

**Meeting of the  
Financial Oversight Committee  
Yolo County  
August 11, 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/89541041225>

Meeting ID: 895 4104 1225  
or  
By Phone: (408) 638-0968  
Meeting ID: 895 4104 1225

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 Chad Rinde, Chief Financial Officer at least two (2) working days before the meeting at 530-666-8050 or [chad.rinde@yolocounty.org](mailto:chad.rinde@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)
- Gerardo Pinedo (County Administrator – Non-voting)
- Chad Rinde (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 361, 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 5/12/2022.**
8. **Receive Treasury audit report for quarter ended 3/31/2022.**

## **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 and Single Audit report from the Independent Auditor's (LSL/Alves).**
11. **Receive staff report on budget update (Patterson).**
12. **Receive report on the Treasury Pool Investment Activity for the 2nd Quarter ended June 30, 2022 (PFM/Xiong).**
13. **Discuss results from the FOC Meeting survey (Haynes).**
14. **Confirm next meeting date: November 10, 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 Chad Rinde, Chief Financial Officer at 530-666-8050 or [chad.rinde@yolocounty.org](mailto:chad.rinde@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 Chad Rinde, Chief Financial Officer at [chad.rinde@yolocounty.org](mailto:chad.rinde@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 Chad Rinde, Chief Financial Officer at [chad.rinde@yolocounty.org](mailto:chad.rinde@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 May 12, 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: Larry Raber, Vice-Chair (Public Member), Richard Horan (Public Member), Crissy Huey (Education), Kimberly McKinney (Cities), and Kristin Sicke (Special District).

Others present: Mark Bryan (Deputy CAO), Tom Haynes (Interim CFO), Sou Xiong (Treasury), Melissa Patterson, Rosalio Altamirano, Shelby Milliren, Laura Liddicoet (Budget), Holly Alves (Accounting), Allison Kaune (PFM), Brandon Young (LSL), and Kim Eldredge and Noemy Mora-Beltran (Internal Audit).

Moderator: Noemy Mora-Beltran

Recorded by Kim Eldredge

- 1) **Introductions.** New staff within the Department of Financial Services - Holly Alves (Accounting Manager), Rosalio Altamirano (Senior Financial Analyst), and the Deputy CAO, Mark Bryan were welcomed at the meeting.
- 2) **Call to Order.** Larry Raber called the meeting to order at 10:00 a.m. with members Richard Horan, Crissy Huey, Kristin Sicke, and Kimberly McKinney were in attendance. Quorum was formed. Gary Sandy and Angel Barajas were absent.
- 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.**  
Agenda reviewed, correction to item #6 changing the Assembly Bill 261 to 361 and reading of memo to authorize continued remote meetings.

Agenda approved.

MOVED BY: Richard Horan / SECONDED BY: Kristin Sicke

AYES: 5

NOES: 0

ABSTAIN: 0

ABSENT: 2

- 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) 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.

Consent agenda approved.

MOVED BY: Kristin Sicke / SECONDED BY: Richard Horan

AYES: 5

NOES: 0

ABSTAIN: 0

ABSENT: 2

- 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).** Kim Eldredge gave a status of current audit engagements and reports completed since last meeting: CW Accounts Payable audit started; Capital Project Audit and Cash Department Audit-HHSA in-progress; Cash Department Audits-District Attorney and Clerk-Recorder completed; CW Cell Phone Audit started; Treasury Cash Count QE 12/31/21 completed; Fleet Audit, Inmate Welfare Fund Audit, and CW Risk Assessment for 3-year audit plan in-progress with On-Call Audit Services. The FWA & Whistleblower Policy is in draft and has been sent to county management for feedback.
- 10) **Receive staff report on the status of interim audit work for ACFR 6/30/22 from the Independent Auditor's (LSL/Alves).** Brandon Young, Partner (LSL) provided a status report on the Single Audit wrapping up work on the last program tested. They should have the Single Audit completed by May 2022. Beginning interim audit work for FY21-22 in the next couple weeks.
- 11) **Receive staff report on property tax audit report (Haynes).** Tom Haynes provided a report on the property tax audit "Apportionment and Allocation of Property Tax Revenues" for the period of July 1, 2017 through June 30, 2021 completed by the State of CA. The audit found two findings that the county incorrectly calculated 1) reimbursement of property tax administrative costs, and 2) redevelopment property tax trust fund deposits. Improvements to the county process is currently being implemented.
- 12) **Receive staff report on budget update (Patterson/Altamirano).** Melissa Patterson and Rosalio Altamirano provided an update of the preliminary results of the FY21-22 3<sup>rd</sup> quarter budget monitoring summary. The budget staff is currently reviewing the data provided by departments. The results of the FY21-22 3<sup>rd</sup> quarter budget monitoring summary will be presented to the Yolo County Board of Supervisors on 6/14/22. Projected outcome of the operating budget is positive with a net variance of \$43 mil. (combination of general fund and special revenue funds).
- 13) **Receive report on the Treasury Pool Investment Activity for the 1st Quarter ended March 31, 2022 (PFM/Xiong).** Allison Kaune (PFM) provided an economic update and overview of the investment portfolio performance for the 1<sup>st</sup> Calendar Quarter through 3/31/2022.
- 14) **Confirm next meeting date.** August 11, 2022 at 10:00 to 11:30 a.m.
- 15) **Committee Member and Staff Announcements.** Tom Haynes mentioned that an audit of the trial court distributions (3-year audit) is underway with the State Controller's Office. He will report back to the committee when completed.
- 16) **Adjournment.** Meeting Adjourned at 11:18 a.m.



## 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 March 31, 2022. 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 March 31, 2022.

**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 March 31, 2022, 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 March 31, 2022, 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 March 31, 2022, 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 March 31, 2022, 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 percent and \$10,000 of the financial institution amount are summarized in **Attachment A**. The County Treasury staff considers these variances to be routine.

- 6) 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.

- 7) We compared the investments listed in the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments as of March 31, 2022, 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 March 31, 2022. 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 black ink that reads "Lowe, Soll &amp; Loughhead, LLP". The signature is written in a cursive, flowing style.

Sacramento, California  
August 5, 2022

**County of Yolo, California**  
**Investment Summary for the Treasurer's Pooled and Non-Pooled Investments**  
**Agreed-Upon Procedures Report**  
**Quarter Ended March 31, 2022**  
**Attachment A**  
**Procedure 5 Results - Market Value Comparison**

<b>Description</b>	<b>CUSIP</b>	<b>County Investment Summary</b>	<b>Financial Institution Statements</b>	<b>Variance</b>	
				<b>\$</b>	<b>%</b>
<i>Bank of New York Mellon - Municipal Bond</i>					
LOS ANGELES CCD, CA TXBL REV BONDS	54438CYK2	\$ 1,032,345	\$ 1,045,825	\$ (13,480)	-1.31%
<i>Bank of New York Mellon - Asset-Backed Security</i>					
CARMX 2021-C A3	14314QAC8	\$ 903,614	\$ 892,345	\$ 11,269	1.25%





# County of Yolo

www.yolocounty.org

**TOM HAYNES**  
Interim Chief Financial Officer

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## DEPARTMENT OF FINANCIAL SERVICES

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

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

May 3, 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 March 31, 2022

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 March 31, 2022. 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.

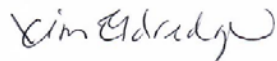
**Considerations:** None.

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

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	70%	In-progress		
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	85%	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%	Carry Forward to FY22-23 due to conflicts with other audit projects		
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		

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
11	2022-30	New	Cash-Department Audit	Department HHS	To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records.	High	172	100%	Completed	6/24/2022	9
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	50%	In-progress		
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	100%	Completed	6/21/2022	
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	100%	Completed	Waiting on Final Report by auditors	
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	100%	Completed	7/12/2022	

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	90%	Draft Report completed; Innovation funds requested for hotline	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	90%	In-progress	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	100%	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	100%	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	100%	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	100%	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	100%	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**



# County of Yolo

www.yolocounty.org

**TOM HAYNES**  
Interim Chief Financial Officer

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## DEPARTMENT OF FINANCIAL SERVICES

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

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

### Transmittal Letter

June 24, 2022

Nolan Sullivan, Interim Director Health and Human Services Agency  
137 N Cottonwood St  
Woodland, CA 95695

Re: Internal Control Cash Audit - Health and Human Services Agency

Dear Mr. Sullivan:

The Division of Internal Audit performed an internal control cash audit of the Health and Human Services Agency for the period of March 1, 2021 to February 28, 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 cash handling, bank reconciliations, gift card/bus passes inventory, system access, and documentation of procedures.

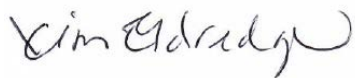
As required, in accordance with auditing standards and the County Audit Follow-up Policy, County Management has responded to each finding and recommendation contained in our report. We will follow-up to verify that management implemented the corrective actions.

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 Health and Human Services Agency 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  
Yolo County Audit Subcommittee  
Internal Audit Website  
Audit File Project No. 2022-30

Yolo County Division of Internal Audit  
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Audit No: 2022-30**

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## **Detailed Findings and Recommendations**

### *Background*

The Yolo County Health and Human Services Agency (HHSA) works to promote the health, safety, and economic stability of Yolo county residents, particularly individuals that are vulnerable, through the administration of more than 60 state and federally mandated programs and services as well as non-mandated programs that improve community well-being. HHSA has a main office in Woodland and a branch location in West Sacramento.

HHSA is divided into five major branches: Administration; Adult & Aging; Child, Youth & Family; Community Health; and Service Centers.

**Administration:** Maintains fiscal accountability and stability for HHSA, including all aspects of audit and compliance, budgeting, collections, communications, contracts, human resources, issuance of payments, information technology, revenue generation, and strategic planning.

**Adult & Aging:** Provides adult services programs including mental health, adult protective services, adult residential, behavioral health services, homeless services, substance abuse, and veteran services. The branch also includes the In-Home Supportive Services (IHSS), Public Authority, and Public Guardian programs.

**Child, Youth & Family:** Provides children services programs including continuous quality improvement, mental health, preventive health, child welfare services (case management system, emergency response, court investigations, intake, training), resource family approvals and support, and transition age youth (TAY).

**Community Health:** Includes programs for child passenger safety, community planning, emergency medical services, healthy living, infectious disease prevention & control, jail health services, maternal/child/adolescent health promotion, oral health promotion, public health emergency preparedness, tobacco & substance use prevention, and women/infants/children program (WIC).

**Service Centers:** Provides eligibility programs for adoptions, CalFresh, CalWORKS, Employment Services, County Medical Services Program (CMSP), foster care, and general assistance. The branch also includes other programs for Medi-Cal, staff development, systems management, and Workforce Innovation & Opportunity Act (WIOA).

Our review tested the HHSA'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 HHSA. 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 March 1, 2021 to February 28, 2022. We did not review cash handling operations for the Public Guardian operations. This report also does not include a full system review of the Ventura Automated Collection System "VACS" used for client overpayments.

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## 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.

HHSA has an authorized revolving cash fund totaling \$730 to be used as follows:

- a. Petty cash fund in the amount of \$600 for use by the Woodland and West Sacramento offices to reimburse small dollar items purchased for clients and office operations (Administration branch)
- b. Petty cash Fund of \$100 to be used by the Public Authority program for certified mailings and small dollar items (Adult & Aging branch)
- c. Change Fund of \$30 for to make change for payments for the car seat program (Community Health branch)

HHSA also has the following bank accounts:

- a. *Emergency Relief Account* in the amount of \$20,000 to account for expenses incurred for clients with immediate need of shelter, food, clothing, and other emergency issuances.
- b. *Child Welfare Services-Special Needs Fund* for the revenue received from donations that are used for child welfare programs.
- c. *Public Guardian Client Custodial Funds* to manage client investments, estates, burial trust and custodial funds.
- d. *Public Guardian Special Purpose Funds* in the amount of \$3,000 for use in accordance with Government Code Sec. 29460 Et. Seq. for expenses incurred in the administration of any estate when the estate assets are insufficient.

### *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 to determine compliance with County Policy and Government Code

Based on the procedures performed, the petty cash fund at Woodland office agreed to the accountable balance with the Department of financial Services and replenishments were supported by adequate documentation and complied with County's policy and procedures. No petty cash replenishments were made during the audit period for West Sacramento office. HHSA should review the petty cash fund and determine if the established amount is still needed for program operations.

### ***Finding #1: Establishment of petty cash fund at Public Guardian***

*Department heads may request the establishment of a revolving fund in writing to the Chief Financial Officer. The request shall state the purpose of the fund, the amount and the custodian of the fund. If the request is*

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*granted, the Chief Financial Officer will respond with an approval letter establishing the fund, describing the authorized use of the fund and specifying the custodian.*

The Public Guardian program has a \$100 petty cash fund to reimburse small dollar items purchased for the program. The fund was established out of the Public Guardian Special Purpose Funds without approval from the Chief Financial Officer. Cash funds established without proper authorization may result in improper use of the fund and non-compliance with Government Code Sec. 29460.

**Recommendation 1:**

We recommend that HHSA formally request approval for the establishment of a petty cash fund to the Chief Financial Officer for use by the Public Guardian program and return the amount withdrawn from the Public Guardian Special Purpose back to the proper account. (Priority 1 Issue – 60 days required corrective action)

**Management Response 1**

*Public Guardian was previously separate but has since joined HHSA. Financial operations remained the same as before joining the agency. Staff will research what authority was granted before joining and will either seek permission from CFO if prior authority was not granted or consider closing out the change fund and use purchase cards. (Anticipated Date of Completion – 8/31/2022)*

**Finding #2: 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 check the work performed by another. Generally, one person should be designated as petty cash custodian. This person disburses petty cash and turns in vouchers to reimburse the fund. Petty cash counts should be made on a periodic basis by someone independent of the petty cash process.*

The petty cash fund for the Public Authority program is maintained by three custodians. One of the custodians uses the fund to purchase items as needed and prepares the claim to replenish the fund. The petty cash fund is not reconciled by someone independent of the custodian. 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 2:**

We recommend that HHSA review their procedures for handling the petty cash fund for the Public Authority program and ensure that an independent person perform a surprise cash count on a regular basis. In addition, that the cash count sheets be retained for audit purposes. (Priority 1 Issue – 60 days required corrective action)

**Management Response 2**

*Plan to identify a resource to do reconciliation on a regular basis or consider closing out the petty cash. It appears to be infrequently used. (Anticipated Date of Completion 8/31/2022)*

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## 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.

Outside banking relationships must also be approved by the Chief Financial Officer to establish an outside banking relationship with a financial institution (bank). Individuals that have the authority to deal directly with the bank should adhere to the following general guidelines:

- All cash must be deposited in accordance with the cash receipts policy.
- A record must be kept of all cash receipts and disbursements. Deposit receipt must be obtained from the bank teller.
- All signature cards must be current.
- Cash in banks must be protected by FDIC insurance.
- Authorized use of the County tax identification number must be obtained in advance from the Chief Financial Officer.
- Outstanding checks must be monitored on a regular basis for stale dated checks.
- Bank reconciliation must be prepared monthly and available for review.

