTS (DETAIL)

Internal Audit Staff	1	2	AVG	UNV
IA activity staff and management communicate effectively (oral, written, and presentations).	--	3.60	--	3.43
Our audit assignments provide internal audit activity staff with opportunities to develop adequate knowledge of key business processes, including critical success factors.	--	3.70	--	3.46
I have sufficient knowledge of key IT risks and controls to perform my audit engagements.	--	3.50	--	3.20
I have sufficient knowledge of fraud to identify “red flags” indicating possible fraud when planning my audit engagements.	--	3.60	--	3.36
Our internal audit activity management provides me with ample opportunities to develop the skills and knowledge necessary to perform all of my audit engagements.	--	3.70	--	3.41
Our internal audit activity management provides me with ample opportunities to develop skills and knowledge and acquire experience that enable me to develop professionally and advance my career.	--	3.60	--	3.38
I have ample opportunity to enhance my knowledge, skills, and competencies through in-house training sessions and/or outside seminars.	--	3.70	--	3.39
My performance is reviewed on a regular and sufficiently frequent basis, the criteria used are adequate, and the reviews are meaningful and helpful.	--	3.60	--	3.32
Our internal audit activity management encourages and supports internal audit activity staff in demonstrating its proficiency by obtaining appropriate professional certifications such as designations offered by The IIA or other designations related to internal auditing.	--	3.80	--	3.54
Our internal audit activity is viewed as a valuable developmental assignment by individuals from other parts of our organization.	--	3.78	--	3.26

### LEGEND

Group 1 = CAE (0 of 1 responded)

Group 2 = Internal Audit Team (10 of 10 responded)

“AVG” represents the weighted average of all respondents for all stakeholders (excluding Group 1, which is reserved for the CAE).

“UNV” represents the weighted average of all respondents from all organizations that completed this survey since May 2013 (excluding Group 1, which is reserved for the CAE).

4.00 = Strongly Agree | 3.00 = Agree | 2.00 = Disagree | 1.00 = Strongly Disagree | 0.00 = Do Not Know/No Response

# Stakeholder Feedback

## • INTERNAL AUDIT MANAGEMENT AND STAFF SURVEY RESULTS (DETAIL)

Internal Audit Staff	1	2	AVG	UNV
Our internal audit activity management has established policies and procedures that clearly guide the operation of our internal audit activity.	--	3.60	--	3.49
Our internal audit activity actively encourages collaborative effort between internal audit management and staff to effectively complete our engagements in a timely manner.	--	3.60	--	3.47
Our internal audit activity competently assesses the adequacy and effectiveness of our organization's system of internal controls.	--	3.80	--	3.49
Our internal audit activity adequately assesses the effectiveness of risk management processes employed by management to achieve our organization's objectives.	--	3.70	--	3.40
Our internal audit activity effectively promotes appropriate ethics and values broadly across our total organization.	--	3.70	--	3.57
Our internal audit activity adequately assesses the effectiveness of governance processes, including ethics-related programs and activities.	--	3.44	--	3.42

### LEGEND

Group 1 = CAE (0 of 1 responded)

Group 2 = Internal Audit Team (10 of 10 responded)

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"UNV" represents the weighted average of all respondents from all organizations that completed this survey since May 2013 (excluding Group 1, which is reserved for the CAE).

4.00 = Strongly Agree | 3.00 = Agree | 2.00 = Disagree | 1.00 = Strongly Disagree | 0.00 = Do Not Know/No Response

# Stakeholder Feedback

## • INTERNAL AUDIT MANAGEMENT AND STAFF SURVEY RESULTS (DETAIL)

Internal Audit Staff	1	2	AVG	UNV
Our internal audit activity develops and documents a plan for each engagement based on a preliminary assessment of risks relevant to the area being reviewed (including the probability of fraud), and our engagement objectives reflect the result of this risk assessment.	--	3.80	--	3.54
Our internal audit activity uses computer-assisted audit techniques, including data mining, to facilitate data collection and analysis during completion of our engagements.	--	3.70	--	3.17
I receive appropriate, timely, and constructive feedback regarding my performance in completing engagements, enabling me to continue developing my knowledge, skills, and competencies.	--	3.70	--	3.29
Our internal audit activity management and staff exhibit proficient project management and organizational skills to assure the timely completion of our audit engagements.	--	3.60	--	3.29
Our internal audit activity management and staff demonstrate effective conflict resolution and negotiating skills.	--	3.70	--	3.35
	TOTAL	3.67	--	3.42

### LEGEND

Group 1 = CAE (0 of 1 responded)

Group 2 = Internal Audit Team (10 of 10 responded)

“AVG” represents the weighted average of all respondents for all stakeholders (excluding Group 1, which is reserved for the CAE).

