

County of Fresno
Auditor-Controller/Treasurer-Tax Collector
Audit Committee Minutes
Board of Supervisors' Chambers
December 10, 2024 – 10:00 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 December 10, 2024, at 10:00 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 Daniel Cederborg, seconded by Sal Quintero, and carried 7-0 to approve the December 10, 2024 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. Approval of August 9, 2024 Audit Committee Meeting Minutes

- There being no public comments, a motion was made by Kari Gilbert, seconded by Paul Nerland, and carried 7-0 to approve the August 9, 2024 Audit Committee Meeting Minutes.

6. Consent Items

a) Approve Quarterly Fraud Report covering July 1, 2024 to September 30, 2024.

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

7. Discussion and Action Items

a) Review and approve the Compliance Audits for the periods ranging from July 1, 2018, through October 10, 2023 for:

I. Internal Services Department

- Pai Her, Accounting & Financial Manager, Financial Reporting & Audits Division, introduced and presented the item.
- Manuel Vilanova recused himself as the Internal Services Department (ISD) is the department where he works.
- Chairman Magsig asked what the cost of the audit for ISD was.
- Pai Her responded that she does not have the exact cost with her at the moment.
- Chairman Magsig inquired if contracts were improperly signed or exceeded the purchasing manager's authority, leading to financial commitments. Also, if ISD has been consulted and whether these issues will be presented to the Board of Supervisors for retroactive approval, as the contracts likely can't be resolved otherwise.
- Daniel Cederborg responded that each situation must be reviewed individually. While the purchasing agent can approve amounts up to \$200,000 under a master agreement, standalone contracts exceeding this limit require proper authorization, as the purchasing agent's authority is capped at \$200,000.
- Paul Nerland asked Edward Hill, Interim Director of Internal Services – Chief Information Officer, if there were any unexpected findings in this audit related to previously identified issues.
- Edward Hill responded there were no unexpected findings in the audit and did not dispute any of the findings. ISD had anticipated these types of results. Since Edward Hill's appointment as interim in May, ISD has already addressed many of these issues prior to the audit report being issued.
- Paul Nerland inquired about the cost of the audit.
- Edward Hill stated that the department has been billed \$74,000 for the ISD audit to date.
- Chairman Magsig requested further elaboration on the findings, specifically asking if the department is taking corrective actions to address the identified challenges.
- Edward Hill responded that ISD was required to submit a response within 30 days, and did so, agreeing with all the findings. ISD did not dispute any of the findings or the recommended actions and is taking steps to address all of them, except for those that have already been rectified.
- Daniel Cederborg commented on the contract compliance issues, wondering if some of the non-compliance stems from necessary contract modifications made during negotiations, where his office or the department was involved. For example, they are currently facing challenges with their technical exhibit, which is newer for the computer companies, who are reluctant to comply. The question being, what types of variances in contracts are contributing to these issues?
- Edward Hill mentioned the purchasing manual needs updating, which they are addressing with their new purchasing manager. Additionally, the department is strengthening internal controls to ensure forms and communications are properly managed, as they were missed in these instances.
- Paul Nerland stated that ISD was able to get contracts completed during COVID. The department was granted certain authority through an emergency which may have resulted in some of the contracts during this time. With the findings and recommendations, the department should be able to put the procedures back in place.
- There being no public comments, a motion was made by Kari Gilbert, seconded by Paul Nerland, and carried 6-0 to approve agenda item 7a.I. The motion carried by the following vote:
Ayes: 6 – Chairman Magsig, Vice-chairman Quintero, Daniel Cederborg, Paul Nerland, Kari Gilbert, and Kulwinder Brar
Recuse: 1 – Manuel Vilanova

