

**County of Fresno
Auditor-Controller/Treasurer-Tax Collector
Audit Committee Minutes
Board of Supervisors' Chambers
May 17, 2019 – 10:00 a.m.**

MEMBERS PRESENT:

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

Call to Order: Vice-Chairman Daniel Cederborg called to order the regular meeting of the Audit Committee (Committee) on May 17, 2019 at 10:04 a.m. in the Board of Supervisors' Chambers.

1. Pledge of Allegiance

- This portion of the meeting began with Supervisor Sal Quintero leading all in attendance with the Pledge of Allegiance.

2. Approve Agenda

- A motion was made by Manuel Vilanova, seconded by Elizabeth Diaz and carried 5-0 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 April 19, 2019 Audit Committee Meeting Minutes

- A motion was made by Jean Rousseau, seconded by Supervisor Sal Quintero, and was carried 5-0 to receive and approve the April 19, 2019 Audit Committee Meeting Minutes.

5. Agenda Items

Consent Items

a) Approve Quarterly Fraud Report covering January 1, 2019 to March 31, 2019

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

Discussion and Action Items

b) Review and approve the Single Audit Report for year ended June 30, 2018

- Megan Marks, Accounting and Financial Division Chief, FR&A, introduced Thomas young, partner with Brown Armstrong, and Mai Xiong, Audit Manager with Brown Armstrong.
- Mr. Young presented the results for the Single Audit Report for year ended June 30, 2018. Mr. Young directed the Committee to review the table of contents for the two reports issued, the financial statements and the findings and questioned costs. Mr. Young stated that the first report issued, Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, is on page 1. Mr. Young stated that this first report is the Comprehensive Annual Report that Brown Armstrong issued with an unmodified opinion. Mr. Young indicated that there were

findings but overall the report is clean. Mr. Young stated that the second report, Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance, was on page 3. Mr. Young stated that Brown Armstrong also issued an unmodified opinion for the second report but noted two findings on the report. Mr. Young directed the Committee to page 6 for the Schedule of Expenditures of Federal Awards report that occurred on during the fiscal year of 2018. Mr. Young informed the Committee that the County of Fresno (County) would receive grants and then distribute those grants to a non-profit organization or another nongovernmental entity which creates the passed-through to subrecipients. Mr. Young noted the how much in total the County spends in Federal expenditures and how much the County has in outstanding loans. Mr. Young stated that page 13 listed all the subrecipients of the County. Mr. Young indicated that page 14 shows the summary of the Schedule of Findings and Questioned Costs. Mr. Young stated that the findings were on page 15 of the report.

- Jean Rousseau asked if there was a plan for the repeat finding on page 20 of the report regarding Construction in Progress (CIP).
- Oscar J. Garcia, Auditor-Controller/Treasurer-Tax Collector, stated that his office is currently working with the Department of Public Works and Planning (PW&P) on how to handle CIP.
- Lemuel Asprec, Business Manager, PW&P, agreed with Mr. Garcia's statement.
- Mr. Rousseau asked when the CIP process will be completed.
- Mr. Asprec stated that PW&P is working on correcting the CIP process and is hoping to finish the process by the end of fiscal year 2019.
- Mr. Rousseau asked how long the CIP finding has been in place.
- Mr. Garcia answered that the CIP finding has been in place for at least 3-4 years. Mr. Garcia stated that he will be directing his staff to do testing for CIP to help capture any potential findings at year-end prior to the external auditor's review. Mr. Garcia stated that the finding will be still be a finding if the CIP process is not rectified at year end.
- Vice-chairman Cederborg asked where the deficiencies were in CIP.
- Mr. Garcia stated that the projects in CIP were not captured in a timely basis. Mr. Garcia stated that the completed projects in CIP were not transferred over to assets. Mr. Garcia stated that completed CIP projects were recognized but were just not recognized in the right category.
- Vice-chairman Cederborg opened the item for public comments.
- There being none, a motion was made by Jean Rousseau, and seconded by Manuel Vilanova and was carried 5-0 to approve the Single Audit report for year ended June 30, 2018.

