



**BOARD OF DIRECTORS**  
**Audit Committee Minutes**  
May 13, 2021  
(APPROVED: OCTOBER 25, 2021)

**1. OPENING CEREMONIES**

The Audit Committee convened a teleconference Open Session at **2:03 p.m.** on **May 13, 2021**, via the Zoom application <https://us02web.zoom.us/j/82099668233>, webinar id: 820 9966 8233 or by phone 669-900-6833. Pursuant to Executive Order N-29-20, teleconferencing restrictions of the Brown Act have been suspended. MOFD is closely following the latest Public Health Order from the Contra Costa Health Services issued on March 17, 2020. At this time, all formal public meetings will continue remotely.

Present were the following Directors and Staff:

Director Danziger	Gloriann Sasser, Admin Services Director	Ahmad Gharaibeh, Partner Eide Bailly LLC
Director Jex	Dave Winnacker, Fire Chief	Marcia Holbrook, District Clerk

**2. PUBLIC COMMENT - ITEMS NOT ON THE AGENDA (audio 0:42)**

There were no requests to address the Committee.

Director Jex began by explaining the purpose of the discussion and questions regarding audit plans and identifying risks.

**3. REGULAR AGENDA**

**3.1 Discussion and questions regarding audit plans and identification of risks - Accounting and Financial Management. (audio 2:08)**

Administrative Services Director Sasser reviewed and answered the questions.

- Were there any major changes in operations this year? **Answer:** No changes this year. The Administration Staff continues to work remotely due to the COVID pandemic.

Director Jex asked if the Administration Staff to work remotely during the final phase of the audit. ASD Sasser answered Staff would work remotely through 2021.

- Are there any areas that require special attention due to high operation or financial risks? **Answer:** Two areas require special attention: 1) remote work; 2) strike teams due to the high volume of deployment.

Director Jex agreed and requested that the Auditor give special attention to remote work, strike-teams, and grants due to the increased volume. Director Jex asked if any grant activities currently pending might be involved in the current year. ASD Sasser stated there were several grants in the current fiscal year. The grants are primarily all State grants. Director Jex stated that several grants that came up during the year were not anticipated. Director Jex requested the Auditor perform a thorough review and recommendations focusing on control, compliance, collection, and recovery related to deployment activity.

Director Danziger asked how Staff will manage the accounting for the City of Orinda Chipping program. Fire Chief Winnacker answered the program does not require accounting as no money exchanges between the City and MOFD. Director Danziger asked if the City of Orinda pays for the equipment and personnel. Fire Chief Winnacker confirmed.

Director Jex asked if MOFD was volunteering the Administrative Staff time. Fire Chief Winnacker answered Staff does not anticipate needing to separate the accounting of staff time.

- What are MOFD's policies and procedures to deter conflicts of interest and illegal acts, and how are they monitored? **Answer:** The District has a Conflict of Interest (COI) code which requires specified positions to file an annual statement with the District Clerk. The District also has a Fraud policy for addressing fraud.

Director Jex asked if the COI filed are reviewed and part of the audit process. Mr. Gharaibeh confirmed and explained the COI forms are reviewed on an annual basis. Director Jex asked if there was an annual sign-off. ASD Sasser confirmed.

- How does MOFD minimize the risk of fraudulent financial reporting? **Answer:** The Finance Staff have separation of duties. A second staff member reviews all financial reporting entries.

- What are MOFD's revenue recognition policies? **Answer:** MOFD's government-wide financial statements are prepared on an accrual basis of accounting. At the fund level, those are prepared on the modified accrual basis of accounting.  

Director Jex asked if the monthly/quarterly financial reports are presented on a cash basis. ASD Sasser responded reports are presented on a modified accrual basis. Director Jex inquired if the accrual activity occurs at the end of the year. ASD Sasser explained there is a monthly accrual for the ambulance and strike team revenue. When an invoice is received from the State, Staff accrues the invoice into revenue and accounts receivable. Weed Abatement charges are also accrued into accounts receivable.
- Are there any major write-downs, impairments, or other significant transactions that will affect the financial statements? **Answer:** Not at this time.  

