

COUNTY OF ORANGE
AUDIT OVERSIGHT COMMITTEE

SPECIAL MEETING

MEETING MINUTES
Thursday, May 6, 2003, 2:00 p.m.

The Audit Oversight Committee of the County of Orange met on May 6, 2003 at 2:05 p.m., in the Hall of Administration, Building, 5th Floor, Conference Room B, Santa Ana, California.

Members Present/Absence Noted:

Present: Mr. James Ruth, Interim CEO
Mr. David Sundstrom, Auditor-Controller
Dr. Dave Carlson, Public Member
Absent: Supervisor Tom Wilson, Chair Board of Supervisors
Supervisor Jim Silva, Vice-Chair, Board of Supervisors
Mr. John Moorlach, Treasurer-Tax Collector

1. Call to Order: (David Sundstrom, Chairman, Audit Oversight Committee)

Mr. Sundstrom called to order the meeting on May 6, 2003 at 2:00 p.m. Mr. Sundstrom asked for roll call before proceeding with the agenda.

Committee Members:

Mr. Ruth, Mr. Sundstrom, Dr. Carlson

Guests:

CEO staff: Fred Branca; Internal Audit Staff: Dr. Peter Hughes, Eli Littner, Michael Goodwin, Autumn McKinney, Renee Aragon, Sonia Macarenka, Auditor-Controller Staff: John Nakane, Claire Moynahan, Suzanne Luster, Megan Nguyen; Fifth District Staff: Megan McDonald, Fourth District; Bruce Whitacker and Eric Norby

2. Approve Evaluation Committee Selection of Primary and Alternate of the Independent Auditing Firms for All Funds Audit and Forward to Board of Supervisors for Approval to Negotiate Contract

Recommended Action: Approve

Mr. Sundstrom stated there were only two responsive bidders for the solicitation to select an Independent Auditing firm for All Funds Audit. The firms Caprisi and Larson and Macias, Gini and Company responded. Mr. Sundstrom stated Caprisi and Larson had city experience and small population county experience. MGC had several medium county experiences by comparison. The review committee felt there was substantial risk in seeking the smaller firm. Mr. Sundstrom stated he informally sought feedback through his participation of the California Association of County Auditors. Mr. Sundstrom said he would negotiate the cost to try and bring the cost down.

Approved as recommended.

3. Review of Recent Grand Jury Reports and their Implication on the County's Control Structure
Recommended Action: Discussion

Dr. Carlson expressed concern over the Deloitte and Touche contract not just in context to HR, but to overall controls in the county. It had been suggested that this issue was not unique to CEO/HR, but was somewhat of a systemic issue about contracting in other departments. It was suggested focus be given to the overall purchasing controls. Mr. Ruth stated he would be responding to the Grand Jury soon.

Mr. Sundstrom requested a motion to direct Dr. Peter Hughes, Director of the Internal Audit Department, assess the adequacy of the County's contracting policies in supporting management's contracting situations and circumstances in a sound and prudent manner. Dr. Carlson seconded the motion. Dr Hughes stated he would determine if resources allow doing a limited review of procurement to begin sometime at the end of summer. Mr. Ruth asked about policies in place that govern the system. Mr. Sundstrom clarified the scope of the analysis as a preliminary audit and preliminary survey for consideration at the next meeting to give an assessment as to whether to do a full audit or not. Dr. Hughes stated Internal Audit he envisioned doing a vulnerability assessment and risk analysis of procurement function itself, to hone in on what would be of most benefit to look at and give an evaluation with recommendations of where to proceed.

Dr. Carlson asked what happens to a person who knowingly does not comply with explicit, well-stated, clear procedures or policy if there is an issue of noncompliance. Dr. Hughes stated Internal Audit would review if sanctions or ramifications from violations of policy from not only a penal code prospective but internal policy as well and make any relevant recommendations at that time.

4. Public Comments

None

5. Adjournment

Adjourned at 2:33 p.m.

Approved 7-23-03, Item 3.