



County of Yolo

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HOWARD H. NEWENS, CIA, CPA
Chief Financial Officer

DOUGLAS K. OLANDER, CPA
Assistant Chief Financial Officer

DEPARTMENT OF FINANCIAL SERVICES

625 Court Street, Room 102
PO BOX 1268
WOODLAND, CA 95776
PHONE: (530) 666-8190
FAX: (530) 666-8215
DFS @ yolocounty.org

- *Financial Strategy Leadership*
- *Budget & Financial Planning*
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- *Procurement*

May 23, 2017

Board of Commissioners
Yolo Fire Protection District
P.O. Box 466
Yolo, CA 95697

Re: Yolo Fire Protection District Report on Applied Agreed-Upon Procedures

Dear Board of Commissioners:

We have performed the procedures enumerated below, which were agreed to by the Yolo Fire Protection District, solely to assist the District in assessing the District's ability to keep adequate records to produce financial statements in accordance with generally accepted accounting principles for the period July 1, 2009 to June 30, 2014. The District's management is responsible for the accounting records. The agreed upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified user of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The district's response is provided as an enclosure to this report.

Our procedures and results are as follows:

1. Inquire with District to follow-up on any prior year findings to document the corrective action plans.

Results: Yolo Fire Protection District had 5 prior year audit recommendations that addressed compliance issues on capital equipment replacement plan, potential conflict of interest and internal control weaknesses. The District provided a status response for each of the prior year audit findings. The majority of the prior year findings have been implemented. We have included the unimplemented exceptions, as it relates to the procedures performed, within this report.

Considerations: None

2. Verify that the Special District Financial Transactions Report agrees to the official records of the district and was properly filed with the State for each fiscal year June 30, within the audit period. (*Government Code 53891*).

Results: Yolo Fire Protection District Special District Financial Transaction Report (reports) for fiscal years 2009-10 to 2013-14 were prepared by the Department of Financial Services General Accounting Division. The auditors traced the District's account balances from the general ledger to the reports and validated that the reports were transmitted to the State's file transfer protocol before the due date. Procedure performed with no exceptions.

Considerations: None

3. Verify that the district's budget and amendments were approved by the governing board and recorded in the general ledger for each fiscal year within the audit period. (*Health & Safety Code 13895*)

Results: Yolo Fire Protection District budgets for fiscal years 2009-10 to 2013-14 were prepared by the District and forwarded to the Department of Financial Services General Accounting Division for further processing. The auditors traced the District's budget, as approved by the Board of Commissioners, to the general ledger and found that the district exceeded its appropriation authority for salaries and employee benefits in the amount of \$564 and services and supplies in the amount of \$5,029 for the fiscal year ended 2010 and fixed assets-equipment in the amount \$40,265 for 2011. In addition, expenditures exceeded revenues by \$20,350 for fiscal ended 2012 due to payments on a capital lease. According to District staff, the Department of Financial Services General Accounting Division has advised the district that budget overruns are corrected at year-end by the division.

Considerations: The District should consider reviewing its monthly ledgers by line item, have the Board of Commissioners approve an appropriation transfer and submit the correction to the Department of Financial Services General Accounting Division upon occurrence instead of waiting until year-end to avoid any budget overruns.

4. Review the District's board minutes to determine that significant transactions including financial contractual agreements as noted in the minutes of the district were properly recorded in the general ledger for each fiscal year within the audit period.

Results: The auditors reviewed the District's board minutes from July 2009 through June 2014 to validate transactions and proper recording within the general ledger and review the District's current internal controls and operations as it pertained to each audit procedure. Exceptions are noted at each procedure within this report.

Considerations: None

5. Review laws and regulations that may have a direct and material effect on the determination of amounts in the district's financial statements. (*Fire Protection District Law of 1987 – Health & Safety Codes/Government Codes*)

Results: The auditors reviewed a selected sample of the Fire Protection District Law of 1987 – Health & Safety and Government Codes as it pertained to each audit procedure. Exceptions are noted at each procedure within the report.

However, the District entered into a lease agreement with option to purchase on November 10, 2011 for the acquisition of a fire truck in the amount of \$220,196 (principal and interest). The amount borrowed exceeds the amount prescribed by law (more than three times the income from property taxes received in fiscal year 2010-11).

Considerations: The District should consider reviewing the Health & Safety Code Section 13906 to ensure compliance with the law for future acquisition of equipment.

6. Verify that the Board of Commissioners has adopted a schedule of fees for the cost of any service which the district provides or the cost of enforcing any regulation for which a fee is charged. (*Health & Safety Code 13916*)

Results: Yolo Fire Board of Commissioners adopted a fee schedule for the development of new construction as in accordance with Yolo County Ordinance Section 1313. The auditors reviewed the fees established and verified that the amounts were approved by the Commissioners and authorized by the Health & Safety Code. Procedure performed with no exceptions.

Considerations: None

7. Verify that the Board of Commissioners has adopted a resolution which specifies the policies and procedures governing waivers. (*Health & Safety Code 13919*)

Results: Yolo Fire Protection District has not adopted a resolution which specifies the policies and procedures governing waivers. During the audit period, the auditors noted no exceptions of fees waived by the District. Procedure performed with no exceptions.

