



**STATEMENT OF PROCEEDINGS FOR
THE REGULAR MEETING OF THE
LOS ANGELES COUNTY AUDIT COMMITTEE**

**KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012**

Thursday, July 21, 2011

10:30 AM

Present: Chair Lori Glasgow, Vice Chair Genie Chough,
Member Dorinne Jordan, and Member Carl Gallucci

Excused: Member Louisa Ollague

Call to Order (11-1840)

The meeting was called to order by Chair Lori Glasgow at 10:35 a.m.

I. ADMINISTRATIVE MATTERS

1. Approval of the May 19, 2011 meeting minutes. (11-3263)

On motion of Genie Chough, seconded by Dorinne Jordan, this item was approved.

Attachments: [SUPPORTING DOCUMENT](#)

II. BOARD POLICIES

2. Recommendation to approve amendments and extension of the sunset review date for Board Policy No. 6.030 - County Website Advertising and Hotlink Policy (5/9/11). (11-2901)

Lori Glasgow requested Ryan Alsop, Susan Herman, and David Sommers of the Chief Executive Office (CEO) attend the next meeting to discuss issues with the existing web policy and offer suggestions to maximize usage.

By common consent, there being no objection, this item was continued to August 18, 2011.

Attachments: [SUPPORTING DOCUMENT](#)

3. Recommendation to approve extension of the sunset review date for Board Policy No. 9.150 - Hiring Retired County Employees to Permanent Positions (5/18/11). (11-2896)

Ron Rojas of the CEO, Henry Lucio and Sandra Sims of the Department of Human Resources (DHR) responded to questions posed by the Committee and explained the difference between this policy and the Countywide Policy for hiring 120 day retirees.

On motion of Carl Gallucci, seconded by Genie Chough, this item was approved and Mr. Rojas was asked to e-mail the following:

- **The number of retirees this policy currently applies to;**
- **Explanation of why the 120 day retiree policy does not require Audit Committee approval; and**
- **Link to the DHR Policy that applies to 120 day retirees.**

Attachments: [SUPPORTING DOCUMENT](#)

4. Recommendation to approve extension of the sunset review date for Board Policy No. 7.040 - Requirements for Departmental Legislative Analysis (5/19/11). (11-2893)

By common consent, there being no objection, this item was continued to August 18, 2011.

Attachments: [SUPPORTING DOCUMENT](#)

5. Recommendation to approve extension of the sunset review date for Board Policy No. 8.030 - Liability Cost Allocation Policy (5/19/11). (11-2895)

By common consent, there being no objection, this item was approved.

Attachments: [SUPPORTING DOCUMENT](#)

6. Recommendation to approve amendment and extension of the sunset review date for Board Policy No. 5.045 - Sheriff's Department Law Enforcement Services Contracts Review Policy (5/25/11). (11-2960)

Lori Glasgow suggested the following amendment to the last sentence of the Policy:

The Sheriff shall consult with the Auditor-Controller and the Chief Executive Officer regarding the Sheriff's approach for staffing each new law enforcement services contract, and the impact to unincorporated area services and the direct cost plus all applicable overhead.

In addition, Ms. Glasgow asked that the policy be reviewed by the Justice Deputies and any recommendations be submitted for review at the next meeting.

By common consent, there being no objection, this item was continued to August 18, 2011.

Attachments: [SUPPORTING DOCUMENT](#)

7. Recommendation to approve extension of the sunset review date for Board Policy No. 9.160 - Workforce Reduction (6/29/11). (11-3327)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was approved.

Attachments: [SUPPORTING DOCUMENT](#)

8. Recommendation to approve extension of the sunset review date for Board Policy No. 9.170 -Two Week Notice for Layoff Reduction (6/28/11). (11-3328)

Dorinne Jordan asked which would take precedence, the MOU or the Policy. Mr. Lucio, DHR informed that the MOU would prevail over the policy.

On motion of Dorinne Jordan, seconded by Genie Chough, this item was approved.

Attachments: [SUPPORTING DOCUMENT](#)

9. Recommendation to approve extension of the sunset review date for Board Policy No. 4.070 - Full Utilization of Grant Funds (7/6/2011). (11-3333)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was approved.

Attachments: [SUPPORTING DOCUMENT](#)

III. SUNSET REVIEWS

10. Recommendation to approve request to the Board of Supervisors to extend the Sunset Review Date for the Los Angeles County Consumer Affairs Advisory Commission (7/12/11). (11-3330)

By common consent, there being no objection, this item was approved.

Attachments: [SUPPORTING DOCUMENT](#)

11. Recommendation to approve request to the Board of Supervisors to extend the Sunset Review Date for the Los Angeles County Commission on HIV (7/13/11). (11-3373)

Dorinne Jordan asked that the Commissioners and their attendance be submitted with all sunset reviews. Robert Campbell, Auditor-Controller (A-C) agreed to include it with future reports.

