

County of Fresno
Auditor-Controller/Treasurer-Tax Collector
Audit Committee Minutes
Board of Supervisors' Chambers
August 16, 2019 – 10:00 a.m.

MEMBERS PRESENT:

Supervisor Nathan Magsig, Audit Committee Chairman
Daniel Cederborg, County Counsel, Audit Committee Vice-Chairman
Jean Rousseau, County Administrative Officer
Elizabeth Diaz, Public Defender, Co-Department Heads Council
Manuel Vilanova, Public Member
Kulwinder Brar, Public Member

Call to Order: Chairman Nathan Magsig called to order the regular meeting of the Audit Committee (Committee) on August 16, 2019 at 10:00 a.m. in the Board of Supervisors' Chambers.

1. Pledge of Allegiance

- This portion of the meeting began with Elizabeth Diaz leading all in attendance with the Pledge of Allegiance.

2. Approve Agenda

- A motion was made by Jean Rousseau, seconded by Elizabeth Diaz and carried 6-0 to receive and approve the May 17, 2019 agenda.

3. Public Presentations

- This portion of the meeting is reserved for persons desiring to address the Committee briefly on any matter not on this agenda within the Committee's subject matter jurisdiction.
- There being none, the Committee proceeded to hear the next item on the agenda.

4. Approval of May 17, 2019 Audit Committee Meeting Minutes

- A motion was made by Vice-chairman Daniel Cederborg, seconded by Manuel Vilanova, and was carried 6-0 to receive and approve the May 17, 2019 Audit Committee Meeting Minutes.

5. Agenda Items

Consent Items

a) Approve Quarterly Fraud Report covering April 1, 2019 to June 30, 2019

- A motion was made by Jean Rousseau, seconded by Elizabeth Diaz and was carried 6-0 to approve Agenda Item 5a.

Discussion and Action Items

b) Review and accept the Independent Auditor's Report on Agreed-Upon Procedures on the County of Fresno various Funds

- Debbie Paolinelli, Assistant County Administrative Officer, introduced the item and Eric Xin, Engagement Partner, Brown Armstrong Accountancy Corporation, presented the item.
- Mr. Xin said that there were no findings or exceptions for most area. He stated that, however, for most samples, the auditors were unable to obtain detail documentation for fees collected due to the County of Fresno (County) implementation of a new recording system and the old system was no longer accessible.
- Chairman Magsig asked what the auditors tested for.

- Mr. Xin responded that the auditors tested for obtaining documentation of funds' recordings, segregation, and expansion. The auditors also tested for the type of allowable revenue source deposited into the fund, certified what type of expansion allow to be pay for this revenue, and that an account has been set up in the County's accounting system for recording all expenditures. The auditors verified receipts, where revenues were coming from, and that fees were calculated correctly with the Master Schedule of Fee.
- Chairman Magsig confirmed that the auditors verified receipts but were unable to find backup.
- Mr. Xin agreed with Chairman Magsig's statement and added that backup was not provided for certain revenue items and cash receipts.
- Chairman Magsig confirmed the auditors were not able to find backup for cash receipt and revenue items, but the auditors were able to verify an item, such as a check, before October 2018.
- Mr. Xin stated that it was after October 2018 and gave examples that half to over half of the samples were not testable due to missing details.
- Vice-chairman Cederborg asked that despite the missing paper documents, how were the auditors able to trace and conclude that all fees were collected and deposited into the bank.
- Mr. Xin answered that it was based on the bank's activities of deposits going into the funds.
- Chairman Magsig asked how the auditors would know without proper documentations how much is going into the bank if there is another transaction affecting that deposit at the bank.
- Mr. Xin stated the auditors could not certify to due to no source documents. He also added that based on his judgement, if the State would to audit the County, the County could be fined due to a lack of detail records to support receipts and findings based on a seven years period.
- Chairman Magsig asked how much the fine would be.
- Mr. Xin stated it could be for years.
- Vice-chairman Cederborg stated that the fine could be tens of millions.
- Jean Rousseau ask if the new program will have support available.
- Mr. Xin responded support would be available as of October 2018.
- Mr. Rousseau asked if the auditors' scope was from July 1 – June 30, 2018.
- Chairman Magsig recalled that the scope was for January 1st through July because Mr. Dictos ask for the review around October. He asked how the support kept prior to October 2018.
- Paul Dictos, Assessor-Recorder, stated that the auditors did not understand his system and gave an example of tickets sold compare to revenue earned that the auditors did not correlated the two. He said that the issue was monies are not going to the right account, but Mr. Xin stated all fees are collected and deposited in the bank. He believe there would not be a fine if there was a State audit. He suggested that when a problem like this occur, the auditors should find an alternative solution.
- Chairman Magsig explained that the purpose of this engagement was to exam and not to perform a full audit.
- Mr. Dictos expressed the report said that there were millions of dollars missing.
- Chairman Magsig explained that the issue is there are not any backup and if the County would to be audited by the State, then according to Mr. Xin the County has to pay everything back.
- Mr. Dictos reiterated his tickets example.
- Chairman Magsig said that he just want to ensure the County can defend its position and does not have an issue with the audit results as long as Mr. Dictos has adequate backup for when the State comes to perform an audit.
- Mr. Dictos reiterated the millions of money lost and suggested to rehire the auditors to find out how much is missing. He asked to fully note because if the money is missing, then he would be liable.
- Mr. Rousseau stated that since Recorder is moved from the general fund to the special revenue fund, it made sense to use the money for an audit.
- Mr. Dictos said that it was Mr. Rousseau's call.
- Mr. Rousseau stated that Mr. Dictos asked about a full blown audit and if he was concerned about missing money and wanted to do something about it that he can.

