

COUNTY OF ORANGE
AUDIT OVERSIGHT COMMITTEE
APPROVED MEETING MINUTES
Thursday, May 17, 2007, 3:30 p.m.

The Audit Oversight Committee of the County of Orange met on May 17, 2007 at 3:30 p.m., at the Hall of Administration, Building 10, Fifth Floor, Conference Room B, Santa Ana, California.

Members Present/Absence Noted:

Present: Supervisor Chris Norby, Member
Supervisor John Moorlach, Member
David Sundstrom, Chairman
Dave Carlson, Public Member
Chriss Street, Ex-Officio Member, Vice-Chairman
Absent: Thomas Mauk, Member

1. Call to Order:

Supervisor Chris Norby, acting as Chairman, Audit Oversight Committee, called to order the meeting on May 17, 2007 at 3:30 p.m. Roll call of attendees was as follows:

Committee Members: Mr. Sundstrom, Dr. Carlson, Supervisor Moorlach, Supervisor Norby, Mr. Street

Guests:

Internal Audit Staff: Dr. Peter Hughes, Eli Littner, Alan Marcum, Autumn McKinney, Michael Goodwin; Chief Financial Officer: Bob Franz; Auditor-Controller Staff: Denise Steckler; Bryan Berea, Claire Moynahan, Toni Smart, Jim Christiansen, Shaun Skelly; Macias, Gini & O'Connell: Jean Horimoto and Corey Tieu; Third District staff: Bryan Rayburn; Fourth District Staff: Eric Norby; Second District Staff: Ian Rudge, Public Member: Franceska Hughes

2. Approval of Minutes from March 15, 2007, (Supervisor Chris Norby, Acting as Chair, Audit Oversight Committee, Auditor-Controller)

Recommended Action: Approve

VOTE: MOVED= John Moorlach, SECONDED=Dave Carlson, Yes=Chris Norby, Excused=Tom Mauk, Excused=David Sundstrom,
APPROVED AS RECOMMENDED

3. Status of Peer Review (David Sundstrom, Chair, Audit Oversight Committee, Auditor-Controller)

Recommended Action: Receive and File

VOTE: MOVED= John Moorlach, SECONDED=David Carlson, Yes=David Sundstrom, Excused=Tom Mauk
APPROVED AS RECOMMENDED

Riverside County's Auditor-Controller Office was scheduled to perform the Peer Review in July. Internal Audit Department staff had been trained and will perform a Peer Review on a sister county in the future. Internal Audit will advise the Audit Oversight Committee when that review is requested and scheduled.

Mr. Street left the meeting at 3:45 p.m.

4. Status of AOC Bylaw Amendments (David Sundstrom, Chair, Audit Oversight Committee, Auditor-Controller)

Recommended Action: Receive and File

VOTE: MOVED= John Moorlach, SECONDED=David Carlson, Yes=Chris Norby, Yes=David Sundstrom, Excused=Tom Mauk

APPROVED AS RECOMMENDED WITH RULE CHANGES.

Rule 2 – correct spelling on Chriss Street’s title. Rule 2 - Supervisor Moorlach motioned for the addition of term provisions so that appointed members terms were concurrent with Supervisor’s terms of office. Supervisor Moorlach would sponsor the recommended changes to the Bylaws before the Board. Rule 12 c. – David Sundstrom added, “and external audit activity” language. Rule 12 g. Supervisor Moorlach deleted the word “appoint” replace with the word “recommend” and added to the sentence “to the Board of Supervisors”.

5. Status of Auditor-Controller’s Internal Audit Unit (David Sundstrom, Chair, Audit Oversight Committee, Auditor-Controller)

Recommended Action: Discussion

DISCUSSION ONLY: NO ACTION TAKEN

Mr. Sundstrom introduced Toni Smart as his Audit Manager. He stated they would audit the quarterly cash counts of the Treasury, the Annual TTC Audit, bi-annual audits in probation, and minor assignments including cash losses.

Supervisor Chriss Norby left the meeting at 4:15pm.

6. Draft Internal Audit Department FY07-08 Audit Plan (Dr. Peter Hughes, CPA, Director of Internal Audit Department)

Recommended Action: Approve

VOTE: MOVED=John Moorlach, SECONDED=Dave Carlson, Yes=David Sundstrom, Excused=Chris Norby, Excused=Tom Mauk

APPROVED AS RECOMMENDED

Dr. Hughes presented the FY07-08 Audit Plan. He briefly explained the risk assessment used and systematic approach to derive the audit plan. He stated the plan encompassed the standard audit categories. The financial audit and mandates hours were significantly reduced because the Auditor-Controller was no longer contracting with Internal Audit Department to perform his mandated audits and instead was going to conduct those audits with his own staff.

Dr. Hughes stated he wanted to bring to the AOC’s attention that there were new audit requirements that require the external auditors to much more rigorously assess the Counties internal controls. He pointed out that these new auditing standards were motivating organizations to implement better control structures as promoted by the “COSO” control framework.

Dr. Hughes briefly explained the CAAT routine program. David Sundstrom stated they hired a Thorne & Associates to identify payment irregularities including duplicate payments in exchange for a percentage of payments recovered. Mr. Sundstrom praised IAD excellent work on CAAT and noted the coverage provided by Internal Audit Department was so thorough that the firm was not able to identify any duplicates. Mr. Sundstrom stated he was considering purchasing the software used by OCIAD and adding the program to his accounts payable division. He felt the routines were more a QA function rather than an audit responsibility. Dr. Hughes offered to assist Mr. Sundstrom in assuming these duties as soon as possible.

7. Status Report as of 3/31/07 (Dr. Peter Hughes, Director, Internal Audit Dept.)

Recommended Action: Receive and File

VOTE: MOVED=John Moorlach, SECONDED=Dave Carlson, Yes=David Sundstrom,
Excused=Chris Norby, Excused=Tom Mauk
APPROVED AS RECOMMENDED.

Dr. Hughes noted he expected to finish the fiscal year end audit plan. He noted they have made some substitutions and postponements due to resource and priority issues as well as due to requests from Department and Agency Heads.

8. External Audit Coverage, Third Quarter, FY 06/07, 1/31/07-3/31/07 (Dr. Peter Hughes, Director, Internal Audit Dept)

Recommended Action: Receive and File

VOTE: MOVED=John Moorlach, SECONDED=Dave Carlson, Yes=David Sundstrom,
Excused=Chris Norby, Excused=Tom Mauk
APPROVED AS RECOMMENDED.

9. Executive Summaries of Audit Assignments, Period 1-31-07 to 3-31-07 (Dr. Peter Hughes, Director, Internal Audit Dept.)

Recommended Action: Receive and File

VOTE: MOVED=John Moorlach, SECONDED=Dave Carlson, Yes=David Sundstrom,
Excused=Chris Norby, Excused=Tom Mauk
APPROVED AS RECOMMENDED.

10. Public Comments

None.

11. Adjournment

4:45 pm

KEY

Position:

Chairman of the Board of Supervisors, Supervisor Chris Norby, Fourth District

Vice-Chairman of the Board of Supervisors, Supervisor John Moorlach, Second District

Auditor-Controller, David Sundstrom

County Executive Officer, Tom Mauk

Public Member, Dr. Dave Carlson