“UNV” represents the weighted average of all respondents from all organizations that completed this survey since May 2013 (excluding Group 1, which is reserved for the CAE).

4.00 = Strongly Agree | 3.00 = Agree | 2.00 = Disagree | 1.00 = Strongly Disagree | 0.00 = Do Not Know/No Response

# Appendix C

## List of Acronyms

# List of Acronyms

ACRONYM	DESCRIPTION
AOC	Audit Oversight Committee
CAE	Chief Audit Executive
CPE	Continuing Professional Education
EQA	External Quality Assessment
IA	Internal Audit
IIA	The Institute of Internal Auditors
IPPF	International Professional Practices Framework
IT	Information Technology
<i>QA Manual</i>	<i>Quality Assessment Manual for the Internal Audit Activity</i>
<i>Standards</i>	<i>International Standards for the Professional Practice of Internal Auditing</i>



**IIA Quality Services**

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# Memorandum

August 17, 2023

**AOC Agenda Item No. 13**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Internal Audit Department's Fiscal Year 2022-23 Key Performance Indicator Report

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Receive Internal Audit Department's Fiscal Year 2022-23 Key Performance Indicator Report, as stated in recommended action.

ATTACHMENT(S):

Attachment A – KPI Status Report Fiscal Year 2022-23



# INTERNAL AUDIT DEPARTMENT



## Key Performance Indicator Report Fiscal Year 2022-23

Report Date: July 17, 2023

### OC Board of Supervisors

CHAIRMAN DONALD P. WAGNER  
3rd DISTRICT

VICE CHAIRMAN ANDREW DO  
1st DISTRICT

SUPERVISOR VICENTE SARMIENTO  
2nd DISTRICT

SUPERVISOR DOUG CHAFFEE  
4th DISTRICT

SUPERVISOR KATRINA FOLEY  
5th DISTRICT



## Director's Message

We measure our performance utilizing 12 Key Performance Indicators (KPI) that align with our mission statement and cover the following four areas:



During Fiscal Year (FY) 2022-23, Internal Audit met 10 (83%) out of the 12 KPIs. The two KPIs not met were: "Risk-Based Audit Coverage," under *Client-Centric Services*, and "Follow-Up Audits," under *High-Quality Work*.

Internal Audit has a vacant Administrative Services Manager position, which required reassignment of Operations staff to assist with mission critical Administrative Services duties. We also have a Senior Auditor vacancy, and the Assistant Director position has been vacant since February 2023. Accordingly, all available auditors were not assigned to high-risk or high-priority areas. In addition, as Internal Audit continues to grow the Information Technology (IT) Audit function, several auditors were trained on performing IT audits. The training and vacancies resulted in Internal Audit issuing 83% of first follow-up draft reports within one year, missing our goal of 90%.

During the first quarter of Fiscal Year 2023-24, Internal Audit plans to fill their vacancies. We are confident that with these positions filled, Internal Audit will meet all 12 KPIs in FY 2023-24.

Sincerely,

Digitally signed by Agripino  
Alonso  
Date: 2023.07.17 12:07:00 -0700

Agripino Alonso, CPA, CIA, CRMA

Internal Audit Department Director





## Client-Centric Services

### Customer Service

We request departments complete a customer service survey after every audit. Departmental feedback helps ensure we maintain professional courtesy and provide value-added services.

**MET.** Average rating was **5.0.**

Our goal is to achieve an average overall rating of 4.0 or higher.

### Risk-Based Audit Coverage

Allocating resources to high-risk areas and business processes helps ensure effective allocation of limited audit resources.

**NOT MET.** Over 60 hours were diverted from auditing high-risk or high-priority areas.

Our goal is to have 100% of available staffing resources applied to high-risk business processes or high-priority areas as requested by the Board, CEO, or department heads.

### Transparency of Audit Function

Posting reports demonstrates accountability for our work to the public and that we are transparent with respect to the work we perform.

**MET.** 100% of reports issued were posted to the department website within five business days of release.

Our goal is to have 100% of reports issued posted to the department website for public viewing within five business days of release.

