

**Meeting of the
Financial Oversight Committee
Yolo County
May 12, 2022
10:00 a.m.**

NOTE: This meeting is being agendized to allow Board Members, staff and the public to participate in the meeting via teleconference, pursuant to Government Code section 54953(e)(1) (as amended by Assembly Bill 361), available at the following [link](#).

Teleconference Options to join Zoom meeting:

By PC: <https://yolocounty.zoom.us/j/89579368907>

Meeting ID: 895 7936 8907

or

By Phone: (408) 638-0968

Meeting ID: 895 7936 8907

Government Code section 54953(e)(1) authorizes local legislative bodies to hold public meetings via teleconference and to make public meetings accessible telephonically or otherwise electronically to all members of the public. Members of the public are encouraged to observe and participate in the teleconference.

Further instructions on how to electronically participate and submit your public comments can be found in the PUBLIC PARTICIPATION note at the end of this agenda.

Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact Tom Haynes, Interim Chief Financial Officer at least two (2) working days before the meeting at 530-666-8162 or tom.haynes@yolocounty.org.

If you have anything that you wish to be distributed to the Committee and included in the official record, please hand it to a member of County staff who will distribute the information to the members and other staff.

Committee Members:

Chair, Gary Sandy	(Board of Supervisors – Voting)
Angel Barajas	(Board of Supervisors - Voting)
Richard Horan	(Public Member- Voting)
Vice-Chair, Lawrence Raber	(Public Member – Voting)
Crissy Huey	(County Superintendent of Education - Voting)
Kimberly McKinney	(Cities Member – Voting)
Kristin Sicke	(Special District Member – Voting)
Chad Rinde, Interim	(County Administrator – Non-voting)
Tom Haynes, Interim	(Chief Financial Officer – Non-voting)

10:00 a.m. Call to Order

1. **Welcome and new staff changes.**
2. **Roll Call**
3. **Follow-up of items from prior meeting.**
 - a. **Chad to invite Human Resources Director to a meeting to discuss the county hiring challenges and fiscal impacts.**
4. **Approval of Agenda**
5. **Public Comment**

This item is reserved for persons wishing to address the Committee on any related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the Committee are customarily limited to 3 minutes per speaker, but an extension can be provided at the discretion of the chair.

CONSENT AGENDA

6. **Renew authorization for remote (teleconference/videoconference) meetings by finding, pursuant to Assembly Bill 261, that (a) the COVID-19 pandemic state of emergency is ongoing, and (b) meeting in person would present imminent risks to the health or safety of attendees.**
7. **Approval of the prior meeting minutes 2/10/2022.**
8. **Receive Treasury audit report for quarter ended 12/31/2021.**

REGULAR AGENDA

9. **Receive staff report on the status of current engagements and the release of audit reports since last meeting from the Division of Internal Audit (Eldredge).**
10. **Receive staff report on the status of interim audit work for ACFR 6/30/22 from the Independent Auditor's (LSL/Alves).**
11. **Receive staff report on property tax audit report (Haynes).**
12. **Receive staff report on budget update (Patterson/Altamirano).**
13. **Receive report on the Treasury Pool Investment Activity for the 1st Quarter ended March 31, 2022 (PFM/Xiong).**
14. **Confirm next meeting date: August 11, 2022 at 10:00 to 11:30 am.**
15. **Committee Member and Staff Announcements.** Action items and reports from members of the Committee, including announcements, questions to be referred to staff, future agenda items, and reports on meetings and information which would be of interest to the Committee or the public.
16. **Adjournment (Approximately 11:30 a.m.).** Public records that relate to any item on the open session agenda for a regular meeting are available for public inspection. Those records

that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the Committee. Public records are available for inspection by contacting Tom Haynes, Interim Chief Financial Officer at 530-666-8162 or tom.haynes@yolocounty.org and meeting materials can be inspected at County offices located at 625 Court Street, Woodland, CA 95695; those interested in inspecting these materials are asked to call 530-666-8050 to make arrangements. The documents are also available on the County of Yolo Financial Oversight Committee website located at: <https://www.yolocounty.org/government/general-government-departments/financial-services/financial-oversight-committee>.

PUBLIC PARTICIPATION **OPTIONS FOR PUBLIC COMMENT**

1. If you are joining the meeting via zoom and wish to make a comment on an item, press the “raise a hand” button. If you are joining the meeting by phone only, press *9 to indicate a desire to make comment. The chair will call you by name or phone number when it is your turn to comment. Speakers will be limited to 3:00 minutes. “Note: If you are joining by zoom and phone, still use the zoom raise a hand button as *9 will not work.
2. If you choose not to observe the Financial Oversight Committee meeting but wish to make a comment on a specific agenda item, please submit your comment via email by 5:00 p.m. on the Monday prior to the Committee meeting. Please submit your comment to Tom Haynes, Interim Chief Financial Officer at tom.haynes@yolocounty.org. Your comment will be placed into the record at the Committee meeting.
3. If you are watching/listening to the live stream of the Committee meeting and wish to make either a general public comment or to comment on a specific agenda item as it is being heard, you may also submit your comment, limited to 250 words or less, to Tom Haynes, Interim Chief Financial Officer at tom.haynes@yolocounty.org. Every effort will be made to read your comment into the record, but some comments may not be read due to time limitations. Comments received after an agenda item will be made part of the record if received prior to the end of the meeting.

YOLO COUNTY FINANCIAL OVERSIGHT COMMITTEE

MINUTES OF MEETING February 10, 2022

Note: This meeting was held via teleconference, pursuant to the Government Code section 54953(e)(1) (as amended by Assembly Bill 361)

Members present: Gary Sandy, Chair, Larry Raber, Vice-Chair (Public Member), Richard Horan (Public Member), Crissy Huey (Education), Kimberly McKinney (Cities), and Kristin Sicke (Special District).

Others present: Chad Rinde (Interim CAO), Tom Haynes (Interim CFO), Sou Xiong, Kevin Sorensen, and Juliet Mapile (Treasury), Melissa Patterson (Chief Budget Official), Allison Kaune and Sarah Meacham (PFM), Brandon Young (LSL), and Kim Eldredge and Noemy Mora-Beltran (Internal Audit).

Moderator: Noemy Mora-Beltran
Recorded by Kim Eldredge

- 1) **Introductions.**
- 2) **Call to Order.** Gary Sandy called the meeting to order at 10:01 a.m. with members Richard Horan, Larry Raber, and Crissy Huey in attendance. Kristin Sicke and Kimberly McKinney were late. Quorum was formed. Angel Barajas were absent.
- 3) **Follow-up of items from prior meeting.**
- 4) **Approval of Agenda.**
Agenda reviewed and approved.
MOVED BY: Richard Horan / SECONDED BY: Crissy Huey
AYES: 4
NOES: 0
ABSTAIN: 0
ABSENT: 3
- 5) **Public Comment.** There were no public comments.

Consent Agenda

- 6) Renew authorization for remote (teleconference/videoconference) meetings by finding, pursuant to Assembly Bill 361, that (a) the COVID-19 pandemic state of emergency is ongoing, and (b) local officials continue to recommend measures to promote social distancing.
- 7) Approval of the prior meeting minutes 11/04/2021. Correction of spelling Kristin Sicke.
- 8) Receive Treasury audit report for quarter ended 9/30/2021.
- 9) Receive 2022 Investment Policy.

Consent agenda approved.

MOVED BY: Richard Horan / SECONDED BY: Crissy Huey

AYES: 6

NOES: 0

ABSTAIN: 0

ABSENT: 1

- 10) **Receive staff report on the status of current engagements and the release of audit reports since last meeting from the Division of Internal Audit (Eldredge).** Kim Eldredge gave a status of current audit engagements and reports completed since last meeting: Yolo County Transit District Special Review, Cash Department Audit-Sheriff, and the Continuous Purchase Card Audit all have been completed. Waiting on management responses for the Cash Department Audit-Assessor/Clerk-Recorder/Elections. The Network and Web Application Penetration Tests have agreed on terms and conditions and statement of work-tentative to begin in March 2022 and the Fleet Audit and Inmate Welfare Fund will begin soon after the On-Call Audit Services agreements are signed. For the automated process for corrective actions, email notifications will be ready to launch in the current week.
- 11) **Receive staff report on the audit work for ACFR 6/30/21 from Independent Auditor's (LSL/Haynes).** Brandon Young, Partner (LSL), provided a report on the audit results of the ACFR 6/30/21 with an opinion of unmodified (clean report). The issuance of the report is later than usual due to county personnel changes, but no internal control findings or adjustments were reported. Auditors are currently working on the Single Audit that has been extended to September 2022 however should have it completed before then.
- 12) **Receive verbal staff report on budget update (Patterson).** Melissa Patterson provided an update of the County budget mid-year monitoring and budget development status. The mid-year monitoring report will be presented to the Yolo County Board of Supervisors on 3/08/22 with a common theme of projected surplus due to vacancies, project and program delays due to COVID 19, and reimbursed grants. The budget team has been working on FY22-23 budget development and have completed the budget principles, budget development instructions, base budget and internal charge calculations, salary and benefit projections, and a first draft of the larger general-purpose revenues. For next meeting, Melissa will provide the committee with the results of the 3rd quarter monitoring and a status update of the FY22-23 budget development process.
- 13) **Receive report on the Treasury Pool Investment Activity for the Fourth Quarter ended December 31, 2021 (PFM/Xiong).** Allison Kaune and Sarah Meacham (PFM) provided an economic update and overview of the investment portfolio performance for the Fourth Calendar Quarter through 12/31/2021.
- 14) **Select FOC Chair and Vice-Chair to serve for the calendar year 2022.**

Approved Gary Sandy (Chair) and Lawrence Raber (Vice-Chair).

MOVED BY: Richard Horan / SECONDED BY: Crissy Huey

AYES: 5

NOES: 0

ABSTAIN: 0

ABSENT: 2

15) **Confirm next meeting date.** May12, 2022 at 10:00 to 11:30 a.m.

16) **Committee Member and Staff Announcements.** Richard Horan raised the question of the county's hiring practices and if the county has different strategies in place to attract qualified employees while ensuring that the job gets done and a look at technology. Chad will ask the Human Resources Director, Alberto Lara to join the next meeting to discuss the hiring challenges and the fiscal impacts to the county.

17) **Adjournment.** Meeting Adjourned at 11:33 a.m.



County of Yolo

www.yolocounty.org

TOM HAYNES
Interim Chief Financial Officer

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- Financial Leadership
- Budget & Financial Planning
- Treasury & Finance
- Tax & Revenue Collection
- Financial Systems Oversight
- Accounting & Financial Reporting
- Internal Audit
- Procurement

January 27, 2022

Sou Xiong, Treasury Manager
Department of Financial Services
Yolo County
625 Court Street, Room 102
Woodland, CA 95695

Re: Treasury Cash Count quarterly report for December 31, 2021

Dear Mr. Xiong:

We have performed the procedures as agreed upon in our engagement to assist the County with respect to compliance with Government Code Section 26920 (a) (1) for the quarter ending December 31, 2021. The County's Treasurer is responsible for compliance with the above noted Government Code section. The agreed upon procedures engagement was performed in accordance with the International Standards for the Processional Practice of Internal Auditing. In regards to auditor's independence, the Internal Audit Division reports administratively to the Chief Financial Officer, but functionally to the Board of Supervisors. 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. Further, we did not review system controls of the county financial system.

Our procedures and results are as follows:

1. Observe and certify the treasury staff cash count and verify that the coin and cash bags are properly sealed.

Results: Procedure performed with no exceptions.

Considerations: None.

2. Vouch the deposit slips prepared for the coin and cash bags to the bank statement.

Results: Procedure performed with no exceptions.

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 Treasury management, 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 Treasury management and staff to our requests for information.

Sincerely,



Kim Eldredge, CGAP
Internal Audit Manager

cc: Tom Haynes, Interim Chief Financial Officer
Chad Rinde, Interim Yolo County Administrator
Yolo County Audit Sub-Committee
Internal Audit Website
Audit File



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Supervisors and Financial Oversight Committee
County of Yolo, California

We have performed the procedures enumerated below, which were agreed to by the County of Yolo, California (County) (the specified parties), on the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments for the quarter ended December 31, 2021. The County's management is responsible for the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in 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.

Scope of the Procedures Performed and Related Findings

The procedures performed and the results obtained from the performance thereof were as follows:

- 1) Counted the cash in the Treasury as of December 31, 2021.

Finding: This procedure was performed by the County of Yolo Internal Audit Division. We inspected workpapers of the County of Yolo Internal Audit Division over the Treasury cash count, noting the cash count procedures were performed.

- 2) Verified that the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments and the records of the County of Yolo Auditor are reconciled as of December 31, 2021, pursuant to *Government Code Section 26905*.

Finding: No findings were noted as a result of applying this procedure.

- 3) Reconciled the investments included in the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments as of December 31, 2021, to the statements provided by the related financial institutions.

Finding: No findings were noted as a result of applying this procedure.

- 4) We compared the investments listed in the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments as of December 31, 2021, to the types of investments authorized by the County's Investment Policy and *Government Code Section 53601*.

Finding: No findings were noted as a result of applying this procedure.



Board of Supervisors and Financial Oversight Committee
County of Yolo, California

- 5) We compared the market value of the investments listed in the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments as of December 31, 2021, to the statements provided by the related financial institutions. We identified all variances in excess of 0.5% and \$10,000 of the financial institution amount. For the variances above the scope, we received variance explanations from the County Treasury staff to identify whether variances are routine or nonroutine.

Finding: Variances in excess of 0.5% and \$10,000 of the financial institution amount are summarized in **Attachment A**. The County Treasury staff considers these variances to be routine.

We read the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments to ascertain if it contained the information/data required by *Government Code Section 53646* and met the timing requirements of *Government Code Section 53646* and the County's Investments Policy, as follows:

- a) Was submitted within 30 days following the end of the quarter.
- b) Included type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments, and monies held by the County.
- c) Included those funds under management of contracted parties (fiscal agents, trustees, deferred compensation administrators, etc.).
- d) Included market value (and source) as of the date of the report of all securities held by the County or under management of any outside party.
- e) Stated compliance of the portfolio to the Investment Policy of the County.
- f) Included a statement addressing the ability of the County to meet the pool's expenditure requirements for the next six months.

Finding: No findings were noted as a result of applying this procedure.

- 6) We compared the investments listed in the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments as of December 31, 2021, to the prohibited investments listed in *Government Code Section 53601.6*.

Finding: No findings were noted as a result of applying this procedure.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of a certified opinion, of the of the Investment Summary for the Treasurer's Pooled and Non-Pooled investments for the quarter ended December 31, 2021, Accordingly, we do not express such an opinion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Supervisors, the Financial Oversight Committee, and management of the County and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Lance, Soll & Loughard, LLP".

Sacramento, California
April 29, 2022

County of Yolo, California
Investment Summary for the Treasurer's Pooled and Non-Pooled Investments
Agreed-Upon Procedures Report
Quarter Ended December 31, 2021
Attachment A
Procedure 5 Results - Market Value Comparison

Description	CUSIP	County Investment Summary	Financial Institution Statements	Variance	
				\$	%
<i>Treasury Pool</i> FHMS K724 A2	3137BTU25	\$ 3,591,169	\$ 3,613,973	\$ (22,804)	-0.64%



County of Yolo

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Interim Chief Financial Officer

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- Internal Audit
- Procurement

Transmittal Letter

February 18, 2022

Jesse Salinas, Assessor/Clerk-Recorder/Registrar of Voters
625 Court Street, Room 104
Woodland, CA 95695

Re: Internal Control Cash Audit - Assessor/Clerk-Recorder/Elections

Dear Mr. Salinas:

The Division of Internal Audit performed an internal control cash audit of the Assessor/Clerk-Recorder/Elections for the period of December 1, 2020 to November 30, 2021 to determine whether adequate internal control exists to provide reasonable assurance to county management that there is an acceptable level of operational accountability over cash.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, reliable, relevant and useful information to provide reasonable assurance that our objective as described above is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Management is responsible for establishing and maintaining adequate internal controls. Our responsibility is to evaluate the internal controls.

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to cash handling, system access, and documentation of procedures.

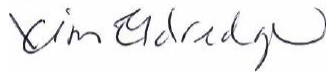
As required, in accordance with auditing standards and the County Audit Follow-up Policy, County Management has responded to each finding and recommendation contained in our report. We will follow-up to verify that management implemented the corrective actions.

Yolo County Division of Internal Audit
Transmittal Letter

In regard to auditor's independence, the Internal Audit Division reports administratively to the Chief Financial Officer, but functionally to the Board of Supervisors.

We thank the Assessor/Clerk-Recorder/Elections management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Sincerely,



Kim Eldredge, CGAP
Audit Manager

Distribution

Tom Haynes, Yolo County, Interim Chief Financial Officer
Chad Rinde CPA, Interim Yolo County Administrator
Sou Xiong, Treasury Manager
Yolo County Audit Subcommittee
Internal Audit Website
Audit File Project No. 2022-28

Yolo County Division of Internal Audit
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Audit No: 2022-28**

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Detailed Findings and Recommendations

Background

The Assessor/Clerk-Recorder/Elections (ACE) is an elected office that oversees the following branches:

Assessor

The Assessor is responsible for the determination of the county tax roll. The three primary elements are assessment of all taxable real property, business property, aircraft, and other miscellaneous personal property; assessment appeal; and customer service regarding personal property issues.

Clerk-Recorder

The Clerk Recorder serves as an archivist of various records. Three major types of these records are vital records (birth, death and marriage certificates,) real property records, and fictitious business name statements, which are related to businesses formed and conducted in Yolo County. All the records in the custody of the clerk recorder are preserved and protected, to insure the records originally submitted are not compromised or open for potential fraudulent activities.

Election

Elections conducts federal, statewide and local elections. Through collaboration with stakeholders in the community and other governmental agencies, the elections branch strives to inform voters of their ability to vote and to positively engage them in the election process.

Our review tested the ACE's cash operations at the above branches to determine that controls are operating in accordance with the Yolo County Cash Accounting Manual, Government Code, and Best Practice.

Objective, Scope, and Methodology:

The objective of the review was to determine whether adequate internal control exists to provide reasonable assurance to county management that there is an acceptable level of operational accountability over the handling of cash within the three branches (Assessor/Clerk-Recorder/Elections). Operational accountability is achieved when the cash operations operate effectively and efficiently, transactions are executed in accordance with laws, regulations and Board policies and reliable information is generated and reported.

The scope of our audit included the review of the revolving cash fund and cash equivalents for the period of December 1, 2020 to November 30, 2021. This report also does not include a full system review of the Tyler system (Clerk-Recorder's system).

Yolo County Division of Internal Audit
Internal Auditor's Report

I. Revolving Cash Fund Accounts

Revolving funds are established by the Department of Financial Services for specific operational needs to facilitate certain expenditure and cash transactions throughout the county departments. The most common types of revolving funds are change funds, petty cash funds and special purpose funds.

ACE has an authorized revolving cash fund balance totaling \$345 distributed to the branches as follows:

- a. Petty cash in the amount of \$50 at the Assessor's branch to reimburse small dollar items and office supplies needed on an emergency basis.
- b. Change fund in the amount of \$50 to be used by the Assessor's branch to make change for the sale of maps, labels, property characteristics and research.
- c. Change fund in the amount of \$20 to be used by the Elections branch to make change for voter registration confirmations and copies.
- d. Change fund in the amount of \$225 to be used by the Clerk-Recorder's branch to make change for the collection of fees for vital records and official recordings.

Audit Objective/Methodology

To determine whether the revolving fund accounts were authorized, expenses applied allowed under policy, and replenishments supported by adequate documentation that funds were received.

To accomplish our objective, the following procedures were performed:

- Verified that the revolving funds agreed to the authorized accountable revolving cash fund balance on file with the Department of Financial Services
- Inquired with management and staff on the petty cash procedures
- Tested a sample of the petty cash replenishments and change funds to determine compliance with County Policy and Government Code

Based on the procedures performed, the revolving funds agreed to the accountable balance with the Department of Financial Services. No petty cash replenishments were made during the audit period. The department should review the petty cash fund and determine if the established amount of \$50 is still needed for department operations.

No exceptions noted.

Yolo County Division of Internal Audit
Internal Auditor's Report

II. Cash Receipts

Cash refers to U.S. currency and coins, checks drawn on U.S. banks and written in U.S. dollar values including travelers, cashiers, and certified checks, money orders, credit card sales drafts, Automated Clearing House (ACH) payments, and wire transfers. All of these forms of payment are acceptable by the County. The Chief Financial Officer must grant approval to a department to collect cash on behalf of the County. Departments must follow general cash receipt procedures and recording of transactions in handling of all cash receipts as stated below:

- A cash receipt must be provided for all cash transactions received over the counter.
- Cash collections shall be summarized daily on a cash receipt journal showing date received, amount received, and revenue or other accounts to be credited.
- Cash receipts must be deposited in the County Treasury or other authorized depository bank daily or when the amount on-hand exceeds a safe and reasonable threshold but no less frequently than weekly.
- A deposit transmittal form must accompany all cash receipts.
- Cash receipts that are transported from branch locations to headquarters for deposit must be maintained using a transmittal log or slip.
- Cash overages shall not be netted against cash shortages. Overages shall be deposited into the general ledger account and any shortages be listed on a log showing all relevant information including the date, amount, cashier, and an explanation for the shortage.
- Recording cash receipt transactions (cash register transactions, mail receipts, and credit cards) must be maintained and reconciled to the deposit.

ACE has four (4) collection areas at the Assessor, Clerk-Recorder (2 counters) and Elections public counters. The Clerk-Recorder and Elections branches reconcile their own collections and make the deposits into the County Treasury. The Assessor's branch transfers the cash receipts to the Elections-Finance for further processing.

Audit Objective/Methodology:

To determine that handling of cash receipts comply with County Policy, funds are adequately safeguarded, and there is a separation of duties among employees handling and reconciling cash.

To accomplish our objective, the following procedures were performed:

- Conducted a cash count of all change funds
- Tested a sample of cash receipts
- Reviewed the cash reconciliation procedures
- Determined whether the cash was secured and locked at all times
- Reviewed the annual revolving cash report for fiscal year 2020-21 for reported cash overages and shortages

Finding #1: Segregation of duties

Segregation of duties is "key duties and responsibilities that need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event."

