



INTEROFFICE MEMORANDUM

Oscar J. Garcia, CPA

Auditor-Controller/Treasurer-Tax Collector

Enedina Garcia

Deputy Auditor-Controller

Megan Marks

Deputy Treasurer-Tax Collector

DATE: August 12, 2022
TO: Audit Committee Members
FROM: Supervisor Sal Quintero, Audit Committee Chairman
SUBJECT: Audit Committee Meeting

This will confirm the next Audit Committee meeting scheduled on **August 12, 2022 at 10:00 a.m.** in the Board of Supervisors Chambers - Room 301 of the Hall of Records. The following is the agenda for the meeting:

AGENDA

- 1) **Pledge of Allegiance**
- 2) **Approve Agenda**
- 3) **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.
- 4) **Approval of May 13, 2022 Audit Committee Meeting Minutes**
- 5) **Consent Items**
 - a. Approve Quarterly Fraud Report covering April 1, 2022 to June 30, 2022.
- 6) **Discussion and Action Items**
 - a. Review and approve the Department of Behavioral Health Department Head Transition Report.
 - b. Review and accept the Independence Certification.
- 7) **Staff Updates**
- 8) **Adjournment**

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Enclosures

Audit Committee Members:

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

County of Fresno
Auditor-Controller/Treasurer-Tax Collector
Audit Committee Minutes
Board of Supervisors' Chambers
May 13, 2022 – 10:00 a.m.

MEMBERS PRESENT:

Supervisor Sal Quintero, Audit Committee Chairman
 Daniel C. Cederborg, County Counsel, Audit Committee Vice-Chairman
 Supervisor Nathan Magsig
 Greg Reinke, County Administrative Officer's Proxy
 Kari Gilbert, Department Heads Council Member

Call to Order: Chairman Quintero called to order the regular meeting of the Audit Committee (Committee) on May 13, 2022, at 10:01 a.m. in the Board of Supervisors' Chambers.

1. Pledge of Allegiance

- Kari Gilbert, Director of Department of Child Support Services, led all in attendance with the Pledge of Allegiance.

2. Approve Agenda

- A motion was made by Supervisor Magsig, seconded by Vice-Chairman Cederborg, and carried 5-0 to approve the May 13, 2022 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. Reappointment of Member Vilanova for term expiring December 31, 2023

- Member Vilanova was not present and being no public comment, a motion was made by Supervisor Magsig, seconded by Kari Gilbert, and carried 5-0 to reappoint member Manuel Vilanova for term expiring December 31, 2023.

5. Approval of January 28, 2022, Audit Committee Meeting Minutes

- There being no public comments, a motion was made by Kari Gilbert, seconded by Greg Reinke, and carried 5-0 to approve the January 28, 2022, Audit Committee Meeting Minutes.

6. Consent Items**a) Approve Quarterly Fraud Report covering January 1, 2022, to March 31, 2022**

- There being no public comments, a motion was made by Kari Gilbert, seconded by Vice-Chairman Cederborg, and carried 5-0 to approve Agenda item 6a.

7. Discussion and Action Items**a) Review and approve the Department of Social Services Department Head Transition Report.**

- Karoll Diaz, Accounting and Financial Manager, FR&A, introduced and presented the item, and Stacey Sandoval, Department of Social Services Finance Manager commented on this item.
- A discussion took place regarding Capital Asset Management, where Supervisor Magsig inquired about certain capital assets not taken to the board for approval. Karoll Diaz stated that any capital assets purchased would need to be taken to the Board of Supervisors. Stacey Sandoval stated that they will

follow guidance provided by the Auditor-Controller's Office and take the items retroactively to the Board of Supervisors for approval.

- There being no public comments, a motion was made by Supervisor Magsig, seconded by Kari Gilbert, and carried 5-0 to approve Agenda Item 7a.

b) Review and approve the County Administrative Office Department Head Transition Report.

- Karoll Diaz, Accounting and Financial Manager, FR&A, introduced and presented the item. Greg Reinke commented on this item.
- There being no public comments, a motion was made by Kari Gilbert, seconded by Vice-Chairman Cederborg, and carried 5-0 to approve Agenda Item 7b.

c) Review and approve the Department of Social Services Payroll Compliance Audit Report for all calendar year 2019 and calendar year 2020 through June 28, 2020.

