



INTERNAL AUDIT DEPARTMENT



Executive Summary of Internal Audit Reports For the Quarter Ended September 30, 2025

Audit Number: 2597
Report Date: November 13, 2025

OC Board of Supervisors

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4th DISTRICT

VICE CHAIR KATRINA FOLEY
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3rd DISTRICT



INTERNAL AUDIT DEPARTMENT

November 13, 2025

To: Chair Doug Chaffee, Supervisor, 4th District
 Vice Chair Katrina Foley, Supervisor, 5th District
 Supervisor Janet Nguyen, 1st District
 Supervisor Vicente Sarmiento, 2nd District
 Supervisor Donald P. Wagner, 3rd District

From: Aggie Alonso, CPA, CIA, CRMA
 Internal Audit Department Director

Subject: Executive Summary of Internal Audit Reports for the Quarter Ended September 30, 2025

Attached is our Executive Summary of Internal Audit Reports for the quarter ended September 30, 2025. Specifically, during this quarter, we issued five audit reports, which includes four original audits and one follow-up audit. The following is a breakdown of the original audits, along with the number of critical, significant and control weaknesses identified, and the follow-up audits with the implementation status of our recommendations:

Original Audits

1. **Risk Assessment and Review of All Orange County American Rescue Plan Act Funded Contract and Expenditures (September 24, 2024, Board Agenda Item S37E) – Second and Final Phase** (no additional observations identified)
2. **Internal Control Audit: HCA Purchasing & Contracts for Human Services** (three Control Findings)
3. **Contract Compliance Audit: OC Waste & Recycling – Waste Management of Orange County** (two Significant Control Weaknesses, three Control Findings)
4. **Information Technology Audit: OC Waste & Recycling Selected Cybersecurity Controls** (three Significant Control Weaknesses, one Control Finding)

Follow-Up Audits

5. **Second & Final Close-Out Follow-Up Information Technology Audit: Probation Selected Cybersecurity Controls** (six total recommendations; six implemented/closed)

For each report, our executive summary provides the objectives, results, and details for any critical control weaknesses or significant control weaknesses identified during our review. If you have any questions, please contact me at (714) 834-5442 or Deputy Director Jose Olivo at (714) 834-5509.

**EXECUTIVE SUMMARY
FINDINGS BY CLASSIFICATION CATEGORY
FOR THE QUARTER ENDED SEPTEMBER 30, 2025**

CATEGORY	ISSUED THIS PERIOD	TOTAL ISSUED FY 2025-26
<p>Critical Control Weaknesses</p> <p>These are audit findings or a combination of audit findings that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise the department's or County's reputation for integrity. Management is expected to address Critical Control Weaknesses brought to its attention immediately.</p>	0	0
<p>Significant Control Weaknesses</p> <p>These are audit findings or a combination of audit findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses require prompt corrective actions.</p>	5	5
<p>Control Findings</p> <p>These are audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.</p>	7	7
<p>Other Observations</p> <p>Board-Directed Review of All Orange County American Rescue Plan Act Funded Contracts and Expenditures</p>	0	0
TOTAL	12	12



**EXECUTIVE SUMMARY
ORIGINAL REPORTS ISSUED
FOR THE QUARTER ENDED SEPTEMBER 30, 2025**

BOARD MOTION APPROVED ON SEPTEMBER 24, 2024 (AGENDA ITEM S37E)

- 1. Risk Assessment and Review of All Orange County American Rescue Plan Act Funded Contracts and Expenditures (September 24, 2024, Board Agenda Item S37E) – Second and Final Phase**
Audit No. 2425 dated July 3, 2025

DIRECTIVE	RESULTS	FINDINGS
To conduct a risk assessment of all County of Orange (County) American Rescue Plan Act (ARPA) funded contracts within 90 days to ensure all contract audit and monitoring requirements are being met within all County departments.	<p>We reviewed 285 expenditures, totaling \$42.6 million during this second phase.</p> <p>During the first phase, we reviewed 58 expenditures, totaling \$203.4 million, and issued a report on the results of our review on February 5, 2025.</p> <p>In total, the first and second phase covered 343 ARPA-funded contracts and payments totaling \$246 million.</p>	No additional observations were identified during the second phase of the audit, and the recommendations from the first phase continue to apply.

