

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

REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE ORANGE COUNTY, CALIFORNIA



Wednesday, December 7, 2011, 1:00 p.m.

HALL OF ADMINISTRATION
333 Santa Ana Blvd., 5th Floor
Conference Room A
Santa Ana, California

Supervisor Bill Campbell
Member

Supervisor John Moorlach
Member

David E. Sundstrom
Vice-Chairman

Thomas G. Mauk
Chair

Dr. David Carlson
Public Member

Shari Freidenrich
Ex-Officio Member (non-voting)

Steve Danley
Ex-Officio Member (non-voting)

ATTENDANCE: David Sundstrom, Tom Mauk, Bill Campbell, Shari Freidenrich, Steve Danley

EXCUSED: John Moorlach, David Carlson – observed by teleconference

PRESENT: Director of Internal Audit Dr. Peter Hughes, CPA
County Counsel: Ann Fletcher
Clerk: Renee Aragon

1:12 P.M.

1. Roll Call

Internal Audit staff – Mike Goodwin, Autumn McKinney, Alan Marcum, Eli Littner, Michael Dean; Auditor-Controller Staff – Nancy Ishida, Christine Young, Claire Moynihan, Shaun Skelly; Second District Staff – Lindsay Brennan; Fourth District Staff – David Zenger; Third District Staff: Louis Bronstein; Fifth District Staff: Brian Probolski; External Auditors Vavrinek, Trine & Day – Kevin Pulliam, Roger Alfaro, David Showalter.

Dr. Carlson observed the meeting by teleconference. Posting requirements per the Brown Act were not available to his location and he was unable to cast votes on the item. His participation was recorded as excused for each vote.

Item 2 was heard after items 3 and 4.

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2. Approve Audit Oversight Committee regular meeting minutes of September 21, 2011
Moved-Sundstrom, Second-Campbell, Yes-Mauk, Excused-Moorlach, Excused-Carlson
Approved as Recommended

3. Receive Internal Auditor's Annual Report for Fiscal Year Ending 06/30/11
Received discussion, no direction to staff

The report presented was a summary of internal audit activity for the year ended June 30, 2011. Dr. Hughes stated Internal Audit had presence in most of 22 County departments in varied capacities. He stated the notable audit for the year was Community Facilities Districts report. Tom Mauk complimented the annual report and accomplishments. Mr. Sundstrom complimented Dr. Hughes for being appointed to the AICPA National Government Performance and Accountability Committee (GPAC). Mr. Sundstrom stated the Internal Audit IT involvement was greatly appreciated. Dr. Dave Carlson also complimented the Internal Audit Department for its successes.

Member Bill Campbell arrived at 1:20pm

4. Discuss AOC Charter Schedule of Compliance and direct staff
Received discussion, no direction to staff.

Dr. Hughes stated there were many tasks associated with the new charter. He discussed tracking the fulfillment of the new AOC charter would be beneficial to the AOC to ensure compliance. He noted the item hand-out was the first attempt for discussion purposes.

Mr. Mauk stated it appeared as a menu of action items over time and some were ongoing activities while others had specific target dates. The CEO and Internal Audit would collaborate on the report for item 5.2.

Dr. Hughes clarified the reporting information would be provided on a Fiscal Year time period as the AOC was not specific on reporting periods required. He said some specificity would be needed to show compliance for items such as on page 4, item 6.1.7. Responsibilities and Duties of Comprehensive Framework of Internal Controls. It required that the AOC would discuss the item and consider factors included in a), b), c), and so on. Internal Audit sought clarity on what reports or audits presented to AOC would satisfy these steps. Additionally on page 5 item 7.1 Accountability, Dr. Hughes stated Internal Audit was evaluating what reports presented to the AOC would satisfy that step. Internal Audit would be looking for something concrete that the AOC could site as their basis of conclusions in meeting those requirements.

Mr. Sundstrom referenced item 7.1.b that the AOC should have reviewed the representation letter prior to issuance of the CAFR. He said it should be presented during the 2nd quarter in the future. It was agreed, the Clerk would contact Auditor-Controller's Office to coordinate with the External Auditors to acquire a draft representation letter if necessary. Mr. Pulliam stated it was agreeable to provide a draft representation letter for the AOC during the second quarter and if something should change, they would bring those issues back to the AOC for further discussion.