HHSA has three (3) collection areas: Community Health (car seats), Woodland Service Center and West Sacramento Service Center (benefit overpayments). Each location reconciles their collections and transfers the cash and the cash receipts to the Woodland Administration Branch 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

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- Determined whether the cash and check stock were secured and locked at all times
- Reviewed the annual revolving cash report for fiscal year 2020-21 for reported cash overages and shortages
- Verified that monthly bank reconciliations were properly completed

**Finding #3: Payments at the West Sacramento Service Center**

*Payments received should be immediately recorded on a pre-numbered cash receipt form or control log. Collections should be reconciled at the end of the day to identify any differences. For those departments in which cash receipts are transported from branch locations to headquarters for deposit, accountability over collections must be maintained through the use of a transmittal log or slip. The log shall be signed at the time cash receipts are picked up and at the time delivered. Headquarters shall forward a copy of the log or slip to the branch to verify that the cash receipts were properly received.*

Payments at the West Sacramento Service Center are placed in an envelope by the client and dropped in a collection box (drop box) located at the public counter. These payments are sent unopened to the Administration branch for recording into the VACS system and for further processing of the deposit. There is no control log to identify the amount collected to ensure that all collections were accounted for and deposited timely in the County Treasury.

Not maintaining accountability over cash collections may result in cash differences not identified on a timely basis and in the loss of control to determine if payments were deposited into the County treasury.

**Recommendation 3:**

We recommend that HHSA record payments received through the drop box onto a control log and that the log be reconciled to the cash on-hand before collections are transported to the Administration branch for deposit. (Priority 1 Issue – 60 days required corrective action)

**Management Response 3**

*Controls appear to already be strong in this workflow where a secured dropbox is used for document acceptance from clients who may also drop payments. Any payments are then sealed and secured in a locked banker bag which is transported by county employees from West Sacramento to Woodland. Woodland staff then log the contents. Discussion covered that before the pandemic items were opened and logged by staff in West Sacramento before being sent for transport. We will request that this process begin again once staff are working from West Sacramento again on a regular basis and not working telework schedules. (Anticipated Date of completion 8/31/2022)*

**Finding #4: Reconciliation of bank statements**

*Bank reconciliation must be prepared on a monthly basis, documented and signed by the preparer and reviewer and unreconciled balances identified and resolved timely.*

The auditors examined bank reconciliations for the months of December 2021, January and February 2022. The following exceptions were noted:

- Bank reconciliations were not signed by the preparer.
- Public Guardian Special Purpose account was not reconciled until April 2022 and used the incorrect bank balance for reconciling.
- Emergency Relief Account and the Child Welfare Services-Special Needs Fund account for December 2021 was not reconciled until February 2022.

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Not performing timely and proper reconciliation of bank statements may allow errors to go undetected and differences to go unresolved.

**Recommendation 4:**

We recommend that HHSa provide training to staff in preparing a bank reconciliation. Also that the bank reconciliations be prepared on a monthly basis as prescribed by the Yolo County Cash Accounting Manual and signed by the preparer and reviewer. (Priority 1 Issue – 60 days required corrective action)

**Management Response 4**

*Staff will work to conduct and sign reconciliation monthly (Anticipated Date of Completion 8/31/2022)*

**Finding #5: Terminated employees as check signers**

*All check signers should be current. Any employee terminated should be immediately removed from authorized check signer's list.*

HHSa has not updated the check signers for the Emergency Relief Account and the Child Welfare Services-Special Needs Fund account. Two employees were terminated in March 2020 and February 2022 and another employee was temporarily assigned to another entity in July 2020 are still listed as check signers with the banks.

Not updating the check signers immediately after an employee terminates or is reassigned provides an opportunity for potential fraudulent activity to occur by allowing unauthorized checks to be processed.

**Recommendation 5:**

We recommend that HHSa update the check signers with the bank immediately after an employee terminates to ensure only authorized personnel is able to write checks against the bank accounts. (Priority 1 Issue – 60 days required corrective action)

**Management Response 5**

*This is in process and departed staff were being updated for removal at the time of the audit review. We plan to add name review as part of the ongoing bank reconcile process for greater visibility. (Anticipated Date of completion 8/31/2022)*

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### 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.

HHSA maintains an inventory of bus passes for transportation of clients and an inventory of gift cards for use by case workers/program coordinators to procure necessary items; such as, food, clothing and other household items for clients.

#### *Audit Objective/Methodology*

To determine that the bus passes and gift cards are maintained, documented, agree to the HHSA's records, and that the client signed a receipt for possession of the bus pass or gift card.

To accomplish our objective, the following procedures were performed:

- Conducted a count of the bus passes and gift cards on-hand and traced to the inventory logs
- Determined that the inventory was properly recorded in the general ledger
- Tested a sample of disbursements to determine compliance with County Policy and procedures

#### ***Finding #6: Accountability over bus passes***

*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.*

Bus passes are mainly used by the Child, Youth & Family branch and Service Centers branch. The bus passes are ordered by the Social Services Client Services program then transferred to each branch where the case workers/program coordinators distribute them to the clients. During the audit period, HHSA had 522 bus passes with a value of \$1,670 in inventory. The auditors reviewed the internal controls over the handling of the bus passes and noted the following exceptions:

- Bus passes are not issued in sequential order
- Bus passes are held 1 to 5 months by the case workers/program coordinators until distributed to the clients
- Control logs do not include client signatures of acknowledgement of receipt of the bus pass

Furthermore, the custodian receives the bus passes from the vendor, records the passes onto the control log and distributes the passes to the case workers/program coordinators without an independent review in the process.

Not maintaining accountability over the bus passes and providing an independent review within the recording and distributing process may result in the misappropriation and/or loss of bus passes.

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**Recommendation 6:**

We recommend that HHSA require the case workers/program coordinators to report their number of bus passes issued to clients and the inventory on-hand to assist with reconciling the inventory account for any missing or unused passes. In addition, include a copy of the acknowledgement of receipt of the bus pass from the client for audit purposes. Furthermore, we recommend that a surprise count of the bus pass inventory be performed by a person independent of the custodian and that the count be reconciled to the general ledger and control logs to reflect the inventory on-hand. (Priority 1 Issue – 60 days required corrective action)

**Management Response 6**

*We plan to revisit the process of all gift cards and transit passes making use of our business process analysts. The documentation time between issuing benefits and receiving confirmation by the client needs to be significantly shorter than what we experience today. (Anticipated Date of completion 8/31/2022)*

**Finding #7: 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 gift card inventory is maintained by the Social Services Client Services program. Gift cards are distributed to the case workers/program coordinators upon request. During the audit period, HHSA had 146 gift cards with a value of \$3,012 in inventory. The auditors reviewed the internal controls over the handling of the gift cards and noted the following exceptions:

- General ledger inventory account did not agree to the gift cards on-hand
- Gift cards purchased between 2018-19 and 2019-20 totaling \$2,412 are still outstanding to Goodwill, Subway, Nugget, Food4Less, Walgreens, and Raley's

Not updating the inventory on-hand to 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 7:**

We recommend that HHSA reconcile the general ledger inventory account against the actual gift cards on-hand to ensure accurate financial records. It is also recommended that the gift cards be reviewed to determine if they are deemed necessary for program operations or should be returned for full value. (Priority 1 Issue – 60 days required corrective action)

**Management Response 7**

*Staff already reconcile monthly all gift cards and match to inventory tracking accounts on the balance sheet. Comments shared that they will never balance in realtime given that gift cards are added and removed frequently but ledger updates are only done one time per month. Expenses are recorded, and inventory value deducted, only after support documentation has been received from program staff who became the custodian after requesting cards from fiscal or earlier custodian. We will work to reduce the time period between issuing cards to program staff and the time when sufficient documentation is returned so that journal entries can be made to record the expense. Physical verification of gift cards in possession versus what is on tracking sheets will be reviewed. In this case multiple gift cards that were written off in an earlier fiscal year with approval were not removed from the safe and destroyed. Gift cards are not returnable for value in most cases is our*



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*experience. In rare situations, such as physical bus passes, they can be returned for credit by the listed expiration date, which is already being done. (Anticipated Date of completion 8/31/2022)*

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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.

HHSA provides benefits to eligible clients through various programs such as, CalWORKS, general assistance, and food stamps. Overpayments are created when any form of benefit is issued in error or occurs from client negligence. The benefit overpayments are maintained in the Ventura Automated Collection System ("VACS"). The VACS system is maintained by a consortium of State and California counties and is interfaced with the CalWIN system (California Welfare Information Network – Eligibility System). The CalWIN system originates the claim for benefit overpayments and the Social Services Client Services program collects and records the payment in VACS.

##### *Audit Objective/Methodology*

To review the system accounts associated with the cash handling process to ensure that HHSA 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 #8: Access to the VACS system***

*Access controls provide reasonable assurance that access to computer resources (data, equipment, and facilities) is reasonable and restricted to authorized individuals, including effective, protection of information system boundaries, identification and authentication mechanisms, authorization controls, protection of sensitive system resources, audit and monitoring capability, including incident handling, and physical security controls.*

The auditors found that six employees from other HHSA programs had access to the VACS system who do not normally handle client payments. One of these employees is on the talent exchange program from the Department of Community Services and has not handled a client payment since February 2020.

Improper user access rights and permissions may result in information that is added, deleted, or changed without approval or authorization.

##### **Recommendation 8:**

We recommend that HHSA review the list of system users for the VACS system to ensure that each access permission is assigned appropriately for the job being performed. Additionally, the security and change control reports should be reviewed regularly, actively monitored, logged, and reported accordingly. (Priority 1 Issue – 60 days required corrective action)

##### ***Management Response 8***

*HHSA does not control account creation or deletion for the VACS system. Account management is performed by county central IT. It is standard practice for any staff who have left the county to have their network account login disabled by IT which would inhibit their ability to login and use the VACS system because that*

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*platform requires to be installed on a county computer. The person listed on talent exchange has already been removed from having VACS access along with other current employees who no longer need access to the software. Ongoing monitoring of active accounts should be performed in partnership between IT and HHS. (Anticipated Date of completion 8/31/2022)*

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## 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.

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

### ***Finding #9: Written procedures***

HHSA uses the Yolo County Cash Accounting Manual as a guideline on how to handle the petty cash funds and record and reconcile cash receipts. However, detailed procedures for handling the revolving funds, bank accounts, and bus pass/gift card inventory, cash payments 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 9:**

We recommend that HHSA develop step-by-step procedures to ensure compliance with County Policy and recommended Best Practice for the following processes:

- Recording payments into the cash handling systems
- Reconciling and depositing daily collections
- Preparing and printing checks to creditors
- Performing bank reconciliations
- Handling bus pass/gift card inventory

The procedures should be disseminated to all staff handling cash, bus passes, gift cards, and bank accounts. (Priority 3 Issue – 180 days required corrective action)

### ***Management Response 9***

*HHSA will continue working with our business process analyst team to document procedures. (Anticipated Date of completion 12/31/2022)*

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## 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.



# County of Yolo

www.yolocounty.org

**TOM HAYNES**  
Interim Chief Financial Officer

## DEPARTMENT OF FINANCIAL SERVICES

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

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

### 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.

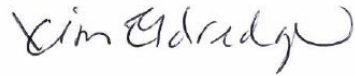
As required, in accordance with auditing standards and the County Audit Follow-up Policy, county management has responded to each finding and recommendation contained in our report. We will follow-up to verify that management implemented the corrective actions.

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  
Yolo County Audit Subcommittee  
Internal Audit Website  
Audit File Project No. 2022-29

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

**For the Period: February 1, 2021 to January 31, 2022**

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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.



## Independent Accountant's Report

Board of Supervisors and Sheriff Tom Lopez  
County of Yolo  
Woodland, California

We have performed the procedures enumerated below, to assist the County of Yolo (County) in determining compliance related to Penal Code 4025 for the County's Inmate Welfare Fund for the period of July 1, 2018 through January 31, 2022. The County's management is responsible for its compliance with Penal Code 4025 for the County's Inmate Welfare Fund for the period of July 1, 2018 through January 31, 2022.

The County has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating the County's compliance with the Penal Code 4025 for the County's Inmate Welfare Fund, and we will report on findings based on the procedures performed. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

1. Select a sample (20 transactions for at least a 70% coverage) of expenditure transactions recorded in the Inmate Welfare Trust Fund from each fiscal year from July 1, 2018 through January 31, 2022. For each expenditure selected, perform the following:
  - a. Verify that the expenditure was allowable under Title 15 and California Penal Code Section 4025 and used for the benefit, education, and welfare of inmates.
  - b. Verify that the expenditure was properly approved in accordance with County policies and procedures prior to disbursement.
  - c. Verify that the expenditure was valid and supported by underlying invoice, contract, purchase order or agreement.

**Findings:** No exceptions were found as a result of this procedure.

2. Select a sample (10 transactions for at least a 70% coverage) of Jail Commissary profit revenues (transfers) recorded in the Inmate Welfare Trust Fund from each fiscal year from July 1, 2018 through January 31, 2022.
  - a. For each revenue transaction (transfer) selected, review supporting documentation to ensure that the revenues (transfers) are accurate, timely, and calculated correctly based on the net profit of the commissary in accordance with Title 15 and California Penal Code Section 4025.

**Findings:** No exceptions were found as a result of this procedure.



3. Select a sample (10 transactions for at least a 70% coverage) of Telephone Commission revenues recorded in the Inmate Welfare Trust Fund from each fiscal year from July 1, 2018 through January 31, 2022.
  - a. For each revenue transaction selected, agree revenue amount to underlying deposit and support and verify commission is accurately calculated.

**Findings:** No exceptions were found as a result of this procedure.

4. Review Board minutes to ensure that itemized report of Inmate Welfare Trust Fund expenditures for the period ending June 30, 2021, was presented to the Board in accordance with Title 15 and California Penal Code Section 4025. Agree report presented to underlying general ledger summary reports to verify amounts presented as accurate.

**Findings:** No exceptions were found as a result of this procedure

5. Obtain the balance sheets and income statements for each fiscal year from July 1, 2018 through January 31, 2022, perform a fluctuation analysis of all balance sheet and income statements account balances comparing to the prior year's actual and identify any variances exceeding 5% or any unusual variances. Provide management's description or explanation of any variances exceeding 5% or any unusual variances.

**Findings:** See Appendix A for balance sheet and income statement fluctuation analysis provided by Management. Management responses were provided for the material fluctuations (over 5%) noted in red.

