

YOLO COUNTY FINANCIAL OVERSIGHT COMMITTEE

MINUTES OF MEETING FEBRUARY 06, 2018

County Administration Building, Atrium Training Room
625 Court Street
Woodland, CA 95695

Members present: Matt Rexroad (Chair), Duane Chamberlain (Supervisor), Richard Horan (Public), Tamara Ethier (Education), Patrick Blacklock (CAO), Kyle Lang (Special District), Howard Newens (CFO).

Members excused: Eric Will (Public), and Paul Navazio (Cities).

Others present: Mary Khoshmashrab (Internal Audit Manager), Ryan Pistoichini (Procurement Manager), Josh Iverson (Accounting Manager), Edward Burnham (Treasury Manager), Sarah Meacham (PFM), and David Showalter (VTD).

Recorded by Mary Khoshmashrab.

- 1) Duane Chamberlain called the meeting to order at 3:05 PM. Five voting members were present. Two voting member and 2 nonvoting members were absent: Paul Navazio and Eric Will; a quorum was formed.
- 2) The agenda was reviewed and approved (Duane/Rich).
- 3) Introductions- Ryan Pistoichini, Procurement Manager was introduced.
- 4) Public comments: There were no public comments.
- 5) Follow-up items: FOC reappointments and staggering terms. Howard, deferred the discussion for Agenda item #7 on the agenda that discusses the FOC Charter and includes this matter.
- 6) Approval of the 11/11/17 meeting minutes was accepted and approved (Rich/Kyle).
- 7) Public Member Request: Rich Horan – Discussion and actions moving forward on the following matters (a) review process of ALL Internal Audit reports; (b) adherence and compliance with the Financial Oversight Charter, including membership terms:
 - a) Rich shared his concerns around the PA/PG Report and the inconsistent handing of the report compared to prior reports. Though he was satisfied after he had meant with the IA auditors about how the County would move forward to ensure matters were being addressed and corrected. His concern was the appearance of sweeping the matter under the rug and how that might look to the community and the impact it may have on the FOC members who are there as part of the County’s oversight authority.
 - b) Rich shared his concerns that the FOC members are not in compliance with some of the sections and the responsibilities that are stated in the FOC Charter, including matters around agenda item 5. The Committee discussed some of the issues such as tax distribution and having a standing date when that would be discussed. Members agreed that May would have a standing agenda item

for updates on tax. Members discussed the process and timing of appointment of a new chair and co-chair, who those individual can be, and the term of an appointment from inception and term matters when a vacancy of a member that leaves a standing term is vacated. The charter appears to be in conflict around this area. Also, discussion on staggering terms, and how they can ensure that members do not vacate at the same time and leave the Committee without any experienced members to keep the Committee flowing as intended. Members agreed to assign a detailed review to three members to have offline and bring recommendations for revision back to the FOC members for consideration. Mary will set up a meeting with Matt, Tamera, and Rich for further discussion. Howard invited the present members to apply to serve another term and requested that Mary send them the application package (Paul, Kyle, Eric, and Rich).

