



## INTEROFFICE MEMORANDUM

**Oscar J. Garcia, CPA**

Auditor-Controller/Treasurer-Tax Collector

**Enedina Garcia**

Deputy Auditor-Controller

**Frank Gomez**

Deputy Treasurer-Tax Collector

**DATE:** December 10, 2024  
**TO:** Audit Committee Members  
**FROM:** Supervisor Nathan Magsig, Audit Committee Chairman  
**SUBJECT:** Audit Committee Meeting

*[Handwritten signature]*  
*12/4/24*

This will confirm the next Audit Committee meeting scheduled on **December 10, 2024 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) Roll Call**

**2) Pledge of Allegiance**

**3) Approve 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.

**5) Approval of the August 9, 2024 Audit Committee Meeting Minutes**

**6) Consent Items**

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

**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
  - II. Probation Department
- b. Review and approve the Department of Social Services Cash Receipts Compliance Audit for fiscal year 2023.
- c. Review and approve the Department of Social Services Food and Nutrition Services (FNS)-209 Report for the quarter ended June 30, 2024.

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

**8) Staff Updates**

**9) Adjournment**

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Enclosures

**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

**Next meeting scheduled on January 10, 2025.**

**County of Fresno  
Auditor-Controller/Treasurer-Tax Collector  
Audit Committee Minutes  
Board of Supervisors' Chambers  
August 9, 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**  
**Kulwinder Brar, Public Member**

**Call to Order:** Chairman Magsig called to order the regular meeting of the Audit Committee (Committee) on August 9, 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 Vice-Chairman Quintero, seconded by Paul Nerland, and carried 5-0 to approve the August 9, 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. Approval of May 24, 2024 Audit Committee Meeting Minutes**

- There being no public comments, a motion was made by Daniel Cederborg, seconded by Kulwinder Brar, and carried 5-0 to approve the May 24, 2024 Audit Committee Meeting Minutes.

**6. Consent Items**

**a) Approve Quarterly Fraud Report covering April 1, 2024 to June 30, 2024.**

- There being no public comments, a motion was made by Kulwinder Brar, seconded by Vice-Chairman Quintero, and carried 5-0 to approve agenda item 6a.

**7. Discussion and Action Items**

**a) Review and approve the Fresno County Public Library Department Head Transition report.**

- Daisy Landeros-Loera, Accountant II, Financial Reporting & Audits Division, introduced and presented the item.
- Paul Nerland asked if the Department of Human Resources had been contacted to determine if departments can obtain a report identifying employees who are required to complete the compliance form.

- Sally Gomez, Department Head of the Fresno County Public Library, responded that previously, a Human Resources staff member oversaw the completion of the compliance forms. She added that now a staff member at the Fresno County Public Library has been granted access to view who has and has not completed the forms. Sally also noted that a training session regarding NeoGov access was completed on July 8th.
- Daniel Cederborg inquired about the number of Fresno County Public Library employees required to complete Form 700.
- Jeannie Christiansen, Business Manager of the Fresno County Public Library, stated that approximately 90 employees, including librarians who have public interaction and conduct negotiations, as well as staff analysts, business managers, and management are required to complete the form.
- Daniel Cederborg recommended that the department review the list of employees required to complete the form to ensure accuracy and avoid unnecessary requirements.
- Jeannie Christiansen mentioned that the department plans to review the list and suggested that the County consider granting all departments similar access to NeoGov, given that these departments are responsible for compliance.
- There being no public comments, a motion was made by Paul Nerland, seconded by Vice-Chairman Quintero, and carried 5-0 to approve agenda item 7a.

**b) Review and approve the Department of Public Works and Planning American Avenue Disbursements Compliance Audit for Calendar year 2023.**

- Jarry Lim, Accountant II, Financial Reporting & Audits Division, introduced and presented the item.
- There being no public comments, a motion was made by Kulwinder Brar, seconded by Vice-Chairman Quintero, and carried 5-0 to approve agenda item 7b.

**c) Review and accept the Independence Certification.**

- Oscar J. Garcia, Auditor Controller/Treasurer-Tax Collector, introduced and presented the item.
- There being no public comments, a motion was made by Chairman Magsig, seconded by Vice-Chairman Quintero, and carried 5-0 to approve agenda item 7c.

**8. Staff Updates**

- Oscar J. Garcia provided an update regarding the previously discussed home-garaged vehicles audit. He noted that a questionnaire had been sent out to all departments, although not all have responded. Based on the data submitted, an audit may be triggered.
- Oscar J. Garcia also reported that the ISD and Probation audit is not yet ready and plans to divide the report into two sections. He also shared that he has requested access to the GenAI system, which could be utilized to summarize the reports.
- Pai Her mentioned the possibility of moving the December 6th Audit Committee meeting to early November. Chairman Magsig recommended considering the second week of November.
- Paul Nerland inquired about the possibility of presenting the ISD and Probation audit reports at the following meeting. Oscar J. Garcia confirmed that both audit reports would be presented and that the department would have sufficient time to respond to any audit findings.
- Chairman Magsig asked about the use of funds that pertain to the portion of the treasury pool, slightly over 1%, that is segmented and identified as the property taxes pool fund. Oscar J. Garcia explained that the fund is a collection of property taxes, including teetered property taxes, and is distributed throughout the year.
- Chairman Magsig stated that it is crucial to always ensure sufficient funds in the account to make these distributions.



- Chairman Magsig also asked if teetered funds have increased in proportion to the treasury pool. Oscar J. Garcia responded that it has not, though it could grow depending on yearly delinquency rates.
- Chairman Magsig inquired whether a portion of the teetered fund is allocated to the 15 cities and the County. Oscar J. Garcia confirmed that a share could potentially return to the County, but only if sufficient proceeds are available.
- Chairman Magsig further asked how often an analysis is conducted to identify any excess that returns to the County. Oscar J. Garcia responded that this analysis is done annually.
- Chairman Magsig suggested that, for budgeting purposes, it would be helpful to identify the amount of teetered excess that has returned to the County over the past five years. Oscar J. Garcia noted that there were no returns last year, but the year before, \$4 million was returned.
- Chairman Magsig emphasized the need to clarify which departments are allocated portions of the \$1.4 billion, representing the county's share of the treasury pool. Oscar J. Garcia noted that certain departments have restricted funds with specific stipulations on interest retention, while for others, interest earnings are directed to the general fund.
- Kulwinder Brar inquired about the handling of penalties and interest collected. Oscar J. Garcia responded that it depends on whether they are teetered or not.
- Daniel Cederborg noted that budgeting depends on collections and property types, and inquired if there is a regular amount collected. Oscar J. Garcia explained that the delinquency rate varies, and during a recession, fewer people pay, leading to a depletion of prior years' proceeds. He emphasized that this is primarily a timing issue.
- Chairman Magsig added that he expects the delinquency rate to increase due to rising credit card debt and mentioned there currently is healthy mortgage delinquencies.
- Oscar J. Garcia mentioned that he has not yet observed a significant increase in delinquencies.