To minimize the potential for mistakes in cash operations and/or misappropriation of cash, cash duties should be segregated among different individuals so that in all instances one person (preferably a supervisor) will

Yolo County Division of Internal Audit
Internal Auditor's Report

check the work performed by another. This is attained by having a different individual to receive the cash, prepare the deposit transmittal, and reconcile the ledger sheets while providing a control over the others, catching mistakes and preventing the misappropriation of funds.

The auditors found that duties were not properly segregated for the handling of payments at the Assessor and Clerk-Recorder branches as stated below:

- One employee reconciles daily collections and prepares the deposits at the Clerk-Recorder's branch. The same employee is an assigned cashier at the public counter (Tuesday & Wednesday 12:30 pm-4:00 pm) who is responsible for processing all payments received from title companies processed in the Tyler system.
- Cash collections at the Assessor's branch are reconciled by one cashier and not reviewed by an employee independent of the receipting function.

Duties that involve one person with control of all aspects of a transaction may cause errors to go unnoticed and provide an opportunity for misappropriation of funds.

Recommendation 1

We recommend that ACE review their procedures for handling payments at the Assessor and Clerk-Recorder branches and ensure that an independent person verifies the payments recorded in the Tyler system and the payments received from the customers.

(Priority 1 Issue – 60 days required corrective action)

Management Response 1

In Clerk-Recorder a manager or second person will review and sign off on all cash deposits.

In Assessor a manager or second person will review and sign off on all cash deposits. (Anticipated Date of Completion 2/28/2022)

Finding #2: Depositing cash receipts

All collections shall be deposited promptly and intact into the County Treasury or authorized bank accounts. Promptly deposited generally means making deposits daily or when the amount collected on hand exceeds a safe and reasonable threshold but no less frequently than weekly. This threshold is usually in the \$500-\$1,000 range and depends on the composition of the cash (currency versus checks) and the physical controls over cash.

The auditors performed a cash count of all the change funds, selected a sample of cash receipts and traced the funds to the deposits recorded in the general ledger. The following was noted:

- Collections at the Clerk-Recorder's branch are not deposited within the scheduled deposit date (Monday, Wednesday, and Friday). From a sample of 5 days reviewed in November 2021 and the outstanding deposits on the day of the cash count, three deposits totaling \$29,253 (\$682 cash and \$28,571 checks) were not made until 5 to 7 days after the receipt date. Per inquiry with the management and staff, the deposits and cash reconciliations are prepared by only one cashier. If the cashier is on personal leave, deposits are on-hold until her return to the office.
- Two checks totaling \$2,340 from August 2021 at the Elections branch were not deposited until 31-32 days after the receipt date.
- One check in the amount of \$686 at the Assessor's branch was not deposited until 30 days after the receipt date.

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In addition, the Clerk-Recorder's branch collects payments on behalf of the Health & Human Services Agency (HHSA) for application fees for medical marijuana ID cards. Payments are kept in a locked cash drawer and deposited into the HHSA accounting unit in the Infor system. During the audit period, collections totaling \$646 were not deposited until 26 to 232 days after the receipt date.

Deposits not made when collections exceed a safe and reasonable threshold increases the risk of misplacement or misappropriation of cash and may cause reconciliation problems.

Recommendation 2:

We recommend that ACE develop a process to monitor outstanding deposits at the different branches to ensure that all deposits are reconciled on a timely basis, accounted for, and in compliance with the Yolo County Cash Accounting Manual.

(Priority 1 Issue – 60 days required corrective action)

Management Response 2

All branches will follow the Cash Accounting Manual. Clerk-Recorder has already addressed deposit timing and is monitoring closely. Elections will be more diligent in determining which account to code deposits to. Assessor will deposit funds for future FY into unearned revenue accounts and release in the new FY or when appropriate. (Anticipated Date of Completion 3/15/2022)

Finding #3: Voided receipts in the Tyler system

On a periodic basis, a supervisor must verify that the receipts are used in sequential order and that all receipts are accounted for, including voided receipts. Voided receipts shall be validated by an independent person and retained for department records.

Two cashiers at the Clerk-Recorder's branch have the ability to void receipts in the Tyler system. A voided receipt report is available from the Tyler system but is not reviewed by an independent person when the daily reconciliations are performed. Not having an independent person review the voided transactions may result in errors to go undetected and potential fraudulent activity to occur.

Recommendation 3:

We recommend that the Clerk-Recorder's branch review their process for voiding receipts in the Tyler system to ensure that voided transactions are reviewed by an independent person of the receipting function.

(Priority 1 Issue – 60 days required corrective action)

Management Response 3

Clerk-Recorder will review processes to include a 2nd level approval on all voided transactions. (Anticipated Date of Completion 3/15/2022)

Finding #4: Control log for payments received in the mail

Payments received in the mail should be listed immediately on a mail log (showing the date, check number, payee's name, amount, and description of payment) or scanned and kept on file to establish a record. A copy of the log or scanned documents must be maintained by the department for audit purposes and should be reconciled to the deposit.

The Clerk-Recorder's branch maintains a control log for payments received in the mail. However, the mail log is not reconciled to the deposit to ensure that the payment was recorded in the general ledgers. Not recording checks on a control log may result in checks being misplaced or misappropriated without timely detection.

Yolo County Division of Internal Audit
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Recommendation 4:

We recommend that the Clerk-Recorder's branch mail log be reconciled by an independent person of the collection process at least monthly to the deposit records to ensure that all monies received in the mail have been deposited in the County Treasury.

(Priority 1 Issue – 60 days required corrective action)

Management Response 4

Clerk-Recorder will update processes to ensure that deposits in the general ledger are reconciled to the mail log. (Anticipated Date of Completion 3/30/2022)

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Internal Auditor's Report

III. Other Procedures Performed (Banknote Paper)

The Clerk-Recorder's branch maintains an inventory of banknote paper to print out the birth certificates, marriage certificates and death certificates. The department orders the banknote paper in bulk and uses several control logs to record the banknote paper when it is received, scanned/activated in the Tyler system, issued, voided, and reconciled at the end of the day. The banknote paper stock is maintained in a locked and secure location until it is used.

Audit Objective/Methodology

To determine that the internal controls over physical security of banknote paper are adequate.

To accomplish our objective, the following procedures were performed:

- Reviewed the procedures for handling banknote paper
- Verified that banknote paper stock is maintained in a locked and secure location
- Determined that control logs for banknote paper stock are used and reconciled on a regular basis
- Determined that voided or canceled banknote papers are retained in a locked and secure location or destroyed on a schedule

Based on the procedures performed, the banknote paper stock is maintained in a secure location and control logs were properly used to maintain accountability over the banknote papers used and voided.

No exceptions noted.

Yolo County Division of Internal Audit
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IV. System Controls

According to Best Practice and the COSO framework of strong systems of control, departments are responsible for using appropriate systems to record and maintain detail of their accounts, including account activity, history of payments made, and outstanding balances. All documentation and records should be properly managed, maintained, and readily available for examination.

The Clerk-Recorder is responsible for processing and maintaining various records; such as, vital records (birth, death and marriage certificates,) real property records, and fictitious business name statements, which are related to businesses formed and conducted in Yolo County. The Clerk-Recorder uses the Eagle Recorder Suite system by Tyler Technologies Inc. to manage its day-to-day operations. In December 2019, the Clerk-Recorder replaced its image information system "CRIis" due to the lack of system support. The Tyler system is used by other counties; such as, Lassen, Sonoma, Humboldt, Yuba, and Monterey.

Audit Objective/Methodology

To review the system accounts associated with the cash handling process to ensure that ACE has adequate segregation of duties given the user's role and responsibilities.

To accomplish our objective, the following procedures were performed:

- Obtained a list of system administrators and users
- Compared the list of system administrators and users against the list of employees handling cash
- Obtained a general understanding of the user profile accounts

Finding #5: Access to the Tyler system

The auditors obtained a list of system administrators and users for the Tyler system. Access to the system is not restricted to authorized users, thus potentially posing a segregation of duties issue as stated below:

- Seven employees have administrative access with three employees assigned as cashiers. The system administrators have the ability to add, change or delete transactions and the system controls to approve their own transactions.
- One cashier with user access has the ability to void transactions in the Tyler system.

Improper user access rights and permissions may result in information that is added, deleted, or changed without approval or authorization. System administrator access that has operational duties and responsibilities should not have the ability to change financial transactions.

Recommendation 5:

We recommend that the Clerk-Recorder's branch review the list of system administrators and users for the Tyler system to ensure that each access permission is assigned appropriately for the job being performed. Further, that the security and change control reports be available, actively monitored, logged, and reported accordingly.

(Priority 1 Issue – 60 days required corrective action)

Management Response 5

Clerk-Recorder will review system administrators and users for Tyler and update access permissions accordingly. Processes will be updated to ensure listed concerns about security and change control reports are treated accordingly. (Anticipated Date of Completion 3/30/2022)

Yolo County Division of Internal Audit
Internal Auditor's Report

V. County Policy and Procedures

The Yolo County Cash Accounting Manual prescribes uniform accounting procedures for county departments pertaining to cash collections, cash revolving funds, other cash funds, cash equivalents and cash losses in accordance with generally accepted accounting principles, laws & regulations and county policies. County employees with cash handling functions are required to read the manual and become familiar with its contents. Individual departments may have more detailed procedures for each cash handling position.

Best Practice recommend that the following processes be documented with step-by-step procedures:

- Handling payments received at the counter and through the mail
- Handling credit card payments
- Recording payments into the cash handling systems
- Reconciling and depositing daily collections

Audit Objective/Methodology

To determine if procedures for cash handling confer with standards of internal control, Best Practice, and the Yolo County Cash Accounting Manual.

To accomplish our objective, the following procedures were performed:

- Reviewed policy manuals and procedures for recommended essential components within a Cash Handling Policy
- Verified that the cash handling processes are documented

Finding #6: Written procedures

The auditors reviewed ACE's procedures and identified the following:

- The Clerk-Recorder's branch has manuals on how to process payments in the Tyler system, but does not have procedures for reconciling cash collections and preparing the deposit.
- The Assessor's branch has procedures on how to reconcile collections, but it does not have procedures for collecting and recording cash payments.

Not providing staff with the necessary steps to process a transaction may result in procedures not being followed as intended and may allow errors to go undetected.

Recommendation 6:

We recommend that ACE review and update their manuals and procedures to include step-by-step procedures for collecting, recording, reconciling, and preparing deposits as recommended by Best Practice. The updated manuals and procedures should be disseminated to all staff handling cash payments and performing bank reconciliations.

(Priority 3 Issue – 180 days required corrective action)

Management Response 6

The Clerk-Recorder branch has already begun an update to their manuals and procedures.

*The Assessor branch will ammend existing procedures to incorporate collecting and recording cash payments.
(Anticipated Date of Completion 3/30/2022)*

Yolo County Division of Internal Audit
Internal Auditor's Report

VI. Priority Ranking Definitions

Auditors use their professional judgment to assign rankings to recommendations using the criteria and definitions listed below. The purpose of the rankings is to highlight the relative importance of some recommendations over others based on the likelihood of adverse impacts if a corrective action is not taken and the seriousness of the adverse impact that may result. Adverse impacts are situations that have or could potentially undermine or hinder the following:

- a. The quality of services department provides to the community;
- b. The accuracy and completeness of County books, records, or report;
- c. The safeguarding of County asset;
- d. The County's compliance with pertinent rules, regulations, or laws;
- e. The achievement of critical programmatic objectives or program outcomes; and/or,
- f. The cost-effective and efficient use of resources.

Priority 1 Issues

Priority 1 issues are control weaknesses or compliance lapses that are significant enough to warrant immediate corrective action. Priority 1 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category may be situations that create actual or potential hindrances to the department's ability to provide quality services to the community, and/or present significant financial, reputational, business, compliance, or safety exposures. Priority 1 recommendations require management's immediate attention and corrective action within 60 days of report issuance.

Priority 2 Issues

Priority 2 issues are control weaknesses or compliance lapses that are of a serious nature and warrant prompt corrective action. Priority 2 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category, if not corrected, typically present increasing exposure to financial losses and missed business objectives. Priority 2 recommendations require management's prompt attention and corrective action within 120 days of report issuance.

Priority 3 Issues

Priority 3 issues are the more common and routine control weaknesses or compliance lapses that warrant timely corrective action. Priority 3 recommendations may result from weaknesses in the design or absence of a procedure or control, or when personnel fail to adhere to the procedure or control. The issues, while less serious than a higher-level category, are nevertheless important to the integrity of the department's operations and must be corrected or more serious exposures could result. Departments must implement Priority 3 recommendations within 180 days of report issuance.



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Transmittal Letter

April 8, 2022

Jeff W. Reisig, Yolo County District Attorney
301 Second Street
Woodland, CA 95695

Re: Internal Control Cash Audit – District Attorney

Dear Mr. Reisig:

The Division of Internal Audit performed an internal control cash audit of the District Attorney's department for the period of February 1, 2021 to January 31, 2022 to determine whether adequate internal control exists to provide reasonable assurance to county management that there is an acceptable level of operational accountability over cash.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, reliable, relevant and useful information to provide reasonable assurance that our objective as described above is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Management is responsible for establishing and maintaining adequate internal controls. Our responsibility is to evaluate the internal controls.

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to gift card inventory, system access, and documentation of procedures.

As required, in accordance with auditing standards and the County Audit Follow-up Policy, county management has responded to each finding and recommendation contained in our report. We will follow-up to verify that management implemented the corrective actions.

Yolo County Division of Internal Audit
Transmittal Letter

In regard to auditor's independence, the Internal Audit Division reports administratively to the Chief Financial Officer, but functionally to the Board of Supervisors.

We thank the District Attorney's management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Sincerely,



Kim Eldredge, CGAP
Audit Manager

Distribution

Tom Haynes, Yolo County, Interim Chief Financial Officer
Chad Rinde CPA, Interim Yolo County Administrator
Sou Xiong, Treasury Manager
Lee Gerney, Chief Technology Officer
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Internal Audit Website
Audit File Project No. 2022-29

Yolo County Division of Internal Audit
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Audit No: 2022-29

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Detailed Findings and Recommendations

Background

The District Attorney's department is responsible for managing the following programs:

- **Criminal Prosecution:** Provides services towards the prosecution of felony and misdemeanor crimes committed in Yolo County by adults and juveniles.
- **Elder Abuse:** Ensures offenders are held accountable for the physical and financial abuse of senior citizens and increases awareness of ways to protect themselves from becoming victims of fraud.
- **Witness Protection:** Ensures the safety of potential witnesses in criminal prosecutions.
- **Charging and Intake:** Reviews referrals from law enforcement agencies and decides whether to charge/reject a case or request further investigation.
- **Consumer Fraud:** Ensures offenders are held accountable, in both criminal and civil courts, for using unfair business practices to defraud consumers.
- **Environmental Protection:** Ensures offenders are held accountable for practices that would damage and endanger the health and safety of Yolo County residents and natural resources.
- **Child Abduction:** Enforces compliance of child custody/visitation orders and assists in locating/returning children maliciously taken through any appropriate civil and criminal proceedings.
- **Neighborhood Court:** Reduces recidivism among offenders in the program and ensures victim and community restoration.
- **Office Traffic Safety (OTS) DUI:** Ensures that driving under the influence of drugs offenders are held accountable and deter the DUI/DUID activity in Yolo County.
- **Fraud Unit:** Increases fraud awareness and investigates and prosecutes fraud violations. The program includes auto insurance fraud and worker's compensation fraud investigations.
- **Victim Services:** Supports victims of crime by allowing their voices to be heard, increasing compensation/supports and increasing wellness.
- **Multi-Disciplinary Interview Center (MDIC):** Coordinates and facilitates a multi-agency response to support child abuse victims and reduce system-inflicted trauma.
- **Conviction & Sentencing Review:** Reviews and investigates claims of innocence raised after a criminal conviction.
- **Yolo Narcotic Enforcement Team (YONET):** Eliminates illegal narcotics from the community and holds offenders accountable for violations of narcotics trafficking laws.

Our review tested the department's cash operations to determine that controls are operating in accordance with the Yolo County Cash Accounting Manual, Government Code, and Best Practice.

Objective, Scope, and Methodology:

The objective of the review was to determine whether adequate internal control exists to provide reasonable assurance to county management that there is an acceptable level of operational accountability over the handling of cash within the department. Operational accountability is achieved when the cash operations operate effectively and efficiently, transactions are executed in accordance with laws, regulations and Board policies and reliable information is generated and reported.

The scope of our audit included the review of the revolving cash fund and cash equivalents for the period of February 1, 2021 to January 31, 2022. This report does not include a full system review of the Checkres System used by the Check Prosecution Unit (Criminal Prosecution).

I. Revolving Cash Fund Accounts

Revolving funds are established by the Department of Financial Services for specific operational needs to facilitate certain expenditure and cash transactions throughout the county departments. The most common types of revolving funds are change funds, petty cash funds and special purpose funds.

The District Attorney's department has an authorized revolving cash fund balance totaling \$1,440 distributed to the programs as follows:

- a. Petty cash fund in the amount of \$200 for tobacco buy money, supplies and food for teenage decoys (Criminal Prosecution/Special Programs)
- b. Petty cash fund in the amount of \$200 to purchase food and supplies needed for the YONET program
- c. Petty cash fund in the amount of \$300 for use by the Fiscal Administration Unit to reimburse small dollar items, postage and office supplies needed on an emergency basis (Criminal Prosecution)
- d. Petty cash fund in the amount of \$100 for use by the clerical area to pay for overdue postage and special mailings (Criminal Prosecution)
- e. Petty cash fund in the amount of \$400 for use by the Child Abduction program for miscellaneous items needed for children
- f. Change fund in the amount of \$40 for use by the front desk to make change for discovery copies (Criminal Prosecution)
- g. Change fund in the amount of \$200 for use by the Check Prosecution Unit to make change for payments received from clients (Criminal Prosecution)

The District Attorney's department also has four (4) outside bank accounts for YONET operations. These accounts are audited annually by external auditors.

In addition, the District Attorney's department has a special appropriation fund of \$5,000 per fiscal year that is made available to the department by the Board of Supervisors as required by Government Code Sec. 29400 Et. Seq. for payments of expenses in criminal cases, detection of crime and civil actions or proceedings.

Audit Objective/Methodology

To determine whether the revolving fund accounts were authorized, expenses applied allowed under policy, and replenishments supported by adequate documentation that funds were received.

To accomplish our objective, the following procedures were performed:

- Verified that the revolving funds agreed to the authorized accountable revolving cash fund balance on file with the Department of Financial Services
- Inquired with management and staff on the petty cash procedures
- Tested a sample of the petty cash and special appropriation fund replenishments to determine compliance with County Policy and Government Code

Based on the procedures performed, the revolving funds agreed to the accountable balance with the Department of Financial Services and the replenishments for the petty cash and special appropriation fund were supported by adequate documentation and the usage of the special appropriation fund complied with Government Code 29400. No petty cash replenishments were made during the audit period for the YONET, Child Abduction and Tobacco programs. The department should review these petty cash funds and determine if the established amounts are still needed for department operations.

II. Cash Receipts

Cash refers to U.S. currency and coins, checks drawn on U.S. banks and written in U.S. dollar values including travelers, cashiers, and certified checks, money orders, credit card sales drafts, Automated Clearing House (ACH) payments, and wire transfers. All of these forms of payment are acceptable by the County. The Chief Financial Officer must grant approval to a department to collect cash on behalf of the County. Departments must follow general cash receipt procedures and recording of transactions in handling of all cash receipts as stated below:

- A cash receipt must be provided for all cash transactions received over the counter.
- Cash collections shall be summarized daily on a cash receipt journal showing date received, amount received, and revenue or other accounts to be credited.
- Cash receipts must be deposited in the County Treasury or other authorized depository bank daily or when the amount on-hand exceeds a safe and reasonable threshold but no less frequently than weekly.
- A deposit transmittal form must accompany all cash receipts.
- Cash receipts that are transported from branch locations to headquarters for deposit must be maintained using a transmittal log or slip.
- Cash overages shall not be netted against cash shortages. Overages shall be deposited into the general ledger account and any shortages be listed on a log showing all relevant information including the date, amount, cashier, and an explanation for the shortage.
- Recording cash receipt transactions (cash register transactions, mail receipts, and credit cards) must be maintained and reconciled to the deposit.

The District Attorney's department has three (3) collection areas at the front desk (discovery copies), Check Prosecution Unit (Criminal Prosecution), and the Neighborhood Court program. Each area reconciles their daily collections and transfers the cash and cash receipts to the Fiscal Admin. staff for further processing of the deposits into the County's Treasury.

Audit Objective/Methodology:

To determine that handling of cash receipts comply with County Policy, funds are adequately safeguarded, and there is a separation of duties among employees handling and reconciling cash.

To accomplish our objective, the following procedures were performed:

- Conducted a cash count of all change funds
- Tested a sample of cash receipts
- Reviewed the cash reconciliation procedures
- Determined whether the cash was secured and locked at all times
- Reviewed the annual revolving cash report for fiscal year 2020-21 for reported cash overages and shortages

Based on the procedures performed, cash on-hand for the front desk, Check Prosecution Unit, and the Neighborhood Court program were supported by adequate documentation, cash receipts were properly deposited within the County Treasury, and funds were adequately secured.

III. Other Cash Funds and Cash Equivalents

Cash equivalents; such as, gift certificates, gift cards, and bus passes may be acquired for use in grant funded or county programs. Approval and purpose of such acquisition must be on file. Departments are required to maintain an inventory for the cash equivalents showing the purchase date, card number, vendor name, amount and expiration (if applicable). Issuance of the inventory items must be documented, and recipients must sign a receipt that the item was received. Total amount per recipient over \$600 within a calendar year must be reported to the Department of Financial Services.

The District Attorney's department maintains an inventory of gift cards to be used as ancillary items needed for the Elder Abuse program. The inventory is maintained by the Fiscal Admin. Unit and then transferred to the program advocates for distribution to clients. All gift cards were purchased in July 2021 with a total value of \$2,875.

Audit Objective/Methodology

To determine that the gift cards are maintained, documented, and agree to the department records. And, that the client signed a receipt for possession of the gift cards.

To accomplish our objective, the following procedures were performed:

- Conducted a count of the gift cards on-hand and traced to the inventory logs
- Determined that the inventory was properly recorded in the general ledger

Finding #1: Accountability over gift cards

Departments are ultimately responsible for the safekeeping of inventory they purchase. Purchases of inventory are charged to the asset inventory account and credited from inventory when used. The inventory account should reflect the "book balance" of inventory on-hand. Physical inventory counts should be taken periodically by someone independent of the purchasing and custody of inventory. Missing items should be investigated and analyzed for possible control deficiencies.

