

**Meeting of the  
Financial Oversight Committee  
Yolo County  
November 10, 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/88304931659>

Meeting ID: 883 0493 1659

or

By Phone: (408) 638-0968

Meeting ID: 883 0493 1659

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.

Times below included in the agenda are the best estimates of County staff when the agenda item may be taken up and items may be taken up earlier than the times listed.

**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)

**Call to Order (10:00 AM)**

1. Welcome and new staff changes.
2. Roll Call
3. Follow-up of items from prior meeting.
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 (10:00AM)**

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 8/11/2022.
8. Receive Treasury audit report for quarter ended 6/30/2022.
9. Summary of Audit Reports for fiscal year ended 6/30/2022.

**REGULAR AGENDA**

10. Receive staff report on the status of current engagements and the release of audit reports since last meeting from the Division of Internal Audit (Eldredge). **(10:05AM)**
11. 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). **(10:15AM)**
12. Receive staff report on Independent Auditor agreement and possible future extensions. (Rinde). **(10:20AM)**
13. Receive staff report on budget update (Haynes). **(10:30AM)**
14. Receive and discuss the 2023 Investment policy (Xiong). **(10:40AM)**
15. Receive report on the Treasury Pool Investment Activity for the Third Quarter ended September 30, 2022 (PFM/Xiong). **(10:50AM)**
16. Discuss results and related recommendations from the FOC Meeting survey (Rinde). **(11:10AM)**
17. Approval of meeting calendar for year 2023. **(11:20AM)**

Preferred Month	Proposed Time
February 15, 2022	10:00-11:30 am
June 15, 2022	10:00-11:30 am
September 14, 2022	10:00-11:30 am
November 15, 2022	10:00-11:30 am

18. **Confirm next meeting date: February 15, 2022 at 10:00 to 11:30 am. (11:20AM)**
19. **Committee Member and Staff Announcements. (11:25AM)** 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.
20. **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 August 11, 2022

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

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

Others present: Gerardo Pinedo (CAO), Chad Rinde (CFO), Tom Haynes (Asst. CFO), Sou Xiong (Treasury), Melissa Patterson (Budget), Holly Alves (Accounting), Allison Kaune and Sarah Meacham (PFM), Brandon Young and James Butera (LSL), Kim Eldredge and Noemy Mora-Beltran (Internal Audit), Alberto Lara (HR Director), and Lee Gerney (ITS Director).

Moderator: Noemy Mora-Beltran

Recorded by Kim Eldredge

- 1) **Introductions.** Welcomed Gerardo Pinedo the new CAO to the committee. Staff returned to their original position’s CFO and Asst. CFO.
- 2) **Call to Order.** Gary Sandy called the meeting to order at 10:03 a.m. with members Larry Raber, Richard Horan, Crissy Huey, and Kristin Sicke were in attendance. Quorum was formed. Kimberly McKinney and Angel Barajas 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.

Alberto Lara, HR Director provided data on the recruitment and retention within Yolo County. For fiscal year 2022-23, the county has 1814 funded FTEs and as of 6/30/22 281 vacancies throughout the County. HHSA the County’s largest department has alone 136 of those vacancies. HR is working with the new director of HHSA to address these vacancies which impact the County’s programs for the mental health, children, and welfare to retain existing employees and incentives for those to come to work for HHSA. The Sheriff’s Office is another area where efforts to recruit is underway with a pilot program for a sign-in bonus for new Deputy Sheriffs and Corrections Officers. Similar pilots will be explored with other departments.

- 4) **Approval of Agenda.**  
Agenda reviewed and approved.

MOVED BY: Kristin Sicke / SECONDED BY: Crissy Huey  
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 5/12/2022.
- 8) Receive Treasury audit report for quarter ended 3/31/2022.

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, Capital Project Audit, CW Wireless Communications Device Audit aka Cell Phone Audit are all in-progress; Cash Department Audit-HHSA, Cash Department Audit-District Attorney, and Inmate Welfare Fund AUP are completed. Lee Gerney, Director of ITS provided an update on the Network and Web Application Penetration Tests.
- 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).** Brandon Young, Partner and James Butera, Manager (LSL) provided a status report on the interim audit work completed. James will handle the County's audit moving forward. The Single Audit report was discussed, and 7 programs were tested including the CARES Act. One significant finding was found in the 477 Cluster for a late report filing in July 2020. No repeat findings in this report. Next year the ARPA funding will be required for testing.
- 11) **Receive staff report on budget update (Patterson).** Melissa Patterson announced that this was her last budget update and will be leaving the County for another opportunity and thanked the committee for their support. For the budget update, Melissa reported that there is no variance report in today's packet due to the budget not being closed. The budget staff however is working on the carry-forward review to move encumbrances and appropriation commitments to the next year's budget FY22-23.
- 12) **Receive report on the Treasury Pool Investment Activity for the 2nd Quarter ended June 30, 2022 (PFM/Xiong).** Allison Kaune and Sarah Meacham (PFM) provided an economic update and overview of the investment portfolio performance for the 2<sup>nd</sup> Calendar Quarter through 6/30/2022.
- 13) **Discuss results from the FOC Meeting survey (Haynes).** Tom Haynes provided an update of the survey with 5 responses received and will leave the survey open to allow for more responses. Tom will provide the survey results and recommendations at the next meeting.

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

15) **Committee Member and Staff Announcements.** Chad Rinde mentioned that he had extended LSL contract option for one year to have the auditors begin 6/30/22 interim work. Normally, Chad would have requested input from this committee prior to extending the contract but due to staffing changes this was missed. Next year, Chad will obtain feedback from this committee for any performance concerns of the external auditors before extending any contract or action for request for proposal.

16) **Adjournment.** Meeting Adjourned at 11:19 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 on the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments of the County of Yolo, California (County) for the quarter ended June 30, 2022. The County is responsible for the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments for the quarter ended June 30, 2022.

The County has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating the County investments in accordance with County policy and *Government Code* for the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments for the quarter ended June 30, 2022. 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.

### Scope of the Procedures Performed and Related Findings

The procedures and the associated findings are as follows:

- 1) Counted the cash in the Treasury as of June 30, 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 June 30, 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 June 30, 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 June 30, 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 June 30, 2022, to the statements provided by the related financial institutions. We did not identify any variances in excess of 0.5% and \$10,000 of the financial institution amount.

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

- 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 June 30, 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 engaged by the County of Yolo, California, to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments of the County of Yolo, California for the quarter ended June 30, 2022. 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 of Yolo, California, and the meet our ethical responsibilities, in accordance with the relevant technical requirements related to our agreed-upon procedures engagement.

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

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

Sacramento, California  
November 3, 2022



County of Yolo, California  
Investment Summary for the Treasurer's Pooled and Non-Pooled Investments  
Agreed-Upon Procedures Report  
Quarter Ended June 30, 2022  
Attachment A  
Procedure 5 Results - Market Value Comparison

Description	CUSIP	County Investment Summary	Financial Institution Statements	Variance \$	%
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*No items noted for the quarter ended June 30, 2022.*



# 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

July 22, 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 June 30, 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 June 30, 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  
Gerardo Pinedo, Yolo County Administrator  
Yolo County Audit Sub-Committee  
Internal Audit Website  
Audit File

County of Yolo  
Summary of Audit Reports – County  
Received During Fiscal Year Ending - June 30, 2022

No.	Audit Report Title	Audit Firm	Audit Period	Results and Findings	Date Issued
1	Apportionment and Allocation of Property Tax Revenues	California State Controller	7/01/2017 to 6/30/2021	Findings 2: Reimbursement of property tax administrative costs; Redevelopment Property Tax Fund Deposit	4/26/2022
2	Assessor/Clerk-Recorder/Elections - Internal Control Cash Audit	Division of Internal Audit	12/1/2020 to 11/30/2021	Findings 6: Segregation of duties; cash receipts not timely deposited; voided receipts in the Tyler system not reviewed; control log for mail payments not reconciled; access to the Tyler system not limited; written procedures not available	2/18/2022
3	Countywide Payroll Audit	Division of Internal Audit	7/1/2018 to 9/30/2019	Findings 12: Segregation of duties; payroll security classes not assigned; overtime and compensatory time not pre-approved; overtime and compensatory time not properly recorded; standby pay not monitored; shift differential pay not properly recorded; time not promptly recorded (several prior period payroll adjustments); no system controls for the Workforce Management System and S3 module; County policy on employee timekeeping not updated; payroll processes not documented; record retention policy outdated; no reconciliation of payroll liability accounts	10/1/2021
4	District Attorney - Internal Control Cash Audit	Division of Internal Audit	2/1/2021 to 1/31/2022	Findings 3: Lack of accountability over gift cards; access to the Checkres System not limited; written procedures for gift card inventory not available	4/8/2022
5	Inmate Welfare Fund	Eide Bailly LLP	7/1/2018 to 1/31/2022	No Exceptions	7/12/2022
6	Internal Control Cash Audit – Health and Human Services Agency	Division of Internal Audit	3/1/2021 to 2/28/2022	Findings 9: No approval for establishment of petty cash fund at Public Guardian; segregation of duties for Public Authority petty cash; no control log for payments at the West Sacramento Service Center; bank reconciliations not performed timely and not signed; terminated employees as check signers; no accountability over bus passes; no accountability over gift cards; access to VACS system not limited; written procedures not available	6/24/2022
7	Purchase Card Continuous Audit	Division of Internal Audit	7/1/2020 to 12/31/2020	Findings 6: Lack of supporting documentation; description of business purpose not identified; goods not verified when received; program eligibility and department's policy and procedures for client services needs improvement; purchase card statements not approved by an authorized Approving Official; split transactions	7/21/2021
8	Purchase Card Continuous Audit	Division of Internal Audit	1/1/2021 to 6/30/2021	Findings 7: Lack of supporting documentation; description of business purpose not identified; goods not verified when received; program eligibility and department's policy and procedures for client services needs improvement; purchase card statements not approved by an authorized Approving Official; split transactions; purchase card used for unauthorized purchases	1/20/2022

County of Yolo  
 Summary of Audit Reports – County  
 Received During Fiscal Year Ending - June 30, 2022