## 9. Adjournment

- A motion was made by Kulwinder Brar, seconded by Vice-Chairman Quintero, and was carried 5-0 to adjourn the meeting at 10:24 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



**COUNTY OF FRESNO**

**FRAUD HOTLINE QUARTERLY REPORT**

**Administered by the Auditor-Controller/Treasurer-Tax Collector**

**For the Quarter Ended September 30, 2024**

Director: Oscar J. Garcia, CPA  
Accounting & Financial Manager: Pai Her  
Hotline Staff: Daisy Landeros-Loera



## INTEROFFICE MEMORANDUM

**Oscar J. Garcia, CPA**

Auditor-Controller/Treasurer-Tax Collector

**Enedina Garcia**

Deputy Auditor-Controller

**Frank Gomez**

Deputy Treasurer-Tax Collector

**DATE:** December 10, 2024

**TO:** Audit Committee Members

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

**SUBJECT:** Fraud Hotline Quarterly Activity Report for the Quarter Ended  
September 30, 2024

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 July 1, 2024 through September 30, 2024.

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 Pai Her, Accounting & Financial Division Manager at (559) 600-1378 or Daisy Landeros-Loera, Accountant at (559) 600-1364 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 September 30, 2024**

Below is the County of Fresno Fraud Hotline activity for the period of July 1, 2024 through September 30, 2024.

1. Statistical Summary

The Financial Reporting and Audits Division received 133 Hotline allegations, complaints, or other contacts during the reporting period. Of these reports, 116 were made anonymously while 17 reports were made by individuals who identified themselves. The Hotline received 101 reports via telephone and 32 report by email. These reports are categorized in Table 1.

Table 1 Statistical Summary	
Actionable Items	16
Referred Items	112
Non-Actionable Items	5
Total Allegations/Complaints	133

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 September 30, 2024**

**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 – County:	0
	0
Actionable – Non-County:	16
Forged/Altered Check	16
Referral – County:	91
Welfare Fraud	80
County - Other	11
Referral – Non-County:	21
Various	21
Non-Actionable Items:	5
Not enough information	5
Total	133

**COUNTY OF FRESNO**  
**FRAUD HOTLINE QUARTERLY REPORT**  
Administered by the Auditor-Controller/Treasurer-Tax Collector  
For the Quarter Ended September 30, 2024

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)

<b>Table 3</b>						
<b>Status of Complaints</b>						
<b>Actionable Calls</b>	<b>Investigation</b>			<b>Closed Findings</b>		
	Ongoing	New	Closed	Substantiated	Unsubstantiated	Referral
Management						
Employee			1			1
Client						
Unknown						
<b>Total</b>	-	-	1	-	-	1



# INTERNAL SERVICES DEPARTMENT COMPLIANCE AUDIT

Covering the areas of: Rate Development, Charges to Departments,  
Procurement, Payroll, Conflicts-of-Interest, and Work Order Expenditures

For periods ranging from July 1, 2018, through October 10, 2023

June 30, 2024,  
Fresno, CA



## County of Fresno

**Oscar J. Garcia, CPA**

Auditor-Controller/Treasurer-Tax Collector

November 4, 2024

Edward Hill, Interim Director of Internal Services/CIO/COO  
Internal Services Department  
333 W. Pontiac Way  
Clovis, CA 93612

Dear Mr. Hill,

We have completed a compliance audit for the Internal Services Department (ISD). This compliance audit was performed to assist ISD with regards to the best practices of the rate development process, charges to County departments, the procurement process with a specific focus on sole sourcing, payroll with a specific focus on overtime, and conflict of interest procedures. The purpose of this compliance audit, which was limited in scope, was to determine whether ISD rate calculations are appropriate and reasonably justified by ISD expenditures, to assess whether ISD charges are being billed to the correct County departments and for appropriate amounts, to review the ISD sole source procurement process and determine whether ISD is abiding by applicable laws and regulations, and to review ISD payroll practices for the proper handling and reporting of payroll expenditures. Additionally, this compliance audit reviewed conflict of interest practices for the ISD, and reviewed work orders to ensure charges are both reasonable and appropriate for the work completed.

We have identified 12 findings and have made corresponding recommendations. The findings and recommendations are listed by each section of the compliance audit's focus and can be found on pages 8 through 21 of this report.

We would like to express our appreciation to ISD staff for their assistance and cooperation during this audit. If you have any questions, please contact Pai Her, Accounting & Financial Manager at (559) 600-1378 or Rochelle Garcia, Accounting & Financial Division Chief at (559) 600-1351.

Sincerely,

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



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# Audit Report

## Introduction

The Financial Reporting & Audits division (FR&A) of the Auditor-Controller/Treasurer-Tax Collector (ACTTC) performed a compliance audit for the Internal Services Department (ISD) resulting from a request by the County Administrative Office (CAO). The compliance audit covered the ISD rate development process, charges to County departments, procurement with a specific focus on sole-sourcing, and payroll with a specific focus on overtime. Additionally, the compliance audit covered ISD work order expenditures charged to the Probation Department (Probation). Finally, conflict of interest policies and procedures were reviewed for ISD.

## Background

ISD encompasses six unique divisions, five of which are internal service funds (ISF). The five ISFs are Facility Services (Facilities), Fleet Services (Fleet), Information Technology (IT), Security & Parking Services (Security), and PeopleSoft. The ISFs provide goods and/or services such as keeping County buildings in clean and orderly condition, planning, purchasing, maintaining, and repairing of vehicles and heavy equipment and much more to other funds and departments on a cost reimbursement basis. The charges by each ISF attempt to recover sufficient revenues to fund all the costs associated with providing goods and/or services. The objective being not to make a profit but to recover, over a period of time, the total costs of providing goods or services.

The other division is Purchasing. This division is responsible for the acquisition of all supplies and equipment used by County departments. As the County's contracting agency, purchasing assists in securing outside services required by County operations. Purchasing oversees the County's procurement process and provides guidance to County departments to help facilitate the procurement of goods and services.

## Objectives, Scope, and Methodology

### I. Rate Development

The objective of the rate development section is to review ISD's rate development process for the appropriateness of rates, proper supporting documentation of rate calculations, and proper supporting documentation to justify rate

adjustments and changes in the manner in which the rates are calculated.