The auditors examined 101 gift cards and reviewed the internal controls over the handling of gift cards and noted the following exceptions:

- Inventory of gift cards is not recorded in the general ledger
- 95% of the gift cards are unused; remaining balance \$2,675

Not recording the inventory of gift cards in the general ledger may result in inaccurate financial data reported on the County's annual financial statements. Gift cards held as inventory and not redeemed within a year may result in a loss of value and increases the risk of potential tracking errors and/or misappropriation of gift cards.

Recommendation 1:

We recommend that the department record the gift card inventory in the general ledger to reflect the actual inventory on-hand in the financial records. It is also recommended that the gift cards be reviewed to determine if they are deemed necessary for program operations.

(Priority 1 Issue – 60 days required corrective action)

Management Response 1

All remaining gift cards will be entered into inventory. Gift cards were purchased with grant funds which grant cycle ended 12/31/21. Gift card can only be used for activities associated with that specific grant and can't be used in any other program or grant. (Anticipated Date of Completion – Gift cards into inventory by 6/30/2022)

IV. System Controls

According to Best Practice and the COSO framework of strong systems of control, departments are responsible for using appropriate systems to record and maintain detail of their accounts, including account activity, history of payments made, and outstanding balances. All documentation and records should be properly managed, maintained, and readily available for examination.

The District Attorney's Check Prosecution Unit (Unit) is responsible for tracking down check writers for non-sufficient fund/closed accounts. The Unit returns the money to the victim/merchant and deters future offenses through a diversion program and possible criminal prosecution at no cost to the victim for using the program. The Unit uses the Checkres system to manage client accounts and record receipts and disbursements.

Audit Objective/Methodology

To review the system accounts associated with the cash handling process to ensure that the District Attorney's department has adequate segregation of duties given the user's role and responsibilities.

To accomplish our objective, the following procedures were performed:

- Obtained a list of system administrators and users
- Compared the list of system administrators and users against the list of employees handling cash
- Obtained a general understanding of the user profile accounts

Finding #2: Access to the Checkres system

Access to the Checkres system is limited to only one user thus creating a segregation of incompatible duties issue. The user has the ability to record payments, distribute payments, and adjust client accounts. The system is a demo version without software maintenance support and is installed on an old computer. According to the department, the software is unable to be transferred to a different computer device.

Improper user access rights and permissions may result in information that is added, deleted, or changed without approval or authorization. Using a software without maintenance support may decrease the program's functionality to keep the software in working order.

Recommendation 2:

We recommend that the department develop a procedure to review system reports that include client account information that maybe added, deleted or changed and have an independent person verify the accuracy of the information on all client account transaction activity. It is also recommended that the department document a plan of continued usage of the unsupported software or migrate to another supported system.

(Priority 1 Issue – 60 days required corrective action)

Management Response 2

The Chief Fiscal Admin Officer can go into CheckRes and review account information, see what was added, payments made, check notes, etc. The program may be on one computer but it's a laptop which can move from office to office. We will be closing the Check Prosecution unit. We are still working out all the logistics but it is anticipated that all bad checks that come to our department will go through Restorative Justice Partnership (RJP). We are hoping to make this transition by July 1, 2022. We do have a few clients that pay monthly but we anticipate that these clients will be transferred into the RJP process. By the time we develop a plan, CheckRes will no longer be used. (Anticipated Date of Completion - No date of corrective actions as CheckRes will not be used beyond July 1, 2022)

V. County Policy and Procedures

The Yolo County Cash Accounting Manual prescribes uniform accounting procedures for county departments pertaining to cash collections, cash revolving funds, other cash funds, cash equivalents and cash losses in accordance with generally accepted accounting principles, laws & regulations and county policies. County employees with cash handling functions are required to read the manual and become familiar with its contents. Individual departments may have more detailed procedures for each cash handling position.

Best Practice recommend that the following processes be documented with step-by-step procedures:

- Handling payments received at the counter and through the mail
- Handling credit card payments
- Recording payments into the cash handling systems
- Reconciling and depositing daily collections
- Handling gift card inventory

Audit Objective/Methodology

To determine if procedures for cash handling confer with standards of internal control, Best Practice, and the Yolo County Cash Accounting Manual.

To accomplish our objective, the following procedures were performed:

- Reviewed policy manuals and procedures for recommended essential components within a Cash Handling Policy
- Verified that the cash handling processes are documented

Finding #3: Written procedures

The District Attorney's department uses the Yolo County Cash Accounting Manual as a guideline on how to handle the petty cash funds and record and reconcile cash receipts. The department also has written procedures for handling the special appropriation fund and for recording and adjusting client accounts in the Checkres system. However, detailed procedures for recording, distributing and performing inventory counts of gift cards are not available.

Not providing staff with the necessary steps to process a transaction may result in procedures not being followed as intended and may allow errors to go undetected.

Recommendation 3:

We recommend that the department develop step-by-step procedures to ensure compliance with County Policy and recommended Best Practice. The procedures should be disseminated to all staff handling gift card inventory.

(Priority 3 Issue – 180 days required corrective action)

Management Response 3

Procedures will be written. (Anticipated Date of Completion 6/30/2022)

VI. Priority Ranking Definitions

Auditors use their professional judgment to assign rankings to recommendations using the criteria and definitions listed below. The purpose of the rankings is to highlight the relative importance of some recommendations over others based on the likelihood of adverse impacts if a corrective action is not taken and the seriousness of the adverse impact that may result. Adverse impacts are situations that have or could potentially undermine or hinder the following:

- a. The quality of services department provides to the community;
- b. The accuracy and completeness of County books, records, or report;
- c. The safeguarding of County asset;
- d. The County's compliance with pertinent rules, regulations, or laws;
- e. The achievement of critical programmatic objectives or program outcomes; and/or,
- f. The cost-effective and efficient use of resources.

Priority 1 Issues

Priority 1 issues are control weaknesses or compliance lapses that are significant enough to warrant immediate corrective action. Priority 1 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category may be situations that create actual or potential hindrances to the department's ability to provide quality services to the community, and/or present significant financial, reputational, business, compliance, or safety exposures. Priority 1 recommendations require management's immediate attention and corrective action within 60 days of report issuance.

Priority 2 Issues

Priority 2 issues are control weaknesses or compliance lapses that are of a serious nature and warrant prompt corrective action. Priority 2 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category, if not corrected, typically present increasing exposure to financial losses and missed business objectives. Priority 2 recommendations require management's prompt attention and corrective action within 120 days of report issuance.

Priority 3 Issues

Priority 3 issues are the more common and routine control weaknesses or compliance lapses that warrant timely corrective action. Priority 3 recommendations may result from weaknesses in the design or absence of a procedure or control, or when personnel fail to adhere to the procedure or control. The issues, while less serious than a higher-level category, are nevertheless important to the integrity of the department's operations and must be corrected or more serious exposures could result. Departments must implement Priority 3 recommendations within 180 days of report issuance.

Yolo County
Division of Internal Audit
Audit Plan - Status of Projects
Fiscal Year 2021-2022

No.	Project No	Type	Name	Entity	Preliminary Audit Objective/Project Description	Priority	Hours	% Complete	Status	Report Issued	No. of Findings
1	2022-18	Carry Forward FY20-21	Accounts Payable Audit	Countywide	To assess internal controls over accounts payable to ensure invoicing/payment processes are properly reviewed and complete, valid, and accurate. Includes review of system controls and data analytics.	High	410	0%	Planned for May-June		
2	2022-24	Carry Forward FY20-21	Yolo County Transit District	Special Project	Confidential Audit; Requested by District Board.	High	60	100%	Completed	11/17/2021	7
3	2022-17	Carry Forward FY20-21	Purchase Card	Countywide-Cont Aud	To provide County Management with assurance that the purchase card program is in compliance with County's policies and industry best practices. <i>Continuous audit every six month period. Review period (July - Dec 2020)</i>	High	130	100%	Completed	7/21/2021	6
4	2022-23	Carry Forward FY20-21	Capital Project Audit	Countywide	To provide County Management with assurance that capital project management systems are in compliance with County's policies, industry best practices, and generally accepted project management standards.	High	200	75%	In-progress		
5	2022-22	Carry Forward FY20-21	Payroll Audit	Countywide	To assess internal control over payroll processing to ensure payroll is accurate, authorized, reviewed, and duties are properly segregated.	High	120	100%	Completed	10/1/2021	12 5 Follow-ups
6	2022-25	Carry Forward FY20-21	Cash-Department Audit	Department Sheriff	To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records.	High	172	100%	Completed	11/22/2021	8 4 Follow-ups
7	2022-34	New	Contracting and Procurement Audit	Countywide	The internal audit activity will work with the Procurement Manager on determining scope of audit.	TBD- Depends on scope	220	0%	Carry Forward to FY22-23 due to the Infor Project		
8	2022-33	New	Payroll Audit	Countywide	To be determined from outcome from Payroll Audit (Project No. 2022-22)	High	120	0%	Carry Forward to FY22-23 due to the Infor Project		
9	2022-32	New	Accounts Receivable-Department Audit	Department TBD	To assess internal control over accounts receivable to ensure receivable accounts are accurate, valid, properly approved, and recorded.	Med	172	0%	Planned for May-June		
10	2022-31	New	Accounts Receivable-Department Audit	Department TBD	To assess internal control over accounts receivable to ensure receivable accounts are accurate, valid, properly approved, and recorded.	Med	172	0%	Canceled; combined with #9		
11	2022-30	New	Cash-Department Audit	Department HHSA	To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records.	High	172	75%	In-progress		

Yolo County
Division of Internal Audit
Audit Plan - Status of Projects
Fiscal Year 2021-2022

No.	Project No	Type	Name	Entity	Preliminary Audit Objective/Project Description	Priority	Hours	% Complete	Status	Report Issued	No. of Findings
12	2022-29	New	Cash-Department Audit	Department District Attorney	To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records.	High	172	100%	Completed	4/8/2022	3
13	2022-28	New	Cash-Department Audit	Department Clerk-Recorder	To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records.	High	172	100%	Completed	2/18/2022	6
14	2022-36	New	Cell Phone Audit	Special Project-Countywide	To ensure compliance with County Policy & Procedures, Government Code, and Best Practices.	TBD-Depends on scope	168	20%	Started		
15	2022-27	New	Purchase Card	Countywide-Cont Aud	To provide County Management with assurance that the purchase card program is in compliance with County's policies and industry best practices. <i>Continuous audit every six month period. Review period (Jan - June 2021)</i>	High	120	100%	Completed	1/20/2022	7
16	2022-13 2022-14	New	Treasury Cash Counts	Department DFS	To count cash in the county treasury (at least once in each quarter). <i>Mandated: Government Code 26920 (a)(1).</i>	High	28	100%	Completed	1st Qtr 9/30 - 10/12/21 2nd Qtr 12/31 - 1/27/22 3rd Qtr 3/31 - 5/02/22	0
17	Outsource	New	Network and Web Application Penetration Tests	Department ITS	To address concerns raised on cybersecurity of the County Network.	High	0		Scheduled May 2nd		
18	Outsource	New	Access Review Audit	Special Project-Countywide	To ensure compliance with County Policy & Procedures, Government Code, and Best Practices.	High	0	5%	Carry Forward to FY22-23 due to the Infor Project		
19	Outsource	New	Fleet Audit	Department Community Services	To ensure compliance with County Policy & Procedures, Government Code, and Best Practices.	High	0	5%	Started		
20	Outsource	New	Inmate Welfare Fund Audit	Department Sheriff	To evaluate the Sheriff-Coroner's assertions regarding the propriety of revenues and expenditures of the fund, appropriateness of internal controls over administration and accounting for fund activities, and compliance with the requirements of Title 15 and Penal Code 4025.	High	0	5%	Started		

Yolo County
Division of Internal Audit
Audit Plan - Status of Projects
Fiscal Year 2021-2022

No.	Project No	Type	Name	Entity	Preliminary Audit Objective/Project Description	Priority	Hours	% Complete	Status	Report Issued	No. of Findings
21	2022-26	New	Whistleblower Hotline and Report of Fraud, Waste and Abuse Policy	Countywide	Implement policy; create incident form on website, and track incidents. Report to BOS/Audit Committee	Med	100	75%	Working with HR for a combined solution FWA/ Whistleblower Program	N/A	N/A
22	Outsource	New	Countywide Risk Assessment	Internal Audit	Support Internal Audit with 3-year Risk Based Audit plan within Auditor Assistant tool	Med	0	20%	Started	N/A	N/A
23	2022-19	New	Countywide Trainings	Audit Function	Countywide Fiscal Foundations Series: Internal Controls and audit tips-short video clips. Includes development, preparation and instruction. Restart discussion on CBO Workshop w/Procurement Mgr.	Low	180	0%	Not Started	N/A	N/A
24	2022-35	New	Contingency Reserve	Special Project	Unassigned projects	TBD	142	0%	TBD	TBD	TBD
25	2022-15	On-going	Audit Communication with Management and Staff	Countywide	Division weekly meetings, discussions on audit subject matters, and other communications. <i>Requirement - Standard 2200.</i>	N/A	500	80%	On-going	N/A	N/A
26	2022-16	On-going	Follow-up Audits and Testing of Correction Action Plans	Countywide	Monitor progress of the status of audit recommendations. Report to FOC/Audit Committee <i>Requirement - Standard 2500, 2600.</i>	High	80	100%	Completed	N/A	N/A
27	2022-20	On-going	Electronic workpapers	Audit Function	Implementation and training	High	160	100%	Completed	N/A	N/A
28	2022-10	On-going	Internal Audit General	Audit Function	Manage the internal audit activity, establish a risk-based audit plan; ensure that engagements are performed with proficiency and due professional care; develop and update policies and procedures. Various general duties-timekeeping, team-building activities (strength finders), etc.	Various	700	80%	Working with DFS-Procurement & HHSa on subrecipient monitoring	N/A	N/A
29	2022-12	On-going	Continuing Professional Development	Audit Function	Continuing professional development-Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development. <i>Requirement - Standard 1230.</i>	High	120	95%	Staff on-track with training plan	N/A	N/A
30	2022-11	On-going	Department of Financial Services General	Administration	Various meetings, employee evaluations, and other events not directly related to the division	N/A	320	80%	On-going	N/A	N/A
31	2022-21	On-going	Financial Oversight Committee	Administration	Support services for the Financial Oversight Committee	N/A	160	80%	On-going	N/A	N/A
32		On-going	Estimated staff benefits & leave	Other-Administration	General provisions within the MOU	N/A	1170	N/A	N/A	N/A	N/A

Total audit & non-audit hours and benefits & leave

6240

YOLO COUNTY

Audit Report

APPORTIONMENT AND ALLOCATION OF PROPERTY TAX REVENUES

July 1, 2017, through June 30, 2021



BETTY T. YEE
California State Controller

April 2022



BETTY T. YEE
California State Controller

April 26, 2022

Tom Haynes, Interim Chief Financial Officer
Yolo County
625 Court Street, Room 103
Woodland, CA 95695

Dear Mr. Haynes:

The State Controller's Office audited Yolo County's process for apportioning and allocating property tax revenues to determine whether the county complied with California statutes for the period of July 1, 2017, through June 30, 2021. We conducted the audit pursuant to the requirements of Government Code section 12468.

Our audit found that the county incorrectly calculated the:

- Reimbursement of property tax administrative costs; and
- Redevelopment Property Tax Trust Fund deposits.

If you have any questions, please contact Lisa Kurokawa, Chief, Compliance Audit Bureau, by telephone at (916) 327-3138.

Sincerely,

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

KT/as

cc: Chad Rinde, Interim County Administrator
Yolo County
Sheryl Hardy-Salgado, Property Tax Supervisor
Yolo County
Angel Barajas, Chair
Yolo County Board of Supervisors
Julie Dachtler, Deputy Clerk
Yolo County Board of Supervisors
Chris Hill, Principal Program Budget Analyst
Local Government Unit
California Department of Finance

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Audit Report

Summary

The State Controller's Office (SCO) audited Yolo County's process for apportioning and allocating property tax revenues to determine whether the county complied with California statutes for the period of July 1, 2017, through June 30, 2021.

Our audit found that the county incorrectly calculated the:

- Reimbursement of property tax administrative costs; and
- Redevelopment Property Tax Trust Fund (RPTTF) deposits.

Background

After the passage of Proposition 13 in 1978, the California State Legislature (Legislature) enacted new methods for apportioning and allocating property tax revenues to local government agencies, school districts, and community college districts. The main objective was to provide these agencies and districts with a property tax base that would grow as assessed property values increased. The method has been further refined in subsequent laws passed by the Legislature.

One key law was Assembly Bill 8 (Chapter 282, Statutes of 1979), which established the method of allocating property taxes for fiscal year (FY) 1979-80 and subsequent fiscal years. The methodology is commonly referred to as the "AB 8 process."

Property tax revenues are apportioned and allocated to local government agencies, school districts, and community college districts using prescribed formulas and methods defined in the Revenue and Taxation Code. In general, the amount of revenue that an agency or district receives is based on the amount received in the prior year, plus a share of the property tax growth within its boundaries.

The AB 8 process involves several steps, including the transfer of revenues from school and community college districts to local government agencies and the development of the tax rate area (TRA) annual tax increment (ATI) apportionment factors, which determine the amount of property tax revenues to be allocated to each jurisdiction.

The total amount to be allocated to each jurisdiction is then divided by the total amount to be allocated to all entities to determine the AB 8 factor (percentage share) for each entity for the year. The AB 8 factors are computed each year for all entities using the revenue amounts established in the prior year. These amounts are adjusted for growth annually using ATI apportionment factors.

Subsequent legislation removed from the AB 8 process revenues generated by unitary and operating nonunitary properties, pipelines, regulated railway companies, and qualified electric properties. These revenues are now apportioned and allocated under separate processes.

Other legislation established an Educational Revenue Augmentation Fund (ERAF) in each county. Most local government agencies are required to transfer a portion of their property tax revenues to the fund. The fund is

subsequently apportioned and allocated to school and community college districts by the county auditor according to instructions received from the county superintendent of schools or the chancellor of the California community colleges.

Revenues generated by the different types of property tax are apportioned and allocated to local government agencies, school districts, and community college districts using prescribed formulas and methods, as defined in the Revenue and Taxation Code. Taxable property includes land, improvements, and other properties that are accounted for on the property tax rolls, which are primarily maintained by the county assessor. Tax rolls contain an entry for each parcel of land, including parcel number, owner's name, and value. The types of property tax rolls are:

- *Secured Roll*—Property that, in the opinion of the assessor, has sufficient value to guarantee payment of the tax levies and that, if the taxes are unpaid, the obligation can be satisfied by the sale of the property by the tax collector.
- *Unsecured Roll*—Property that, in the opinion of the assessor, does not have sufficient permanence or other intrinsic qualities to guarantee payment of taxes levied against it.
- *State-Assessed Roll*—Utility properties composed of unitary and operating nonunitary value assessed by the California State Board of Equalization.
- *Supplemental Roll*—Property that has been reassessed due to a change in ownership or the completion of new construction, where the resulting change in assessed value is not reflected in other tax rolls.

To mitigate problems associated with the apportionment and allocation of property tax revenues, Senate Bill 418, which requires the State Controller to audit the counties' apportionment and allocation methods and report the results to the Legislature, was enacted in 1985.

Apportionment and allocation of property tax revenues can result in revenues to an agency or agencies being overstated, understated, or misstated. Misstated revenues occur when at least one taxing agency receives more revenue than it was entitled to, while at least one taxing agency receives less revenue than it was entitled to.

The agency that received less tax revenue than its statutory entitlement would have standing to require that adjustments be made by the county, either on a retroactive or prospective basis. SCO does not have enforcement authority or standing to require the county to take corrective action with respect to misallocation of tax revenues, unless the misallocation resulted in overpaid state funds (e.g., funds intended for the ERAF, school districts, or community college districts). SCO has authority to recover misallocations resulting in overpaid state funds pursuant to Government Code (GC) sections 12410, 12418, and 12419.5.

GC section 12410 provides the State Controller with broad authority to "superintend the fiscal concerns of the state." GC section 12418 provides the State Controller with the authority to "direct and superintend the

collection of all money due the State, and institute suits in its name” against all debtors of the State. GC section 12419.5 provides the State Controller with the authority to offset any amounts due the State against any amounts owed to the debtor by the State.

Revenue and Taxation Code (RTC) section 96.1(b) allows a reallocation of current audit findings and unresolved prior audit findings.

RTC section 96.1(c)(3) limits a cumulative reallocation or adjustment to one percent of the total amount levied at a one-percent rate of the current year’s original secured tax roll. For reallocation to the ERAF, school districts, or community college districts, a reallocation must be completed in equal increments within the following three fiscal years, or as negotiated with the State Controller.

Audit Authority

We conducted this audit under the authority of GC section 12468, which requires the SCO to audit the apportionment and allocation of property tax revenues on a one-, three-, or five-year cycle, depending on the county’s population. The audit results are reported annually to the Legislature along with any recommendations for corrective action.

Objective, Scope, and Methodology

The objective of our audit was to determine whether the county complied with Revenue and Taxation Code, Health and Safety Code, and Government Code requirements pertaining to the apportionment and allocation of property tax revenues.

A property tax bill contains the property tax levied at a one percent tax rate pursuant to the requirement of Proposition 13. A bill may also contain special taxes, debt service levies on voter-approved debt, fees, and assessments levied by the county or a city. The scope of our audit is concerned with the distribution of the one percent tax levy. Special taxes, debt service levies on voter-approved debt, fees, and assessments levied by the county or a city are beyond the scope of our audit and were not reviewed or audited.

The audit period was July 1, 2017, through June 30, 2021.

To achieve our objective, we performed the following procedures:

- We gained an understanding of the county’s process for apportioning and allocating property tax revenues by interviewing key personnel.
- We reviewed the county’s written procedures for apportioning and allocating property tax revenues.
- We reviewed documentation supporting the transaction flow for apportioning and allocating property tax revenues.