II. Probation Department

- Pai Her, Accounting & Financial Manager, Financial Reporting & Audits Division, introduced and presented the item.
- Chairman Magsig inquired about the cost of the audit and the approval process in which the CAO authorized the replacement of a washer/dryer and HVAC/UVC purification system in 2021, exceeding the CAO's approval limits. Chairman Magsig questioned if the items were presented to the Board for retroactive approval. Chairman Magsig stated that it seems the items were not part of the regular budget, and the CAO acted due to urgent needs and budget savings.
- Kirk Haynes, Chief Probation Officer, responded that the Probation Department often requests approval from the CAO's office to use unexpended year-end funds for one-time projects, rather than returning the funds to the County. These items were part of that request, not a Board item. The funding was already in the department's budget and it sought authorization from the CAO to allocate it for these specific needs.
- Paul Nerland stated that they may be addressing two separate issues: the authority to spend unexpended budget funds and contracting authority. If the total exceeded the limit, it would need to be brought back to the Board for approval, similar to the ISD situation.
- Daniel Cederborg inquired if the washers/dryers cost over \$200,000 and if there were any contracts involved.
- Kirk Haynes responded that the washers/dryers cost \$450,000 and may have gone through Grainger for the purchase.
- Chairman Magsig asked ISD for clarification regarding the Grainger contract in 2001. Chairman Magsig inquired if the Board of Supervisors authorized a relationship with Grainger and the execution date.
- Daniel Cederborg inquired if this contract was of a piggyback contract.
- Bryan Burton, Deputy Director, Internal Services Department, responded that the department has had contracts with Grainger for the past 17 to 18 years.
- Paul Nerland asked if the Board approved the original contract when it was established. Paul Nerland stated that if it was a board-approved contract, and the purchases fell within the contract's limits then no additional contract would be required.
- Daniel Cederborg stated that the County has overarching contracts with suppliers like Grainger and Office Depot. Daniel detailed that, within the budget, a contract is approved, and departments use these contracts to make purchases.
- Chairman Magsig stated that these issues came up for both department audits. Chairman Magsig wanted to make sure that the contracts were in place and appropriate for the washers/dryers and that the spending authority limits were not exceeded.
- Kirk Haynes reported over the past two years, they have made a concerted effort to strengthen their administrative support and implemented multiple checks and balances to improve oversight.
- Chairman Magsig asked the Financial Reporting and Audits division to confirm if the Grainger contract allows purchases to be made through Grainger. Also, did the CAO have the authority to approve \$450,000 under the contract?
- Rochelle Garcia, Accounting and Financial Division Chief, Financial Reporting & Audits Division, reported that they did not have specific details on that question. However, the division did identify some issues with the Grainger contract being a piggyback contract, but does not have further details on the authority to approve \$450,000.
- Daniel Cederborg commented that if the piggyback contract followed a proper competitive process, the state contracting code would allow its use without requiring a full RFP. This ensures we receive the lowest rate available under the piggyback agreement.
- Rochelle Garcia responded by highlighting concerns that the piggyback contract does not always align with the original contract terms, despite board approval.