We were engaged by the County to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on determining compliance with Penal Code 4025 for the County's Inmate Welfare Fund. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

  
Sacramento, California  
July 12, 2022

County of Yolo, California  
Appendix A

Account Number	Account Description	6/30/2018 Ending Balances	6/30/2019 Ending Balances	6/30/2020 Ending Balances	6/30/2021 Ending Balances	6/30/2022 Annualized	FY 19 % Change	FY 20 % Change	FY 21 % Change	FY 22 % Change	Management Explanation of variances:
100000-0	CASH IN TREASURY	\$ 38,422	\$ 140,041	\$ 223,689	\$ 398,586	\$ 433,831	264%	60%	78%	9%	Change is the result of operations. Balance is existing balance with the County Treasury as of June 30.
100010-0	CASH GASB 31 FMV DFS ONLY	-	814	3,249	1,835	-	100%	299%	-44%	-100%	Fair market value adjustment from Yolo County Treasury.
112020-0	ACCOUNTS RECEIVABLE-JE	8,065	-	8,136	2,120	-	-100%	100%	-74%	-100%	Accrual for revenue received in July for May and June Commissions. See explanations for variances in revenue section.
200001-0	ACCOUNTS PAYABLE-JE	(21,638)	(38,142)	(13,863)	(18,770)	-	76%	-64%	35%	-100%	AP for invoices paid in July for expenses incurred in May and June. See explanations for variances in expenditures section.
210010-0	DUE TO OTH GOV	-	-	(3,289)	-	-	0%	0%	-100%	0%	Reclass from AP account, accrual for expenses incurred in June and paid in July. See explanations for variances in expenditures section.
210700-148	PRISONERS PERSONAL TRUST	(15,465)	(15,236)	(19,931)	(53,037)	(62,172)	-1%	31%	166%	17%	Variance due to reclassification of accounts.
210700-9999	NON-CASH Y/E TRANS-TRUST FUNDS	-	-	-	(243)	-	0%	0%	0%	-100%	Investment earnings at year end accrual. Amount is nominal, dependent on year end cash balance in prisoners personal trust.
300999-0	UNASSIGNED	51,547	(24,848)	(102,714)	(217,921)	(330,491)	-148%	313%	112%	52%	N/A - Fund Balance
400700-0	INVESTMENT EARNINGS-POOL	(53)	(1,083)	(3,235)	(2,539)	(2,320)	1938%	199%	-22%	-9%	Investment earnings is based on cash balance maintained in fund.
400705-0	GASB 31 FMV - DFS ONLY	-	(814)	(2,435)	1,657	2,729	0%	199%	-168%	65%	Fair market value adjustment from Yolo County Treasury.
400725-0	RENTS & CONCESSIONS - OTHER	(318,930)	(220,010)	(189,118)	(163,967)	(143,621)	-31%	-14%	-13%	-12%	The decrease in revenue is directly linked to jail population, the Average Daily Population for FY2018, 2019, 2020, 2021, and period ending January 31, 2022 are 365, 327, 289, 219, and 274, respectively. There was a sharp decrease in jail population in April of 2020 because the Leinberher Facility closed. The building was demolished and is being reconstructed with a target completion in December of 2022.
404000-0	OTHER SALES - TAXABLE	(232,646)	(177,725)	(199,907)	(165,796)	(145,273)	-24%	12%	-17%	-12%	This is the same explanation as 400725 (above), with the exception that this account also records revenue related to inmate communication. The CPUC capped the rate that can be charged for certain inmate communication and we stopped receiving commission in September of 2021.
404190-0	OTHER MISC REVENUES	(1,505)	(399)	(1)	-	(429)	-74%	-100%	-100%	100%	Unclaimed funds from inmate deposits and money found on the floor.
405100-1421	TRANSFER IN FRM FD 1421	-	-	-	(764)	-	0%	0%	0%	-100%	One time payment for CARES Act Continuity of Operations Reimbursement. Funding received in response to the pandemic for additional costs incurred.
501011-0	INMATE CLOTHING & PERSONAL	13,188	8,077	7,469	2,189	6,354	-39%	-8%	-71%	190%	Inmate clothing and personal item cost fluctuations are entirely dependent on jail population, the Average Daily Population for FY2018, 2019, 2020, 2021, and period ending January 31, 2022 are 365, 327, 289, 219, and 274, respectively.
501040-0	HOUSEHOLD EXPENSE	5,498	5,293	2,357	1,295	906	-4%	-55%	-45%	-30%	Household items cost fluctuations are entirely dependent on jail population, the Average Daily Population for FY2018, 2019, 2020, 2021, and period ending January 31, 2022 are 365, 327, 289, 219, and 274, respectively.
501070-0	MAINTENANCE-EQUIPMENT	39	1,023	2,428	51	1,118	2499%	137%	-98%	2109%	Per review of GL details, the repairs and maintenance items include our copier, postage machine, and john deere lawn mower. These are as needed based on regular service intervals. Overall costs incurred annually are low.
501071-0	MAINTENANCE-BLDG IMPROVEMENT	28,888	18,557	10,294	10,385	8,110	-36%	-45%	1%	-22%	Based on review of the GL details, all costs incurred were charged from Department of General Services for maintenance and repair of the jail facilities. In part, the costs incurred is also dependent on jail population, the higher the population, the more maintenance is necessary; as well as repairs for any damages caused by inmates. The cost decreased further when the Leiberger Facility closed in April of 2020.
501110-0	OFFICE EXPENSE	4,002	584	331	799	7,370	-85%	-43%	141%	822%	Newspaper subscriptions and postage charges that were inadvertently recorded into the incorrect account.

County of Yolo, California  
Appendix A

Account Number	Account Description	6/30/2018 Ending Balances	6/30/2019 Ending Balances	6/30/2020 Ending Balances	6/30/2021 Ending Balances	6/30/2022 Annualized	FY 19 % Change	FY 20 % Change	FY 21 % Change	FY 22 % Change	Management Explanation of variances:
501111-0	OFFICE EXP-POSTAGE	9,918	4,950	5,236	4,950	8,486	-50%	6%	-5%	71%	For account 501111 and 501190, these accounts record the cost of the postage machine lease from Pitney Bowes and postage. The usage is dependent on inmate population. Also, at the end of FY 2018, inmates were allowed to use email and messaging communication on tablets which significantly reduced number of mail sent and use of postage.
501130-0	INVENTORY PURCHASES	-	-	-	-	857	0%	0%	0%	100%	Recording of bus pass inventory as recommended in an audit recommendation.
501165-0	PROF & SPEC SVC-OTHER	397,119	265,233	236,374	187,190	178,346	-33%	-11%	-21%	-5%	This account records expenses for professional services received related to providing programs for inmates, such as the GED program, the law library, etc. The other expenses recorded here are the costs for commissary item which we get a portion of the commissions on and is recorded as revenue. One of the reasons for the decrease over the years is attributed to decline in the jail population, the Average Daily Population for FY2018, 2019, 2020, 2021, and period ending January 31, 2022 are 365, 327, 289, 219, and 274, respectively. The less inmates, the less commissary purchases there are. The other reason for the reduced cost is when the pandemic hit, many programs were stopped to prevent the spread of Covid in the jail. Some programs remained where social distancing was possible.
501190-0	RENTS AND LEASES - EQUIPMENT	5,366	2,907	2,964	4,189	4,676	-46%	2%	41%	12%	For account 501111 and 501190, these accounts record the cost of the postage machine lease from Pitney Bowes and postage. The usage is dependent on inmate population. Also, at the end of FY 2018, inmates were allowed to use email and messaging communication on tablets which significantly reduced number of mail sent and use of postage.
501205-0	TRAINING	677	-	-	-	-	-100%	0%	0%	0%	Purchase is for Notary Training for notary services for any inmates who needs documents notarized.
501210-0	MINOR EQUIPMENT	3,745	4,811	3,325	806	-	28%	-31%	-76%	-100%	The largest cost was for a John Deere Zero Turn mower and the last payment ended in August of 2022, it was a lease to buy contract and we purchased it. The mower is used to maintain the landscape; to keep the grass down around the jail perimeter. Other purchases include replacement of TV, other landscape tools and equipment, etc. No purchases of these items were made from July 1, 2021 through January 31, 2022.
501230-0	SPEC DPT EXP- CIRC LIB BKS&PERI	-	4,007	-	-	-	100%	-100%	0%	0%	Purchase of newspaper subscription and lost books, usually recorded in account 201234-program supplies.
501234-0	SPEC DPT EXP- PROGRAM SUPPLIES	2,017	1,683	5,211	4,736	1,259	-17%	210%	-9%	-73%	Purchases in this category vary from year to year, these are purchases for newspapers, Netflix, movies, and various project supplies for inmate entertainment and activities. The most expensive items for the years with higher expenses were payments for Davis Enterprise subscription and Swank Motion Pictures to rights to stream movies.
501249-0	SPEC DPT EXP-OTHER	69	231	-	-	-	233%	-100%	0%	0%	Purchase of newspaper subscription and lost books, usually recorded in account 501234-program supplies.
501250-0	TRANSPORTATION AND TRAVEL	559	523	-	-	-	-6%	-100%	0%	0%	Purchase of bus passes and transportation for released inmates, the recording of these costs were transitioned to account 502000 - Support and Care of Persons.
502000-0	SUPPORT AND CARE OF PERSONS	5,654	4,100	3,500	2,250	857	-27%	-15%	-36%	-62%	Cost of bus passes for inmates when released, they are provided a bus pass if they need one to get to where they need to go. Fairly consistent in cost incurred prior to Covid-19, until the height of the pandemic, there were lower level of inmate population. Inmates who qualified, were released to reduce the spread of Covid-19 in the jails.
502031-0	RETIRE LTD-CAP LEASE OBLG TN	-	178	-	-	-	0%	-100%	0%	0%	Final payment for retirement of a capital leases. Regular lease payments are recorded in the rents and leases expense account.
502049-0	INTEREST LTD-OTHER	-	8	-	-	-	0%	-100%	0%	0%	Final payment for retirement of a capital leases. Regular lease payments are recorded in the rents and leases expense account.



# COUNTY OF YOLO, CALIFORNIA

JUNE 30, 2021

SINGLE AUDIT REPORT

Focused  
on YOU



COUNTY OF YOLO, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2021

COUNTY OF YOLO, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Board of Supervisors  
County of Yolo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Yolo, California (the County), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 31, 2022.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.





To the Honorable Board of Supervisors  
County of Yolo, California

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lance, Solt & Lingham, LLP*

Sacramento, California  
January 31, 2022





INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND SUPPLEMENTAL  
SCHEDULES OF CALIFORNIA DEPARTMENT OF COMMUNITY SERVICES

To the Honorable Board of Supervisors  
County of Yolo, California

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the County of Yolo (the County), California's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2021. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

***Basis for Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's government programs.



To the Honorable Board of Supervisors  
County of Yolo, California

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed one instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as finding 2021-001. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the County's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



To the Honorable Board of Supervisors  
County of Yolo, California

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify one deficiency in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2021-001 to be significant a deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Yolo, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated January 31, 2022, which contained an unmodified opinion on those financial statements. Our report includes reference to other auditors who audited the financial statements of the First 5 Yolo County Children and Families Commission as described in our report on the County's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. The Supplemental Schedules of California Department of Community Services and Development is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of



To the Honorable Board of Supervisors  
County of Yolo, California

expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Lance, Solt & Lingham, LLP*

Sacramento, California

July 19, 2022 (Except for the Report on Schedule of Expenditures of Federal Awards required by Uniform Guidance and Supplemental Schedules of California Department of Community Services and Development dated January 31, 2022)

COUNTY OF YOLO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed-Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
<b>SNAP Cluster</b>				
U.S. Department of Agriculture				
Pass-Through Programs:				
State of California Department of Public Health State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	79-915-0615	\$ -	\$ 6,285
State of California Department of Social Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	61-367-3185	-	3,606,464
Subtotal - Assistance Listing 10.561			-	3,612,749
<b>Total SNAP Cluster</b>			-	<b>3,612,749</b>
<b>Child Nutrition Cluster</b>				
U.S. Department of Agriculture				
Pass-Through Programs:				
State of California Department of Education National School Lunch Program	10.555	80-748-0843	-	6,419
Subtotal - Assistance Listing 10.555			-	6,419
<b>Total Child Nutrition Cluster</b>			-	<b>6,419</b>
<b>WIOA Cluster *</b>				
U.S. Department of Labor				
Pass-Through Programs:				
State of California Department of Employment Development WIOA Adult Program	17.258	61-421-5531	-	683,807
WIOA Youth Activities	17.259	61-421-5531	338,778	476,411
WIOA Dislocated Worker Formula Grants	17.278	61-421-5531	-	643,748
COVID-19 - WIOA Dislocated Worker Formula Grants	17.278	61-421-5531	-	134,741
Subtotal - Assistance Listing 17.278			-	778,489
<b>Total WIOA Cluster</b>			<b>338,778</b>	<b>1,938,707</b>
<b>Highway Planning and Construction Cluster</b>				
U.S. Department of Transportation				
Pass-Through Programs:				
State of California Department of Transportation Highway Planning and Construction	20.205	13-525-3776	-	2,693,953
<b>Total Highway Planning and Construction Cluster</b>			-	<b>2,693,953</b>
<b>Highway Safety Cluster</b>				
U.S. Department of Transportation				
Pass-Through Programs:				
State of California Office of Traffic Safety National Priority Safety Programs	20.616	96-505-3908	-	290,054
<b>Total Highway Safety Cluster</b>			-	<b>290,054</b>
<b>477 Cluster *</b>				
U.S. Department of Health and Human Services				
Pass-Through Programs:				
State of California Department of Social Services Temporary Assistance for Needy Families	93.558	61-637-3185	1,219,798	14,348,181
State of California Department of Social Services Community Services Block Grant	93.569	61-637-3185	-	290,654
State of California Department of Community Services Community Services Block Grant	93.569	92-957-8268	262,305	346,414
Subtotal - Assistance Listing 93.569			262,305	637,068
<b>Total 477 Cluster</b>			<b>1,482,103</b>	<b>14,985,249</b>

COUNTY OF YOLO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed-Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
<b>Medicaid Cluster</b>				
U.S. Department of Health and Human Services				
Pass-Through Programs:				
State of California Department of Health Care Services				
Medical Assistance Program	93.778	79-652-8263	\$ -	\$ 15,618,703
State of California Department of Social Services				
Medical Assistance Program	93.778	61-367-3185	-	306,495
State of California Department of Public Health				
Medical Assistance Program	93.778	79-915-0615	-	11,717
Subtotal - Assistance Listing 93.778			-	15,936,915
<b>Total Medicaid Cluster</b>			-	<b>15,936,915</b>
<b>Disability Insurance/SSI Cluster</b>				
Social Security Administration				
Direct Programs:				
Supplemental Security Income (SSI)	96.006	N/A	-	14,400
<b>Total Disability Insurance/SSI Cluster</b>			-	<b>14,400</b>
<b>Other Programs</b>				
U.S. Department of Agriculture				
Pass-Through Programs:				
State of California Department of Food and Agriculture				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	82-656-2076	-	121,725
State of California Department of Public Health				
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	10.557	79-915-0615	-	1,268,324
Total Department of U.S. Agriculture Programs			-	1,390,049
U.S. Department of Housing and Urban Development				
Pass-Through Programs:				
State of California Department of Housing and Community Development				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Beginning Loan Balance	14.228	55-654-8071	-	1,672,175
COVID-19 - Emergency Solutions Grant Program *	14.231	55-654-8071	-	1,514,388
Home Investment Partnerships Program - Beginning Loan Balance *	14.239	55-654-8071	-	8,696,221
Total U.S. Department of Housing and Urban Development Programs			-	11,882,784
U.S. Department of Justice				
Direct Programs:				
Bulletproof Vest Partnership Program	16.607	N/A	-	1,027
Criminal and Juvenile & Mental Health Collaboration Program	16.745	N/A	-	182,292
Smart Prosecution Initiative	16.825	N/A	-	1,730
Swift, Certain and Fair Sanctions program: Replicating the Concepts Behind Project HOPE	16.828	N/A	-	149,003
Equitable Sharing Program	16.922	N/A	-	25,623
Pass-Through Programs:				
State of California Board of State and Community Corrections				
COVID-19 - 2020 Coronavirus Emergency Supplemental Funding	16.034	94-909-5731	-	2,673
Edward Byrne Memorial Justice Assistance Grant	16.738	94-909-5731	-	520,854
State of California Governor's Office of Emergency Services				
Victims of Crime Act	16.575	62-423-4894	-	1,396,436
Violence Against Women Act	16.588	62-423-4894	-	148,339
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	62-423-4894	-	27,017
Total U.S. Department of Justice Programs			-	2,454,994
U.S. Department of Labor				
Pass-Through Programs:				
State of California Department of Employment Development				
COVID-19 WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	61-421-5531	-	33,070
Total U.S. Department of Labor Programs			-	33,070