- We judgmentally selected a non-statistical sample of five from approximately 63 taxing jurisdictions within the county for all fiscal years in the audit period.¹ Then, we:
 - Recomputed apportionment and allocation reports to verify computations used to develop property tax apportionment factors;
 - Tested TRA reports to verify that the correct TRA factors were used in the computation of the ATI;
 - Reviewed supplemental property tax administrative costs and fees to determine whether recovery costs associated with administering supplemental taxes were based on actual costs and did not exceed five percent of revenues collected, as prescribed in statute (see Finding 1);
 - Verified computations used to develop supplemental property tax apportionment factors;
 - Verified unitary and operating nonunitary, and unitary regulated railway computations used to develop apportionment factors;
 - Reviewed redevelopment agency (RDA) reports and verified computations used to develop the project base amount and the tax increment distributed to the RDA;
 - Reviewed RPTTF deposits (see Finding 2);
 - Reviewed property tax administrative cost reports and recomputed administrative costs associated with work performed for apportioning and allocating property tax revenues to local government agencies, school districts, and community college districts;
 - Reviewed ERAF reports and verified computations used to determine the shift of property taxes from local government agencies to the ERAF and, subsequently, to school and community college districts;
 - Reviewed and recomputed Vehicle License Fee computations used to verify the amount transferred from the ERAF to counties and cities to compensate for the diversion of these revenues;
 - Reviewed the California State Board of Equalization's jurisdictional change filing logs and their impact on the tax apportionment and allocation system.

Errors found were not projected to the intended (total) population.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a

¹ The actual number of taxing jurisdictions, which include the ERAF, can vary from year to year based on jurisdictional changes. The five sampled taxing jurisdictions include a special district, a school district, a city, the county, and the ERAF. We selected only one of each type of local agency because when the apportionment and allocation for one jurisdiction is incorrect, the error affects every other taxing jurisdiction.

reasonable basis for our findings and conclusions based on our audit objective.

We did not audit the county's financial statements.

Conclusion

Our audit found that Yolo County did not comply with California statutes for the apportionment and allocation of property tax revenues for the audit period, as it incorrectly calculated the following:

- Reimbursement of property tax administrative costs; and
- RPTTF deposits.

These instances of noncompliance are described in the Findings and Recommendations section of this audit report.

Follow-up on Prior Audit Findings

Findings noted in our prior audit report, for the period of July 1, 2014, through June 30, 2017, issued on March 13, 2019, have been satisfactorily resolved by the county, with the exception of miscalculated RPTTF deposit amounts; see current Finding 2. See the Appendix for the current-year status of the prior audit findings.

Views of Responsible Officials

We issued a draft audit report on March 15, 2022. Tom Haynes, Interim Chief Financial Officer, responded by letter dated March 21, 2022, agreeing with the audit results. The county's response is included as an attachment to this audit report.

Restricted Use

This audit report is solely for the information and use of Yolo County, the Legislature, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

April 26, 2022

Findings and Recommendations

**FINDING 1—
Reimbursement of
Property Tax
Administrative Costs**

During testing of the county’s property tax administrative costs process, we found that the county incorrectly excluded unsecured and Home Owners Property Tax Relief revenues from the property tax administrative costs factor computations for FY 2019-20 and FY 2020-21. As a result, the affected taxing entities’ property tax administrative costs were misstated. We could not quantify the monetary effect on each taxing jurisdiction due the cumulative effect of the errors affecting the computation. The error occurred because the county incorrectly implemented the applicable statutes.

RTC section 95.3 provides the legal requirements for reimbursement of property tax administrative costs.

The County Assessor, the County Tax Collector, the Assessment Appeals Board, and the Auditor-Controller all incur administrative costs associated with the apportionment and allocation of property tax revenues. Applicable statutes enable the county to be reimbursed by local agencies for the aforementioned costs.

Recommendation

We recommend that the county:

- Review RTC section 95.3 and update its procedures to ensure that all appropriate revenues are included;
- Recalculate its property tax administrative costs for FY 2019-20 and FY 2020-21; and
- Make monetary adjustments to the affected taxing entities.

County’s Response

The County agrees with this finding. The County has reviewed the applicable [section of] Revenue and Taxation Code. The County will recalculate the property tax administrative costs for fiscal years 2019-20 and 2020-21, and will make monetary adjustments to effected entities, if material.

**FINDING 2—
Redevelopment
Property Tax Trust
Fund Deposit Amounts
(Repeat Finding)**

During testing of the county’s prior audit corrections and current process for RPTTF calculations, we found that the county miscalculated RPTTF deposit amounts. Specifically, in FY 2016-17 the county did not carry forward the California Consumer Price Index adjusted base amount from the revised FY 2015-16 tax increment computations for the City of Winters’ former RDA. As a result, the tax increment computations for FY 2017-18 through FY 2020-21 were miscalculated. We could not quantify the monetary effect on each taxing jurisdiction due the cumulative effect of the errors affecting the computation. The mistake was due to clerical error.

RTC section 97.401 and Health and Safety Code sections 34182 through 34188 provide the legal requirements for administration of the RPTTF.

In 2012, the Legislature passed a law dissolving the RDAs. Provisions of the law included the creation of successor agencies and oversight boards to oversee the winding-down of the defunct agencies' affairs.

Under the applicable Health and Safety Code sections, successor agencies will receive the ATI previously given to RDAs to fund payments of their obligations, including but not limited to administrative costs, pass-through payments, and debts.

Recommendation

We recommend that the county:

- Review RTC section 97.401 and update its procedures to ensure that the tax increment computations are performed correctly, by carrying forward the prior-year California Consumer Price Index adjusted base amounts;
- Recalculate the City of Winters' successor agency's tax increment computations for FY 2016-17 and all subsequent years; and
- Make monetary adjustments to the affected taxing entities.

County's Response

The County agrees with this finding. The County has updated its procedures to ensure accuracy on the tax increment computation for the successor agencies. The County will recompute the City of Winters tax increment factors for 2016-17 and all subsequent years, and will make monetary adjustments to affected taxing entities, if material.

Appendix— Summary of Prior Audit Findings

The following table shows the implementation status of Yolo County’s corrective actions related to the findings contained in the county’s prior audit report dated March 13, 2019:

Prior Audit Finding Number	Prior Audit Finding Title	Implementation Status
1	Computation and distribution of property tax revenues	Fully implemented
2	Unitary and Operating Nonunitary Allocation and Apportionment	Fully implemented
3	Unitary Regulated Railway Allocation and Apportionment	Fully implemented
4	Redevelopment Property Tax Trust Fund Administration	Partially implemented – see current Finding 2

**Attachment—
County’s Response to Draft Audit Report**



County of Yolo

TOM HAYNES
Interim Chief Financial Officer

www.yolocounty.org

DEPARTMENT OF FINANCIAL SERVICES

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- Financial Leadership
- Budget & Financial Planning
- Treasury & Finance
- Tax & Revenue Collection

- Financial Systems Oversight
- Accounting & Financial Reporting
- Internal Audit
- Procurement

March 21, 2022

Lisa Kurokawa, Chief
Compliance Audits Bureau,
State Controller's Office
Division of Audits
P. O. Box 942850
Sacramento, CA 95360

Dear Ms. Kurokawka,

Please find our responses below to your audit report dated March 15, 2022.

FINDING 1 – REIMBURSEMENT OF PROPERTY TAX ADMINISTRATIVE COSTS

The County agrees with this finding. The County has reviewed the applicable Revenue and Taxation Code. The County will recalculate the property tax administrative costs for fiscal years 2019-20 and 2020-21 and will make monetary adjustments to effected entities, if material.

FINDING 2 – REDEVELOPMENT PROPERTY TAX TRUST FUND DEPOSIT AMOUNTS

The County agrees with this finding. The County has updated its procedures to ensure accuracy on the tax increment computation for the successor agencies. The County will recompute the City of Winters tax increment factors for 2016-17 and all subsequent years and will make monetary adjustments to affected taxing entities, if material.

Sincerely,

Tom Haynes, Interim CFO

Cc: Sheryl Salgado, Property Tax Supervisor

ASSURANCE OF ACCOUNTABILITY

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250**

<http://www.sco.ca.gov>

YOLO COUNTY
2021-22 Third Quarter Monitoring Summary

Department	Level Group	EXPENDITURES			REVENUES			NET VARIANCE
		Budget	Actuals	Variance	Budget	Actuals	Variance	
AGRICULTURE								
AGRICULTURE	0100-60-2701	3,967,497	3,813,912	153,585	3,967,497	3,902,531	(64,966)	88,619
AG EQUIP REPLACEMENT	4011-60-2701	10,800	10,800	0	10,800	10,800	0	0
AG BLDG REPLACEMENT	4012-60-2701	984,656	155,000	829,656	984,656	983,285	(1,371)	828,285
AG EQUIP REPLACEMENT	4013-60-2701	37,517	37,517	0	37,517	36,871	(646)	(646)
AGRICULTURE TOTAL		5,000,470	4,017,229	983,241	5,000,470	4,933,487	(66,983)	916,258
ASSESSOR/CLERK-RECORDER/ELECTIONS								
ASSESSOR	0100-61-1081	4,246,996	3,934,954	312,042	4,246,996	3,996,390	(250,606)	61,436
ELECTIONS	0100-61-1201	4,666,315	3,895,531	770,784	4,666,315	4,486,333	(179,982)	590,802
ADMINISTRATION	0100-61-2012	0	0	0	0	0	0	0
CLERK-RECORDER	0100-61-2851	2,264,665	2,239,029	25,636	2,264,665	2,436,960	172,295	197,931
ASSESSOR/CLERK-RECORDER/ELECTIONS TOTAL		11,177,976	10,069,514	1,108,462	11,177,976	10,919,683	(258,293)	850,169
BOARD OF SUPERVISORS								
BOARD OF SUPERVISORS	0100-62-1011	2,480,299	2,505,799	(25,500)	2,480,299	2,480,299	0	(25,500)
BOARD OF SUPERVISORS TOTAL		2,480,299	2,505,799	(25,500)	2,480,299	2,480,299	0	(25,500)
CHILD SUPPORT SERVICES								
CHILD SUPPORT SERVICES	0160-30-2041	7,928,700	7,894,457	34,243	7,928,700	7,928,700	0	34,243
CHILD SUPPORT SERVICES TOTAL		7,928,700	7,894,457	34,243	7,928,700	7,928,700	0	34,243
COMMUNITY SERVICES								
COUNTY SURVEYOR	0100-20-1501	70,000	24,410	45,590	70,000	33,728	(36,272)	9,318
PLANNING/BUILDING	0100-20-2971	3,191,542	2,956,351	235,191	3,191,542	2,986,678	(204,864)	30,327
ENVIRONMENTAL HEALTH	0130-20-4013	4,228,338	4,218,100	10,238	4,228,338	4,239,087	10,749	20,987
GENERAL PLAN COST RECOVERY	0161-20-2971	418,787	384,476	34,311	418,787	440,328	21,541	55,852
CANNABIS	0170-20-2973	3,660,497	2,401,891	1,258,606	3,660,497	3,631,958	(28,539)	1,230,067
CLIMATE SUSTAINABILITY	0180-20-2974	457,017	294,760	162,257	457,017	457,017	0	162,257
ROADS/PUBLIC WORKS	0301-20-3011	35,052,859	26,411,910	8,640,949	35,052,859	25,710,256	(9,342,603)	(701,654)
ROADS/PUBLIC WORKS	0303-20-3011	300,000	150,000	150,000	300,000	315,490	15,490	165,490
ROADS/PUBLIC WORKS	0305-20-3011	1,000	1,000	0	1,000	1,000	0	0
ROADS/PUBLIC WORKS	0321-20-3011	650	650	0	650	843	193	193
ROADS/PUBLIC WORKS	0322-20-3011	1,369,720	1,369,720	0	1,369,720	1,380,999	11,279	11,279
TRANSPORTATION	0330-20-3201	123,207	115,457	7,750	123,207	122,832	(375)	7,375
AG. CONSERV. EASEMENT PROGRAM	1260-20-2971	447,000	347,000	100,000	447,000	482,642	35,642	135,642

YOLO COUNTY 2021-22 Third Quarter Monitoring Summary

Department	Level Group	EXPENDITURES			REVENUES			NET VARIANCE
		Budget	Actuals	Variance	Budget	Actuals	Variance	
TECH COST RECOVERY FEE PLANNING	1262-20-2971	240,000	215,000	25,000	240,000	465,489	225,489	250,489
FLEET SERVICES	4021-20-1401	2,323,434	2,165,177	158,257	2,323,434	2,312,273	(11,161)	147,096
INTEGRATED WASTE MGMT	5021-20-4401	33,652,841	25,780,911	7,871,930	33,652,841	33,831,910	179,069	8,050,999
INTEGRATED WASTE MGMT	5025-20-4401	15,000	15,000	0	15,000	3,648	(11,352)	(11,352)
INTEGRATED WASTE MGMT	5026-20-4401	470,000	470,000	0	470,000	198,608	(271,392)	(271,392)
INTEGRATED WASTE MGMT	5027-20-4401	1,131,404	1,131,404	0	1,131,404	1,121,404	(10,000)	(10,000)
IWM DEBT SVC	5028-20-4401	3,573,000	3,512,706	60,294	3,573,000	3,573,000	0	60,294
IWM RATE STABILIZATION	5029-20-4401	0	0	0	0	2,000	2,000	2,000
BUILDING	5031-20-2975	1,825,887	1,444,919	380,968	1,825,887	1,836,280	10,393	391,361
COMMUNITY SERVICES TOTAL		92,552,183	73,410,842	19,141,341	92,552,183	83,147,470	(9,404,713)	9,736,628
COUNTY ADMINISTRATORS OFFICE								
COUNTY ADMINISTRATOR	0100-63-1021	5,821,093	5,821,093	0	5,821,093	5,821,093	0	0
OFFICE OF EMERGENCY SERVICES	0100-63-2811	2,162,111	2,162,111	0	2,162,111	2,162,111	0	0
HOUSING & COMMUNITY DEVELOPMNT	0100-63-5101	571,000	571,000	0	571,000	571,000	0	0
COOPERATIVE EXTENSION	0100-63-6101	293,428	293,428	0	293,428	293,428	0	0
COUNTY ADMINISTRATOR	0101-63-1021	6,999,400	6,999,400	0	6,999,400	6,999,400	0	0
DISPUTE RESOLUTION PROGRAM	1203-63-2211	30,000	30,000	0	30,000	30,000	0	0
CACHE CREEK AREA PLAN	1210-63-2972	3,228,333	3,228,333	0	3,228,333	3,228,333	0	0
1211-CAO-CC FUT MAINT/REM MGMT	1211-63-2972	0	0	0	0	0	0	0
1212-CAO-CC OFF CHNL MNING PLN	1212-63-2972	336,105	336,105	0	336,105	336,105	0	0
YSA LEAD REMEDIATION	1401-63-1307	3,000	3,000	0	3,000	3,000	0	0
HOUSING & COMMUNITY DEVELOPMNT	1501-63-5101	0	0	0	0	0	0	0
HOUSING & COMMUNITY DEVELOPMNT	1502-63-5101	688,652	688,652	0	688,652	688,652	0	0
HOUSING & COMMUNITY DEVELOPMNT	1503-63-5101	30,000	30,000	0	30,000	30,000	0	0
HOUSING & COMMUNITY DEVELOPMNT	1504-63-5101	11,000	11,000	0	11,000	11,000	0	0
HOUSING & COMMUNITY DEVELOPMNT	1508-63-5101	19,000	19,000	0	19,000	82,993	63,993	63,993
GIBSON HOUSE IMPROVEMENT	1713-63-7013	30,000	30,000	0	30,000	30,000	0	0
YOLO ELECTRIC	4051-63-1306	5,695,416	6,632,144	(936,728)	5,695,416	5,695,416	0	(936,728)
SNOWBALL	1920-51-2781	338,185	338,185	0	338,185	338,185	0	0
COUNTY ADMINISTRATORS OFFICE TOTAL		26,256,723	27,193,451	(936,728)	26,256,723	26,320,716	63,993	(872,735)

YOLO COUNTY 2021-22 Third Quarter Monitoring Summary

Department	Level Group	EXPENDITURES			REVENUES			NET VARIANCE
		Budget	Actuals	Variance	Budget	Actuals	Variance	
COUNTY COUNSEL								
COUNTY COUNSEL	0100-64-1151	2,056,845	1,915,749	141,096	2,056,845	2,054,034	(2,811)	138,285
INDIGENT DEFENSE	0100-64-2105	939,800	887,652	52,148	939,800	939,800	0	52,148
SMALL CLAIMS ADVISORY	0100-64-2221	4,800	4,800	0	4,800	4,815	15	15
COUNTY COUNSEL TOTAL		3,001,445	2,808,201	193,244	3,001,445	2,998,649	(2,796)	190,448
COUNTY SERVICE AREAS								
CLARKSBURG LIGHTING	1910-51-3021	6,930	9,000	(2,070)	6,930	6,910	(20)	(2,090)
GARCIA BEND CSA NO. 9	1915-51-2751	16,900	16,650	250	16,900	17,739	839	1,089
DUNNIGAN LIGHTING	1950-51-3022	10,150	5,620	4,530	10,150	9,800	(350)	4,180
WILLOWBANK	1961-51-4997	4,620	2,000	2,620	4,620	4,605	(15)	2,605
NORTH DAVIS MEADOWS WATER	1962-51-4996	884,866	695,675	189,191	884,866	883,614	(1,252)	187,939
NORTH DAVIS MEADOWS SEWER	1963-51-4996	148,400	138,208	10,192	148,400	148,150	(250)	9,942
NORTH DAVIS MEADOWS DRAINAGE	1964-51-4996	14,285	10,840	3,445	14,285	14,284	(1)	3,444
NORTH DAVIS MEADOWS LIGHTING	1965-51-3022	11,774	9,712	2,062	11,774	11,774	0	2,062
NORTH DAVIS MEADOWS LANDSCAPE	1966-51-3022	43,917	37,201	6,716	43,917	43,917	0	6,716
WILD WINGS GOLF COURSE	1970-51-7201	1,560,209	1,465,485	94,724	1,560,209	1,337,933	(222,276)	(127,552)
WILD WINGS SEWER	1971-51-4995	819,655	739,019	80,636	819,655	818,655	(1,000)	79,636
WILD WINGS WATER	1972-51-4995	2,438,060	1,445,840	992,220	2,438,060	2,328,785	(109,275)	882,945
EL MACERO GENERAL	1980-51-4998	42,000	35,700	6,300	42,000	59,878	17,878	24,178
EL MACERO STREETS	1981-51-3022	141,080	141,358	(278)	141,080	138,580	(2,500)	(2,778)
EL MACERO WATER	1982-51-4998	1,372,077	1,106,890	265,187	1,372,077	1,150,616	(221,461)	43,726
EL MACERO SEWER	1983-51-4998	240,554	237,311	3,243	240,554	240,553	(1)	3,242
COUNTY SERVICE AREAS TOTAL		7,755,477	6,096,509	1,658,968	7,755,477	7,215,793	(539,684)	1,119,284
COUNTYWIDE								
COUNTYWIDE GENERAL	0100-10-1000	112,182,019	112,182,019	0	112,182,019	113,865,292	1,683,273	1,683,273
COUNTYWIDE PROGRAMS	0100-10-1001	1,406,295	1,214,605	191,690	1,406,295	1,406,295	0	191,690
COUNTY ADMINISTRATOR	0100-10-1021	62,457	62,457	0	62,457	62,457	0	0
COURT MOU	0100-10-2001	464,030	564,030	(100,000)	464,030	737,207	273,177	173,177
COUNTYWIDE GENERAL	0151-10-1000	150,000	150,000	0	150,000	61,241	(88,759)	(88,759)
COUNTYWIDE GENERAL	0152-10-1000	390,000	384,667	5,333	390,000	3,995	(386,005)	(380,672)
CANNABIS MEASURE K	0171-10-1004	3,099,915	3,099,915	0	3,099,915	3,099,915	0	0
PUBLIC SAFETY MOE	0202-10-2000	3,816,323	2,013,937	1,802,386	3,816,323	3,814,928	(1,395)	1,800,991
COMMUNITY CORRECTIONS PARTNERSH	0501-10-1000	11,067,034	9,457,639	1,609,395	11,067,034	13,095,365	2,028,331	3,637,726
LOCAL INNOVATION SUBACCT	0526-10-2003	224,824	224,824	0	224,824	555,939	331,115	331,115
BOARD CONTROLLED PENALTIES	1101-10-1002	252,804	252,804	0	252,804	340,033	87,229	87,229

YOLO COUNTY 2021-22 Third Quarter Monitoring Summary

Department	Level Group	EXPENDITURES			REVENUES			NET VARIANCE
		Budget	Actuals	Variance	Budget	Actuals	Variance	
DEVELOPMENT IMPACT FEEES	1102-10-1003	1,000,000	1,004,960	(4,960)	1,000,000	3,627,687	2,627,687	2,622,727
CRIMINAL JUSTICE FACILITIES	1201-10-1301	85,000	85,000	0	85,000	76,246	(8,754)	(8,754)
COVID19 CROC OPER	1420-10-4000	287,000	249,302	37,698	287,000	294,820	7,820	45,518
COVID19 NON CROC OTHER	1420-10-4001	40,000	91,998	(51,998)	40,000	82,926	42,926	(9,072)
CAPITAL OUTLAY - ACO	3101-10-1351	4,728,591	4,728,591	0	4,728,591	4,728,591	0	0
PENSION FUNDING ISF	4043-10-1891	40,264,068	31,269,498	8,994,570	40,264,068	31,806,726	(8,457,342)	537,228
COUNTYWIDE TOTAL		179,520,360	167,036,246	12,484,114	179,520,360	177,659,663	(1,860,697)	10,623,417
DEBT SERVICE								
DA BLDG DEBT SERVICE	2001-12-8011	1,500	1,500	0	1,500	1,500	0	0
DAVIS LIBRARY CFD#1	2002-12-8012	523,925	523,925	0	523,925	523,925	0	0
CIP DEBT SERVICE	2003-12-8013	1,247,951	1,247,951	0	1,247,951	1,247,951	0	0
CAP IMPROV DEBT SVC	2004-12-8013	348,065	348,065	0	348,065	348,065	0	0
TRANE ENG SVC PRO.	2005-12-8015	1,483,048	1,483,048	0	1,483,048	1,483,048	0	0
2020 LEASE REV BONDS	2006-12-8016	1,042,231	1,042,231	0	1,042,231	1,042,544	313	313
DEBT SERVICE TOTAL		4,646,720	4,646,720	0	4,646,720	4,647,033	313	313
DISTRICT ATTORNEY								
CRIMINAL PROSECUTION	0202-31-2051	15,745,871	14,492,365	1,253,506	15,745,871	14,918,226	(827,645)	425,861
NEIGHBORHOOD COURT	0202-31-2052	1,418,417	873,893	544,524	1,418,417	851,392	(567,025)	(22,501)
SPECIAL INVESTIGATION	0202-31-2059	1,951,274	1,668,800	282,474	1,951,274	1,796,815	(154,459)	128,015
VICTIM ASSISTANCE	0202-31-5054	1,265,559	1,200,897	64,662	1,265,559	1,199,544	(66,015)	(1,353)
DA COMMUNITY CORRECTIONS	0501-31-2051	0	0	0	0	0	0	0
DA REVOCATIONS	0504-31-2051	251,098	251,098	0	251,098	251,528	430	430
CRIMINAL PROSECUTION	0521-31-2051	295,932	243,333	52,599	295,932	295,932	0	52,599
CRIMINAL PROSECUTION	0525-31-2051	119,663	119,663	0	119,663	117,377	(2,286)	(2,286)
DNA ID FUND	1240-31-2051	82,846	28,999	53,847	82,846	82,846	0	53,847
MULTI-DISCIPLINARY INTV CENTER	1250-31-2054	1,078,446	1,027,949	50,497	1,078,446	1,041,474	(36,972)	13,525
CONSUMER FRAUD ENV PROTECTION	1251-31-2055	3,228,296	2,577,245	651,051	3,228,296	2,265,429	(962,867)	(311,816)
ASSET FORFEITURE	1255-31-2051	119,300	105,119	14,181	119,300	116,496	(2,804)	11,377
SPECIAL INVESTIGATION	1256-31-2059	320,000	298,023	21,977	320,000	320,139	139	22,116
VICTIM ASSISTANCE	1431-31-5054	45,000	33,432	11,568	45,000	53,738	8,738	20,306
DISTRICT ATTORNEY TOTAL		25,921,702	22,920,816	3,000,886	25,921,702	23,310,936	(2,610,766)	390,120

