



Audit Committee Meeting

March 16, 2021 at 12:00 p.m.

Zoom Link: <https://fresnoeoc.zoom.us/j/81905411598>

Meeting ID: 819 0541 1598

1-669-900-6833



AUDIT COMMITTEE MEETING AGENDA

MARCH 16, 2021 at 12:00 p.m.

1. CALL TO ORDER

2. ROLL CALL

3. APPROVAL OF DECEMBER 9, 2020 MINUTES

A. December 9, 2020 Audit Committee Meeting Minutes

Approve

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4. INTERNAL AUDIT POLICIES AND PROCEDURES

A. Internal Audit Policies and Procedures

Approve

Page 5

5. INTERNAL AUDIT PLAN

A. Internal Audit Plan

Approve

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6. SINGLE AUDIT ACCEPTANCE LETTERS

A. Single Audit Acceptance Letters

Information

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7. OTHER BUSINESS

Next meeting: Wednesday June 2, 2021 at 12:00 PM

8. PUBLIC COMMENTS

(This portion of the meeting is reserved for persons wishing to address the Committee on items within jurisdiction but not on the agenda. Comments are limited to three minutes).

9. ADJOURNMENT

AUDIT COMMITTEE MEETING
Zoom Meeting
December 9, 2020
11:00 AM

MINUTES

1. **CALL TO ORDER**

Daniel Martinez, Audit Committee Chair, called the meeting to order at 11:08 A.M.

2. **ROLL CALL**

Present: Daniel Martinez, Pastor Bruce McAlister, Barigye McCoy, Daniel Parra, Maiyer Vang

Absent: None

3. **APPROVAL OF AGENDA**

Motion by: McAlister **Second by:** McCoy

Ayes: Martinez, McAlister, McCoy, Vang.

Nays: None heard.

Public Comment: None heard.

4. **APPROVAL OF MARCH 4, 2020 MINUTES**

March 4, 2020 Audit Committee Meeting Minutes

Motion by: McCoy **Second by:** Vang

Ayes: Martinez, McAlister, McCoy, Parra, Vang.

Nays: None heard.

Public Comment: None heard

5. **AUDITED FINANCIAL STATEMENTS**

A. School of Unlimited Learning 2019-2020 Audit

Auditor Mersino of Kaku and Mersino LLP shared that the audit is required by the California Department of Education and Fresno Unified School District. Mersino further stated that the financial statements presented fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America. There were no findings.

Motion by: Parra **Second by:** McAlister

Ayes: Martinez, McAlister, McCoy, Parra

Nays: None heard.

Abstain: Vang

Public Comment: None heard.

B. State Child Care Program 2019-2020 Audit

Auditor Mersino shared that the audit is required by the California Department of Education Child Development Division. Mersino further stated that financial statements presented fairly, in all material respects, the financial position of Fresno Economic Opportunities Commission's State Child Care Programs as of June 30, 2020. There were no findings.

C. Urban CTSA 2019-2020 Audit

Auditor Mersino shared that the audit is a requirement of the State Controller's Office and the Fresno Council of Governments. Mersino further stated that the financial statements present fairly, in all material respects, the financial position of Fresno Economic Opportunities Commission's Urban Consolidated Transportation Service Agency, as of June 30, 2020 and 2019.

D. Rural CTSA 2019-2020 Audit

Auditor Mersino shared that the audit is a requirement of the State Controller's Office and the Fresno Council of Governments. Mersino further stated that the financial statements present fairly, in all material respects, the financial position of Fresno Economic Opportunities Commission's Rural Consolidated Transportation Service Agency, as of June 30, 2020 and 2019.

Motion by: Parra **Second by:** McAlister

Ayes: Martinez, McAlister, McCoy, Parra, Vang

Nays: None heard.

Public Comment: None heard.

6. **AUDIT AND TAX SERVICES PROVIDER**

Staff recommended committee approval for the engagement of Hudson Henderson & Company Inc. to perform audit and tax services for Fresno EOC and Fresno CDFI for a three-year contract in the amount of \$97,970 per year.

Motion by: Parra **Second by:** McAlister

Ayes: Martinez, McAlister, McCoy, Parra, Vang

Nays: None heard.

Public Comment: None heard

7. **OTHER BUSINESS**

Wednesday, March 3, 2021 at 12:00 P.M.

8. **ADJOURNMENT**

Motion by: Martinez **Second by:** Vang

Ayes: Martinez, McAlister, McCoy, Parra, Vang

Nays: None heard.

Public Comment: None heard.



AUDIT COMMITTEE MEETING

Date: March 16, 2021	Program: Internal Audit
Agenda Item #: 4	Director: Susan Shiomi
Subject: Internal Audit Policies and Procedures	Officer: Jim Rodriguez

Recommended Action

Staff recommends Committee approval for full Board consideration the updated Internal Audit Policies and Procedures.

Background

Periodic updates to the Internal Audit Policies and Procedures manual are required to reflect changes in requirements, regulations, and best practices. This document was drafted in accordance with The Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF) Performance Standard 2040, which states that the "chief audit executive must establish policies and procedures to guide the internal audit activity."

The Internal Audit Policies and Procedures manual is updated as needed. The current changes to the manual reflect the change of daily supervision from Chief Executive Officer to Chief Financial Officer.

Fiscal Impact

None

Conclusion

If approved by the Committee, this item will move forward for full Board consideration at the March 24, 2021 Board of Commissioners Meeting.

If approved by the Board, Internal Audit will finalize the Internal Audit Policies and Procedures Manual.