- Chairman Magsig asked Mr. Xin regarding the half of samples that the auditors were not able to test that were the auditors able to validate anything prior to October 2018.
- Mr. Xin said that there were cash receipts and bank related activities, but no original tickets or invoices.
- Chairman Magsig asked how the auditors were able to claim that all fees were accounted for and have been deposit into the bank, but stated that the auditors were not able to verify 20 out of 40 of the missing backups.
- Kulwinder Brar asked for clarification on all the available information since the new system implementation did not take effect until October 2018 and the audit period ended on June 2018.
- Mai Xiong, Engagement Manager, Brown Armstrong Accountancy Corporation, explained that the auditors' scope ran from June 2014 through June 2018 and their report reflected that time frame which was prior to the new system change. Ms. Xiong answered that the Recorder's office did provide the support, but was missing source documents. Ms. Xiong stated that the auditors were unable to access the old system for the source documents since the field work was conducted after the new system was implemented.
- Chairman Magsig said that he did not have any doubts the auditors were able to see money received and deposited. However, he asked the auditors for clarification that the auditors were not able to see the documents recording the services between the customers and the County and the monetary exchange, but the auditors were able to see the money being deposited into bank.
- Ms. Xiong agreed with Chairman Magsig's statement.
- Chairman Magsig stated that Mr. Dictos's office has different funds and people who perform different duty to maintain segregation of duty. Chairman Magsig questioned if the auditor was not able to identify what the money was used for, then how can they claimed that all fees have been accounted for.
- Ms. Xiong said that Mr. Dictos's office provided summary level of data to the auditors. For example, list of fees, the amounts, and the type were provided, but the receipts being issued to customers were missing. She said that other than the source documents, all other information was provided to the auditors.
- Mr. Xin stated that beside the original invoices and receipts, the department was able to provide the auditors with enough information on the description and amount of items to conduct their review.
- Ms. Brar asked if what the auditors meant was that the auditors did not have the original receipts, but had summaries from processed batches that can be used to verify the money deposited at the bank.
- Mr. Xin agreed with Ms. Brar.
- Ms. Brar said that the auditors should make it clear on the report because based on the current wording in the report, she as an accountant, would see that nothing was reconciled. She further stated that she thinks it is significant to state that source documents were missing, but from the summaries of information, the auditors were able to reconcile the bank statements.
- Chairman Magsig stated that this was not an audit, but recommendations, for internal uses, and the goal to improve.
- Mr. Dictos said that he was accused of missing money. He said that there were loss raffle tickets, but still have the summaries of information to support the transactions. He suggested that the tickets should be recounted and compared to the amount of money collected.
- Chairman Magsig said to Mr. Dictos that no one is accusing Mr. Dictos and he saw that Mr. Dictos disagree with the results. He suggested that Mr. Dictos write a letter outlining how Mr. Dictos' department is run regarding the results of this review and that Mr. Dictos has all of the supports for this review. He further stated that was a public meeting, but the members presented were from the County of Fresno.
- Vice-chairman Cederborg asked if the auditors looked at the expenditures and if they found any issues with the expenditures.
- Mr. Xin stated that expenditure side is clean.
- Vice-chairman Cederborg asked if the auditors looked at any general expenditures in the Recorder Office at that time.

