Summary Minutes
Audit Oversight Committee

REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE
ORANGE COUNTY, CALIFORNIA
Wednesday , September 5, 2007, 1:30 p.m.
HALL OF ADMINISTRATION
333 Santa Ana Blvd., 5th Floor
Conference Room A
Santa Ana, California

TELECONFERENCE LOCATION: IHS, Inc.
10955 Westmoor Drive, Suite 335
Westminster, Colorado 8001

Chris Norby, Supervisor, 4th District
Member

John Moorlach, Supervisor, 2nd District
Member

David Sundstrom
Chairman

Thomas Mauk
Member

Dr. David Carlson
AOC Public Member

Chriss Street
Ex-Officio Member (non-voting)

ATTENDANCE:	John Moorlach, David Sundstrom, Thomas Mauk, Dr. David Carlson, Chriss Street	
EXCUSED:	Chris Norby	
PRESENT:	DIRECTOR, INTERNAL AUDIT DEPARTMENT	Dr. Peter Hughes
	CLERK	Renee Aragon

1:30 P.M.

1. Roll Call
Guests: Internal Audit Staff: Eli Littner, Alan Marcum, Autumn McKinney, Michael Goodwin, Camille Gackstetter, Lisette Free; Chief Financial Officer: Bob Franz; Auditor-Controller Staff: Shaun Skelly, Jim Christiansen, Bryan Berea, Claire Moynihan, Toni Smart, Macias, Gini & O'Connell: Jean Horimoto and Jim Godsey; Third District staff: Bryan Rayburn; Fourth District Staff: Jessica O'Hare; Second District Staff: Ian Rudge, Fifth District: Elise Lampe; Grand Jury 07-08: John Bushman, Carol Ballesty, Tammy Martinez, Fred Schwambeck, Tom Eichhorn; Treasurer Tax-Collector: Keith Rodenhuis

2. Approve Audit Oversight Committee Minutes of May 17, 2007
VOTE: Moved-Carlson, Seconded-Moorlach, Excused-Norby, Yes-Sundstrom, Yes-Mauk
Approved as recommended with one modification.

The item was approved with a correction to the minutes reflecting Chriss Street attended the September 5, 2007 meeting for 12 minutes.

3. Discuss and approve change of AOC officer -Vice-Chairman
VOTE: Moved-Sundstrom, Seconded-Moorlach, Yes-Mauk, Excused-Norby, Yes-Carlson
Approved as recommended.

Mr. David Carlson was nominated to replace Chriss Street and serve as Vice-Chairman for the remainder of the calendar year. The reason expressed for this change was that it was preferred to have a voting member of the AOC serve as the Chair and Vice Chair and Chriss Street was only an ex-officio non voting member.

4. Receive communication required in accordance with auditing standards from External Auditor – Macias, Gini & O'Connell
VOTE: Moved-Sundstrom, Seconded-Moorlach, Excused-Norby, Yes-Carlson, Yes-Mauk
Received.

The Audit Oversight Committee received communication and discussed COSO and current and future auditing standards including SAS 99, 104-111 and 112 from Macias, Gini and O'Connell. Mr. Sundstrom requested a meeting with Macias, Gini & O'Connell to discuss the process envisioned for the County to be in compliance with upcoming standard changes.

5. Receive and file County of Riverside's Auditor-Controller Office's Quality Assessment/Peer Review of OC Internal Audit Department for period July 1, 2004 through June 30, 2007
VOTE: Moved-Moorlach, Seconded-Mauk, Excused-Norby, Yes-Carlson, Yes-Sundstrom
Approved as recommended.

Dr. Hughes presented the 2007 Tri-Annual Quality Assessment/Peer Review of the OC Internal Audit Department conducted by the Auditor/Controller of Riverside County's staff. The OC Internal Audit Department was found to fully comply with the requisite standards of the Institute of Internal Auditors and the US Government Auditing Standards. OC IAD was also complimented by the Peer Reviewers in their report as being a Best Practice model for the other county internal audit departments. This Peer Review covered the audits conducted over the past three years ending June 30th 2007. It is the forth Peer Review conducted of OC IAD in the past eight years and the fourth time IAD passed all standards and was held up as a best practice model for its peers by the Peer Reviewers themselves. Dr. Hughes thanked his audit managers and auditors for once again producing outstanding work. Members of the AOC were complimentary towards Dr. Hughes and his auditors and staff for their success in delivering high quality and valuable audits to the County. Ways were discussed as to how OC IAD could add even more value to the audit function. Dr. Hughes stated he would take their insights into consideration.

6. Discuss and approve triennial audit of various bargaining unit Memoranda of Understanding Agreements and Amendments for employee withholdings and medical insurance plan cost reductions as approved by the Board of Supervisors on August 24, 2004
VOTE: Moved-Moorlach, Seconded-Mauk, Excused-Norby, Yes-Carlson, Yes-Sundstrom
Approved as recommended.