Fresno **Economic Opportunities Commission**

INTERNAL AUDIT OFFICE
POLICIES AND PROCEDURES MANUAL

March 3, 2021

INTERNAL AUDIT POLICIES AND PROCEDURES

1. ORGANIZATION AND POLICY

- 1.1 Purpose
- 1.2 Mission
- 1.3 Independence
- 1.4 Responsibility
- 1.5 Audit Plan
- 1.6 Scope
- 1.7 Authority
- 1.8 Standards of Audit Practice

2. TYPES OF AUDIT SERVICES

- 2.1 Compliance Audits
- 2.2 Performance Reviews
- 2.3 Unannounced Audits
- 2.4 External Audit Assistance
- 2.5 Fraud, Waste and Abuse Investigations
- 2.6 Special Reviews
- 2.7 Requests for Internal Audit Services
- 2.8 Non-Audit Services

3. METHOD OF OPERATION AND DOCUMENTATION

- 3.1 Working Papers
- 3.2 Audit Report
- 3.3 Audit Report Distribution
- 3.4 Audit Follow-up
- 3.5 Records Disposition

4. WHISTLEBLOWER POLICY

- 4.1 Objective
- 4.2 Reporting and Responsibility
- 4.3 Acting in Good Faith
- 4.4 Reporting Concerns
- 4.5 Handling Reported Violations
- 4.6 No Retaliation
- 4.7 Confidentiality

5. SPECIFIC AUDITS

- 5.1 Compliance Audits
- 5.2 Performance Reviews
- 5.3 Unannounced Audits
- 5.4 External Audit Assistance

6. NON-AUDIT SERVICES

- 6.1 Commissioner Election/Selection
- 6.2 Pension Committee Employee Representative Election/Selection

1. ORGANIZATION AND POLICY

1.1 PURPOSE

This document establishes the official policies and procedures for the Internal Audit Office within the Fresno Economic Opportunities Commission (Fresno EOC). It explains the purpose, authority and responsibility of the internal audit function, and the duties of the Internal Audit Office.

1.2 MISSION

The mission of the Internal Audit Office is to provide quality audit services in an independent, objective manner to assure financial and operational integrity, accountability, efficiency, effectiveness, and compliance with laws and regulations and agency policies and procedures.

1.3 INDEPENDENCE

Independence is an essential element of objectivity. It is imperative that Internal Auditors maintain independence in appearance as well as in fact. Independence could be compromised if Internal Auditors participate directly in the development, installation, preparation or reconstruction of accounting systems, data, or records, or by engaging in activities that would normally be reviewed by Internal Auditors. Thus, Internal Auditors will serve only in an advisory capacity in performing their engagements.

To provide for independence, the Internal Audit Director will communicate and interact directly with the Chief ~~Financial~~Executive Officer for daily supervision and the Audit Committee, a sub-committee of the Board of Commissioners for direction. The Internal Audit Director will confirm to the Board, at least annually, the organizational independence of the internal audit activity.

1.4 RESPONSIBILITY

The Internal Audit Office has responsibility to:

- Develop a flexible, risk-based annual plan of Internal Audit Office work.
- Implement the approved annual audit plan.
- Evaluate governance and risk management related to operations at Fresno EOC consistent with Internal Audit Policies and Procedures and with the approved Annual Audit Plan. This may include evaluating significant new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Report significant issues related to governance and risk management related to operations at Fresno EOC, including potential improvements, and provide information concerning such issues all the way through to resolution.
- Maintain a professional Internal Audit staff with sufficient knowledge, skills, and other competencies to meet the requirements of the policies and procedures stated in this document.
- Periodically provide information to the Chief ~~Financial~~Executive Officer and Audit Committee on Internal Audit Office activities and results relative to the Annual Audit Plan, as well as the sufficiency of the Internal Audit Office resources.
- Inform the Chief ~~Financial~~Executive Officer and Audit Committee of significant emerging trends and successful practices in Internal Auditing.

- Report the most critical issues to the Audit Committee, along with management's progress toward resolving them. Critical issues typically have a reasonable likelihood of causing substantial financial or reputation damage to Fresno EOC. For complex issues, the responsible manager may participate in the discussion. Such reporting is critical to ensure the function is respected, that the proper "tone at the top" exists in the organization, and to expedite resolution of such issues.

Opportunities for improving Fresno EOC operations may be identified by the Internal Audit Office. They will be communicated to the appropriate levels of management.

Internal Audit has no direct responsibility or any authority over any of the activities or operations it reviews. Internal Audit is a managerial control that functions by measuring and evaluating the effectiveness of other controls. Management is not relieved of any assigned responsibilities because Internal Auditors perform the evaluative reviews with which they have been charged.

1.5 AUDIT PLAN

The Internal Audit Office has responsibility to develop a flexible, risk-based annual plan of work, considering the input of management, and submit that plan and significant interim changes to the Chief ~~Executive~~Financial Officer and Audit Committee for review and approval. The plan should include but not be limited to the following items:

- Compliance audits
- Performance reviews
- Unannounced audits
- External audit assistance
- Fraud, waste, and abuse investigations

In order to determine a list of appropriate audits for the year, the Internal Audit Office begins by identifying possible audits. These items are then evaluated for the risks and possible benefits that are associated with each one. Priority is then given to higher-risk and higher-benefit projects, required audits, and Board requests, subject to the skills and resources of the Internal Audit Office.

1.6 SCOPE

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities. This enables the Internal Audit Office to determine whether the agency's risk management, control, and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Agency assets are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Recommendations for improving management control, accountability shall be made to the appropriate level of management.

Internal Audit functions in an advisory capacity; it does not have authority to make operating decisions or to direct anyone to take action.

1.7 AUTHORITY

Management of the Internal Audit Office is authorized to:

- Have unrestricted access to all programs, records, property, and personnel as needed.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to fulfill its mission and responsibilities.
- Obtain the necessary assistance of personnel in Fresno EOC programs when needed.

Management and staff of the Internal Audit Office are **NOT** authorized to:

- Perform any operational duties for Fresno EOC.
- Make management decisions external to the Internal Audit Office. Fresno EOC Directors and management have primary responsibility for control of Fresno EOC.
- Initiate or approve fiscal transactions external to the Internal Audit Office.
- Direct the activities of any Fresno EOC employee not employed by the Internal Audit Office, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the Internal Auditors.

1.8 STANDARDS OF AUDIT PRACTICE

The Internal Audit Office is guided by Fresno EOC's Code of Ethics and upholds the Code of Ethics promulgated by the Institute of Internal Auditors. A code of ethics is necessary and appropriate for the profession of internal auditing as it is founded on the trust placed in its objective assurance about risk management, control, and governance.