YOLO COUNTY 2021-22 Third Quarter Monitoring Summary

Department	Level Group	EXPENDITURES			REVENUES			NET VARIANCE
		Budget	Actuals	Variance	Budget	Actuals	Variance	
FINANCIAL SERVICES								
FINANCIAL SERVICES	0100-65-1051	6,627,641	6,622,595	5,046	6,627,641	6,624,000	(3,641)	1,405
FINANCIAL SERVICES TOTAL		6,627,641	6,622,595	5,046	6,627,641	6,624,000	(3,641)	1,405
GENERAL SERVICES								
FACILITIES	0100-66-1303	7,259,751	5,983,431	1,276,320	7,259,751	6,160,395	(1,099,356)	176,964
PARKS	0100-66-7011	1,481,991	1,264,099	217,892	1,481,991	1,444,711	(37,280)	180,612
AIRPORT	5001-66-3101	472,817	500,314	(27,497)	472,817	503,430	30,613	3,116
ESPARTO TULI MEM PARK & POOL	1927-66-7012	316,725	240,308	76,417	316,725	384,329	67,604	144,021
GENERAL SERVICES TOTAL		9,531,284	7,988,152	1,543,132	9,531,284	8,492,865	(1,038,419)	504,713
HHSA - ADMINISTRATION								
HHSA ADMINISTRATION	0120-40-5510	787,214	779,406	7,808	787,214	780,174	(7,040)	768
HHSA - ADMINISTRATION TOTAL		787,214	779,406	7,808	787,214	780,174	(7,040)	768
HHSA ADMINISTRATION-IGT								
HHSA ADMINISTRATION-IGT	0140-40-4011	7,002,298	3,530,184	3,472,114	7,002,298	6,998,195	(4,103)	3,468,011
HHSA - ADMINISTRATION IGT TOTAL		7,002,298	3,530,184	3,472,114	7,002,298	6,998,195	(4,103)	3,468,011
HHSA - BEHAVIORAL HEALTH								
MENTAL HEALTH SERVICES	0401-40-4101	28,418,239	25,523,297	2,894,942	28,418,239	25,523,297	(2,894,942)	0
ALCOHOL AND DRUG PROGRAMS	0402-40-4111	6,253,827	6,337,865	(84,038)	6,253,827	6,337,865	84,038	0
MENTAL HEALTH SERVICES	0405-40-4101	6,677,944	7,779,476	(1,101,532)	6,677,944	7,779,476	1,101,532	0
MENTAL HEALTH SERVICES	0406-40-4101	4,271,669	6,623,459	(2,351,790)	4,271,669	6,623,459	2,351,790	0
MHSA-COMMUNITY SVC & SUPPORT	0410-40-4100	18,350,924	15,303,761	3,047,163	18,350,924	15,681,594	(2,669,330)	377,833
MHSA-WORKFORCE EDUC & TRAINING	0410-40-4102	223,923	125,006	98,917	223,923	125,006	(98,917)	0
MHSA-CAPITAL FAC & TECH NEEDS	0410-40-4103	1,921,357	649,734	1,271,623	1,921,357	649,734	(1,271,623)	0
MHSA-INNOVATION	0410-40-4104	880,177	879,153	1,024	880,177	901,105	20,928	21,952
MHSA-PREV & EARLY INTERVENTION	0410-40-4105	4,460,640	4,636,779	(176,139)	4,460,640	4,536,284	75,644	(100,495)
HHSA - BEHAVIORAL HEALTH TOTAL		71,458,700	67,858,530	3,600,170	71,458,700	68,157,820	(3,300,880)	299,290
HHSA - PUBLIC GUARDIAN								
PUBLIC GUARDIAN	0100-40-2871	1,169,741	1,214,759	(45,018)	1,169,741	1,225,986	56,245	11,227
HHSA - PUBLIC GUARDIAN TOTAL		1,169,741	1,214,759	(45,018)	1,169,741	1,225,986	56,245	11,227
HHSA - PUBLIC HEALTH								

**YOLO COUNTY
2021-22 Third Quarter Monitoring Summary**

Department	Level Group	EXPENDITURES			REVENUES			NET VARIANCE
		Budget	Actuals	Variance	Budget	Actuals	Variance	
PUBLIC HEALTH	0141-40-4011	20,739,586	18,087,761	2,651,825	20,739,586	18,224,205	(2,515,381)	136,444
PUBLIC HEALTH	0141-40-4023	0	0	0	0	446	446	446
PUBLIC HEALTH	0142-40-4011	5,012,591	4,973,180	39,411	5,012,591	5,806,987	794,396	833,807
JAIL JUV HALL MEDICAL SERVICES	0202-40-4014	3,616,743	3,240,927	375,816	3,616,743	3,748,047	131,304	507,120
PUBLIC HEALTH	1410-40-4011	2,037,632	508,804	1,528,828	2,037,632	1,968,632	(69,000)	1,459,828
PUBLIC HEALTH	1411-40-4011	731,572	731,422	150	731,572	731,422	(150)	0
HHSA - PUBLIC HEALTH TOTAL		32,138,124	27,542,094	4,596,030	32,138,124	30,479,739	(1,658,385)	2,937,645
HHSA - SOCIAL SERVICES								
PUBLIC ASSISTANCE ADMIN	0120-40-5511	74,109,256	65,701,321	8,407,935	74,109,256	65,805,878	(8,303,378)	104,557
PUBLIC ASSISTANCE AID	0120-40-5522	44,168,982	43,517,873	651,109	44,168,982	43,517,873	(651,109)	0
GENERAL RELIEF	0120-40-5612	358,000	346,137	11,863	358,000	346,137	(11,863)	0
WORKFORCE INVESTMENT	0120-40-5621	2,876,811	2,012,576	864,235	2,876,811	2,012,576	(864,235)	0
CSBG	0120-40-5650	15,612,432	10,104,740	5,507,692	15,612,432	10,104,740	(5,507,692)	0
PUBLIC ASSISTANCE ADMIN	0123-40-5511	15,790,061	15,360,891	429,170	15,790,061	15,360,891	(429,170)	0
PUBLIC ASSISTANCE AID	0124-40-5522	3,927,565	4,007,121	(79,556)	3,927,565	4,007,121	79,556	0
PUBLIC ASSISTANCE AID	0125-40-5522	2,400,664	2,940,676	(540,012)	2,400,664	2,940,676	540,012	0
PUBLIC ASSISTANCE ADMIN	0126-40-5511	13,906,681	14,402,144	(495,463)	13,906,681	14,862,337	955,656	460,193
PUBLIC ASSISTANCE ADMIN	1520-40-5511	45,000	56,625	(11,625)	45,000	45,409	409	(11,216)
IHSS PUBLIC AUTHORITY	6910-40-5513	3,065,239	2,705,112	360,127	3,065,239	2,705,112	(360,127)	0
HHSA - SOCIAL SERVICES TOTAL		176,260,691	161,155,216	15,105,475	176,260,691	161,708,750	(14,551,941)	553,534
HHSA - VETERANS SERVICES								
VETERANS SERVICES	0100-40-5801	351,843	389,118	(37,275)	351,843	352,124	281	(36,994)
HHSA - VETERANS SERVICES TOTAL		351,843	389,118	(37,275)	351,843	352,124	281	(36,994)
HUMAN RESOURCES								
HUMAN RESOURCES	0100-70-1031	2,952,290	2,662,483	289,807	2,952,290	2,952,290	0	289,807
RISK MANAGEMENT	0100-70-1051	7,728,753	7,718,885	9,868	7,728,753	7,728,753	0	9,868
UNEMPLOYMENT SELF-INSURANCE	4041-70-1871	557,843	556,770	1,073	557,843	557,843	0	1,073
DENTAL SELF-INSURANCE	4042-70-1881	2,213,624	2,213,624	0	2,213,624	2,213,624	0	0
HUMAN RESOURCES TOTAL		13,452,510	13,151,762	300,748	13,452,510	13,452,510	0	300,748

YOLO COUNTY 2021-22 Third Quarter Monitoring Summary

Department	Level Group	EXPENDITURES			REVENUES			NET VARIANCE
		Budget	Actuals	Variance	Budget	Actuals	Variance	
INNOVATION & TECHNOLOGY SERVICES								
INN/TECH SVC	0100-69-1561	4,692,993	3,450,502	1,242,491	4,692,993	4,692,993	0	1,242,491
EQUIPMENT REPLACEMENT	4011-69-1841	392,514	397,297	(4,783)	392,514	341,305	(51,209)	(55,992)
ITS TELECOMMUNICATIONS	4031-69-1851	1,626,465	1,598,111	28,354	1,626,465	1,634,050	7,585	35,939
INNOVATION & TECHNOLOGY SERVICES TOTAL		6,711,972	5,445,910	1,266,062	6,711,972	6,668,348	(43,624)	1,222,438
LIBRARY								
COUNTY LIBRARY SERVICES	1601-68-6051	9,514,104	9,036,233	477,871	9,514,104	8,780,145	(733,959)	(256,088)
GIBSON HOUSE MUSEUM	1601-68-7013	148,768	149,029	(261)	148,768	149,029	261	0
COUNTY LIBRARY SVC - MEASURE A	1602-68-6051	3,117,018	2,237,485	879,533	3,117,018	3,123,638	6,620	886,153
LIBRARY TOTAL		12,779,890	11,422,747	1,357,143	12,779,890	12,052,812	(727,078)	630,065
PROBATION								
ADMINISTRATION	0202-32-2611	44,400	44,400	0	44,400	44,400	0	0
ADULT PROBATION SERVICES	0202-32-2612	4,880,057	3,475,497	1,404,560	4,880,057	3,815,074	(1,064,983)	339,577
JUVENILE DETENTION	0202-32-2613	6,352,657	5,516,896	835,761	6,352,657	5,934,417	(418,240)	417,521
JUVENILE PROBATION SERVICES	0202-32-2614	3,561,311	2,551,130	1,010,181	3,561,311	2,551,130	(1,010,181)	0
CARE OF COURT WARDS	0202-32-5751	1,906,535	1,401,353	505,182	1,906,535	1,432,413	(474,122)	31,060
ADMINISTRATION	0501-32-2611	163,581	163,581	0	163,581	163,581	0	0
PROB COMMUNITY CORRECTIONS	0501-32-2615	80,000	80,000	0	80,000	80,000	0	0
JUVENILE PROBATION SERVICES	0520-32-2614	1,543,028	801,978	741,050	1,543,028	1,543,028	0	741,050
JUVENILE PROBATION SERVICES	0522-32-2614	1,891,838	886,204	1,005,634	1,891,838	1,917,381	25,543	1,031,177
DJJ Realignment	0527-32-2614	0	0	0	0	275,047	275,047	275,047
ADMINISTRATION	1240-32-2611	6,000	1,884	4,116	6,000	6,000	0	4,116
ADULT PROBATION SERVICES	1270-32-2612	1,789,140	1,510,083	279,057	1,789,140	1,789,140	0	279,057
PROBATION TOTAL		22,218,547	16,433,006	5,785,541	22,218,547	19,551,611	(2,666,936)	3,118,605
PUBLIC DEFENDER								
PUBLIC DEFENDER	0100-33-2101	9,763,904	9,528,308	235,596	9,763,904	9,773,431	9,527	245,123
PD COMMUNITY CORRECTIONS	0501-33-2101	0	0	0	0	0	0	0
PD REVOCATIONS	0504-33-2101	206,248	206,248	0	206,248	206,248	0	0
PUBLIC DEFENDER TOTAL		9,970,152	9,734,556	235,596	9,970,152	9,979,679	9,527	245,123
SHERIFF								
PUBLIC ADMINISTRATOR	0100-34-5613	407,573	244,012	163,561	407,573	423,866	16,293	179,854
CIVIL PROCESS	0202-34-2402	951,873	880,585	71,288	951,873	945,142	(6,731)	64,557
MANAGEMENT	0202-34-2502	3,325,256	2,912,723	412,533	3,325,256	3,330,657	5,401	417,934

YOLO COUNTY 2021-22 Third Quarter Monitoring Summary

Department	Level Group	EXPENDITURES			REVENUES			NET VARIANCE
		Budget	Actuals	Variance	Budget	Actuals	Variance	
MARINE PATROL	0202-34-2505	717,320	630,979	86,341	717,320	678,886	(38,434)	47,907
PATROL	0202-34-2507	13,863,337	12,241,375	1,621,962	13,863,337	14,167,046	303,709	1,925,671
DETENTION	0202-34-2509	22,491,381	20,101,982	2,389,399	22,491,381	22,575,550	84,169	2,473,568
TRAINING	0202-34-2512	449,123	327,275	121,848	449,123	430,966	(18,157)	103,691
CORONER	0202-34-2861	1,405,111	1,398,800	6,311	1,405,111	1,367,060	(38,051)	(31,740)
SHER COMMUNITY CORRECTIONS	0501-34-2506	952,962	68,131	884,831	952,962	952,962	0	884,831
COURT SECURITY	0503-34-2401	3,855,790	3,403,182	452,608	3,855,790	3,536,378	(319,412)	133,196
PATROL - SMALL & RURAL	0523-34-2507	1,627,319	375,998	1,251,321	1,627,319	1,627,319	0	1,251,321
PATROL - COPS	0524-34-2507	167,118	411,580	(244,462)	167,118	167,118	0	(244,462)
DETENTION - COPS	0524-34-2509	100,191	28,395	71,796	100,191	100,191	0	71,796
ANIMAL SERVICES	0540-34-2801	3,348,419	2,831,182	517,237	3,348,419	3,312,633	(35,786)	481,451
DETENTION - RAN BOARD	1280-34-2509	400,700	305,888	94,812	400,700	400,700	0	94,812
SHERIFF CIVIL PROCESS EQUIP	1281-34-2402	78,144	65,817	12,327	78,144	74,123	(4,021)	8,306
SHERIFF CIVIL PROCESS VEHICLES	1282-34-2402	70,000	70,000	0	70,000	26,894	(43,106)	(43,106)
SHERIFF SEIZED FUNDS	1283-34-2502	10,250	0	10,250	10,250	250	(10,000)	250
DETENTION - INMATE WELFARE	1284-34-2509	401,100	235,273	165,827	401,100	288,413	(112,687)	53,140
SHERIFF TOTAL		54,622,967	46,533,177	8,089,790	54,622,967	54,406,154	(216,813)	7,872,977
TOTAL OPERATING BUDGET		771,161,147	689,803,324	81,357,823	771,161,147	732,372,338	(38,788,809)	42,569,014
CAPITAL IMPROVEMENT PROGRAM								
FACILITY CAPITAL PROJECTS	3120-11-1355	3,405,132	2,575,476	829,656	3,405,132	2,575,476	(829,656)	0
IT CAPITAL PROJECTS	3120-11-1570	0	4,903	(4,903)	0	121,391	121,391	116,488
MONROE JAIL EXPANSION	3201-11-1352	509,567	509,567	0	509,567	509,567	0	0
LEINBERGER JAIL EXPANSION	3203-11-1352	31,402,828	11,622,978	19,779,850	31,402,828	13,946,510	(17,456,318)	2,323,532
KNIGHTS LANDING LEVEE	3401-11-3760	9,264,783	9,264,783	0	9,264,783	9,264,783	0	0
YOLO LIBRARY REPLACEMENT	3601-11-1354	4,416,220	4,416,220	0	4,416,220	4,416,220	0	0
ESPARTO PARK IMPROVEMENT	3701-11-7012	307,400	307,400	0	307,400	307,400	0	0
TOTAL CAPITAL IMPROVEMENT PROGRAM		49,305,930	28,701,327	20,604,603	49,305,930	31,141,347	(18,164,583)	2,440,020
TOTAL COUNTY BUDGET		820,467,077	718,504,651	101,962,426	820,467,077	763,513,685	(56,953,392)	45,009,034

Executive Summary – First Quarter 2022

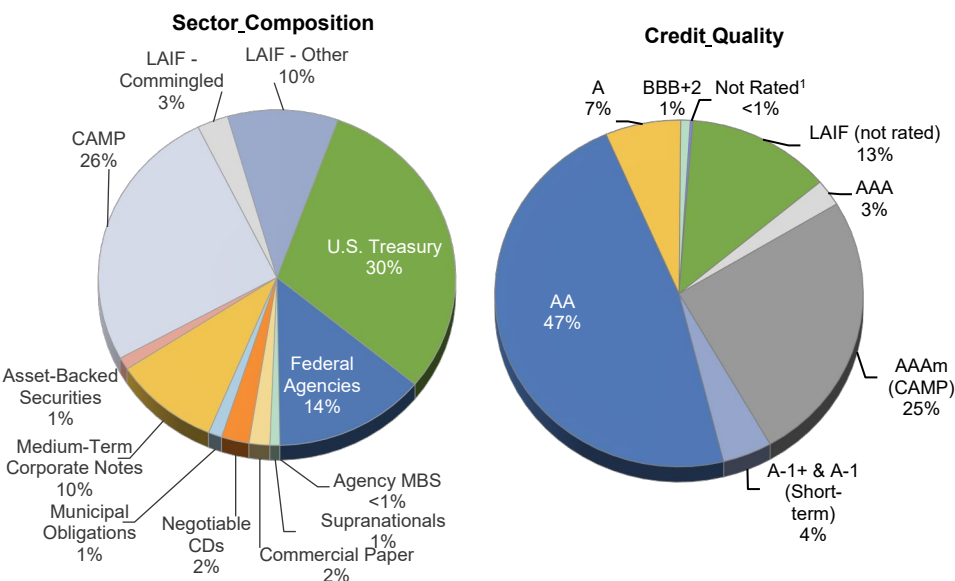
Portfolio Review

- The portfolio is in compliance with the California Government Code and the County’s Investment Policy.
- The portfolio is well diversified by sector, issuer, and maturity and is of high credit quality.
- The portfolio has sufficient liquidity to meet the County’s cash needs.
- Strategic themes shifted during the quarter as interest rates surged, volatility increased, and credit spreads widened. Corporate notes other credit instruments were purchased for the portfolio at wider yield spreads, after previously maintaining higher than normal Treasury allocations.
- As a result of sharply higher yields, fixed income indices posted some of the worst quarterly total returns dating back over 40 years. While the County’s portfolio was not immune to the negative impact of rising rates, the portfolio outperformed the benchmark for the quarter due to its shorter, defensive, duration position.

The Economy

- U.S. economic conditions were characterized by: (1) persistent high inflation; (2) the Federal Reserve (Fed) kicking off a shift to tighter monetary policy; (3) rapidly rising interest rates; (4) elevated energy and commodity prices; (5) increased volatility and risk-off sentiment in credit and equity markets; (6) stronger than ever labor market.
- As a result of surging inflation that proved not to be transitory, the Fed raised the overnight federal funds target rate to 0.25% in March, underscoring the risk that inflation now poses to economic growth and stability. The Fed also forecasts as many as six more rate hikes this year.
- U.S. Treasury yields rose meaningfully in the quarter on surging inflation data and growing expectations for multiple Fed rate hikes in 2022. Given their maturity horizon, two- and three-year yields were most impacted by the increased probability of future rate hikes, with both maturities increasing over 150 basis points (1.50%) during the quarter.

Portfolio Profile as of March 31, 2022^{1,2}

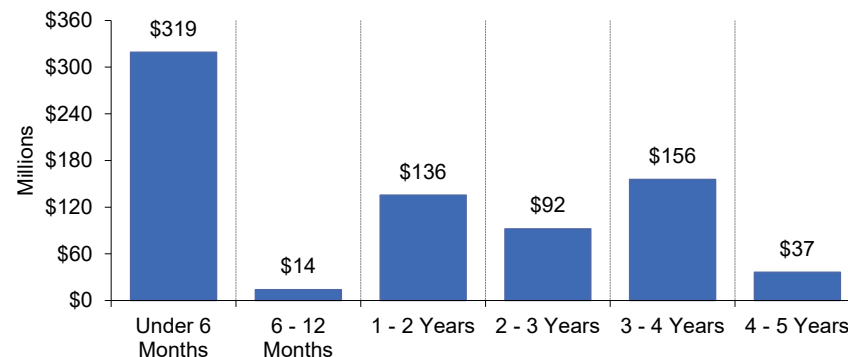


Portfolio Performance as of March 31, 2022³

		Annualized Return 1 Year	Annualized Return 5 Years
Yolo County Total Return¹	-2.98%	-3.46%	1.28%
Treasury Benchmark Total Return	-3.20%	-3.76%	0.95%
Net Apportionment Rate	0.38%	-	-

Note: ¹PFMAM managed portfolio only.