To accomplish our objective, the following audit procedures are performed:

- Review the cost principles and standards established by the Federal Office of Management and Budget Rules and Regulations Title 2, *Code of Federal Regulations*, Part 200 (2 CFR Part 200) and review the California State Controller's Office (SCO) *Handbook of Cost Plan Procedures for California Counties*.
- Conduct interviews with ISD staff.
- Select a sample consisting of rates that were calculated by ISD and amended for the County's fiscal year 2023-24 Master Schedule of Fees (MSF) and perform a test of controls and details.

## **II. Charges to Departments**

The objective of the charges to departments section is to review ISD's charges to County departments in regard to the appropriateness and necessity of charges, as well as proper supporting documentation of charges.

To accomplish our objective, the following audit procedures are performed:

- Obtain ISD's procedure for the billing process.
- Conduct interviews with ISD staff.
- Select a sample consisting of ISD charges to departments for each billing period from July 1, 2022, through June 30, 2023, that contains various cost centers in different divisions and perform a test of controls and details.

## **III. Procurement**

The objective of the procurement section is to review ISD's procurement process for active contracts during the period of July 1, 2018, through October 10, 2023, in which an exception is made to the competitive bidding process. Contracts are reviewed in regard to their adherence to County policies and

procedures, proper supporting documentation and authorized signature, and the appropriate use of the purchasing agent's authority to approve contracts.

To accomplish our objective, the following audit procedures are performed:

- Obtain ISD's procurement procedures.
- Conduct interviews with ISD staff.
- Select a sample of contracts where an exception was made to the competitive bidding requirement due to unusual or extraordinary circumstances (sole source and suspension of competition contracts) and perform a test of controls and details.

#### **IV. Payroll**

The objective of the payroll section is to review ISD's payroll compliance related to overtime and differential pay in regard to the effectiveness of internal controls, proper supporting documentation, timesheet accuracy, appropriate timesheet approvals, and appropriate timing.

To accomplish our objective, the following audit procedures are performed:

- Obtain and review ISD's payroll procedures, applicable Memoranda of Understanding (MOU), and the County Salary Resolution.
- Conduct interviews with ISD's staff.
- Select a sample for pay periods ending July 10, 2022, through June 25, 2023, and perform a test of controls and details.

#### **V. Conflict of Interest**

The objective of the conflict-of-interest section is to review the ISD's conflict of interest procedures for adequacy, appropriateness, and their adherence to County policies.

To accomplish our objective, the following audit procedures are performed:



- Obtain ISD's conflict of interest procedures.
- Conduct interviews with ISD's staff.
- Select a sample of California's Statement of Economic Interests (Form 700), County's Quarterly Report of Gifts and Gratuities (Form A), and County's Conflict of Interest Affidavit (FCAC-255) for covered periods occurring from July 1, 2018, through October 10, 2023, and perform a test against required filing regulations.

## **VI. Work Order Expenditures**

The objective of the work order expenditures section is to test the reasonableness and appropriateness of Probation's expenses posted by ISD to FAMIS, the system ISD uses to manage work orders in Facilities.

To accomplish our objective, the following audit procedures are performed:

- Request procedures from ISD for the processing of work order requests and the reviewing of work order expenditures. Due to the five-year audit period, we requested that any updates, amendments, or changes that occurred during the audit period be submitted along with their effective dates and reasons for the change.
- Conduct interviews with Facilities staff.
- Select a sample of work orders that ISD charged to Probation for associated costs from July 1, 2018, through October 10, 2023, and perform a test of controls and details.

## **Conclusion**

We conducted this audit in accordance with the standards promulgated by the Institute of Internal Auditors. Those standards require auditors to identify sufficient, reliable, relevant, and useful information to achieve the audit objectives. We believe the information obtained provides a reasonable basis for our conclusions and findings.

The audit identified a total of 12 findings. Six of the 12 findings had insufficient supporting documentation. Four findings lacked internal controls while two findings did not comply with ISD, County and/or State requirements. The recommendations and detail of the findings can be found in the Findings and Recommendations section of this report.

This report is intended solely for the information and use of the County's Audit Committee and management of the Department and should not be used for any other purpose. However, this report is a matter of public records, and its distribution is not limited.

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

## **Findings and Recommendations**

### **I. Rate Development Finding**

#### **Finding 1 – Insufficient supporting documentation to allow for an opinion to be formed on rate calculations.**

##### **Criteria**

In accordance with Management Directive 1200 – Charges for County Services, departments must submit their rates to the ACTTC for review to ensure they recover all applicable County costs. Departments should maintain sufficient documentation to justify new and amended rates. This adherence ensures rates cover expenses without disproportionately impacting other departments.

##### **Condition**

The supporting documentation provided by ISD was insufficient to fully substantiate the rate calculations. Audit staff were unable to verify the forecasted expenses, assumptions, and adjustments for all eight rates tested.

##### **Cause of Condition**

Supporting documentation and explanations for the forecasted revenues, expenses, assumptions, and adjustments were either not being documented or were not being documented in a manner that can be replicated in order to validate the rate calculation.

##### **Effect of Condition**

ACTTC was unable to test the validity of the rates due to insufficient supporting documentation. As a result, ACTTC was unable to provide an opinion on the rates.

##### **Recommendation**

Throughout the rate calculation process, ISD should document the sources of all forecasted expenses and revenues. Additionally, justification for adjustments to the allocation basis and assumptions should be documented. This information should be easily accessible for ACTTC review whenever an MSF rate is added or amended.

## **II. Charges to Departments Findings**

### **Finding 2 – Lack of internal controls over charges posted to source systems.**

#### **Criteria**

Internal service funds provide goods and services to departments on a cost-reimbursement basis, aiming to break even rather than generate profit or loss. Departments should be accurately charged for the goods and services they consume.

#### **Condition**

We observed 11 out of 60 transactions tested were not supported by documentation. Two PeopleSoft transactions were billed for the incorrect number of journal lines entered. For three utility transactions, charges were not consistent with the corresponding invoice or statement amount in the billing source data file. Furthermore, five FAMIS transactions included the allocation of charges to different Orgs that did not agree to the allocation on the source data. In addition, one invoice for \$1,760 was erroneously entered as \$1 in FAMIS.

#### **Cause of Condition**

The data entered into the source systems was often entered manually by staff working in the different divisions of ISD. There was a lack of effective internal controls to ensure the data posted to the source systems accurately reflected the cost of goods and services provided to departments.

#### **Effect of Condition**

The incorrect input and allocation led to inaccurate financial records, resulting in under-recovery of costs for ISD and potentially causing departments to be overcharged or undercharged.