A. CODE OF ETHICS -PRINCIPLES

Internal Auditors are expected to apply and uphold the following principles:

1. Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

2. Objectivity

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examine. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interest or by other in forming judgments.

3. Confidentiality

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

4. Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

B. RULES OF CONDUCT

1. Integrity

Internal Auditors shall:

- a.** Perform their work with honesty, diligence, and responsibility.
- b.** Observe the law and make disclosures expected by the law and the profession.
- c.** Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- d.** Observe the law and make disclosures expected by the law and the profession.
- e.** Respect and contribute to the legitimate and ethical objectives of the organization.

2. Objectivity

Internal Auditors shall:

- a.** Not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- b.** Not accept anything that may impair or be presumed to impair their professional judgment.
- c.** Disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality

Internal Auditors shall:

- a.** Be prudent in the use and protection of information acquired in the course of their duties.
- b.** Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objective of the organization.

4. Competency

Internal Auditors shall:

- a.** Engage only in those services for which they have the necessary knowledge, skills, and experience.
- b.** Perform internal audit services in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards).
- c.** Continually improve their proficiency and the effectiveness and quality of their services.

2. TYPES OF AUDIT SERVICES

The following are general descriptions of the types of services provided by the Internal Audit Office. The annual audit plan can include any combination of these types.

2.1 COMPLIANCE AUDITS

The Internal Audit Office may conduct compliance audits, which are generally performed to ensure compliance with Federal or State laws and/or requirements of grant agreements. These can include reviews of management practices and financial data to determine the extent to which a unit complies with applicable laws, government regulations and standards, contracts, and policies and procedures.

2.2 PERFORMANCE REVIEWS

The Internal Audit Office may conduct performance audits in order to provide an independent assessment of the performance of the organization, a program, or activity. Performance audits provide information to improve risk management and control systems within the various areas by evaluating compliance with policies and procedures. Performance audits include, but are not limited to, reviews of program procedures and operations to determine whether:

- Duties and responsibilities are being performed in the most efficient and economical (cost effective) manner.
- Activities are properly authorized by appropriate personnel.
- Management has the capacity to ensure compliance with applicable laws, regulations, contracts, and policies.
- Operations actually conform in all material respects to applicable laws, government regulations and standards, contracts, and policies and procedures.

2.3 UNANNOUNCED AUDITS

The Internal Audit Office may conduct unannounced audits, which are an effective way to prevent or detect fraud. These audits could include reviews of petty cash, incentive and bus tokens, cash receipts/deposits, fixed asset additions/deletions, employee verification, and operating parts and supplies inventory.

2.4 EXTERNAL AUDIT ASSISTANCE

The Internal Audit Office may provide audit assistance to the external auditors/monitors and Fresno EOC's Finance Office during any Fresno EOC external audits/monitoring visits. Internal Audit will review all resulting management letter comments to determine if there is any impact upon the annual Internal Audit Plan.

2.5 FRAUD, WASTE AND ABUSE INVESTIGATIONS

The Internal Audit Office will investigate all credible fraud, waste, and abuse tips that could affect the organization and that can be handled within the expertise of the Internal Audit staff. However, allegations of a serious criminal act (e.g., theft, robbery, assault, etc.) should be promptly reported to the appropriate officials and proper law enforcement agency. Refer to Policies and Procedures #4 Whistleblower Policy for further information.

2.6 SPECIAL REVIEWS

The Internal Audit Office may conduct special reviews, which are audit activities that result from requests to Internal Audit from the Audit Committee, the Chief ~~Executive~~Financial Officer, or other management. Special reviews are carried out in conformance with the specifications and concerns of the requestor. These include reviews and analyses of particular areas of a program's operation to provide an independent appraisal of its effectiveness, efficiency, adequacy of internal control and compliance with appropriate regulations. For example, special reviews might be undertaken to consult with management on specific financial or performance questions.

2.7 REQUESTS FOR INTERNAL AUDIT SERVICES

Program Directors or Managers requiring the services of the Internal Audit Office should direct all such requests, preferably in writing, to the Chief ~~Executive~~Financial Officer or Audit Committee and it will be determined whether the requested assistance can be provided and when it can be scheduled.

2.8 NON-AUDIT SERVICES

Internal audit will provide non-audit services upon request. Non-audit services are services other than audits or attestation engagements, including but not limited to providing analysis, research, and review. In order to maintain independence, non-audit services to the extent practicable will not include operational duties.

3. METHOD OF OPERATION AND DOCUMENTATION

The Internal Audit Office plans to use the following procedures when conducting most reviews/audits. However, performing all steps for every review/audit would be impractical; for instance, audit reports will not be issued for reviews that are performed weekly. The practicality of performing all steps will be determined by the Internal Audit Director.

3.1 WORKING PAPERS

The Internal Audit Office must document relevant information (on paper or in electronic format) to support the conclusions and results of engagements; therefore, Internal Auditors will prepare working papers whenever an engagement is being conducted. Working papers document the information obtained, the analyses made, and the support for the conclusion and engagement results. Internal Audit management reviews the prepared working papers. Engagement working papers generally:

- Aid in the planning, performance, and review of engagements.
- Provide the principal support for engagement results.
- Document whether engagement objectives were achieved.
- Support the accuracy and completeness of the work performed.
- Provide a basis for the Internal Audit activity's quality assurance and improvement program.
- Facilitate third-party reviews.

The organization, design, and content of engagement working papers depend on the engagement's nature and objectives and the organization's needs. The Internal Audit Office must maintain a good system of filing/indexing for working papers, so that they can be easily located if needed.

