

Summary Minutes Audit Oversight Committee

REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE
ORANGE COUNTY, CALIFORNIA



Wednesday, November 7, 2007, 11:00 a.m.

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

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

Supervisor Chris Norby
Member

Supervisor John Moorlach
Member

David Sundstrom
Chairman

Thomas G. Mauk
Member

Dr. David Carlson
Vice Chairman
Public Member

Chriss Street
Ex-Officio Member (non-voting)

ATTENDANCE: Chris Norby, John Moorlach, David Sundstrom, Thomas Mauk,
Dr. David Carlson, Chriss Street

EXCUSED:

PRESENT: Director, Internal Audit Department: Dr. Peter Hughes
Clerk: Renee Aragon

11:00 A.M.

1. Roll Call
Guests: Internal Audit Staff: Eli Littner, Alan Marcum, Autumn McKinney, Michael Goodwin, Camille Gackstetter, Lisette Free, Gerardo Saucedo; Auditor-Controller Staff: Shaun Skelly, Bryan Berea, Claire Moynihan, Macias, Gini & O'Connell: Jean Horimoto, Veronica Ying Wang, and Jim Godsey; Third District staff: Louis Bronstein; Second District Staff: Ian Rudge, Fifth District: Elise Lampe; Grand Jury 07-08: John Bushman, Carol Ballesty, Tammy Martinez, Fred Schwambeck, Tom Eichhorn.
2. Approve Audit Oversight Committee Minutes of September 5, 2007
VOTE: Moved-Moorlach, Seconded-Norby, Yes-Sundstrom, Yes-Mauk, Yes-Carlson
Approved as recommended.

S u m m a r y M i n u t e s

A u d i t O v e r s i g h t C o m m i t t e e

3. Receive oral status of triennial audit of various bargaining unit Memoranda of Understanding Agreements and Amendments for employee withholdings (AOC Meeting 9/5/07, Item 6)
Received.

Mr. Littner and Dr. Hughes provided a status of the triennial audit of the bargaining unit MOU agreement and amendments for employee withholdings. Dr. Hughes noted that he has more than doubled the budget for the audit due its complexity. IAD was working cooperatively with the CEO and A/C offices as well as the counties used and expected to release a draft report sometime in April.

4. Receive oral status on subcommittee evaluation of RFP selection of external auditor to perform the All Funds Audit of the Comprehensive Annual Financial Report (CAFR) (AOC Meeting 9/5/07, Item 7)
Received.

This item was moved to the end of agenda following item 8 to allow the external auditors MGO to be excused during discussions.

Mr. Sundstrom stated four vendor responses were received. The current external auditor Macias, Gini and O'Connell was one response. Modified bids were under evaluation by the subcommittee and that results would be available in several weeks.

5. Receive and file Report No. 2707-A, Results of Research to Identify Similar Audit Organization to OC Internal Audit Department Reporting Model (AOC Meeting 9/5/07, Item 11)
VOTE: Moved-Sundstrom, Seconded-Mauk, Yes-Moorlach, Yes-Norby, Yes-Carlson
Approved as recommended

Dr. Hughes presented the research results. Dr. Hughes stated professional organizations along with City and County sites and organizations were also used along with independent confirmation performed by IAD. Supervisor Moorlach recommended replacing the word "follows" with "shares" on page 1, second bullet, first sentence. (This change was made and the report was reissued on November 21, 2007.) Dr. Hughes noted that the most frequently utilized model (over 50%) for internal audit among the Top 15 Counties (based on population) in the Country was the model Orange County has been using since 1997 which has the Internal Auditor hired by and reporting directly to the Board.

6. Discuss and approve additional audit coverage in Sheriff Department
VOTE: Moved-Moorlach, Seconded-Sundstrom, Yes-Mauk, Yes-Norby, Yes-Carlson
Approved as recommended

Mr. Sundstrom stated this request was to have IAD audit the travel expenses of the Sheriff and his Command Staff.

Supervisor Moorlach asked IAD to also audit the petty cash expenses for the Sheriff and his Command Staff.

S u m m a r y M i n u t e s

A u d i t O v e r s i g h t C o m m i t t e e

Mr. Sundstrom also stated that the External Auditor, Macias, Gini & O'Connell (MGO) raised concerns with them regarding the Sheriff's activities.

Mr. Jim Godsey, Partner of Macias, Gini & O'Connell (MGO) spoke to the AOC and stated he had the audit responsibility to determine if there was fraud that would impact the CAFR for fiscal year ending 6/30/07. He said it was not too late to evaluate and assess possibilities of significant irregularities prior to the release of the County's financial statements.

Mr. Godsey stated he would audit the procurement practices in the contracting area of the Sheriff Department to determine if there were any irregularities regarding potential conflicts of interest in the awarding of contracts.

Mr. Mike Goodwin, CPA, Senior Audit Manager with the Internal Audit Department (IAD) stated that IAD had done a recent audit of the Sheriff's Office of cash receipts, trust funds and cash disbursements through the revolving fund. He stated they identified several ways the Sheriffs office could improve their controls, but that IAD did not find any material weaknesses.

Dr. Hughes stated he would meet with MGO and coordinate his audit with them so as to avoid any unnecessary duplication of work. Dr. Hughes stated he would postpone some planned audits in order to start immediately on the AOC request so as to facilitate the completion of the external audit for fiscal year 6/30/07.

Supervisor Norby left the meeting at 11:35 a.m.

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

Supervisor Moorlach asked about item (2) on page 2, Interest Apportionment Audit. Dr. Hughes asked Mr. Goodwin, the Senior Audit Manager on this audit to address the Committee. He stated this was an audit designed to determine if all the interest earned was properly allocated to various investment Pool Participants. Dr. Hughes stated it was a very complex and important audit in that the Treasurer allocates hundreds of millions of dollars each year to the Pool Participants. Given the fact that as much as \$3 billion a decade could be allocated to the various Pool Participants, Dr. Hughes felt that an audit of the accuracy and integrity of this accounting process was of tremendous value and importance to the County.

8. Receive and file External Audit Coverage 1st Quarter Status Report FY 07/08
VOTE: Moved-Mauk, Seconded-Moorlach, Yes-Sundstrom, Yes-Carlson, Excused-Norby
Approved as recommended

Public Comments – *none*.

S u m m a r y M i n u t e s

A u d i t O v e r s i g h t C o m m i t t e e

AOC COMMENTS & ADJOURNMENT:

AOC COMMENTS: none

ADJOURNED: 11:55 a.m.

NEXT MEETING:

February 29, 2008 Regular Meeting, 1:30 p.m.