COUNTY OF YOLO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed-Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
U.S. Department of Transportation				
Direct Programs:				
Airport Improvement Program	20.106	N/A	-	949,090
COVID-19 - Airport Improvement Program	20.106	N/A	-	30,000
Total U.S. Department of Transportation Programs			-	979,090
U.S. Department of Treasury				
Direct Programs:				
COVID-19 - Coronavirus Relief Fund program *	21.019	N/A	-	22,706,116
Total U.S. Department of Treasury Programs			-	22,706,116
Institute of Museum and Library Services				
Pass-Through Programs:				
California State Library				
Grants to States	45.310	93-755-8120	\$ -	\$ 17,773
Total Institute of Museum and Library Services Programs			-	17,773
U.S. Department of Health and Human Services				
Direct Programs:				
Epidemiology & Laboratory Capacity for Infectious Diseases *	93.323	N/A	-	2,502,572
Pass-Through Programs:				
Heluna Health				
Epidemiology & Laboratory Capacity for Infectious Diseases *	93.323	04-189-2427	-	129,671
State of California Department of Public Health				
Public Health Emergency Preparedness	93.069	79-915-0615	-	166,368
Project Grants and Cooperative Agreements for Tuberculosis Control				
Programs	93.116	79-915-0615	-	30,489
Immunization Cooperative Agreements	93.268	79-915-0615	-	100,285
Patient Protection and Affordable Care Act (ACA)				
Maternal, Infant and Early Childhood Home Visiting Program	93.870	79-915-0615	346,815	350,990
National Bioterrorism Hospital Preparedness Program	93.889	79-915-0615	-	209,247
Maternal and Child Health Services Block Grant to the States	93.994	79-915-0615	-	35,338
State of California Department of Health Care Services				
Children's Health Insurance Program	93.767	79-652-8263	-	86,297
Medication Assisted Treatment Expansion Project	93.788	79-652-8263	-	31,185
Block Grants for Community Mental Health Services	93.958	79-652-8263	-	284,038
Block Grants for Prevention and Treatment of Substance Abuse	93.959	79-652-8263	-	1,018,642
State of California Department of Child Support Services				
Child Support Enforcement	93.563	96-753-9755	-	3,746,949
State of California Governor's Office of Emergency Services				
Children's Justice Grants to States	93.643	62-423-4894	-	109,597
State of California Department of Social Services				
Guardianship Assistance	93.090	61-367-3185	-	6,173
Community-Based Child Abuse Prevention Grants	93.530	61-367-3185	-	19,899
Promoting Safe and Stable Families	93.556	61-367-3185	-	120,457
Refugee and Entrant Assistance State Administer Program	93.566	61-367-3185	-	41,054
Adoptions Guardianship Incentives	93.603	61-367-3185	-	6,481
Stephanie Tubbs Jones Child Welfare Services Program	93.645	61-367-3185	-	109,343
Foster Care Title IV-E	93.658	61-367-3185	-	8,564,129
Adoption Administration *				
Adoption Assistance *	93.659	61-367-3185	-	49,874
ARRA - Foster Care Title IV-E *	93.659	61-367-3185	-	5,831,100
Adoption Eligibility *	93.659	61-367-3185	-	280,434
Subtotal - Assistance Listing 93.659			-	51,021
Social Services Block Grant	93.667	61-367-3185	-	1,643,974
CHAFFE Foster Care Independent Living	93.674	61-367-3185	-	58,215
Total U.S. Department of Health and Human Services Programs			346,815	25,583,822

COUNTY OF YOLO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed-Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
U.S. Department of Homeland Security				
Pass-Through Programs:				
State of California Department of Boating and Waterways Law Enforcement Equipment Grant Program	97.012	80-832-2366	-	19,170
State of California Governor's Office of Emergency Services Emergency Management Performance Grants	97.042	62-423-4894	-	119,252
COVID-19 - Emergency Management Performance Grants	97.042	62-423-4894	-	91,989
Subtotal - Assistance Listing 97.042			-	211,241
Homeland Security Grant Program	97.067	62-423-4894	-	281,209
Total U.S. Department of Homeland Security Programs			-	511,620
<b>Total Other Programs</b>			<b>346,815</b>	<b>65,559,318</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 2,167,696</b>	<b>\$ 105,037,764</b>

\* Major Program

<sup>1</sup> There were no federal awards expended in the form of noncash assistance and insurance in effect during the fiscal year.



COUNTY OF YOLO

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

---

**Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards**

**a. Scope of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the County of Yolo, California (the "County") under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

**b. Basis of Accounting**

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 2: Medicaid Cluster**

Except for Medi-Cal administrative expenditures, Medicaid (Medi-Cal) and Medicare program expenditures are excluded from the Schedule of Expenditures of Federal Awards. These expenditures represent fees for services; therefore, neither is considered a federal award program of the County for purposes of the Schedule of Expenditures of Federal Awards or in determining major programs. The County assists the State of California in determining eligibility and provides Medi-Cal and Medicare services through County-owned health facilities. Medi-Cal administrative expenditures are included in the Schedule as they do not represent fees for services.

**Note 3: Loan Programs**

The following schedule presents the amount of outstanding loans receivable by Assistance Listing number. All loans with continuing compliance requirements are included on the accompanying Schedule. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented on the Schedule.

The balance of loans outstanding at June 30, 2021, consists of:

Assistance Listing Number	Federal Program	Outstanding Loans at June 30, 2021
14.228	Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	\$ 1,574,196
14.239	Home Investments Partnerships Program	8,493,222
Total		<u>\$ 10,067,418</u>

COUNTY OF YOLO

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

---

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Significant deficiencies identified?                        yes                      X  none reported
- Material weaknesses identified?                        yes                      X  no
- Noncompliance material to financial statements noted?                        yes                      X  no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified?                      X  yes                        none reported
- Material weaknesses identified?                        yes                      X  no

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings related to major programs disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, And Audit Requirements for Federal Awards* (Uniform Guidance)?

  X  yes                        no

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.231	COVID-19 – Emergency Solutions Grant Program
14.239	Home investment Partnerships Program
17.258, 17.259, 17.278	WIOA Cluster
93.323	Epidemiology & Laboratory Capacity for Infectious Diseases
93.659	Adoption Assistance
93.558, 93.569	477 Cluster
21.019	COVID-19 – Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B program                    \$3,151,133

Auditee qualified as low-risk auditee?                      X  yes                        no

COUNTY OF YOLO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

---

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**Finding 2021-001:** Reporting  
Significant Deficiency

**Federal Award Information:**

CFDA Number: 93.558

Program Title: 477 Cluster

Federal Award Year(s): FY 2020-21

Name of Federal Agency: U.S. Department of Health and Human Services

Passed through: State of California Department of Social Services and  
State of California Department of Community Services

**Criteria or Specific Requirement:**

The County is required to submit monthly reports to the California Department of Social Services (CDSS). Reports can be submitted via e-email or in hard copy. Per CDSS reporting instructions, reports should be received on or before the 18th calendar day of the month following the report month. If the report's due date is on a Saturday, Sunday or state holiday, the report is due on the next business day.

**Condition:**

We noted that the report for the month of July 2020 due on August 18, 2020 was submitted on August 24, 2020.

**Cause of the Condition:**

Per our inquiries with the County of Yolo, the late filing of the report for the month of July 2020 was due to transition in the workload.

**Effect or Possible Effect:**

The July 2020 monthly report for the program was filed late with the State of California Department of Social Services.

**Questioned Costs:**

None.

**Context:**

We selected a sample of four monthly reports and one was filed past the due date.

**Repeat Finding:**

This is a new finding for the fiscal year ended June 30, 2021.

**Recommendation:**

We recommend that management review its controls and procedures to ensure that the monthly report is filled by the due date.

**Management's Response and Corrective Action:**

The County Department of Health and Human Services will review calendar controls and monitoring tools to ensure adherence to submission timeframes and maintain continuity of assignments.



## DEPARTMENT OF FINANCIAL SERVICES

625 Court Street, Room 102

PO BOX 1268

WOODLAND, CA 95776

PHONE: (530) 666-8190

FAX: (530) 666-8215

EMAIL: DFS@yolocounty.org

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

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

## SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEAR ENDED JUNE 30, 2020

### SECTION II - FINANCIAL STATEMENT FINDINGS

None noted.

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**Finding 2020-001:** Eligibility  
Significant Deficiency

**Federal Award Information:**

CFDA Number: 93.778

Program Title: Medicaid Cluster

Federal Award Year(s): FY 2019-20

Name of Federal Agency: U.S. Department Health and Human Services

Passed through: State of California Department of Public Health

**Criteria or Specific Requirement:**

According to 2 CFR section 200.303 the non-federal entities receiving federal awards must establish and maintain internal control over the federal awards that provides reasonable assurance that the non-federal entity is managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards.

**Condition:**

Of 71 case files sampled from list of eligible participants, three individuals were determined to be ineligible as a result of an inaccurate listing being provided. These three individuals should not have been included in the participants listing.

**Cause of the Condition:**

Participation list included noneligible individuals.

**Effect or Possible Effect:**

Noneligible participants could accidentally receive benefits when they should not.

**Questioned Costs:**

No questioned costs were identified (\$0).

**Context:**

Out of the list of 71 eligible participants we identified three noneligible participants.

**Repeat Finding:**

This is a new finding for the fiscal year ended June 30, 2020.

## COUNTY OF YOLO

### SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEAR ENDED JUNE 30, 2020

---

#### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

**Repeat Finding:**

This is a new finding for the fiscal year ended June 30, 2020.

**Recommendation:**

It is recommended a listing of participants be generated and reviewed periodically to identify potential ineligible participants and ensure benefits are discontinued timely when eligibility requirements are no longer met, period of eligibility expires or administering agency shifts.

**Management's Response and Corrective Action:**

A misunderstanding regarding the data element being requested for this audit resulted in an error in which three cases were inappropriately included in the dataset. The dataset included all cases being monitored by the child welfare agency during the specified timeframe, including cases where dependency is established in an out-of-state jurisdiction (and for which the local agency is only providing "courtesy supervision"). To prevent this error from occurring in the future, the agency will develop a report utilizing the Business Objects platform to query the Child Welfare Services Case Management System (CWS/CMS) to identify all youth with a progress note that includes "associated service" type of "Health/CHDP Services." This will ensure that the agency is able to provide an accurate list of actual participants upon request. The Continuous Quality Improvement (CQI) unit of Child Welfare Services is currently working to develop the report and will provide a sample to the auditor for review to verify for fit and accuracy within the next two weeks.

**Status:**

No similar instances noted in fiscal year 2020-21. The finding is considered resolved.

COUNTY OF YOLO

**SUPPLEMENTAL SCHEDULE OF CALIFORNIA DEPARTMENT  
OF COMMUNITY SERVICES AND DEVELOPMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Supplemental Statement of Revenue and Expenditures  
CSD Contract No. 20F-3052 (CSBG - \$303,665)  
For The Period January 1, 2020 through December 31, 2020 (Extension: May 31, 2021)

	January 1, 2020 through June 30, 2020	July 1, 2020 through June 30, 2021	Total Reported	Total Budget
<b>Revenue</b>				
Grant revenue	\$ 80,332	\$ 223,333	\$ 303,665	\$ 303,665
<b>Total Revenue</b>	<b>\$ 80,332</b>	<b>\$ 223,333</b>	<b>\$ 303,665</b>	<b>\$ 303,665</b>
<b>Expenditures</b>				
Administration:				
Salaries and wages	\$ 3,577	\$ 12,289	\$ 15,866	\$ 15,866
Fringe benefits	2,840	8,369	11,209	11,209
Operating expenses	1,337	1,000	2,337	2,337
Other costs	26	-	26	26
Subtotal Administrative Costs	7,780	21,658	29,438	29,438
Program Costs:				
Salaries and wages	2,330	16,150	18,480	18,480
Fringe benefits	-	10,011	10,011	10,011
Subcontractor services	53,885	156,421	210,306	210,306
Other costs	16,337	19,093	35,430	35,430
Subtotal Program Costs	72,552	201,675	274,227	274,227
<b>Total Expenditures</b>	<b>\$ 80,332</b>	<b>\$ 223,333</b>	<b>\$ 303,665</b>	<b>\$ 303,665</b>
Revenue over (under) costs	\$ -	\$ -	\$ -	\$ -

COUNTY OF YOLO

**SUPPLEMENTAL SCHEDULE OF CALIFORNIA DEPARTMENT  
OF COMMUNITY SERVICES AND DEVELOPMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Supplemental Statement of Revenue and Expenditures  
CSD Contract No. 20F-3052D (CSBG - \$32,000)  
For The Period January 1, 2020 through December 31, 2020

	July 1, 2020 through June 30, 2021	Total Reported	Total Budget
<u>Revenue</u>			
Grant revenue	\$ 32,000	\$ 32,000	\$ 32,000
<u>Expenditures</u>			
Program Costs:			
Subcontractor services	32,000	32,000	32,000
Subtotal Program Costs	32,000	32,000	32,000
<b>Total Expenditures</b>	<b>\$ 32,000</b>	<b>\$ 32,000</b>	<b>\$ 32,000</b>
Revenue over (under) costs	\$ -	\$ -	\$ -

COUNTY OF YOLO

**SUPPLEMENTAL SCHEDULE OF CALIFORNIA DEPARTMENT  
OF COMMUNITY SERVICES AND DEVELOPMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Supplemental Statement of Revenue and Expenditures  
CSD Contract No 20F-3691 (CSBG - \$452,198)  
For The Period March 27, 2020 through May 31, 2022

	January 1, 2021 through June 30, 2021	July 1, 2021 through June 30, 2022	Total Reported	Total Budget
<u>Revenue</u>				
Grant revenue CSBG CARES	\$ 113,050	\$ -	\$ 113,050	\$ 411,828
Grant revenue CSBG CARES D Fund	-	-	-	40,370
<b>Total Revenue</b>	<b>\$ 113,050</b>	<b>\$ -</b>	<b>\$ 113,050</b>	<b>\$ 452,198</b>
<u>Expenditures</u>				
Administration:				
Salaries and wages	\$ 4,280	\$ -	\$ 4,280	\$ 48,756
Subtotal Administrative Costs	4,280	-	4,280	48,756
Program Costs:				
Subcontractor services	-	-	-	250,362
Other costs	-	-	-	153,080
Subtotal Program Costs	-	-	-	403,442
<b>Total Expenditures</b>	<b>\$ 4,280</b>	<b>\$ -</b>	<b>\$ 4,280</b>	<b>\$ 452,198</b>
Revenue over (under) costs	\$ 108,770	\$ -	\$ 108,770	\$ -



COUNTY OF YOLO

**SUPPLEMENTAL SCHEDULE OF CALIFORNIA DEPARTMENT  
OF COMMUNITY SERVICES AND DEVELOPMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Supplemental Statement of Revenue and Expenditures  
CSD Contract No. 21F-4052 (CSBG - \$303,665)  
For The Period January 1, 2021 through December 31, 2021 (Extension: May 31, 2022)

	January 1, 2021 through June 30, 2021	Total Reported	Total Budget
<u>Revenue</u>			
Grant revenue	\$ 86,801	\$ 86,801	\$ 303,665
<u>Expenditures</u>			
Administration:			
Salaries and wages	\$ 2,196	\$ 2,196	\$ 10,403
Fringe benefits	1,676	1,676	7,765
Operating expenses	-	-	3,700
Other costs	-	-	6,177
Subtotal Administrative Costs	<u>3,872</u>	<u>3,872</u>	<u>28,045</u>
Program Costs:			
Salaries and wages	-	-	14,320
Fringe benefits	-	-	10,156
Subcontractor services	73,884	73,884	210,000
Other costs	9,045	9,045	41,144
<b>Total Expenditures</b>	<b><u>\$ 86,801</u></b>	<b><u>\$ 86,801</u></b>	<b><u>\$ 303,665</u></b>
Revenue over (under) costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# Yolo County