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Dr. Hughes sought clarification on item 7.1.c.2. Specifically, document any significant concerns the AOC may have in relation to risk management controls and accountability processes. Mr. Sundstrom stated if there were any concerns raised, they would be detailed in the minutes. The minutes would provide documentation of concerns expressed. Dr. Hughes stated the minutes would be referenced in the letter to the Chair. Mr. Sundstrom referenced a meeting during 2011 where AOC Member Dr. Carlson raised concern over JWA airport construction project as a good example.

Mr. Steve Danley asked for clarification on page 1, item 6.1.1, values and ethics. Mr. Sundstrom suggested consideration of an annual ethics statement by the Board or possibly language would be in the County mission statement. Dr. Hughes also said the Chair sends out an annual compliance with EEO policy each year to department heads. Mr. Sundstrom agreed and referenced the semi-annual Hotline report could be used as well. The CEO said the audits themselves falls into compliance criteria. It was said there were many things needing clarification and further discussion was needed.

5. Approve OC Internal Audit Department 1st Quarter Status Report of FY 11/12 for the period July 1, 2011 through September 30, 2011, and approve 1st Quarter Executive Summary of Audit Finding Summaries for the period July 1, 2011 through September 30, 2011

Moved- Sundstrom, Seconded- Mauk, Yes-Campbell, Excused-Carlson, Excused Moorlach

Approved as Recommended

Dr. Hughes presented the first quarter status report activity. Ms. Freidenrich asked about Ladera Ranch CFD audit and follow-up. Mr. Alan Marcum explained that audit recommendation no. 4 was that Auditor-Controller review all CFDs not included in the audit. That review was completed. Internal Audit will include a follow-up to and examine the seven Ladera Ranch CFDs and also the actions taken on the other 17 CFDs.

Mr. Tom Mauk asked how a department would request a Control Self-Assessment. Specifically, he asked if the CSA would be performed before the AOC would approve it. Dr. Hughes stated unless it was a Board directive, no. The request would be brought to the AOC for approval and inclusion in the audit plan.

6. Approve External Audit Coverage 1st Quarter Status Report FY 11/12 for the period July 1, 2011 through September 30, 2011.

Moved-Sundstrom, Second-Mauk, Yes-Campbell, Excused-Carlson, Excused-Moorlach

Approved as Recommended

Ms. Autumn McKinney stated it was a clean quarter. No material issues to note. Dr. Hughes stated the report is provided at Board directive to keep track of audits being performed countuwide. Mr. Sundstrom stated the report reflects the complexity and overall exposure the departments received in audit coverage.

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7. Receive Summary Highlights of Audit Reports Issued by Month for July 1, 2011 to November 30, 2011

Received discussion, no direction to staff.

Dr. Hughes stated he felt it would be helpful for the AOC to receive a summary report of total audits issued in the fiscal year. Presented was a summary of highlights issued to date. Mr. Mauk and Mr. Sundstrom felt it was very helpful and to continue it going forward.

PUBLIC COMMENTS: NONE

AOC COMMENTS:

Mr. Campbell stated a person that appears at the public comments section of the Board meetings held a difference of opinion with PAPG and he was aware that IAD recently completed a CSA in the PAPG. Mr. Campbell requested Internal Audit to examine the specifics of the person's allegations and that his staff or the Clerk of the Board had the information. He felt an independent review would be helpful. Mr. Tom Mauk agreed and stated the person may be bringing up other issues in the department. Mr. Mauk asked if hours would be moved to accommodate the review. Dr. Hughes stated the AOC holds the authority to add the review and there were reserve hours for such requests. It would be reported if additional hours would be needed. Mr. Mauk moved for the review to be done as soon as possible. The report would be for public distribution unless County Counsel felt not. Supervisor Campbell seconded the motion.

ADJOURNMENT: 1:50 P.M.

NEXT MEETING: March 15, 2012, REGULAR MEETING