

County of Fresno
Auditor-Controller/Treasurer-Tax Collector
Audit Committee Minutes
Board of Supervisors' Chambers
January 10, 2025 – 10:00 a.m.

MEMBERS PRESENT:

Supervisor Nathan Magsig, Audit Committee Chairman
Supervisor Brian Pacheco, Audit Committee Vice-Chairman
Brian Melikian, County Counsel Proxy
Paul Nerland, County Administrative Officer
Kari Gilbert, Department Heads Council Member
Manuel Vilanova, Public Member

Call to Order: Chairman Magsig called to order the regular meeting of the Audit Committee (Committee) on January 10, 2025, at 10:00 a.m. in the Board of Supervisors' Chambers.

1. Roll Call

- Rochelle Garcia, Accounting and Financial Division Chief, Financial Reporting & Audits Division, took roll call.

2. Pledge of Allegiance

- Brian Melikian, County Counsel Proxy, led all in attendance with the Pledge of Allegiance.

3. Approve Agenda

- A motion was made by Kari Gilbert, seconded by Paul Nerland, and carried 6-0 to approve the January 10, 2025 agenda.

4. Public Presentations

- This portion of the meeting is reserved for persons desiring to address the Audit 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. Appointment of the Audit Committee Vice-Chairman for Calendar year 2025

- There being no public comments, a motion was made by Supervisor Nathan Magsig, Audit Committee Chairman, seconded by Paul Nerland, and carried 6-0 to appoint Supervisor Brian Pacheco as Vice-Chairman for the calendar year 2025.

6. Approval of December 10, 2024 Audit Committee Meeting Minutes

- There being no public comments, a motion was made by Kari Gilbert, seconded by Paul Nerland, and carried 5-0 to approve the December 10, 2024 Audit Committee Meeting Minutes. The motion carried by the following vote:
- Ayes: 5 – Chairman Magsig, Vice-Chairman Pacheco, Paul Nerland, Kari Gilbert, and Manuel Vilanova
- Abstained: 1 – Brian Melikian

7. Consent Items

a) Approve Quarterly Fraud Report covering October 1, 2024 to December 31, 2024.

There being no public comments, a motion was made by Paul Nerland, seconded by Vice-Chairman Pacheco, and carried 6-0 to approve agenda item 7a.

8. Discussion and Action Items

a) Review and accept the 2023-2024 County of Fresno Annual Comprehensive Financial Report.

- Eric Xin, Audit Partner, Brown Armstrong Accountancy, introduced and presented the item.
- Chairman Magsig noted for the record that Kulwinder Brar is now present for the meeting.
- Supervisor Brian Pacheco, Audit Committee Vice-Chairman, asked Eric Xin whether he audited all County departments or if he only performed a general overview, and if he was a County employee.
- Eric Xin responded that he is independent of the County.
- Vice-Chairman Pacheco then inquired if Eric Xin's firm was auditing the Auditor-Controller's Office.
- Eric Xin clarified that his firm audits the County's overall financial statements, which are prepared by the Auditor-Controller's Office. He further explained that they are not required to audit every department due to complexity and use a \$50 million materiality threshold.
- Vice-Chairman Pacheco noted that the Annual Comprehensive Financial Report (ACFR) mentioned Oscar J. Garcia, which led him to believe that Eric Xin was part of Oscar's office.
- Eric Xin clarified that he is not part of Oscar J. Garcia's office and that his firm provides an independent opinion on the financials.
- Vice-Chairman Pacheco asked if it was Eric Xin's responsibility to audit the report and ensure the County's financial reporting is accurate.
- Eric Xin added that an independent audit is required annually to ensure the information is fairly presented.
- Vice-Chairman Pacheco asked how many years Eric Xin's firm has been auditing the County's reports.
- Eric Xin responded that he has been the partner over the County audits for six years, but it will be his last year in this role due to mandatory rotation.
- Chairman Magsig requested clarification regarding the \$74 million discrepancy in capital assets that could not be reconciled.
- Eric Xin explained that the issue originated in the prior year, was identified, and was corrected. However, due to the large amount, it was considered material. For the current year, the discrepancy was \$17 million, which was not considered material.
- Chairman Magsig asked Oscar J. Garcia to elaborate on the \$17 million variance and the \$74 million issue from the previous year.
- Oscar J. Garcia, Auditor-Controller/Treasurer-Tax Collector, explained that the issue arose from one department not including their capital assets in PeopleSoft, which caused incomplete data. His office is working to integrate that department into PeopleSoft.
- Vice-Chairman Pacheco asked which department was still outstanding.
- Oscar J. Garcia responded that it was the Internal Services Department (ISD) and noted that his office needs to collaborate with ISD since PeopleSoft currently does not provide the necessary information ISD needs.
- Rochelle Garcia added that ISD has recently been asked to enter their assets into PeopleSoft.
- Chairman Magsig inquired whether the debt issued for the Juvenile Justice Campus is being paid using tobacco tax revenue or the general fund.
- Oscar J. Garcia confirmed that tobacco tax revenue is being used. He also mentioned that Brian Melikian could provide further details on what tobacco proceeds can be invested in.