c) Review and approve the Assessor-Recorder Cash Handling Audit Follow-up Report

- Megan Marks introduced and presented the item. Ms. Marks stated that the follow-up report was for fiscal year 2017 and is not a part of the audit that was requested by the Assessor-Recorder. Ms. Marks stated that the current policies and procedures along with a cash count was completed. Ms. Marks stated that there was one finding regarding a petty cash fund being utilized to manage the cash shortages and overages. Ms. Marks identified that the recommendation was to close the petty cash fund and the Assessor-Recorder's office did submit paperwork to the Auditor-Controller's office to close the fund.
- Vice-chairman Cederborg asked if the paperwork submitted by the Assessor-Recorder's office to close the petty cash fund cleared the finding.
- Ms. Marks agreed with Vice-chairman Cederborg and stated that the paperwork did clear the finding.
- Vice-chairman Cederborg opened the item for public comments.
- There being none, a motion was made by Jean Rousseau, and seconded by Elizabeth Diaz and was carried 5-0 to approve the Assessor-Recorder Cash Handling Audit Follow-up Report.

d) Review and approve the Cash Handling Procedures for the Public Works and Planning Department, American Avenue Disposal Site, January 2018 Report

- Megan Marks introduced and presented the item. Ms. Marks stated that staff reviewed the Department of Public Works and Planning's (Department) current policy and procedures and compared them against cash handling best practices. Ms. Marks stated that the Department's actual imprest cash was compared against the imprest cash scheduled on hand in the Auditor-Controller's General Accounting Division (GA). Ms. Marks noted that there were a total of two findings. Ms. Marks stated that the first finding was that the policy and procedures in place were not comprehensive and the policy and procedures provided by the Business Office and the American Avenue staff were different. Ms. Marks stated that the recommendation for the first finding is for the Department to make the policy and procedures more comprehensive and to have the Department's division in line with each other regarding the policy and procedures. Ms. Marks stated that the second finding was that there was a difference in the amount of imprest cash on hand and the amount reported by the Department to GA. Ms. Marks stated that the Department has been working with GA to correct the difference in the amount of imprest cash. Ms. Marks stated that the response from the Department is included and Lemuel Asprec is available for any questions.
- Elizabeth Diaz asked about the follow-up audit to ensure that the Department will resolve the two findings.
- Ms. Marks stated that there will be a six month follow-up scheduled to re-review the areas in the Department that had findings.
- Vice-chairman Cederborg asked about how much cash was in the imprest cash fund.
- Ms. Marks stated that the discrepancy was between \$2,500 that was reported and \$3,000 that was on hand. Ms. Marks stated that the matter on hand was validating how the Department rotated the cash bags between American Avenue, its service provider, and the Auditor-Controller's Treasury Division.
- Vice-chairman Cederborg opened the item for public comments.
- There being none, a motion was made by Elizabeth Diaz, and seconded by Supervisor Quintero and was carried 5-0 to approve the Cash Handling Procedures for the Public Works and Planning Department, American Avenue Disposal Site, January 2018 Report.

e) Review and approve the Department of Agriculture Transition Report

- Megan Marks introduced and presented the item. Ms. Marks stated that all cash funds, capital and inventorable assets, sample of conflict of interest filings, and recalculate the outgoing and incoming department head compensation were tested to ensure that everything was transitioned properly. Ms. Marks stated that the first finding was regarding the Department of Agriculture (Ag Department) staff leaving cash unattended. Ms. Marks stated that the recommendation for the first finding is for the Ag Department to work with staff to get policy and procedures in place so staff will not leave cash unattended in the future. Ms. Marks also stated that there was also a petty cash voucher that did not have an approval signature and an overage of \$0.06 for the petty cash fund. Ms. Marks stated that the second finding was regarding the Ag Department's inventorable asset list not being fully filled out even though all the attributes from Management Directive 412.2 were listed. Ms. Marks stated that the Ag Department is working on updating the inventorable assets list to ensure that all data is provided on the list. Ms. Marks stated that the third finding was regarding the Ag Department's conflict of interest statements were not completely filled out. Ms. Marks stated that the response from the Ag Department is included and Gosia Trexler, Business Manager, Department of Agriculture, is available for any questions.
- Vice-chairman Cederborg opened the item for public comments.
- There being none, a motion was made by Jean Rousseau, and seconded by Elizabeth Diaz and was carried 5-0 to approve the Department of Agriculture Transition Report.

