



Moraga-Orinda Fire District  
**BOARD OF DIRECTORS**

**Audit Committee Minutes**

April 1, 2024

(Approved September 24, 2024))

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**1. OPENING CEREMONIES**

The Audit Committee convened in Open Session at 3:00 p.m. on April 1, 2024, at the Sarge Littlehale Room, 22 Orinda Way, Orinda, California 94563. The meeting was available for in-person attendance only.

Present were the following Directors and Staff (present in person unless noted):

**Board Members:** Director Greg Hasler and Director John Jex

**Staff:** Fire Chief Dave Winnacker and Administrative Services Director Gloriann Sasser

**2. PUBLIC COMMENT - ITEMS NOT ON THE AGENDA (audio 00:00:51)**

There were no requests to address the Board.

**3. CONSENT AGENDA (audio 00:01:02)**

**3.1 Audit Committee Meeting Minutes – September 14, 2023**

The minutes from the September 14, 2023, Audit Committee meeting were approved as submitted, with Director Jex making the motion and Director Hasler seconding the motion. The motion passed unanimously with a roll call vote of 2-0. There were no comments from members of the public.

**4. SPECIAL AGENDA**

**4.1 Review and Discussion of Audit for Fiscal Year Ending June 30, 2024 (audio 00:001:30).**

Maze & Associates completed the interim phase of the audit and provided an update to the Committee. Whitney Crockett, CPA, Vice President of Maze & Associates, and Staff addressed questions from the Audit Committee.

Summary of the Questions Addressed by District Staff:

- 1. Cyber security risks, ransomware attacks:** Concerns were raised about cybersecurity risks and the District's reliance on external providers. ASD Sasser reviewed the procedures for assessing the cybersecurity measures of external providers. Director Jex asked about 911 dispatch systems. Fire Chief Winnacker discussed the system redundancies and security measures in place at the Contra Costa County Emergency Fire Dispatch Center. Ms. Crockett also outlined Maze & Associates' approach to cybersecurity audits. Director Jex requested a year-end report on any findings and concerns.
- 2. Management Overview:** Discussion on oversight challenges related to the upcoming transition to a new Fire Chief.
- 3. Auditors' Management Letter for 2023:** A formal letter was issued—no findings, arguments, or disagreements.
- 4. Fire District's Financial Issues:** Financial issues include negotiations, grant management, and the purchasing of treasury bill investments. Concerns about Staff being overloaded with additional work requests were discussed. Director Jex inquired about limiting requests for additional tasks as a policy. Fire Chief Winnacker stated that it would be at the discretion of the Board and recommended the board exercise restraint in introducing new tasks outside of the budget process.
- 5. Workplace and Significant Stress and Strain Control Environment:** Staff is at full capacity.
- 6. Government Rulemaking Activities:** New laws and standards impacting the District include the Governmental Accounting Standards Board (GASB) 100 and AB716 for ambulance billing.
- 7. Automate Manual Activities and Improve Efficiencies:** The proposed FY25 budget includes several software initiatives to increase operational efficiency by automating the collection, analysis, and dissemination of response data.
- 8. Use of Data Analysis:** The primary use of data analysis involves quarterly financial updates.

Summary of the Questions Addressed by Ms. Whitney Crockett, Maze & Associates:

- 1. Audit Firm Developments, Sufficiency of Resources, Engagement Team Communication, Objectivity, Professional Skepticism:** The partners are actively involved in organizations like

the Government Finance Officers Association (GFOA), Governmental Accounting Standards Board (GASB), and the CalCPA Governmental Accounting and Assurance Services Committee. The firm provides in-house training and upcoming events to keep Staff informed and skilled. Despite pandemic challenges, staff retention is high, with an average tenure of six years, and the firm employs 39 people. The audit strategy is tailored for municipalities, with half the audit conducted before year-end to identify potential issues and new GASB pronouncements. The firm maintains a ratio of six audit staff per partner for active involvement and timely responses. A Quality Assurance Manager is available as needed. Before the audit begins, Maze & Associates holds a brainstorming session emphasizing professional skepticism and reviewing examples.

2. **What Aspects of Audit Will Be Conducted Remotely and Opportunities for Improving Efficiency:** The audit will use a hybrid approach: one day on site and the rest conducted remotely. During remote work, auditors tested internal controls and verified procedures. The final audit phase, scheduled for August 26, will have one day onsite. Opportunities for improving efficiency include using electronic software with approval checkpoints.
3. **What Worked Well Last Year:** Effective communication among the Audit Team, Finance Staff, Board of Directors, and the Audit Committee. Director Jex asked if there would be any turnover in the audit team. Ms. Crockett confirmed changes at the Senior Associate level to ensure a fresh set of eyes on the transactions.
4. **Accounting and Financial Reporting Developments:** Governmental Accounting Standards Board ("GASB") Statement No. 100, accounting changes and error corrections in effect for fiscal years beginning after June 15, 2023. There is no impact on the District unless corrections are needed.
5. **Significant Changes in the Organization's Activities:** No Changes.
6. **Changes in Accounting Policies:** ASD Sasser requested feedback on the capitalization threshold for capital assets, currently set at \$5K, and suggested increasing it. A discussion ensued on increasing the capitalization threshold for capital assets from \$5K to \$30K. Ms. Crockett mentioned variability in the threshold among clients ranging between \$5K and \$75K. She recommended that clients be consistent with having a threshold that is reasonable given the types of activity of the dollar amount of capital assets. Director Hasler and Fire Chief Winnacker recommended a threshold ranging from \$25K to \$30K. Director Jex favored increasing the amount between \$30K to \$40K. The Committee unanimously supported raising the threshold from \$5K to \$40K. Staff acknowledged that a revised board capital asset policy would be brought to the Board of Directors for approval.
7. **Audit timing:** The interim phase, which included testing internal controls and walkthroughs, was completed on March 15, 2024, with no findings. The final audit phase is scheduled for the week of August 26, 2024, with year-end close audit procedures and report preparation. All reports, including the memorandum on internal control and GANN agreed-upon procedures, are scheduled to be finalized by November 2024. The communications letter is scheduled to be sent next week.