No.	Audit Report Title	Audit Firm	Audit Period	Results and Findings	Date Issued
9	Sheriff-Coroner-Public Administrator Office - Internal Control Cash Audit	Division of Internal Audit	7/1/2020 to 6/30/2021	Findings 8: Segregation of duties; cash receipts not timely deposited; checks not endorsed and mail payments not recorded onto a control log; weekly bank reconciliations of the Civil Trust account not reviewed; outstanding checks for the Civil Trust account not monitored; lack of accountability over bus passes; access to the Teleosoft system not limited; written procedures not available	11/22/2021
10	Treasury Cash Count QE 12/31/2021	Division of Internal Audit	QE 12/31/2021	No Exceptions	1/27/2022
11	Treasury Cash Count QE 3/31/2022	Division of Internal Audit	QE 3/31/2022	No Exceptions	5/3/2022
12	Treasury Cash Count QE 6/30/2022	Division of Internal Audit	QE 6/30/2022	No Exceptions	7/22/2022
13	Treasury Cash Count QE 9/30/2021	Division of Internal Audit	QE 9/30/2021	No Exceptions	11/9/2021
14	Yolo County Department of Child Support Services Final Audit Report	California Department of Child Support Services	7/01/2018 to 6/30/2019	No Exceptions	12/7/2021
15	Yolo County Single Audit Report	Lance, Soll & Lunghard	7/1/2020 to 6/30/2021	Finding 1: Reporting (untimely reporting)	1/31/2022
16	Yolo County Treasury Review	Lance, Soll & Lunghard	QE 3/31/2021	Finding 1: Variances not resolved	8/5/2021
17	Yolo County Treasury Review	Lance, Soll & Lunghard	QE 9/30/2021	Finding 1: Variances not resolved	1/25/2022
18	Yolo County Treasury Review	Lance, Soll & Lunghard	QE 12/31/2021	Finding 1: Variances not resolved	4/29/2022
19	Yolo County Treasury Review	Lance, Soll & Lunghard	QE 6/30/2021	No Exceptions	10/28/2021

County of Yolo  
 Summary of Audit Reports - Joint Power Agencies and Other  
 Entities Received During Fiscal Year Ending - June 30, 2022

	<b>Audit Report Title</b>	<b>Audit Firm</b>	<b>Audit Period</b>	<b>Results and Findings</b>	<b>Date Issued</b>
1	City of West Sacramento	Crowe LLP	6/30/2021	Unmodified	6/21/2022
2	California Joint Powers Risk Management Authority	Maze & Associates	6/30/2021	Unmodified	12/6/2021
3	Yolo Habitat Conservancy	Lance, Soll & Lunghard, LLP	6/30/2021	Unmodified	3/21/2022
4	Yolo Emergency communications Agency	Richardson & Company	6/30/2021	Unmodified	1/14/2022
5	Yolo County Habitat/Natural Community Conservation Plan Joint Power Agency	Lance, Soll & Lunghard, LLP	6/30/2021	2 findings	3/21/2022
6	Yolo County Housing Authority	CohnReznick	6/30/2021	1 finding	5/27/2022
7	Sacramento Area Council of Governments (SACOG) - Independent Auditor's report	EideBailly	6/30/2021	Unmodified	12/1/2021
8	First 5 Yolo County Children and Families Commission - Financial Statement	Jensen Smith Certified Public Accountants	6/30/2021	Unmodified	10/11/2021
9	Woodland-Davis Clean Water Agency - Basic Financial Statement	Maze and Associates	6/30/2019	Unmodified	8/18/2021
<b>Other Entities</b>					
10	Schools Insurance Authority - Financial Statements	Gilbert and Associates	6/30/2020 & 6/30/2021	Unmodified	10/14/2021
11	Yolo County Children's Alliance	Fritzsche Associates Inc.	6/30/2021	Unmodified - Total Findings 1	1/6/2022

**County of Yolo**  
**Summary of Audit Reports – Special Districts**  
**Received During Fiscal Year Ending – June 30, 2022**

Audit Report Title	Audit Firm	Audit Period	Results and Findings	Date Issued
Clarksburg Fire Protection- Financial Statements with Independent Auditors Report	Fechter & Company Certified Public Accountants	6/30/2019 6/30/2020	Unmodified – No Findings	1/26/2022
Cacheville Community Service Districts – Financial Statements and Independent Auditor’s Report	Perry, Bunch & Johnston Inc. – A Professional Accountancy Corporation	6/30/2015 6/30/2016 6/30/2017 6/30/2018 6/30/2019	Unmodified – No Findings	06/1/2021
Cacheville Community Service Districts – Financial Statements and Independent Auditor’s Report	Perry, Bunch & Johnston Inc. – A Professional Accountancy Corporation	6/30/2020 6/30/2021	Unmodified – No Findings	05/19/2022
Davis Cemetery- Financial Statements with Independent Auditor’s Report	Fechter & Company Certified Public Accountants	6/30/2016 6/30/2017 6/30/2018	Unmodified – No Findings	02/27/2022
Knights Landing Community Service District – Financial Statements	Eide Bailly Certified Public Accountant & Business Advisor	06/30/2019 06/30/2020	Unmodified-With Findings, with views and planned corrective actions	03/29/2022
Knights Landing Ridge Drainage District Financial Statements and Independent Auditor’s Report	Smith & Newell Certified Public Accountants	12/31/2020	Unmodified – No Findings	12/30/2021
Reclamation District 108 Financial Statements with Independent Auditor’s Report	Smith & Newell Certified Public Accountants	12/31/2020	Unmodified – No Findings	11/26/2021
Reclamation District 108 Single Audit Act Reports and Schedules	Smith & Newell Certified Public Accountants	12/31/2020	Unmodified – with Findings	11/26/2021
Sacramento River West Side Levee Dist Financial Statements & Independent Auditor’ Report	Smith & Newell Certified Public Accountants	06/30/2020	Unmodified-No Findings	11/29/2021
Winters Cemetery District – Financial Statements and Independent Auditor’s Report	Nigro & Nigro – A Professional Accountancy Corporation	6/30/2020 6/30/2021	Unmodified – No Findings	01/15/2022
Yolo Fire Protection – Financial Statements and Independent Auditor’s Report	Perry, Bunch & Johnston Inc. – A Professional Accountancy Corporation	6/30/2015 6/30/2016 6/30/2017 6/30/2018 6/30/2019	Unmodified – No Findings	06/11/2021

**County of Yolo**  
**Summary of Audit Reports – Special Districts**  
**Received During Fiscal Year Ending – June 30, 2022**

Audit Report Title	Audit Firm	Audit Period	Results and Findings	Date Issued
Yolo Fire Protection – Financial Statements and Independent Auditor’s Report	Perry, Bunch & Johnston Inc. – A Professional Accountancy Corporation	6/30/2020 6/30/2021	Unmodified – No Findings	05/20/2022
Valley Clean Energy Alliance – Financial Statements and Independent Auditor’s Report	James Marta & Co. LLP Certified Public Accountants	06/30/2021 12/31/2021	Unmodified – With Findings	04/07/2022



Yolo County  
 Division of Internal Audit  
 Audit Plan - Status of Projects  
 Fiscal Year 2022-2023

Item #10

No.	AA No	AUDTRACK No	Type	Name	Entity	Preliminary Scope	Priority	Hours	% Complete	Status	Report Issued	No. of Findings	Internal or Outsource
1	2021-0025	2023-23	Carry Forward FY21-22	Capital Projects	Countywide	Perform a review of county capital projects to identify and test key processes and controls related to contract administration, change order management, project & cost management, and project closeout.	High	320	90%	In-progress; Drafting Report			Yolo
2	2021-0026	2023-17	Carry Forward FY21-22	Accounts Payable	Countywide	Perform a review to evaluate accounts payable internal control processes, review and evaluate transactions for accuracy, identify the cause of processing delays and determine compliance with applicable laws, regulations, policies, and procedures.	High	280	95%	In-progress; Drafting Report			Yolo
3	2022-055	2023-26	Carry Forward FY21-22	Wireless Communications Devices	Countywide	Perform a review of the county's wireless communication devices to identify areas of risk and opportunities for potential savings.	Med	280	50%	Delayed; Waiting on Procurement for docs			Yolo
4	N/A	2023-33	New	Peer Review - Internal Audit	Internal Audit	Prepare documents for Internal Audit Peer Review in accordance with IIA Standards. Peer Review to be performed by Napa County.	High	80	90%	Started Oct-Dec Preparing docs for review			Yolo
5	N/A	2023-34	New	Peer Review - Placer County	Internal Audit	Conduct Peer Review of Placer County in accordance with IIA Standards. The review will include interviews, evaluation of documents against standards, and final report.	High	100	75%	Started Oct-Dec Conducting interviews			Yolo
6	N/A	2023-23	New	FWA Reporting and Hotline	Countywide	Develop a fraud reporting and whistleblower policy and implement hotline.	High	202	75%	Started Oct-Dec Finishing logistics with intake site			Yolo
7	N/A	O/S	New	Subrecipient Compliance Monitoring	Countywide	Assess and document a County-wide fiscal monitoring program, providing recommendations for ongoing fiscal monitoring, and potentially performing some of the 2022/2023 required desk reviews & site visits.	High	350	25%	Started Oct-Dec Conducting interviews			Outsource
8	N/A	O/S	New	Payroll Processing and Changes CalPERS and payroll taxes	Department Human Resources	Perform a review of payroll processes including the CalPERS contribution and payroll taxes.	High	200	5%	Planned for Oct-Dec Scoping project			Outsource
9	2023-0083 2023-0084 2023-0085 2023-0086	2023-13	New	Cash Count	Department Financial Services - Treasury	Conduct quarterly cash count as required by Government Code Section 26920(a)(1).	Med	14	50%	Quarterly; Completed 6/30 & 9/30 Qtrs	7/22/2022 10/21/2022	0	Yolo
10	2023-0078	2023-30	New	Cash Operations	Department Financial Services - Tax Collector	Perform an internal control review to determine whether adequate internal controls exist to provide reasonable assurance to county management that there is an acceptable level of operational accountability over cash.	Med	48	10%	Started October Planning			Yolo

Yolo County  
 Division of Internal Audit  
 Audit Plan - Status of Projects  
 Fiscal Year 2022-2023