f) Review and approve the fiscal year 2019-20 Audit Plan

- Megan Marks introduced and presented the item. Ms. Marks stated that the Department of Social Services (DSS) cash disbursements is in the top four of the Audit Plan while DSS cash receipts and payroll is in

the middle eight recommendations. Ms. Marks specified that the Assessor-Recorder's items were removed from the Audit Plan listing because a separate audit is being scheduled for those items. Ms. Marks stated that feedback from the Committee, financial analysis of PeopleSoft, experiences throughout the fiscal year, random selection, and some comparison against prior year transactions resulted in the recommendations listed on the Audit Plan.

- Vice-chairman Cederborg stated that the Audit Plan is a general overview of the audits and that the cash discrepancies are typically the easiest to find errors. Vice-chairman asked about contract management between the Auditor-Controller's office and the other County departments.
- Oscar J. Garcia stated that he has directed Enedina Garcia and Megan Marks to reach out to the other County health departments that have pass-through monies. Mr. Garcia stated that the concern with the County health departments is that those departments receive funding and those departments should be monitoring the pass-through monies. Mr. Garcia stated that the Auditor-Controller's office will be in contact with the County health departments to review the third party health entities as a pass-through. Mr. Garcia stated that staff will be trained and is hoping to start the review process of the County health department pass-through entities by next fiscal year.
- Vice-chairman Cederborg stated that the review of the pass-through entities should be done jointly with the County health departments and should not be duplicated.
- Mr. Garcia agreed with Vice-chairman Cederborg's statement. Mr. Garcia stated that the main focus is to review all invoices submitted for reimbursement.
- Vice-chairman Cederborg identified that payments towards contracts were not paid according to the term of the contracts.
- Mr. Garcia clarified that those payments are a part of the disbursements and not a part of the County health department's pass-through.
- Jean Rousseau asked about the use of PeopleSoft tracking for contracts.
- Mr. Garcia stated that the PeopleSoft tracking has been put on hold. Mr. Garcia stated there has been a lot of information going into PeopleSoft and has been altered and takes a lot of programming in PeopleSoft to track contracts. Mr. Garcia stated that the Auditor-Controller's office is working on electronic payments through PeopleSoft that should start in about four months and should remove checks and e-Payables payments which has been putting a strain on the County.
- Supervisor Quintero asked if the Committee will be receiving the reports for the follow-up audits.
- Mr. Garcia stated that the Committee will receive those follow-up audit reports once those audits are completed.
- Supervisor Quintero asked about the work that is being put into the audits as there was only one page provided for the Audit plan.
- Mr. Garcia stated that a cash manual is being worked on with County Counsel's office for about two years. Mr. Garcia stated that the change funds, petty cash funds, and cash overage and shortage funds should have been brought to the Board of Supervisor for approval. Mr. Garcia stated that County departments will have a manual to follow once the cash manual is complete.
- Supervisor Quintero asked for progress reports for future follow-up audits.
- Mr. Garcia stated that future follow-up progress reports will be provided to the Committee.
- Vice-chairman Cederborg opened the item for public comments.
- There being none, a motion was made by Supervisor Quintero, and seconded by Manuel Vilanova and was carried 5-0 to approve the fiscal year 2019-20 Audit Plan.

6. Staff Updates

- Oscar J. Garcia referenced the Bylaws of the Fresno County Audit Committee Article II Section 2 regarding the public members. Mr. Garcia asked if a public member that has miss two consecutive

meetings, which includes the special Audit Committee meeting on April 19, 2019 and the regular Audit Committee meeting on May 17, 2019, would bind the Committee to remove this public member.

- Vice-chairman Cederborg stated that two consecutive meetings would only include the regular Audit Committee meetings and does not include any special Audit Committee meetings.

7. Adjournment

- A motion was made by Manuel Vilanova, seconded by Supervisor Sal Quintero and was carried 5-0 to adjourn the meeting at 10:33 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