#### **Recommendation**

We recommend ISD review their internal controls over data entry into the source systems to mitigate the risk of erroneously charging County departments. A review should be conducted by supervisors as to the accuracy of the data entry into the source systems. Further, we recommend that when a mechanism is implemented to allocate certain percentages of charges to



different departments, ISD should review to ensure the allocations are correctly transferred from source systems into the billing system.

**Finding 3 – Billing Journal - Lack of support or posted to incorrect fiscal year.**

Criteria

Under Generally Accepted Accounting Principles (GAAP), transactions must be supported by appropriate documentation to ensure accuracy and integrity. These documents serve as the evidential foundation of financial transactions.

Condition

Nineteen out of 60 transactions tested included billing journals that were not supported by the final billing report due to one or more reasons. Discrepancies in the billed Org were noted in 10 out of 19 transactions tested. Additionally, one instance was noted where an Org was billed twice for the same COVID charges. Lastly, 10 out of 19 transactions tested included deferred billing in Orgs with insufficient appropriations.

Cause of Condition

Discrepancies between the PeopleSoft billing journals and the ISD billing reports were due to invalid or incorrect Orgs on the final billing report, separation of COVID charges from the regular billing journal, and departments not budgeting their appropriations adequately.

Effect of Condition

The billing journal transactions had insufficient supporting documentation and duplicate COVID charges. In addition, Departments were bypassing the need to request proper authorization to increase appropriations and were not accurately showing their true expenditures each year.

Recommendation

We recommend ISD document the reason for any discrepancies between the Orgs billed in the PeopleSoft billing journals and the final billing report to be attached with the final billing report to the PeopleSoft billing journal. When an invalid or incorrect Org is discovered by ISD, the Org should be corrected by the next

billing cycle to prevent future Org discrepancies. We also recommend ISD refrain from creating manual billing journals unless necessary as this will create room for error. In addition, we recommend ISD seek guidance from the CAO office regarding the protocol that should be followed when a department has not budgeted sufficiently and communicate any changes to the current process to all departments.

### **III. Procurement Findings**

#### **Finding 4 – Non-compliance with Purchasing Manual requirements**

##### **Criteria**

The Purchasing Manual requires the Purchasing Requisition (PD-1) forms be submitted to Purchasing and signed by an authorized individual using original signatures with an exception for emergency situations. Second, the Sole Source Acquisition Request (PD-47) and Suspension of Competition Acquisition Request (PD-48) forms are answered in their entirety and in detail to justify an exception to the competitive bidding requirement. The California Association of Public Purchasing Officers' "Standards of Purchasing Practice" require adequate completion of these forms "to avoid unfair practices, giving all qualified vendors an equal opportunity". Finally, the term and baseline pricing of the contract must be followed when the County chooses to enter a cooperative (piggyback) agreement with other public entities.

##### **Condition**

Thirty-nine out of 60 contracts tested did not comply with the Purchasing Manual requirements. Fifteen out of 60 contracts tested did not include a PD-1 form or included digital signatures. In addition, 22 out of 60 contracts tested did not answer PD-47 or PD-48 forms in their entirety or the forms due to the unknown selection method used to procure the contract. Lastly, two of the 60 contracts tested were piggyback agreements that did not follow the terms of the original contract.

##### **Cause of Condition**

Purchasing accepted non-compliant forms which initiated procurement processes without authorized submissions and failed to retain documentation on vendor selection. Furthermore,

Purchasing did not verify piggyback agreements complied with the terms of the original agreements before approval.

#### Effect of Condition

The acceptance of digital signatures in non-emergency situations violates Purchasing Manual procedures. Furthermore, ISD did not maintain a list of digital signatures to verify the authenticity of requests, increasing the risk of unauthorized procurement actions. ISD did not adhere to the Purchasing Manual and state regulations due to the lack of vendor selection documentation. Additionally, incomplete forms jeopardized the validation of waiving competitive bidding. Finally, the County entered into agreements that did not adhere to properly procured conditions.

#### Recommendation

We recommend ISD revises the Purchasing Manual to allow for digital signatures on PD-1 forms and maintains a list of staff authorized to sign these forms, including their original and digital signatures. Additionally, procurement processes should not commence until an authorized PD-1 is submitted by the requestor. For PD-47 and PD-48 forms, ISD should ensure that all questions are answered completely before approval by the Purchasing Manager. ISD should also train Purchasing staff on the proper review of required documents and piggyback contracts, their storage locations, and retention durations.

### **Finding 5 – Lack of internal control over the procurement process of contracts**

#### Criteria

All PD-47 and PD-48 forms require signatures from the requestor, the department head of the requesting department (or an authorized signature on their behalf), and, if approved, the Purchasing Manager. The Purchasing Manager's signed approval signifies their review and approval that the request satisfies the criteria necessary for a sole source or suspension of competition acquisition. When a contract is procured by the Purchasing Manager, the Purchasing Manager is the sole approver of suspension of competition and sole source requests.

#### Condition

Thirty-eight out of 60 contracts tested lacked internal control over the procurement process or the approval by the appropriate



authority. Three of the 60 contracts tested did not contain the Purchasing Manager's signed approval or contained an unauthorized signer as department head on the required forms. Sixteen contracts tested contained forms that were requested by the Assistant Director or Director of ISD with final approval resting on their subordinate, the Purchasing Manager. Two contracts tested included an unsigned contract or an approval of an extension by an unauthorized signer. Seventeen contracts tested procured materials and services in an amount greater than \$200,000 or were approved by the Purchasing Manager with spending of over \$200,000, exceeding the Purchasing Manager's authority.

#### Cause of Condition

The Purchasing Manager did not review the forms before approving contracts. ISD failed to verify authorized signatures on the forms before proceeding with approvals. There was no procedure preventing Purchasing from being the sole approver of suspension of competition and sole source acquisition requests from their own senior management. ISD allowed for purchases to be made through a contract that did not exist. The Purchasing Manager approved contracts for services above their authorized amount instead of obtaining approval from the Board of Supervisors (Board).

#### Effect of Condition

The lack of the Purchasing Manager's approval caused inadequate review and approval of requests waiving competitive bidding. The Purchasing Manager, being the final approver of PD-47 and PD-48 forms, may have been unduly influenced by their superiors when they approved requests directly from their Director and Assistant Director. When forms or contracts are signed by unauthorized individuals and accepted, it may result in requests that do not align with the department's needs and lack proper authorization. Contracts uploaded to eContracts without County approval can lead to confusion among County staff regarding the validity of those contracts. Moreover, contracts that exceeded the Purchasing Manager's authority, and were approved without the Board oversight, violated the \$200,000 limit on services set by the County's Purchasing Manual.