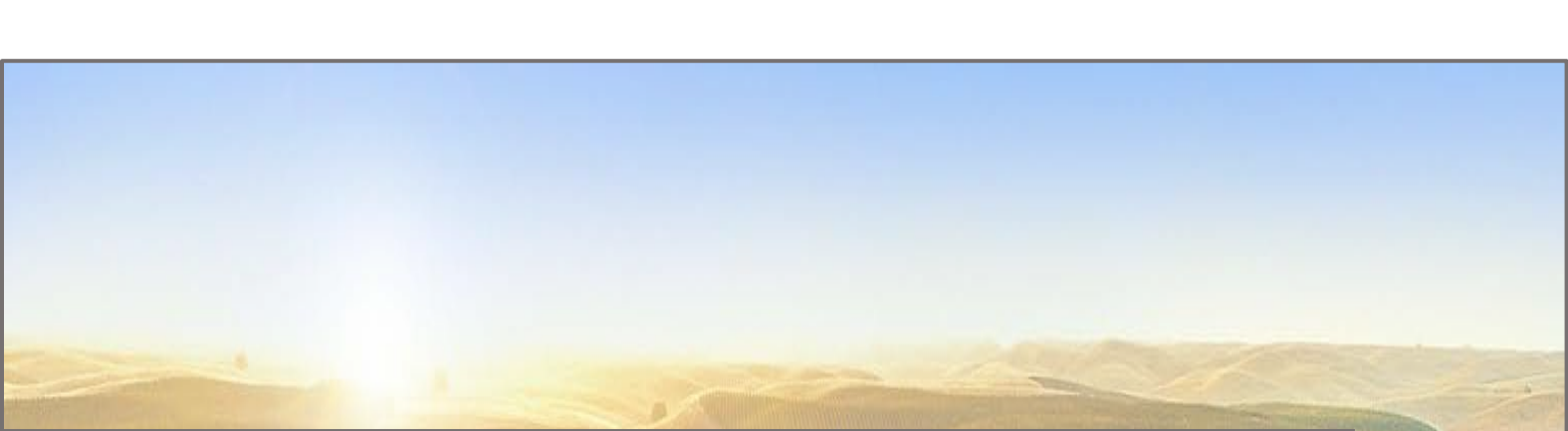
No.	AA No	AUDTRACK No	Type	Name	Entity	Preliminary Scope	Priority	Hours	% Complete	Status	Report Issued	No. of Findings	Internal or Outsource
11	2023-0077	2023-31	New	Cash Operations	Department Probation	Perform an Internal control review to determine whether adequate internal controls exist to provide reasonable assurance to county management that there is an acceptable level of operational accountability over cash.	Med	48	10%	Started October Planning			Yolo
12	2023-0076	2023-28	New	Cash Operations and Accounts Receivable	Department Agriculture	Perform an Internal control review to determine whether adequate internal controls exist to provide reasonable assurance to county management that there is an acceptable level of operational accountability over cash and accounts receivable.	Med	80	0%	Planned for Dec-Jan			Yolo
13	2023-0079	2023-29	New	Cash Operations	Department Library	Perform an Internal control review to determine whether adequate internal controls exist to provide reasonable assurance to county management that there is an acceptable level of operational accountability over cash.	Med	60	0%	Planned for Nov-Dec			Yolo
14	2023-0080	2023-27	New	Juvenile Books & Accounts	Department Probation	Perform a review over the Probation Department's juvenile books and accounts in accordance with the Welfare & Institutions Code Section 275.	Med	20	0%	Planned for January			Yolo
15	2023-0082	2023-37	New	Policies and Procedures	Countywide	Assess the adequacy of documented policy and procedures to determine the impact on knowledge transfer when employees are hired, transfer, resign or retire from the County.	High	200	0%	Planned for January			Yolo
16	2023-0081	2023-16	New	Purchase Card	Countywide-Cont Audit	Perform a review to provide reasonable assurance to county management that there is an acceptable level of operational accountability in the purchase card program, including the areas of card management, merchant management, and transaction analysis.	High	80	0%	Planned for January			Yolo
17	2023-0091	2023-25	New	Accounts Receivable	Countywide	Perform an internal control review over accounts receivables.	High	140	0%	Planned for Jan-Feb			Yolo
18	2023-0087	2023-32	New	Fiscal Monitoring	Department Health & Human Services Agency	Perform desk and site fiscal monitoring reviews for County Health & Human Services Agency as required by Code of Federal Regulations 2 CFR part 200 etal.	High	640	0%	Planned for Jan-June			Yolo
19	2023-0092	2023-21	New	Payroll Processing and Changes, Employee Leave/FMLA, and Pay Rates	Department Human Resources	Perform a review of payroll processes including the health benefit calculation, leave balances, and the accuracy of employee pay rates.	High	200	0%	Planned for March			Yolo
20	2023-0093	2023-24	New	Procurement Processes	Department General Services	Assess procurement practices related to oversight, transparency, needs identification, sourcing, strategic purchasing, receiving goods and services and reporting to determine whether the policy is being adhered to and to identify process inefficiencies.	High	220	0%	Planned for Apr-June			Yolo

Yolo County  
 Division of Internal Audit  
 Audit Plan - Status of Projects  
 Fiscal Year 2022-2023

No.	AA No	AUDTRACK No	Type	Name	Entity	Preliminary Scope	Priority	Hours	% Complete	Status	Report Issued	No. of Findings	Internal or Outsource
21	N/A	O/S	New	Governance and Strategy	Department Information Technology	Assess the IT strategic planning process. Understand how performance is evaluated, the operating budget is tracked, and resources are consumed.	High	250	0%	To be determined			Outsource
22	N/A	O/S	New	Risk Management	Department Information Technology	Assess the practices around IT risk management, including the identification, treatment, tracking and reporting across the County.	High	250	0%	To be determined			Outsource
23	N/A	2023-35	Ongoing	Internal Audit Risk Assessment and Audit Planning	Internal Audit	Annual Risk Assessment procedures and developing/updating the three-year Internal Audit Plan based on the results that are updated annually.	N/A	80	0%	Planned for Mar-May			Yolo
24	N/A	2023-36	Ongoing	Ad Hoc Audits, Investigations, and Research	Audit Function	Internal Audit is asked by the Board or by Executive management to perform certain audits or research.	N/A	300	10%	Ongoing			Yolo
25	N/A	2023-15	Ongoing	Follow-up on Prior Internal Audit Findings	Countywide	Information requests, meetings, and additional verification/testing will be conducted to determine if prior issues have been remediated.	N/A	60	40%	Monthly			Yolo
26	N/A	2023-20 2023-11	Ongoing	Financial Oversight Committee and Financial Services Administration	Administration	Administrative support for the Financial Oversight Committee and Audit Subcommittee meetings.	N/A	240	40%	Quarterly 2X			Yolo
27	N/A	2023-10 2023-14	Ongoing	Internal Meetings and Planning	Audit Function	General planning, project management meetings, workload and planning reviews required by the IIA standards.	N/A	766	40%	Ongoing			Yolo
28	N/A	2023-02 to 2023-09	Ongoing	Staff Benefits and Leave	Other Administration	Required time based on labor bargaining units.	N/A	1170	40%	Ongoing			Yolo
29	N/A	2023-12 2023-14 2023-18	Ongoing	Training, Professional Development, Office Non-productive Time	Audit Function	120 hours for training and continuing professional education (CPE) 100 Countywide Fiscal Foundations Series training 312 hours for office time (2 hours/week)	N/A	532	40%	CW Training Planned for Spring CPE Hrs - On Track			Yolo
30	N/A	2023-19	Ongoing	Manage Co-Sourced/External Resources	Audit Function	Internal Audit to manage and coordinate with external resources.	N/A	80	40%	Ongoing			Yolo



**Total audit & non-audit hours and benefits & leave**

**7290**



# Risk Assessment Report and Proposed Internal Audit Plan

Yolo County, California  
September 6, 2022



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# Executive Summary

The Yolo County Internal Audit and the Baker Tilly team have completed a comprehensive, organization-wide Risk Assessment. We assessed a wide range of risk areas that could potentially affect Yolo County. This report outlines our assessment of high priority risks (i.e., those that have a relatively high likelihood of occurrence and potentially high impact to Yolo County's operations). The results of this Risk Assessment are the basis for determining the areas of focus for the proposed Three-Year Internal Audit Plan.

## Risk Assessment Procedures

The following procedures were performed for the Risk Assessment:

- Gained an understanding of Yolo County's operations, environment, culture, and objectives through research, survey, and interviews
- Held discussions with the following departments: Internal Audit, Assessor/Clerk-Recorder/Registrar of Voters, Agriculture, Child Support Services, Community Services, County Counsel, District Attorney, Financial Services, General Services, Health and Human Services Agency, Human Resources, Information Technology, Library, Probation, Public Defender, and the Sheriff's Office
- Reviewed key documentation such as organizational charts, Annual Comprehensive Financial Reports, prior audit reports, and other relevant policies and documents
- Evaluated interview results and considered industry factors and best practices to identify areas of risk

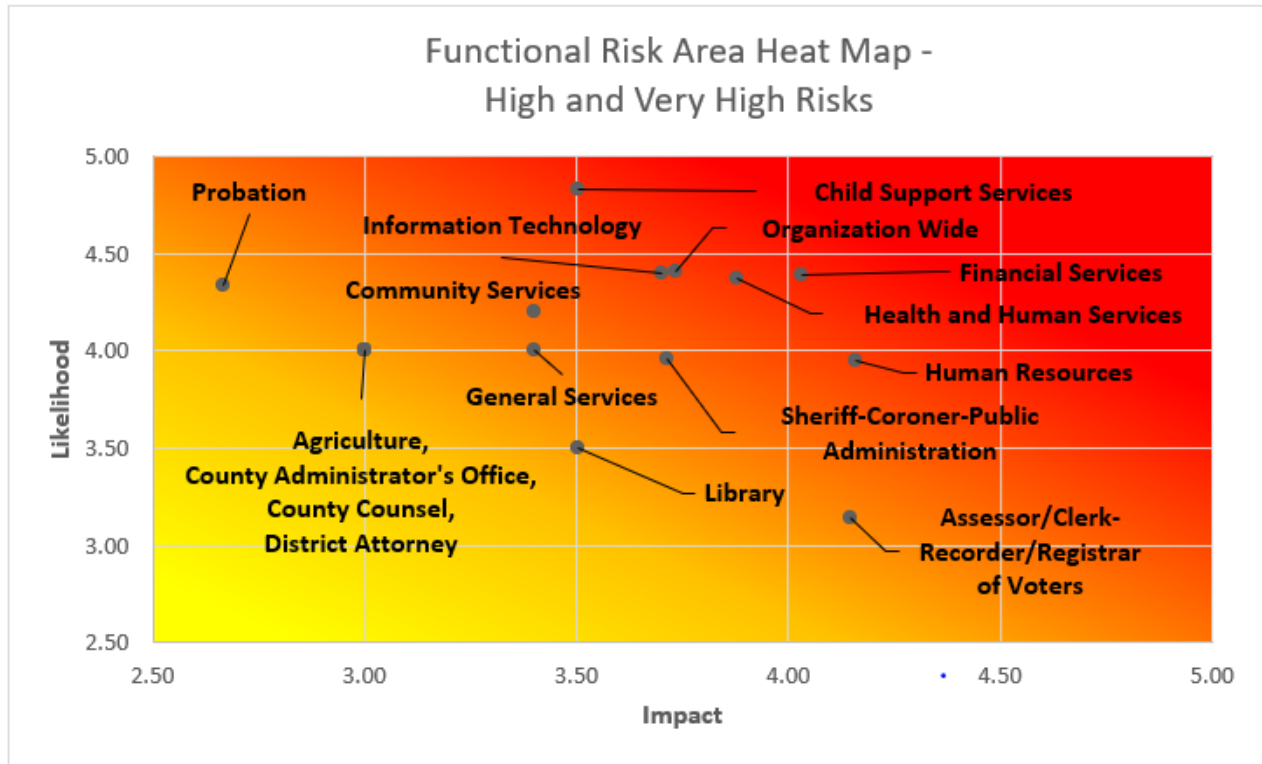
## Yolo County Strengths

Through the Risk Assessment, we observed certain strengths within Yolo County. Some of the most notable strengths include:

- Yolo County understands the necessity of strong employee culture and positive morale within the organization. Leadership has taken steps to empower the Human Resources Department to focus on these items through initiatives such as formal orientation and onboarding, employee engagement, and development.
- Yolo County recognizes the value of technological innovation and despite prior challenges there is a consensus on the importance of bringing technology up to date, of which Yolo County continues to achieve.
- Yolo County recognizes the value that the Internal Audit Division will bring to the organization and its business processes and is dedicating resources to support it. Departments are willing and eager to participate in the process as a collective effort. Additionally, the Internal Audit Division has been highly attentive and assisting throughout the entire Risk Assessment process.
- In Yolo County's Annual Comprehensive Financial Report, there is an award from the Government Finance Officers Association ("GFOA") in 2021 for Certification of Achievement for Excellence in Financial Reporting in 2020, which speaks to the County's fiscal management.