On motion of Carl Gallucci, seconded by Dorinne Jordan, this item was approved.

Attachments: [SUPPORTING DOCUMENT](#)

IV. OLD BUSINESS

12. Update and Request for Extension to Submit Revisions due to substantive changes to Board Policy No. 3.095 - City Annexations and Spheres of Influence (Continued from meeting of 5/19/11). (11-2150)

By common consent, there being no objection, the Committee approved the request to extend submission of the revisions to August 18, 2011. In addition, Lori Glasgow asked that the policy be reviewed by Rita Robinson of the CEO and include her recommendations if any.

Attachments: [SUPPORTING DOCUMENT](#)

13. Los Angeles Urban League - Pomona Contract Review - A Community and Senior Services Workforce Investment Act Program Provider (3/17/11) (Continued from meetings of 4/21/11 and 5/19/11). (11-1349)

By common consent, there being no objection, this item was continued to August 18, 2011.

Attachments: [SUPPORTING DOCUMENT](#)

14. International Institute of Los Angeles Contract Review - A Department of Public Social Services Refugee Employment Program Provider (4/12/11) (Continued from meetings of 4/21/11 and 5/19/11). (11-1879)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

15. Los Angeles Urban League - South Central Contract Review - A Community and Senior Services Workforce Investment Act Program Provider - Fiscal Year 2009-10 (4/19/11) (Continued from meeting of 5/19/11). (11-2149)

By common consent, there being no objection, this item was continued to August 18, 2011.

Attachments: [SUPPORTING DOCUMENT](#)

V. REPORTS

16. Department of Health Services' Community Health Plan - Financial Audit for the Years Ending 2009 and 2010 (5/16/11). (11-2592)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

17. The Serra Project (Alliance for Housing and Healing) - A Department of Public Health HIV/AIDS Care Services Contract Provider - Fiscal Review (5/17/11). (11-2891)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

18. South Bay Family Health Care - A Department of Public Health HIV/AIDS Prevention and Care Services Contract Provider - Fiscal Review (5/17/11). (11-2892)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

19. Proposition A Contract - Department of Health Services Housekeeping Contract with Servicon Systems, Inc. (Board Agenda May 24, 2011, Item 26) (5/20/11). (11-2894)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

20. District Attorney's Asset Forfeiture Fund (5/26/11). (11-2897)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

21. Request For Temporary Transfers From Available Funds To Meet Financial Obligations (6/14/11). (11-2898)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

22. Department of Public Health Pharmacy Procurement Review (5/31/11). (11-2899)

At the request of Lori Glasgow, Robert Campbell A-C will follow up with the Department and e-mail all members the cost savings of the Pilot Pharmacy Project in the Antelope Valley for mail in refills.

By Common consent there being no objection, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

23. Proposition A Contract - Department of Health Services Transcription Services (June 14, 2011 Board Agenda, Item 26) (6/10/11). (11-2900)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

24. Proposition A Contract - Probation Department Clerical Services at Field Area Offices (Board Agenda 6/21/11, Item 35) (6/17/11). (11-2958)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

25. City of Long Beach Preventive Health Bureau - A Department of Public Health HIV/AIDS Care and Prevention Services Contract Provider - Fiscal Review (6/20/11). (11-2959)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

26. Chicana Service Action Center, Inc. - A Community and Senior Services Workforce Investment Act Program Contract Service Provider - Contract Compliance Review - Fiscal Year 2009-10 (6/20/11). (11-2961)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

27. Approve Assignment of Board Policy No. 9.015 for Board Ordered County of Los Angeles Policy of Equity (Board Agenda Item 18, May 31, 2011) and Ordinance (Board Agenda Item 49, June 14, 2011) (6/24/11) (11-3092)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

28. Treasurer's May 6, 2011 Cash Count (6/30/11). (11-3242)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

29. Common Ground - The Westside HIV Community Center - A Department of Public Health HIV/AIDS Care and Prevention Service Contract Provider - Fiscal Review (7/1/11). (11-3243)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

30. Accept \$10,000 Donation From An Anonymous Donor For Los Angeles County Operating Needs (7/5/11). (11-3241)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

31. Response to your letter regarding our Audit Report on Masada Homes' County Contracts (7/8/11). (11-3325)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

32. Contractor Alert Reporting Database Final Report (Board Agenda Item 26-C, April 27, 2010) (7/11/11). (11-3326)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

33. Review of the County Treasurer's Statement of Net Assets for the Quarter ended March 31, 2011 (7/12/11). (11-3371)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

34. Regional Park and Open Space District Proposition A Grant Audits (Work Orders 7-50B and 7-50C) (7/13/11). (11-3370)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

35. Department of Parks and Recreation - Audits of DC Golf's Revenue Agreements (7/13/11). (11-1838)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

36. Report on the County's Health Insurance Portability and Accountability Act and Health Information Technology for Economic Clinical Health Act Program (7/13/11). (11-3372)

On motion of Dorinne Jordan, seconded by Genie Chough, this item was received and filed.