## Investment Performance Review For the Quarter Ended June 30, 2022

August 11, 2022

213-489-4075

**pfmam.com**

*PFM Asset Management LLC*

**NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE**

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

For Institutional Investor or Investment Professional  
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# Economic and Interest Rate Update



# Current Market Themes



- ▶ The U.S. economy is characterized by:
  - ▶ High inflation
  - ▶ A strong labor market
  - ▶ Depressed consumer confidence
  - ▶ Growing potential for economic recession



- ▶ The Federal Reserve is tightening monetary policy
  - ▶ More aggressive rate hikes to battle persistent inflation
  - ▶ Short-term fed funds rate projected to reach 3.25% to 3.75% by year-end
  - ▶ Start of balance sheet reduction; pace to double beginning in September

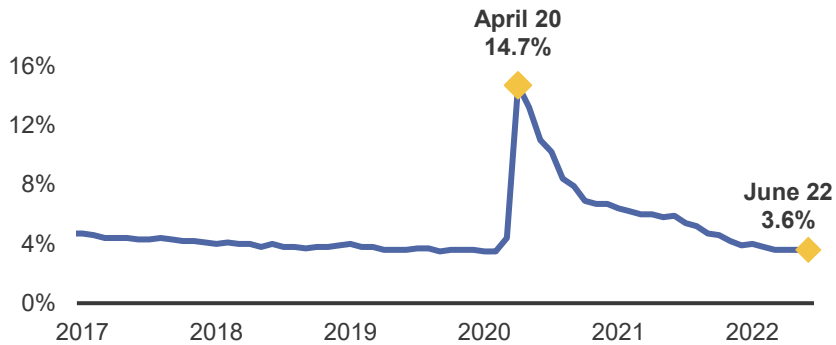


- ▶ Asset prices have fallen sharply in 2022 as a result of:
  - ▶ The impact of higher rates on bond prices and equity valuations
  - ▶ Wider credit spreads
  - ▶ High commodity prices, rising labor costs, and the continuing conflict in Ukraine
  - ▶ High levels of volatility and uncertainty

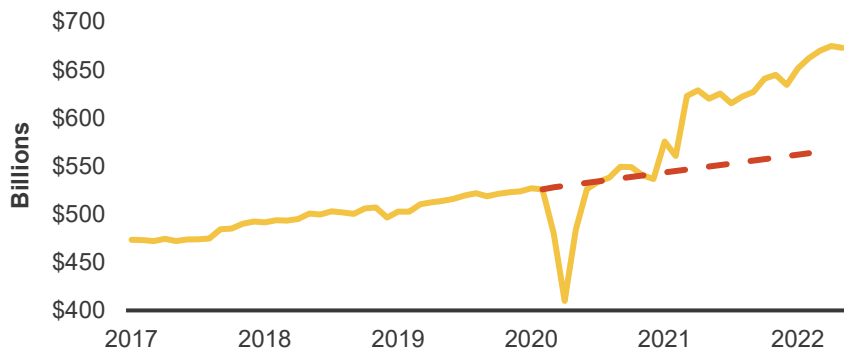
# Strong Labor Market and Spending Provide Momentum Against Signs of Economic Slowing

## Tailwinds

### U.S. Unemployment Rate

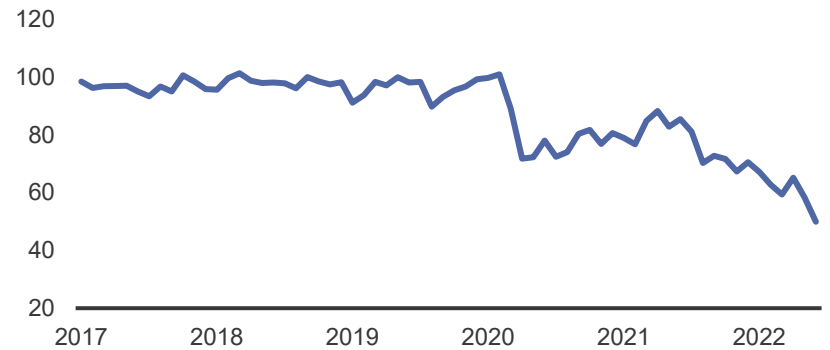


### Retail Sales (Monthly)

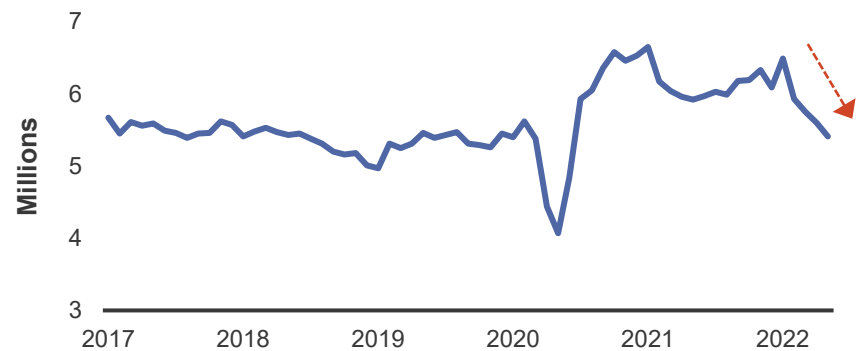


## Headwinds

### Index of Consumer Sentiment

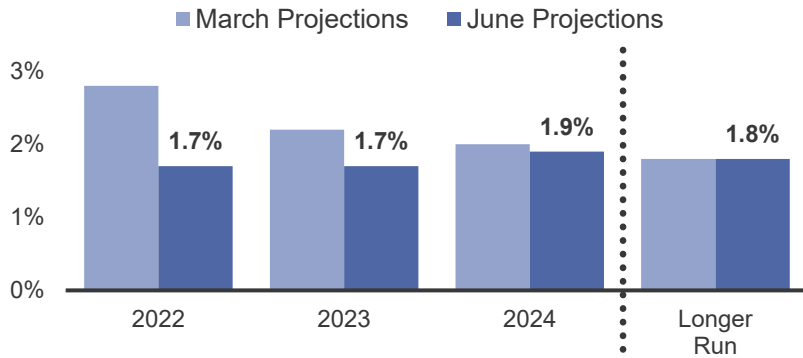


### Existing Home Sales

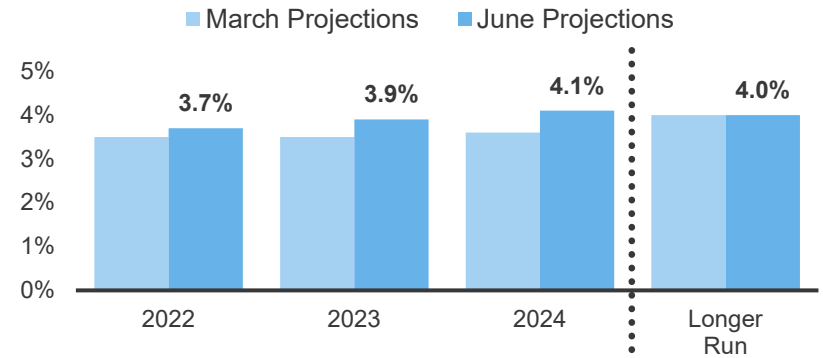


# Fed's Updated Projections Show More Expected Inflation, Lower Growth

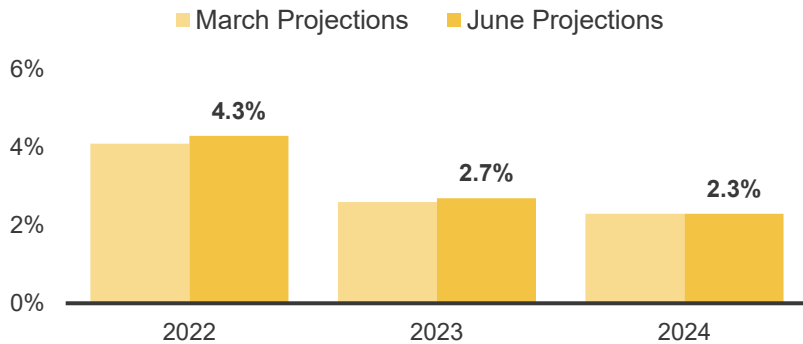
## Change in Real GDP



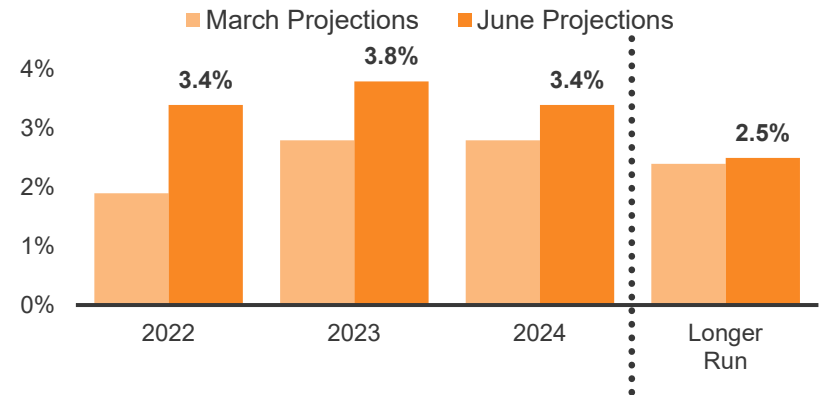
## Unemployment Rate



## Core PCE Inflation



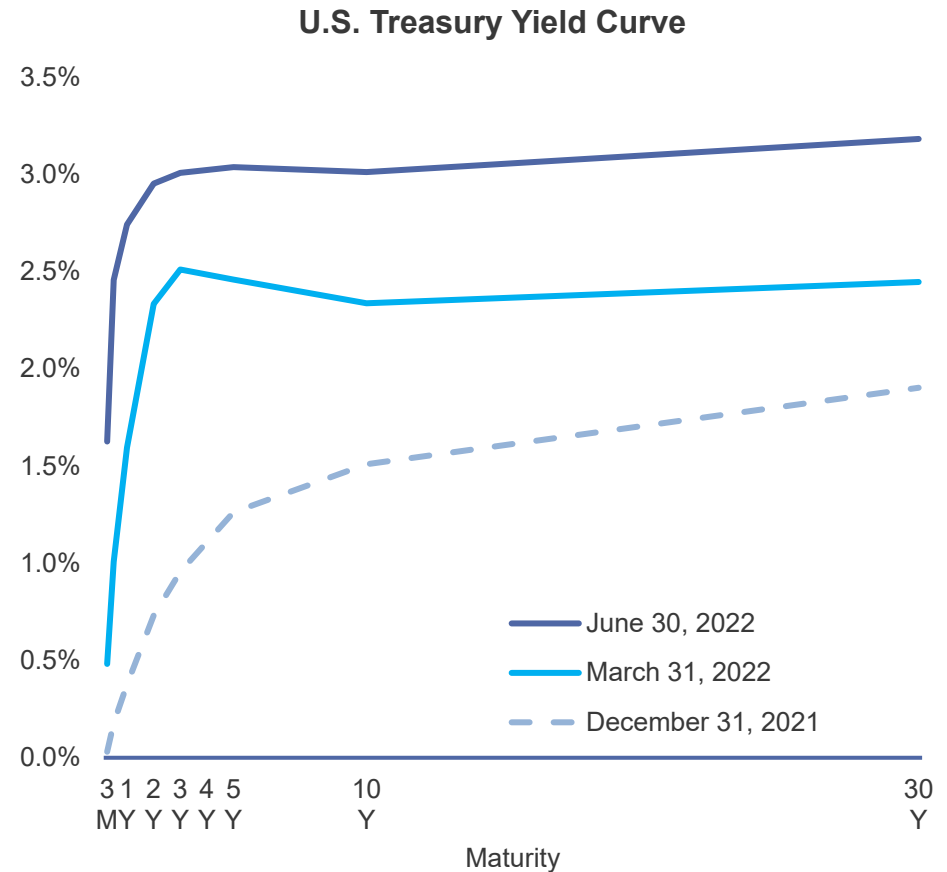
## Federal Funds Rate



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

# Treasury Yields Move Higher Across the Curve; Curve Remains Flat Beyond 2-Years

	2Q2022 06/30/22	1Q2022 03/31/22	QoQ Change
3-month	1.63%	0.48%	+1.15%
1-year	2.74%	1.60%	+1.14%
2-year	2.95%	2.33%	+0.62%
3-year	3.01%	2.51%	+0.50%
5-year	3.04%	2.46%	+0.58%
10-year	3.01%	2.34%	+0.67%
30-year	3.18%	2.45%	+0.73%

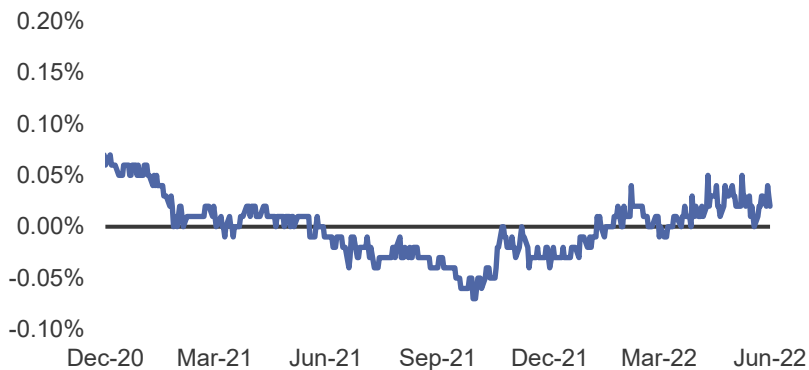


Source: Bloomberg, as of June 30, 2022.