- Karoll Diaz, Accounting and Financial Manager, FR&A, introduced and presented the item, and Stacey Sandoval, Department of Social Services Finance Manager commented on this item.
- Supervisor Nathan Magsig inquired about penalties or fines due to underpayment to employees. Vice-Chairman Cederborg stated that penalties or fines would only apply if a labor claim existed.
- Vice-Chairman Cederborg asked if the overtime findings were more prone on a specific division. Stacey Sandoval stated that Child Welfare Division is where most overtime takes place.
- There being no public comments, a motion was made by Kari Gilbert, seconded by Vice-Chairman Cederborg, and carried 5-0 to approve Agenda Item 7c.

d) Review and approve the Proposed Audit Plan for fiscal year 2022-23.

- Oscar J. Garcia, Auditor-Controller/Treasurer-Tax Collector, introduced and presented the item.
- Oscar J. Garcia asked the board members if they wanted to make any changes to the proposed Audit Plan.
- Kari Gilbert asked about the Transition Reports for Department of Behavioral Health (DBH), and Department of Public Health (DPH). She was informed the Transition Report for DPH was completed, and DBH's is in process.
- There being no public comments, a motion was made by Vice-Chairman Cederborg, seconded by Supervisor Magsig, and carried 5-0 to approve Agenda Item 7d.

8. Staff Updates

- Oscar J. Garcia, Auditor-Controller/Treasurer-Tax Collector, mentioned staff will be focusing on incorporating training related to assets as part of the yearly Countywide Training.
- Supervisor Magsig stated that assets relate to the purchasing and procurement process.
- A discussion took place regarding the threshold for requesting approval from the Board of Supervisors, the accounts used to purchase capital assets, and the possibility of department heads having more authority for purchasing capital assets.
- Kari Gilbert stated that she is more concerned regarding Payroll. A discussion took place regarding issues that might arise from internal processes varying from department to department regarding the verification of the accuracy of timesheets against supporting documentation. Oscar J. Garcia stated that staff will prepare a training for Departments regarding Payroll as part of the yearly Countywide Training.
- Oscar J. Garcia mentioned that staff will be working on compiling information regarding Special Districts getting into compliance.
- Greg Reinke inquired about the possibility of updating policies regarding the threshold for Board of Supervisors approval.

9. Adjournment

- A motion was made by Kari Gilbert, seconded by Greg Reinke, and was carried 5-0 to adjourn the meeting at 10:37 a.m.

Audit Committee Members:

Supervisor Sal Quintero, Audit Committee Chairman

Daniel C. Cederborg, County Counsel, Audit Committee Vice-Chairman

Supervisor Nathan Magsig

Paul Nerland, County Administrative Officer

Kari Gilbert, Department Heads Council Member

Manuel Vilanova, Public Member

Kulwinder Brar, Public Member



INTEROFFICE MEMORANDUM

Oscar J. Garcia, CPA

Auditor-Controller/Treasurer-Tax Collector

Enedina Garcia

Deputy Auditor-Controller

Megan Marks

Deputy Treasurer-Tax Collector

DATE: August 12, 2022

TO: Audit Committee Members

FROM: Oscar J. Garcia, CPA – Auditor-Controller/Treasurer-Tax Collector

SUBJECT: Fraud Hotline Quarterly Activity Report for the Quarter Ended June 30, 2022

In accordance with the provisions of California Government Code Section 53087.6, the County of Fresno Fraud Hotline serves as a means to discover, investigate, and remediate acts of fraud, waste, or abuse involving County employees, as defined by the statute.

We have completed our quarterly report concerning the operation of the County of Fresno Fraud Hotline. This report is for the three-month period of April 1, 2022 through June 30, 2022.

We would like to acknowledge the professionalism and cooperation extended to us by the management of the various County agencies/departments during our Hotline investigation process. As always, I remain available to answer any questions you may have. Please contact me directly or Karoll Diaz, Accounting & Financial Division Manager at (559) 600-1378 or Jarry Lim, Accountant at (559) 600-1368 if we can be of any assistance.