HEALTH CARE AGENCY

- 2. Internal Control Audit: Purchasing & Contracts for Human Services**

Audit No. 2326 (2215) dated July 28, 2025 for the period of January 1, 2022 through June 30, 2023

OBJECTIVES	RESULTS	CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS	CONTROL FINDINGS
1. Evaluate the effectiveness of internal control over the purchasing and contracts process to ensure requisitions and procurement of human services are executed in accordance with County purchasing rules; adequately supported; and properly authorized and recorded.	We tested 17 contracts and noted HCA generally has effective controls to ensure requisition and procurement of human services are executed in accordance with County purchasing rules. However, we also noted three control findings and opportunities to enhance process controls.	0	3
2. Perform a review of selected contract monitoring activities to ensure adequate oversight of contracted services.	Contract monitoring activities provide adequate oversight of contracted services.		
3. Review the purchasing and contracts process for efficiency.	Purchasing and contracts process is generally efficient.		



EXECUTIVE SUMMARY
ORIGINAL REPORTS ISSUED (CONTINUED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2025

OC WASTE & RECYCLING – WASTE MANAGEMENT OF ORANGE COUNTY

3. Contract Compliance Audit: OC Waste & Recycling – Waste Management of Orange County

Audit No. 2420 dated August 27, 2025

OBJECTIVES	RESULTS	CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS	CONTROL FINDINGS
1. To determine whether Waste Management (WM) is billing customers appropriately in conformance with the Hauler Rate Schedule set by the agreements for each Franchise Area.	The County and OCWR should collaborate with WM to enhance billing accuracy and contract compliance. There is increased risk that the County's customers are being charged for services that are not appropriate or included in the Agreement between the County and WM.	<p>Two Significant Control Weaknesses</p> <p>1. <u>Observation 3</u>: The County and OCWR should conduct a full review of WM's service charges in their billing system to verify that services previously agreed upon as not part of the Agreement are removed from the system to prevent future misuses of the service charges.</p> <p>2. <u>Observation 4</u>: The County, OCWR, and WM should prioritize the renegotiation of commercial versus residential manure rates to ensure alignment and proper billing rate application. Once manure rates are determined and agreed upon, the County should update the contract with WM to ensure appropriate rates are reflected.</p>	3
2. To determine whether WM is in compliance with related laws and regulations, namely California Senate Bill 1383 (SB 1383).	WM is in compliance with applicable laws and regulations, namely SB 1383.		

OC WASTE & RECYCLING

4. Information Technology Audit: OC Waste & Recycling Selected Cybersecurity Controls

Audit No. 2413 dated September 3, 2025 for the year ended March 31, 2025

OBJECTIVES	RESULTS	CRITICAL CONTROL/ SIGNIFICANT CONTROL FINDINGS	CONTROL FINDING
Evaluate OCWR's design and operating effectiveness of selected cybersecurity controls.	The design and operating effectiveness of various selected cybersecurity controls could be improved. We noted several significant control weaknesses.	<p>Three Significant Control Weaknesses</p> <p>Due to the sensitive nature of the finding, details have been redacted from this report.</p>	1



EXECUTIVE SUMMARY
 ORIGINAL REPORTS ISSUED (CONTINUED)
 FOR THE QUARTER ENDED SEPTEMBER 30, 2025

PROBATION

5. Second & Final Close-Out Follow-Up Information Technology Audit: Probation Selected Cybersecurity Controls

Audit No. 2043-F2 dated September 30, 2025 as of July 31, 2025; original audit dated March 3, 2023

ORIGINAL AUDIT – 6 FINDINGS		FOLLOW-UP STATUS		PLANNED ACTION FOR RECOMMENDATIONS NOT IMPLEMENTED/IN PROCESS
CRITICAL CONTROL WEAKNESS/ SIGNIFICANT CONTROL WEAKNESS	CONTROL FINDINGS	IMPLEMENTED/ CLOSED	NOT IMPLEMENTED/ IN PROCESS	
6	0	6	0	NA
<p>One Critical Control Weakness Due to the sensitive nature of the findings, details have been redacted from this report.</p> <p>Five Significant Control Weaknesses Due to the sensitive nature of the findings, details have been redacted from this report.</p>				



EXECUTIVE SUMMARY
DRAFT REPORTS ISSUED
FOR THE QUARTER ENDED SEPTEMBER 30, 2025

The following draft reports were issued during the reporting period:

1. **First Follow-Up Internal Control Audit: Health Care Agency Environmental Health Division Cash Receipts**, Audit No. 2214-F1
2. **First & Final Close Out Follow-Up Information Technology Audit: OC Public Works Selected Cybersecurity Controls**, Audit No. 2414-F1