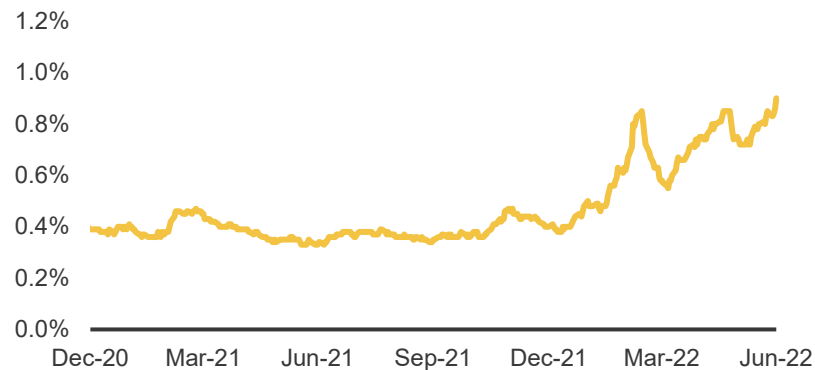
# Sector Yield Spreads Widened

## 1-5 Year Indices

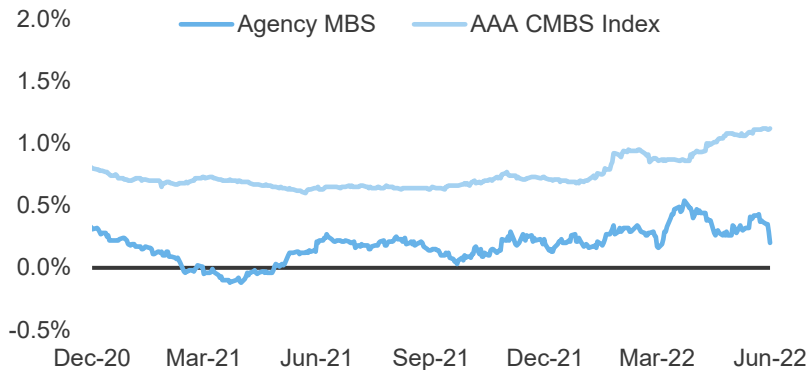
### Federal Agency Yield Spreads



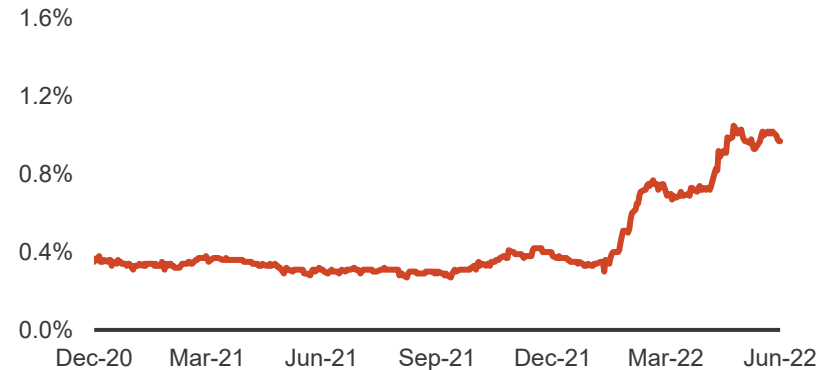
### Corporate Notes A-AAA Yield Spreads



### Mortgage-Backed Securities Yield Spreads



### Asset-Backed Securities AAA Yield Spreads

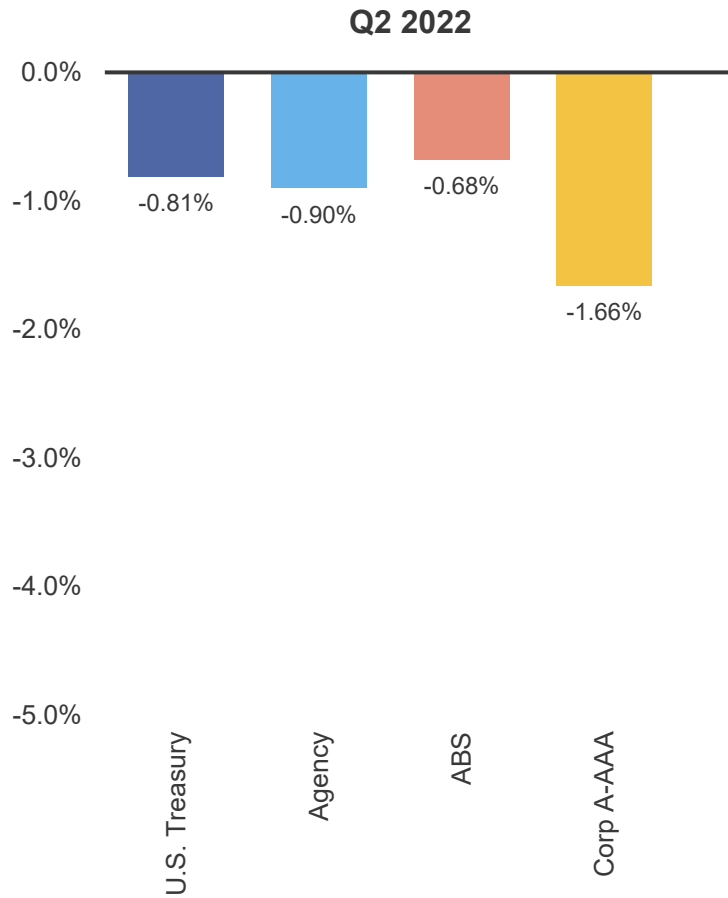


Source: ICE BofA 1-5 year Indices via Bloomberg, MarketAxess and PFMAM as of 6/30/2022. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities.

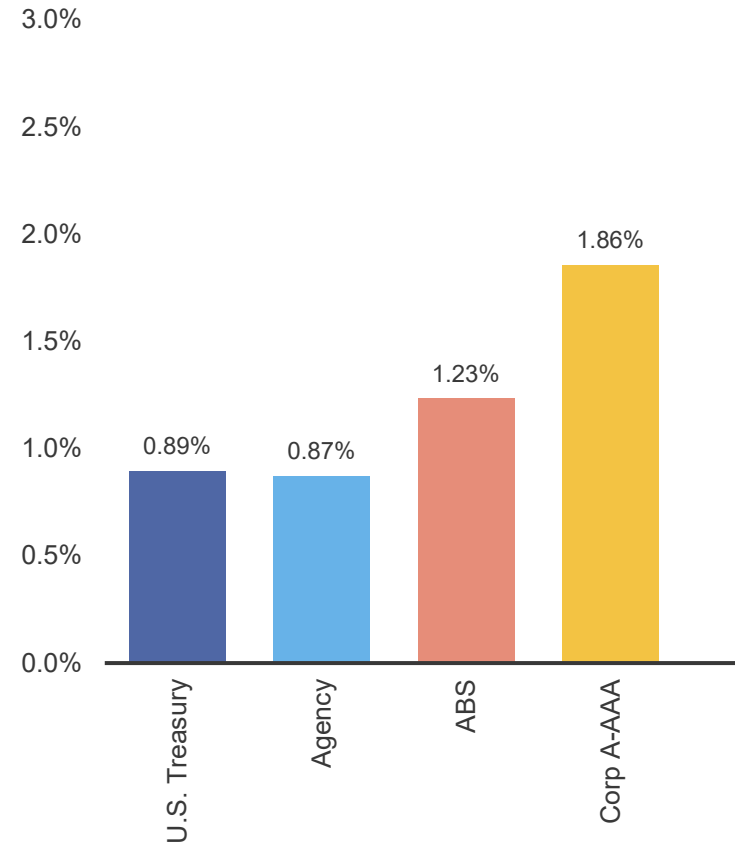


# Rising Rates and Wider Spreads Hurt Fixed-Income Returns in Second Quarter

## 1-5 Year Indices



## 10-Year Average



Source: ICE BofA Indices. ABS indices are 0-5 year, based on weighted average life. As of 6/30/2022.

# Portfolio Update



# Portfolio Composition

Security Type	Total Market Value June 30, 2022	% of Total Portfolio
U.S. Treasury	\$243,566,372	29.4%
Federal Agency	\$101,641,548	12.3%
Federal Agency CMOs	\$5,655,720	0.7%
Municipal Obligations	\$9,022,485	1.1%
Supranationals	\$6,627,099	0.8%
Negotiable CDs	\$10,609,624	1.3%
Corporate Notes	\$74,315,049	9.0%
Asset-Backed Securities	\$7,423,372	0.9%
<b>Securities Sub-Total</b>	<b>\$458,861,270</b>	<b>55.5%</b>
Accrued Interest	\$1,346,232	
<b>Securities Total</b>	<b>\$460,207,501</b>	
CAMP	\$271,639,514	32.8%
LAIF – Total	\$96,960,956	11.7%
<b>Total Investments</b>	<b>\$828,807,972</b>	<b>100.0%</b>

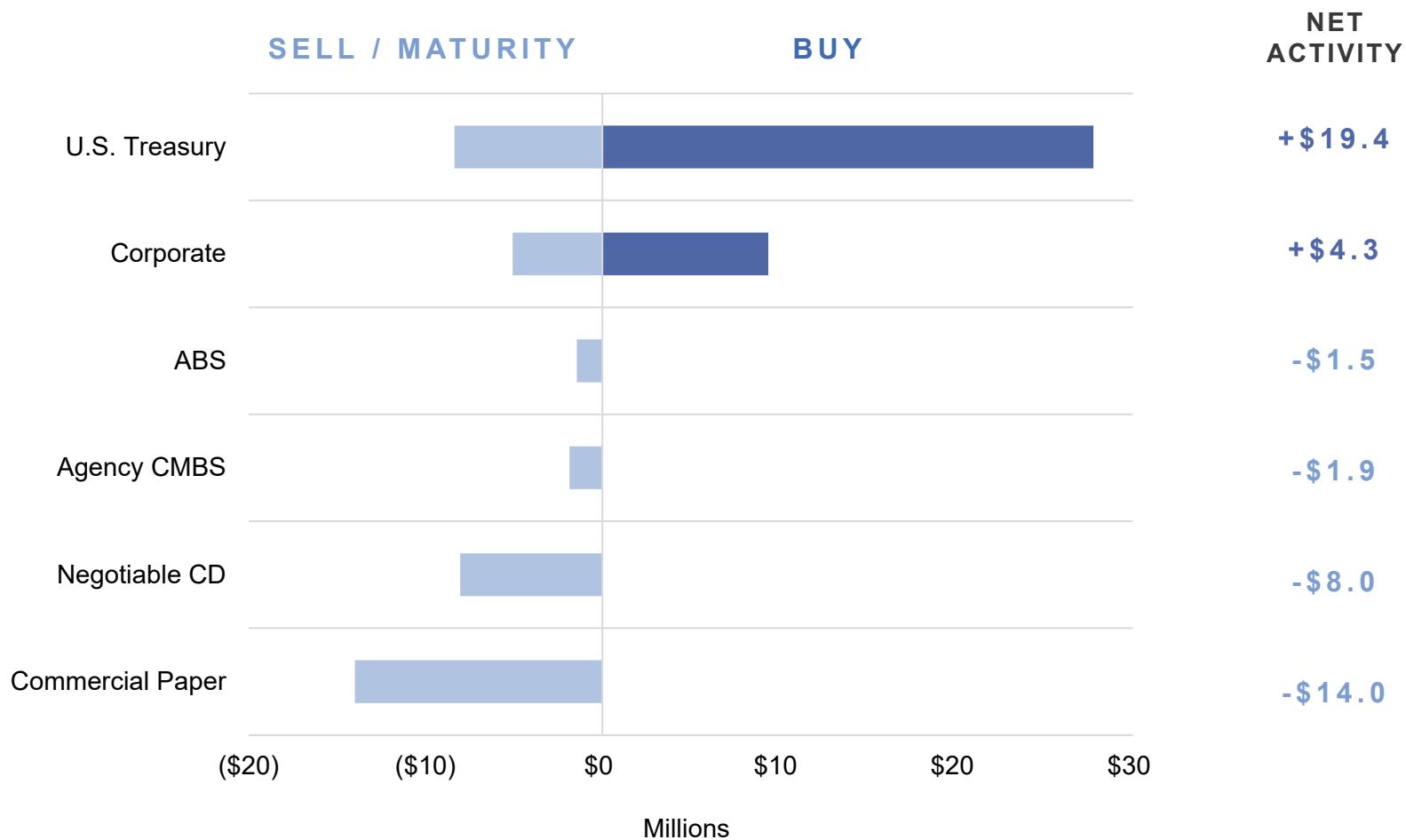
As of June 30, 2022. Percentages of total portfolio may not sum to 100% due to rounding.

# Second Quarter Portfolio Strategy Recap

- ▶ During the quarter, inflation persisted, consumer optimism, sentiment, and outlook declined, probability of a recession increased, and the Federal Reserve Open Market Committee (FOMC) continued to tighten monetary policy.
- ▶ Given this, **strategic themes** during the quarter remained similar to last quarter:
  - ▶ Maintained a **defensive duration posture** in the face of rising rates and expectation for continued FOMC rate hikes to the overnight target rate
  - ▶ Utilized bouts of increased market volatility and wider spreads to **build upon portfolio's allocation of high-quality corporates**
  - ▶ **Allocation to U.S. Treasuries remains elevated**, and the 3-4 year area of the U.S. Treasury curve continued to provide attractive yields

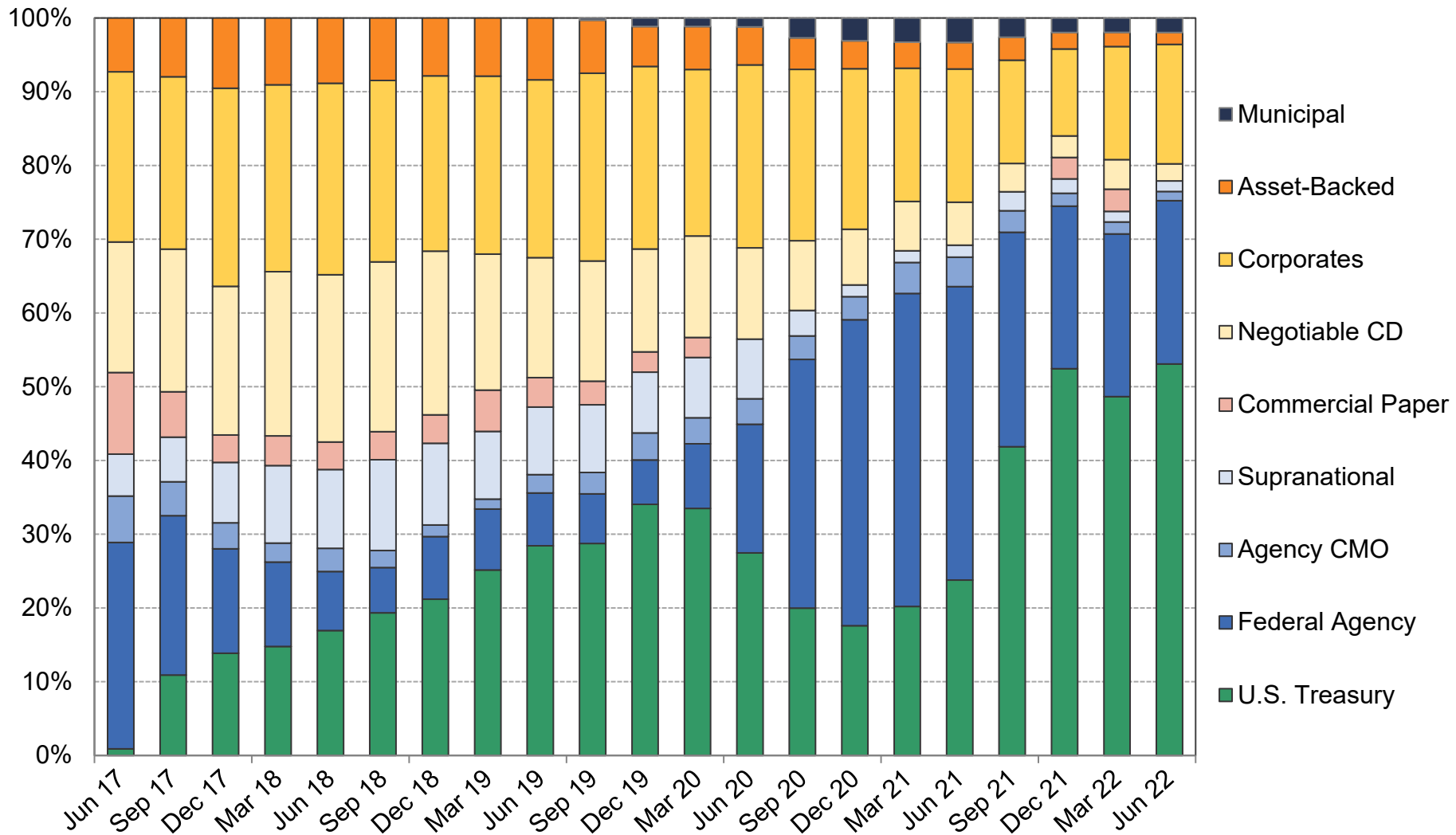


# Second Quarter Trade Activity



Portfolio purchases, sells, maturities, and paydowns through periods April 1, 2022 – June 30, 2022.