**Risk Heat Map**

The Risk Heat Map below depicts the functional areas high and very high-risk areas (averaged) that we identified, as well as their relative potential impact and likelihood of occurrence. These functional areas match the Yolo County Organizational Chart.

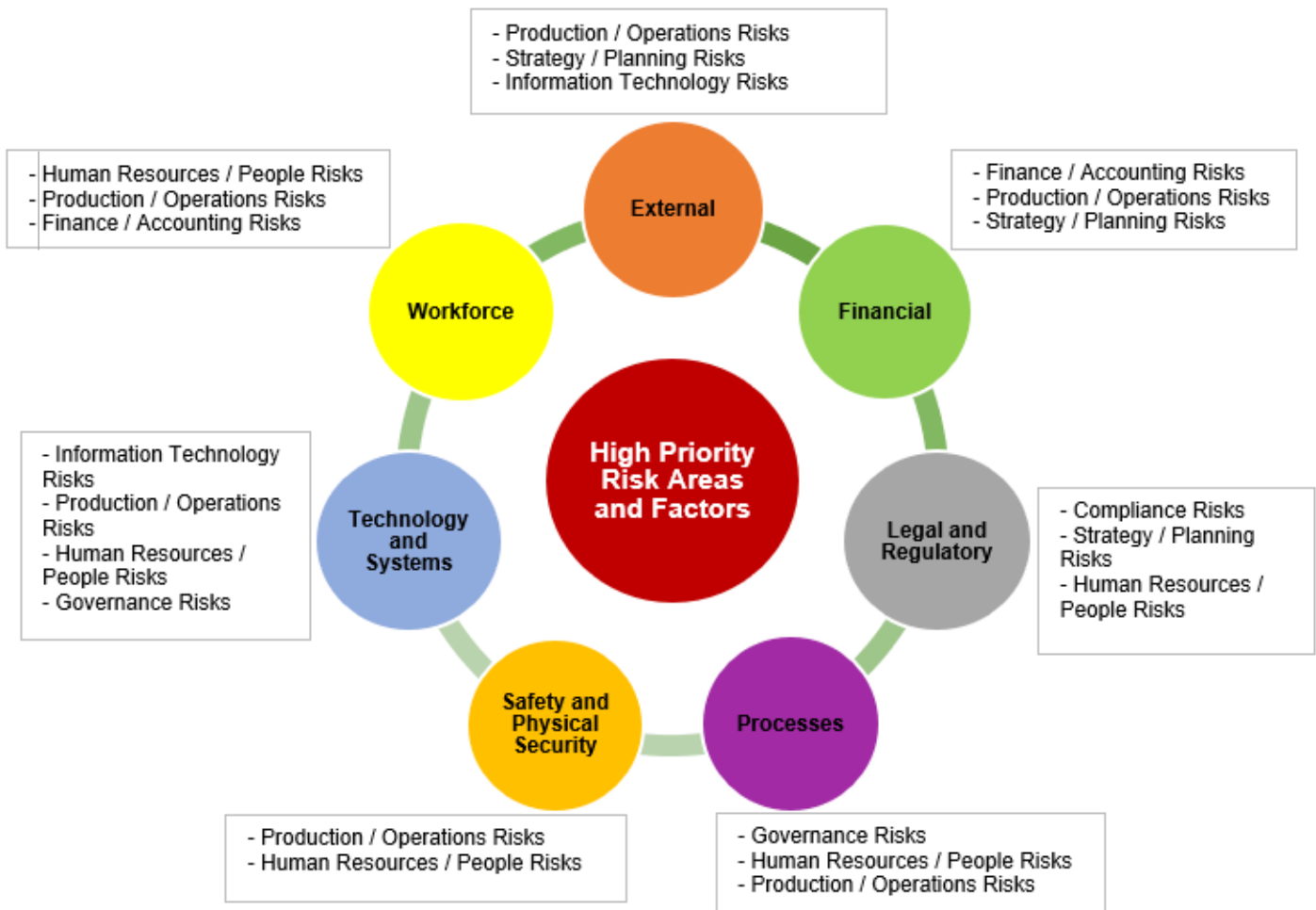


<b>Risk Rating</b>	
<b>High Risks:</b>	10 - 15
<b>Very High Risks:</b>	16 - 25

The High-Risk and Very High-Risk Categories based on our analysis are ranked below.

<b>Ranking by Risk Factors - High Risks and Very High Risks</b>		
<b>Risk Factor</b>	<b>High Risks</b>	<b>Very High Risks</b>
Production / Operations Risk	24	19
Human Resources / People Risk	11	21
Finance / Accounting Risk	15	13
Strategy / Planning Risk	10	6
Compliance Risk	9	9
Information Technology Risk	9	8
Governance Risk	5	9
Reporting Risk	4	1

**High Priority Risk Areas**



The above diagram presents an alternative view of the high-risk categories. To see specifics on these high priority risks, including their functional categorization in Yolo County, see [pages 28 - 33](#). It is important to recognize that these areas do not necessarily represent problems, but only risks, many of which are inherent to Yolo County’s operations. Our evaluation of risk did not include detailed testing of controls in place to manage these risks. It is the responsibility of Yolo County to assess its current efforts in managing, mitigating, and/or monitoring each of the top risk areas. Internal Audit will provide support and assist in evaluating Yolo County’s ongoing efforts to address these risks.

*Note: All risks (see [Appendix A](#)) may not require the performance of an audit and may need to be managed, monitored, and/or accepted by Yolo County. We incorporated feedback from Yolo County regarding these risk areas and their prioritization into the development of a detailed Internal Audit Plan covering the high-risk areas.*



# Yolo County Proposed Three Year Internal Audit Plan

Based on the Risk Assessment results and areas of high priority to Yolo County, Baker Tilly and Internal Audit identified the following areas of focus for the Three-Year Internal Audit Plan. Internal Audit seeks to identify audits that provide opportunities to add value and maintain proper audit coverage. Identified areas of focus for the Internal Audit Plan covers audit activities as well as advisory services. The risks and risk assessment results are based on the following:

- Our understanding of Yolo County and its organization, culture, and objectives
- Discussions held with Internal Audit staff, management, and key stakeholders
- Consideration of known or perceived challenges across the organization

## Yolo County Internal Audit Plan: Assurance Activities

Based on the risk assessment results, the table below summarizes the selected audits for the Yolo County Three-Year Internal Audit Plan. Due to the nature of this being a plan that spans 3 years, prioritized audit activities designated in this list for future years may potentially change as risk assessments are updated and risk ratings change, or new risks are identified.

Estimated Timing/ Duration	Risk Category	Risk Titles/Processes	Preliminary Scope	Hours	Audit Team
Year 1 - FY2023	Organization Wide	Wireless Communications Devices	Perform a review of the county's wireless communication devices to identify areas of risk and opportunities for potential savings.	280	Yolo
Year 1 - FY2023	Financial Services	Procurement Process	Assess procurement practices related to oversight, transparency, needs identification, sourcing, strategic purchasing, receiving goods and services and reporting to determine whether the policy is being adhered to and to identify process inefficiencies.	220	Yolo
Year 1 - FY2023	Human Resources	Payroll Processing and Changes, Employee Leave/FMLA, and Pay Rates	Perform a review of payroll processes including the health benefit calculation, leave balances, and the accuracy of employee pay rates.	200	Yolo
Year 1 - FY2023	Organization Wide	Accounts Receivable	Perform an internal control review over accounts receivables.	140	Yolo
Year 1 - FY2023	Organization Wide	Policies and Procedures	Assess the adequacy of documented policy and procedures to determine the impact on knowledge transfer when employees are hired, transfer, resign or retire from the County.	200	Yolo
Year 1 - FY2023	Organization Wide	Capital Projects	Perform a review of county capital projects to identify and test key processes and controls related to contract administration, change order management, project & cost management, and project closeout.	320	Yolo

Estimated Timing/ Duration	Risk Category	Risk Titles/Processes	Preliminary Scope	Hours	Audit Team
Year 1 - FY2023	Internal Audit	Peer Review	Prepare documents for Internal Audit Peer Review in accordance with IIA Standards. Peer Review to be performed by Napa County.	80	Yolo
Year 1 - FY2023	Internal Audit	Peer Review - Placer County	Conduct Peer Review of Placer County in accordance with IIA Standards. The review will include interviews, evaluation of documents against standards, and final report.	100	Yolo
			<b>One-time project subtotal</b>	<b>1,540</b>	
Year 1 - FY2023	Organization Wide	FWA Reporting and Hotline	Develop a fraud reporting and whistleblower policy and implement hotline.	202	Yolo
Year 1 - FY2023	Organization Wide	Purchase Card	Perform a review to provide reasonable assurance to county management that there is an acceptable level of operational accountability in the purchase card program, including the areas of card management, merchant management, and transaction analysis.	80	Yolo
Year 1 - FY2023	Organization Wide	Accounts Payable	Perform a review to evaluate accounts payable internal control processes, review and evaluate transactions for accuracy, identify the cause of processing delays and determine compliance with applicable laws, regulations, policies, and procedures.	280	Yolo

Estimated Timing/ Duration	Risk Category	Risk Titles/Processes	Preliminary Scope	Hours	Audit Team
Year 1 - FY2023	Probation	Juvenile Books & Accounts	Perform a review over the Probation Department's juvenile books and accounts in accordance with the Welfare & Institutions Code Section 275.	20	Yolo
Year 1 - FY2023	Agriculture	Cash Operations and Accounts Receivable	Perform an Internal control review to determine whether adequate internal controls exist to provide reasonable assurance to county management that there is an acceptable level of operational accountability over cash and accounts receivable.	80	Yolo
Year 1 - FY2023	Library	Cash Operations	Perform an Internal control review to determine whether adequate internal controls exist to provide reasonable assurance to county management that there is an acceptable level of operational accountability over cash.	60	Yolo
Year 1 - FY2023	Financial Services -Tax Collector	Cash Operations	Perform an Internal control review to determine whether adequate internal controls exist to provide reasonable assurance to county management that there is an acceptable level of operational accountability over cash.	48	Yolo
Year 1 - FY2023	Probation	Cash Operations	Perform an Internal control review to determine whether adequate internal controls exist to provide reasonable assurance to county management that there is an acceptable level of operational accountability over cash.	48	Yolo

