

COUNTY OF ORANGE
AUDIT OVERSIGHT COMMITTEE

MEETING MINUTES
Wednesday, October 6, 2004, 2:00 p.m.

The Audit Oversight Committee of the County of Orange met on October 6, 2004 at 2:00 p.m., in the Hall of Administration, Building, 5th Floor, Conference Room A, Santa Ana, California.

Members Present/Absence Noted:

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

1. Call to Order: (Dave Carlson, Ph.D., Chair, Audit Oversight Committee)

Mr. Sundstrom, Vice-Chair, called to order the meeting on October 6, 2004 at 2:07 p.m. Mr. Sundstrom asked for roll call before proceeding with the agenda.

Committee Members:

Mr. Ruth, Mr. Sundstrom, Dr. Carlson, Supervisor Silva, Supervisor Wilson

Guests:

Chris Norby, Supervisor, Fourth District; Ed Corser, CFO; Internal Audit Staff: Peter Hughes, Ph.D., Eli Littner, Michael Goodwin, Autumn McKinney, Alan Marcum, Renee Aragon, Scott Suzuki, Toni Smart, Camille Gackstetter; Auditor-Controller Staff: John Nakane, Claire Moynahan, Suzanne Luster; Macias, Gini and Company, Jean Horimoto, James Godsey; Second District Staff: Michelle Grettenberg; Third District Staff: Patty Gorczyca; Fourth District Staff: Eric Norby; Fifth District Staff: Carolyn McInerney; TCBA Representatives: Marty Ferber ; County Counsel: Thomas Again

2. Approval of Minutes from June 9, 2004 (Dave Carlson, Ph.D., Chair, Audit Oversight Committee)

Recommended Action: Approve

Dr. Carlson noted he attended half the meeting. Approved as recommended.

3. Peer Review/Quality Assessment of Internal Audit Department by Thompson, Cobb, Bazilio and Associates (David Sundstrom, Chair, Peer Review Subcommittee, Vice-Chair Audit Oversight Committee)

Recommended Action: Receive and File

Mr. Sundstrom reported the AOC established a subcommittee to select a firm to obtain an external peer review/quality assurance review of the Internal Audit Department. To that end, Thompson, Cobb, Brazilio and Associates (TCBA) was hired and contracted to perform the review. Mr. Marty Ferber of TCBA stated that IAD was in full and complete compliance with the professional standards for internal audit from both the Institute of Internal Auditors and US Government Accounting Office's Yellow Book.

Approved as recommended.

4. **Proposed Amendment of Internal Audit Department Charter (Dr. Peter Hughes, Director, Internal Audit Department)**
Recommended Action: Approve for Final Approval by Board of Supervisors

Dr. Hughes stated as a result of the peer review, the proposal amendment was brought to the AOC for consideration, discussion and approval.

The issue regarding the procedure for modifying the Annual Audit Plan was raised and discussed. It was noted that the Internal Auditor could receive direction only from the majority Board of Supervisors. It was also noted that the AOC was advisory arm to the Board and not in place of it and provided oversight and suggestions as regards the Annual Audit Plan.

No action taken on the item. It was suggested the item be deferred to a future date undetermined.

5. **Control Self-Assessment Process (Dr. Peter Hughes, Director, Internal Audit Department)**
Recommended Action: Discussion

The purpose and differences between an audit and facilitated control Self Assessment were discussed. It was noted that CSA was considered a useful tool to management and that Internal Audit had done an excellent job in facilitating the CSA workshops. Discussions were held regarding its distribution as well as whether or not the CEO and the Departments instead of IAD should perform these facilitated workshops. It was agreed that Dr. Hughes and Tom Mauk, CEO would consider the merits of the issues raised and develop a CSA process that would best serve the County's interests. Specifically they would address who should conduct the CSA and the distribution of any reports. Until such time, it was agreed the workshop data be discussed by the CEO, his Deputies and Department Heads and that they collectively would satisfy themselves that significant issues raised through the process be resolved.

Recommended Action: The item was continued to the next AOC meeting for status or further discussion.

6. **Status Report #3 – Period 01-01-04 to 09-23-04 (Dr. Peter Hughes, Director, Internal Audit Department)**
Recommended Action: Receive and File

This item was continued to the next AOC meeting.

7. **External Audit Activity Third Quarter FY 03/04 Status Report (Dr. Peter Hughes, Director, Internal Audit Department)**
Recommended Action: Receive and File

This item was continued to the next AOC meeting.

8. **Executive Summaries of Audit Assignments, Period 6/09/04 to 10/6/04 (Dr. Peter Hughes, Director, Internal Audit Department)**
Recommended Action: Receive and File

This item was continued to the next AOC meeting.

9. **Next Meeting**

- ◆ December 14, 2004, 4:00 p.m.

10. **Public Comments**

None.

11. **Adjournment**

The meeting was adjourned at 3:11 p.m.

Approved 12-15-04, Item 2.