- Brian Melikian provided an update on the Tobacco Bonds and explained that the 2004 Lease Revenue Bonds, which the County had obligations for, have been paid off. He clarified that any funds used to pay off the bonds went toward the Juvenile Justice Campus. He also stated that he is unsure when the bonds will mature.
- Chairman Magsig referred to page 57 of the ACFR and stated that he was unable to determine whether the County bonds have been paid off or are still being paid off, or whether the funds used to pay these bonds come from tobacco tax or the general fund. He emphasized the importance of clarifying this information.
- Brian Melikian recalled that the 2004 Lease Revenue Bonds issued by the County were \$26 million in par value and were refinanced along with \$14 million in energy savings bonds, both issued in 2004. He believed these bonds were paid off in 2023.
- Oscar J. Garcia confirmed that the refinanced bonds have been paid off and explained that the previous CAO had set aside money to pay off the bonds, as early repayment was not possible.
- Brian Melikian added that the refinanced bonds are distinct from the Tobacco Bonds. They are two separate types of bonds with different financing sources. The County is not obligated to repay the Tobacco Bonds, but it is obligated to pay the Juvenile Justice Campus bonds through the Lease Revenue Bonds.
- Chairman Magsig commented that there are restrictions on how tobacco tax revenue can be spent. He further questioned why the bonds are still discussed in the ACFR if they have already been paid off.
- Rochelle Garcia clarified that there is still \$18.7 million remaining in long-term liabilities for the Lease Revenue Bonds.
- Brian Melikian stated that the 2017 Lease Revenue Bonds, refinanced for the Juvenile Justice Court, are likely the bonds Supervisor Magsig was referring to, and he believed these bonds are still outstanding.
- Oscar J. Garcia offered to provide the Committee with a detailed breakdown of the bonds' maturity and an explanation of why they were included in the ACFR, which would clarify the County's debt obligations.
- Vice-Chairman Pacheco inquired if the County will be paying for the Juvenile Justice Campus until 2030 or 2032.
- Brian Melikian responded that payments will be made using tobacco revenues, which are not payable by the County but are instead funded through the Master Settlement Agreement. He also clarified that the reference to lease revenue bonds does not refer to tobacco bonds.
- Vice-Chairman Pacheco asked how payments for the Juvenile Justice Campus are being made.
- Brian Melikian explained that payments are made through the general fund obligation for the Lease Revenue Bonds.
- Vice-Chairman Pacheco reiterated that the Committee would like to receive a detailed chart of the bond information.
- Chairman Magsig stated that he was under the impression the Juvenile Justice Campus was financed through tobacco tax money. He expressed a desire to understand how the County is paying off the remaining debt and when it will be paid off. He also discussed the 2004 bonds related to energy and the jail facility, noting the COGEN plant, which has not been operational for some time.
- Brian Melikian confirmed that the COGEN plant accounted for \$4 million of the \$14.3 million in bonds issued for the energy project.
- Vice-Chairman Pacheco asked where the COGEN plant is located.
- Chairman Magsig explained that there is a master plant designed to provide power to the campus, but it has not worked since 2008. He clarified that the plant was newly built but has never been operational.
- Brian Melikian stated that the COGEN plant is located near the jail and is powered by natural gas.

