

County of Fresno
Auditor-Controller/Treasurer-Tax Collector
Audit Committee Minutes
Board of Supervisors' Chambers
May 24, 2024 – 11:00 a.m.

MEMBERS PRESENT:

Supervisor Nathan Magsig, Audit Committee Chairman
Supervisor Sal Quintero, Audit Committee Vice-Chairman
Daniel C. Cederborg, County Counsel
Paul Nerland, County Administrative Officer
Kari Gilbert, Department Heads Council Member
Manuel Vilanova, Public Member
Kulwinder Brar, Public Member

Call to Order: Chairman Magsig called to order the regular meeting of the Audit Committee (Committee) on May 24, 2024, at 11:00 a.m. in the Board of Supervisors' Chambers.

1. Roll Call

- Pai Her, Accounting & Financial Manager, Financial Reporting & Audits Division, took roll call.

2. Pledge of Allegiance

- Supervisor Nathan Magsig, Audit Committee Chairman, led all in attendance with the Pledge of Allegiance.

3. Approve Agenda

- A motion was made by Kari Gilbert, seconded by Supervisor Sal Quintero, Audit Committee Vice-Chairman, and carried 7-0 to approve the May 24, 2024 agenda.

4. 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.

5. Reappointment of Member Vilanova for term expiring December 31, 2025.

- A motion was made by Vice-Chairman Quintero, seconded by Kari Gilbert, and carried 7-0 to reappoint Member Vilanova.

6. Approval of January 5, 2024 Audit Committee Meeting Minutes

- There being no public comments, a motion was made by Kari Gilbert, seconded by Kulwinder Brar, and carried 7-0 to approve the January 5, 2024 Audit Committee Meeting Minutes.

7. Consent Items

a) Approve Quarterly Fraud Report covering January 1, 2024 to March 31, 2024.

- There being no public comments, a motion was made by Paul Nerland, seconded by Kari Gilbert, and carried 7-0 to approve agenda item 7a.

8. Discussion and Action Items

a) Review and approve External Audit Services Agreement Award Recommendation to select:

I. Brown Armstrong Accountancy Corporation

II. CliftonLarsonAllen, LLP (CLA)

- Paige Benavides, County Budget Director, County Administrative Office, introduced and presented the item.
- Chairman Magsig inquired if Brown Armstrong Accountancy Corporation was the most competent and lowest-priced bidder. Paige Benavides responded affirmatively, stating that the panel had reached that conclusion.
- Chairman Magsig asked if CliftonLarsonAllen was being awarded the contract for being the second-best bidder and penalizing the most efficient firm. Paige Benavides explained that the decision was based on the premise that it would be more efficient for two contractors to handle the two engagements. Therefore, even if one firm was deemed the best for both engagements, only one engagement would be awarded to each firm.
- Chairman Magsig inquired if Brown Armstrong Accountancy Corporation had bid on both engagements. Paige Benavides replied that all four proposers had bid on both engagements.
- Daniel Cederborg, County Counsel, inquired about the frequency of changing audit firms. Paige Benavides replied, the change occurs every six years. Daniel Cederborg also inquired if it was acceptable to solely change the audit partner rather than the firm. Oscar J. Garcia, Auditor-Controller/Treasurer-Tax Collector, confirmed that it was acceptable.
- There being no public comments, a motion was made by Paul Nerland, seconded by Dan Cederborg, and carried 7-0 to approve Agenda Item 8a.

b) Review and accept the County of Fresno Single Audit Report for year ended June 30, 2023.

- Pai Her introduced the item.
- Eric Xin, Engagement Partner, Brown Armstrong Accountancy Corporation, presented the item.
- There being no public comments, a motion was made by Paul Nerland, seconded by Kari Gilbert, and carried 7-0 to approve Agenda Item 8b.

c) Review and approve the Department of Public Health Payroll Compliance Audit for dates in calendar years 2021 and 2022.

- Pai Her introduced and presented the item.
- Chairman Magsig inquired whether the overpayments had been recouped and if the underpayments had been processed. Pai Her responded that the Payroll Division had been contacted and, to their knowledge, the department had not submitted any payroll corrections. Sevag Tateosian, Program Manager, Department of Public Health, added they are currently working on retrieving information in order to process the overpayments.
- Chairman Magsig inquired about the existence of penalties for underpaying employees. Daniel Cederborg confirmed that such penalties do exist.
- Daniel Cederborg inquired whether the finding regarding the lack of overtime documentation resulted from an outdated overtime approval policies and procedures. Rochelle Garcia, Accounting & Financial Division Chief, Financial Reporting & Audits Division, explained that the audit process included requesting the department's internal payroll policies and procedures and verifying that these procedures were being followed.
- Daniel Cederborg inquired whether the department's processes should be changed or if they are acceptable. Rochelle Garcia responded that departments are typically asked to evaluate their processes.

Sevag Tateosian also responded, mentioning that they have reached out to the Department of Social Services for guidance regarding overtime forms. Sevag also expressed gratitude towards the Auditor-Controller-Tax Collector staff.