### Recommendation

We recommend the Purchasing Manager review and approve all PD-47 and PD-48 forms before waiving the competitive bidding process, ensuring their signed approval is present. For ISD's requests to waive competitive bidding, we suggest requiring a fourth signature from the CAO or an authorized representative outside from their department, providing final approval and eliminating undue influence. Purchasing staff must confirm that each form has an authorized signature from the department head, maintaining updated signature lists for verification. ISD should document and obtain explicit designations from other departments directors before authorizing contract extensions.

Contracts approved by the Purchasing Manager should include language limiting spending on services to \$200,000 or less. If spending is expected to exceed this threshold, the contract must be approved by the Board.

We recommend that ISD reviews "contract" P-22-462 and evaluates why other purchasing methods (purchase orders, procurement agreements, contracts, procurement cards) are not appropriate. P-22-462 allows departments to purchase under the "contract" without restricting the departments to one vendor for miscellaneous medical supplies. Departments have their own account numbers and users and pay their own invoices. If the method of procurement offered for P-22-462 is found to be appropriate, it should be offered as a procurement option for other acquisitions that fall under these circumstances and the Purchasing Manual should be updated accordingly.

**Finding 6 – Information within the required forms submitted during the procurement process is not reasonably corroborated by the final agreement.**

### Criteria

While it is often necessary to make changes during the procurement process, the information on the required forms used to procure a contract should be reasonably corroborated by the final agreement. In leading practices, the resulting contract should coincide with what the department is requesting.

### Condition

One of 60 transactions reviewed contained a PD-1 to request an increase in spending on a separate contract. It resulted in a new

agreement for six different departments, but only one PD-1 form from ISD was provided.

#### Cause of Condition

Based on our testing, additional users were added to the contract even though the additional users did not submit a PD-1 requisition request.

#### Effect of Condition

The additional departments have been included in the contract without authorized approval from the departments.

#### Recommendation

We recommend a PD-1 is submitted for each department entering into a contract with the exception of contracts that benefit the entire County (Countywide contracts). This will allow for each department's needs to be considered before a contract is created and will give Purchasing the opportunity to ensure the requisition requests are being submitted by authorized staff.

### **IV. Payroll Findings**

#### **Finding 7 – Lack of effective internal controls over timesheets**

##### Criteria

ISD's timesheet procedures require accurate documentation of hours and pay codes, with the supervisors responsible for verifying clock time entries. We examined the applicable MOU for each employee tested to determine the correct application of any special pay received. A minimum of two signatures are required in the timesheet approvals section for all completed timesheets.

##### Condition

Thirteen out of 40 transactions reviewed included timesheets which were not supported by clock times or other supporting documentation. Six out of those 40 transactions included clock times or supporting documentation that were incomplete or inaccurate. Ten out of 40 transactions were found to not adhere



to payroll procedures, nine of which included earn codes on the timesheet that were improperly used. One out of the 40 transactions tested involved a timesheet that was signed by ISD's timekeeper on all three approval lines.

#### Cause of Condition

Supervisors were not conducting a proper review over timesheets, clock times, and supporting documentation maintained to support timesheets. Additionally, internal controls were bypassed when a timekeeper approved a timesheet at the employee, supervisor, and timekeeper levels of approval.

#### Effect of Condition

When a proper review over timesheets was not conducted by supervisors or assigned designee, it allowed for errors and inaccuracies on employee timesheets that went unnoticed. These errors resulted in incorrect pay to the employees.

#### Recommendation

We recommend ISD review their internal controls to mitigate the risk of inaccurate timesheets. We further recommend ISD develop written procedures for payroll specific for each division. At a minimum, these procedures should include the requirements of overtime, mid-shift, swing shift, and differential pay logging and approvals and the proper use of earn codes applicable to their division.

### **Finding 8 – Underpayments and overpayments**

#### Criteria

ISD employees should be compensated correctly for their hours worked including overtime hours and any differential pay they are entitled to receive.

#### Condition

Eight out of 40 transactions tested included erroneous payments for overtime, premium shift rates, lead work, call back, and differential pay. Six out of the eight transactions were overpayments, with the largest overpayment totaling \$181.50. The remaining two were underpayments, with the largest underpayment totaling \$271.91.

### Cause of Condition

ISD supervisors were not conducting a proper review of timesheets, clock times, and supporting documentation. There were no division-specific procedures available to staff that included how timesheets should be completed.

### Effect of Condition

Eight employees were not paid appropriately, causing the need for a payroll adjustment to either compensate or collect pay from the employees.

### Recommendation

We recommend ISD develop and implement procedures for the review of timesheets, clock times, and supporting documentation. These procedures must include matching the hours listed on supporting documentation to clock times and matching hours listed on clock times to the timesheet. We also recommend ISD provide training to staff that covers the earn codes, including overtime and differential pay, applicable to each division per the respective MOU.

## **V. Conflicts of Interest Findings**

### **Finding 9 – ISD Compliance**

#### Criteria

Certain County employees are required to complete a Form A, and/or Form 700. Form A must be completed within 15 days of the end date for the quarter. Form 700 must be completed as instructed by California's Fair and Political Practice Commission.

#### Condition

Upon review of Form A, seven out of 15 forms tested were not provided by ISD or signed before the covered period ended. For Form 700, seven out of 15 forms tested did not have a form on file, were not filled out completely, and/or signed after the due date.



### Cause of Condition

ISD employees have not been trained on the requirements of conflict-of-interest filings. There is a lack of oversight and review in ensuring that they are filed timely and completely.

### Effect of Condition

Due to the lack of training and oversight, ISD employees did not understand their obligations and could undermine the integrity and transparency of the organization. Without proper conflict of interest filings, there is an increased risk of biased decision-making, which can affect fairness within the County.

### Recommendation

We recommend ISD reviews their processes and procedures for receiving and reviewing the required forms and provide training to ensure requirements for their periodic compliance filings are met consistently.

## **VI. Work Order Expenditure Findings**

**Finding 10 – Items charged to the work order were not appropriate or reasonable when considering the work that was completed.**

### Criteria

Government standard on cost recovery is limited to actual labor and materials necessary to complete a task. ISD exists for the sole purpose of providing services to County departments without generating any profits.

### Condition

Twenty-eight of the 60 work orders reviewed as part of the sample contained items that were applied to work order labor, materials, or other costs that were inappropriate or unreasonable. There were five instances where 1,000 light bulbs, 226 air filters, or 862,500 styrofoam cups were applied to work orders within a three-month period. ISD erroneously charged parts and labor costs for a forklift repair (approximately \$14,000), lift rental charges and a refrigerator to closed and/or inappropriate work orders to Probation, along with a laser-making machine purchase (approximately \$19,000) to Probation and Public Health that did

not belong to those departments. Probation, Behavioral Health, and Public Health were charged \$2,829 for a late fee on an invoice that was sent to ISD Facilities for payment. Finally, two exceptions were noted for expenditures on washer and dryer replacements and UVC lighting installation work orders as the costs appear to be unreasonable if Probation did not request this work.