- Paul Nerland stated that it is his understanding that during his term as CAO, it has never been operational. He also stated that Paige Benavides is looking into what is in the budget this year and the revenue sources. He also added Paige can share that information with the Committee.
- Chairman Magsig explained that his reason for discussing this issue is that new debt might be issued for building additional facilities. However, that cannot happen until the County's true bonding capacity in various categories is fully understood.
- Paul Nerland explained that his office works with a consultant but has not yet inquired about using bonding for projects rather than cash.
- Brian Melikian added that the 2017 Lease Revenue Bonds are shared with the California Judicial Council, which covers half of the cost as it is a shared facility. The County remains responsible for the bonds, but there is a sublease agreement where the Judicial Council pays the County.
- Chairman Magsig inquired whether the 50% contribution from the Judicial Council is being accurately accounted for in the budget to ensure the County is receiving its share.
- Paul Nerland stated that he believes it is reflected in the narrative but will need to confirm.
- Chairman Magsig also commented the Pension Obligation Bonds are being paid off and that FCERA has been prudent in lowering the discount rate and expressed his approval of the schedule detailing the potential outcomes with different return rates. He added that Fresno County is taking a conservative approach.
- There being no public comments, a motion was made by Paul Nerland, seconded by Kari Gilbert, and carried 6-0 to approve agenda item 8a.

b) Review and approve the Department of Public Health Emergency Medical Services Authority (EMSA) Report for fiscal year ended June 30, 2024.

- Daisy Landeros-Loera, Accountant II, Financial Reporting & Audits Division, introduced and presented the item.
- There being no public comments, a motion was made by Manuel Vilanova, seconded by Paul Nerland, and carried 6-0 to approve agenda item 8b.

c) Review and receive the 2023-2024 First Five Comprehensive Annual Financial report.

- Luis Magallanes, Business Manager, First Five Fresno County, introduced the item.
- Osvaldo Gutierrez, Senior Manager, Price Paige & Company, presented the item.
- Chairman Magsig inquired about the interest and investment earnings of approximately \$1 million, which contributed to the overall change in net position of \$2 million. He asked whether these earnings came from investments in stocks and bonds.
- Osvaldo Gutierrez explained that one of the notes in the report discusses the organization's investments in the County's treasury pool and external investments in banks. He also pointed out that page 30 of the report provides details on the different categories of investments.
- There being no public comments, a motion was made by Chairman Magsig, seconded by Paul Nerland, and carried 6-0 to approve agenda item 8c.

9. Staff Updates

- Rochelle Garcia provided an update on the Residence Home Garaged Vehicle Compliance Audit.
- Vice-Chairman Pacheco then asked for clarification on what the audit entailed.
- Paul Nerland explained that, in a previous meeting, he had requested the Auditor-Controller's Office to conduct an audit of the departments whose employees are allowed to take vehicles home.
- Rochelle Garcia stated that on July 17, 2024, the Auditor-Controller's Office sent a memo to all departments requesting a list of any vehicles assigned to employees that are being garaged at home. The memo also asked for policies and procedures related to home garaging. If departments did not have policies; they were given one month to create them. Rochelle added that six departments were

identified as having vehicles garaged at employees' homes: Public Health, Agriculture, Public Works, Sheriff, Probation, and District Attorney. She further explained that a risk assessment was conducted, focusing on three areas: vehicle listing submission, policy submission, and policy compliance measures. Policy compliance measures included oversight, trainings, consequences for noncompliance, and any exceptions to the policy. A scoring system was used to assess the risk level for each department. The assessment revealed that Probation and the District Attorney's Office were high risk, while Public Works, Agriculture, and the Sheriff's Department were medium risk. She noted that they decided to proceed with audits for the two high-risk departments and the two highest medium-risk departments. A planning meeting has already taken place, and the audit is expected to be completed by May 2025. The final audit report will be presented at the Audit Committee meeting on July 11, 2025.

- Kari Gilbert stated that she assumes there is a protocol in place for allowing vehicles to be garaged at home. She underlined the need to prevent the perception that County employees are authorized to take County vehicles home to circumvent gas or mileage expenses.
- Paul Nerland emphasized that home garaged vehicle use should align with the County's objectives and vision.

10. Adjournment

- A motion was made by Kari Gilbert and carried 6-0 to adjourn the meeting at 10:40 a.m.

Audit Committee Members:

Supervisor Nathan Magsig, Audit Committee Chairman

Supervisor Brian Pacheco, Audit Committee Vice-Chairman

Daniel C. Cederborg, County Counsel

Paul Nerland, County Administrative Officer

Kari Gilbert, Department Heads Council Member

Manuel Vilanova, Public Member