



COUNTY OF YOLO

Office of the County Administrator

Patrick S. Blacklock
County Administrator

625 Court Street, Room 202 Woodland, CA 95695
(530) 666-8150 FAX (530) 668-4029
www.yolocounty.org

To: Honorable Judge Daniel P. Maguire
Superior Court of California, County of Yolo
725 Court Street, Department 16
Woodland, CA 95695

June 25, 2013

To: Yolo County Grand Jury
P.O. Box 2142
Woodland, CA 95776

via e-mail: grand-jury@sbcglobal.net

RE: Yolo County Grand Jury Report – Yolo County Finance: Tracking Changes

Honorably Judge Maguire:

The following is the response to the 2012-2013 Yolo County Grand Jury Report entitled “Yolo County Finance: Tracking Changes” from the Yolo County Board of Supervisors, County Administrator, Human Resources and the Board of Supervisors on behalf of the Board Audit Committee. The Yolo County Auditor-Controller response came under separate cover on May 31, 2013. For purposes of readability, we have included the Grand Jury’s findings and recommendations in **bold**.

F1 Department staff preparing payroll can pick up and distribute checks in violation of Yolo County internal controls.

County Administrator and Human Resources response: The respondents agree with this finding. In theory, it is possible for anyone to violate any rule, policy or law.

F2 The Finance Manager will replace the Auditor-Controller, but it is not yet clear what the job description for the new position will be.

Human Resources response: The respondent disagrees partially with this finding. The Auditor-Controller’s term does not end until December 31, 2014. Still, a job description (class specification) for Director of Finance will be developed by October 31, 2013 as part of the countywide fiscal class study.

Auditor-Controller response sent under separate cover: We agree that the job description for the new Director of Finance is not yet available. However, this position will not become effective until my term ends on December 31, 2014. A team of finance managers is currently designing the new financial management structure and will make a recommendation to the Board of Supervisors in September 2013. Once the Board approves the structure, the job description for the head of finance will be developed.

F3 Requisite financial reporting is late and bank reconciliations have been from three to six months late because finance operations are understaffed.

Human Resources response: The respondent agrees with this finding and has recommended to the Auditor-Controller that an additional position be requested as part of the 2013-14 budget development process.

Auditor-Controller response sent under separate cover: We agree that the issuance of the county annual financial report has taken more than six months from the end of the fiscal year and that bank reconciliations were also performed late. It should be noted that all financial reports complied with statutes and that there were other compensating controls that mitigate the late bank reconciliations. We have reorganized resources where possible and requested additional resources to improve timeliness in the future.

F4 The County uses multiple systems to collect “hours worked.”

Human Resources response: The respondent agrees with the findings

Auditor-Controller Response sent under separate cover: We agree. Of the 20 county departments, 16 use the countywide E-Schedule to track absences and 4 use their own systems. In addition, some departments use time sheets to certify time worked. The County realizes the need for a more uniform and robust timekeeping system and is preparing request for proposals for a payroll/HR system that includes automated timekeeping.

F5 Some finance personnel lack requisite accounting, finance or software backgrounds.

Human Resources response: The respondent disagrees wholly with this finding. Every employee in the County is hired into a classification that sets forth the essential functions performed by the incumbent as well as the minimum education, experience, knowledge and abilities required for the job. Before an individual is hired, Human Resources certifies that the person possesses the minimum education and experience required in the class specification.

Auditor-Controller Response sent under separate cover: We disagree partially. Most finance and accounting personnel in the County possess the basic skills and abilities required by their respective job classifications. What has gradually happened over time is that the nature of the work has evolved while the skill sets contained in the job classifications have not been updated. The Human Resources Division is presently engaged in the tasks of reviewing fiscal classifications countywide, as well as enhancing the training program for fiscal skills.

F6 Departments in Yolo County tend to function autonomously, which could lead to lack of management accountability.

County Administrator response: The respondent disagrees partially with this finding. While departments are provided leadership autonomy to achieve their goals, management accountability is a strong component of the County's leadership structure. As one example, all appointed department heads participate in an annual 360 evaluation process which provides an opportunity for feedback from both internal and external sources.

F7 The external auditor has found repeated, uncorrected conditions of non-compliance in grant reporting.

