

Audit Committee Meeting
County of Butte
25 County Center Drive Suite 200
Oroville, CA
Admin Conference Room
February 19, 2019

Minutes

Call to Order

The Butte County Audit Committee meeting was called to order on February 19, 2019 at 10:03 am by Supervisor Lucero.

Committee Members Present:

Debra Lucero, Supervisor
Shari McCracken, CAO
Graciela Gutierrez, Auditor-Controller
Troy Kidd, Treasurer-Tax Collector
Meegan Jessee, Deputy Administrative Officer

Also Present:

Dana Beene, Internal Auditor
Rich Gonzalez, CliftonLarsonAllen, LLP (CLA)
Christopher McAuliffe, Grand Jury
Libby Hail, Grand Jury
Jensine Brown, Grand Jury
Diana Butterfield, Grand Jury
Donovan Rhinehart, Admin Analyst, Associate

I. Review role of Audit Committee

The Audit Committee is comprised of a member of the Board, elected Auditor-Controller, elected Treasurer-Tax Collector, CAO, and the Deputy Administrative Officer who serves as the Budget Director. Per the Audit Committee Bylaws the primary function of the Audit Committee is to assist the Board of Supervisors in its oversight of the integrity of the financial statements of the County, the systems of internal controls, the qualifications and independence of the County's internal audit function and the Independent Accountants (CLA).

Bylaws -

<http://www.buttecounty.net/Portals/1/AuditCommittee/AuditCommitteeBylaws.pdf>

II. Review and Approve Minutes

Minutes from April 9, 2018 Audit Committee meeting were reviewed. A motion was made to approve the minutes by Meegan Jessee and seconded by Shari McCracken. Graciela Gutierrez, Shari McCracken and Meegan Jessee voted yes to approve. Debra Lucero, Supervisor and Troy Kidd, Treasurer-Tax Collector abstained since they were not present at the April 9, 2018 meeting.

April 9, 2018 Minutes -

<http://www.buttecounty.net/Portals/1/AuditCommittee/Minutes/AuditCommitteeMinutes040918.pdf?ver=2019-02-22-104747-557>

III. Report from CliftonLarsonAllen (CLA) on the CAFR & Single Audit

1. Purpose of the audit
 - a. Express opinions on the financial statements
 - b. Provide reasonable (not "absolute") assurance about whether financial statements are free from material misstatement.
2. Audit Approach
 - a. Planning - Coordinate timing of field work and PBC (Provided by Client) items with County staff; Understanding the County, including internal and external factors
 - b. Systems Evaluation - Review and test internal controls; design audit programs based on risk
 - c. Testing and Analysis - Field work
 - d. Reporting - Review of reports; communication of any findings/recommendations to management and governance
3. Significant Items
 - a. GASB 75 implementation - OPEB (Reduced County' s net position by approx. \$40 million)
 - b. Camp Fire incident subsequent event
4. Report Deliverables
 - a. Comprehensive Annual Financial Report (CAFR) - unmodified opinion (clean opinion); County aiming for its 13th consecutive Certificate of Achievement for Excellence in Financial Reporting award
 - b. Single Audit Report - unmodified opinion; no findings with regard to financial statements and federal awards
 - c. Neal Landfill Enterprise Fund Financial Statements- unmodified opinion
 - d. Federal/State Grants (5)- unmodified opinions

- e. SAS 114 Required Communication to Governance Letter
- f. Fund 1420 Payroll Fund Analysis

Butte County Financial Reports - <http://www.buttecounty.net/auditor/financialreports>

IV. Report from CliftonLarsonAllen (CLA) on Payroll Clearing Fund

At the request of the County and Audit Committee, CLA performed an analysis of Payroll Clearing Fund 1420. Fund 1420 is comprised of inflows and outflows of payroll transactions such as health benefits and retirement benefits. The challenge with the fund is that the inflow and outflow for many accounts is not dollar for dollar due to the timing of transactions which creates both positive and negative balances in the accounts. There was a concern that the fund could be deficit when accounting for all payables/receivables. CLA analyzed the fund by looking at a two year period by matching disbursements with inflows. They found that there was not a large deficit, but better reconciliation is needed.

Uncollectable debt is a concern. There are recommendations in the report that will be implemented by the County. An update will be provided at the next Audit Committee meeting.

V. Report from Internal Auditor, Dana Beene – Auditor-Controller

Dana Beene, Internal Auditor presented results of the Internal Audit. Dana reviewed a special district embezzlement case worth about \$28,000. It was turned over to the federal government for prosecution. Being an independent special district, it is a separate legal entity, but is still under the oversight of the Auditor-Controller as an arm of the State.

Dana reviewed department cash handling procedures. Development Services & General Services requested the Auditor-Controller make recommendations regarding cash handling controls and procedures. The Auditor-Controller also looked at the Department of Employment & Social Services (DESS) fuel card procedure.

Departments notify the Auditor-Controller for relief of accountability for any loss over \$20 dollars. The Auditor-Controller verifies departments are following internal controls and procedures. Behavioral Health had a \$81.95 loss. Sheriff Coroner, Evidence Trust had a \$32.00 loss. The Library had uncollected late fees from 1997 – 1998 and 2011 – 2012. During a software update, it was recognized that there were some old paper accounts that had never been collected in the amount of \$784,107. The Auditor reviewed to make sure there was no gross negligence. There was no way to prove that these numbers were legitimate. The amount was based on fees on top of fees that were compounded far exceeding the value of books, becoming uncollectable debt. There was a full report that went to the Board regarding this matter. Procedures have been put into place to limit fees to the value of a book.

Departments have a “change fund” which they periodically need to increase or decrease. This fund is used to make change to customers. The Auditor-Controller did a true-up of the Paradise Library’s fund & closed out the Agricultural Weights and Measures’ fund.

Special Projects – Completed the Social Security number truncation review phase-two for the Clerk Recorder.

VI. **Public Comment**

No Public Comment