- 8) Independent Auditor's (VTD) reporting on (a) the independent audit of County financial statements for fiscal year ended 6/30/17; update on the Single Audit; and (b) status update on the audit of the Treasury for quarter 6/30/2017 (provided) and 9/30/17 (discussion):
 - a) Dave walked the members through the communication, reporting, roles and responsibilities, auditor's opinion and results of the CAFR for period ending 6/30/17. Dave shared that there was an accounting estimate misstatement that the auditors recommended be corrected. Dave explained that management determined that the correction would not make a material impact on the statements and therefore, no adjustment would be made. Dave shared that the decision would not change the opinion because it was an estimation that would not materially impact the county's financial statement as a whole. Matt asked why the correction was not made. Howard shared that it was an estimation and not material and therefore the effort to make the changes and the impact on the workload would have outweighed the benefit since the amount was immaterial and only an estimate. The amount would also be captured in the next year. Further, Dave shared that there were two entities, First 5, and Yolo Housing that the auditor's include the opinion of their independent auditors in the report, but that they do not audit or issue an opinion on these entities. Dave explained that the reason they must be discretely included is because the board has some control over the appoint of the Executive Director and or a Board member sits on their board. Rich asked if there was risk around having other auditors perform their audits. Dave explained that the other auditor's express an opinion, the County is not liable for their liabilities, and though the County's auditors do not express an opinion, they do review the audit, and the auditor's to ensure that they are following professional standards, etc. prior to them relying on their work. Davie and Howard pointed out that the report was started in November and completed in mid-December before the required date of 12/31. Dave reported that there were no issues during the audit and the process went smoothly. Howard pointed out that due to both the auditors and DFS management's efforts, the report was completed early with time to spare, for the first time in 9 years. Dave shared that GFOA awards Counties for completing the CAFR timely and that the County would be submitting the CAFR for an award. Rich pointed out that before submitting the report, there was language that stated that the County's overall liabilities had decreased when in fact, they had increased, and suggested it be corrected prior to submitting the report to GFOA.
 - b) Dave provided an update on the Single Audit. Dave informed the members that the review has already started and federal grants have been selected for review, and that they believe the review should run smoothly and be completed on time or early (March 2018). Once completed the Single Audit results and a Management letter will come to the FOC.
 - c) Dave provided the result of the 6/30/2017 AUP review for Treasury. Dave explained the review and results of the review. Dave explained that procedure number 1 is performed by the Division of Internal Audit (DIA). Dave explained that the external auditor reviews the DIA work papers and that there were no findings related to procedure number 1 that was performed by the DIA. Dave did not discuss or provide an update on the 9/30/2017 Treasury AUP.

Rich requested that some training be provided around General Reserve limits and governing requirements and standards. Howard shared that a training could be developed to provide some understanding.

- 9) Review Treasury and Cash Investments for Fourth Quarter 2017 (PFM). Sarah economic update and overview of the investment portfolio performance for the Fourth Quarter. The presentation focused primarily on the impact and events of 2017 which included the results of economic growth, jobs created, and consumer confidence. Sarah shared that the labor market continues to strengthen, and Feds consider the rate to be at full employment. PFM's strategy remains neutral and continues to perform above the benchmark. The objective remains as safety first, liquidity to ensure sufficient cash flow for continued operations, and return on investment is designed with the objective of attaining a market rate of return that is consistent with the constraints imposed by its safety objective and cash flow consideration. Sarah shared that the County's continues to generate strong returns compared to the treasury benchmark. Duane shared his continued desire to see the County seek better returns; Sarah shared that the County must follow governing codes that sometimes prevents them from seeking other investment types that would create more risk.
- 10) Update on internal audit activities- Mary provided an update on the CAO and HHSa risk assessment. The CAO is in the process of completing their online risk surveys. HHSa is in the process of scheduling their staff training dates for the COSO training that is given as part of the process. Mary provided an update on the implementation review and updated changes on Infor. The report will be issued to the FOC by the May's meeting. Mary noted there have been delays as a result of other projects that take priority; Mary provided an update on Elections CAP that they have addressed all the recommendations and the CAP has been closed. Mary provided an update on the Public Guardian and Administrator review and that the CAPs have all been received. Rich and Duane asked what are the next steps, how will the county ensure that things will get fixed. Mary explained that the CAPs provided give step by step plans on what actions the departments intend to take to correct the issues and implement the recommendation. Mary shared that they have already been diligent on moving forward and correcting the issues. Mary shared that a full audit is not done every time, but every 6 months the departments must submit updates on actions taken to the DIA and the auditor follow-up and vouch that actions have been taken. Mary explained that this process will happened every 6 months until all actions are completed. Mary shared that new projects included a AUP's for system controls on Department of Probation's juvenile detention center and the Department of Ag's Cannabis program.
- 11) An Update was provided on the FOC moving to Agenda Quick. Mary shared that the FOC was set up and ready to go on Agenda Quick. The website to house the FOC is still in the process of being setup and planned for the May's FOC meeting to be processed through Agenda Quick.
- 12) Members confirmed the next meeting date for May 8, 2018 at 3PM in the CAO's conference room.
- 13) Meeting Adjourned at 4:23 PM.