- Mr. Xin believed the auditors looked at general expenditures.
- Vice-chairman Cederborg asked if there were general fund expenditures paid out of these funds.
- Mr. Rousseau clarified that the Recorder was in the general fund and the expenditures that were looked at were general fund expenditures. Mr. Rousseau stated that the Recorder was not moved out of the general fund until last fiscal year. There were separate revenues in the general funds.
- Ms. Xiong said that the auditors used the reports provided that ran all of the sub-categories for each of the funds.
- Mr. Rousseau asked Mr. Dictos if the new system have all receipts attached.
- Mr. Dictos said that the new system is all electronic recording.
- Chairman Magsig offered Mr. Dictos an opportunity to include additional material stating his disagreements with the report. He also said that the purpose of this engagement was not to point fingers at anyone, but to look at different funds.
- Mr. Dictos asked if there were any findings.
- Chairman Magsig said that there were no findings.
- Ms. Diaz asked if the report was just informational and if the Committee needed to take action on the item.
- Chairman Magsig said the County does act upon it internal to the extent of doing better. Chairman Magsig opened the item for public comments.
- There being none, a motion was made by Elizabeth Diaz, and second by Vice-chairman Cederborg and was carried 6-0 to accept the Independent Auditor's Report on Agreed-Upon Procedures on the County of Fresno various Funds.

c) Review and accept the Fresno County In-Home Supportive Services Public Authority

- Megan Marks, Accounting and Financial Division Chief, FR&A, introduced the item and Eric Xin presented the item.
- Mr. Xin Stated that the auditors performed an audit of the financial balances and internal control of financial reporting for the In-Home Supportive Services Public Authority. Mr. Xin stated that the scope included inquires, confirmation, substantive testing, and analytical procedures. However, the auditors did not proposed any audit adjustments as result of the audit. Mr. Xin stated that Brown Armstrong issued unmodified opinions for the internal report for the financial statement itself and internal control over financial reporting on compliance. There were not any excessive account to estimate for authority, no disagreement with management, did not consult as an accountant does during normal audit, no audit difficulties during audit, no fraud detection related to the authority of employee Mr. Dictos mentioned.
- Chairman Magsig opened the item for public comments.
- There being none, a motion was made by Manuel Vilanova, and seconded by Kulwinder Brar and was carried 6-0 to accept the Fresno County In-Home Supportive Services Public Authority Independent Auditor's Reports and Financial Statements for year ended June 30, 2018.

d) Review and approve the Follow-up Review for the Department of Social Services Expense Claim (CEC) for the quarter ended December 31, 2015.

- Megan Marks introduced and presented the item. Ms. Marks stated that the findings were the related to 12 claims that were not corrected and were not expected to be corrected. The auditors have worked with the Department of Social Services (DSS) on these findings.
- Ms. Diaz asked why the findings were not expected to be corrected.
- Linda Espinoza, Deputy Director, DSS, said that due to the new PPG, causes for overtime logs and verification for each employee's sign-in were not able to go back and recreate. However, each branch deputy director does have documents that overtime occurred and overtime were being paid for.
- Ms. Diaz asked why the report still said that errors continue to include overtime. She asked what would be the time period the report reflect.

- Ms. Espinoza stated that the report was referring to that period. The department did have each deputy director verified the time and ensure it was correct for that time with emails to substantiate with claims. Ms. Espinoza stated that DSS could have their employees inform the employees' supervisor regarding overtime so the supervisors are aware of the situations.
- Chairman Magsig asked if DSS has adopted or is in agreement with the recommendation of the Auditor/Controller's office.
- Ms. Espinoza stated that DSS is in agreement with the recommendation.
- Chairman Magsig opened the item for public comments.
- There being none, a motion was made by Vice-chairman Dan Cederborg, and seconded by Manuel Vilanova and Elizabeth Diaz and was carried 6-0 to approve the follow-up review for the Department of Social Services Expense Claim (CEC) for the quarter ended December 31, 2015.