Attachments: [SUPPORTING DOCUMENT](#)

37. Approval for the DCFS Special Audit Committee to meet as needed when there is an increase of agenda items. (11-3378)

Twila P. Kerr of Commission Services reported this item was placed on the agenda for approval due to the large quantity of DCFS reports placed on the quarterly Special Audit Committee Agenda. Approval of this item would accommodate additional reports and allow for more frequent meetings when needed.

On motion of Dorinne Jordan, seconded by Carl Gallucci, this item was approved.

VI. DISCUSSION ITEMS

38. Statement on Auditing Standards (SAS) 114 - Required Communication with the Audit Committee by Jim Godsey from Macias, Gini and O'Connell (11-3237)

Jim Godsey of Macias, Gini & O'Connell, reported the following:

- **We have audited financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the year ended June 30, 2010.**
- **Our responsibility is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. The Audit of the financial statement does not relieve you or management of your responsibilities nor provide assurance on the internal control over financial reporting. The audit was performed according to the planned scope and timing.**
- **Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. The County adopted GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets and GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments during the fiscal year 2010 and the application of existing accounting policies were not changed.**
- **The most sensitive accounting estimates affecting the financial statements were; Accrual and disclosure of claims liabilities, Contractual adjustments and allowances for uncollectible amounts for patient accounts receivable, Depreciation estimates for capital assets and**

infrastructure assets, and Fair value of investments. The most sensitive disclosure affecting the financial statement was the disclosure of Hospital and Other Program Revenues in Note 13 to the financial statements related to hospital funding sources. None of the misstatements detected as a result of the audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

- No disagreements arose during the course of the audit. We have requested certain representations from management that are included in the management representation letter dated December 13, 2010. To our knowledge, there were no consultations with other accountants.
- The planning for Fiscal Year ending June 30, 2011 began back in May. Some of the single audit work is in process. As indicated with the recap of last year, we plan to obtain a reasonable but not absolute assurance; an audit is not in the business of giving you an absolute guarantee that the financial statements are presented completely correct, it is a reasonable level of assurance. Internally we look at having a low level risk of material misstatement. Timing is similar to last year, with a target date of December 10, 2011; we will keep you posted as we progress.

John Naimo, A-C responded to questions posed by the Committee:

- The CBRC has no bearing on budget implications, CBRC has receivables that have been reserved to the extent that we are not expected to collect them within one year; it's just a matter of its presentation on the balance sheet. CBRC process is going to be around for another 2-3 years and hopefully it's been restructured where we are getting paid currently at about what our cost is and we are not continuing to accumulate these large receivables that have created some cash flow pressure on the county.
- We have started OPEB and have accumulated nearly \$4 billion in OPEB liabilities on the balance sheet. We now show deficit equity, net worth has gone negative until that issue is addressed. GASB just issued exposure draft that looks to revisit OPEB assumptions and would have the County put the full actuary liability on the balance sheet.

Attachments: [SUPPORTING DOCUMENT](#)

Proposed Fiscal Year Audit Plan 2011-2012. (11-3377)

39. Robert Campbell, A-C explained the attachments listed the audits by department and funding source as requested by the Audit Committee to identify the cost of the Audit.

By common consent, there being no objection, this item was continued to August 18, 2011.

Attachments: [SUPPORTING DOCUMENT](#)

40. Status of Board Policy to Require Specific County Contract Language (1/11/11). (11-0395)

Judi Thomas, A-C reported they are in the process of finalizing the report and requested this item be continued to the next meeting.

By common consent, there being no objection, this item was continued to August 18, 2011.

Attachments: [SUPPORTING DOCUMENT](#)

41. Fiscal Year 2010-2011 Cash Flow Projection. (11-1350)

John Naimo, A-C reported the combined cash balances for the General Fund and Hospital Funds were positive \$571 million and has improved considerably. At the beginning of this fiscal year a slightly negative cash balance had been projected. Health Services came in with significant collections with their new waiver program, however Hospital funds are still dependent on the County general fund, and the potential for it to improve exists. Property tax collection rates are near historic with 98% of fees collected. Budget controls seem to have helped as well. Discussion ensued regarding realignment to ensure money is received regularly as the current realignment funds received are not subject to appropriation.

Attachments: [SUPPORTING DOCUMENT](#)

42. CSS Monitoring Update (11-2307)

By common consent, there being no objection, this item was continued to August 18, 2011.

VII. MISCELLANEOUS

43. Matters not on the posted agenda (to be Presented and Placed on the Agenda of a Future Meeting). (11-2192)

Lori Glasgow requested a discussion item be placed on the next agenda to discuss constituent ability to make electronic payments.

44. Public Comment (11-1182)

No members of the public addressed the Committee.

45. Adjournment (11-1839)

There being no further business to discuss, the meeting adjourned at 11:49 a.m.