

S U M M A R Y M I N U T E S

SPECIAL MEETING OF THE AUDIT OVERSIGHT COMMITTEE
ORANGE COUNTY, CALIFORNIA



Thursday, December 20, 2012, 10:00 a.m.

HALL OF ADMINISTRATION
333 Santa Ana Blvd., 5th Floor
Conference Room A
Santa Ana, California

Supervisor John M.W. Moorlach
Chairman of the Board
AOC Member

Supervisor Shawn Nelson
Vice-Chairman of the Board
AOC Chairman

Jan Grimes
Chief Deputy Auditor-Controller
AOC Member

Shari L. Freidenrich
Treasurer-Tax Collector
Ex-Officio AOC Member (non-voting)

Robert J. Franz
Interim County Executive Officer

Dr. David Carlson
AOC Vice-Chairman, Public Member

Sarah J. "Sally" Anderson
Public Member

Bruce Hughes
Public Member

Steve Danley
Interim Performance Audit Director
Ex-Officio AOC Member (non-voting)

ATTENDANCE: Shawn Nelson, Dave Carlson (attendance by teleconference),
John Moorlach, Jan Grimes, Shari Freidenrich, Bob Franz, Sally
Anderson, Steve Danley

EXCUSED: None

ABSENT: Bruce Hughes

PRESENT: Director of Internal Audit: Dr. Peter Hughes, CPA
County Counsel: Ann Fletcher
Clerk: Renee Aragon

10:00 A.M.

1. Roll Call

Attendance of AOC members is noted above. Internal Audit staff – Mike Goodwin, Alan Marcum, Eli Littner; Auditor-Controller Staff – Nancy Ishida, Richard Son, Claire Moynihan, Denise Steckler; Second District Staff – Lindsay Brennan; Fourth District Staff – David Zenger; External Auditors Vavrinek, Trine & Day – David Showalter, Roger Alfaro

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- 2. Appoint an AOC Vendor Evaluation Subcommittee to review the independent auditing firms for the All Funds Audit solicitation and return back to the AOC with recommendations of primary and alternate to be presented to Board of Supervisors for approval to negotiate a contract and provide direction to staff**
Motion-Moorlach, Second-Nelson, Yes-Grimes, Yes-Franz, Yes-Anderson, Yes-Carlson, Absent-B. Hughes

Approved as Recommended –

AOC Members Ms. Jan Grimes, Ms. Sally Anderson, Dr. Dave Carlson were appointed as an AOC Vendor Evaluation Subcommittee to review the independent auditing firms for the All Funds Audit Solicitation and return back to the AOC with recommendations of primary and alternate to be presented to the Board of Supervisors for approval to negotiate a contract.

Ms. Jan Grimes explained the request for the AOC to form a subcommittee to evaluate the RFPs. The bids would close on January 9, 2013. Three members were needed to form the Vendor Evaluation Subcommittee. The Vendor Evaluation Subcommittee would then report back to the AOC with their recommendations of a primary and alternate for the AOC make recommendations of the selections to be presented to the Board of Supervisors at a future date with request a request to negotiate a contract.

Supervisor Nelson solicited volunteers for the Vendor Evaluation Subcommittee. Ms. Jan Grimes volunteered. Ms. Sally Anderson volunteered. Dr. Dave Carlson volunteered. Mr. James Christiansen, Purchasing Manager/Auditor-Controller's Office, stated the Vendor Evaluation Subcommittee members would be required to sign a conflict of interest form for their participation on the Vendor Evaluation Subcommittee. Ms. Ann Fletcher, County Counsel, stated submission of conflict of interest statement would allow evaluation of whether or not there were potential conflicts that wouldn't be apparent until the responses of the RFP were received. Supervisor Nelson stated that in the event a conflict of interest were to arise related to any responsive bidders, it was requested that matter would be brought to the attention of the AOC Chairman so that different AOC member could be appointed to the Vendor Evaluation Subcommittee.

- 3. Receive and file the Peer Review of the County of Orange Auditor-Controller Internal Audit Unit report with Auditor-Controller updated management responses for the 2011 peer review performed by the Los Angeles County Auditor-Controller Audit Division.**

Motion-Grimes, Second-Carlson, Yes-Moorlach, Yes-Nelson, Yes-Anderson, Absent-B. Hughes

Approved as Receive and File

Ms. Jan Grimes reported on the results of the Peer Review of the Orange County Auditor-Controller's Internal Audit Unit that was performed by Los Angeles (LA) County in June 2012. At that time, she had prepared a preliminary response to that report in agreement with the recommendations from LA County. Ms. Grimes stated since the preliminary response, she then took time to discuss internally the issues identified. Ms. Grimes stated the structure for Orange County was unique in that the Orange County Auditor-Controller Internal Audit Unit performed only two mandated audits which were not typical of the way other internal audit organizations were structured. Ms. Grimes stated the AOC did not have authority to approve her charter, but rather referred such approvals to the Board of Supervisors.

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Ms. Grimes then submitted an amended response to the initial report. She stated she tried to honor the findings of the initial Peer Review Report while also making it fit within the unique structure of Orange County. Ms. Nancy Ishida, Audit Manager, Auditor-Controller Internal Audit Unit (ACIAU), stated the Peer Reviewer recommended the ACIAU have more visibility with executive management. In order to enhance the ACIAU visibility and communication with the AOC, the Auditor-Controller planned to submit the legislative portions of the ACIAU audit plan and their audit charter on an annual basis as a receive and file item. Presenting these items on annual basis will make the AOC aware of the ACIAU authority.

Ms. Ishida stated LA County found that the ACIAU was independent in its structure reporting to the Auditor-Controller in that it was not involved with the operations of the Auditor-Controller's office.

Ms. Ishida stated LA County also recommended that a portion of the Treasury Audit Reconciliation between the Auditor-Controller's books and the Treasurer's books be performed by someone else to enhance the appearance of independence. Ms. Ishida stated the AC had contracted with the Internal Audit Department to perform that portion of the audit effective September 2012.

Ms. Grimes also noted the Auditor-Controller's office quarterly updates filed with the Board of Supervisors similar to what Dr. Hughes provides would continue. This was another way of keeping the Board informed of the ACIAU activities.

PUBLIC COMMENTS: None

AOC COMMENTS:

Supervisor Moorlach asked when the CAFR would be issued. Ms. Claire Moynihan stated they were hopeful the CAFR would be issued by the end of the month.

ADJOURNMENT: 10:22 A.M.

NEXT MEETING: FEB 27, 2013, 1:00 p.m. REGULAR MEETING