Estimated Timing/ Duration	Risk Category	Risk Titles/Processes	Preliminary Scope	Hours	Audit Team
Year 1 - FY2023	Financial Services - Treasury	Cash Count	Conduct quarterly cash count as required by Government Code Section 26920(a)(1).	14	Yolo
Year 1 - FY2023	Health & Human Services Agency	Fiscal Monitoring	Perform desk and site fiscal monitoring reviews for County Health & Human Services Agency as required by Code of Federal Regulations 2 CFR part 200 etal.	640	Yolo
			<b>Annual continuous/mandated project subtotal</b>	<b>1,472</b>	
			<b>Total one-time year projects and annual continuous/mandated projects</b>	<b>3,012</b>	
			<b>Add one-time year projects, annual continuous/mandated audits of 3,012 and "Other Activities" of 3,228 to arrive at 6,240 (3 FTE) hours</b>	<b>6,240</b>	
Year 2 -FY2024	Organization Wide	Workforce – Compensation Workforce – Recruitment, Retention and Succession Planning	Assess salary levels to determine if the County is offering competitive compensation and benefits packages to attract and retain professionals. Also, review staffing classifications and levels to determine if the County has adequate employees to meet the needs of the citizens and employee turnover is considered when planning.	350	Yolo
Year 2 -FY2024	Organization Wide	Contract Compliance Program	Assess compliance program practices related to development, maintenance, monitoring and reporting.	300	Yolo

Estimated Timing/ Duration	Risk Category	Risk Titles/Processes	Preliminary Scope	Hours	Audit Team
Year 2 - FY2024	Organization Wide	Training, Professional Development and Cross-Training	Assess the practices related to technical training, Continuing Professional Development (CPD), and internal departmental process cross-training. Also, review the NEOGOV Learn system to determine if employee mandated trainings are being monitored and tracked to ensure compliance.	250	Yolo
Year 2 - FY2024	Accessor/ Clerk-Recorder/ Registrar of Voters	Technology System	Access the practices related to maintaining the confidentiality, integrity and availability of data housed within the Parcel Number Recorders Reference Search System to ensure essential information can be utilized by County staff and residents to make informed decisions.	278	Yolo
Year 2 - FY2024	Organization Wide	Vendor Performance Monitoring	Evaluate policies and procedures established to assess vendor performance and service level agreements compliance to determine effective third-party risk management, service provider due diligence and performance. Audit will focus on the following: <ul style="list-style-type: none"> <li>• Development of key performance indicators</li> <li>• Identification of key monitoring documentation</li> <li>• Assignment of monitoring ownership</li> <li>• Establish status reporting</li> </ul> Escalation procedures for non-compliance or non-performance	300	Yolo
Year 2 - FY2024	Organization Wide	Disaster Recovery Emergency Preparedness and Response	Determine if the County has policies and procedures in place to ensure preparedness to identify, prevent, detect, respond, and recover in the event of a disaster or emergency.	300	Yolo

Estimated Timing/ Duration	Risk Category	Risk Titles/Processes	Preliminary Scope	Hours	Audit Team
			<b>One-time project subtotal</b>	<b>1,778</b>	
Year 2 - FY2024	Organization Wide	FWA Reporting and Hotline	Develop a fraud reporting and whistleblower policy and implement hotline.	100	Yolo
Year 2 - FY2024	Organization Wide	Purchase Card Transaction Testing	Perform a limited scope review of purchase card transaction testing.	80	Yolo
Year 2 - FY2024	Organization Wide	Accounts Payable Transaction Testing	Perform a limited scope review of accounts payable transaction testing.	80	Yolo
Year 2 - FY2024	Probation	Juvenile Books & Accounts	Perform a review over the Probation Department's juvenile books and accounts in accordance with the Welfare & Institutions Code Section 275.	20	Yolo
Year 2 - FY2024	Departments (various)	Cash Operations	Perform an Internal control review to determine whether adequate internal controls exist to provide reasonable assurance to county management that there is an acceptable level of operational accountability over cash.	300	Yolo
Year 2 - FY2024	Financial Services - Treasury	Cash Count	Conduct quarterly cash count as required by Government Code Section 26920(a)(1).	14	Yolo

Estimated Timing/ Duration	Risk Category	Risk Titles/Processes	Preliminary Scope	Hours	Audit Team
Year 2 - FY2024	Health & Human Services Agency	Fiscal Monitoring	Perform desk and site fiscal monitoring reviews for County Health & Human Services Agency as required by Code of Federal Regulations 2 CFR part 200 etal.	640	Yolo
			<b>Annual continuous/mandated project subtotal</b>	<b>1,234</b>	
			<b>Total one-time year projects and annual continuous/mandated projects</b>	<b>3,012</b>	
			<b>Add one-time year projects, annual continuous/mandated audits of 3,012 and "Other Activities" of 3,228 to arrive at just under 6,240 (3 FTE) hours</b>	<b>6,240</b>	
Year 3 - FY2025	Information Technology	Change Management	Assess practices for normal and emergency changes to hardware/software used for infrastructure, host systems and release management.	300	Yolo
Year 3 - FY2025	General Services	Asset Management	Assess the Countywide asset management practices including needs identification, procurement, maintenance, and disposal.	200	Yolo
Year 3 - FY2025	Financial Services	American Rescue Plan Funding	Assess whether the American Rescue Plan funds were distributed in accordance with the allowable uses of the awards to achieve the intended program goals.	200	Yolo
Year 3 - FY2025	Health & Human Services Agency	Increased Case Load	Evaluate the department's policies and procedures, staffing levels, case load volume and system databases to determine if they are sufficient to administer program benefits to citizens when requested and as expected.	300	Yolo



Estimated Timing/ Duration	Risk Category	Risk Titles/Processes	Preliminary Scope	Hours	Audit Team
Year 3 - FY2025	Community Services	Regulatory Compliance	Assess all environmental regulatory requirements to determine if the County is in compliance with waste disposal regulations.	250	Yolo
Year 3 - FY2025	Child Support Services	Program Awareness and Funding	Evaluate the Child Support Services advertising initiatives to determine whether outreach is sufficient to increase citizens' participation and utilization of critical child and family services to a level that will ensure continued and increased funding for operations.	250	Yolo
Year 3 - FY2025	Organization Wide	Payroll Operations	Perform an Internal control review to determine whether adequate internal controls exist to provide reasonable assurance to county management that there is an acceptable level of operational accountability over payroll operations.	278	Yolo
			<b>One-time project subtotal</b>	<b>1,778</b>	
Year 3 - FY2025	Organization Wide	FWA Reporting and Hotline	Develop a fraud reporting and whistleblower policy and implement hotline.	100	Yolo
Year 3 - FY2025	Organization Wide	Purchase Card Transaction Testing	Perform a limited scope review of purchase card transaction testing.	80	Yolo
Year 3 - FY2025	Organization Wide	Accounts Payable Transaction Testing	Perform a limited scope review of accounts payable transaction testing.	80	Yolo

Estimated Timing/ Duration	Risk Category	Risk Titles/Processes	Preliminary Scope	Hours	Audit Team
Year 3 - FY2025	Probation	Juvenile Books & Accounts	Perform a review over Probation Department's juvenile books and accounts in accordance with the Welfare & Institutions Code Section 275.	20	Yolo
Year 3 - FY2025	Departments (various)	Cash Operations	Perform an Internal control review to determine whether adequate internal controls exist to provide reasonable assurance to county management that there is an acceptable level of operational accountability over cash.	300	Yolo
Year 3 - FY2025	Financial Services - Treasury	Cash Count	Conduct quarterly cash count as required by Government Code Section 26920(a)(1).	14	Yolo
Year 3 - FY2025	Health & Human Services Agency	Fiscal Monitoring	Perform desk and site fiscal monitoring reviews for County Health & Human Services Agency as required by Code of Federal Regulations 2 CFR part 200 etal.	640	Yolo
			<b>Annual continuous/mandated project subtotal</b>	<b>1,234</b>	
			<b>Total one-time year projects and annual continuous/mandated projects</b>	<b>3,012</b>	
			<b>Add one-time year projects, annual continuous/mandated audits of 3,012 and "Other Activities" of 3,228 to arrive at 6,240 (3 FTE) hours</b>	<b>6,240</b>	

**Outsourced Internal Audit Plan: Assurance Activities**

Based on the risk assessment results, the table below summarizes the selected audits to be included in the Yolo County Three- Year Internal Audit Plan and executed by an outsourced provider. Due to the nature of this being a plan that spans 3 years, prioritized audit activities designated in this list for future years may potentially change as risk assessments are updated and risk ratings change, or new risks are identified.

*Outsourced Internal Audit Plan*

Estimated Timing/ Duration	Risk Category	Risk Titles/Processes	Preliminary Scope	Hours	Audit Team
Year 1 - FY2023	Information Technology	Governance and Strategy	Assess the IT strategic planning process. Understand how performance is evaluated, the operating budget is tracked, and resources are consumed.	250	Outsource
Year 1 - FY2023	Information Technology	Risk Management	Assess the practices around IT risk management, including the identification, treatment, tracking and reporting across the County.	250	Outsource
Year 1 - FY2023	Organization Wide	Subrecipient Compliance Monitoring	Assess and document a County-wide fiscal monitoring program, providing recommendations for ongoing fiscal monitoring, and potentially performing some of the 2022/2023 required desk reviews & site visits.	350	Outsource
Year 1 - FY2023	Human Resources	Payroll Processing and Changes CalPERS and payroll taxes	Perform a review of payroll processes including the CalPERS contribution and payroll taxes.	200	Outsource
			<b>On-call Service Provider Year 1 Hours:</b>	<b>1,050</b>	

Estimated Timing/ Duration	Risk Category	Risk Titles/Processes	Preliminary Scope	Hours	Audit Team
Year 2 - FY2024	Information Technology	Project and Portfolio Management and Helpdesk Ticketing	Assess the practices around scoping, approving managing and reporting on technology related projects Countywide vs. helpdesk ticketing.	250	Outsource
Year 2 - FY2024	Information Technology	Application Management	Assess the management of the organization's business applications including how they are developed, procured, modified, and managed as well as how application security is performed and the role of the IT Department in managing an application.	300	Outsource
Year 2 – FY2024	Information Technology	System Implementations including System Configuration, Functionality and Access	Audit and assess Yolo County’s System Development Lifecycle (SDLC) process to ensure a standardized and controlled process is in place to minimize risk for implementing major new applications or changes to existing applications. The audit will include Infor and any systems procured by the County within the last two years, system configurations, functionality, and user access.	250	Outsource
			<b>On-call Service Provider Year 2 Hours:</b>	<b>800</b>	
Year 3 - FY2025	Organization Wide	Public Safety and Physical Security	Determine whether the County has implemented safety controls and facilities maintenance plans to reduce or eliminate exposure to loss of equipment, materials, and costs associated with replacing stolen items; loss of morale,	300	Outsource

Estimated Timing/ Duration	Risk Category	Risk Titles/Processes	Preliminary Scope	Hours	Audit Team
			safety, and trust from employees experiencing unsafe environment.		
Year 3 - FY2025	Information Technology	Operations and Monitoring/Capacity Management Database and Data Management	Evaluate the practices used to assess the reliability as well as controls around data entry, system validations, system access and the availability of data in Etrakit, CalSAWS, and Parcel Number Recorder Reference Search. Also, assess the manual processes being performed to remediate inaccuracies, where applicable. Review the capacity management practices including staffing levels, skillsets, hardware/software and the impact on end-user perceptions and service quality.	250	Outsource
Year 3 - FY2025	Organization Wide	Identity Access Management	Focus on the systems access controls across the county's various system/platforms including situations where third parties are accessing the county's systems including county employees accessing county and outside third-party systems such as banking platforms.	250	Outsource
			<b>On-call Service Provider Year 3 Hours:</b>	<b>800</b>	

# Capacity of the Internal Audit Function

The capacity of any Internal Audit function is limited by staffing and availability of resources.

