



MINUTES

December 6, 2018

I. Call to Order

This Regular Meeting of First 5 Imperial was called to order at 3:55 p.m. by Karla Sigmond, Commission Chair. The meeting was held at the Imperial County Administration Building Meeting Room C/D which is located at 940 W. Main Street in El Centro, California, whereby a quorum was established.

II. Roll Call

Commissioners Present:

Becky Green
 Karla A. Sigmond
 Danila Vargas
 Fred Miramontes
 Peggy Price
 Joong Kim
 Yurii Camacho

Commissioners Absent:

Barbara Deol
 Ray Castillo

Others:

Julio C. Rodriguez
 Christian Hernandez
 Bea Duran

Guests:

Roger Tubach

III. Public Comment

Crystal Duran, County Librarian, thanked the Commission for having provided her, along with two individuals, the opportunity to attend the National Association for the Education of Young Children's annual conference which was held in November through the award of the Professional Development Support application. Ms. Duran noted that the conference was excellent, and that staff came back with ideas on how to enhance the services they are currently providing to the 0 to 5 year old population especially as it relates to special needs. The lessons learned will help support a new initiative for children with special needs.

IV. Adoption of Minutes

A motion approving the Minutes of the First 5 Imperial Meeting held on September 6, 2018 was made by Commissioner Green and it was seconded by Commissioner Miramontes, and having noted no further discussion or public comment, the motion carried with all in favor.

V. Consent Calendar Items

Commissioners considered approval of the consent calendar items. A motion approving the consent calendar items for the Regular Meeting of December 6, 2018 was made by Commissioner Green and it was seconded by Commissioner Miramontes; having noted no further discussion or public comment, the motion carried with all in favor.

VI. Administrative Report (Julio C. Rodriguez, Executive Director)

1. Request to Approve Annual Audit Report for FY 2017-2018: Commissioners received copies of the Audit Report of the Imperial County Children and Families First Commission (First 5 Imperial) for the Fiscal Year ended June 30, 2018. The audit report was included in the meeting packet, and copies were made available to the public. At this time, Roger Tubach provided a summary of the audit report.

Referring to page 5 of the audit report (Management's Discussion and Analysis for the year ended June 30, 2018), Mr. Tubach stated that total assets for FY 2017-2018 in comparison to the previous year were relatively close; \$5,242,472 in assets were reported. He said that the Commission is staying in line with last year's assets and said that this was a good thing. He provided a summary of the program revenues and stated that \$225,000 more income was received during FY 2017-2018 which was mostly due in part to Impact Program funds that were received. General revenues which included investment earnings, refunds and reimbursements totaled \$2,416,535. He noted that refunds and reimbursements for FY 2017-2018 went down; however, expenses were relatively close to those reported the previous year.

Referring to page 14 of the audit report (Notes to the Financial Statements), Mr. Tubach advised that the Government Accounting Board provided updates to the Board Standards; he stated that the new updates did not to apply to the Commission. He also advised that the new pronouncements described under page 15 did not seem to affect the Commission.

Referring to page 16 (Schedule of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual – General Fund), Mr. Tubach stated that the Budget FY 2017-2018 was approved at \$2,104,502 and the actual final balance was \$2,416,535. As for expenditures, the Commission budgeted \$2,777,511 and only spent \$2,383,604. The Commission had more income, and incurred less expenses. Mr. Tubach made the recommendation that the Commission may want to start budgeting interest which is generally around \$40,000 every year.

At this time, Mr. Tubach was asked to address the findings. Mr. Tubach stated that there were three findings which were identified during the course of the audit, and he proceeded to refer Commissioners to page 22 of the audit report. He stated that because payroll transactions were not integrated into the financial statements there was a mistake found under the financial statements. There were no trial balances, general ledger, balance sheet or income statements. Mr. Tubach noted that they were able to get that resolved because adjustments were made to the payroll transactions integrating them into the financial statements. Generally accepted accounting principles and government auditing standards require that they be done beforehand as the year progresses rather than at the end of the year.

At this time Commissioner Vargas asked whether this was a new method of processing staff payroll, and asked for further clarification.

Mr. Hernandez, Fiscal Analyst, proceeded to explain that the Commission has been following this same process with Allied Business Services for approximately four years since the determination that independent contractors become employees of the Commission. Nothing has changed, and the Commission is still working with the same payroll service.

Mr. Tubach stated that approximately four years ago when he conducted the audit for the Commission it was determined that staff was getting paid as independent contractors when they were actually not independent contractors but rather they were employees. After a process of getting in touch with attorneys it was determined that the County Auditor wasn't

going to process the Commission's payroll through their system. As a result of this, the Commission had to create a separate payroll system (bank account) outside the county system. Mr. Tubach noted that this way of doing payroll has been going on for about four years.

