



# Memorandum

June 14, 2018

**AOC Agenda Item No. 2**

TO: Audit Oversight Committee Members

Recommended Action:

Approve Audit Oversight Committee Regular Meeting Minutes of March 29, 2018

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Approve Audit Oversight Committee Regular Meeting Minutes of March 29, 2018, as stated in the recommended action.

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



## REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE

ORANGE COUNTY, CALIFORNIA

*Thursday, March 29, 2018, 10:00 a.m.*

HALL OF ADMINISTRATION

333 W. Santa Ana Blvd., 5th Floor

Conference Room A

Santa Ana, California 92701

**Drew Atwater (District 1)**

AOC Chairman

Private Sector Member

**Robert Brown (District 5)**

AOC Vice Chairman

Private Sector Member

**Supervisor Andrew Do**

**First District, Board Chairman**

Member

**Supervisor Shawn Nelson**

**Fourth District, Board Vice Chairman**

Member

**Frank Kim**

**County Executive Officer**

Member

**Richard Murphy (District 2)**

Private Sector Member

**Mark Wille, CPA (District 3)**

Private Sector Member

**VACANT (District 4)**

Private Sector Member

**Present Non-Voting Members**

Treasurer-Tax Collector:

Auditor-Controller:

Performance Audit:

Shari Freidenrich, CPA

Eric Woolery, CPA

VACANT

**Present Staff**

Auditor-Controller Internal Audit:

Deputy County Counsel:

Clerk:

Scott Suzuki, CPA

Mark Servino

Mari Elias

ATTENDANCE: Drew Atwater, AOC Chairman, Private Sector Member; Robert Brown, AOC Vice Chairman, Private Sector Member; Veronica Carpenter, Proxy for Supervisor Andrew Do; Lisa Bohan-Johnston, Proxy for County Executive Officer Frank Kim; Mark Wille, Private Sector Member

**10:00 A.M.**

**1. Roll Call**

Audit Oversight Committee (AOC) Chairman Drew Atwater called the meeting to order at 10:02 A.M. Attendance of AOC members noted above.

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

**2. Approve Audit Oversight Committee Regular Meeting Minutes of January 25, 2018**

Mr. Atwater asked for a motion to approve the minutes of the January 25, 2018 meeting. Motion by Mr. Brown, seconded by Ms. Carpenter.

All in favor, none opposed.

**Approved as recommended.**

**3. Receive Oral Report on Required Communication from External Auditors**

Mr. Atwater opened the floor to Ms. Hurley, partner at Macias Gini and O'Connell. Ms. Hurley stated the Single Audit is still in process. There were several findings, including a Qualification on compliance for one of the programs. Ms. Hurley stated some programs have been tested in prior years but when a problem shows up in sampling, there is a concern that there could be a systemic problem.

**4. Receive Report on Status of Hiring Director of Performance Audit**

Mr. Atwater opened the floor to Ms. Bohan-Johnston, proxy for County Executive Officer, Frank Kim. Ms. Bohan-Johnston stated Supervisor Steel and Supervisor Bartlett continue to review applications. Human Resources does an initial review and forwards applications to the subcommittee. Ms. Bohan-Johnston will provide information regarding the number of interviews scheduled and candidates in the queue.

**5. Approve Auditor-Controller Internal Audit Division's FY 2017-18 2nd Quarter Status Report for the Period October 1, 2017 through December 31, 2017 and Approve 2nd Quarter Executive Summary of Findings for the Period October 1, 2017 through December 31, 2017**

Mr. Atwater opened the floor to Mr. Suzuki, Director of Internal Audit. Mr. Suzuki stated the Audit Plan had three postponements into the next fiscal year: Orange County Information Technology (OCIT) Project Management Audit Governance/Risk Management, Countywide Accounts Receivable Controls, and CEO/Real Estate Procurement Administration. An audit was added on the Property Tax System implementation.

Mr. Suzuki stated Orange County Community Resources (OCCR) had originally requested an audit of the East Basin/Dana Point Harbor Master Concession Contract, but had since requested to cancel due to changes in the OCCR management structure. During the quarter, there were four final reports issued with six control findings, no critical control or significant control weaknesses.

Mr. Suzuki stated the Internal Audit Division (IAD) is transitioning out of the OCCR contract for fiscal monitoring of federal grant money. This will free up staff to do other audits and accomplish the Audit Plan.

Mr. Atwater asked for a motion to approve. Mr. Wille made a motion, seconded by Mr. Brown.

All in favor, none opposed.

**Approved as recommended.**

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

**6. Approve 2nd Quarter FY 2017-18 External Audit Activity Quarterly Status Report for the Quarter Ended December 31, 2017**

Mr. Atwater opened the floor for Mr. Suzuki, Director of Internal Audit. Mr. Suzuki stated there was one material issue at the Health Care Agency. The California Department of Health Care Services audited fiscal year 2010-2011, resulting in a variance of \$324k due to the methodology used to calculate administrative costs. Mr. Lopez, Director of Satellite Accounting, stated that the formula structure has changed moving forward.

Mr. Atwater asked for a motion to approve. Motion by Mr. Brown, seconded by Ms. Bohan-Johnston.

All in favor, none opposed.

**Approved as recommended.**

**7. Discuss recommendation to the Board of Supervisors to retain a management consultant to perform a performance audit of (a) Treasurer-Tax Collector and (b) the Auditor-Controller's Internal Audit function and develop recommendations to improve independence and effectiveness of the internal audit function**

Mr. Atwater stated the idea was to make a recommendation to the Board that they hire an external auditing firm to do performance audits. Mr. Wille stated he agreed the Audit Oversight Committee (AOC) could recommend the Board retain an external consultant and, if approved, the County Executive Officer, and the Chairman and Vice Chairman of the AOC could develop an Audit Plan. Ms. Bohan-Johnston stated Mr. Kim supported having a management consultant on an interim basis.

Mr. Wille made a motion to amend the item to include a recommendation that the Board retain a management consultant to perform performance audits, concurrently with the open Performance Audit recruitment. Seconded by Ms. Bohan-Johnston.

All in favor, none opposed.

**Approved as amended.**

**8. Discuss the Audit Oversight Committee's role with respect to audits conducted by auditors specially retained by the Board of Supervisors**

Mr. Atwater stated the Board of Supervisors hired an external auditor to help in a specific area and he wanted to discuss whether that fell under the AOC's Bylaws. Mr. Servino stated the AOC's scope is oversight, not by who conducts the audit, rather on the audit function.

Mr. Atwater requested a status update on the Mental Health Services Act audit and Orange County Fire Authority Canyon Fire 2 audit at the next AOC meeting.

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

**PUBLIC COMMENTS** – Ms. Smart, member of the public, commended the AOC for discussion Item 7 and provided recommendations to the AOC for implementation.

## **AOC COMMENTS & ADJOURNMENT**

**AOC COMMENTS** – Mr. Wille asked Ms. Freidenrich to describe the Treasury Oversight Committee member selection process. Ms. Freidenrich stated that applications are requested for vacancies and the T-TC makes a recommendation to the Board; all nominations to the Board have been approved.

**ADJOURNMENT:** Motion to adjourn by Mr. Brown, seconded by Ms. Bohan-Johnston. Meeting adjourned at 11:13 A.M.

## **NEXT MEETING**

Regular Meeting, June 14, 2018, 10:00 AM