A discussion ensued about enhancing the narrative section of the Annual Comprehensive Financial Report (ACFR) to include more public affairs content, such as station construction projects, grant-funded projects, etc. The discussion highlighted the importance of disclosing the District's major upcoming projects and the success of grant-funded initiatives. Fire Chief Winnacker confirmed that these additions could be made if desired. Director Jex inquired about the status of the Standards of Cover (SOC). Fire Chief Winnacker provided an update and explained that releasing the information would complicate ongoing negotiations. Director Jex inquired about the funding for the SOC. Fire Chief Winnacker responded the original SOC was budgeted at \$100K, but the cost is expected to be closer to \$20K. Director Hasler asked if Fire Chief Winnacker was involved in the SOC process. Fire Chief Winnacker confirmed.

8. **Planned Reliance on Internal Accounting Controls, including computer security programs:** The auditors rely on internal accounting controls after the auditors have tested those controls without any exceptions. Areas include journal entries, payroll, accounts payable, disbursements, and ambulance billings. Ms. Crockett reviewed the audit procedures performed on key transaction cycles, payroll expenses, Pension and Other Post-Employment Benefits (OPEB).

Director Jex asked questions about the verification of the census data. Ms. Crockett explained that auditors rely on the CCCERA auditor's opinion of census data. The auditors will review the District's data for reasonableness, ensuring it aligns with the state account and matches the number of full-time employees.

ASD Sasser responded that reports are sent monthly to CCCERA. When a new employee is hired, or someone terminates, the District immediately notifies CCCERA. Verification points are provided by syncing CCCERA's system with the District's payroll system. Director Jex asked if there was a way to verify that the CCCERA database matched the District's database. ASD Sasser confirmed that Staff audits the information on a monthly basis for active employees. Director Jex asked if the Staff verified the agreement with CCCERA's data as of June 30. ASD Sasser confirmed that there isn't a process in place. If CCCERA were missing one of the District's employees, unallocated funds from the District would indicate discrepancies.

Director Jex expressed concern about the lack of verification regarding the database CCCERA uses for calculating numbers, particularly concerning the distinction between retirees and active employees. ASD Sasser stated that CCCERA is responsible for determining what retirees receive. Director Jex stated there should be a way to obtain a report to confirm CCCERA's active and retired employee data. Director Hasler suggested a report could be requested from CCCERA to verify the number of employees reported by the District. ASD Sasser explained that reports are available for active employees but not for retirees. Fire Chief Winnacker clarified that retirees are not the District's primary point of contact, so the District does not receive notifications about changes in a retiree's status. The District does not directly make payments on behalf of retirees. Director Jex requested that Staff contact CCCERA to verify the accuracy of the headcount or other data. Director Hasler agreed.

9. **Rotation of audit procedures:** Individual tests were not conducted on ambulance billings. The auditors relied on last year's audit results, which found no discrepancies.
10. **Use of computer-assisted auditing techniques:** Excel is utilized for their audits. Director Hasler asked if the auditors use a firm-controlled portal to share documents. Ms. Crockett confirmed. Director Hasler asked if the auditors use any recording devices to record conversations with clients, and Ms. Crockett responded no.
11. **Estimated audit fees:** No substantial overruns or unrecovered costs.

Fire Chief Winnacker addressed an accounting issue concerning treasury (T-bill) purchases that extend across the fiscal year, highlighting a discrepancy where the County Ledger inaccurately records future investment income at the time of purchase. He referenced previous discussions with the Board of Directors and sought feedback from the Committee on how to resolve the issue. Director Hasler asked clarifying questions regarding the county's practice of recording the full value of T-bills at the time of purchase despite the actual value occurring later. Fire Chief Winnacker recalled recent board discussions where ASD Sasser has been attempting to establish a monthly mark-to-market valuation for investments. He challenged the necessity of such valuations, emphasizing that the District does not intend to liquidate these investments. The time for valuation is at the fiscal year-end, as mandated by GASB 33. Director Jex concurred, highlighting inconsistencies with generally accepted accounting principles and noting that the method entails significant effort with minimal benefits and increased error risks.

Fire Chief Winnacker expressed concerns about reconciling discrepancies between the County's reported values and the District's assessments. He stressed that reconciling these differences adds unnecessary complexity without providing substantial value and recommended aligning the accounting with the County accounting method. Fire Chief Winnacker proposed including a footnote in the financial statements detailing the purchase date, purchase value, final value, and maturity date. During the discussion, Director Hasler sought clarification from Ms. Crockett on whether this discrepancy would constitute a misstatement. Ms. Crockett answered it would not be considered material. He then inquired about adjustments, to which Ms. Crockett indicated that adjustments would be made in the management representation letter but not in the ACFR. Director Hasler asked if the auditors would footnote the discrepancy, Ms. Crockett explained that it would not warrant a footnote due to its immateriality. The conversation concluded with a consensus favoring the Staff's recommendation to record T-bills at their future value in the financial statements, accompanied by footnotes. Additionally, it was agreed to discontinue monthly mark-to-market adjustments, as they provide little real value and are aligned with GASB 33 requirements only at the fiscal year-end.

There were no comments from members of the public.

**5. ADJOURNMENT**

At 4:36 p.m., the Audit Committee called for the meeting to adjourn.

/s/ Marcia Holbrook, District Secretary/District Clerk

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