3.2 AUDIT REPORT

Upon completion of fieldwork, Internal Audit will prepare an original draft of the audit report. The report will communicate to management of the program audited, in a clear and concise manner, the results of the audit or review. The format of the report will depend upon the type of audit performed. When preparing and completing the Audit Report, the Internal Audit Office will follow the steps listed below:

- The Internal Audit Office will review the original draft and make any changes deemed appropriate.
- A copy of the resulting draft normally will be submitted to appropriate management (usually management of the program that was audited).
- Internal Audit and appropriate management may hold a conference to discuss the draft report. Changes to the draft report may result from this "exit" conference. In some instances, holding an "exit" conference may not be possible or may not be an efficient use of time. In these cases, management will be responsible for contacting the Internal Audit Office with any questions, comments, or concerns that they may have.
- Official written responses to specific audit report recommendations will be requested from appropriate management to be included in the final and issued version of the report. The responses should include the degree of agreement or acceptance of each recommendation. The preferred responses are:
 - "We concur." Management is in full agreement with the recommendation;
 - "We partially concur." Management is in agreement with a portion of the recommendation;

- "We concur with reservations." Management is in agreement with the recommendation, but there are circumstances that could affect its implementation which have to be resolved; and
- "We do not concur." Management is in total disagreement with the recommendation.
- Management is encouraged to provide an explanation in support of the positions taken, if considered necessary.
- Responses should be accompanied by a target implementation date and the individual or position responsible for implementation.

Two weeks are usually allowed for management to provide written responses to the recommendations. If management does not appear to make a good faith effort to provide responses, the final version of the report may be issued without responses at the discretion of the Internal Audit Office.

3.3 AUDIT REPORT DISTRIBUTION

The normal report distribution will be to the Audit Committee (at the next meeting), the Chief ~~Executive~~Financial Officer, and senior program management. Any other programs or other entities identified in the report may be included in the distribution.

3.4 AUDIT FOLLOW-UP

Within twelve months after the issuance of an audit report, the Internal Audit Office shall initiate a follow-up review to determine the extent of actions subsequently taken by management in response to the findings and recommendations included in the report. The distribution of the follow-up report shall be the same as that of the original report.

3.5 RECORDS DISPOSITION

The Internal Audit Office shall retain for the required number of years a complete file of each audit report and each report of other examinations, investigations, surveys, and reviews made under its authority in accordance with any applicable Federal and/or contract regulations. The file should include audit working papers and other supportive material directly pertaining to the report. Files which contain confidential personnel information will be kept secure.

4. WHISTLEBLOWER POLICY

This policy governs reporting and investigation of allegations of suspected improper activities. Acts of fraud, waste, and abuse are considered a deliberate act or failure to act with the intention of obtaining an unauthorized benefit. Examples of such conduct include, but are not limited to:

- Forgery or alteration of documents;
- Unauthorized alteration or manipulation of computer files;
- Fraudulent financial reporting;
- Pursuit of a benefit or advantage in violation of Fresno EOC's Policies and Procedures;
- Misappropriation or misuse of Fresno EOC's resources, such as funds, supplies, or other assets;
- Authorizing or receiving compensation for goods not received or services not performed; and
- Authorizing or receiving compensation for hours not worked

4.1 OBJECTIVE

Fresno Economic Opportunities Commission (Fresno EOC) is committed to operating in compliance with all applicable laws, rules, and regulations, including those concerning accounting and auditing, and prohibits fraudulent practices by any of its board members, officers, or employees. This policy serves to outline procedures for employees to report actions that an employee reasonably believes violate a law or regulation or that constitutes fraud. This policy applies to any matter which is related to Fresno EOC's business. In addition, it is the objective of Fresno EOC to establish a policy that protects any person reporting organizational wrongdoing, from retaliation, harassment, or adverse employment consequences.

4.2 REPORTING AND RESPONSIBILITY

Each employee of Fresno EOC has an obligation to report in accordance with this Whistleblower Policy any act believed to violate a law or regulation or constitute fraud.

4.3 ACTING IN GOOD FAITH

Anyone reporting a concern must act in good faith and have reasonable grounds for believing the information reported indicates a violation of the law, or constitutes an inappropriate accounting or financial practice. The act of making allegations that prove to be unsubstantiated, and that prove to have been made maliciously, recklessly, or with the foreknowledge that the allegations are false, will be viewed as a serious disciplinary offense and may result in discipline, up to and including termination of employment.

4.4 REPORTING CONCERNS

Fresno EOC employees with any concerns or information pertaining to fraud, waste, or abuse are encouraged to speak with someone who can address their concerns properly. In most cases, their supervisor is in the best position to address a concern. However, if the employee is not comfortable speaking with the supervisor about the concern, the employee is encouraged to speak with someone in Internal Audit, Human Resources, or anyone in management with whom they are comfortable approaching. Supervisors and managers MUST report suspected concerns to any/all of the following: Audit Committee Chair, Chief ~~Executive~~Financial Officer, or the Internal Audit Office. However, allegations of a serious criminal nature or allegations determined to be beyond the scope of Internal Audit will be forwarded to the proper law enforcement agencies or appropriate Fresno EOC

authority for investigation. The California State Attorney General's Whistleblower Hotline is also available to employees who may not feel comfortable contacting Internal Audit or a member of management directly.

Internal Audit Office

Susan Shiomi, CIA, CFE, CGAP	(559)263-1053	susan.shiomi@fresnoeoc.org
Mary Xiong	(559)263-1048	mary.xiong@fresnoeoc.org

California State Attorney General's Whistleblower Hotline

1-800-952-5225 <http://www.bsa.ca.gov/hotline/filecomp>

4.5 HANDLING OF REPORTED VIOLATIONS

All reports will be addressed and investigated by Internal Audit. Appropriate corrective action will be recommended to the Board of Commissioners, if warranted by the investigation.

4.6 NO RETALIATION

This Whistleblower Policy is intended to encourage and enable employees to raise concerns within the organization for investigation and appropriate action. With this goal in mind, no employee who, in good faith, reports a concern shall be subject to retaliation or adverse employment consequences related to whistleblower complaints.

Moreover, an employee who retaliates against someone who has reported a concern in good faith is subject to discipline, up to and including termination of employment.