## Internal Audit Function – Other Activities

The following table provides a high-level summary of the other activities Internal Audit will perform outside of the designated activities in the Three -Year Rolling Internal Audit Plan presented above.

*Internal Audit Function Activities*

Internal Audit Activity	Detail	Hours
Internal Audit Risk Assessment and Audit Planning	Annual Risk Assessment procedures and developing/updating the three-year Internal Audit Plan based on the results that are updated annually.	80
Continuous & Mandated Audits	<p>Continuous and mandated audits may need to be completed by Internal Audit based on rules or regulations. These audits should be incorporated into the internal audit plan to allow ample time to complete the audit before any applicable deadlines. Current continuous and mandated audits include the following:</p> <ul style="list-style-type: none"> <li>▪ FWA Reporting and Hotline (listed as continuous starting in Year 2 at 100 hours)</li> <li>▪ Cash Audits</li> <li>▪ Accounts Payable continuous auditing</li> <li>▪ Purchase Card continuous auditing</li> <li>▪ Treasury Cash Counts quarterly cash count as required by the Government Code Section 26920(a)(1).</li> <li>▪ Fiscal Monitoring Services for County Health &amp; Human Services Agency as required by Code of Federal Regulations 2 CFR part 200 etal.</li> <li>▪ Probation Juvenile Books &amp; Accounts Welfare &amp; Institutions Code Section 275</li> </ul>	See totals above

Internal Audit Activity	Detail	Hours
Ad Hoc Audits, Investigations, and Research	From time to time, Internal Audit is asked by the Board or by Executive management to perform certain audits or research. Baker Tilly estimates that, on average, each FTE is asked to perform 100 hours of this type of audit activity each year.	300
Follow-up on Prior Internal Audit Findings	Information requests, meetings, and additional verification/testing will be conducted to determine if prior issues have been remediated.	60
Financial Oversight Committee and Financial Services Administration	Administrative support for the Financial Oversight Committee and Audit Subcommittee meetings.	240
Internal Meetings and Planning	General planning, project management meetings, workload and planning reviews required by the IIA standards.	766
Staff Benefits and Leave	Required time based on labor bargaining units.	1170
Training, Professional Development, Office Non-productive Time	Estimate for three (3) FTE totaling 520 hours: 120 hours for training and continuing professional education (CPE) 100 Countywide Fiscal Foundations Series training 312 hours for office time (~2 hours / week)	532

Internal Audit Activity	Detail	Hours
Manage Co-Sourced/External Resources	Yolo County will hire an external resource to execute several internal audits throughout the execution of the three-year internal audit plan. The hours noted here are the number of hours required for Internal Audit to manage and coordinate with external resources.	80
	<b>Subtotal Other Internal Audit Activities</b>	<b>3,228</b>

**Three Year Audit Plan Hours by Fiscal Year**

Internal Audit Activities	FY 2023	FY 2024	FY 2025
One time year projects	1,540	1,778	1,778
Annual continuous/mandated audits	1,472	1,234	1,234
Other internal audit activities	3,228	3,228	3,228
<b>Total for 3 FTE</b>	<b>6,240</b>	<b>6,240</b>	<b>6,240</b>

**Three Year Audit Plan Hours by Fiscal Year**

Outsourced Activities	FY 2023	FY 2024	FY 2025
One time year projects	1,050	800	800

**Remaining Capacity for the Execution of the Internal Audit Plan**

The planned activities Internal Audit will perform in a given year, are based on the assumption that the department will be staffed with 3 FTEs or equivalent. This plan will be reviewed and revised to accommodate changes in staffing levels.



# Detailed Report

## Background

Baker Tilly US, LLP (Baker Tilly), as engaged by the Yolo County Internal Audit Division, conducted a Risk Assessment for the Yolo County organization. This process consisted of identifying the audit universe, assessing internal controls and the governance structure within Yolo County to assemble and prioritize a risk register. The risk register facilitates the development of a Three-Year Internal Audit Plan.

We assessed a wide range of risk factors including compliance, governance, financial / accounting, information technology, human resources / people, production / operations, and strategy / planning. This report outlines our analysis of risks, based on the likelihood of occurrence and potential impact to the organization in the departments below:

- Agriculture
- Assessor/Clerk-Recorder/Registrar of Voters
- Child Support Services
- Community Services
- County Administrator's office
- County Counsel
- District Attorney
- Financial Services
- General Services
- Human Resources
- Health & Human Services Agency
- Innovation and Technology (Information Technology)
- Library
- Public Defender
- Probation
- Sheriff'-Coroner/Public Administrator

Reference the Baker Tilly Risk Dashboard (see [Appendix A](#)) used to facilitate a strategic and structured view of the potential risks within Yolo County, as well as the interdependencies between risks at multiple levels and across various factors.

The recommendations provided in this report are based on the information gathered through staff interviews and a review of pertinent organization-wide and departmental documentation. The interviews allowed Baker Tilly to assess the internal control environment to identify high impact areas for inclusion in the Yolo County Three-Year Internal Audit Plan.

## Risk Assessment Approach

Baker Tilly's Risk Assessment approach consists of the following phases:



#### Phase 1: Project Planning, Initiation and Management

- Identify communication channels and reporting relationships and responsibilities of project staff
- Assign key responsibilities
- Conduct a kick-off meeting explaining the Risk Assessment process, timeline, and expectations

#### Phase 2: Survey and Information Gathering

- Evaluate the Risk Assessment survey results (distributed by Yolo County) to develop Risk Assessment interview questions
- Develop and distribute information requests (e.g., budget documents, policies, and procedures, etc.)
- Review prior audits, policies and procedures, and relevant documentation
- Conduct interviews with members of Yolo County Leadership and department personnel to identify areas of risk for inclusion in the Three-Year Internal Audit Plan

#### Phase 3: Analysis

- Develop an assessment strategy based on results of Risk Assessment, industry guidelines and standards
- Prepare a draft risk matrix and score risks based on impact and likelihood of an adverse event occurring and discuss with Internal Audit
- Develop a proposed Three-Year Internal Audit Plan

#### Phase 4: Reporting

- Develop a Risk Assessment report that summarizes the Risk Assessment methodology, analysis and Risk Assessment and a Three-Year Internal Audit Plan
- Document final the risk universe in the Internal Audit's RSM audit tool
- Finalize the Three-Year Internal Audit Plan and present to the Yolo County Audit Subcommittee and/or Board of Supervisors

In considering the results of the Risk Assessment, the following applies:

- The Risk Assessment process primarily measures inherent risk before any internal controls or management plans are applied. Yolo County may have plans, processes, and/or controls in place to mitigate many or all the identified risks. In this phase, we did not intend to assess Yolo County's response to these risks, although we gathered some understanding of risk mitigation approaches through our interviews. Internal controls and/or management plans will be assessed during audit execution.
- The Risk Assessment results in the following sections summarize the top risks to Yolo County. The risks are ranked based on potential impact and inherent likelihood for occurrence. When prioritizing risks, we consider likelihood of occurrence and the potential impact to the business. High likelihood/high impact risks should receive the most immediate attention.

### Risk Assessment Scoring Methodology

Given the nature of county government organizations, when scoring risks, we considered various dimensions of risk factors including the following:

- **Compliance Risk** – The possibility of an event or condition occurring that influences the County's ability to achieve organizational objectives by conforming with business requirements, internal policies, guidelines, and commitments; policies and procedures; external requirements of governing bodies; or those placed on cooperating government / private organizations.
- **Governance Risk** – The possibility of County, Department, and Division governance being improperly developed, understood, or adhered to by County personnel. Mechanisms in place to control and test governance adherence and quality are lacking. Inefficiencies can't be remediated properly. Elected officials in the County are not well ingrained in the County's operation impacting the organization's leadership and, consequently, there is an inability to exercise appropriate oversight.
- **Financial / Accounting Risk** – The possibility of a threat to financing daily operations of the County and the County's cash flow and related transactions. Financial / Accounting risks also include risks relating to financial processes or financial systems required to perform or record department / organization wide functions; liquidity; credit and debt; market forces; interest and inflation; and other risks which threaten the County.

- **Information Technology Risk** – The possibility of threats to the security and operability to hardware and software used within the County which includes all enterprise systems and department specific technology. Risks may cause failures of technology systems; corruption or loss of County information; human error associated with technologies, as well as fraud, viruses and malicious software, spam, scams; and phishing attempts. This category also includes operations of the IT department and external parties tasked with maintaining County systems.
- **Human Resources / People Risk** – The possibility of an adverse event stemming from human capital elements including too few or too many personnel performing certain functions; misalignment or lack of skills; training and qualifications related concerns; or the effects of soft skills and personalities in a working environment. Noncompetitive employee benefits can also cause human resources / people risk.
- **Production / Operations Risk** – The possibility of an event or condition occurring that will influence the ability of the County to achieve its objectives through the transformation of inputs into outputs and adequate service delivery. This can also include the physical safety and environmental circumstances of the County when performing its various functions.
- **Reporting Risk** – The possibility of a lack of competent and effective reporting mechanisms for internal and external functions of the County. The possibility of a lack of transparency due to inaccurate or incomplete results of operations being relied upon to make business decision by internal management, the governing body, and the public.
- **Strategy / Planning Risk** – The possibility of an event or condition occurring that will threaten the County's prosperity and existence in the long term or the ability for the County to effectively plan and idealize its strategic direction.

Baker Tilly scored each risk based on likelihood of an adverse event and the corresponding impact. "Likelihood" considers, in the absence of control and risk mitigation efforts, the relative possibility of adverse events occurring. If a related risk event were to occur, "Impact" considers implications relative to compliance, governance, finance/accounting, information technology, human resources/people, production/operations, reporting, or strategy/planning. Risks were rated on a scale of 1 to 5 for both likelihood and impact, and final risk ratings were determined by multiplying likelihood by impact ratings. The use of the consultants' judgment as well as feedback from Internal Audit and key Yolo County staff determined the final risk scores.

## Risk Heat Map

A risk heat map is a graphical representation of risks based on the final risk scores (ending result after multiplication of the numerical likelihood and impact rating scores). The figure below depicts a risk heat map illustrating the risk scores that would coincide with each quadrant and their related classification of very low, low, moderate, high, and very high.