Director Jex asked if there was any anticipation of write-offs relating to Station 41 and the Administrative office assets. Fire Chief Winnacker answered topic is pending Board direction to be discussed in Closed session.
- Were there any significant changes in accounting estimates or models used in making accounting estimates? If yes, what changes were made, and what are the anticipated financial statement effects? **Answer:** No significant changes.
- Is MOFD contemplating any changes in accounting methods? **Answer:** No changes.
- Should the Audit Committee be aware of any problems, tax, or legal difficulties? **Answer:** No
- Does Management have the appropriate resources to assess the effectiveness of internal control over financial reporting? **Answer:** Yes, currently at this time. ASD Sasser noted that the Administrative Staff, particularly the Finance Staff, are at maximum capacity due to negotiations, COVID-related issues, issues of remote work, and a significant number of grants. Fire Prevention has many contracts and payments flowing through Finance and a significant amount of Strike-Team activity. ASD Sasser advised that the capacity issue with the Administration Staff will need to be addressed if MOFD assumes any additional big projects.  

Director Jex requested the Auditor to review and provide recommendations relating to improving the activity in contracting with outside providers and controls associated with it.
- Are there policies and procedures for disclosing internal accounting control deficiencies and frauds or illegal acts identified to the Auditors and the Audit Committee? **Answer:** The District has a Fraud policy that requires fraud to be reported to the Fire Chief and Administrative Services Director. The Fire Chief and Administrative Services Director report fraud to the Auditor. The policy does not require reporting to the Audit Committee. Director Jex requested that the Fraud policy be updated to require fraud reporting to the Audit Committee.
- How is Management remaining current with respect to changes in accounting and financial reporting requirements? Are there appropriate training mechanisms in place? **Answer:** Staff attends webinars provided by the Audit firm and the California Society of Municipal Finance Officers Association. Training is adequate at this time.
- How do you define materiality? How is it different from the Auditors' determination of materiality? **Answer:** Materiality is defined as what is significant and reasonable. Staff is unsure how the definition differs from the Auditors' determination. Mr. Gharaibeh answered benchmarks are utilized to focus on what is significant to the Reader of the financial statements. The benchmarks differ from year to year. Each unit has different benchmarks and must adhere to specific Accounting Standards.
- Were there any significant systems implemented or modified that could impact the processing of transactions? **Answer:** None for the Fiscal Year.  

Director Danziger asked if there are any new laws or reporting requirements that became effective in 2021. Mr. Gharaibeh answered yes, but nothing will impact the financial statement this year or the following year. Mr. Gharaibeh stated a new law required reporting on 457 plans on the financial statement. The Auditors will work with Management to determine the reporting requirement. Director Danziger requested that the Auditor keep the Audit Committee aware of any changes. Mr. Gharaibeh acknowledged.

Director Jex inquired about the rules and impact leases will have on the financial statements. Mr. Gharaibeh answered he would work with Management to determine the impact and requirements for the financial statements. Director Jex asked if the District could be adopted the new rules before the effective date. Mr. Gharaibeh confirmed.

There were no public comment requests to address the Committee.

### 3.2 Discussion and questions regarding audit plans and identification of risks - Independent Auditor - Eide Bailly (audio 23:10)