Attachments



COUNTY OF FRESNO

FRAUD HOTLINE QUARTERLY REPORT

Administered by the Auditor-Controller/Treasurer-Tax Collector

For the Quarter Ended June 30, 2022

Director: Oscar J. Garcia, CPA
Accounting & Financial Manager: Karoll Diaz
Hotline Staff: Jarry Lim

COUNTY OF FRESNO
FRAUD HOTLINE QUARTERLY REPORT
Administered by the Auditor-Controller/Treasurer-Tax Collector
For the Quarter Ended June 30, 2022

Below is the County of Fresno Fraud Hotline activity for the period of April 1, 2022 through June 30, 2022.

1. Statistical Summary

The Financial Reporting and Audits Division received 51 Hotline allegations, complaints, or other contacts during the reporting period. Of these reports, 32 were made anonymously while 19 reports were made by individuals who identified themselves. The Hotline received 25 reports via telephone, 25 by email, and 1 by letter. These reports are categorized in Table 1.

Table 1 Statistical Summary	
Actionable Items	14
Referred Items	34
Non-Actionable Items	3
Total Allegations/Complaints	51

2. Types of Allegations/Complaints

Cases opened during the period involved various complaints and allegations such as: 1) improper use of government benefits, 2) fraudulent check alterations, and 3) management improprieties.

Actionable – County

Allegations involving individuals employed by the County and/or other related parties (i.e., vendors, contractors, etc.).

Actionable – Non-County

Allegations involving individuals and/or other entities with no known relation to the County.

Referral – County

Allegations involving issues primarily handled by other County Departments via established fraud-reporting methodologies.

COUNTY OF FRESNO
FRAUD HOTLINE QUARTERLY REPORT
Administered by the Auditor-Controller/Treasurer-Tax Collector
For the Quarter Ended June 30, 2022

Referral – Non-County

Allegations involving issues beyond the responsibilities of the County of Fresno are referred to appropriate non-County agencies.

Non-Actionable Items

These include insufficient information and not applicable issues. Examples include failure to state sufficient facts on which to base any investigation, inquiries regarding the status of other investigations, requests for information, and wrong numbers.

Table 2 identifies the total number of cases opened during this period and detail complaint type.

Table 2 Types of New Allegations/Complaints	
Actionable – Non-County:	14
Forged/Altered Check	14
Referral – County:	23
Welfare Fraud	14
County - Other	9
Referral – Non-County:	11
Various	11
Non-Actionable Items:	3
Not enough information	3
Total	51

**COUNTY OF FRESNO
 FRAUD HOTLINE QUARTERLY REPORT
 Administered by the Auditor-Controller/Treasurer-Tax Collector
 For the Quarter Ended June 30, 2022**

3. Status of Complaints

The complaints processed by the County of Fresno Fraud Hotline include alleged behavior by an employee and/or client (i.e., timecard abuse, misuse of county assets, management improprieties, conflict of interest, and misuse of program funds). As of the end of the reporting period, there was no investigation by the County of Fresno Fraud Hotline. (See summary below)

Table 3 Status of Complaints						
Actionable Calls	Investigation			Closed Findings		
	Ongoing	New	Closed	Substantiated	Unsubstantiated	Referral
Management						
Employee						
Client						
Unknown						
Total						



County of Fresno

Oscar J. Garcia, CPA
Auditor-Controller/Treasurer-Tax Collector

July 13, 2022

Susan Holt
Department of Behavioral Health
1925 E. Dakota Ave
Fresno, CA 93726

RE: Department of Behavioral Health Transition Report

Dear Ms. Holt,

In conjunction with Government Code Section 24051 and the Fresno County Administrative Officer's Management Directives Section 418, our Financial Reporting & Audits Division conducted a transition review of the Department of Behavioral Health (Department). The purpose of a transition review, which is limited in scope, is to account for selected property under the control of the exiting County officer, as well as to determine the Department's compliance with established internal controls, and policies and procedures in selected areas.

We conducted this review in conformance with the International Standards Framework for the Professional Practice of Internal Auditing, as promulgated by the Institute of Internal Auditors. Those standards require the auditors identify sufficient, reliable, relevant, and useful information to achieve objectives.