To further clarify, Mr. Rodriguez explained to Commissioners that since the determination was made, two different accounting systems were set-up as per Mr. Tubach's recommendation. He further explained that the Commission uses an account where all claims that are not related to payroll are paid through the County Auditor's office. However, in order to cover payroll and payroll-related expenses the Commission needs to transfer funds by way of requesting a check and depositing it into a separate banking account because as Mr. Tubach noted the County Auditor's office cannot process employees payroll for the Commission. The Commission subcontracts with a local bookkeeping business to have its payroll and payroll-related expenses processed.

Mr. Tubach added that the Commission can have two separate systems; he isn't suggesting that the Commission abandon one and create a new system. He further explained that the County Auditor system has strong internal controls which allow for great oversight of the transactions; whereas, the payroll internal control doesn't because it's a relatively new process that needs to be worked on. Mr. Tubach stated that what's important is that the payroll be done through an accounting program whereby you have a general ledger, trial balance, income statement, balance sheet and general entries.

Commissioner Vargas said that she finds the word material misstatement a little harsh. Further, she questioned that if this is a process the Commission has had in place for four years why wasn't it brought up before. She questioned whether the misstatements occurred in the past, what action was taken to correct them. Commissioner Vargas said that she didn't disagree with the finding rather the manner in which it is being brought up.

Mr. Tubach responded that it was an oversight on his part; he further responded saying that there is a weakness in the internal controls of the payroll accounting system that would have been caught if a general ledger, trial balance, income statement, and balance sheet were in place. Mr. Tubach explained that his engagement letter which is approved by the Commission states he will audit complete financial statements; however, when he gets a trial balance, income statement, and balance sheet from the County Auditor's office they are not complete because the payroll hasn't been integrated. There are claims made from the Commission to the County Auditor during the year whereby they request funds from the county in order to put them into the separate payroll account but it doesn't accurately reflect what the true payroll expenses are for the year.

Mr. Hernandez explained, step-by-step, the process the Commission follows when it makes a request for a check from the county for deposit into the separate payroll account, including how the payroll business service manages and conducts the payroll. He also explained that the adjustments and the manner in which it is reported to the Commission hasn't changed and is being done again as per Mr. Tubach's recommendation.

Reference was made to the second finding, page 23. Mr. Rodriguez informed Mr. Tubach that the context of the statement is incorrect. He stated that time sheets are not submitted in advance rather it's the batch of checks that are printed in advance. He explained that the payroll checks are printed in advance because in the past they have had issues with trying to get the signature from the Board Chairperson. Thus, in order to avoid any issues with compliance of

the distribution of checks to employees the checks were prepared and signed in advance. Checks are not given out in advance to the employees. He also stated that he has the authority to sign checks but he doesn't sign his own check. In this case, Mr. Rodriguez explained that checks were printed in advance for the employee who resigned but the checks were not given to the employee rather they were cancelled although taxes had already been paid. He informed Commissioners that the money that was paid out for taxes has already been returned by the State. Mr. Rodriguez continued saying that the payroll period runs from Sunday to Friday on a bi-weekly basis with checks being handed-out on Fridays; this is how payroll has been done since the beginning even when employees worked as independent contractors. Mr. Rodriguez assured that payroll checks will be handed-out on Monday, after the pay period ends.

Mr. Tubach again stated that internal controls for the payroll transactions need to be in place in order to prevent these issues. He noted that a good resource is the First 5 State Commission; they provide the audit guidelines and provide resources as well as individuals who can help out with these type of situations.

Commissioner Green suggested that they should try to make sure there are four or two signers on the checks; she stated that many organizations have this practice in place. She feels it's just a matter of setting up the policies needed in order to sort out the issues.

Mr. Hernandez, again, explained that the manner in which the Commission conducts its payroll hasn't changed but assured Commissioners that policies would be developed in response to the findings. He also noted that the local Transportation Commission may have something similar that can be looked into, and added that Mr. Rodriguez would be meeting with other First 5 County Commissions to get suggestions for payroll practices.

Mr. Rodriguez acknowledged that they will work on developing payroll policies. The intent is to have a draft ready by the February Commission Meeting; he advises that they will be developing these policies with advise from legal counsel.

Mr. Tubach made reference to the third finding, page 24. He explained that the findings are all related and explained that the County reports summarize that a certain warrant was issued from the County and deposited into the payroll account for payroll purposes but the amount is not the actual amount for payroll. He provided an example of a check request for \$300,000. The reports presented to the Board are misrepresented because they do not reflect actual payroll activities.

At this time, Mr. Tubach noted that staff has done a great job developing a cost allocation plan. He inquired as to how often the plan is presented to the Board.

