

**County of Fresno**  
**Auditor-Controller/Treasurer-Tax Collector**  
**Audit Committee Minutes**  
**Board of Supervisors' Chambers**  
**December 14, 2018 – 10:00 a.m.**

**MEMBERS PRESENT:**

Supervisor Nathan Magsig, Audit Committee Chairman  
Supervisor Sal Quintero  
Jean Rousseau, County Administrative Officer  
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 14, 2018 at 10:00 a.m. in the Board of Supervisors' Chambers.

**1. Pledge of Allegiance**

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

**2. Approve Agenda**

- Chairman Magsig announced a request for agenda item 5d to be presented before 5c.
- A motion was made by Jean Rousseau, seconded by Kulwinder Brar and was carried 5-0 to change the order and approve the agenda.

**3. Public Presentations**

- This portion of the meeting is reserved for persons desiring to briefly address the Committee 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 August 31, 2018 Audit Committee Meeting Minutes**

- A motion was made by Kulwinder Brar, seconded by Supervisor Quintero, and was carried 5-0 to receive and approve the August 31, 2018 Audit Committee Meeting Minutes.

**5. Agenda Items**

**Consent Items**

**a) Approve Quarterly Fraud Report Covering July 1, 2018 to September 30, 2018.**

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

**Discussion and Action Items**

**b) Review and Receive the Department of Social Services memo regarding IHSS fraud procedures**

- Chairman Magsig introduced this item and stated that during the previous Audit Committee meeting, he had asked Delfino Neira, Director, Department of Social Services (DSS), to take a look at internal controls in relation to IHSS. At the previous meeting, there were allegations of fraud, including the statement that there was proof that up to 90% of the program was fraudulent. Chairman Magsig said he reached out to the department to get an understanding of number of workers in the program, how billings take place, how the District Attorney's investigative unit looks at fraud allegations, and the

number of prosecutions taking place. Chairman Magsig said the DSS report indicated the percent of fraud was less than 1%, or 0.7%.

- A motion was made by Jean Rousseau, seconded by Supervisor Quintero, and was carried 5-0 to receive the DSS memo regarding IHSS fraud procedures.

**c) Review and approve the Human Resources Department Transition Review Follow-Up Report**

- This is item 5d on the agenda.
- Shelly Dorn, Supervising Accountant, FR&A, presented the item. A follow-up transition review was completed in December 2017. One finding and a corresponding recommendation were made.
- Paul Nerland, Director, Human Resources, said recommendations were implemented in March 2018.
- A motion was made by Jean Rousseau, seconded by Supervisor Quintero, and was carried 5-0 to receive and approve the report.

**d) Review and approve the proposal from Brown Armstrong for an agreed-upon procedures engagement in the Recorder's Office over the Internal Controls over the cash receipts and cash disbursements as well as the appropriateness of fees within the following funds; Property Tax Administration Program, State-County Assessor Partnership Agreement Program, SSN Truncation Program, Micrographics Storage Fund, Electronic Recording Data Systems (ERDS), Record Document System, Security Paper, Vital & Health Statistics Fee and the Base Recorder Fee.**

- This is item 5c on the agenda.
- Debbie Paolinelli, Assistant CAO, presented the item. Item was brought at the request of the Committee and the Assessor-Recorder's Office at the August 2018 meeting to have an independent audit done for certain trust funds. A request for quotation (RFQ) was sent to 41 firms. The proposal from Brown Armstrong is for an agreed-upon procedure, which will not give an opinion but just report findings on proper internal controls over receipts and disbursements and appropriateness of fees.
- Chairman Magsig asked how the engagement would be paid for. Jean Rousseau said it would be paid out of 2540.
- Jean Rousseau said the cost was higher than expected; he asked if Auditor-Controller would be interested in doing a similar engagement, and what he might charge.
- Paul Dictos, Assessor-Recorder, asked what 2540 was, if it was his department; Jean Rousseau said it was a budget unit in the General Fund, out of the CAO's office. Mr. Dictos also asked what period the engagement covered. Ms. Paolinelli stated that they plan to discuss that with the outside auditors but it would probably be for the last three years.
- Mr. Dictos stated he originally asked for a management audit because there were statements made saying he was a poor manager; he asked how this engagement was different from a management audit. Chairman Magsig said departments typically do not get to request what type of audit they receive and that this particular engagement RFQ was to look at funds received and test if they were expended appropriately. Mr. Dictos said statements were made by Supervisor Buddy Mendes to the media "that Paul Dictos is a poor manager." Chairman Magsig said the Audit Committee is a separate entity from the Board of Supervisors, and that Buddy Mendes is not on the Audit Committee. Supervisor Magsig stated that he would be open to a management audit, but the Assessor-Recorder's office would have to pay for it.
- Debbie Paolinelli said a management audit would look at the whole department and give an opinion on improvements in management style, whether or not a certain manager was managing effectively and efficiently, and give feedback on how to manage the department in a different way. She reiterated this agreed upon procedure would be looking at past transactions, whether they were appropriate or not, and if fees that are charged to the public were appropriate.