The transition report included accounting for cash, capital assets, and inventorable assets, as well as reviewing conflict-of-interest filings, recalculating final compensation of the outgoing Department Head, and first compensation of the incoming Department Head.

Our procedures and findings are as follows:

Procedures

1. Examine cash and capital assets under the control of the exiting Department Head as of the date of departure.
2. Review statements subsequent to the date of departure for any County of Fresno credit card(s) held by the exiting Department Head.
3. Examine conflict of interest filings.

4. Check the departing Department Head's final paycheck for accuracy and appropriateness.
5. Check the incoming Interim Department Head's first paycheck for accuracy and appropriateness.
6. Ensure that, according to Government Code 24051 and Management Directive 418, the certification of all property under the control of the exiting Department Head has been signed by both the departing and the interim Department Heads.

Results:

Finding 1 – Cash Management

During this audit, after performing testing procedures on the Department's Petty Cash Fund, Auditors discovered that a petty cash voucher was not signed by authorized personnel, thus not following policies and procedures.

In addition, the Department of Behavioral Health, specifically the Public Guardian, manages two bank accounts for Probate and LPS individual conservatees, as well as multiple money market accounts. The bank reconciliations for the month of November 2021 were provided for audit staff to test for completeness and accuracy. Upon review, audit staff noticed that the reconciliations of the two checking accounts included inaccurate information related to outstanding checks and requested additional information. After the review of the additional information and follow-up questions, the Department stated that the book balance was a combination of both checking accounts. With this information and after considering all other information provided, there is still a difference between the bank balance and the Department's internal book balance that will need to be researched. The Department was informed of this variance and is currently working on the accurate reconciliation of both bank accounts.

Recommendation 1

We recommend that the Department continues to train and work with staff to ensure all staff are aware of internal policies, procedures, and cash handling best practices. We also recommend that the Department implements a regular process of reconciling petty cash to ensure funds are being used appropriately and are being properly authorized. Petty cash receipts should be signed by the custodian or any other authorized individual responsible for the petty cash fund, in addition to the cash recipient. This will ensure that there is proper paper trail in case of a dispute of the amount dispensed or purpose for which it was used.

We further recommend that the Department reviews its practices for bank reconciliations, complete them on a monthly basis, and ensure they keep clear documentation such as source documents and proper support for any reconciling items preferably with third party data. In addition, the Department should ensure that staff involved in the reconciliation process understand what is being reviewed in order to resolve any discrepancies. We also recommend the

Department, if possible, automate any part of the bank reconciliation process to make it more efficient.

Finding 2 - Asset Management

A total of 35 assets were tested during this process, which included 20 inventoriable assets selected at random, and all 15 capital assets. Per County of Fresno MD 413.2, specific information for each inventoriable asset must be maintained with each department's inventoriable asset listing. The inventoriable asset list provided as of June 30, 2021, does not include all the required attributes per MD 413.2 for 469 laptops, which make up 94% of the inventoriable asset population. Missing attributes include cost of the asset at time of acquisition, location of the asset or to whom the asset is assigned, disposition date and method of disposition. Additionally, two of the assets tested, one capital and one inventoriable, were missing a form of identification.

During the verification of assets, audit staff also discovered six capital assets listed on the asset listing provided by the Department as well as the County Asset Management System (CAMS) that were destroyed in previous years with no request or supporting documentation for proper disposition. Department submitted required documentation to the Auditor-Controller/Treasurer-Tax Collector's office for the proper disposition of the assets in the County Asset Management System in PeopleSoft during this audit.

Recommendation 2

We recommend that the Department continue to revise their inventoriable assets list to ensure all data is listed for each inventoriable asset, as required in MD 413.2. We further recommend that the Department examine their inventoriable and capital assets procedures to ensure assets are tracked, monitored, recorded, and disposed properly. Capital asset listings should be monitored on a regular basis to ensure all assets are properly accounted for, and to properly remove any surplus, disposed, or lost assets. All assets' listings should be kept organized, and easily accessible.

Finding 3 – Compliance

Certain County of Fresno officials and employees are required to complete FCAC-255, a County of Fresno Conflict of Interest Affidavit; Form A, County of Fresno Quarterly Report of Gifts/Gratuities; and/or the California Form 700, Statement of Economic Interests. Upon review of Form A, one of the three employees required did not fill out the form. For Form 700, five of the 37 selected, were not filled out completely, and another two were not signed before April 1, 2021.