- Chairman Magsig asked if the piggyback contract follows what the Board of Supervisors approved.
- Rochelle Garcia confirmed it was approved but clarified that while it is presented with the original contract's terms, it does not always adhere to those terms during the year.
- Chairman Magsig stated that if the piggyback contract does not guarantee the lowest price as outlined, then it is not a valid contract, as contracts should define pricing. He emphasized that the terms must be followed, and if not, purchases are being made without a contract.
- Rochelle Garcia agreed, acknowledging that one of the findings was that the details of the original contract were not followed.
- Yussel Zalapa, Deputy Chief Probation Administration Officer, Probation Department, reported that the County did use a piggyback contract with Grainger, but it was intended for specific items or limitations. Grainger, being a multinational company, offers access to a wide range of resources which led to some items being ordered. These may not have been part of the original scope presented to the Board and may not have aligned with the intended boundaries.
- Edward Hill also clarified that the Grainger piggyback agreement is a procurement agreement, not a Board agreement. According to policy, it covers supplies with no spending limit, if the department has budgeted for it.
- Chairman Magsig clarified that the piggyback contract was used under the emergency authority.
- Daniel Cederborg explained that the procurement contracts do not have the same \$200,000 limit as service contracts and are controlled through a budgetary process, but there have been issues with tracking purchase orders.
- Chairman Magsig raised a concern that if a piggyback contract did not specify pricing and purchases were made from a catalog, it was unclear how the lowest price guarantee was maintained.
- Edward Hill acknowledged that the piggyback contract was used under the emergency umbrella, but also noted that the terms and conditions were flagged in an audit finding, and that ISD would address it going forward.
- Paul Nerland asked the Financial Reporting and Audits Division for clarification on the exceptions noted for expenditures.
- Pai Her responded when the Financial Reporting and Audits Division reviewed the supporting documentation, the documentation did not include explanations for the expenditures. The division reached out to the departments with the preliminary findings and requested additional support for the work orders but did not receive any further clarification.
- Paul Nerland asked if the missing information might have included the rationale behind the costs.
- Pai Her confirmed that the audit documentation simply did not support the costs as presented.
- Paul Nerland inquired about the cost of this audit.
- Yussel Zalapa reported \$1,466.30.
- Chairman Magsig stated that there is a big difference between \$74,000 and \$1,400, assuming the ISD audit was much more in-depth.
- Oscar J. Garcia, Auditor-Controller/Treasurer-Tax Collector, reported that before the audit began, Oscar met with the CAO's office and attempted to contract external auditors. The external audit team was initially set to charge around \$100,000, but withdrew at the last minute. However, the ISD portion of the audit was more costly due to its complexity.
- Chairman Magsig also asked Oscar J. Garcia if based on the audit had his team seen enough information to suggest that something comprehensive needs to be brought back to the Board, addressing both ISD and Probation.
- Oscar J. Garcia responded one of his biggest concerns is the Grainger contract. There was not enough competition, as many vendors were excluded without being given a chance to bid. Thus, we may not be getting the best rate or value, and whether other vendors could fulfill the contract as effectively as Grainger.
- Chairman Magsig asked if the comments made were included in the audit findings.

- Oscar J. Garcia stated that they were not included.
- Chairman Magsig emphasized that these concerns should be reflected in both the ISD and Probation audit findings.
- Oscar J. Garcia acknowledged that while the issue of not following policy regarding PD forms was addressed, it was discussed in general terms, not specifically.
- Paul Nerland also commented that they had tried to bring in outside auditors, and initially, the outside auditors agreed, but then withdrew.
- Vice-Chairman Quintero inquired if when issuing the RFPs for the supplies, Grainger was the only company that responded.
- Oscar J. Garcia stated that he did not issue an RFP, and he thinks ISD did not either. The contract was piggybacked off an existing contract and no competitive process was conducted to see who else could provide these services.
- Vice-Chairman Quintero asked for clarification about the process for acquiring products like washers and dryers, noting that these items were not put out for competitive bidding.
- Oscar J. Garcia agreed, stating that it was not, and in his opinion, should have been.
- Vice-Chairman Quintero pointed out that a local company, Ventura TV, supplies major stores and other businesses, offering a wide range of industrial and commercial products.
- Oscar J. Garcia responded that he had been informed that the intention was to move away from smaller stores and consolidate purchases with one supplier.
- Vice-Chairman Quintero commented stating Ventura TV is not a “mom and pop” store.
- Oscar J. Garcia mentioned that Grainger was said to be able to supply everything, adding that Edward Hill may be able to provide further details.
- Edward Hill reported that he was not with the County when the Grainger contract was executed, but staff may be able to provide more details. For clarity, the department’s purchasing policies allow piggyback contracts, which are commonly used throughout the County. The Grainger contract followed this process, though the terms were not exact, leading to an audit finding. Edward also mentioned they will need to review and update their policies moving forward.
- There being no public comments, a motion was made by Daniel Cederborg, seconded by Paul Nerland, and carried 7-0 to approve agenda item 7a.II.

b) Review and approve the Department of Social Services Cash Receipts Compliance Audit for fiscal year 2023.