#### Cause of Condition

Items were being posted to work orders with no review of whether they were essential to satisfy the work order request.

#### Effect of Condition

Probation was unknowingly charged by ISD for items that were inappropriate or unreasonable when considering the work that was completed.

#### Recommendation

We recommend ISD develop written procedures for the work order process, detailing when to charge materials and labor, the review process, and criteria for selecting work orders for review. Additionally, ISD should collaborate with ACTTC to explore giving a view-only access to vouchers for departments to view invoices applied to their work orders. If this is not feasible, detailed descriptions of the goods or services paid by the voucher should be made available in FAMIS with view-only access option to department staff.

**Finding 11 – Labor is not charged to the work order using the applicable MSF rate and/or materials are not charged to the work order using their cost to ISD.**

#### Criteria

The rates calculated by ISD and approved by the Board are the only rates that should be used for any rated charges to departments. Additionally, direct charges to ISD for other services or materials necessary for the completion of work order requests should be the same costs that are recovered from departments. The correct work order number should be referenced on the invoice or packing slip attached to the invoice for ISD to determine which work order the cost is applied to.

### Condition

In 28 out of 60 work orders tested, labor was charged at an incorrect MSF rate, with seven instances applying a rate of \$0.00, resulting in no labor costs for those hours. In addition, the 28 work orders did not reference a work order number or listed a different work order number, with six invoices having duplicated work orders. Sixteen out of 60 work orders had discrepancies where external vendor costs applied to the work order did not match the referenced voucher or invoice, including one instance of a cost being applied twice for the same invoice. Ten out of 60 work orders reviewed had charges applied for ISD inventory items that were consumed for the requests, but ISD could not provide the invoices needed to verify that departments were charged at cost.

### Cause of Condition

Incorrect labor rates were frequently applied to work orders at the start of a new fiscal year, as the new rates were used before their effective date listed on the MSF. Additionally, the old rates continued to be applied after a new rate was supposed to take effect, indicating a lack of review of the rates used for the work order labor. Invoices that referenced an incorrect work order number and a lack in oversight of expenses posted to work orders caused inaccurate costs to be posted to work orders. Incorrect work order references on invoices led to charges for the same goods and services being posted to two different work orders, and some invoices lacked a work order reference, preventing confirmation of correct charges.

### Effect of Condition

When the working capital of an internal service fund regularly exceeds 60 days' worth of operational cash, grant-funded departments can lose eligibility to claim related costs, making it crucial for ISD to charge for goods and services at cost and labor at the effective MSF rate. Also, inaccurate charges can lead to inconsistencies in costs for similar work and complicate departmental budgeting for future work order expenditures. In addition, ISD may be using imprecise data when budgeting and calculating new rates.



### Recommendation

We recommend ISD train staff on the importance of only entering charges to work orders at cost for the materials and labor at the approved MSF rate for each work order. We also recommend ISD put a system in place to ensure the correct labor rates are being applied, including new rates being applied on the date they take effect. Additionally, we recommend ISD include, at a minimum, the invoice number and supplier in FAMIS when adding new materials and inventory. Lastly, we recommend ISD have vendors reference the work order number that should be charged whenever possible.

### **Finding 12 – Lack of effective internal controls over the work order process**

#### Criteria

Work orders are reviewed by the supervisors of each area and a more detailed review is conducted by the Facilities Manager on a sample basis for each area.

#### Condition

The revelation of findings in 48 work orders in a sample population of 60 strongly highlighted that the internal controls in place were insufficient.

#### Cause of Condition

The review method being conducted by ISD supervisors, and the Facilities Manager was not sufficient, causing the inaccurate posting of charges to work orders to go unnoticed.

#### Effect of Condition

This lack of effective internal controls allowed inappropriate or unreasonable costs to be posted to work orders.

### Recommendation

We recommend ISD develop and implement written policies and procedures that strengthen their internal controls over the work order process. These policies and procedures should include various types of internal controls, such as risk assessment, separation of duties, authorization and approvals, integrity and ethical values, access controls, and monitoring. While

management review of work orders remains necessary, the implemented internal controls should simplify this process and allow for more review in the same amount of time.

## **Other Matters**

Revelations were observed during the audit that were outside of the audit's scope. Nonetheless, it would be a disservice to the County to exclude these items from the report. These items pertaining to other matters are summarized below.

### **ISD – Procurement**

Several staff interviewed suggested that the procurement process could be improved by providing a standard written procedure for Purchasing staff. Purchasing staff believe there are too many contracts suspending competition that should be competitively bid. One staff member reported receiving inadequate explanations from the Purchasing Manager regarding suspensions of competition, often citing management decision as the reason without proper supporting documentation. Another member of Purchasing staff recounted a time when a suspension of competition request that came from ISD Facilities, justified only with “we need this” as the reason for suspending competitive bidding, was unexpectedly approved despite expectations of rejection.

### **ISD – Work Orders**

A Facilities employee stated that some departments receive preferential treatment for non-emergency work orders, causing delays for other requests. Additionally, a Probation employee recounted an urgent work order for a ceiling leak that posed a safety risk, which was not addressed for months despite its urgency. Furthermore, another Facilities employee noted that although staff were previously pressured to make purchases through Grainger, the situation has improved under the new Facilities Manager's leadership.



# County of Fresno

## INTERNAL SERVICES DEPARTMENT

Facilities • Fleet • Graphics • Purchasing • Security • Technology

December 3, 2024

Oscar J. Garcia, CPA  
Auditor-Controller/Treasurer-Tax Collector  
P.O. BOX 1247  
Fresno, CA 93715

Re: Internal Services Department Compliance Audit Response

Dear Mr. Garcia:

This letter serves as official response to the compliance audit conducted by your office for the periods ranging from July 1, 2018 through October 10, 2023. The Internal Services Department (ISD) agrees with the findings and recommendations 1 through 12 outlined in the report.

### ISD Response:

#### **Findings 1-3: Rate Development, Charges to Departments, and Billing.**

ISD's Business Office has engaged the Auditor's Office to establish proper standards for supporting documentation to validate rate development. Internal processes are being set up to strengthen internal controls, ensuring accurate reporting and billing for County users. ISD will explore improvements to current standards to ensure accurate billing to the correct organizational codes in PeopleSoft. Additionally, discussions will be initiated with the CAO to address issues related to departments exceeding their budget appropriations at year-end, emphasizing proper budgeting, and exploring alternatives for necessary budget adjustments.