e) Review and approve the Library Department Head Transition Report

- Megan Marks introduced and presented the item. Ms. Marks stated that FR&A staffs reviewed cash, assets, and payroll. Ms. Marks stated, in terms of cash management, it was found that some Library staffs did not follow proper cash handling. Ms. Marks identified that three locations left cash unattended and the fourth location has an unauthorized draw from the register to the safe and vice-versa creating an appearance of a shortage in the safe and overage in the register but after reconciliation and review of support documents, the safe and register were balanced. Ms. Marks recommended that the Library reviewed its process regarding changes out of its safes. Ms. Marks stated that the Library has improved in its cash handling overall. Ms. Marks mentioned that for petty cash fund vouchers verified, one voucher was missing an authorized signature and the other has an unauthorized signature. Ms. Marks recommended for the department to work on that issue. Ms. Marks stated that another finding was the reconciliation between the internal documents for the San Joaquin Valley Library System (SJVLS), which the Library serves as a physical agent, and the bank. The transaction were recognized, but not recorded to PeopleSoft and recommended the Library Department keep recording to PeopleSoft. Ms. Marks stated that for assets management, not all data requested in Management Directive 413.2 were recorded, especially for older assets and recommended that the department to get those information updated as best as the department can. Ms. Marks stated that the inventoriable roll-able tables that were counted, only 22 were counted instead of the 30 listed and, in terms of capital assets, findings did not match e-report for surplus and disposals. Ms. Marks recommended that the department correct documentation so that the system can be updated. Ms. Marks stated that, in terms of compliance and payroll, there were two forms missing title and recommended for a last review before turning in the documents. Ms. Marks stated that the out-going librarian was paid for the full period of car allowance when the individual only worked half of the pay period compared to the incoming librarian whom was paid half of the period for the half of the period that the individual worked. Ms. Marks recommended for the department to be equal across the board for compensations.
- Chairman Magsig asked that would the decision to determine which individual gets pay what not fall on the Library department.
- Ms. Marks agreed with Chairman Magsig's statement.
- Chairman Magsig asked that if there was a discrepancy, then who would be right and who would be wrong.
- Ms. Marks stated that the car allowance should be divided equally in half, however, there were no documentation that state how the car allowance is to be divided and the policy viewed was not clear.
- Chairman Magsig suggested that the Board of Supervisor and the CAO's office look into this matter.
- Ms. Marks said this was discussed with the Library and that was why it did not have a response for this response.
- Chairman Magsig asked about the money going into the SJVLS bank account.
- Deb Janzen, Principal Librarian, Library Department, stated that SJVLS is a joint power authority (JPA) consortia and the monies are from the member library jurisdiction fees and other fees.

- Chairman Magsig asked about the authority to open this second account because from his understanding contributions or revenue received will have to be approved by the Board of Supervisors.
- Ms. Marks answered that it was the Auditor/Controller that gave the authority. Ms. Marks clarified that this entity is similar to other JPAs the County has where someone in the County is taking care of those fund, but the monies are not in the County's pool. Ms. Marks stated that SJVLS is also a separate entity of the County.
- Chairman Magsig asked for clarification on who are part of this JPA.
- Ms. Janzen stated that SJVLS includes counties and cities.
- Chairman Magsig asked for who specifically.
- Ms. Deb stated that the counties are Fresno, King, Tulare, Mariposa, and Merced, while the cities are Porterville and Tulare.
- Mr. Rousseau said that the JPA would probably come to the Board when...
- Chairman Magsig asked that as a JPA would each of the respected board of these JPAs has to vote and approve.
- Mr. Rousseau agreed with Chairman Magsig's statement.
- Chairman Magsig asked how much money this account has.
- Ms. Marks answered that she believed there were about \$600,000 during the audit, but was not able to confirm today's balance. She also said that one of the finding was the recording was not consistent within PeopleSoft in this account so the account would still reflect an incorrect amount if the account would to be pulled today.
- Chairman Magsig asked when this JPA was formed, did it indicate the length of time or how often audits were to be performed or expend and did FR&A staff do any kind of tests in regard to this.
- Ms. Marks stated that FR&A staff only know of the JPA's audit when the JPA requested for information regarding the JPA that were used in the County's CAFR.
- Chairman Magsig asked whom represent the County in this JPA.
- Ms. Janzen said that it was the Librarian.
- Chairman Magsig asked who have signing authority for this bank account.
- Ms. Marks said that, based on what was on the CAFR and this audit, it is just those individuals in the Library who have signing authority and Oscar Garcia because he is the County's Auditor/Controller-Treasurer/Tax Collector.
- Mr. Rousseau suggested that he would talk to Raman Bath, the Librarian, regarding investing this money into the County's pool instead of the bank due to a higher interest being earned in the County's pool versus the bank.
- Chairman Magsig said that he heard the overnight rate in the County's pool is roughly 2.35 percent annualize which is better than the .001 percent earned at the bank.
- Mr. Vilanova asked who are the staffs that handle the cash, such as accounts or desk staffs.
- Ms. Janzen answered that the Library is set up where all of its library aids, library assistants, and librarians receive cash handling due to the small number of staffs.
- Mr. Vilanova added that the staffs, "wore many hats."
- Ms. Janzen answered that the staffs are public servants so they do everything related to public services.
- Mr. Vilanova asked that how many branches does the Library has.
- Ms. Janzen answered that there are 37 branches.
- Chairman Magsig opened the item for public comments.
- There being none, a motion was made by Jean Rousseau, and seconded by Elizabeth Diaz and was carried 6-0 to approve the Library Department Head Transition Report.

