

COUNTY OF ORANGE  
AUDIT OVERSIGHT COMMITTEE

DRAFT MEETING MINUTES  
Wednesday, July 23, 2003, 2:00 p.m.

The Audit Oversight Committee of the County of Orange met on July 23, 2003 at 2:00 p.m., in the Hall of Administration, Building, 5<sup>th</sup> 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, Ex-Officio Member

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

Mr. Sundstrom called to order the meeting on July 23, 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:

Internal Audit Staff: Dr. Peter Hughes, Eli Littner, Michael Goodwin, Autumn McKinney, Renee Aragon, Auditor-Controller Staff: John Nakane, Claire Moynihan, Macias, Gini and Company, Jean Horimoto.

**2. Approval of Minutes from April 3, 2003 (David Sundstrom, Chairman, Audit Oversight Committee)**

**Recommended Action: Approve**

Approved as recommended.

**3. Approval of Minutes from May 6, 2003 (David Sundstrom, Chairman, Audit Oversight Committee)**

**Recommended Action: Approve**

Approved as recommended.

Item 2

**4. Contracting Policies and Preliminary Assessment Status (Dr. Peter Hughes, Director, Internal Audit Department)**

**Recommended Action: Receive and File**

Dr. Hughes stated at the last meeting, the committee requested a contracting policies assessment prompted by the Grand Jury contract mismanagement report. He stated that some department heads were approached about policy usage on 10 percent contingency and revealed very rare usage. Also, Dr. Hughes reported that short of theft there was no criminal penalty identified associated with the violation of procedure. It was determined performance issues then governed any action by the supervisor or manager if discipline was imposed on the individual for violation of procedures. No systemic problem in contracting was identified. Some ethical standards exist, but added there could be an expansion of policies. Dr. Hughes believes clarification of consequences of action when violation exists should be pursued. The only consequence was that Deputy Purchasing Agents could be decertified and no longer authorized in a purchasing capacity.

Mr. Ruth stated tracking contracts to budgets concerned him. He would like to see tightened controls to budget lines and to re-educate or retrain staff. Dr. Hughes agreed to contact Mr. Bill Rawlings to discuss the concerns of the CEO. Dr. Carlson stated his concern over a major breach in the process. He believes the implications of issuing misleading statements to the Board of Supervisors on material issues in an effort to cover real intent still needed to be addressed and possibly allow for consequences up to termination for the violations. Mr. Ruth said the matter should be addressed at a department head meeting and that language in the county contract policy manual should be considered.

Approved as recommended.

**5. Status Report #2 – Period 01-01-03 to 7-10-03 (Dr. Peter Hughes, Director, Internal Audit Department)**

**Recommended Action: Receive and File**

Dr. Hughes noted an exception in IT area on page 1, item 6, Clerk Recorder system review will not be performed and not replaced. He explained the technical issues were more challenging than anticipated and would seek advice and counsel of outside technical expertise. Dr. Hughes offered possible staff assistance to the Auditor-Controller for CAPS systems changes and plans.

Mr. Marcum reported item 3, page 2 under CSA could be postponed to next year. Mr. Sundstrom asked about the time overrun on item 4, page 2 for CSA promotion and orientation. Mr. Marcum stated the overrun resulted mostly because of new hardware and software changes to the CSA program and required training of staff had expended hours unanticipated. He added the new voting equipment changes already recouped some time.

Approved as recommended.

**6. External Audit Activity Third Quarter FY 02/03 Status Report (Dr. Peter Hughes, Director, Internal Audit Department)**

**Recommended Action: Receive and File**

Mr. Sundstrom reported SB90 claims were down to \$1.8 million.

Approved as recommended.

Mr. Ruth raised the issue of Fund 291 possible reimbursement to federal or state levels. Mr. Ruth reported the ultimate authority over fund activity might move and the CFO was determining actual amounts for reimbursement.

7. **Executive Summaries of Audit Assignments, Period 4/3/03-7/23/03 (Dr. Peter Hughes, Director, Internal Audit Department)**  
**Recommended Action: Receive and File**

Approved as recommended.

8. **Next Meeting**

- ◆ September 24, 2003.  
Agenda Item Suggestions/Action

9. **Public Comments**

Dr. Hughes reported that at the last Planning Steering committee an expenditure audit was recommended. Internal Audit awaited results from County Counsel as to how and when to proceed with a review based on court actions. No area of emphasis was identified therefore no audit was recommended. Mr. Sundstrom said the courts ruled favorably in planning the role of special master, computer system validity, and expenditures to right off. He added time management might be dropped. PDS income versus expenses would break even with new rates and old obligations. At some point, subsidy may play a role.

10. **Adjournment**

The meeting was adjourned at 2:54 p.m.