Finally, at the beginning of the calendar year, the ISD will be reorganized into two different departments: General Services Department and Information Technology Services Department. As a result of this reorganization, the rate development process will be evaluated and reengineered. Additionally, ISD was recently included in the County's Lean Six Sigma pilot program and begun using this program to evaluate their billing processes. During that process, internal control needs and billing solutions are being evaluated and implemented.



#### **Findings 4-6: Purchasing Manual, Contracts, and Required Forms**

The Purchasing Division is currently reviewing its Purchasing Manual to align with the suggested recommendations. The competitive bidding process and the Purchasing Manager's spending authority are being evaluated and will be updated accordingly. Electronic forms are being revised, and internal protocols are being modified with guidance from County Counsel. Additionally, ongoing training is being provided to Purchasing staff and County departments to ensure that PD-1 forms are submitted with the required supporting documentation and proper authorization.

#### **Findings 7-9: Payroll, Under/Over Payments, Conflict of Interests**

ISD-HR has developed training and written procedures for supervisors and staff to ensure timecard submittal and approvals are followed. Each division will implement verification logs to ensure supervisory oversight and operational controls are in place for overtime purposes. ISD-HR will develop an onboarding checklist to include Form 700 for applicable classifications. This checklist will be part of the internal recruiting process to verify all necessary requirements or steps are met when at the start of employment with ISD.

#### **Findings 10-12: Work Orders, MSF Charges, Internal Controls**

ISD is improving its material and labor tracking measures by standardizing the work order creation process and ensuring review by supervisory staff. Annual trainings will be conducted to reinforce adherence to procedures and to maintain operational continuity. Once these procedures are finalized, a streamlined work order system will be implemented to help staff reduce errors. Additionally, the Facility Services Division's administrative support staff will be increased following ISD's reorganization in order to provide the necessary oversight to operations. Facility Services remains committed to enhancing operational transparency and providing customer departments with clear insights into project status, costs, and progress.

We would like to thank your staff for the opportunity to participate in this audit and for providing valuable feedback that will improve internal processes across all ISD Divisions.

If you have any questions or require additional information, please contact me at (559) 600-6200 or at [ehill@FresnoCountyCA.gov](mailto:ehill@FresnoCountyCA.gov) or Manuel Vilanova at [mvilanova@FresnoCountyCA.gov](mailto:mvilanova@FresnoCountyCA.gov) or at (559) 600-5805.

Sincerely,



Edward Hill  
Chief Operating Officer  
Interim Director of Internal Services/CIO



# Probation Department Compliance Audit

Covering the areas of: Conflicts-of-Interest and Work Order Expenditures

For periods ranging from July 1, 2018 through October 10, 2023

June 30, 2024  
Fresno, CA





## County of Fresno

**Oscar J. Garcia, CPA**

Auditor-Controller/Treasurer-Tax Collector

November 4, 2024

Kirk Haynes, Chief Probation Officer  
Probation Department  
3333 E. American Avenue, Ste. B  
Fresno, CA 93725

Dear Chief Haynes,

We have completed a compliance audit for the Probation Department (Probation). This audit was performed to assist Probation with regards to the best practices of conflict of interest procedures and the reasonableness and appropriateness of work order expenditures. The purpose of this compliance audit, which was limited in scope, was to review conflict of interest practices for Probation, and review Probation work orders to ensure charges are both reasonable and appropriate for the work completed.

We have identified two findings and have made corresponding recommendations. The findings and recommendations are listed by each section of the compliance audit's focus and can be found on pages six through eight of this report.

We would like to express our appreciation to Probation staff for their assistance and cooperation during this audit. If you have any questions, please contact Pai Her, Accounting & Financial Manager at (559) 600-1378 or Rochelle Garcia, Accounting & Financial Division Chief at (559) 600-1351.

Sincerely,

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

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# Audit Report

## Introduction

The Financial Reporting & Audits division (FR&A) of the Auditor-Controller/Treasurer-Tax Collector (ACTTC) performed a compliance audit for the Probation Department (Probation) resulting from a request by County Administrative Office (CAO). The compliance audit covered Probation work order expenditures and reviewed Probation conflict of interest policies and procedures.

## Background

Probation's mission is to provide protection for the community, support victim advocacy, and deliver essential services to the courts through collaborations and partnerships with various agencies to offer prevention/intervention programs as well as investigation, supervision, and incarceration services. Probation offers services to adults, victims, and juveniles. Over 200 officers holding job titles such as Deputy Probation Officers, Assistant Deputy Chief Probation Officers, and Deputy Chief Probation Officers are staffed by Probation to carry out these services.

The Juvenile Justice Campus (JJC), operated by Probation since 2007, serves as a secure facility for juveniles awaiting court processing or placement, housing an average of 100-120 youths daily. It offers various mandated services, including education, career programs, and support for substance abuse and families, playing a vital role in community protection and support. The JJC and Probation staff serve a crucial role in the protection of our community and support for its citizens.

## Objectives, Scope, and Methodology

The audit objectives, scope, and methodology are organized by each process that is included in this compliance audit.

### I. Conflict of Interest

The objective of the conflict of interest is to review Probation's conflict of interest procedures for adequacy, appropriateness, and their adherence to County policies.

To accomplish our objective, the following audit procedures are performed:

- Obtain Probation's conflict of interest procedures.

- Conduct interviews of Probation staff.
- Select a sample of California's Statement of Economic Interest (Form 700), County's Quarterly Gift and Gratuities (Form A), and County's Conflict of Interest Affidavit (FCAC-255) for covered periods occurring from July 1, 2018 through October 10, 2023 and perform a test against required filing regulations.

## **II. Work Order Expenditures**

The objective of the work order expenditures is to test Probation's work order expenditures posted by the Internal Service Department (ISD) for the necessity of items charged, reasonableness, and appropriateness.

To accomplish our objective, the following audit procedures are performed:

- Request procedures from Probation for the processing of work order requests and the reviewing of work order expenditures. Due to the five-year audit period, we requested that any updates, amendments, or changes that occurred during the audit period be submitted along with their effective dates and reasons for the change.
- Conduct interviews of Probation staff.
- Select a sample of work orders that charged Probation for associated costs from July 1, 2018 through October 10, 2023, and perform a test of controls and details.

Our understanding of the process was obtained through interviews and walkthroughs with staff.

## **Conclusion**

We conducted this audit in accordance with the standards promulgated by the Institute of Internal Auditors. Those standards require auditors to identify sufficient, reliable, relevant, and useful information to achieve the audit objectives. We believe the information obtained provides a reasonable basis for our conclusions and findings.