Portfolio Maturity Distribution



1. Securities held in the County’s portfolio are in compliance with California Government Code and the County’s investment policy dated December 2021.

2. Ratings based on Standard & Poor’s.

3. The County’s benchmark is the ICE Bank of America Merrill Lynch (BofAML) 1-5 Year Gov/Corp A-AAA US issuers as of 6/30/21. From 12/31/20 to 6/30/21 it was the ICE BofAML 1-5 Year U.S. Treasury Index. From 9/30/17 to 12/31/20 it was the ICE BofAML 0-5 Year U.S. Treasury Index. From 3/31/15 to 9/30/17 the benchmark was a blend of 30% ICE BofAML 3-month Treasury index and 70% ICE BofAML 1-3 year U.S. Treasury Index.

Yolo County

Investment Performance Review For the Quarter Ended March 31, 2022

May 12, 2022

213-489-4075

pfmam.com

Ken Schiebel, Managing Director
Sarah Meacham, Managing Director
Allison Kaune, Senior Analyst

Economic and Interest Rate Update



Current Market Themes



- ▶ Invasion of Ukraine impacted the economic landscape
 - ▶ Commodity prices soared, especially energy
 - ▶ Created significant geopolitical uncertainty
 - ▶ Triggered market volatility



- ▶ The U.S. economy is characterized by:
 - ▶ A strong labor market
 - ▶ Inflation at a 40-year high
 - ▶ Depressed consumer confidence



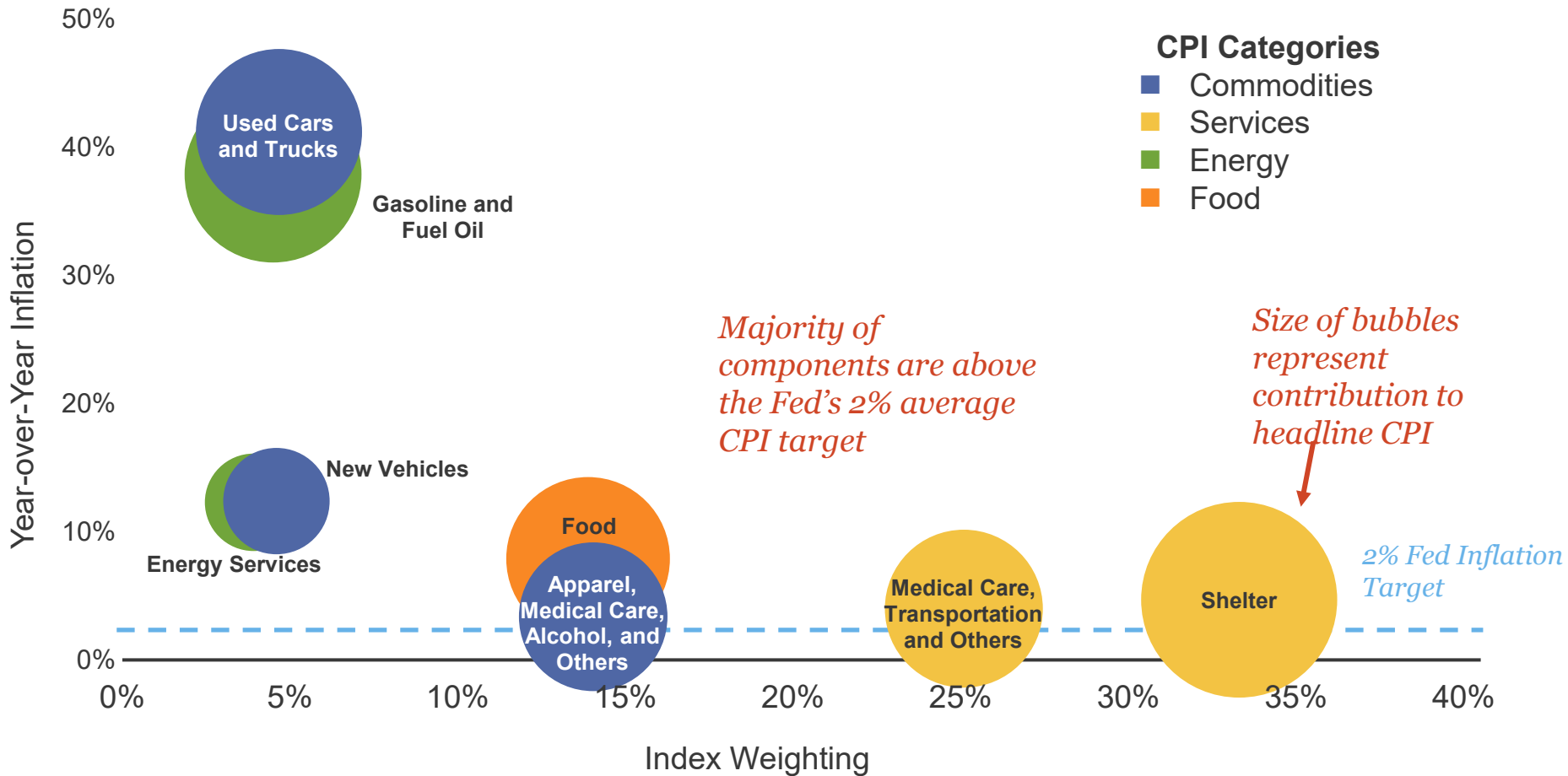
- ▶ The Federal Reserve is tightening monetary policy
 - ▶ Initiated the first of what will be many rate hikes in 2022
 - ▶ Balance sheet reduction likely to start soon



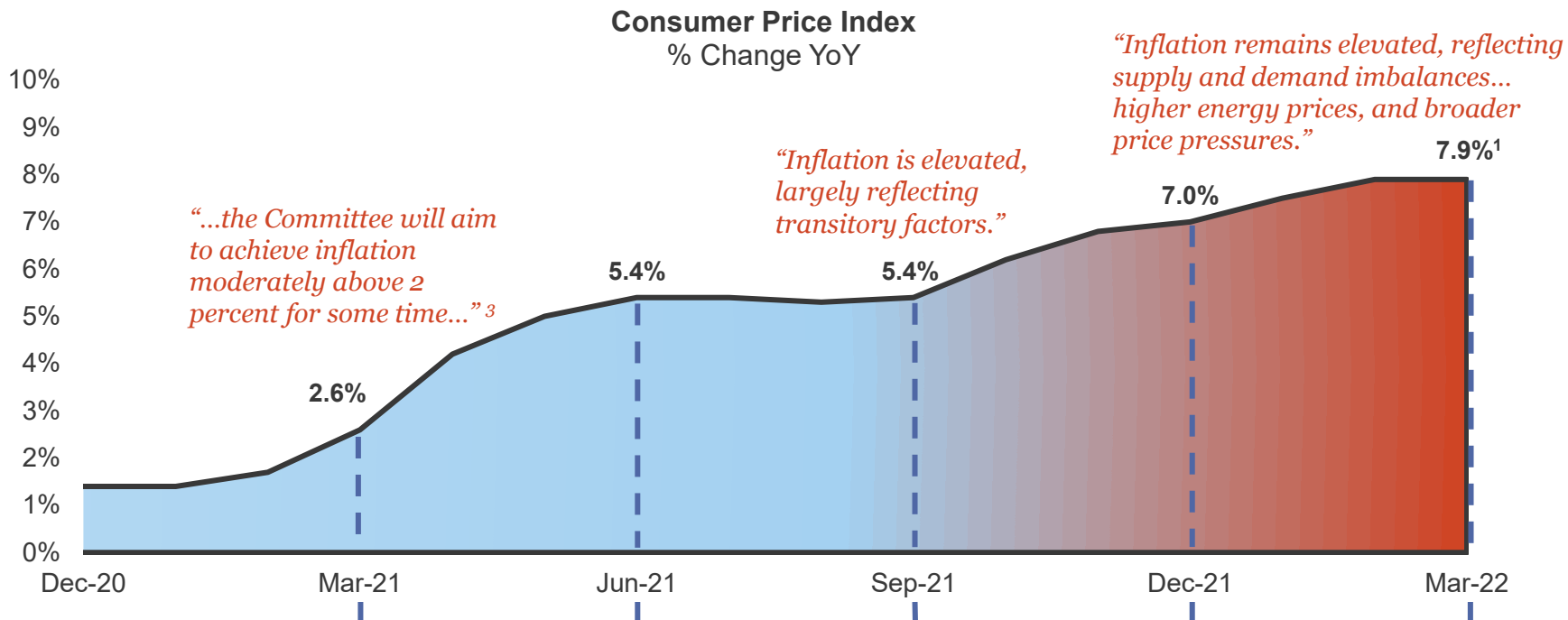
- ▶ U.S. Treasury yield curve has partially inverted
 - ▶ Yield on 2-year Treasury notes rose above the 10-year Treasury
 - ▶ One early, but imperfect, warning sign for a future recession

Inflation is Prevalent Throughout the Economy

CPI Components



Federal Reserve Policy Has Lagged Surging Inflation

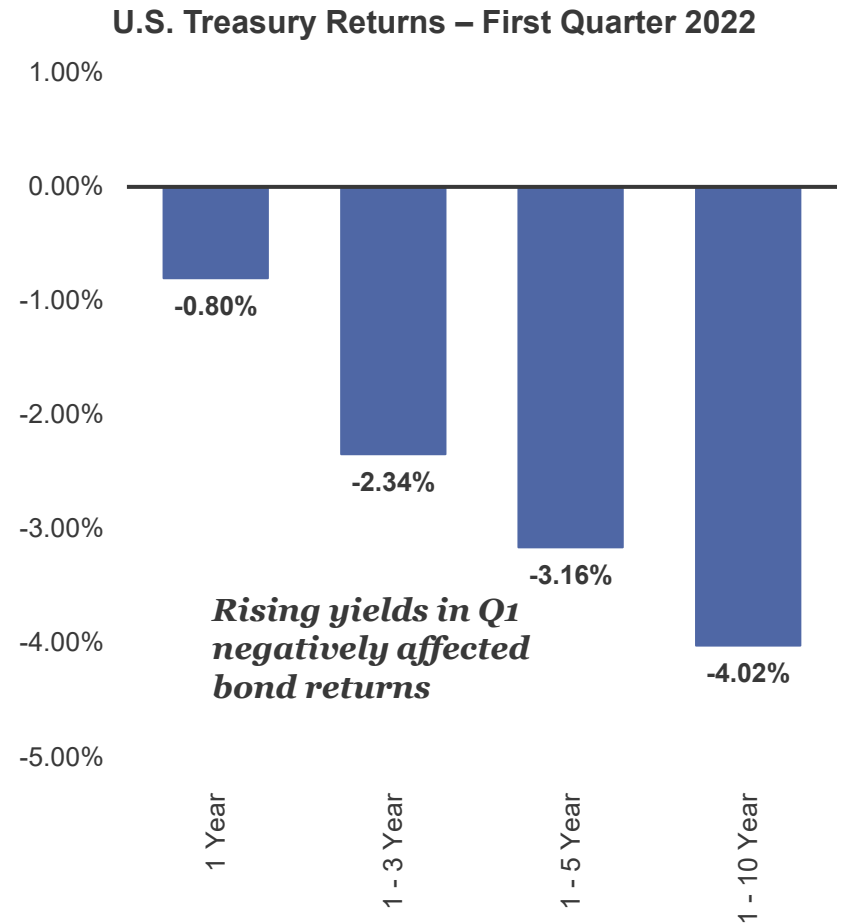
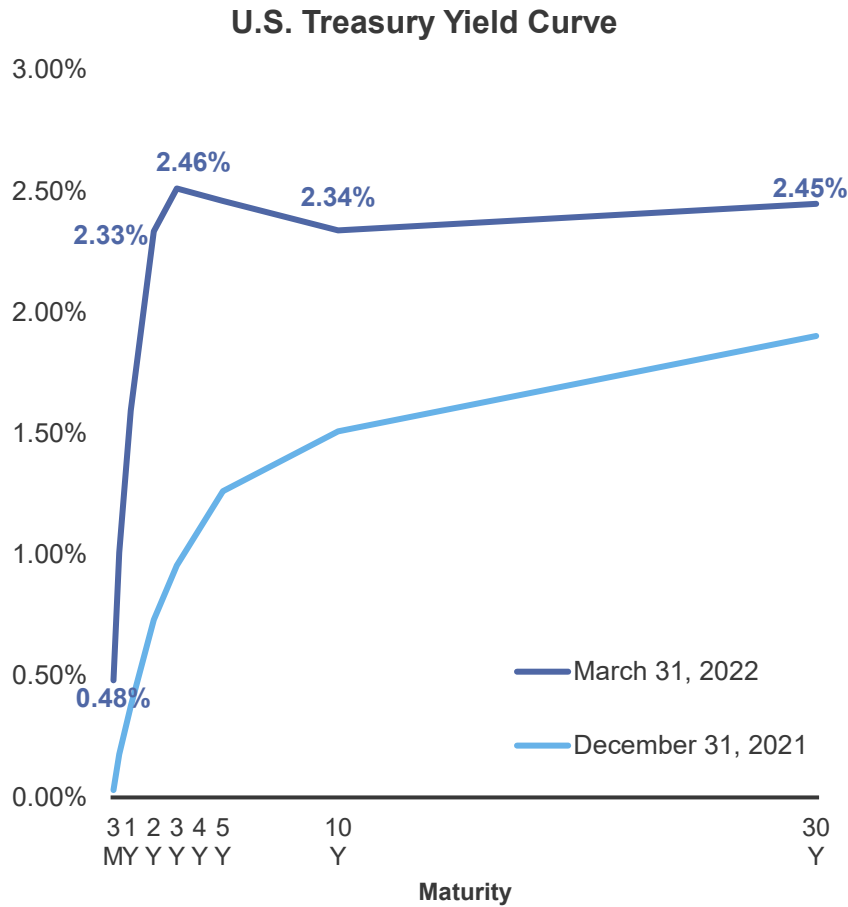


Indicators	Mar 2021	Jun 2021	Sept 2021	Dec 2021	Mar 2022
Unemployment Rate	6.0%	5.9%	4.7%	3.9%	3.6%
2-Year Treasury Yield ¹	0.16%	0.25%	0.28%	0.73%	2.34%
Fed Projections					
# of 2022 Rate Hikes ²	0	0	0	3	7

Source: Bloomberg, data as of 4/01/2022.

1. March's CPI is assumed to remain unchanged from February's CPI reading of 7.9%; Treasury yields are as of month-end.
2. Calculated using the 2022 median Federal Funds rate from the FOMC Summary of Economic Projections. Assumes 0.25% rate hikes.
3. Quotes are sourced directly from FOMC press release statements.

Treasury Yield Curve Partially Inverted; Sharp Rise in Yields Has Negatively Impacted Returns

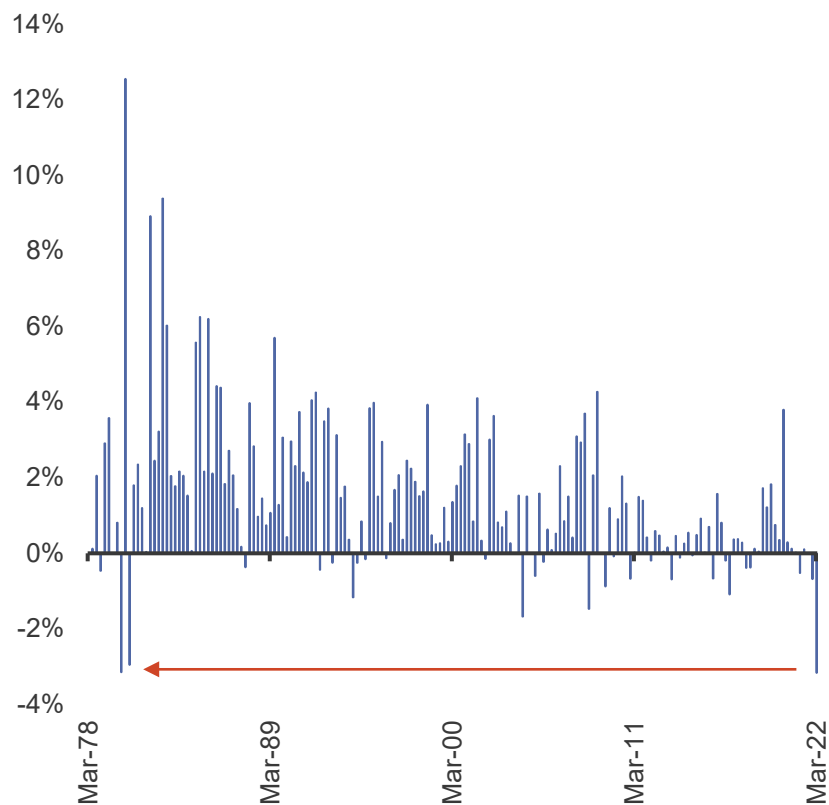


Source: Bloomberg, as of 3/31/2022.

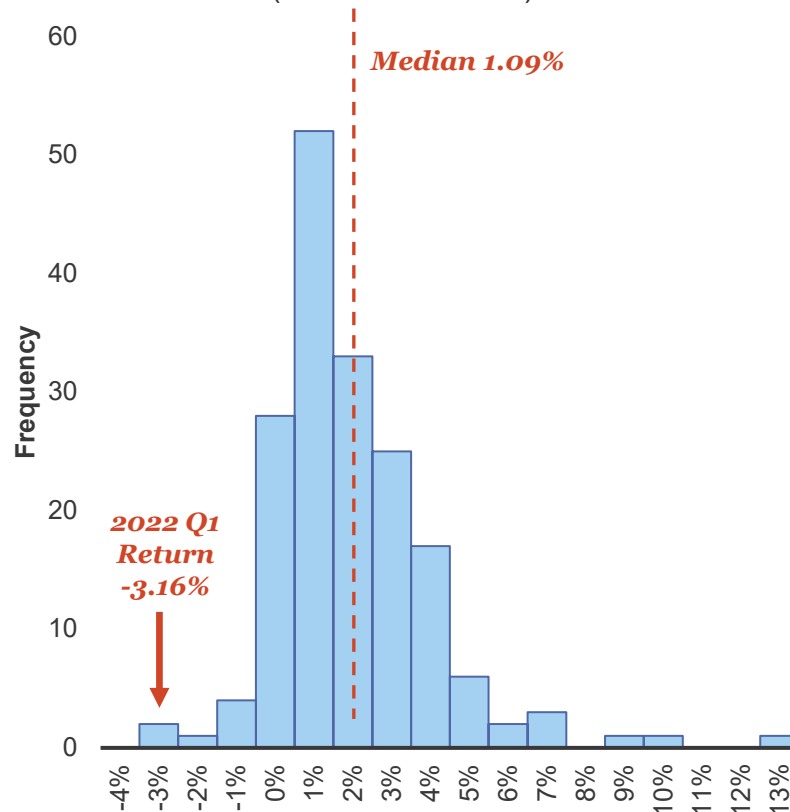
First Quarter Returned Worst Performance in Over 40 Years

ICE BofA 1-5 Year Treasury Index

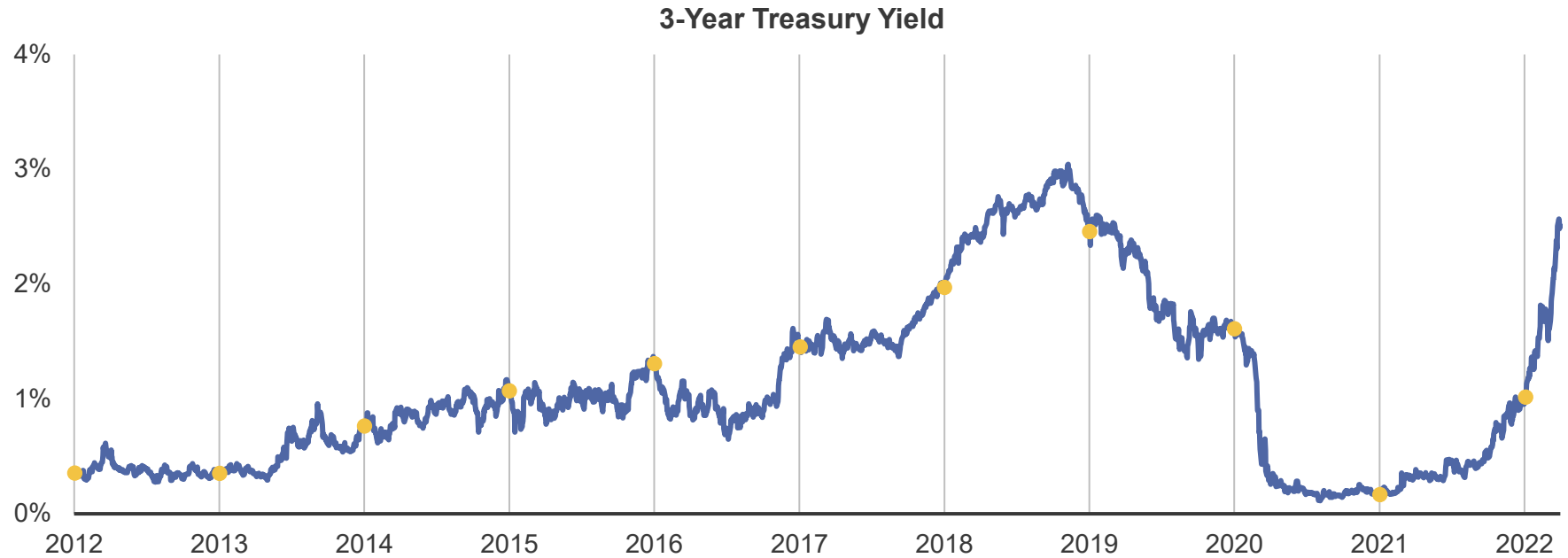
Quarterly Performance (3/31/78 - 3/31/22)



Distribution of Quarterly Returns (3/31/78 - 3/31/22)



Performance Has Historically Suffered as the Fed Raised Rates



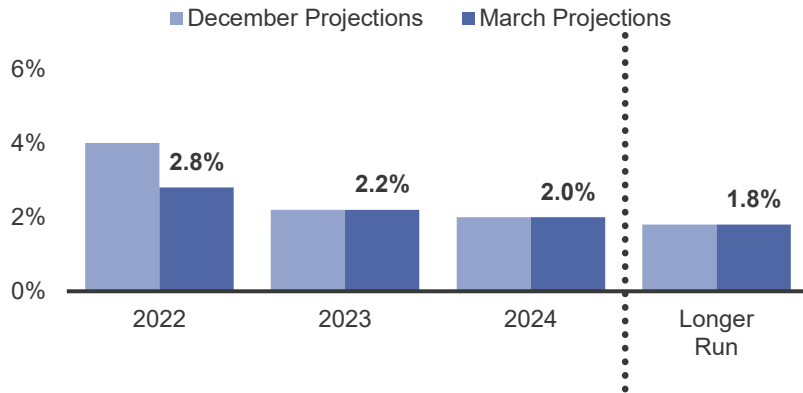
Annual Returns of the ICE BofAML 1-5 Year Treasury Index

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD
0.91%	-0.19%	1.24%	0.98%	1.09%	0.65%	1.52%	4.20%	4.25%	-1.10%	-3.16%

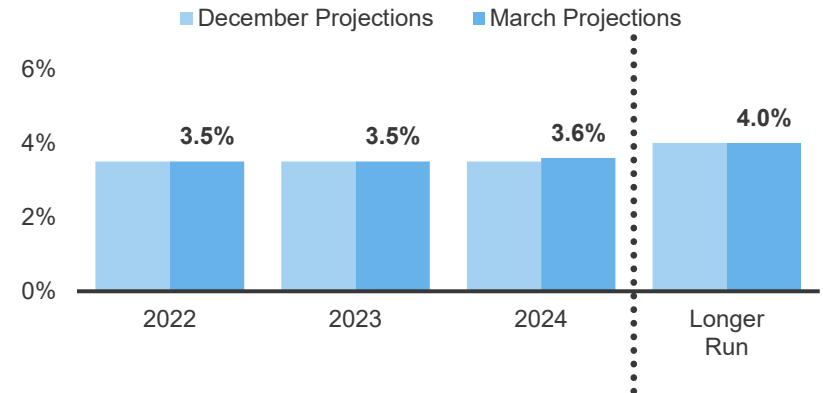
Source (graph): Bloomberg, data as of 3/31/2022. Source (table): ICE BofAML Indices, data as of 3/31/2022.