Recommendation 3

We recommend that the Department review its processes and procedures for receiving and reviewing the required forms along with providing training to staff to ensure requirements for its periodic compliance filings are met consistently.

While still a matter of public record, this letter is intended solely for the informational use of members of the County of Fresno Audit Committee and management for the Department, and is not intended to be, nor should be, used by anyone other than these specified parties.

We would like to express our appreciation to the Department's staff for their assistance during our review. If you have any questions, please contact Karoll Diaz at (559) 600-1378.

Sincerely,



Oscar J. Garcia, CPA
Auditor-Controller/Treasurer-Tax Collector



County of Fresno

DEPARTMENT OF BEHAVIORAL HEALTH
SUSAN L. HOLT
DIRECTOR OF BEHAVIORAL HEALTH
PUBLIC GUARDIAN

Date: August 2, 2022

To: Oscar J. Garcia, CPA, Auditor-Controller/Treasurer-Tax Collector

From: Susan L. Holt, Director of Behavioral Health /
Public Guardian

Subject: DBH Transition Report Response

The purpose of this communication is to provide a response to the Auditor-Controller/Treasurer-Tax Collector (AC-TTC) transition report dated July 13, 2022. The AC-TTC forwarded the findings and recommendations made as a result of the review to the change in Department Head. The Department concurs with the findings in the report. Below is our official response to the findings and recommendations.

Finding 1 – Cash Management

In response to Finding #1 (petty cash fund) the Department will notify the AC-TTC of any change to the petty cash custodians with an email to the AC-TTC email inbox. DBH Accounting staff has an established process in place to reconcile the fund monthly, with results reported to the AC-TTC Petty Cash email Inbox.

In response to Finding #1, (PGO bank accounts) the Department agrees with the finding and has implemented procedures to meet the Auditor's recommendations. During the audit period, the Public Guardian's Office was in the process of transitioning all funds from Comerica Bank to Central Valley Community Bank (CVCB), which is why the program was managing two bank accounts. Since the audit date, we have finalized the transition to CVCB and now are only reconciling one bank account. We have identified stale-dated checks that were issued from Comerica Bank that account for the discrepancy in the reconciliation process, and we are currently addressing each of them individually to determine the appropriate disposition of funds.

Finding 2 – Asset Management

In response to Finding #2 the Department will update our inventoriable asset tracking to be in compliance with MD 413.2. DBH is in the process of implementing an asset management system which will support this effort. Additionally, the Department will review and update our capital and inventoriable asset procedures to ensure all assets are accounted for, and that proper documentation is submitted to remove surplus, disposed of or lost assets.

Finding 3- Compliance

The Department concurs with Recommendation #3 and will review current Departmental practices to address gaps and areas for improvement to ensure compliance which may include the following options:

- Assign a Program Technician – Confidential to track and act as a liaison for the County's NeoGov system where quarterly/annual COI are automatically assigned by the County's Human Resources Department.
- Work with Main HR to address staff COI notices and routine reminders. Utilize reports to identify COI/quarterly report status.
- Ensure more frequent and routine follow-up; establish benchmarks and incorporate accountability through the involvement of managerial/executive staff.
- The assigned Staff Analyst will oversee and manage the project and pull samples for QA purposes.
- Work with Main HR to assign COI trainings in NeoGov.



INTEROFFICE MEMORANDUM

Oscar J. Garcia, CPA

Auditor-Controller/Treasurer-Tax Collector

Enedina Garcia

Deputy Auditor-Controller

Megan Marks

Deputy Treasurer-Tax Collector

DATE: August 5, 2022

TO: County of Fresno Audit Committee

FROM: Oscar J. Garcia, CPA, Auditor-Controller/Treasurer-Tax Collector

SUBJECT: Independence Certification

I confirm to the best of my knowledge that my staff have not been assigned to audits that would prevent them from objectively planning, conducting, reporting, or otherwise participating, and reaching independent conclusions, in accordance with International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

Should I become aware of any changes in our circumstances, I will promptly notify the Audit Committee.

Signature: Oscar Garcia

Date: 8-5-2022