- Daniel Cederborg stated that audits demonstrate when policies and procedures are not being followed and highlight operational problems and redundancies. Sevag Tateosian added that they have also reached out to other departments for their policies and will be integrating them into their own procedures.
- There being no public comments, a motion was made by Paul Nerland, seconded by Manuel Vilanova, and carried 7-0 to approve Agenda Item 8c.

d) Review and approve the Proposed Audit Plan for fiscal year 2024-25.

- Oscar J. Garcia introduced and presented the item.
- Paul Nerland inquired about the level of completion for the Internal Services Department Audit. Oscar J. Garcia responded that it is approximately 80% completed. Paul Nerland inquired about the time frame departments have to respond when the audit findings are presented to the department. Oscar J. Garcia responded that it is typically two to four weeks once the audit has been completed. Oscar J. Garcia clarified that audit is also for the Probation Department.
- Edward Hill, Interim Department Head, Internal Services Department (ISD), expressed appreciation for the length of time given to respond to the audit findings.
- Kari Gilbert inquired whether the Auditor-Controller/Treasurer-Tax Collector's office, currently conducting an audit of ISD, is interested in conducting further audits of the same department. Oscar J. Garcia responded that additional audits of ISD are focused on different areas of the department.
- Kulwinder Brar inquired about the current areas being audited for ISD. Rochelle Garcia responded that the areas under review include rate development, billing, procurement, and payroll.
- Chairman Magsig expressed his desire for an audit of ISD's capital and sensitive assets. Oscar J. Garcia responded affirmatively, adding that his office is also conducting transition review audit.
- Paul Nerland proposed initiating a joint audit for the home garaging program to ensure the County's compliance with IRS standards reporting. Additionally, he emphasized the importance of ensuring departments adhere to policies and procedures regarding the use of County vehicles for both personal and work-related purposes. Paul Nerland further stated that this audit would necessitate cooperation between his office and staff from the Auditor-Controller/Treasurer-Tax Collector's office.
- Daniel Cederborg inquired where Paul Nerland would place the home garaging program audit on the priority list. Paul Nerland responded that he does not believe the scope of the audit would require a vast amount of time. Oscar J. Garcia asked if Paul Nerland has entertained making the department heads responsible by certifying that they are keeping track of the home garaged vehicles. Paul Nerland responded yes but will still like to audit the home garaging program.
- Kulwinder Brar inquired whether the County vehicles are accounted for by each entity in the County. Paul Nerland responded that some vehicles have the privilege of home garaging, but County policy dictates that this should be limited. Additionally, Paul Nerland mentioned that there is an IRS requirement for taxing employees who use County vehicles for personal purposes.
- Kulwinder Brar asked who the home garaging audit would impact. Daniel Cederborg mentioned various departments. Oscar J. Garcia elaborated that departments are expected to furnish payroll with

a list of employees who garage their vehicles at home, and this information is to be tracked. Afterwards, in compliance with IRS regulations, payroll allocates those individuals an allowance, which are subject to taxation.

- Kulwinder Brar inquired if the audit would include multiple layers. Oscar J. Garcia responded yes, but that not every department issue vehicles.
- Chairman Magsig requested an audit of the treasurer pool, focusing particularly on the County's portion and the restricted funds, as well as the non-restricted funds within the pool. Additionally, Chairman Magsig emphasized the importance of ensuring that departments prioritize the use of restricted funds as per the policy set by the Board of Supervisors. In response, Oscar J. Garcia stated that his office has already initiated an examination of the three largest departments.
- Kari Gilbert inquired about the three major departments being examined. Oscar J. Garcia mentioned that the Department of Child Support Services was not included.
- Kulwinder Brar also inquired about the three major departments. Oscar J. Garcia responded that they are the Department of Social Services, the Department of Public Health, and the Department of Behavioral Health.
- Kari Gilbert inquired how the audit priority levels were determined. Oscar J. Garcia responded some of the audits stemmed from audit committee members requests and the risk assessment completed by various departments.
- Chairman Magsig asked if the Auditor-Controller/Treasurer-Tax Collector office had adequate audit direction. Pai Her responded by sharing that the three proposed audits mentioned by committee members include audit of Internal Services assets, home garaging, and the treasury pool.
- Paul Nerland inquired if the Internal Services assets audit relates to the County wide assets. Oscar J. Garcia stated yes.
- There being no public comments, a motion was made by Kari Gilbert, seconded by Kulwinder Brar, and carried 7-0 to approve Agenda Item 8d.

9. Staff Updates

Oscar J. Garcia expressed his appreciation for the Financial Reporting & Audits Division stipend, which has facilitated staff retention and consequently, will result in a more knowledgeable staff.

10. Adjournment

- A motion was made by Chairman Magsig to adjourn the meeting at 11:40 a.m.

Audit Committee Members:

Supervisor Nathan Magsig, Audit Committee Chairman
Supervisor Sal Quintero, Audit Committee Vice-Chairman
Daniel C. Cederborg, County Counsel
Paul Nerland, County Administrative Officer
Kari Gilbert, Department Heads Council Member
Manuel Vilanova, Public Member
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