- Did you discuss any major accounting or auditing issues with Management prior to your retention, your responses to which were, or might be considered to be, a condition of your retention? **Answer:** Nothing related to our retention. Some discussions may require Staff to prepare where calculations may require a specialist to do the calculations—no significant changes in 2021 impacting the financial statements. No discussion has occurred.
- What is the planned scope of your audit (i.e., what percentage of accounts receivable will be confirmed, how will you verify accounts payable?) Will auditing procedures be rotated (i.e., financial statement areas, etc.)? **Answer:** The Auditors utilize the element of unpredictability in the procedure, which is a required standard. All receivables are confirmed. Accounts payable is verified in August or September by reviewing the check register, disbursements, the process, open purchase orders, and anything outstanding.
- How can your planned audit scope be relied upon to detect materials errors, fraud, illegal acts, or material weaknesses in internal control? **Answer:** Mr. Gharaibeh reviewed the scope of the audit and the auditing standards established by the American Institute of Certified Public Accountants (AICPA) and the Government Auditing Standards (GAO). Mr. Gharaibeh answered that material errors would likely be detected during the scope of the audit; however, the scope of the audit is not designed to detect fraud or illegal acts. If fraud or illegal acts are found, they would be reported as required.
- Are there any concerns with how Management controls key business processes? Have the key processes been appropriately identified? **Answer:** Mr. Gharaibeh stated there are no concerns and reviewed the key processes identified as they pertain to the financial reporting.
- Are there areas where MOFD personnel could be of greater assistance to reduce the amount of time spent by you? **Answer:** Management has been very cooperative. The audit will be conducted in a hybrid format (some remotely and some in-person).
- Will your risk assessment of the internal control policies and procedures enable you to reduce audit testing performed in conjunction with the audit? **Answer:** Payroll is a major area of focus, and when testing, the Auditor follows an analytical procedure evaluating overtime, timesheets, approvals, and segregation of duties. The audit standards require that the Auditor meets with at least one board member. The Audit Committee meeting helps determine those areas that need extra review, like the new contracts and bidding process.
- What risk assessment techniques will you use? **Answer:** The element of unpredictability and then the focus on the financial statements and the budget. The budget is not tested; however, it is evaluated in relation to the actuals.
- What criteria do you use to determine materiality? **Answer:** The benchmarks referenced above. Benchmarks are not described in advance of the audit. Mr. Gharaibeh provided general guidelines. Director Jex recalled that the audit did not have any material adjustments that have not been booked in prior years. Mr. Gharaibeh confirmed.
- How will you utilize computer auditing techniques to review our computer processes? **Answer:** The firm utilizes a specialist from the Technology Group to evaluate system implementation and segregation of duties. Mr. Gharaibeh reviewed a prior year's finding regarding a Staff member's ability to access two modules. The finding was discovered, reported, and corrected.
- Will you use statistical sampling? **Answer:** A software is utilized for the statistical sampling. Mr. Gharaibeh reviewed the types of sampling.
- How does the planned scope of your audit differ from the prior year? **Answer:** Feedback was solicited from members of the Board. The knowledge acquired in the prior year, the changes in

- the District, and the impact COVID has had on operations. There will be a focus on contracting and procurement and payroll.
- How do you intend to staff the engagement? Will there be personnel continuity from the prior year? What is the expected level of participation by the engagement partner? **Answer:** Personnel continuity will continue with the same Manager and Senior Partner as prior years. Both of them are currently working with Management.  
Director Jex asked if the Report provided at the end of the audit be contracted out. Mr. Gharaibeh answered that his office would complete all reports.
  - How do you plan to detect the existence of related party transactions? **Answer:** Evaluating three areas: 1) inquiry of Management; 2) review of Form 700; 3) review of Board minutes; 4) review financial statements.
  - Are there any proposed accounting, auditing, statutory, or GASB reporting rules that could materially affect the organization's financial statements? **Answer:** In 2022, the leasing of buildings will affect the financial statements. In 2023, GASB97 will require a determination of responsibility concerning the 457 or 403B plans and the requirement to add the information to the financial statement. The Auditors will work with Management to make the determination.
  - Are there any unresolved questions from the prior year's audit? **Answer:** None.
  - Do you anticipate any special problems in this year's audit? **Answer:** No problems are anticipated. Director Jex asked when the draft audit report will be available and if there is a benefit to have it available sooner. Mr. Gharaibeh stated it would be the same schedule as last year. The draft report should be ready mid-October 2021, and the final deadline is December 31, 2021.

There were no public comment requests to address the Committee.

### **3.3 Reporting required by Government Auditing Standards**

Director Jex stated item 3.3 was covered during the questions and answers.

### **3.4 Required supplementary information and other information in Comprehensive Annual Financial Report for the fiscal year ending June 30, 2021. (audio 54:31)**

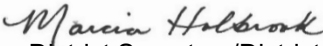
Director Jex asked if there are narrative sections in the management section that can be edited. Mr. Gharaibeh answered other local governments use the introduction section for transparency purposes. Management can add information to this section if desired. Director Jex asked if there are things that MOFD should add to the introduction section. ASD Sasser answered nothing at this time, but Staff would review to determine if anything should be added. Director Jex suggested other districts share historical perspectives and anticipations for the future. Director Jex requested recommendations regarding possible changes in the introduction section with objectives, goals, and ideas.

There were no public comment requests to address the Committee.

## **4. ADJOURNMENT**

**At 3:05 p.m.**, the Audit Committee called for adjournment of the meeting.

Marcia Holbrook,

  
District Secretary/District Clerk