Mr. Rodriguez responded that the cost allocation plan is presented to the Commission on an annual basis. He also acknowledged the audit findings and stated that they will be providing a response and will be presenting draft policies by February with the intent of completing the policies by June.

At this time, Mr. Rodriguez informed Commissioners that the audit report was submitted late to the State Controller's office and to First 5 California. Mr. Rodriguez further stated that he wants to ensure that the audit report is conducted early on and in a timely manner so that it is submitted by the due date. He advised Mr. Tubach that in the future he expects no delays in

submitting the audit report, and would expect to have a draft audit report to the Commission by October. He emphasizes that they must work together to ensure this is done.

Mr. Hernandez insisted that they develop a timeline of completion for the audit report, ensuring that it would be submitted by the due date of November 1st. He reiterated that there were no changes from the way the audit was done over the course of the last four years, and is asking Mr. Tubach to commit to a timeline.

Mr. Tubach responded that it can be done as long as the financial statements are complete, including the general ledger with payroll account. He adds that it's imperative that all general ledgers and financial reports are complete and reflected accurately. Mr. Tubach is inquiring whether Allied Business Services can provide the financial statements that are needed, and how soon they can implement it. He informs the Commission that he would be willing to meet with Allied Business Services. He also noted that the Commission should find the money to get this done.

Commissioner Sigmond stated that she would like to be involved with the development of a timeline to ensure that the audit is submitted on time, and wishes for the process to move forward.

Commissioner Vargas stated that the findings need to be addressed and corrected, ensuring that they don't come up again. Commissioner Vargas asked if Allied Business Services is not able to produce the financial statements should the Commission find another bookkeeper, to which Mr. Tubach responded in the affirmative.

Mr. Tubach said that the Commission has two systems which need to be integrated. He also said that the problem with the payroll account is that the payroll service cannot provide details of every transaction. He mentioned that he spoke with Doug Newland who suggested that the Commission may want to set-up a spreadsheet for the County and for payroll and prepare financial reports from that.

Commissioner Price is recommending that staff meet with Allied Business Services and share what's been discussed and also talk about what's going to be required for the audit report; she is advising that this be done very soon.

Commissioner Kim suggested that they set-up a Committee; there was no consensus on this recommendation.

Motion was made by Commissioner Kim and seconded by Commissioner Miramontes approving the audit report and that the findings be addressed according to the discussion held.

Mr. Rodriguez advised that they would report back to the Commission in February.

Having noted no further discussion or public comment, the motion carried with all in favor.

2. Request to Approve the Updated Conflict of Interest Policy: Mr. Rodriguez explained that during the September Commission meeting, Commissioners made the recommendation to submit the 2018 Local Agency Biennial Notice to the County Registrar's office letting them know that the Commission would update their conflict of interest policy. Mr. Rodriguez advised that legal counsel put together the updated policy and further noted that major changes were done under

Section II, and Appendix C was newly incorporated into the policy. Referring to the document, Mr. Rodriguez briefly reviewed all the changes to the Conflict of Interest Policy.

A motion was made by Commissioner Green and it was seconded by Commissioner Miramontes approving the new changes to the Conflict of Interest Policy adding that the policy will be forwarded to the County Board of Supervisors for approval; having noted no further discussion or public comment, the motion carried with all in favor.

3. First 5 Imperial's Request For Proposal Process for 2019-2021 Funding Cycle: Mr. Rodriguez stated that the Commission is moving into a new planning phase and he introduced a breakdown describing RFP funded programs and mini-grant funded programs; the documents provided an overall breakdown of funding provided since 2001 up through 2018. He also presented and discussed the results of a Commissioner RFP Survey. He noted that the items were up for discussion purposes only and Commissioners would not have to take action at this time.

Mr. Rodriguez stated that he is not recommending any major changes to the RFP at this time. He referred Commissioners to the summary of funded programs and indicated that some of the programs listed had received funding from the Commission for 13 to 15 years. Some of the programs were Brawley Public Library, CASA, Imperial Valley Regional Occupational Program, and March of Dimes. Discussion then led to the issue of sustainability and reference was made to the March of Dimes program and the Family Treehouse program. Mr. Rodriguez stated that without Commission funding both of those programs were not able to continue to offer services.

Mr. Rodriguez proceeded to summarize the responses from the Commissioner RFP priority survey, and the following points were discussed:

Question 1, Given future funding considerations, and changes in tobacco revenue, with respect to the maximum allowable amount a grantee can apply for (currently at \$250,000 for General RFPs, \$25,000 for Mini-Grants) which are you most inclined to support? Mr. Rodriguez noted that within the last 6 years, the maximum amount RFP funded was at \$226,809 and the least amount was \$32,000. He stated that the majority of Commissioners indicated that they would like to leave the maximum as it is currently set at \$250,000.

