

County of Fresno
Auditor-Controller/Treasurer-Tax Collector
Audit Committee Minutes
Board of Supervisors' Chambers
January 25, 2019 – 10:00 a.m.

MEMBERS PRESENT:

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

Call to Order: Chairman Magsig called to order the special meeting of the Audit Committee (Committee) on January 25, 2019 at 10:02 a.m. in the Board of Supervisors' Chambers.

1. Pledge of Allegiance

- This portion of the meeting began with Vice Chairman Cederborg leading all in attendance with the Pledge of Allegiance.

2. Approve Agenda

- A motion was made by Jean Rousseau, seconded by Elizabeth Diaz and was carried 6-0 to receive and approve the January 25, 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. Discussion Regarding the Appointment of Public Members to the Audit Committee

- Shelly Dorn, Supervising Accountant, Financial Reporting & Audits (FR&A), stated that Kulwinder Brar's appointment expired on December 31, 2018 and Kulwinder has reapplied.
- Supervisor Magsig asked if the Committee can approve the appointment of the Public Member or if the Board of Supervisors must appoint the Public Member.
- Vice Chairman Cederborg stated that Chairman Magsig's question was also asked at the last Audit Committee Meeting.
- Chairman Magsig suggested that if the Committee makes a motion for reappointment but the Committee does not have the authority, then the motion would become null and void. Chairman Magsig suggested that the Committee makes and seconds a motion so that there is a formal process that approved the reappointment of Kulwinder Brar as a Public Member since the Committee only meets 4-5 times a year.
- Elizabeth Diaz asked if there was a deadline to apply for the Public Member position.
- Chairman Magsig stated that a Public Member is appointed for a specific term and when the term expires, the Public Member can continue to serve until they have been replaced or reappointed.
- Vice Chairman Cederborg said that technically Kulwinder Brar would still be serving.
- Oscar J. Garcia, CPA, Auditor-Controller/Treasurer-Tax Collector (ACTTC), suggested that staff can look into Chairman Magsig's suggestion and bring back an answer to the February 8, 2019 Audit Committee Meeting.

- Chairman Magsig asked if Oscar would oppose the Committee taking action now to reappoint Kulwinder as the Public Member.
- Oscar J. Garcia stated that he was not opposed.
- A motion was made by Jean Rousseau, seconded by Daniel Cederborg and was carried 6-0 to reappoint Kulwinder Brar as a Public Member to the Audit Committee.

5. Approval of December 14, 2018 Audit Committee Meeting Minutes

- A motion was made by Jean Rousseau, seconded by Manuel Vilanova, and was carried 6-0 to receive and approve the December 14, 2018 Audit Committee Meeting Minutes.

6. Agenda Items

Discussion and Action Items

a) Review and accept 2017-2018 County of Fresno Comprehensive Annual Financial Report (CAFR)

- Oscar J. Garcia stated that Thomas Young, partner with Brown Armstrong, would be presenting the item.
- Thomas Young stated that the purpose of an audit is to obtain an independent third party who analyzes the County of Fresno's (County) financial statements, reviews account balances, performs tests of controls, and tests on federal and state compliance. Brown Armstrong obtained independent third party confirmations and verified investments, cash balances, and legal confirmations (to determine if litigation and/or contingent liabilities need to be accrued). Brown Armstrong also takes an overall view of the financial statements to make sure that the financial statements are presented in accordance with Generally Accepted Accounting Principles and that all required note disclosures are included. Mr. Young stated that ultimately the goal is to render an opinion on the County Comprehensive Annual Financial Report (CAFR). Thomas stated that Brown Armstrong's report is listed on page 1 of the CAFR and that they issued an unmodified or clean opinion for the County CAFR. This is the highest form of assurance that Brown Armstrong can render. Thomas stated that in the future Brown Armstrong will be issuing additional reports on the internal controls of the County and the federal compliance report, otherwise known as the single audit. Mr. Young said that the single audit is not finished but should be completed by March 31, 2019. Mr. Young stated that Brown Armstrong has issued another report that is required communication with the Audit Committee. Mr. Young also stated that Brown Armstrong issued an Agreed-Upon Procedures report mainly on best practices within the County's computer activities.
- Chairman Magsig asked about the decrease of the County's long term liabilities by \$221 million listed under financial highlights, and where to find the detail about that decrease.
- Thomas Young directed the Committee to review page 49 of the CAFR for the summary of the County's long term liabilities. Mr. Young explained that the main change is the net pension liability during the year and that had to do with investments and the stock market because the actual report is based on the valuation of the investments in the pension.
- Chairman Magsig asked why some materials that are in the CAFR do not match what FCERA does.
- Thomas Young asked if FCERA is a fiduciary fund within the County.
- Chairman Magsig stated that FCERA is a separate entity.
- Oscar J. Garcia stated that Chairman Magsig may be referring to GASB 67 as opposed to GASB 68 and requested that Mr. Young explain the difference.
- Thomas Young stated that the actuary must get the information and perform the report based on that information which creates a lag in that time period and creates the difference between the liabilities.
- Chairman Magsig stated that he wanted clarification because some of the dates on the reports can be misleading if you do not have an understanding that the timing of the reports (FCERA vs. CAFR) are different.
- Thomas Young stated that there are subsequent contributions that affect deferred outflows that would not be reported within the actuary numbers that come from FCERA.