Considerations: None

8. Verify that the Board of Commissioners has exercised their independent judgment on behalf of the interests of the entire district, held regular meetings and has not exceeded the stipend amount, if applicable. (*Health & Safety Code 13840-13857*)

Results: Yolo Fire Protection District holds regular monthly meetings. The Board of Commissioners do not receive any compensation for attending the meetings. Annually, a Statement of Economic Interests (Form 700) is completed by the Board of Commissioners and the Fire Chief then filed with the Yolo County Clerk-Recorder's Office. The auditors validated that the District has held regular monthly meetings, that no compensation was paid to the Board of Commissioners for attending meetings, and that Form 700 was completed and filed for the years under review. Procedure performed with no exceptions.

Considerations: None

9. Perform a fluctuation analysis of all current account balances of the income statement and balance sheet comparing to prior year's actual and current year's budget within the audit period.

Results: The auditors performed a fluctuation analysis of all current account balances of the income statement and balance sheet and compared to prior year's actual and current year's budget, and investigated any variances exceeding \$5,000 and/or unusual transactions. The auditors inquired with district management and reviewed the district minutes for explanation of variances. The results are illustrated below:

- Capital Asset Replacement Fund increased by varied amounts as in accordance with the District approved budget.
- Development Impact Fees collected for the acquisition of capital assets.
- Tribal Mitigation funds received to supplant fire equipment.
- FY 2011-12 District purchased a fire truck in the amount of \$244,933.
- Accounting codes reclassified due to new accounting standards.

Considerations: None

10. Select a sample of revenue transactions for each fiscal year within the audit period to verify that the revenue has been properly accounted for in the District's accounting records and deposited properly within the County treasury.

Results: Yolo Fire Protection District collects development impact fees for any new construction within its boundaries for the acquisition of capital assets to maintain fire protection services. The District had 11 revenue transactions for development impact fees during the audit period. The auditor selected all the transactions and traced them to the District records and general ledger. The following exceptions were noted:

- Collections from February 2012 through June 2014 in the amount of \$9,854 were not deposited in a separate account known as the "Yolo County Fire Mitigation Fee" (restricted account) as required by the Ordinance.

- Fire Mitigation Fee Annual report required under Yolo County Ordinance 1313, Section 3-16 Fire District Development Impact Mitigation Fees, was not filed with the Yolo County Clerk of the Board of Supervisors for fiscal years 2010-11 through 2013-14.
- Payments collected between April 2013 and June 2014 were not recorded in the District's cash receipt books.

Considerations: The District should consider reviewing the Yolo County Ordinance 1313 and the deposit of collections for development fees and subsequently accrued interest in the "Yolo County Fire Mitigation Fee" restricted account. In addition, the District should contact the Yolo County Clerk of the Board of Supervisors for any required reporting not submitted. Furthermore, the District should consider using pre-numbered cash receipts with the District's name and address on them to record proof of payment.

11. Select a sample of expenditures from the District's general ledger to verify the appropriate use for each fiscal year within the audit period.

Results: The auditors selected a sample of expenditure transactions from the general ledger and verified that the transactions were reasonable based on the purpose of the District, authorized by the Board of Commissioners or other authorized official, and supported by adequate documentation for audit purposes. All expenditure transactions agreed to the district records; except for, 2 transactions where insufficient documentation was provided to support the payment to the vendor.

Considerations: The District should consider reviewing the claim for payment before submitting documents to the Department of Financial Services to ensure payment is supported by a detailed statement of the sum for amount of goods or services provided i.e. third-party invoice; paid sales slip.

12. Review the last meeting minutes of each fiscal year as well as one other meeting within the audit period to verify that the meeting held was regular, open and public, the agenda was posted 72 hours prior to the meeting, and all discussions were posted to both the agenda and the meeting minutes. (*Government Code 54950-54963*)

Results: The auditors examined 10 agendas and meeting minutes. The agenda notices were publicly noticed at the Yolo Fire Station, 37720 Sacramento Street, Yolo, California and posted within 72 hours prior to the meetings. Quorum was met as required by the code. The meeting minutes agreed to the agenda items.

Considerations: None

We were not engaged to, and did not; conduct an audit, the object of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such as opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is prepared for use by the Yolo Fire Protection District Management, the Board of Commissioners, Department of Financial Services and Yolo County Board of Supervisors. However, it may be distributed to other interested parties.

We appreciate the timely and professional responses provided by the district's management and the Board of Commissioners to our requests for information.

Sincerely,

A handwritten signature in blue ink, reading "Mary E. Khoshmashrab", with a long horizontal flourish extending to the right.

Mary E. Khoshmashrab, MSBA, CPA
Internal Audit Manager
County of Yolo

Enclosure (2)

cc: Supervisor Duane Chamberlain, Yolo County District 5
Patrick Blacklock, Yolo County Administrator
Howard Newens, CIA, CPA, Yolo County, Chief Financial Officer

Schedule of Prior Year Findings

Summarized below is the current status of all audit findings reported in the Yolo Fire Protection District Final Agreed Upon Procedures report dated July 6, 2010:

Finding Title	Finding Description	Status of Corrective Action
Capital equipment replacement plan	Develop a formal capital equipment replacement plan to plan for the acquisition of fire equipment	Implemented
Accountability of cash receipts	Purchase pre-numbered cash receipts with the district's name and address on them to maintain accountability over cash receipts Reconcile the cash receipts and development impact fee worksheets to the monthly revenue ledgers to ensure that monies were deposited in the County Treasury	Partially Implemented
Potential conflict of interest	Removed by auditor	Not applicable
Procedures on handling and documenting development impact fees	Develop written procedures for collecting, recording and reconciling collections for development impact fees	Implemented
Endorsement of checks	Purchase a stamp to endorse checks immediately upon receipt from the customer to avoid misappropriation of checks	Implemented