Question 2, What type of funding cycle would you prefer to support under the General RFP? The majority of Commissioners responded in favor of a two-year funding cycle. Mr. Rodriguez stated that two years is a good amount of time because the Commission is funding locally, although three years would be better for the organizations. Mr. Rodriguez is recommending two years.

Question 3, With respect to allocating funds to local agencies, are you in favor of limiting the number of years or funding cycles an agency or individual can apply for? Mr. Rodriguez stated that Commissioner's response were "kind of even." Mr. Rodriguez made the recommendation to keep as is and discuss further due to the short funding cycle. He added that if the Commission is looking at shortening the time that agencies can apply whether it is due to a new initiative or the way in which they seek systems changes, organizations would be given sufficient time about the changes the Commission intends to make.

At this time, Commissioner Price shared her experience with what they are doing with new funding opportunities. She indicated they are designating how the funds are going to be used, for example, whether it's a systems change or a one-time funding. The type of goal would determine the amount of funds that would be set aside for that endeavor. Also, if it's a long-term goal they would need to build-in a sustainability plan.

Commissioner Green commented that organizations who receive funding through the RFP grant should understand that they are not guaranteed that they will continue to be funded again. The Commission has always asked organizations to plan for sustainability.

Discussion moved on to Question 6, With respect to funding prioritization for future projects, which of the following result area options are you inclined to favor? Direct services, capacity building, community strengthening, systems change or not any one mode. The majority response was "not any one mode."

Mr. Rodriguez noted various examples of systems change such as the March of Dimes Foundation, the El Centro Regional Medical Center Bridges for Newborns project, the Family Place Libraries and the Imperial County Social Services developmental screenings. He further added that the Commission should do a good assessment to ensure the investment is worth consideration; some projects made an impact and continue to do so where others have had difficulty in doing so. Organizations determine what system change they plan to develop through the RFP funds, the Commission cannot tell them what to do. His recommendation is that the Commission should continue this conversation and leave the RFP process as a two-year funding cycle for now but bring it back again in September.

The next question on the survey that was discussed was Question 10, Upon consideration of individual projects for funding, which would you want to place a higher value/emphasis on any of the following RFP Narrative Categories? To which only two answers were provided, Project Description and Scope of Services; and Quality of A Sustainability Plan.

Mr. Rodriguez stated that there are contractual requirements that require that programs build in sustainability plans. Although he advised that some programs have tried to get creative with their sustainability. To address this, he is recommending a sustainability workshop for grantees.

Mr. Rodriguez indicated that the current RFP includes a component regarding developmental screening services, and he stated he would like to come back with a recommendation regarding whether the Commission should be prioritizing developmental screenings.

At this time, reference was made to the RFP Timeline. Mr. Rodriguez advised that the RFP Timeline was made so as not to conflict with the upcoming mini-grant application.

4. Request to Release the Community Development Mini-Grant Application FY 2019-2020: Mr. Rodriguez referred Commissioners to the proposed Community Development Mini-Grant FY 2019-2020 application. He talked about adding new language to the application and proceeded to describe the changes under Section H. Reporting, and Section I. Contract Requirements Upon Approval of Funding. Brief discussion continued regarding ownership of the materials for public view, as well as copyright laws. There was also a recommendation to include an arbitration clause in the contract.

Reference was made to the Community Development Mini-Grant Timeline; if approved, the application will be released on December 17, 2018. Mr. Rodriguez explained that organizations interested in applying for a mini-grant must first submit a Statement of Interest to Apply which will be due on January 18, 2019.

A motion approving the release of the Community Development Mini-Grant FY 2019-2020 was made by Commissioner Camacho and it was seconded by Commissioner Miramontes; having noted no further discussion or public comment, the motion carried with all in favor.

5. Request to Approve First 5 Imperial's Annual Report FY 2017-2018: Mr. Rodriguez sought approval of the annual report which was submitted to First 5 California. He stated that there was an issue with the fund balance; however, due to the submission deadline and as per the numbers based on the audit report, he went ahead and submitted the annual report with the fund balance that was provided by Mr. Tubach. He explained that Mr. Tubach included employee sick leave and vacation pay as a liability; he noted that this was the first time this was done. Mr. Rodriguez stated that he may have to go back and ask First 5 California to allow a change to the fund balance.

A motion was made by Commissioner Green and it was seconded by Commissioner Miramontes approving the submittal of the Annual Report FY 2017-2018 to First 5 California; having noted no further discussion or public comment, the motion carried with all in favor.

VII. Commissioner Comments

No comments were made at this time.

VIII. Adjournment

A motion to adjourn was made by Commissioner Green and it was seconded by Commissioner Miramontes. Having noted no further comments and by unanimous vote, the meeting was adjourned at 5:46 pm. The next meeting of the Commission is scheduled for February 7, 2019.