

COUNTY OF ORANGE
AUDIT OVERSIGHT COMMITTEE

MEETING MINUTES
Thursday, February 23, 2006, 2:00 p.m.

The Audit Oversight Committee of the County of Orange met on February 23, 2006 at 2:00 p.m., at the Hall of Administration, Building 10, Fifth Floor, Conference Room A, Santa Ana, California.

Members Present/Absence Noted:

Present:

Supervisor Chris Norby, Vice-Chair, Board of Supervisors
Mr. David Sundstrom, Auditor-Controller
Dr. Dave Carlson, Public Member, Chair, Audit Oversight

Absent:

Mr. John Moorlach, Treasurer-Tax Collector, Ex-Officio Member
Mr. Tom Mauk, County Executive Officer
Supervisor Bill Campbell, Chairman, Board of Supervisors

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

Dr. Carlson, Chair, called to order the meeting on February 23, 2006 at 2:05 p.m. Dr. Carlson asked for roll call before proceeding with the agenda.

Committee Members: Mr. Sundstrom, Dr. Carlson, Supervisor Norby

Guests:

Rob Richardson, Assistant to the CEO; Internal Audit Staff: Peter Hughes, Ph.D., Eli Littner, Autumn McKinney, Michael Goodwin, Camille Gackstetter, Renee Aragon; Auditor-Controller Staff: Denise Steckler; Shaun Skelly; Macias, Gini and Company, James Godsey, Jean Horimoto, Jane Yan; County Counsel: Ben deMayo and Ann Fletcher; District Three staff: Bryan Rayburn

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

Recommended Action: Approve

Approved as recommended.

3. Required Communications (Macias, Gini and Company)

Recommended Action: Discussion

As required communication to the Audit Oversight Committee Mr. Godsey addressed the AOC members and provided opportunity for the Committee to ask questions. Mr. Godsey stated that the statement of their responsibility under the audit standards requires reasonable, not absolute assurance of the financial statements. Following the outline, Mr. Godsey provided a brief explanation of their status. Dr. Carlson asked if there were any material concerns and Mr. Godsey responded no.

4. OC Fraud Hotline (Dr. Peter Hughes, Director, Internal Audit Dept.)
Recommended Action: Receive and File

Dr. Hughes reported on the annual report status of the OC Fraud Hotline. By many standards, the hotline maintenance is a best practice according to the Sarbanes Oxley Act as adopted by the federal government. He reported the majority of calls were referred to other hotlines. A Telephone Voicemail tree provided several options to callers. Mr. Sundstrom asked about outsourcing the hotline function. Dr. Hughes replied the low number of complaints and the low turn over. Dr. Hughes felt the IAD staff of trained CPAs were qualified to handle the demands and written script and training were used to field the calls. He added the Grand Jury audited the hotline process and found advertisement needed enhancement but the process was managed effectively. Mr. Sundstrom requested information to consider the pros and cons of outsourcing the hotline. Dr. Hughes respectfully disagreed with considering outsourcing the function. Dr. Carlson advised Dr. Hughes to research the item and return to the next AOC meeting.

Approved as recommended.

5. Status Report #5, Period 1/1/05 to 12/31/05 (Dr. Peter Hughes, Director, Internal Audit Dept.)
Recommended Action: Approve, Receive and File

Dr. Hughes reported on the status of the audit plan and provided an overview of the coverage to date on the various business cycles.

Approve as recommended.

6. External Audit Coverage, Second Quarter, FY 05/06 Status Report (Dr. Peter Hughes, Director, Internal Audit Dept.)
Recommended Action: Receive and File

Dr. Hughes stated the lengthy quarterly report on all other audit activity for all departments was a valuable resource. An executive summary was added for clarity.

Approved as recommended.

7. Executive Summaries of Audit Assignments, Period 10-1-05 to 12-31-05 (Dr. Peter Hughes, Director, Internal Audit Dept.)
Recommended Action: Approve

Dr. Hughes explained the executive summaries report on all audit categories from one AOC meeting to the next. These are summaries and hi-level overview of control issues. The summaries track all findings and recommendations until closed or implemented or resolved.

Approved as recommended.

8. Election of Chairman and Vice Chairman for 2006 Audit Oversight Committee (Dr. David Carlson, Audit Oversight Committee)
Recommended Action: Receive nominations and elect 2006 AOC Chair and Vice-Chairman

Dr. Carlson as nominated and approved as Chair for another term and Mr. Sundstrom as nominated and approved Vice-Chair for another term.

9. Next Meeting: Set next AOC meeting date:

The next meeting was later scheduled for May 4, 2006, 3:30 p.m.

- Agenda Item Suggestions/Action:
Outsourcing Options of the OC Fraud Hotline

10. Public Comments

None.

11. Adjournment

The meeting was adjourned at 2:50 p.m.