*Exhibit 1 – Risk Heat Map: Severity*

### Severity Matrix

Very High	5	Impact	Low	Moderate	High	Very High	Very High
High	4		Low	Moderate	High	High	Very High
Moderate	3		Very Low	Low	Moderate	High	High
Low	2		Very Low	Very Low	Low	Moderate	Moderate
Very Low	1		Very Low	Very Low	Low	Low	Moderate
			<b>Likelihood</b>				
			1	2	3	4	5
			Rare	Unlikely	Possible	Likely	Highly Likely

### Risk Levels Legend

Risk Levels	Low End	High End
Very High	15.01	25
High	10.01	15
Moderate	6.01	10
Low	3.01	6
Very Low	1	3

## Likelihood of an Adverse Event

The table below defines the likelihood scoring definitions, which were applied to each risk to determine risk likelihood ratings.

*Exhibit 2 – Risk Likelihood Definitions*

Likelihood Definitions		
Likelihood	Scale	General
Very Likely	5	Weekly (50+ occurrences annually)
Likely	4	Monthly (10-50 occurrences annually)
Somewhat Likely	3	Annually (>10 occurrences annually)
Unlikely	2	Once every 2 years
Rare	1	Less than once every 2 years

## Impact of an Adverse Event

Baker Tilly considered many risks and potential adverse events – refer to [Appendix A](#) for the complete risk matrix. As part of the analysis, we considered risks related to major projects and initiatives as well as risks associated with specific functional areas of the organization.

The table below defines the impact scoring definitions, which were applied as applicable to determine risk impact ratings.

*Exhibit 3 – Risk Impact Definitions*

Impact Definitions - General			
Impact	Scale	Financial	General
High	5	Event causes a \$100k or greater impact to revenue, expense, or net revenue.	Very significant and long term impact to revenue, profit, entity image, and/or people
Elevated	4	Event causes a \$50k - 100k impact to revenue, expense, or net revenue.	Significant and sustained impact to revenue, profit, entity image, and/or people
Moderate	3	Event causes a \$25k - \$50k impact to revenue, expense, or net revenue.	Moderate and short-term impact to revenue, profit, entity image, and/or people
Minor	2	Event causes a \$5k - \$25k impact to revenue, expense, or net revenue.	Moderately low impact to revenue, profit, and/or entity image which can be overcome w/in 1 year
Insignificant	1	Event causes less than \$5k impact to revenue, expense, or net revenue.	Low impact to revenue, profit, and/or entity image which can be overcome within one quarter of occurrence

Impact - Major Initiatives		
Impact	Scale	Financial
High	5	\$50M+
Elevated	4	\$25M - \$49.99M
Moderate	3	\$10M - \$24.99M
Minor	2	\$5M - \$9.99M
Insignificant	1	<\$5M

## Themes – Realities in Considering the Risk Landscape

Through the Risk Assessment, we noted common themes that appear to transcend multiple areas of the organization and impact the risk profile of many areas that we assessed. These themes inform the Risk Assessment process and include:

### **Systems Utilized**

Yolo County's Departments rely on various technologies and software solutions and systems ranging from enterprise resource planning software to function specific technologies both hardware and software. There is a need to update systems both at an organization level, i.e., those that integrate data and functionality across departments, as well as update department and task specific assets. Without updated systems and technologies in a timely fashion, the County faces inefficiencies and quality delivery concerns for public facing as well as non-public facing operations.

### **Funding Concerns**

Concerns for forecast revenues, which departments rely on to serve the County, were noted both throughout the interview process and by Baker Tilly during our risk analysis. Concerns can include funding uncertainty due to state or federal involvement, changing economic conditions locally, efficiency of County funds directed by the Board and County Management, and routine decreases in annual budgets. While funding concerns are common among entities like Yolo County (primarily funded through taxpayer dollars), there is an increased concern for the financial state of the County in the coming years, limiting the confidence personnel must deliver on already constrained budgets.

### **Staffing Demands**

Staffing shortages continue to impact the County which manifest in workload increases, decreased retention, impacts on service quality, and decrease in positive workplace culture. Additionally, Yolo County has several long-term employees in key positions that have low turnover. As long-term employees retire or leave Yolo County, filling vacant positions may result in steep learning curves and acclimation periods that are costly. There is a need for proactive formal succession planning, retention, and structured knowledge transfer across the organization.

### **Control Environment / Policies and Procedures**

Limited policies and procedures documentation exist within the organization, which results in some undefined or loosely defined roles and responsibilities. Without policies and procedures that are continuously updated for alignment with the duties and responsibilities of each department, Yolo County will not have adequate guidance for decision making, accountability and responsibility metrics and may not be optimizing its limited resources.

**Risk Assessment Results**

The Risk Assessment results below represent the risks identified, as well as their relative potential impact of and inherent likelihood for occurrence, with some consideration of the current state within Yolo County. The risks are ordered from highest risk to the lowest, and are grouped into high, moderate, and low risk categories based on the methodology summarized on the prior page. Refer to [Appendix A](#) to review the full Risk Matrix including risk details and likelihood and impact scoring.

*Exhibit 4 – Risk Assessment Results*

<b>Very High Risks – 86</b>				
Access to CalSAWS and consortium cooperation	Compensation Benchmarking Methodology	Health and Human Services Technology Data Security	Physical Equipment / Machinery Safety	Technology Strategic Planning
Accounts Payable Human Error	Compliance with Central Landfill Disposal Policies	Human Resources Recruitment Talents	Procurement Oversight and Administration	Technology Strategy and Service Quality
Accounts Payable Late Payment	Contract Admin Compliance Review	Human Resources Recruitment Targets	Procurement Process Divergence	Vendor Contract Compliance Performance Monitoring
Accounts Payable Process / Aging Invoices	County Cross-functional Training	Improper Subrecipient Funding Uses	Procurement Processes Inefficiencies	
Airport Operation Compliance	COVID-19 Requirements / Financial Demand Impact on Procurement Processes	Info System Policies	Property Tax Assessment Staffing	
Airport Operation Staffing Shortages		Info System Security	Reputational Risk due to Coordination with Unprofessional Community Organizations	
Airport Operation Capital / Operating Expenses	Departmental Funding	Info System Segregation of Duties	Risk of Negative Community / County Organization Impact from Missused American Rescue Plan Funding.	
Airport Operation Safety	Departmental Funding and Budgeting Process	Info System Training	Safety Legal Risks	
American Rescue Plan Funding Disagreement	Departmental Funding and Service Quality	Information Technology Risk Management Identification	Staffing Shortage Impacting County Compliance	
American Rescue Plan Funding Monitoring	Depleted Seasonal / As-Needed Support Staff	Insufficient ITS Personnel to Meet County Technology Demands	Staffing Shortages / Growing Case Loads	
American Rescue Plan Penalties	Detention Facilities / Evidence Management Compliance	Investment Policy Compliance	Staffing Shortages / Technology – Programs	
Application Management Controls	Detention Facilities / Evidence Management Construction	Investments, Debt, and Cash Management - Fraud	Staffing Shortages Service Quality	
Asset Management Change Management	Detention Facilities / Evidence Management Controls	Investments, Debt, and Cash Management - Inefficiencies	Subrecipient Compliance	
Benefit Vendors Missing County Provided Data	Detention Facilities / Evidence Management Escape	ITS Service Quality	Subrecipient Relations	
Building Security and Employee Safety	Detention Facilities / Evidence Management Training	Need for ITS Department Change Management Roles	Succession Planning / Knowledge Transfer	
Capital Projects 2022-23 Funding	Employee Recruiting and Competitive Benefits	Outdated Systems / Technology - Enterprise System Catalog Updated Information	System Issues / eTRAKIT	
Capital Projects 2022-23 Management	Employee Retention - Compensation	Overcrowding Effects on Detention Facility Safety	System Issues / Time Entry	
Change Management Processes and Procedures	Enterprise Resources Planning Cloud Suite Implementation	Payroll Auditing	System Issues/trouble shooting	
Coding Compliance	General Accounting Errors	Payroll Errors	System Issues/Yolo phone system	
Community-Based Organization Contracting	General Accounting Training	Payroll Personnel	Technology Demand Impacting Cyber Security	
Community-Based Organization Fraud	Health and Human Services Revenue Loss	Payroll Policy Compliance		



<b>High Risks - 87</b>				
A-87 Cost Allocation Plan	Electronic Filing: Business Property State Data Management	Grants Management Application Strategy	Parks / Building Maintenance	State and County Agriculture Agency Process Efficiency
Accounts Receivable Outstanding Balances	Electronic Filing: Business Property State Filing Accuracy	Grants Management Reporting	Parks / Building Maintenance Compliance	Succession Planning - Service Quality
Accounts Receivable Redirected Payments	Electronic Filing: Business Property State Website	Human Resources Onboarding Duration	Parks / Building Maintenance Financial	Technology Services Staff Demands / Project Volume
Agriculture - State Agency Funding	Electronic Filings for Business Properties Malfunctioning	Human Resources Laws Compliance	Permitting Procedures Safety Impacts	
Agriculture Violators Disputes and Litigation	Emergency Preparedness and Response Financial Impacts	Human Resources Legal Penalties	Policies and Procedures - Knowledge Loss	
Asset Management Long-term Planning	Emergency Preparedness and Response Policies	Human Resources Process Quality / Internal Customers	Processes and Procedure Capture	
Asset Management Tracking	Emergency Preparedness and Response Technology	Insecure Asset Management Data Loss	Program Revenues	
Budget Constraint Impacting Human Resources Recruitment	Employee Leave / FMLA Legal	Internal Funding Stability	Project Prioritization in Innovation and Technology / Helpdesk Ticketing	
Cannabis Regulatory Project Compliance	Employee Leave / FMLA Tracking	Investments, Debt, and Cash Management	Public is Unaware of Child Support Service Programs	
Cannabis Regulatory Project Legal Support	Employee Records Finances	Lack of Personal Information Tracking Hindering Unemployment Claim Response	Public Records Requests Delivery	
Cannabis Regulatory Project Revenue Loss	Employee Records Guidance	Legal / Criminal Justice Compliance	Public Trespassing and Homelessness	
Community-Based Watchdog Organization Litigation	Employee Records Management	Multi-Factor Authentication & Data Breach	Public Water Systems and Infrastructure Impacting Environmental Health	
Consumer Fraud and Environmental Protection	Environment Risks Asset Damage	Ongoing Litigation	Radio Frequency Identification & Body Cams Implementation	
Consumer Fraud and Environmental Protection Controls	Environment Risks Water Usage	Outdated Systems / Technologies	Radio Frequency Identification and Body Cams Implementation	
Consumer Fraud and Environmental Protection Skill	Environmental Health Division / Protection service Compliance	Outdated Systems / Technology - Digital Communication Accuracy	Remote Work Secure Connection	
County Counsel Ongoing Litigation	Environmental Risks Causing Damage to Property	Outdated Systems / Technology - Digital Communication Controls	Risk Management Function Efficiencies	
Cyber Security Awareness Training	Federal and State Compliance	Outdated Systems / Technology - Probation Law suit Database	Security / Airport Safety Compliance	
Cyber Security Confidential Info. Loss	Fraud Damages	Outdated Systems / Technology - Probation Law suit Database Delays	Security / Airport Safety Theft	
Data / Database Management	Fraud Potential In County Organization Finances	Outdated Systems / Technology - Probation Law suit Database Security	Security / Airport Safety Work Environment	
Data Storage Security Strength	Fraud Prevention Control Gaps	Parcel Number Recorder and Reference Search Using Outdated	Staffing Shortages / Risk Management Function	
Data Storage State and Federal Compliance	Grants Management	Parcel Number Recorder's Reference Search Accuracy	State and County Agency Compliance Demand	