4.7 CONFIDENTIALITY

All reports on concerns, and investigations pertaining thereto, shall be kept confidential to the extent practical. Disclosure of reports of concerns to individuals not involved in the investigation will be viewed as a serious disciplinary offense and may result in discipline, up to and including termination of employment.

5. SPECIFIC AUDIT PROCEDURES

5.1 COMPLIANCE AUDITS

Program Audits

Frequency: To be determined

Internal Audit staff will perform examinations of programs and test compliance with terms, provisions, and requirements of grant agreements. The frequency of conducting program audits will be based upon adequacy of staffing, time, and resources. Formal steps listed in Policy and Procedures 3.1-3.5 are followed.

The review of programs ensures that:

- Programs are operating efficiently
- Programs have sufficient controls in place to prevent fraud, abuse, or waste
- Program reports are completed accurately and timely
- Grant expenditures are allowable, allocable, and reasonable
- Participants/client files are completed accurately and timely
- Federal Grants comply with OMB A-133 compliance requirements

5.2 PERFORMANCE REVIEWS

Bank Reconciliations

Frequency: Quarterly

Bank reconciliations are completed monthly by the Finance Office to ensure that no material differences between the bank balance and the general ledger balance exist. The Internal Audit Office will review the bank reconciliations quarterly to ensure that:

- Variances are reasonable
- Reconciliations are completed in a timely manner
- Balances reflected on the reconciliations are accurate

Additionally, any unusual or material reconciling items will be investigated; reconciling items should be traced to supporting documentation. Explanations of these types of items must be reasonable and complete.

Payroll Timesheet Review

Frequency: Reviews are completed every pay period, and each program is reviewed at least once each quarter.

Each pay period, two to three programs' timesheets are selected for review. Timesheets are reviewed for:

- Accuracy of hours calculated
- Appropriate signatures (employee, management, etc.)
- Agreement to the Employer Contribution Reports (ECR)

All exceptions should be tagged and reported to Payroll.

Payroll Review

Frequency: Annually or as needed

A review of payroll should be completed annually, provided that there is adequate staffing, time, and resources. Formal steps listed in Policy and Procedures 3.1-3.5 are followed.

The review of payroll includes audits of the following areas:

- The proper functioning of payroll and personnel processes and operations
- Calculation of earnings, special payments, employee benefits, and employee taxes
- Compliance with applicable federal/state laws relating to employment taxes, tax and non-tax reporting requirements
- Accounting for payroll transactions (properly classified and posted to general ledger)

Payroll Mileage Review

Frequency: Reviews are completed every pay period with a total of fifty mileage sheets reviewed each quarter

Twenty-five mileage sheets are haphazardly selected from the timesheets being reviewed. Mileage and expenses calculated are traced from the mileage sheet and agreed to the ECR.

Twenty-five expense reimbursements for mileage are haphazardly selected from the ECR. The corresponding mileage sheets are located and mileage and expenses calculated are traced from the ECR and agreed to the mileage sheet.

All exceptions should be tagged and reported to Payroll.

AP Check Review

Frequency: Weekly

A sample of 15% of AP checks is haphazardly selected for review. Checks are reviewed to ensure the following:

- Proper support is attached as backup for each check. Support includes invoices, contract agreements, bids, etc.
- Receipt of goods or performance is indicated
- Vendor name on the check agrees to the attached check backup
- Account and project coding are appropriate
- Invoices/contracts are authorized by appropriate individuals, and the invoice/contract amount is within the authorized signer's limit

All exceptions should be tagged and reported to the AP Manager.

AP EFT Review

Frequency: As needed

A sample of 15% of EFT payments is haphazardly selected for review. EFTs are reviewed to ensure the following:

- Proper support is attached as backup for each EFT. Support includes invoices, contract agreements, bids, etc.

- Receipt of goods or performance is indicated
- Vendor name on the EFT agrees to the attached EFT backup
- Account and Project coding are appropriate
- Invoices/contracts are authorized by appropriate individuals, and the invoice/contract amount is within the authorized signer's limit

All exceptions should be tagged and reported to the AP Manager.

Fixed Assets Inventory

Frequency: Biennially

Once every two years, all fixed assets should be observed. The observation ensures that recorded assets exist, that fixed assets which have been disposed of get removed from the fixed asset system, and that any unrecorded assets get entered into the fixed asset system.

The Internal Audit Office will obtain the fixed asset inventory listing from Financial Edge prior to observing fixed assets. The fixed asset inventory list includes information about the fixed assets such as location, description, tag number, date of acquisition, cost, and last date of observation. The location, description, and tag number on the inventory list is then matched to the physical asset, and any differences are noted.

After an asset is observed, the fixed asset system is updated to reflect this. The Internal Auditor will note the date and location where the asset was observed and provide that information to the Finance Office who will then update the information in Financial Edge. Additionally, any changes to fixed assets will also be updated in Financial Edge at this time, such as a change in location. For any assets that cannot be observed/located, a follow-up review and inquiry should be performed to determine if there is a reasonable explanation for the lack of observation, such as disposal of the asset. Any findings will be reported in a memo to the Internal Audit Director, ~~Financial Officer~~ ~~Finance Director~~, or Chief ~~Executive~~ Financial Officer.

Accounts Payable Review

Frequency: Annually or as needed

A review of accounts payable should be completed annually, provided that there is adequate staffing, time, and resources. Formal steps listed in Policy and Procedures 3.1-3.5 are followed.

The review of accounts payable includes audits of the following areas:

- Determine if adequate controls exist to provide reasonable assurance that payments cannot be made to an incorrect vendor
- Determine if adequate controls exist to provide reasonable assurance that payment of invoices are made in a timely manner to the vendor
- Determine if adequate controls exist to provide reasonable assurance that correct payment is made to the vendor
- Determine if adequate controls exist to provide reasonable assurance that duplicate payments cannot be made to the vendor

Accounts Payable New Vendor Review

Frequency: Biannually

A review of the AP New Vendor process should be completed twice a year. The set up process of new vendors and related internal controls should be reviewed. The review ensures that appropriate documentation is obtained for each new vendor and that only authorized personnel have the ability to set up/delete/edit vendors in the system.