- Chairman Magsig asked, for the purpose of the County's CAFR, if the County uses the market value of investment or the actuarial value of investment for pension liability.
- Thomas Young stated that the County used the market value.
- Jean Rousseau asked about the IT report and if that report was requested or a standard report.
- Thomas Young stated that, based on professional auditing standards, Brown Armstrong had to look at the County's IT system to make sure the system is properly functioning. This is not done every year, but was done this year and Brown Armstrong came up with some basic recommendations that would improve that system.
- Jean Rousseau asked if the IT report is available.
- Megan Marks, Accounting & Financial Division Chief, FR&A, stated that the IT report was overlooked when preparing the January 25, 2019 agenda and the report will be a part of the February 8, 2019 agenda.
- Jean Rousseau asked about when the Committee will receive the management letter.
- Thomas Young stated that the Committee will receive the management letter once Brown Armstrong completes the Federal Compliance Testing that is not due until March 31, 2019. The report will have an in-depth management letter or internal control report with possible findings and recommendations.
- Vice Chairman Cederborg asked if there is a note in the CAFR regarding the reporting gap between the County's CAFR and FCERA.
- Thomas Young stated that page 12 has a pension note that goes into a lot of detail [Note 12, p. 55].
- Oscar J. Garcia stated that the County is about 92.7 percent of FCERA and plus the County is a year behind because of the measurement date difference between GASB 67 and GASB 68. Mr. Garcia stated that when looking at the CAFR, the amount is just the County and not FCERA.
- Chairman Magsig opened the item for public comments.
- There being none, a motion was made by Jean Rousseau, and seconded by Manuel Vilanova, and was carried 6-0 to accept the 2017-2018 County of Fresno Comprehensive Annual Financial Report.

7. Staff Updates

- Oscar J. Garcia stated that the peer review engagement report is ready but the external auditor could not attend the January 25, 2019 Committee meeting and will attend the February 8, 2019 Committee meeting to share the report with the Committee.
- Jean Rousseau asked about the importance and requirements of the peer review.
- Oscar J. Garcia stated that in the past, based on the Yellow Book, a peer review was an audit of the internal auditors required every 3 years. Mr. Garcia stated that the last peer review was done in either 2008 or 2009. Mr. Garcia stated that from now on a peer review will be done every 5 years in accordance with the Red Book.
- Jean Rousseau asked if the lack of a peer review was mentioned in the CAFR management letter each year.
- Oscar J. Garcia stated that a peer review is different from the County CAFR. The CAFR is not something we audited. The peer review is based on departments and special districts that we audited.

8. Adjournment

- A motion was made by Elizabeth Diaz, seconded by Jean Rousseau, and was carried 6-0 to adjourn the meeting at 10:20 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, Public Defender, Co-Department Heads Council
Manuel Vilanova, Public Member
Vacant, Public Member