- Paul Dictos agreed that the RFQ was for too much money, and that if Oscar's staff could do the agreed upon procedures cheaper, he was good with that.
- Chairman Magsig said the option by Mr. Rousseau was considered but he would prefer a third party due to the Auditor-Controller/Treasurer-Tax Collector's (ACTTC) office possibly being busy with the tax collector side.
- Oscar Garcia, ACTTC, said the only reservation he has is that Mr. Dictos initially wanted outside auditors to perform the engagement, but he would not have a problem if Mr. Dictos is fine with ACTTC conducting the engagement now. Mr. Garcia said cost would not exceed \$30,000. Ms. Paolinelli said ACTTC already reviews appropriateness of fees, so perhaps that part should be excluded. Before fees go into the Master Schedule of fees, the ACTTC provides a recommendation letter on the appropriateness of the fees. Chairman Magsig said it would be good to keep that separate, as ACTTC would not want to be checking their own work. Mr. Rousseau wanted to look at when the Assessor-Recorder's fees were charged and if they were consistent with Board actions.
- Supervisor Quintero asked how a request would be submitted if there was a specific item or procedure the Audit Committee wanted to have reviewed. Chairman Magsig said that would require a change order in letter form to the outside auditors and costs would be updated.
- Ms. Paolinelli said the RFP was written to allow for specific options to be included or adjusted if needed.
- Oscar Garcia noted that if ACTTC did the agreed upon procedure, they would check transactions and present results, not findings. The results would be stated based on items tested. This highlights the difference between an audit and an agreed upon procedure. In an audit, we would give an opinion and findings; in agreed upon procedures, we will give results.
- Manuel Vilanova asked about the timeline. Ms. Paolinelli said work needs to be completed by June 18, 2019. Chairman Magsig asked when work would start; Ms. Paolinelli said she would contact Brown Armstrong to begin work once the item is approved.
- Chairman Magsig said a request was made by the Assessor-Recorder to have an outside auditor complete this audit. Chairman Magsig recommended the outside auditor, arguing that it is a good idea to have a third party entity performing audits occasionally, and that an outside auditor could bring more credibility to this engagement.
- Deborah Paolinelli reiterated that this is an agreed upon procedure whether Brown Armstrong or ACTTC conducts the engagement. Either way, there will be results, not findings. Chairman Magsig still recommended the outside auditor.
- A motion was made by Jean Rousseau, seconded by Supervisor Quintero, and was carried 5-0 to approve and enter into a contract with Brown Armstrong for \$41,500 for an agreed-upon procedures engagement with a June 18, 2019 deadline.

**e) Review and approve the Probation Transition Review Report for Interim Probation Chief Philip Kader, and review and approve the Probation Transition Review Report for Probation Chief Kirk Haynes.**

- Chairman Magsig combined agenda items 5e and 5f.
- Shelly Dorn presented both items. First item was completed on November 2017 and there were two findings and corresponding recommendations made. A subsequent review was completed when Probation Chief Kirk Haynes entered office. There were three findings and corresponding recommendations made.
- Greg Reinke, Administrative Services Division Director, Probation, concurred with all recommendations and is in the process of implementing changes in inventory, getting staff to fill out forms correctly and reviewing forms before submission.
- A motion was made by Jean Rousseau, seconded by Supervisor Quintero, and was carried 5-0 to review and approve both transition review reports of Interim Probation Chief Philip Kader and Probation Chief Kirk Haynes.

**6. Staff Updates**

- Oscar Garcia had stated during the August Audit Committee meeting that a peer review report would be brought to the Committee for the December meeting but that did not happen. He said staff will meet with the partner from Price Paige on December 20 to discuss the report and will bring it to the Committee on February 8, 2019.

**7. Adjournment**

- A motion was made by Jean Rousseau, seconded by Manuel Vilanova, and was carried 5-0 to adjourn the meeting at 10:40 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
- Kulwinder Brar, Public Member