Working papers are completed in order to record the processes and documents that are reviewed.

Information Systems Audits

Frequency: As needed

The Internal Audit Office may conduct information systems audits, which determine whether existing or new computer applications and hardware function in an accurate and efficient manner, and include adequate internal controls. These audits could include reviews of general controls which affect all computer applications. Examples include: computer security, disaster recovery, program change controls, and quality control procedures.

5.3 UNANNOUNCED AUDITS

Petty Cash Review

Frequency: Biannually

A review of petty cash is performed twice a year for all custodians having a balance of \$100 or more in petty cash. In addition, other custodians may also be selected for an unannounced audit. The petty cash review consists of counting cash and ensuring that receipts are retained and expenditures are appropriate. In addition to counting and documenting the amount of petty cash, the Internal Auditor will keep a record of all receipts on hand making sure to include the amount, date, and location where the petty cash was spent. After the petty cash form is filled out completely, signatures from both the Internal Auditor and custodian are required.

After all petty cash counts are completed, the petty cash forms are reviewed for any significant findings. Findings include a large variance between the cash counted and the amount recorded in the general ledger, missing receipts, cash not being kept in a secure location, or any other item the Internal Auditor deems significant. Any findings are reported in a memo directed to the Internal Audit Director or Chief ~~Executive~~Financial Officer.

5.4 EXTERNAL AUDIT ASSISTANCE

Program-Specific Audits (SACC, SOUL, Transit, and LCC)

Frequency: Annually

Internal Audit will provide assistance to the external auditors conducting the annual program-specific audits. This assistance includes performing account analysis and maintaining working papers.

The Internal Audit Office may be responsible for any of the following:

- Reviewing participant files for completeness and accuracy
- Supplying fixed asset information

- Gathering documentation requested by the external auditor
- Reviewing external audit program-specific audit drafts

Single-Audit Audit Schedules

Frequency: Annually

Internal Audit will provide assistance to the external auditors conducting the annual Single Audit (OMB A-133). This assistance includes performing account analysis and maintaining working papers.

The Internal Audit Office may be responsible for any of the following:

- Review and analyze program abstracts provided by the Finance Office
- Prepare the Schedule of Expenditures of Federal Awards (SEFA)
- Prepare debt covenant testing (if needed)
- Prepare debt service coverage ratio (if needed)
- Prepare and analyze account schedules
- Prepare the schedule of rents
- Prepare the accounts receivable analysis
- Prepare the account confirmation letters
- Prepare fixed asset rollforward schedule
- Gather documentation requested by the external auditor
- Prepare the Federal Audit Clearinghouse form SF-SAC for submission
- Review external auditor's audit drafts
- Prepare and maintain the distribution list for the Single Audit

6. NON-AUDIT SERVICES

6.1 Commissioner Election/Selection

Frequency: Annually

The Internal Audit Office will communicate and interact with the Bylaws Committee, a sub-committee of the Board of Commissioners. The Internal Audit Director will confirm to the Board, the organizational independence of the selection process. This process ensures that:

- Elections occur in a timely manner
- Voters are properly informed of the election
- A time/opportunity for nominations exists
- Nominations are received timely and complete
- Votes are tallied accurately
- Target Area nominees reside in the appropriate target area
- Registered Voters reside in the appropriate target area

Procedures for Ballot Counting

- The Internal Audit Office will be responsible for counting the election ballots.
- On the day of the count, all ballots (envelopes) will be opened, and the ballots will be separated from the envelopes. At this time, the Internal Audit Office will verify that each voter ballot contains the Fresno EOC seal; thereby ensuring that the ballot is indeed a legitimate ballot.
- Once all ballots have been separated, the ballots will be tallied by hand. The count will be recorded on tally sheets.
- A ballot will be voided if the voter intent is not clear or if too many candidates have been selected for an office.
- At least two people will be involved in the count. The ballots for each target area will be counted twice; the second count will be performed by someone other than the person who performed the first count. Once ballots for all target areas have been counted twice, the results of the two counts will be compared to ensure that they match. All tally sheets will be given to the Board of Commissioners' Secretary, so that they can be recorded on a master tally sheet.
- The Board of Commissioners' Secretary and a representative from Fresno EOC's External Auditor will be present during the count and will be responsible for the following:
 - Observing the Internal Audit Office during the count
 - Verifying the tally counts completed by the Internal Audit Office
- At the completion of the count, the Internal Audit Office will ensure that there are not more total votes than the number of ballots that were mailed out.
- Preliminary results will be posted in the reception area of the Fresno EOC Executive Office.
- Resolution of any challenged ballots will be made by the Board Secretary.
- Observers will be allowed but will not be permitted to handle any envelopes or ballots.
- Internal Audit will return to the post office at a later date and pick up any ballots received after the deadline. Internal Audit will void (but not open) any ballots received after the ballot return deadline, marking the ballot envelopes with "Void – Received after Deadline." Voided ballots will be retained with other election records.

- Internal Audit Office will be responsible for housing the ballots and election materials for a minimum of six months following the election.

6.2 Pension Committee Employee Representative Election/Selection

Frequency: Biennially

The Internal Audit Office will communicate and interact with the Pension Committee, a sub-committee of the Board of Commissioners. The Internal Audit Director will confirm to the Board, the organizational independence of the selection process. This process ensures that:

- Elections occur in a timely manner
- Voters are properly informed of the election
- A time/opportunity for nominations exists
- Nominations are received timely
- Votes are tallied accurately

Procedures for Ballot Counting

- The Internal Audit Office will be responsible for counting the election ballots.
- On the day of the count, all ballots (envelopes) will be opened, and the ballots will be separated from the envelopes. At this time, the Internal Audit Office will verify that each voter ballot contains the Fresno EOC seal; thereby ensuring that the ballot is indeed a legitimate ballot.
- Once all ballots have been separated, the ballots will be tallied by hand. The count will be recorded on tally sheets.
- A ballot will be voided if the voter intent is not clear or if too many candidates have been selected for an office.
- At least two people will be involved in the count. The Internal Audit Director will be present during the count and will be responsible for observing the count and verifying the tally counts completed.
- At the completion of the count, the Internal Audit Office will ensure that there are not more total votes than the number of ballots that were mailed out.
- Preliminary results will be posted in the reception area of the Fresno EOC Executive Office.
- Resolution of any challenged ballots will be made by the Board Secretary.
- Observers will be allowed but will not be permitted to handle any envelopes or ballots.
- Internal Audit will return to the post office at a later date and pick up any ballots received after the deadline. Internal Audit will void (but not open) any ballots received after the ballot return deadline, marking the ballot envelopes with "Void – Received after Deadline." Voided ballots will be retained with other election records.
- Internal Audit Office will be responsible for housing the ballots and election materials for a minimum of six months following the election.