- Rochelle Garcia, Accounting and Financial Reporting Division Chief, Financial Reporting & Audits Division, introduced and presented the item.
- Paul Nerland commented that the Department of Social Services (DSS) disagreed with the second finding and asked if they could clarify.
- Bruna Chavez, DSS Deputy Director, stated that the disagreement stemmed from how they understood the finding. The department realized that the contract terms and tracking forms that were used were not clearly conveying the intended information, as the auditor pointed out. They have then since updated their forms to ensure there is no confusion about the dates being tracked. She also mentioned while they did not view it as a finding, they recognized the importance of clarity in tracking.
- Kulwinder Brar asked DSS if the log date was recorded, and were the deposits being handled based on the policy in section 2.2 as outlined. For instance, if it was over \$100,000 it should have been deposited the same day.
- Bruna Chavez responded that the issue arises from inconsistencies in how they recorded deposit dates in the logs. While the deposits themselves were made accurately, their tracking system and logs did not align, leading to inaccurate reporting. This discrepancy is the root cause of the disagreement. The logs did not reflect timely deposits, which is the correct finding.

- Daniel Cederborg stated that most of them indicated that they were making deposits, but the log did not record the deposit date.
- Kulwinder Brar further inquired if the finding was accurate and if the policy was not being followed.
- Bruna Chavez reported that the discrepancy arises from inconsistent use of logs and forms to track deposits. While the actual deposits were timely, the log entries did not accurately reflect the deposit dates. She also stated that the logs were not created to comply with procedures.
- Kari Gilbert commented that from her understanding, the policy was followed, but the logs were unclear. This means that DSS was depositing on a timely basis, but the logs did not demonstrate they were deposited in a timely manner.
- Kulwinder Brar commented that the findings must be based on the records that were followed. Therefore, the auditors are focusing on the records, which are unclear.
- Chairman Magsig emphasized the need to clarify DSS' findings; actual deposit receipts confirmed the timely processing of larger deposits, despite audit log indications.
- Rochelle Garcia commented for 15 of the 42 transactions, the exact receipt date is unclear due to the lack of missing information in the log entries. While the date log is typically used to indicate receipt, this may not accurately reflect the actual receipt date in these cases.
- Chairman Magsig noted that there was no backup for the log entries, emphasizing that each log should be supported by a receipt or some form of verification. However, it appeared that such documentation was missing for some receipts.
- Rochelle Garcia confirmed that what had been approved were the logs, but there was no supporting documentation for certain receipts.
- Chairman Magsig expressed concern, stating that without any supporting evidence, they were left with only the word of those involved.
- Bruna Chavez indicated the disagreement was not specifically with the actual deposits.
- There being no public comments, a motion was made by Kulwinder Brar, seconded by Kari Gilbert, and carried 7-0 to approve agenda item 7b.

c) Review and approve the Department of Social Services Food and Nutrition Services (FNS)-209 Report for the quarter ended June 30, 2024.

- Pai Her, Accounting & Financial Manager, Financial Reporting & Audits Division, introduced and presented the item.
- There being no public comments, a motion was made by Kari Gilbert, seconded by Kulwinder Brar, and carried 7-0 to approve agenda item 7c.

d) Review and receive the Fresno County In-Home Supportive Services Public Authority Independent Auditor's Reports and Financial Statements for the year ended June 30, 2022.

- Bruna Chavez, DSS Deputy Director, introduced and presented the item.
- Chairman Magsig asked for clarification if the realignment revenue is only from the 1991 Realignment or if it also includes funds from the 2011 Realignment program.
- Bruna Chavez reported they did not receive any 2011 Realignment for the program.
- Chairman Magsig further asked to confirm if the Realignment revenue is strictly from the 1991 Realignment. Regarding the county contribution referring to net county cost or net county revenue and clarification on "other revenue."
- Bruna Chavez responded that this reflects only the 1991 Realignment contribution for the Public Authority and IHSS programs. The "other revenue" represents internal charges between the Public

Authority and the Department of Social Services. This occurs when staff from one organization perform functions for the other, and the costs are reimbursed through internal charges.