# Historical Sector Allocation – PFMAM-Managed Portfolio

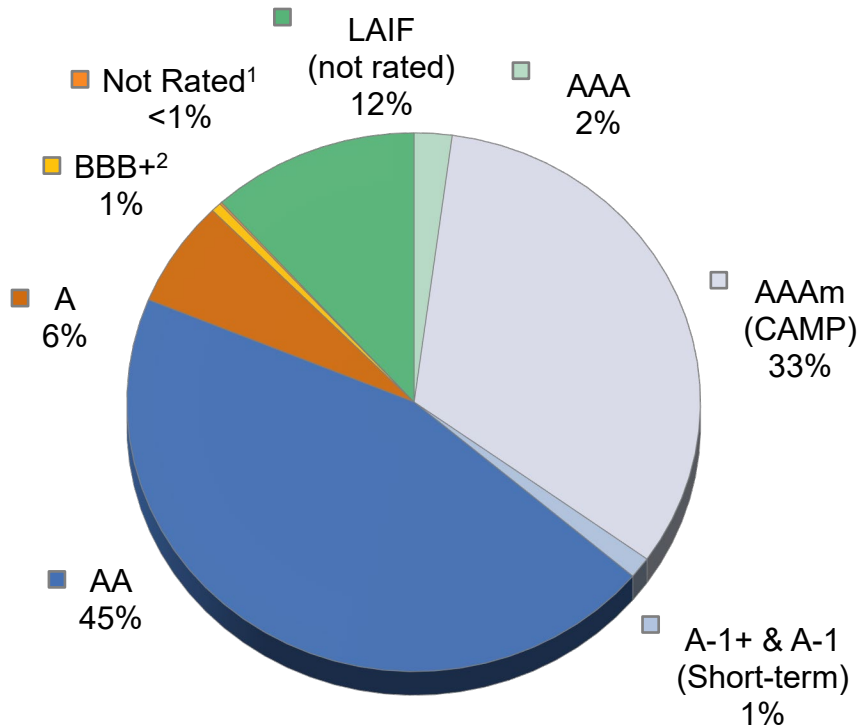


Excludes funds in LAIF and CAMP.

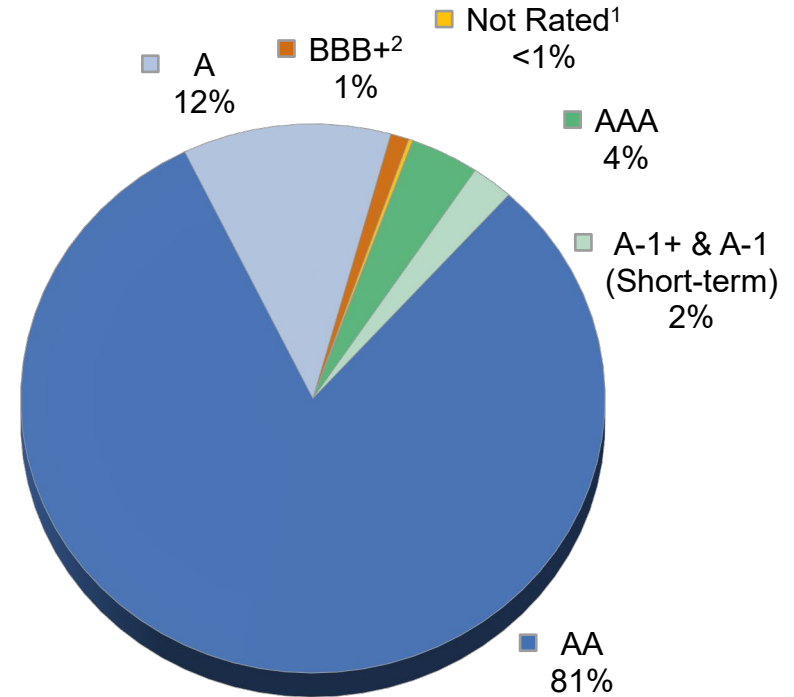
# Portfolio Credit Quality

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

## Including Liquid Accounts



## Excluding Liquid Accounts



As of June 30, 2022. Percentages may not sum to 100% due to rounding.

Ratings are based on Standard & Poor's.

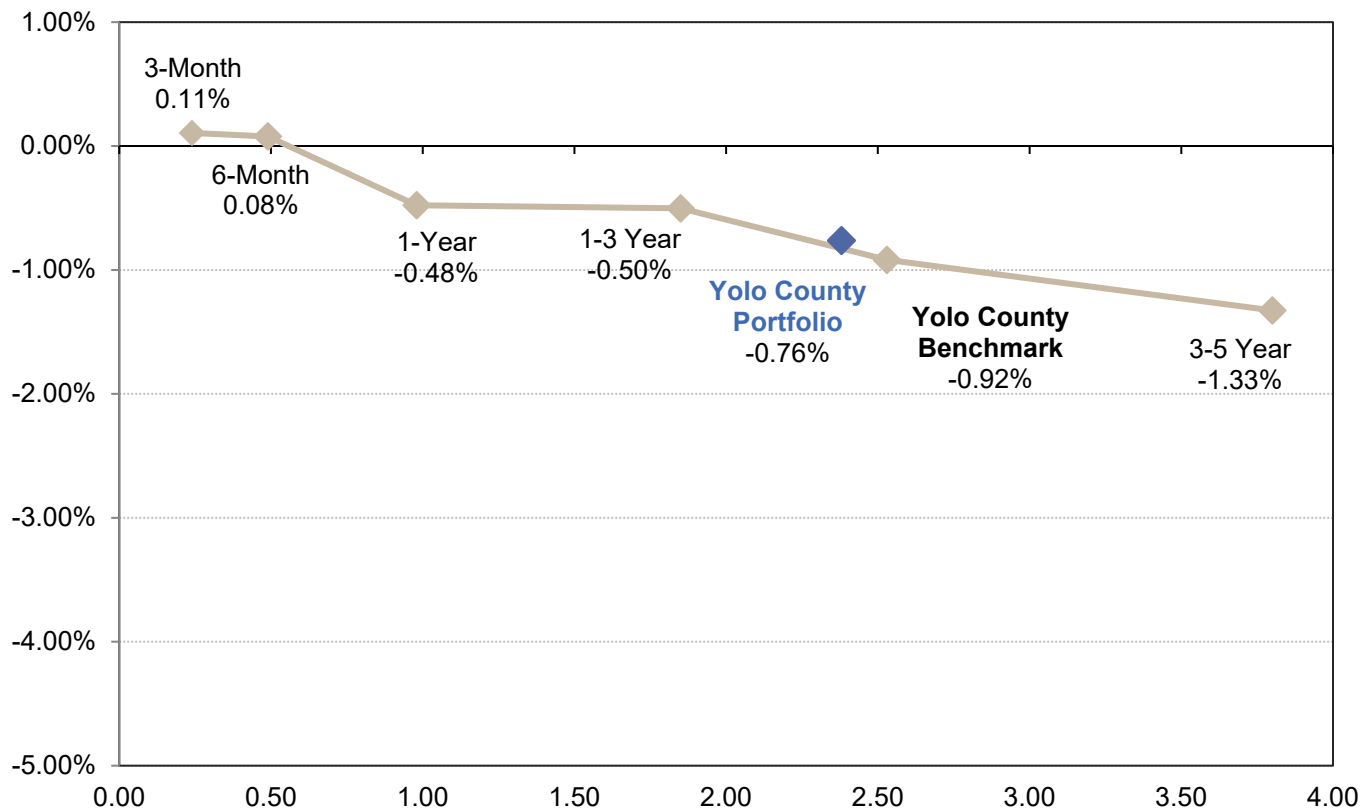
1. The "Not Rated" category comprises asset-backed securities rated Aaa by Moody's.

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

## 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	1.15%
LAIF	0.75%

- For periods ending June 30, 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

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

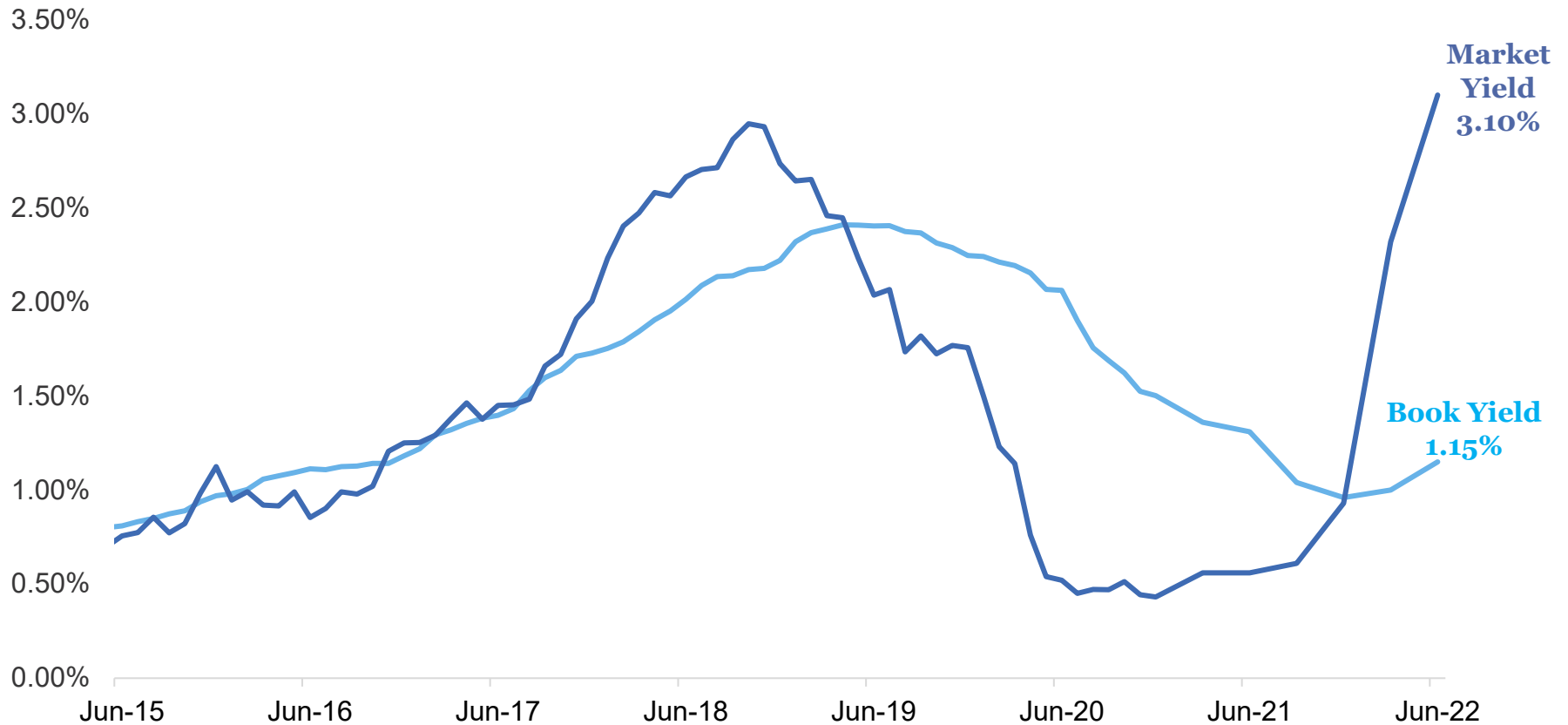
**Total Return**  
For periods ended June 30, 2022

	Duration (years)	2Q 2022	Past Year	Past 5 Years	Past 10 Years	Since Inception
<b>Yolo County</b>	<b>2.38</b>	<b>-0.76%</b>	<b>-4.38%</b>	<b>1.05%</b>	<b>0.97%</b>	<b>2.79%</b>
Benchmark	2.53	-0.92%	-4.74%	0.72%	0.58%	2.17%
Difference	-	+0.16%	+0.36%	+0.33%	+0.39%	+0.62%

- 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.

# Yields Continue to Move Higher

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



Source: Portfolio Data as of June 30, 2022.

# Investment Strategy Outlook

## KEY TAKEAWAYS

- ▶ FOMC to continue raising interest rates in 2022 to combat high inflation
- ▶ Economic growth expectations have moved lower, along with consumer sentiment
- ▶ Consumer balance sheets are healthy enough to weather the record-breaking inflation

## RISKS TO OUTLOOK

- ▶ Continued aggressive monetary policy tightening
- ▶ Increased probability of recession
- ▶ Continued high inflation
- ▶ Risk of Covid resurgence

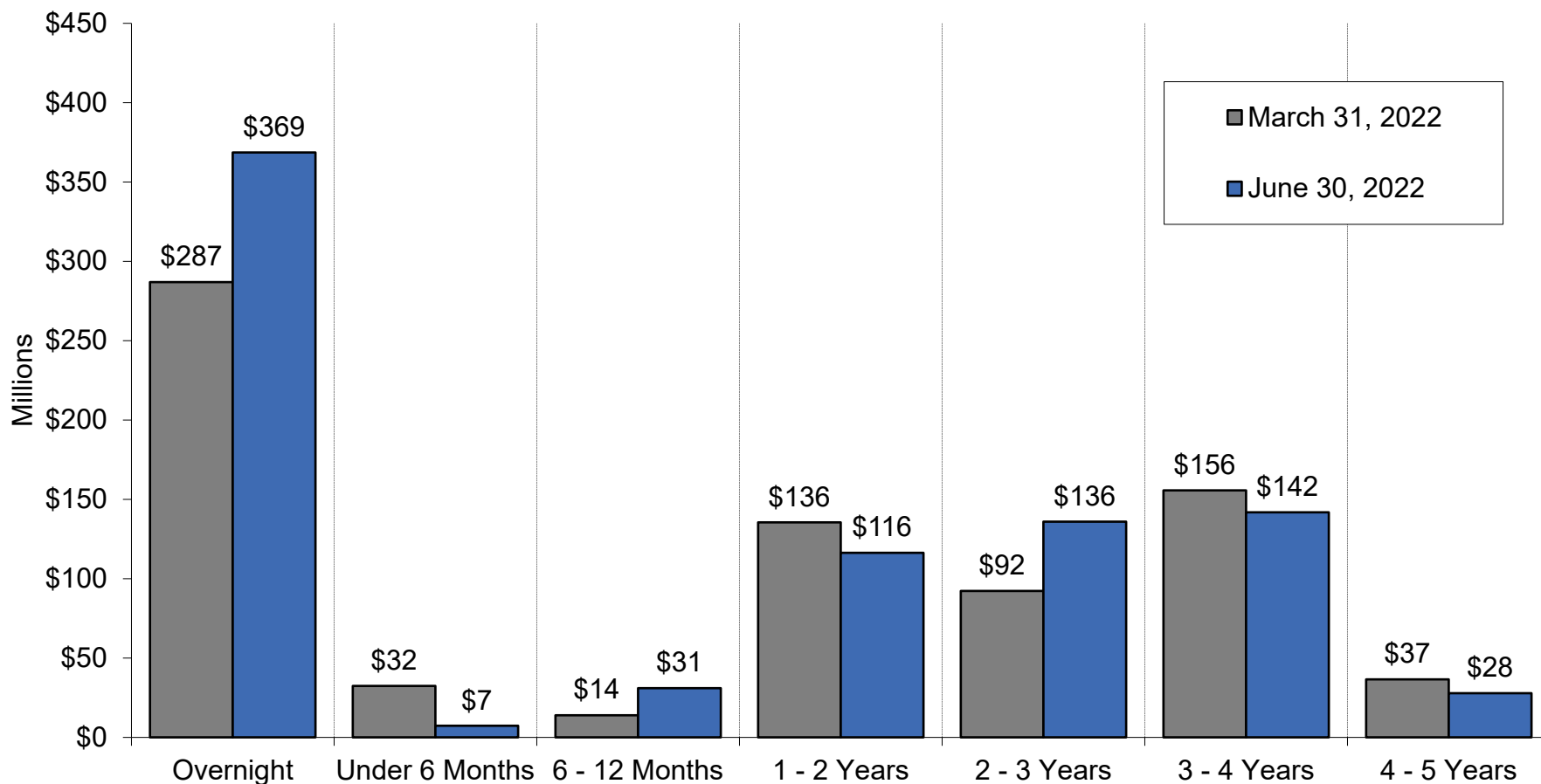
## PORTFOLIO STRATEGY

- ▶ Maintain modestly defensive duration position
- ▶ Underweight allocation to longest maturities
- ▶ 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	53.1%