The audit identified a total of two findings. First, Probation did not comply with the conflict of interest filing requirements, and second, work order expenditures were unreasonable or inappropriate. The recommendations and detail of the findings can be found in the Findings and Recommendations section of this report.

This report is intended solely for the information and use of the County's Audit Committee and management of the Department and should not be used for any other purpose. However, this report is a matter of public records, and its distribution is not limited.

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

## **Findings and Recommendations**

### **Conflicts of Interest**

#### **Finding 1 – Compliance**

##### **Criteria**

Certain County employees are required to complete a Form A and/or Form 700. Form A must be completed within 15 days of the end date for the quarter. Form 700 must be completed as instructed by California Fair and Political Practice Commission.

##### **Condition**

Upon review of Form A, three out of the 15 forms tested were not signed by staff within 15 days of the quarter ending. For Form 700, three out of the 15 forms tested were not provided by Probation or not filled out completely.

##### **Cause of Condition**

Probation employees have not been trained on the requirements of conflict of interest filings. There is a lack of oversight and review in ensuring that they are filed timely and completely.

##### **Effect of Condition**

Due to the lack of training and oversight, Probation employees did not understand their obligations and could undermine the integrity and transparency of the organization. Without proper conflict of interest filings, there is an increased risk of biased decision-making, which can affect fairness within the County.

##### **Recommendation**

We recommend Probation review their process for receiving and reviewing the required forms and provide training to ensure requirements for their periodic compliance filings are met consistently.

## **Work Order Expenditures**

### **Finding 2 - Expenditures applied to the work order are unreasonable or inappropriate.**

#### **Criteria**

Departments should thoroughly review their work order expenditures to ensure they are charged appropriately and reasonably.

#### **Condition**

Twenty out of 60 work orders reviewed contained charges to the work orders labor, materials or other costs that seemed unreasonable or inappropriate. Eight instances involved charging ISD employees' annual leave hours to work orders. There were five instances where 1,000 light bulbs, 226 air filters, or 862,500 styrofoam cups were applied to work orders within a three-month period. ISD erroneously charged parts and labor costs (approximately \$14,000), lift rental charges and a refrigerator to closed and/or incorrect work orders for Probation along with a laser-making machine (approximately \$17,000) that did not belong to Probation. Probation was charged for a late fee on an invoice that was sent to ISD Facilities for payment. Finally, two exceptions were noted for expenditures on washer and dryer replacements and UVC lighting installation work orders as the costs appear to be unreasonable if Probation did not request this work.

#### **Cause of Condition**

Probation failed to review the questioned items and was not able to offer any information about the costs and their necessity to work being completed. While Probation did not possess the necessary tools to review these expenditures completely on their own, they should have inquired with ISD about the costs.

#### **Effect of Condition**

It is crucial for Probation to have a clear understanding of the charges from ISD to ensure that grant reimbursements claimed are only for allowable costs. Claiming unallowable costs for grants could result in a devastating loss of funding.

### Recommendation

We recommend that Probation collaborate with ISD to develop a system for reviewing work order costs charged to their department. Once the system is developed, written policies and procedures should be established for Probation's review of work order expenditures and provide training to the staff responsible for reviewing. These should include expectations, review methods, steps for addressing discrepancies, and review timelines.

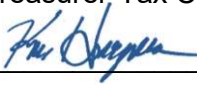




## Fresno County Probation Department

Kirk Haynes, Chief Probation Officer



DATE: December 3, 2024  
TO: Oscar J. Garcia, CPA, Auditor-Controller/Treasurer-Tax Collector  
FROM: Kirk Haynes, Chief Probation Officer   
SUBJECT: Probation Department Compliance Audit Responses

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This memorandum is in response to the findings and recommendations listed in the Probation Department's Compliance Audit dated June 30, 2024, conducted by the Auditor-Controller/Treasurer-Tax Collectors Office, covering the areas of Conflicts-of-Interest and Work Order Expenditures for period ranging from July 1, 2018, through October 10, 2023.

### **Response to Finding 1 - Compliance**

The Department acknowledges the findings regarding the non-compliance with Form A and Form 700 filing requirements. To address the identified issues and ensure future compliance, the Department will conduct mandatory training for all affected employees on the requirements and procedures for completing Form A and Form 700. The Department will implement a system to monitor and track the submission of Form 700 and will collaborate with Fresno County Human Resources to obtain routine reports of Form A submissions to NeoGov. In addition, the Department will conduct periodic audits of a random sample of Form A and Form 700 filings to ensure ongoing compliance with established procedures.

### **Response to Finding 2 – Expenditures applied to the work order are unreasonable or inappropriate**

The Department acknowledges the findings regarding unreasonable or inappropriate expenditures applied to work orders. The Department will collaborate with ISD to develop a comprehensive system for reviewing work order costs that will include clear roles and responsibilities, standardized procedures, and a robust tracking and reporting mechanism. The work order review process will be formalized by developing written policies and procedures. All relevant staff members will receive comprehensive training on the new policies, procedures, and system.

Washer and Dryer replacement:

On December 19, 2019, the Board approved the transfer of a Senior Maintenance Janitor, Maintenance Janitors, Janitors, and Washers to ISD. Along with this transfer, ISD assumed responsibility of supervising the laundering of youth clothing as required by Title 15 regulations, governing juvenile institutions. The department was made aware of the need to replace these units in October 2021, due to their imminent failure, which were originally installed in 2006. In June 2021 the Department was advised by ISD that the units were limping along and required

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replacement. The department requested approval from the County Administrative Office (CAO) to use end of year savings from the department budget for the purpose of installing the washer and dryer units to ensure there was no pause in laundering youth clothing. The \$450,000 expenditure was approved by the CAO on June 9, 2021.

#### UVC Air Purification System:

At the height of the COVID pandemic, the department partnered with the Fresno Sheriff's Office to pursue Coronavirus Emergency Supplemental Funding (CESF) to mitigate the impact of the coronavirus. Although the department's response to the coronavirus pandemic had successfully prevented a serious spread of the coronavirus among youth housed at JJC and staff, at the time, Fresno County was in the midst of a spike in coronavirus cases. A UVC Air Purification System was one of several department strategies to help prevent, prepare for, and respond to the coronavirus. The proposal package was submitted to the Board of State and Community Corrections (BSCC) on February 1, 2021, requesting \$892,345.82.

Of the total amount requested, \$300,000 was set aside for the UVC Air Purification Systems to be installed in twelve of the sixteen living pods at the Juvenile Justice Campus (JJC). Additional end of year savings from the department budget was requested from the County Administrative Office (CAO) to be expended for the purpose of installing additional UVC Air Purification systems in the remaining pods and all classrooms. Those expenditures were approved by the CAO on June 9, 2021.

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