The Internal Audit Office plans to develop additional audit procedures in the future based upon organizational needs, management requests, and workload of the Internal Audit Office. All additional procedures will be added to Section 5 or 6. Furthermore, Internal Audit reserves the right to update any of the specific audit procedures (included in Section 5) as needed.



AUDIT COMMITTEE MEETING

Date: March 16, 2021	Program: Internal Audit
Agenda Item #: 5	Director: Susan Shiomi
Subject: Internal Audit Plan	Officer: Jim Rodriguez

Recommended Action

Staff recommends Committee approval for full Board consideration of the 2021 Annual Internal Audit Plan.

Background

Article X, Sec.3 of Fresno EOC Bylaws states "... the Audit Committee shall oversee the internal audit department and have such other powers and perform such other duties as the Board may specify from time to time." The Internal Audit office has drafted the Fiscal Year 2021 Audit Plan. This Plan is drafted in accordance with The Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF) Performance Standard 2010, which states that the "chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals." Additionally, Performance Standard 2020 states that the "chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations."

Audit management has the responsibility of determining where to best use our limited audit resources. An audit plan is a means to identify activities that have a higher risk and should be audited more intensely. The attached document reflects the plans of internal audit for fiscal year 2021 based on the current risk assessment, staffing, and goals. These plans may be adjusted for any changes in these criteria as they arise.

Key highlights include implementing Internal Audit Procedures and Reviews presented by Hudson Henderson & Company, Inc. regarding areas of noncompliance identified by the Office of Head Start Program Performance Report issued in January 2020. The internal audit plan will include review of new Internal Audit procedures, focusing compliance on Facility Cost Allocation, Federal Interest Calculations, and FEP Fixed Asset Listing review. There is also a follow-up review scheduled for Transit Services. Additionally, the Internal Audit plan will conduct spot checks on: Space utilization on federally-funded programs, cash handling and deposits, and petty cash monitoring.



Fiscal Impact

Indirect cost/administrative funding supports the mission of internal audit offices to provide operational and administrative assurances for the agency.

Conclusion

If approved by the Committee, this item will move forward for full Board consideration at the March 24, 2021 Board of Commissioners Meeting.

If approved by the Board, Internal Audit will follow the Internal Audit Plan for 2021.



Office of Internal Audit

ANNUAL AUDIT PLAN

FY 2021

DRAFT

Overview

The annual audit plan is a guide for the utilization of the department's resources during the fiscal year in order to address the risks of Fresno Economic Opportunities Commission (Fresno EOC). Audits and other projects selected for review and included on the annual audit plan are those areas that represent risk to the agency based on the various criteria described in this document.

The audit plan is a dynamic document that may change during the fiscal year as circumstances dictate. Continuous reassessment of risk, requests from management, changes in audit resources, and changes in the agency's organization or operations may result in changes to the plan. Any significant changes required of the plan will be presented to the Audit Committee for approval.

Mission Statement

The mission of the Internal Audit Office is to provide quality audit services in an independent, objective manner to assure financial and operational integrity, accountability, efficiency, effectiveness, and compliance with laws and regulations and agency policies and procedures.

Audit Committee

The Audit Committee shall be composed of five (5) Commissioners, with at least one from each tripartite sector and who are not on the Finance Committee. The Audit Committee shall assist the Board of Commissioners in fulfilling its oversight responsibilities by monitoring: (1) the overall systems of internal control and risk mitigation; (2) the integrity of the financial statements of the corporation; (3) compliance by the corporation with legal and regulatory requirements and ethical standards; (4) at the close of each fiscal year, shall present to the Board a financial report for the year audited by a licensed Certified Public Accountant; and (5) the selection, independence and performance of the agency's independent auditors. In addition, the audit committee shall oversee the Internal Audit department and have such other powers and perform such other duties as the Board may specify from time to time. (Fresno EOC Bylaws)

2021 Audit Committee Appointments

Daniel Martinez – Target Area D
Maiyer Vang – Center for New Americans
Zina Brown-Jenkins – Head Start CWPC
Ed Avila – Juvenile Court
Ruben Zarate – 14th Senatorial District
Alysia Bonner – Target Area F

Organization Chart of the Internal Audit Office

Susan Shiomi, MS, CIA, CGAP, CFE – Director of Internal Audit
Mary Xiong – Internal Auditor

The Internal Audit Office includes two professional internal auditors. Our audit staff holds professional certifications such as Certified Internal Auditor, Certified Government Auditing Professional, Certified Fraud Examiner, and a Master of Science in Fraud and Forensics degree. Staff members regularly attend continuing professional education sessions to maintain their professional proficiency and certifications.

Audit Plan

The Annual Audit Plan is a flexible commitment of the Internal Audit office. This plan is designed to examine programs or operations that in Internal Audit staff's professional judgment, demonstrate a high susceptibility to unfavorable events, or risk factors that could lead to a financial loss or an inability to meet Fresno Economic Opportunities Commission's objectives. This Plan will serve as the primary commitment for the Internal Audit Office to perform their responsibilities in an efficient manner consistent with the priorities established by the Chief Financial Officer and/or Audit Committee.

Due to the continual requests for audit services and/or special reviews that may arise, and the required testing for the planned audits, the Audit Plan will be monitored and revised as necessary throughout the year.