“HCA appreciates the partnership with Internal Audit and all efforts made to assist HCA in continuously improving.”

*Customer Survey Response for Audit No. 1943: Health Care Agency Cybersecurity Controls*





## High-Quality Work

### RECOMMENDATIONS CONCURRED WITH BY MANAGEMENT



Demonstrates our commitment to partner with departments to improve operations and that our recommendations add value and have merit.

Our goal is to have 80% of audit recommendations receive a management response of concur or partially concur.

**MET.** All 26 recommendations issued received a management response of concur.

### AUDIT PLAN APPROVALS



Preparation of a risk-based audit plan provides a road map for audit coverage and provides resource allocation information to stakeholders and those charged with oversight.

Our goal is to receive approval from the Audit Oversight Committee (AOC) and Board of Supervisors (Board) on the Annual Risk Assessment & Audit Plan and receive quarterly approval from the AOC for any adjustments/updates.

**MET.** The FY 2022-23 audit plan and all quarterly status updates were appropriately approved by the AOC and Board.

### QUALITY ASSESSMENT REVIEWS



Quality assessments are required by professional audit standards and help ensure the audit function is performing its duties in an effective and efficient manner.

Our goal is to cause an external quality assessment to be completed every five years and receive a Generally Conforms opinion and conduct annual internal quality assessments.

**MET.** Internal Audit conducted an internal quality assessment in July 2022. An external quality assessment was completed by the Institute of Internal Auditors (IIA) in March 2023, and the IIA concluded that Internal Audit Generally Conforms with the IIA Standards and Code of Ethics.





## FOLLOW-UP AUDITS



Follow-up of initial audit recommendations is required by professional standards and helps ensure departments address agreed-upon audit recommendations in a timely manner.

Our goal is to have 90% of audit engagements followed-up on within one year of the initial audit report issuance date.

**NOT MET.** 83% of first follow-up audits had draft reports issued within one year of the initial audit report issuance date. As we continue to grow the IT audit function, several auditors were trained on performing IT audits. The training and several key vacancies resulted in the department not meeting their goal.

## REPORTING



Prompt issuance of draft reports to departments can demonstrate effective engagement management and provides timely recommendations to enable faster corrective action.

Our goal is to have 80% of audit engagements result in issuance of a draft report within six months of fieldwork commencement.

**MET.** 83% of audit engagements resulted in issuance of a draft report within six months of fieldwork commencement.





## Cost-Effective Projects

### AUDIT BUDGETS



Effective management of audit operations requires ensuring engagements adhere to approved budgets.

Our goal is to have 80% of engagements completed within 125% of the approved budget.

**MET.** 100% of engagements for this year were accomplished within 125% of the budgeted budget.

### CHARGEABLE TIME



Time charged directly to audit or advisory engagements demonstrates resources being applied to the benefit of County departments and minimizing non-chargeable “overhead”.

Our goal is to have 80% of staff productive work hours charged to audit or advisory engagements.

**MET.** 84% of staff productive work hours charged to audit or advisory engagements.

## Professional Development

### CPA License or Professional Certifications Management



Staffing the department with licensed or certified managers helps provide assurance to departments there is appropriate knowledge and skill in those charged with leading the County audit function.

Our goal is to have 100% of audit managers and executive management possess a CPA license or an audit-related certification, e.g., CIA, CISA, CFE.

**MET.** 100% of audit managers and the executive manager possess a CPA license and/or other audit-related certification.

### Professional Training for Staff



Training helps ensure staff skills are current and relevant to our mission.

Our goal is to have 100% of staff complete at least 40 hours of continuing professional education or training per fiscal year.

**MET.** 100% of audit staff have completed at least 40 hours of continuing professional education or training during the fiscal year.





# Memorandum

August 17, 2023

**AOC Agenda Item No. 14**

TO: Audit Oversight Committee Members

Recommended Action:

Receive Report on Internal Audit Department's Independence

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

ATTACHMENT(S):

Attachment A – Report on Internal Audit Department's Independence



## INTERNAL AUDIT DEPARTMENT

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July 10, 2023

To: Audit Oversight Committee Members

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

Digitally signed by Agripino  
Alonso  
Date: 2023.07.10 12:30:07  
-07'00

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 July 1, 2022 through June 30, 2023, 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 the Annual Risk Assessment & Audit Plan for FY 2023-24, 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 presented to the Board of Supervisors at its September 26, 2023 meeting.