- Chairman Magsig asked for clarification regarding the audit, specifically if the auditor reviewed the approved County budget for the 2021-2022 fiscal year and compared it to the expenditures outlined in the audit.
- Bruna Chavez confirmed that the information typically originates from the adopted budgets, as they are still bound by the authority granted when those budgets are approved.
- Chairman Magsig asked whether the Realignment revenue had been identified, specifically if the total amount of the 1991 Realignment revenue had been received annually.
- Bruna Chavez confirmed that this only reflects the contributions from the 1991 Realignment revenue for the Public Authority (PA) and In-Home Supportive Services (IHSS).
- Chairman Magsig inquired about the excess revenue at the end of the year, where is it allocated or identified, and how is it handled.
- Bruna Chavez reported that both IHSS 6420 and 5611 are part of the general fund. Therefore, any net position would be reflected in the general fund.
- Chairman Magsig asked for clarification about the net position ending at \$301,000, whether the amount was composed of federal funds, state funds, or net county cost (NCC), or a combination. Also, how is the net position allocated across the different revenue sources?
- Bruna Chavez responded that the \$301,000 net position reflects a mix of cash and accrual accounting. It is not available for immediate use but shows year-end accounting adjustments. For example, activities from quarter 4 may not be claimed until quarter 1 of the next year, ensuring accurate reporting of budgeted funds and county contributions.
- Chairman Magsig further asked if there is a way to work with the auditors to ensure the \$301,000 is recognized as unspent NCC, to the extent allowed by law.
- Rochelle Garcia commented that the exact amount can be identified from federal funding and the remaining NCC balance.
- Chairman Magsig asked whether the \$301,000 at the end of the year must be returned to the treasury pool, as the treasury holds all cash.
- Bruna Chavez responded that the funds are managed within the budget, ensuring they do not exceed cash inflow or NCC limits. The timing of transactions may affect how they are reflected in the documents but is not viewed as a surplus issue.
- Chairman Magsig highlighted that county revenues, especially from state and federal sources, are often restricted, emphasizing that the NCC is the most flexible cash source and should be used last after restricted funds are spent.
- Daniel Cederborg commented that the \$301,000 is an accounting mechanism to track claims and revenues, not actual cash sitting in the system. If they were to break it down into federal, state, and county portions, and return it to the system, we may not be able to fully utilize it without adding more NCC to draw that money.
- Bruna Chavez responded that they would need to include more than just the current year's data, and the \$172,364 Due to the County, which has been consistently reported but requires backup documentation to remove, would need to be revisited.

- Paul Nerland suggested that any additional or leftover revenue could also be due to the timing of when revenues are received. He further clarified that revenue from federal or state sources is only received once the County pays its share of the net county cost. For discretionary funding, including net county cost and 1991 Realignment, the process is standard across the county. However, within this program, there are specific percentage allocations.
- Bruna Chavez acknowledged Paul Nerland's point, confirming that the timing of revenue receipts is indeed a factor.
- Chairman Magsig inquired if the 35 million hours authorized in 2022 to the IHSS program were reached in provider time. The MOE requires a contribution of 8% of the total program cost, therefore, any unused hours would need to be reflected in the calculation.
- Bruna Chavez reported that the budget and reimbursements are based solely on paid hours and not authorized hours, as outlined in the MOE. The total cost is determined by the actual payments made, not the authorized hours.
- Enedina Garcia, Deputy Auditor-Controller, mentioned that the fund balance shown is unassigned, which means it is technically NCC. To clarify Bruna's point, if these funds are intended for use in the following fiscal year, the funds would have already been allocated. But as of June 30, 2022, these are unassigned funds, representing NCC.
- Chairman Magsig asked Paige Benavides for confirmation if what was described was correct and if there were any surprises.
- Paige Benavides, County Budget Director, County Administrative Office, confirms that there are no surprises.
- There being no public comments, a motion was made by Kulwinder Brar, seconded by Manuel Vilanova, and carried 7-0 to approve agenda item 7d.

e) Review and receive the Fresno County In-Home Supportive Services Public Authority Independent Auditor's Reports and Financial Statements for the year ended June 30, 2023.

- Bruna Chavez DSS Deputy Director mentioned the presentation for item 7e was also included in item 7d.
- There being no public comments, a motion was made by Kari Gilbert, seconded by Manuel Vilanova, and carried 7-0 to approve agenda item 7e.

f) Review and approve the 2025 Audit Committee Meeting Dates.

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

8. Staff Updates

- There being no updates, the Committee proceeded to the next item on the agenda.

9. Adjournment

- A motion was made by Kari Gilbert, seconded by Manuel Vilanova, and was carried 7-0 to adjourn the meeting at 11:14 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
Kulwinder Brar, Public Member