

COUNTY OF ORANGE  
AUDIT OVERSIGHT COMMITTEE

APPROVED MEETING MINUTES  
Thursday, August 4, 2005, 2:00 p.m.

The Audit Oversight Committee of the County of Orange met on August 4, 2005 at 2:00 p.m., in the CEO Main Conference Room 10 Civic Center Plaza, Third Floor, Santa Ana, California.

Members Present/Absence Noted:

Present: Supervisor Tom Wilson, Vice-Chair, Board of Supervisors  
Mr. David Sundstrom, Auditor-Controller  
Dr. Dave Carlson, Public Member, Chair, Audit Oversight

Absent: Supervisor Bill Campbell, Chairman, Board of Supervisors  
Mr. Tom Mauk, CEO  
Mr. John Moorlach, Treasurer-Tax Collector, Ex-Officio Member

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

Dr. Carlson, Chair, called to order the meeting on August 4, 2005 at 2:03 p.m. Dr. Carlson asked for roll call before proceeding with the agenda.

Committee Members:

Mr. Sundstrom, Dr. Carlson, Supervisor Wilson

Guests:

Ed Corser, CFO; Internal Audit Staff: Peter Hughes, Ph.D., Eli Littner, Autumn McKinney, Alan Marcum, Michael Goodwin, Camille Gackstetter, Abdul Khan, Maribel Garcia, Audrey Gregory; Auditor-Controller Staff: Claire Moynihan, Denise Steckler; Sean Skelley; Macias, Gini and Company, Jean Horimoto, Jane Yan; County Counsel: Thomas Agin; District 5 Staff: Kelly Channing.

**2. Approval of Minutes from June 8, 2005, (Dave Carlson, Ph.D., Chair, Audit Oversight Committee)**

**Recommended Action: Approved**

Approved as recommended.

**3. Proposed Pension Review (Dr. Peter Hughes, Director, IAD)**

**Recommended Action: Discussion**

Dr. Hughes briefly outlined the Pension Review and noted that since IAD conducted its risk assessment in the spring, that there has been quite a bit of activity initiated by the Board regarding the process associated with estimating the unfunded Pension liability and fee calculation. He recommended postponing rather than going forward, as it is premature to proceed with a review that may be duplicative of others already in process. Auditor-Controller David Sundstrom concurred, specified some of the reviews already underway. The rest of the AOC members agreed with Mr. Sundstrom's recommendation to drop the proposed Pension Review at this time, and redirect the hours to other assignments.

**4. Treasurer's Compliance Audit Clause Pertaining to Moreland & Assoc. (Dr. Peter Hughes, Director, IAD)**

**Recommended Action: Discussion**

At the June 8<sup>th</sup> AOC meeting, Dr. Hughes was requested to look into the audit clause (provided in packet). He stated that it was specific that the A/C or its designee, including the County's external auditors could take a look at the work papers of Moreland & Assoc. Auditor-Controller David Sundstrom would write a letter to John Moorlach requesting them to make Mooreland & Associate's work papers available for review by the County's external auditors. This type of review is standard procedure by external auditors and should be viewed as such.

**5. Status Report #3, Period 1/1/05-6/30/05 (Dr. Peter Hughes, Director, IAD)**

**Recommended Action: Approved.**

Dr. Hughes reviewed the report and stated it was jointly developed by AOC to get an overview and to help address any impediments to IAD achieving its audit objectives. Each project s tracked by quarter and is scrutinized to determine if it will be over or under budget. The status report is now on an 18-month calendar to coincide with the County's fiscal plan calendar change over.

Ed Corser, CFO, raised a question regarding Item 9 on Page 2 of the status report. Dr. Hughes directed the question to Autumn McKinney. Autumn explained that in 2003, we performed a CAPS Readiness Assessment Review. Item 9 listed on the status report is a follow-up of that review. The readiness assessment included assessing the County's maturity level for a CAPS upgrade, based on the Software Engineering Institute's Capability Maturity Model (CMM). David Sundstrom stated the review addressed selected technical issues and needed to be used in that limited context. Ed Corser suggested IAD attend the CAPS steering committee meetings and share with them the insights of this review.

**6. External Audit Coverage, Fourth Quarter, FY 04/05 Status Report (Dr. Peter Hughes, Director, IAD)**

**Recommended Action: Approved.**

Dr. Hughes noted that IAD now prepares a summary page that should facilitate a quicker review of pertinent data by the AOC. Vice Chair of the Board, Supervisor Wilson, commented that several audit issues looked a little old. Dr. Hughes agreed but pointed out that federal and state audit agencies typically drive the schedules not the County. The Auditor-Controller David Sundstrom agreed and noted some issues do result in protracted discussions.

**7. Executive Summaries of Audit Assignments, Period 06-09-05 to 06-30-05 (Dr. Peter Hughes, Director, IAD)**

**Recommended Action: Approved.**

**8. Special Commendation for Dan Melton, 2005 IAD Retiree**

**Recommended Action: Discussion**

Dr. Hughes stated that although Dan Melton, a recent retiree from the Department, was not able to attend this meeting, he nevertheless wanted to thank Dan publicly for his contribution to the IAD and the County over the last six years. Mr. Melton had a great reputation throughout the County and was

well liked by all. Dr. Carlson recommended a letter of appreciation be written for Dan Melton on behalf of the AOC and routed to the Chair for his signature.

**9. Next Meeting: Set next AOC meeting date:**

Vice Chair Wilson, Dr. Carlson and David Sundstrom set **November 2<sup>nd</sup>, 2005 @ 3:00 pm** as the date for the next AOC meeting.

- ◆ Agenda Item Suggestions/Action: David Sundstrom suggested reconsidering the terms of classifications of findings used in audit reports. Note to Minutes: In response to Mr. Sundstrom's suggestions, the Internal Audit Department changed the term Reportable Conditions to Control Findings on all audit reports beginning September forward to the satisfaction of the Auditor-Controller.

**10. Public Comments**

Vice Chair Wilson introduced his new Executive Assistant, Ms. Kelly Channing. Ms. Channing replaced Lisa Smith who transferred to a new position in Dana Point.

**11. Adjournment**

The meeting was adjourned at 2:27 p.m.