AUDIT PLAN – FISCAL YEAR 2021

Audit projects are described in the plan only in general terms. Specific objectives of each audit project will be determined and developed at the time the project is initiated based on a more detailed assessment of relative risks.

Fiscal Year 2021 Audit Plan	
The following projects are those the Audit Department plans to begin in FY2021:	
Financial Audits & Projects	
The Internal Audit Office may provide audit assistance to the external auditors/monitors and Fresno EOC's Finance Office during any Fresno EOC external audits/monitoring visits. Internal Audit will review all resulting management letter comments to determine if there is any impact upon the annual Internal Audit Plan.	
Compliance Audits	
The Internal Audit Office may conduct compliance audits to ensure compliance with Federal or State laws and/or requirements of grant agreements. These can include reviews of management practices and financial data to determine the extent to which a unit complies with applicable laws, government regulations and standards, contracts, and policies and procedures.	
Weatherization/Liheap	
Performance Audits	
The Internal Audit Office may conduct performance audits in order to provide an independent assessment of the performance of the organization, a program, or activity. Performance audits provide information to improve risk management and control systems within the various areas by evaluating compliance with policies and procedures.	
Head Start CSPP Allocations	
Federal Interest Calculations Procedures/Review	
FEP Fixed Asset Listing Procedures/Review	
FEP Allocation Charges Procedures/Review	
Unannounced Audits	
The Internal Audit Office may conduct unannounced audits, which are an effective way to prevent or detect fraud. These audits could include reviews of petty cash, incentive and bus tokens, cash receipts/deposits, fixed asset additions/deletions, employee verification, and operating parts and supplies inventory.	
FEP Allocation Charges (Finding #3) Conduct random "inventory" or space checks, to ensure suites noted for federal programs are in use.	
Cash Handling and Deposits	
Petty Cash Monitoring	
Follow-up Reviews	
Transit Review Follow-up	

Non-Audit Services

Internal audit will provide non-audit services upon request. Non-audit services are services other than audits or attestation engagements, including but not limited to providing analysis, research, and review. In order to maintain independence, non-audit services to the extent practicable will not include operational duties.

CSD File Transfer Protocol Services (Weatherization/Liheap)

Fresno EOC Board of Commissioners Target Area Elections

Pension Committee Employee Representative Election

Fraud, Waste and Abuse Investigations

The Internal Audit Office will investigate all credible fraud, waste, and abuse tips that could affect the organization and that can be handled within the expertise of the Internal Audit staff.

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AUDIT COMMITTEE MEETING

Date: March 16, 2021	Program: Internal Audit
Agenda Item #: 6	Director: Susan Shiomi
Subject: Single Audit Acceptance Letters	Officer: Jim Rodriguez, CFO

Background

The information presented is intended to keep the Audit Committee apprised of single audit acceptance letters received.

The Internal Audit office distributes copies of Fresno EOC's agency-wide and program-specific audited financial statements to various parties. In return, letters indicating acknowledgement of the receipt of the audits came from the following:

- Fresno Regional Workforce Development Board - Fresno Regional Workforce Development Board subcontracted federal funds to Fresno EOC. They have the responsibility to review and resolve audit reports and resolve findings that relate to their funds. In their review of Fresno EOC single audit, staff is pleased to share there were no findings pertaining to Workforce Innovation Opportunity Act (WIOA) agreements. Their review is closed with respect to WIOA Agreements.

February 3, 2021

Chair
Jeffrey Hensley

Vice Chair
Dennis Montalbano

Board Members
Lenora Lacy Barnes
Paul Bauer
Edgar Blunt
Alysia Bonner
Raine Bumatay
Brian Chambers
Fely Guzman
Mike Karbassi
Scott Miller
Sherry Neil
Delfino Neira
Tommie Nellon
Joe Olivares
Sal Quintero
Chuck Riojas
Elizabeth Rivinius
Michael Silveira
Vasili Sotiropoulos
Shelly Tarver
Stuart VanHorn
Lydia Zabrycki

Executive Director
Blake Konczal

Jim Rodriguez
Chief Financial Officer
Fresno Economic Opportunities Commission
1900 Mariposa Mall, Suite 300
Fresno, CA 93721

RE: Single Audit Act Requirement for Program Year Ending 2019

Dear Mr. Rodriguez:

On January 8, 2021, the Fresno Regional Workforce Development Board received the Audit Report issued by Kaku & Mersino, LLP Certified Public Accountants for Fresno Economic Opportunities Commission covering the period of January 1, 2019 through December 31, 2019.

Because we subcontracted federal funds to your agency, we have the responsibility to review and resolve audit reports and resolve findings that relate to our funds.

This audit meets the requirements of the Office of Management and Budget under Title II US Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards.

There were no findings pertaining to our Workforce Innovation Opportunity Act (WIOA) agreements.

This audit is closed with respect to our WIOA agreements. It will not be necessary for you to respond to this letter, however, you should retain it in your files as supporting documentation.

Any issues raised through program or fiscal monitoring, special reviews or other means will be resolved separately from this audit.

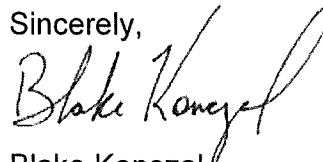
Furthermore, your agency is required to retain all records for a period of three (3) years from the date of final payments under our WIOA agreements, including this letter, and until all audits are complete and findings on all claims have been satisfactorily resolved.

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Jim Rodriguez
February 3, 2021
Page Two

If you have any questions, please call Homer O. Sales, Auditor/Monitor,
at (559) 490-7170.

Sincerely,

A handwritten signature in black ink, appearing to read "Blake Konczal". The signature is fluid and cursive, with the first name "Blake" being more prominent than the last name "Konczal".

Blake Konczal
Executive Director

bk:mw

c: Emilia Reyes
Susan Shiomi
Rebecca Heinrich
Jeff Davis, Jr.
Phyllis Stogbauer
Cheryl Beierschmitt
Stephen DeWitt
Rebecca Moncivais
Homer O. Sales