Federal Agency Issuers	
Fannie Mae	14.0%
Freddie Mac	6.0%
Federal Home Loan Banks	1.4%
Federal Farm Credit Banks	0.8%

Federal Agency CMBS Issuers	
Fannie Mae (CMBS)	0.2%
Freddie Mac (CMBS)	1.0%

ABS Issuers	
Capital One Financial Corp	<0.1%
Carmax Auto Owner Trust	0.4%
Discover Financial Services	0.2%
Honda Auto Receivables	0.2%
Hyundai Auto Receivables	0.3%
Nissan Auto Receivables	0.1%
Toyota Motor Corp	0.5%

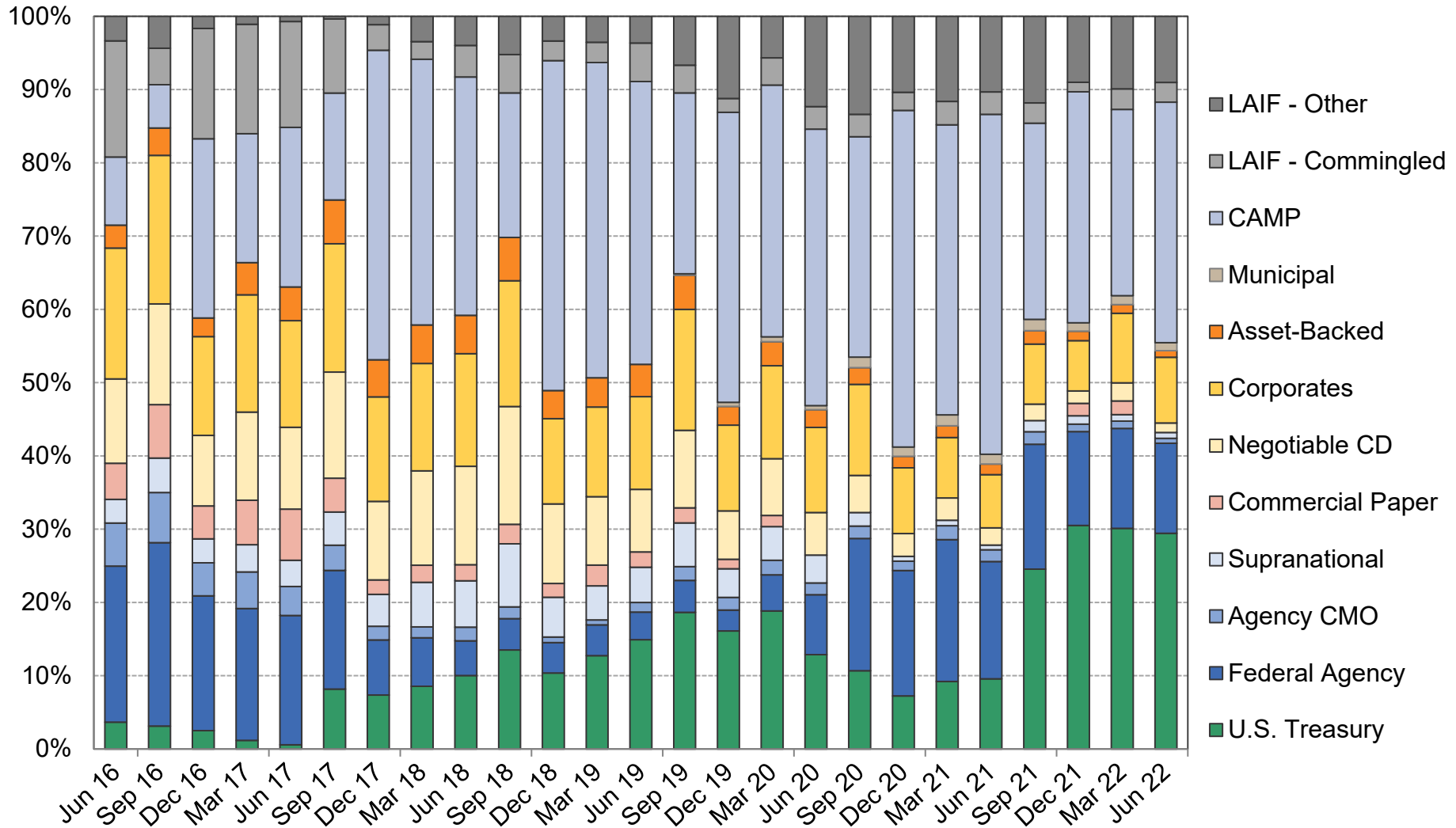
Supranational Issuers	
Inter-American Development Bank	1.0%
Intl Bank of Reconstruction and Dev	0.5%

Corporate Issuers			
3M Company	1.0%	Mastercard Inc	0.7%
Adobe Inc.	0.7%	Microsoft Corp	0.7%
Amazon.com Inc	1.3%	Morgan Stanley	0.3%
Bank of America Co	1.5%	State Street Corporation	0.6%
Burlington Northern Santa Fe	0.8%	Target Corp	0.5%
Citigroup Inc	0.3%	The Bank of New York Mellon	1.0%
Deere & Company	0.4%	Toyota Motor Corp	0.7%
Goldman Sachs Group Inc	0.7%	United Parcel Service Inc	0.3%
Honeywell International	0.4%	United Health Group Inc	0.5%
Intel Corporation	0.8%	US Bancorp	0.6%
JP Morgan Chase & Co	1.3%	Wal-Mart Stores Inc	0.9%

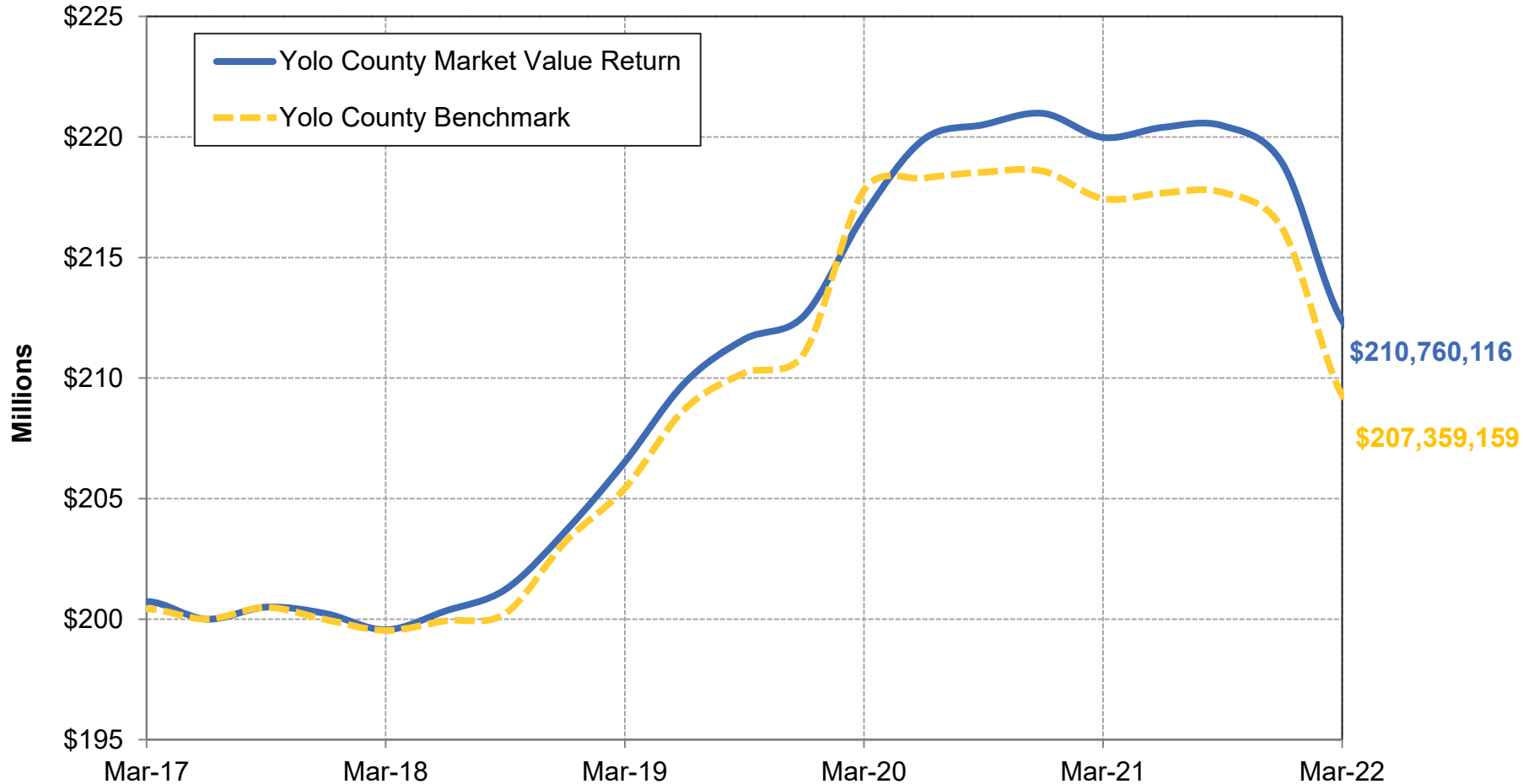
Municipal Issuers			
CA Department of Water Resources	<0.1%	San Diego Community College Dist	0.2%
California State University	0.2%	State of California	0.5%
FL State Board of Admin Fin Corp	0.4%	State of Maryland	0.2%
Los Angeles Community College Dist	0.2%	University of California	0.2%
New Jersey Turnpike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

Negotiable CD Issuers			
Barclays PLC NY	1.0%	Skandinaviska Enskilda Banken AB NY	0.8%
Credit Suisse Group NY	0.5%		

# 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 <sup>1</sup>	Earnings Rate <sup>2</sup>
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%	\$276,771	0.95%
Feb-22	\$483,912,091	0.96%	\$239,295	0.96%
Mar-22	\$483,598,334	1.00%	\$356,370	1.00%
Apr-22	\$482,477,629	1.03%	\$444,101	1.03%
May-22	\$482,822,485	1.05%	\$387,581	1.05%
Jun-22	\$482,366,051	1.15%	\$430,468	1.15%
<b>Actual FY 21-22 Total</b>			<b>\$4,520,169</b>	

1. Earnings for the periods 7/31/2021 – 6/30/2022 are actual earnings and include realized gains/losses; periods thereafter are projected.

2. Earnings rates calculated based on the yield to maturity at cost through 6/30/2022.

# Disclaimer

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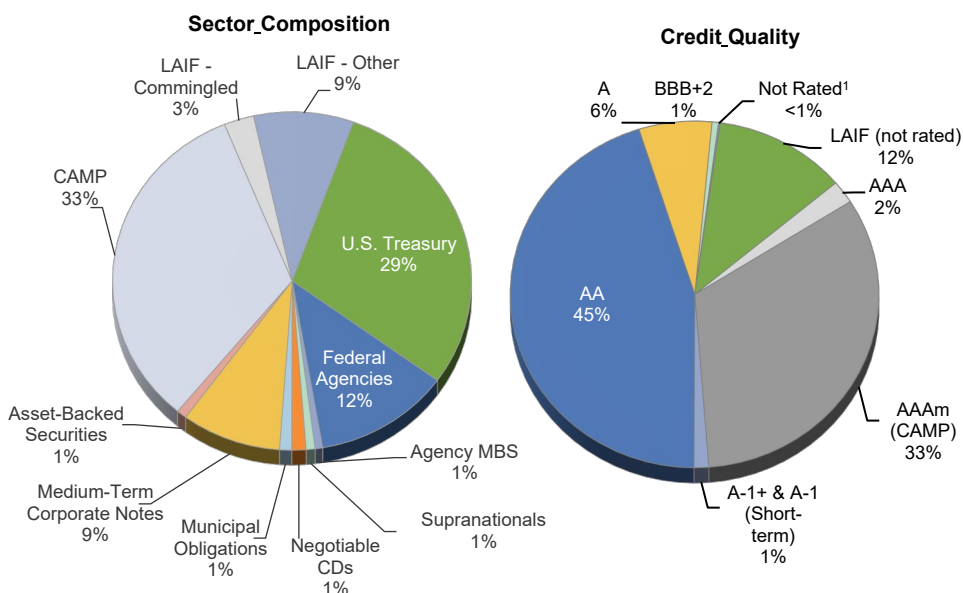


# Executive Summary – Second Quarter 2022

## 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 remained consistent with last quarter as inflation persisted, volatility increased, and credit spreads widened. Corporate notes were purchased for the portfolio at wider yield spreads, while allocation to Treasuries remains elevated.
- ▶ As a result of rapidly increasing Treasury yields, fixed income indices posted negative returns. The County's portfolio was negatively impacted by the rising rate environment but was still able to outperform the benchmark due to its defensive duration position.

Portfolio Profile as of June 30, 2022<sup>1,2</sup>



## The Economy

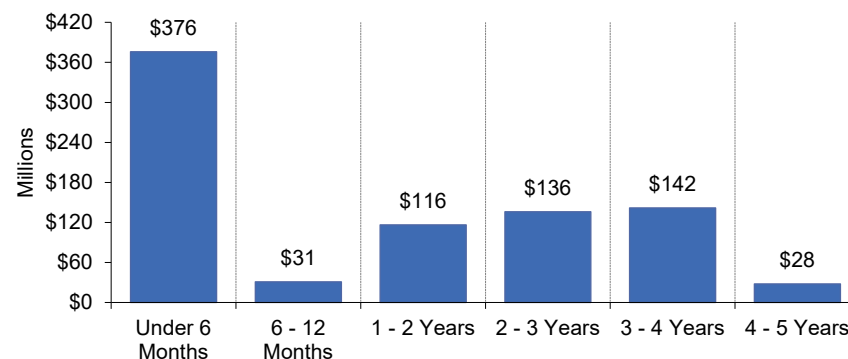
- ▶ In Q2, U.S. economic conditions were characterized by: (1) persistently high inflation; (2) declining consumer sentiment; (3) slowing economic growth and increasing recession probabilities; (4) more aggressive Federal Reserve (Fed) monetary policy tightening; (5) rising yields and decade-high mortgage rates; and (6) elevated volatility and risk-off sentiment in credit and equity markets.
- ▶ The focus of headlines on inflation remains very high, with the Consumer Price Index increasing 9.1% year-over-year (YoY) through June, the largest 12-month increase since December 1981.
- ▶ As a result of surging inflation, the Fed lifted the overnight federal funds target rate three times in the first half of 2022, in March, May and June. The last hike was by three quarters of a percentage point (0.75%) to a new range of 1.5% to 1.75%, the largest hike since 1994.

Portfolio Performance as of June 30, 2022<sup>3</sup>

	Annualized Return	
	1 Year	5 Years
<b>Yolo County Total Return<sup>1</sup></b>	<b>-0.76%</b>	<b>-4.38%</b>
Treasury Benchmark Total Return	-0.92%	-4.74%
Net Apportionment Rate	0.21%	-

Note: <sup>1</sup>PFMAM 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.