Fed Projects Recent Surge in Growth and Inflation to Wane; 2022 Rate Hikes Increase from 3 to 7

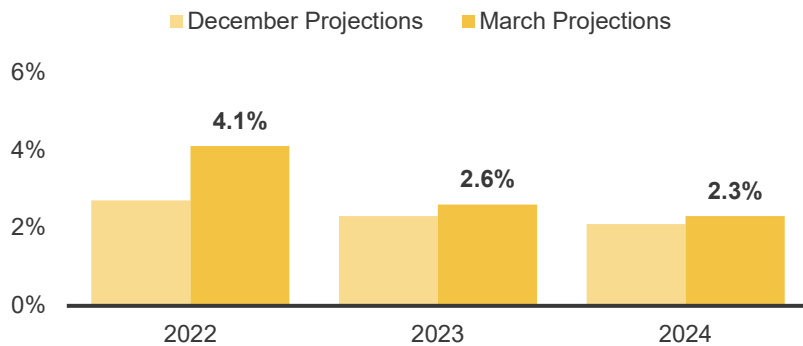
Change in Real GDP



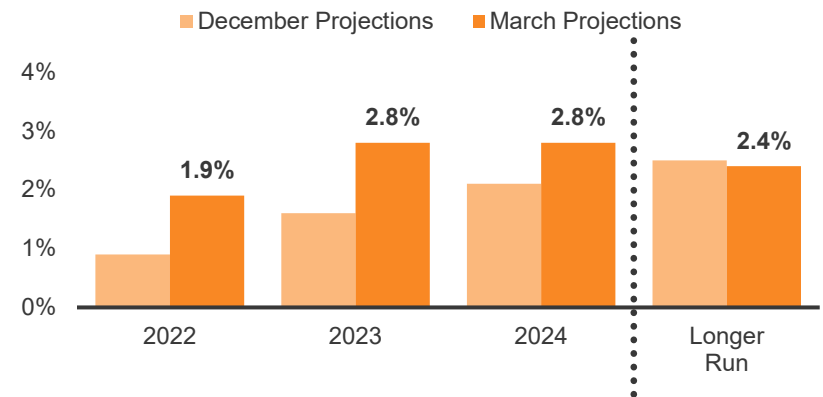
Unemployment Rate



Core PCE Inflation



Federal Funds Rate



Source: Federal Reserve, latest economic projections as of March 2022.

Portfolio Update



Portfolio Composition

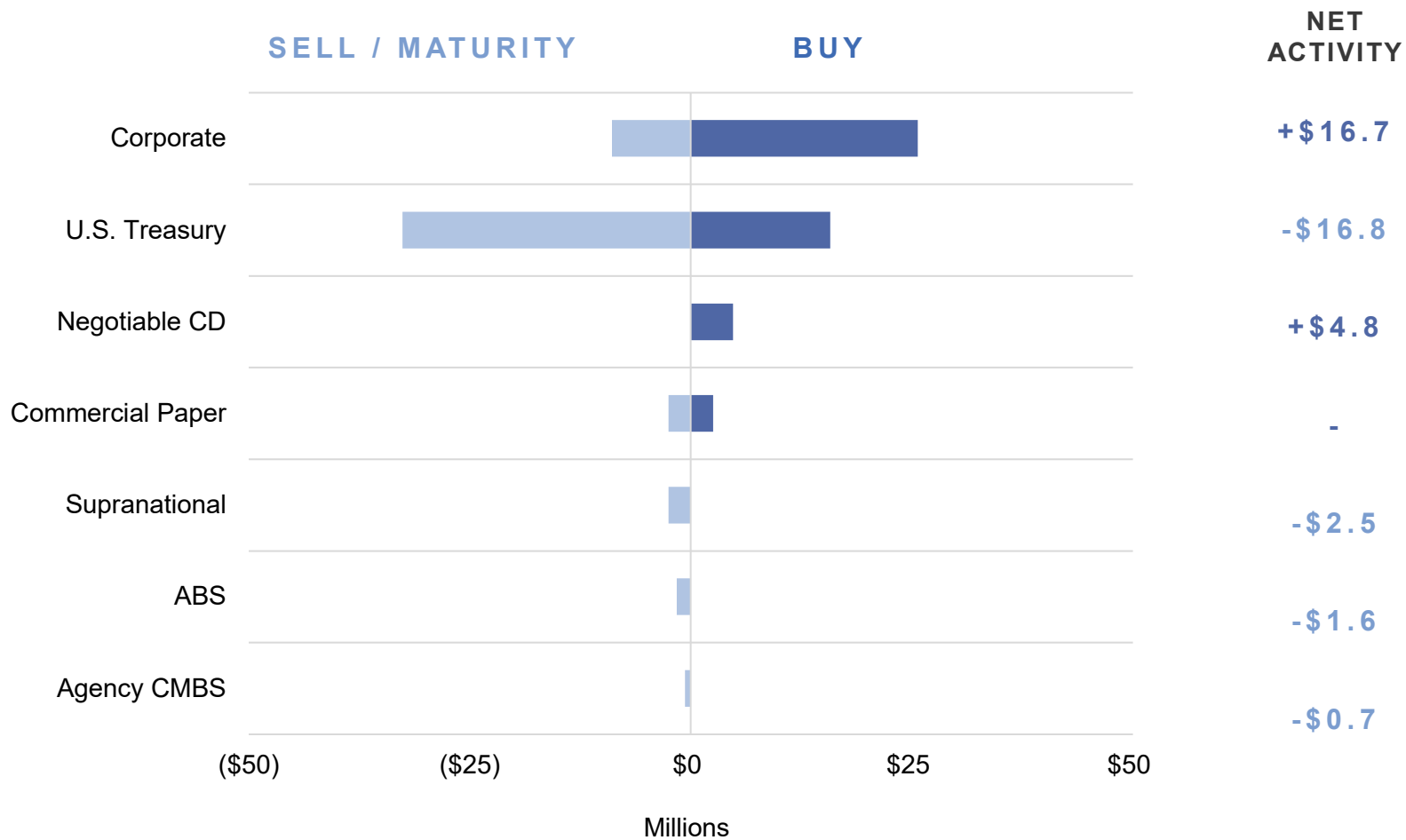
Security Type	Total Market Value March 31, 2022	% of Total Portfolio
U.S. Treasury	\$226,438,812	30.1%
Federal Agency	\$102,580,548	13.6%
Federal Agency CMOs	\$7,590,235	1.0%
Municipal Obligations	\$9,108,374	1.2%
Supranationals	\$6,669,103	0.9%
Negotiable CDs	\$18,676,372	2.5%
Corporate Notes	\$71,355,696	9.5%
Commercial Paper	\$13,972,090	1.9%
Asset-Backed Securities	\$8,927,453	1.2%
Securities Sub-Total	\$465,318,683	61.9%
Accrued Interest	\$938,507	
Securities Total	\$466,257,190	
CAMP	\$191,308,217	25.4%
LAIF – Total	\$95,588,773	12.7%
Total Investments	\$753,154,179	100.0%

As of March 31, 2022. Percentages of total portfolio may not sum to 100% due to rounding.

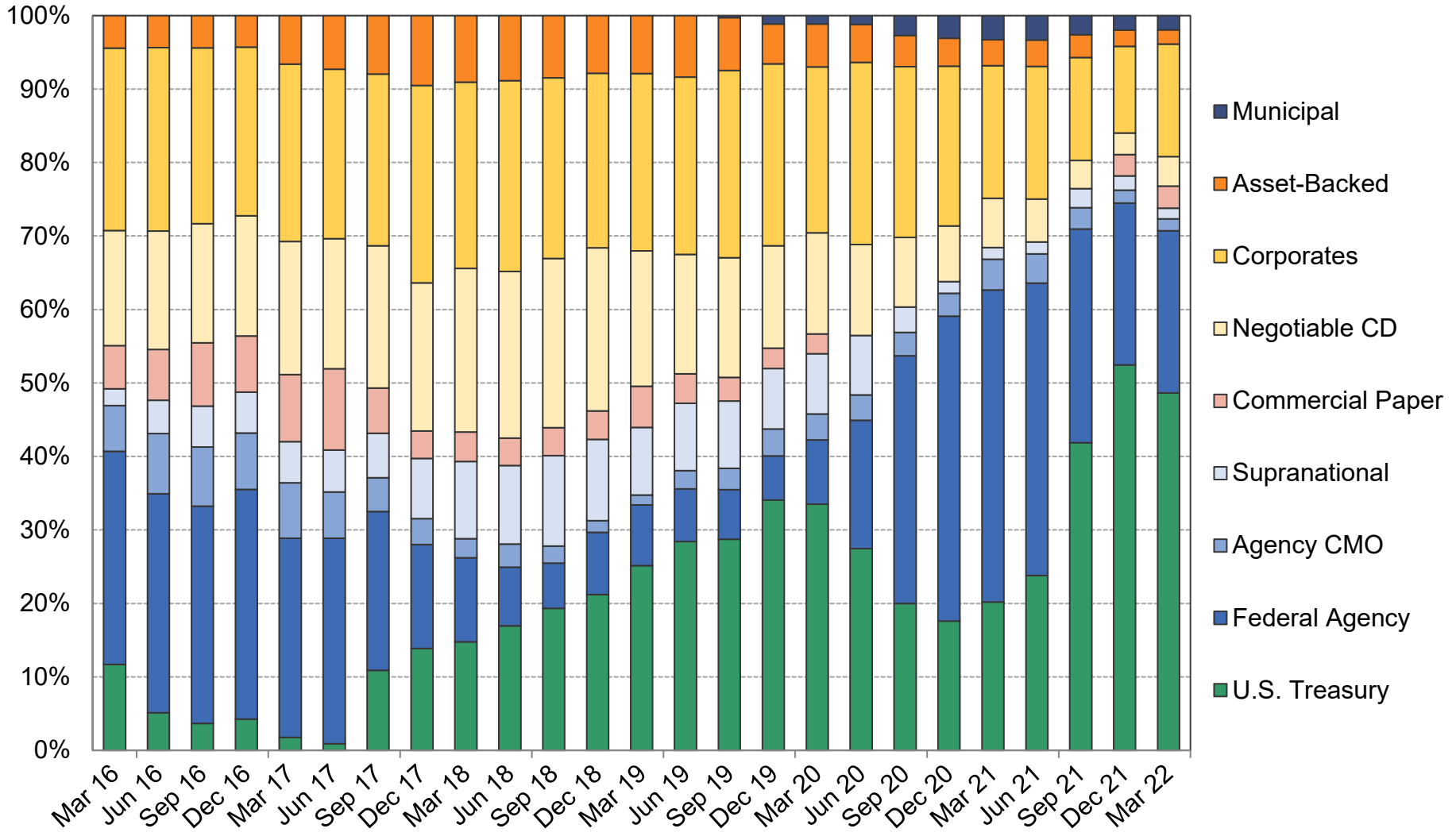
First Quarter Portfolio Strategy Recap

- ▶ **Strategic themes** shifted during the quarter as interest rates surged, volatility increased, credit spreads widened, and equity markets sold off. The Fed's tightening cycle began with a first rate hike, while Russia's invasion of Ukraine increased geopolitical uncertainty. As a result, we:
 - ▶ Positioned the portfolio's duration short of the benchmark with a **defensive posture** aimed at combating rising rates.
 - ▶ Begin to rotate back into corporates and other credit instruments at **wider yield spreads** after previously maintaining higher than normal Treasury allocations.
 - ▶ **Carefully managed risk**, with a keen eye on issuer selectivity.

First Quarter Trade Activity



Historical Sector Allocation – PFMAM-Managed Portfolio

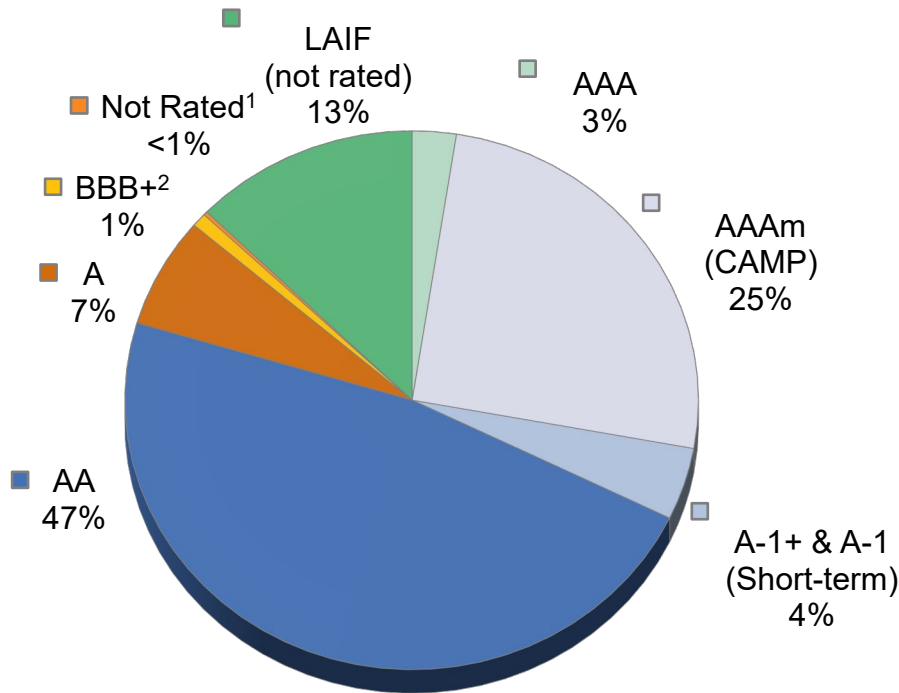


Excludes funds in LAIF and CAMP.

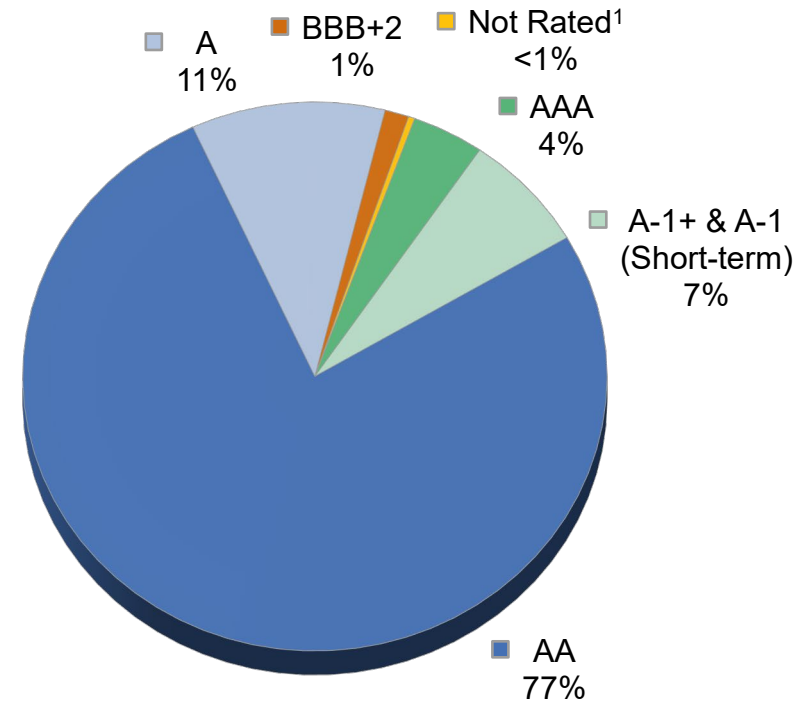
Portfolio Credit Quality

◆ The County's portfolio comprises high-quality securities.

Including Liquid Accounts



Excluding Liquid Accounts



As of March 31, 2022. Percentages may not sum to 100% due to rounding.

Ratings are based on Standard & Poor's.

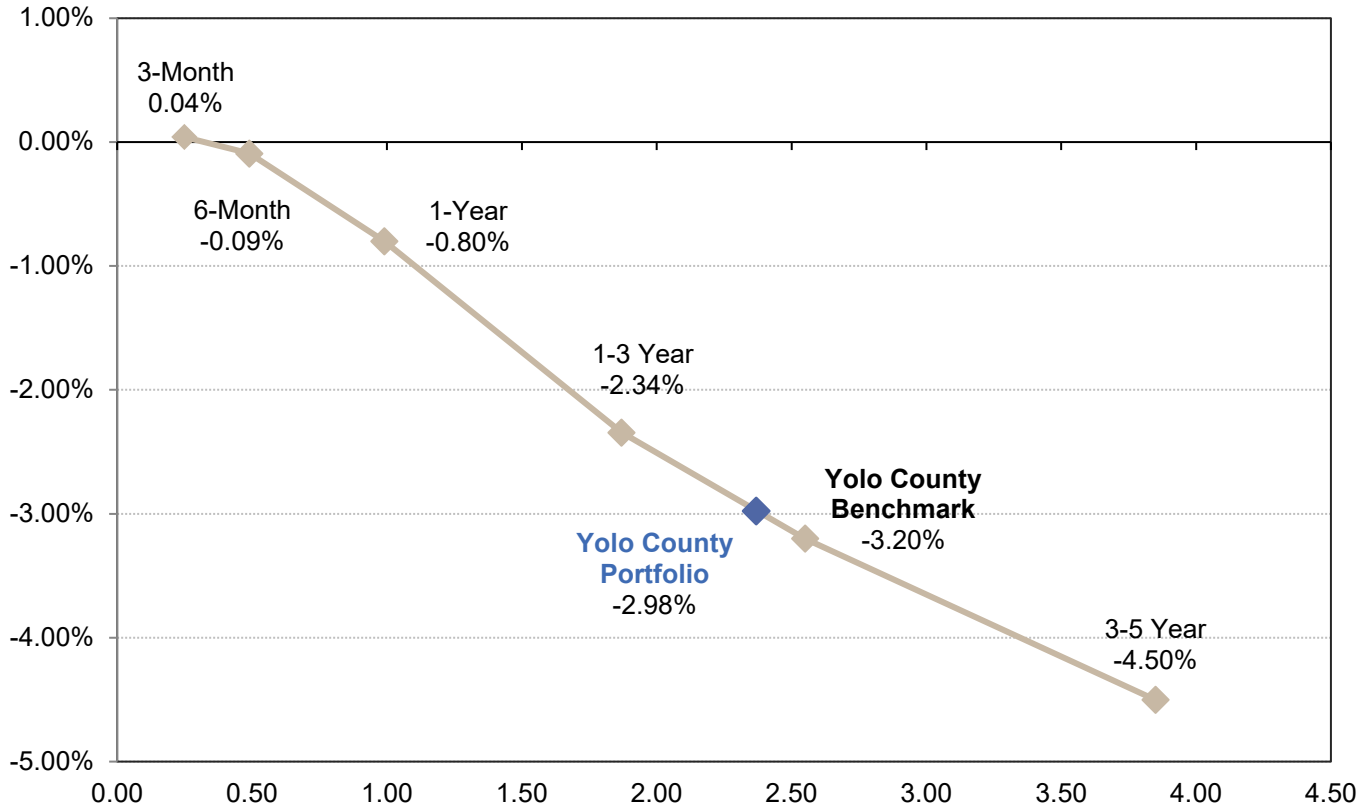
1. The "Not Rated" category comprises asset-backed securities rated Aaa by Moody's.

2. The "BBB+" category comprises securities rated in a rating category of A or better by at least one NRSRO.

Most Strategies Returned Negative Performance as Interest Rates Rose Sharply

Quarterly Total Returns

Yolo County, Yolo County Benchmark, and Various ICE BofA Merrill Lynch Treasury Indices



Yields

Portfolio Yield and LAIF Quarterly Apportionment Rate	
Yolo County	1.00%
LAIF	0.32%

- For periods ending March 31, 2022.
- Yolo County yield is the portfolio yield at cost at quarter end.
- The County's benchmark is the ICE Bank of America Merrill Lynch (BofAML) 1-5 Year Gov/Corp A-AAA U.S. issuers as of 6/30/21. From 12/31/20 to 6/30/21 it was the ICE BofAML 1-5 Year U.S. Treasury Index. From 9/30/17 to 12/31/20 it was the ICE BofAML 0-5 Year U.S. Treasury Index. From 3/31/15 to 9/30/17 the benchmark was a blend of 30% ICE BofAML 3-month Treasury index and 70% ICE BofAML 1-3 year U.S. Treasury Index. From 3/31/02 to 3/31/15 the benchmark was a blend of 50% ICE BofAML 1-3 Year U.S. Treasury index and 50% ICE BofAML 3-month Treasury Bill index. Prior to 3/31/02 the benchmark was the ICE BofAML 1-3 Year U.S. Treasury index.
- Source: Bloomberg, LAIF website.