Human Resources and Board of Supervisors response: The respondents disagree partially for the same reasons expressed below by the Auditor-Controller.

Auditor-Controller response sent under separate cover: We disagree partially. The independent auditors found uncorrected conditions related to the untimely verification of eligibility in the In Home Support Services program, not related to grant reporting. It should be noted that although the findings represent a non-compliance issue, they were within the exception rate allowed by the California Department of Social Services.

F8 A Request for Proposal (RFP) for a new external auditor has not been issued in a timely manner.

Board of Supervisors response: The respondents disagree wholly for the same reasons expressed below by the Auditor-Controller.

Auditor-Controller response sent under separate cover: We disagree. The contract with the current audit firm does not expire until 6/30/13. A request for proposal for audit services was issued on 3/7/13 and an independent audit firm was approved by the Board of Supervisors on 5/7/13. The new audit firm will begin fieldwork on 6/18/13.

F9 Internal audits need to be performed regularly in all departments. The last internal audit was two years ago.

Board of Supervisors response: The respondents disagree partially for the same reasons expressed below by the Auditor- Controller. In addition, the Board Audit Committee notes that the County uses a risk-based approach to prioritize internal audits within available resources. This approach schedules departments or programs with higher risk for more intensive internal audits.

Auditor-Controller response sent under separate cover: We agree partially. The Internal Audit staff have been conducting small audit projects in various departments (such as cash and equipment audits) while also being pulled away to help out in other understaffed areas in the Auditor-Controller department. The last major audit project was a countywide payroll audit that was completed two years ago. The Internal Audit division does not have a manager who can regularly lead the charge on these large countywide projects. We have requested additional resources to remedy this gap.

F10 Financial off-line adjustments are made without formal supervisory sign-off, as required by good business practice.

Auditor-Controller response sent under separate cover: We disagree partially. Although we agree with the nature of the finding it should be noted that this deficiency was corrected in the FY 2011-12 financial audit.

F11 Yolo County management has taken steps to assure fiscal staff competency.

Thank you.

F12 The Board Audit Committee does not initiate financial review or internal audits in Yolo County departments as recommended by the AICPA.

Board of Supervisors response: The respondent disagree with this finding. The Board Audit Committee does in fact initiate financial reviews and internal audits.

F13 Employees report favoritism and disparate treatment from managers and supervisors, some of whom have made unprofessional remarks regarding staff deficiencies.

County Administrator and Human Resources response: The respondents partially agree with this finding. The County takes seriously any reports of favoritism or disparate treatment. Incidents reported to County Administration are investigated. That said, the

aforementioned statement does not reference any specific allegation or survey response. Absent specific supporting evidence, the respondents are unable to support this finding.

R1 Internal controls for payroll should be reviewed and regulated.

Human Resources response: This recommendation has not yet been implemented. Human Resources is in the process of composing standard procedures for scanning payroll transactions and will train all payroll clerks by June 30, 2013. Internal controls for payroll will also be reviewed and evaluated during configuration and implementation of the new human resources and payroll management information system in 2014.

Auditor-Controller response sent under separate cover: This recommendation has been implemented. We have scheduled audits of payroll timekeeping at various departments in 2013-14.

R2 Human Resources and Finance should review the multiple systems currently used by departments to collect “hours worked” related to task, funding source and/or project to determine if a single or integrated system may be more efficient to collected payroll and cost accounting data.

Human Resources response: This recommendation is in the process of being implemented. Current Human Resources information software does not allow common tracking of hours worked. The complete implementation will occur with the County’s selection and use of a new financial, human resources and payroll management information system(s), estimated to begin in January 2014. The RFP will be issued this summer, and selection of a vendor will occur in the fall.

Auditor-Controller response sent under separate cover: This recommendation is being implemented. County staff is developing the specifications for a new payroll/HR system that includes uniform timekeeping component. We expect the request for proposal to be issued in the summer of 2013.

R3 Deadlines for closing bank reconciliations and financial statements should be established and met.

Auditor-Controller response sent under separate cover: This recommendation has been implemented. The deadline for the monthly bank reconciliations has been set as the end of the following month; and the deadline for issuing financial statements has been set as December 31.