Mr. Moorlach requested for the OC Internal Audit Department to audit the withholdings from County employees according to the 2004 pension benefit changes for general members. Dr. Hughes stated that the scope of work request by Mr. Moorlach was included in the AOC packet. Dr. Hughes stated he had already held preliminary discussions with CEO staff and anticipated the audit could be completed within 6 months, sometime in mid April. Mr. Mauk requested a progress report at the next AOC meeting. Dr. Hughes stated modifications to accommodate this audit would be made to the audit plan and it will be presented at the next AOC meeting.

7. Appoint a subcommittee to evaluate RFP selection of external auditor to perform the All Funds Audit of the Comprehensive Annual Financial Report (CAFR) and return recommendation to the AOC for approval of selected External Auditor
VOTE: Moved-Moorlach, Seconded-Sundstrom, Excused-Norby, Yes-Carlson, Yes-Mauk
Approved as recommended.

Mr. Sundstrom stated the purpose of the subcommittee was for the selection of the External Auditor to audit the County's Financial Statements (CAFR) that his office prepares each year. It was stated that the solicitation for proposals for the All Funds Audit and the Singles Audit was on August 6, 2007. The bidding closed on August 27, 2004. Four proposals were received from external (CPA) auditing firms. An AOC subcommittee consisting of three members would evaluate the proposals and return to the AOC for approval of the CPA firm to conduct the external audits of the A/C's CAFR recommendation. Mr. Bob Franz, Dr. Carlson, and Mr. Sundstrom were nominated and appointed to the subcommittee.

8. Discuss and approve OC Internal Audit Department (IAD) role on CAPS+ Upgrade Implementation approved by the Board of Supervisors on July 24, 2007
VOTE: Moved-Sundstrom, Seconded-Moorlach, Excused-Norby, Yes-Mauk, Yes-Carlson
Approved as recommended.

Dr. Hughes discussed his proposed scope, timing and reporting approach to auditing the internal control plans that will be developed by the CAPS+ Functional Teams for the various functional areas of the CAPS+ system. He provided in the AOC packet a copy of the Memorandum of Understanding documenting his commitment to the CAPs implementation. He noted that he was building off of Los Angeles County Internal Audit's successful experience in providing the same type of audit coverage for their just completed implementation. Mr. Sundstrom stated the Auditor-Controller's office and the CAPs Steering Committee was in full agreement with the OC IAD proposal of coverage as presented.

9. Receive and file OC Internal Audit Department Status Report for period July 1, 2006 through June 30, 2007 and Executive Summaries of Audit Finding Summaries for the Period April 1,2007 through June 30, 2007
VOTE: Moved-Moorlach, Seconded-Sundstrom, Excused-Norby, Yes-Mauk, Yes-Carlson
Approved as recommended.

Mr. Sundstrom observed that for this year the lease audits allocations appear to be a large part of the audit plan coverage. Ms. McKinney stated that this year RDMD requested an additional 4 golf course audits based on feedback provided to RDMD by one of the Board offices. Dr. Hughes stated that if more pressing areas warranting audit coverage surfaced he would either postponed, adjust or eliminate audits from this area to garner the audit resources to conduct other more pressing audits. Comments from the AOC members showed approval and support for maintaining the audit coverage in all of the current audit categories.

10. Receive and file External Audit Coverage 4th Quarter Status Report FY 06/07
VOTE: Moved-Moorlach, Seconded-Mauk, Excused-Norby, Yes-Sundstrom, Yes-Carlson
Approved as recommended.

11. Receive and file Fiscal Year 2006/2007 Annual Internal Audit Report to the Board of Supervisors
VOTE: Moved-Moorlach, Seconded-Sundstrom, Excused-Norby, Yes-Mauk, Yes-Carlson
Approved as recommended.

Mr. Moolach requested a list of other cities and counties that have the same reporting structure as Orange County where the Internal Audit Department reported to the Board. Dr. Hughes agreed to bring back a list to the AOC.

Member Mr. Mauk left the meeting at 2:55 p.m.

Public Comments:
Dr. Carlson reported from Westminster Colorado that no public attended the meeting.

AOC COMMENTS & ADJOURNMENT:

AOC COMMENTS:
Mr. Sundstrom presented a report of the Quarterly Reviews of the Statement of Assets Held from the County Treasury. There were neither findings nor adjustments. Mr. Sundstrom suggested consideration be made for Internal Audit to review contracting and or standard administrative processes and practices of the Treasurer Tax-Collector.

Mr. Goodwin, Senior Audit Manager for Dr. Hughes, stated the OC Internal Audit annual risk assessment allowed for all departments and agencies to request audit coverage and that several departments/agencies did not respond to our risk assessment. Mr. Goodwin did bring up the fact that OC IAD was in the process of conducting an audit of the Treasurer's Interest Earnings Apportionment. He noted that this was a very complex and important audit. Dr. Hughes stated that once OC IAD finished this audit he would look to the Treasurer Tax-Collector and the AOC for specific recommendations regarding other audits of the Treasurer Tax-Collector.

ADJOURNED: 3:05 p.m.

NEXT MEETING:

November 7, 2007	Regular Meeting, 11:00 a.m.