Portfolio Outperformance Remains Positive

- ▶ Sharply rising interest rates resulted in noteworthy negative total return performance for the past quarter and year, for the County and the benchmark.
- ▶ Outperformance for the quarter can primarily be attributed to the portfolio's shorter duration position.
- ▶ Historically, the portfolio continues to return strong performance.

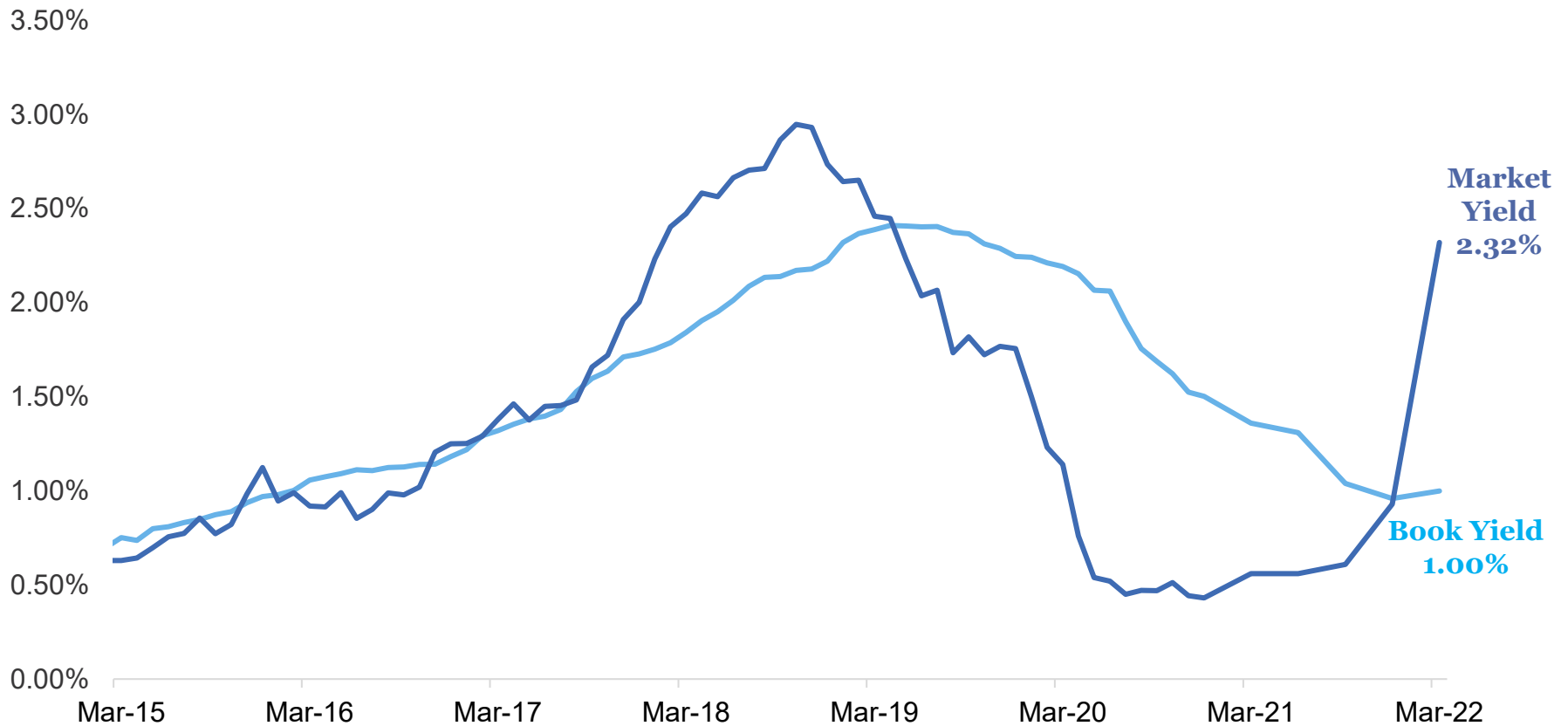
Total Return
For periods ended March 31, 2022

	Duration (years)	1Q 2022	Past Year	Past 5 Years	Past 10 Years	Since Inception
Yolo County	2.37	-2.98%	-3.46%	1.28%	1.06%	2.85%
Benchmark	2.55	-3.20%	-3.76%	0.95%	0.68%	2.24%
Difference	-	+0.22%	+0.30%	+0.33%	+0.38%	+0.61%

- Performance on a trade-date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
- Inception date is June 30, 1998.
- Performance, yield, and duration calculations exclude holdings in CAMP, LAIF, and the money market fund.
- The County's benchmark is the ICE Bank of America Merrill Lynch (BofAML) 1-5 Year Gov/Corp A-AAA U.S. issuers as of 6/30/21. From 12/31/20 to 6/30/21 it was the ICE BofAML 1-5 Year U.S. Treasury Index. From 9/30/17 to 12/31/20 it was the ICE BofAML 0-5 Year U.S. Treasury Index. From 3/31/15 to 9/30/17 the benchmark was a blend of 30% ICE BofAML 3-month Treasury index and 70% ICE BofAML 1-3 year U.S. Treasury Index. From 3/31/02 to 3/31/15 the benchmark was a blend of 50% ICE BofAML 1-3 Year U.S. Treasury index and 50% ICE BofAML 3-month Treasury Bill index. Prior to 3/31/02 the benchmark was the ICE BofAML 1-3 Year U.S. Treasury index.

Portfolio Book Yield Will Lag Market Yield

Yield to Maturity at Cost (Book Yield) vs. Yield to Maturity at Market



KEY TAKEAWAYS

- ▶ Global growth expectations dominated by Russian invasion of Ukraine; recession not expected in the U.S. this year
- ▶ Inflation remains problematic but should begin to moderate (outside of some commodity prices)
- ▶ Consumer balance sheets and labor market remain strong

RISKS TO OUTLOOK

- ▶ Geopolitical risks – progression of Russia-Ukraine conflict
- ▶ Overly aggressive Fed policy tightening
- ▶ Stagflation: Slow growth with persistent inflation
- ▶ Risk of Covid resurgence

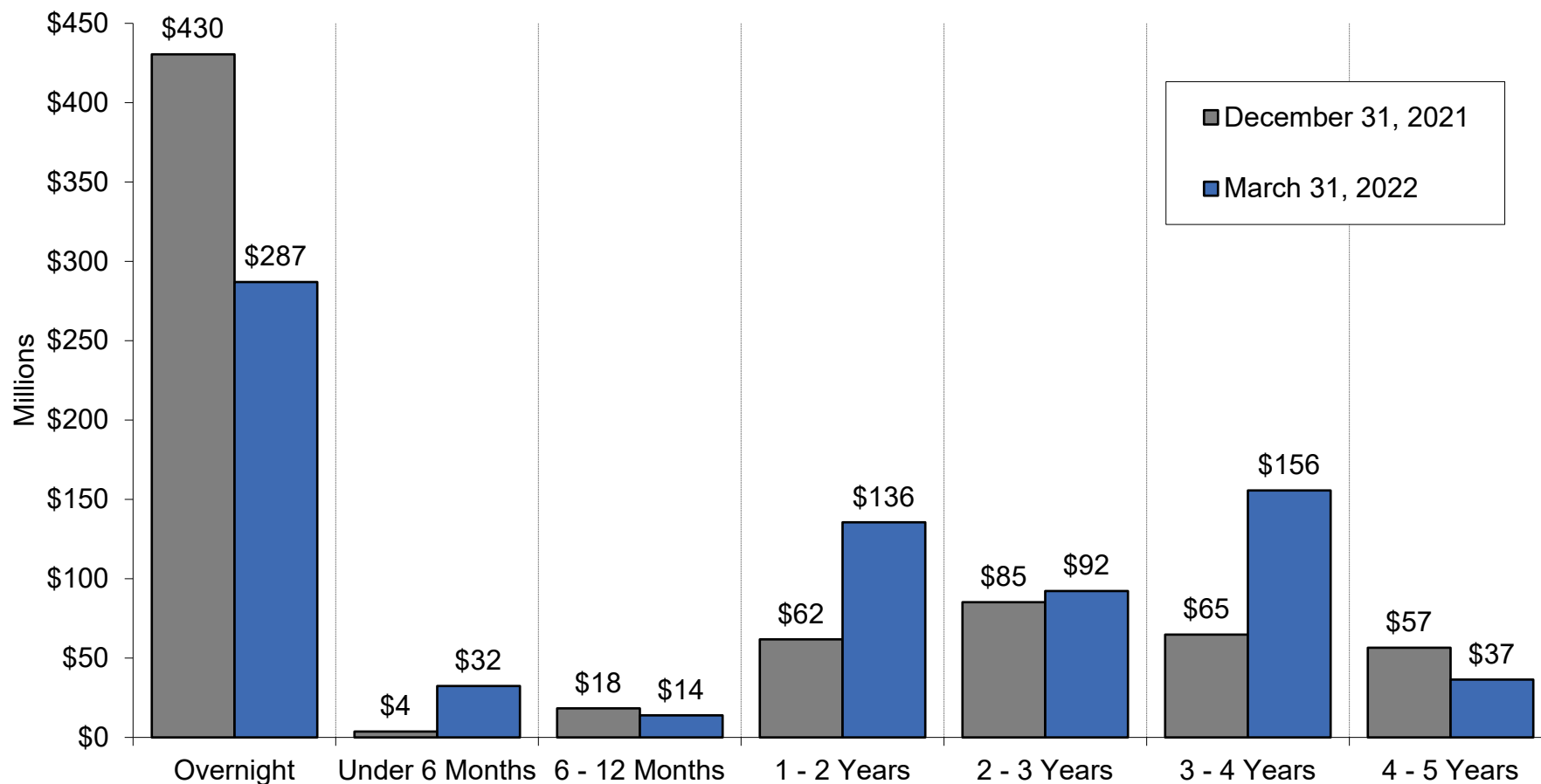
PORTFOLIO STRATEGY

- ▶ Maintain modestly defensive duration position
- ▶ Underweight allocation to longest maturities
- ▶ Continue to increase allocation to credit sectors
- ▶ Carefully manage risk and maintain high credit quality

Additional Portfolio Information



Portfolio Maturity Distribution



Callable and floating-rate securities are included in the maturity distribution analysis to their stated maturity date. Includes funds in LAIF and CAMP.

Portfolio Issuer Distribution

U.S. Treasury	
United States Treasury	48.6%

Federal Agency Issuers	
Fannie Mae	13.9%
Freddie Mac	6.0%
Federal Home Loan Banks	1.4%
Federal Farm Credit Banks	0.8%

Federal Agency CMBS Issuers	
Fannie Mae (CMBS)	0.3%
Freddie Mac (CMBS)	1.3%

ABS Issuers	
Capital One Financial Corp	<0.1%
Carmax Auto Owner Trust	0.5%
Discover Financial Services	0.2%
Honda Auto Receivables	0.2%
Hyundai Auto Receivables	0.2%
Nissan Auto Receivables	0.1%
Toyota Motor Corp	0.5%

Supranational Issuers	
Inter-American Development Bank	1.2%
Intl Bank of Reconstruction and Dev	0.7%

Commercial Paper	
Credit Agricole SA NY	1.1%
Manhattan Asset Funding Co LLC	0.9%
Mitsubishi UFJ Financial Group Inc NY	1.1%

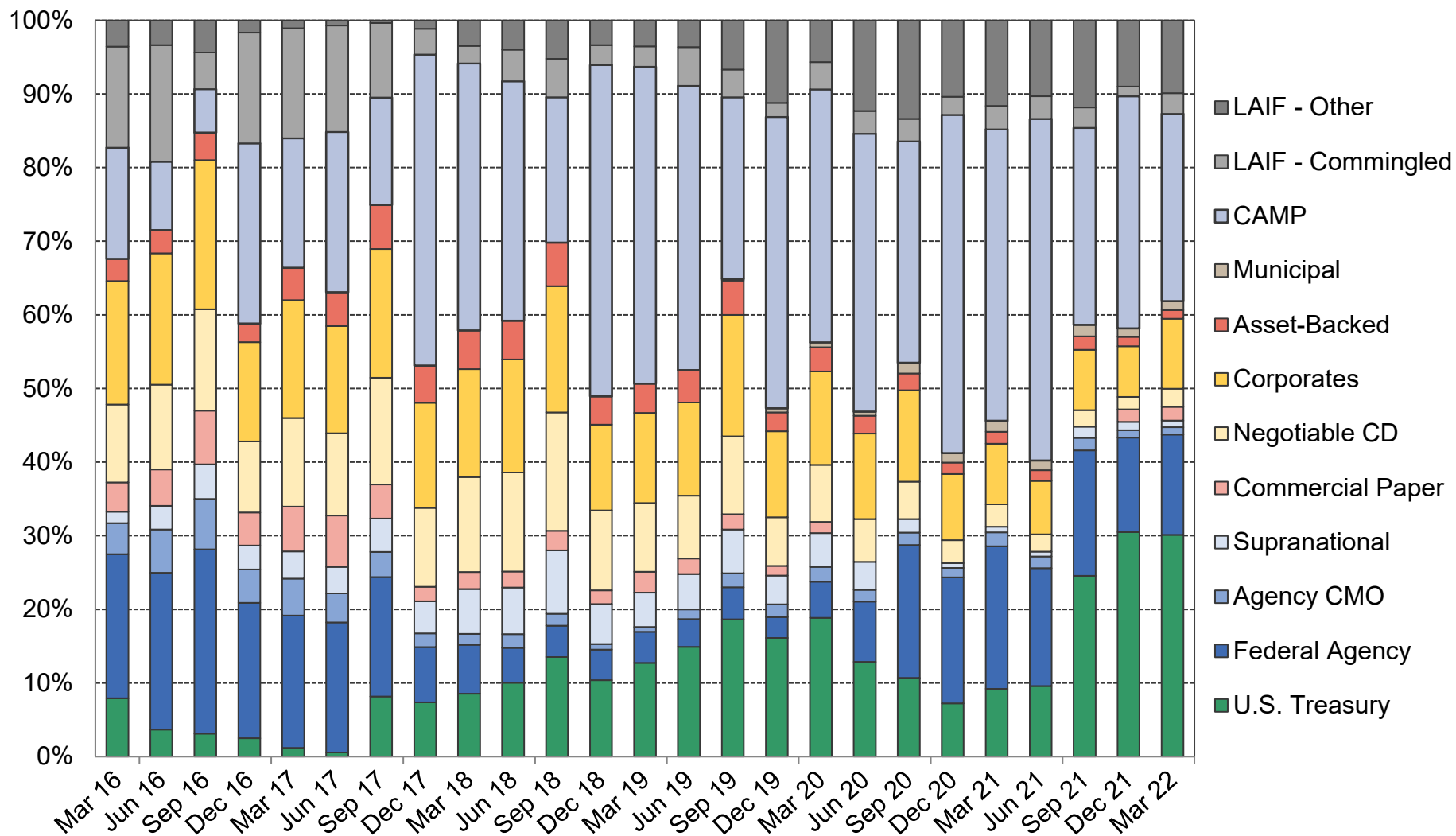
Corporate Issuers			
3M Company	0.5%	Microsoft Corp	0.7%
Adobe Inc.	0.7%	Morgan Stanley	0.3%
Amazon.com Inc	0.3%	State Street Corporation	0.6%
Bank of America Co	1.5%	Target Corp	0.5%
Burlington Northern Santa Fe	0.8%	The Bank of New York Mellon	1.0%
Citigroup Inc	0.3%	Toyota Motor Corp	0.7%
Deere & Company	0.9%	United Parcel Service Inc	0.3%
Goldman Sachs Group Inc	0.7%	United Health Group Inc	0.5%
Honeywell International	0.4%	US Bancorp	0.6%
Intel Corporation	0.8%	Visa inc	0.6%
JP Morgan Chase & Co	0.9%	Wal-Mart Stores Inc	0.9%
Mastercard Inc	0.7%		

Municipal Issuers			
CA Department of Water Resources	<0.1%	San Diego Community College Dist	0.2%
California State University	0.1%	State of California	0.5%
FL State Board of Admin Fin Corp	0.4%	State of Maryland	0.2%
Los Angeles Community College Dist	0.2%	University of California	0.2%
New Jersey Turnpike Authority	0.1%		

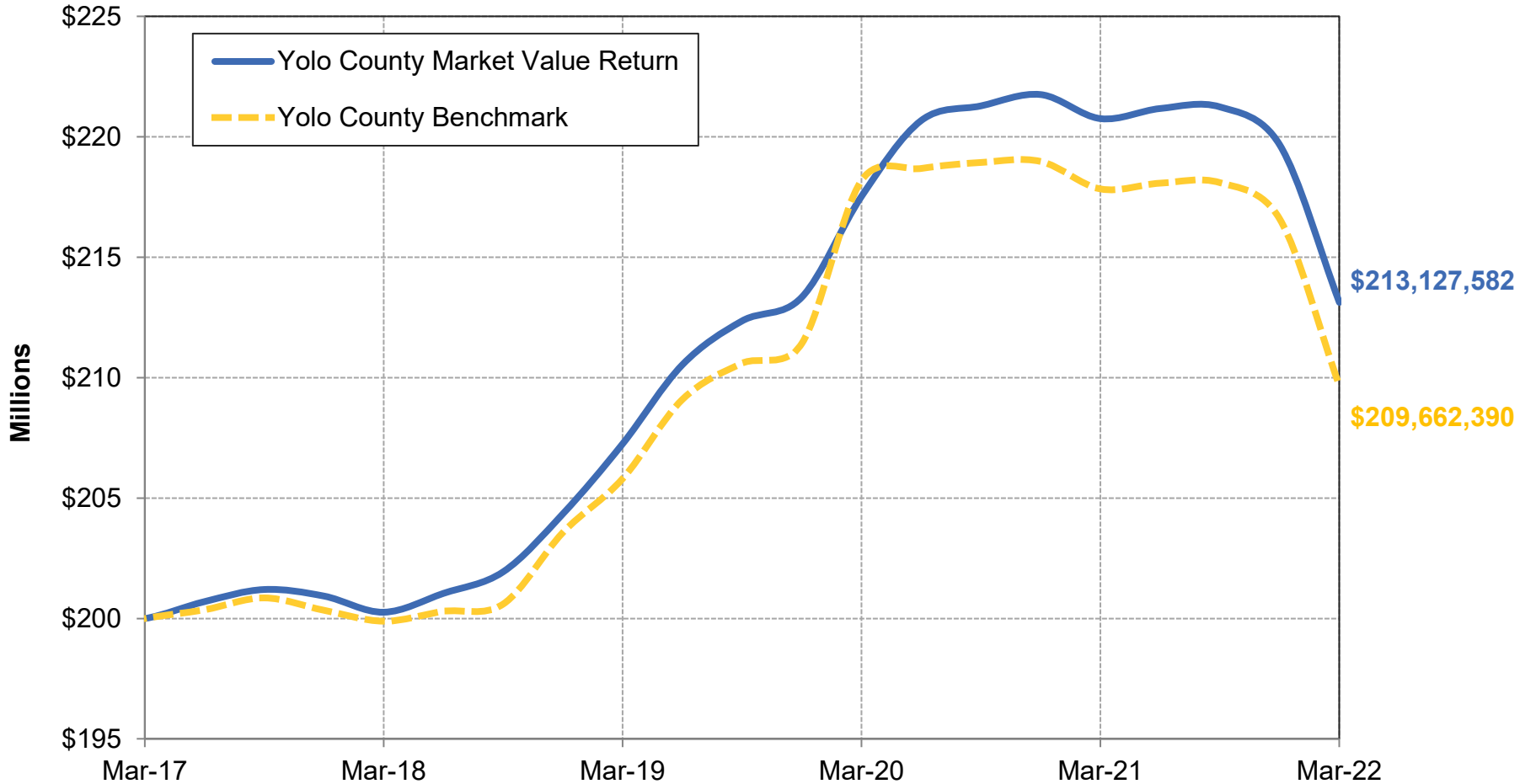
Negotiable CD Issuers			
Barclays PLC NY	1.0%	Nordea Bank ABP NY	0.8%
Credit Suisse Group NY	0.5%	Skandinaviska Enskilda Banken AB NY	0.8%
DNB ASA/NY	0.4%	Sumitomo Mitsui Financial Group Inc NY	0.5%

As of 3/31/2022. Details may not add to 100% due to rounding. Excludes funds in LAIF and CAMP.

Historical Sector Allocation—All Funds



County's Potential Growth Impacted by Negative Returns



Source: Bloomberg

- Hypothetical growth of \$200 million.
- Past performance is not indicative of future performance.

Fiscal Year Accrual Basis Earnings

INVESTMENT PORTFOLIO						
Date	Month-End Amortized Cost Value	Portfolio YTM at Cost	Actual Accrual Basis Earnings ³	Earnings Rate ¹	Assumed Reinvestment Rate ²	Projected Accrual Basis Earnings ⁴
Jul-21	\$286,774,036	1.27%	\$336,677	1.27%		
Aug-21	\$327,248,522	1.15%	\$504,485	1.15%		
Sep-21	\$367,301,752	1.04%	\$513,058	1.04%		
Oct-21	\$406,442,829	1.00%	\$327,598	1.00%		
Nov-21	\$424,931,825	0.98%	\$335,360	0.98%		
Dec-21	\$484,261,845	0.96%	\$368,405	0.96%		
Jan-22	\$484,243,470	0.95%	\$405,610	0.95%		
Feb-22	\$483,912,091	0.96%	\$509,761	0.96%		
Mar-22	\$483,598,334	1.00%	\$643,729	1.00%		
Apr-22	-	-	-	0.99%	0.03%	\$232,416
May-22	-	-	-	0.99%	2.85%	\$240,163
Jun-22	-	-	-	1.07%	2.93%	\$254,197
Projected FY 21-22 Total						\$4,671,459

1. Earnings rates calculated based on the yield to maturity at cost through 3/31/2022 and the assumed reinvestment rates of maturities for each period thereafter.

2. Assumed reinvestment rates based on the 2-year Fed Funds Forward Rate Curve as of 4/17/2022.

3. Earnings for the periods 7/31/2021 – 3/31/2022 are actual earnings and include realized gains/losses; periods thereafter are projected.

4. Earnings assume no sales or realized gains/losses for periods after 3/31/2022.

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