R4 A job description for the new Finance Manager position should be written and approved by September 30, 2013.

Human Resources response: This recommendation will not be implemented because it is not warranted. The Director of Finance position will not be hired until January 2015. It is premature to develop a job description prior to the complete analysis of the full functions to be assigned to the department of finance. None-the-less, a draft job description (class specification) for Director of Finance will be developed by October 31, 2013 as part of the countywide fiscal class study.

R5 As a priority, financial staff should be strengthened through recruitment, training, career path planning and motivation.

Human Resources response: The recommendation has been partially implemented. Financial staff competency has been a priority for the last 18 months and a plan to ensure appropriate skill sets in recruitment and training is scheduled for implementation by October 31, 2013.

Auditor-Controller response sent under separate cover: This recommendation is being implemented. The Human Resources Division is working with our office on a countywide fiscal staff upgrade project that includes analyses of classifications, career path and training standards. We are confident that the results of this project will increase staff motivation.

R6 The finance department should assign a staff member to assist departmental finance employees with training, coaching and motivation.

Auditor-Controller response sent under separate cover: This recommendation has been implemented. It has been standard practice for the three managers of the Auditor-Controller's office to stay in touch with finance staff at the departments to answer their questions and provide necessary training. Increased workload had caused us to temporarily discontinue this practice. However, we have requested additional resources to allow us to resume this activity. Furthermore, the change management activity that is taking place with regard to the transition to a new financial system will have a positive effect on staff motivation.

- R7 Financial off-line adjustments should be approved and signed by the Auditor-Controller.**

Auditor-Controller response sent under separate cover: This recommendation has been implemented. All off-line adjustments to the financial statements are being approved by the Auditor-Controller or his designee, depending on the nature of the adjustments.

- R8 The Board Audit Committee should review external audits and Grand Jury reports and ensure that they are addressed in a timely manner and reported to the BOS.**

Board of Supervisors response: This recommendation has already been implemented. The Board Audit Committee has fulfilled this role since its inception.

- R9 The Board Audit Committee should be responsible for recommending external auditors to the BOS.**

Board of Supervisors response: This recommendation was implemented upon formation of the Board Audit Committee on 6/7/11. The contract with the current audit firm does not expire until 6/30/13. Based upon Board Audit Committee direction, a request for proposal for audit services was issued on 3/7/13, the results of the RFP process was subsequently shared with the Board Audit Committee and an independent audit firm approved by the Board of Supervisors on 5/7/13. The new audit firm will begin fieldwork on 6/18/13.

- R10 The Board Audit Committee should request internal audits when financial problems are brought forward.**

Board of Supervisors response: This recommendation has already been implemented. The Board Audit Committee has fulfilled this role since its inception.

- R11 The Board Audit Committee should recruit an independent private financial expert to serve on that committee, which should meet at least quarterly.**

Board of Supervisors response: This recommendation was implemented upon formation of the Board Audit Committee on 6/7/11. On 9/13/11, the Board of Supervisors appointed to the Board Audit Committee a public member, with extensive public sector finance expertise, who continues to serve at this time.

- R12 Department supervisors should be trained to be sensitive to employee issues created by staff reductions and changes to organization and operating systems to avoid creating hostile work environments.**

County Administrator and Human Resources response: This recommendation has been implemented. Respondents take exception to the Grand Jury's use of the term "hostile work environment". This is a term of art used specifically in reference to complaints of harassment and discrimination. Allegations of a hostile work environment are not taken lightly and should not be made lightly.

The County provides regular, ongoing supervisory training through the Yolo Training Academy and also provides coaching and counseling to supervisors as issues are brought to the attention of Human Resources.

R13 Employees should be allowed to voice complaints and should receive timely responses, addressed in an open and professional manner.

County Administrator and Human Resources response: This recommendation has already been implemented. The County Administrator's Office and Human Resources maintain open office philosophies that encourage direct employee contact and sharing of concerns. In addition, the County Administrator's Office is developing a confidential whistleblower program to provide another venue for sharing concerns.

R14 All HR recommendations for remedial action should be addressed with transparency and due diligence.

County Administrator response: This recommendation has already been implemented.