f) Review and accept the Independence Certification

- Oscar J. Garcia, Auditor/Controller-Treasurer/Tax Collector, introduced and present the item. Mr. Garcia stated that the Independence Certification is an annual certification of the internal auditors' independence that would prevent the internal auditors from objectively planning, reporting, and

participate in a way that would prevent them from reaching an independent conclusion in according with International Standard Practice for Internal Auditing issued by the Institute of Internal Auditors. Mr. Garcia said that the certification also state that if Mr. Garcia should become aware of any changes, he will notify the Committee.

- Chairman Magsig asked if this certification was completed last year.
- Mr. Garcia answered that this was not done in the past, but it was something he implemented because it was required.
- Chairman Magsig asked if this was the first time this has been done.
- Mr. Garcia stated that this will be completed annually going forward.
- Chairman Magsig clarified that it will be annually.
- Mr. Garcia confirmed and added that this is the second year.
- Mr. Vilanova asked why this item has not been done in the past.
- Mr. Garcia answered that he did not know because he cannot speak for his predecessor.
- Vice-chairman Cederborg asked how Mr. Garcia would check for the internal auditors' independence.
- Mr. Garcia stated that a questionnaire is sent out the internal auditors to ask if their independence will be impaired. Mr. Garcia's example was if the internal auditor knows someone in an accounting department that would impair the individual, then the individual internal auditor would notify management and not be assigned to that audit.
- Chairman Magsig opened the item for public comments.
- There being none, a motion was made by Manuel Vilanova, and seconded by Kulwinder Brar and was carried 6-0 to accept the Independence Certification.

g) Review and approve the 2020 Audit Committee Meeting Dates

- Chairman Magsig asked if there were any disagreements to the proposed dates.
- Ms. Marks suggested that the meeting dates this year has been going well so the new dates are an attempt to mimic the dates this year, but the dates are open to change.
- Chairman Magsig open the item for public comments.
- There being none, a motion was made by Kulwinder Brar, and seconded by Jean Rousseau and Vice-chairman Dan Cederborg and was carried 6-0 to approve the 2020 Audit Committee Meeting Dates.

6. Staff Updates

- Oscar J. Garcia stated that there will be two cash disbursement audits for the Department of Behavioral Health and the Department of Social Services along with a Cal Fresh Collection and Overpayment audit to be completed and submitted to the State by September 30, 2019 at the request of the Department of Social Services. As a result of the need for a cash manual from previous audits, there was a cash manual taken to the Board of Supervisor with the hope to help departments in regard to what kind of procedures to follow.

7. Adjournment

- A motion was made by Vice-chairman Dan Cederborg, seconded by Elizabeth Diaz and was carried 6-0 to adjourn the meeting at 10:52 a.m.

Audit Committee Members:

Supervisor Nathan Magsig, Audit Committee Chairman
Daniel C. Cederborg, County Counsel, Audit Committee Vice-Chairman
Supervisor Sal Quintero
Jean Rousseau, County Administrative Officer
Elizabeth Diaz, Co-Department Heads Council
Manuel Vilanova, Public Member
Kulwinder Brar, Public Member