**Moderate Risks - 87**

Adult Service Arrests	COVID-19 Requirements / Compliance	Institutional Knowledge Loss due to Outdated Organizational Policies and Procedures	Policies and Procedures - EEOB	White Collar Crime & Fraud Prosecution Officer Safety
Application Management Implementation	Current Hazard Mitigation Projects	Institutional Services Sentencing Approach	Recorder Filings	White Collar Crime & Fraud Prosecution Public Image Yolo County Tribal Agreements Opportunity
Auditing Policies and Procedures Limited by Lack of Documentation AWS Systems Optimization Building Inspection Service Staffing	Current Hazard Mitigation Projects Emergency Hotlines Defender Staff Experience Employee Performance Reviews	International Shipment and Organic Grower Certification Non-Compliance Investigations Unit Communication Investigations Unit Officer Safety	Reliable and Up-to-date Information for Building Inspection Services Retirement Home Village Acquisition Losses Retirement Home Village Acquisition Ongoing Litigation Retirement Home Village Acquisition Safety of Investigators in the High Tech Crimes Unit Skilled Personnel and Workload	
Building Inspection Services / Code Building Inspection Services Quality	Employee Performance Reviews Laws Employee Performance Tracking	Investigations Unit Process Controls Investigations Unit Public Image		
California Child Support Program Changes Compliance California Child Support Program Changes Staffing Central Landfill Hazardous Material Safety	End-User Cyber Security Financial Services Support Financial Services Support Burnout	Juvenile Services Legal Compliance Juvenile Services Public Awareness Juvenile Services Service Quality	Staffing Shortages for Services / Programs Succession Planning - Disruption to Service Delivery Succession Planning - Loss of Revenue	
Civil Action / Annual Penalties Staffing	GASB 87 - Accounting Standard	Lack of Proper Case Review Processes and Controls for Conviction and Sentence Review Unit Landfill Capital Project Budgeting Landfill Capital Project Compliance Liability in Equal Employment Practices		
Civil Action / Annual Penalty Processes Civil Action and Agriculture Annual Penalties Conviction & Sentence Review Unit Claims Analysis Conviction & Sentence Review Unit Reputation Correctional Officer Involved Incidents Correctional Officer Training	GIS Mapping Controls GIS Mapping Inefficiency High Tech Crimes Unit Controls High Tech Crimes Unit Skills Inaccurate Data Impacts on GIS Mapping Inadequate Certification Trainings	Loss of Funding due to Inefficiencies from Alternative Sentencing Programs Officer Safety Risks Outdated Systems / Technology - County Website Outdated Systems / Technology - County Website Access P-Card Audit Public Defense Permitting Procedures Compliance Permitting Procedures Skills	System Reliance and Updates Vendor Relations Victim Assistance and Family Protection Compliance Victim Assistance and Family Protection Public Image Vital Records / Recording Function Staffing Vital Records / Recording Legal Complaints Vital Records / Recording Reporting Quality	
County and Department Policies and Procedures Alignment County Counsel Contract Review County Counsel Representation County Elections Processes / Collections	Ineffective Coordination Amongst County Departments Inspection Quality Inspector Certification / Training Quality Inspector Workload Burdens		Vote Registration Operations Vote Registration Operations Data Security White Collar Crime & Fraud Prosecution Controls	

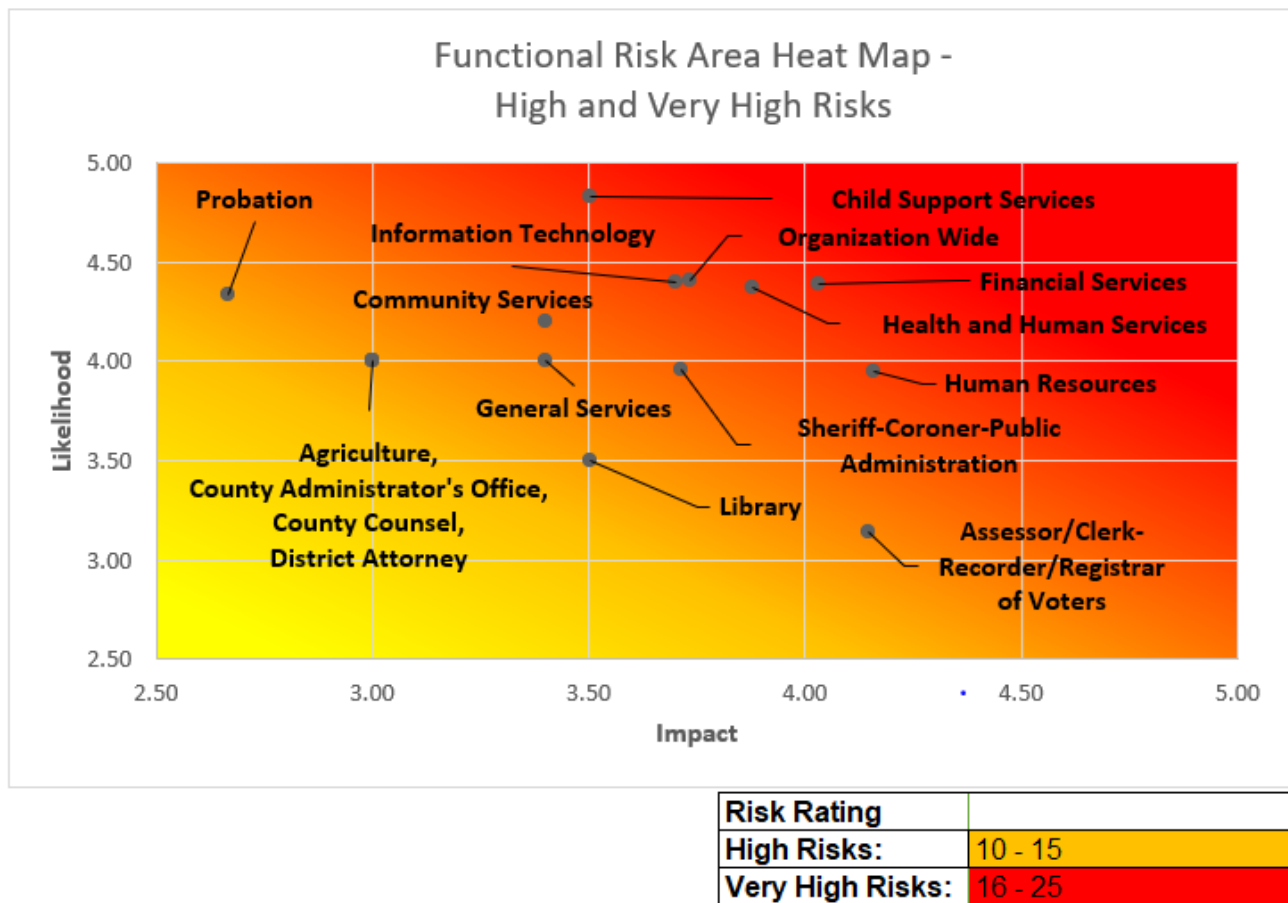
<b>Low Risks - 16</b>				
Building Inspection Services County Floodplain Management Disaster Recovery / Property Tax Relief Quality	Building Inspection Services Floodplain management Technical Skills Implementation Innovative Projects	Building Inspection Services Nation and Regional Floodplain Management Implementation Innovative Projects Collaboration Payroll Audit Technology	College Intern Program Implementation Innovative Projects Compliance Relations / Agriculture and Cooperative Extension	Disaster Recovery / Property Tax Relief Efficiency Insurance Claims / 3rd Party Vendor Services Staffing Shortages / Analyst Role
Lack of Communication Between Departments Yolo County Tribal Agreements Compliance	Parks / Regulations Fishing Compliance			
<hr/>				
<b>Very Low Risks - 6</b>				
Assessor Digitization of Records Workloads Juvenile Detention Center Service Quality	Esparto Recycling & Transfer Station / Garbage and Recycling Services Quality	Improper Disposal Practices at Esparto Recycling & Transfer Station / Garbage and Recycling	Juvenile Detention Center Staffing Shortages	Juvenile Detention Center Revenue Loss

## High Priority Risk Areas

The following is a risk heat map with the risk categories identified as high priority (i.e., high potential impact, high likelihood of occurrence). Individual risks have been grouped into these functional categories for ease of review and discussion. Refer to [High Priority Risk Detail](#) on the next page for the risks that fall under each high-risk category, as well as [Appendix A](#) for additional risk details.

One of the primary goals of this Risk Assessment is to address current challenges to avoid future problems before they arise. Not all the risks identified within each functional group resulting in the heat map scoring would be audited or evaluated by an Internal Audit Division, but rather may need to be managed, monitored, and/or accepted by Yolo County. The Risk Assessment will ultimately serve to facilitate the development of an internal audit plan.

Exhibit 5 – Risk Heat Map: Functional Areas by High Risks



Across these functional areas above, various High, Moderate, and Low risks were identified (see [Appendix A](#)). The Heat Map shows the average scores for combined High and Moderate risks for each functional area. When determining the prevalence of High risks, the risk category best describes the nature of the risk as a form of classification. The High-Risk Categories used in our analysis are ranked below.

### Ranking by Risk Factors - High Risks and Very High Risks

Risk Factor	High Risks	Very High Risks
<b>Production / Operations Risk</b>	24	19
<b>Human Resources / People Risk</b>	11	21
<b>Finance / Accounting Risk</b>	15	13
<b>Strategy / Planning Risk</b>	10	6
<b>Compliance Risk</b>	9	9
<b>Information Technology Risk</b>	9	8
<b>Governance Risk</b>	5	9
<b>Reporting Risk</b>	4	1

## High Priority Risk Detail

The high risks and their individual risk ratings are presented below along with the respective categories and risk rating.

*Exhibit 6 – High Risks and Individual Risk Ratings*

Risk ID	Functional Area	Risk Title	Likelihood (1-5)	Impact (1-5)	Score	Low, Moderate, High
<b>1. External</b>						
70	Organization Wide	Vendor Contract Compliance Performance Monitoring	4	5	20	Very High
25	Organization Wide	Enterprise Resources Planning Cloud Suite Implementation	5	4	20	Very High
10	Financial Services	Risk of Negative Community / County Organization Impact from Misused American Rescue Plan Funding.	4	4	16	Very High
276	Organization Wide	Reputational Risk due to Coordination with Unprofessional Community Organizations	4	4	16	Very High
27	Organization Wide	Environmental Risks Causing Damage to Property	3	5	15	High
28	Organization Wide	Environment Risks Water Usage	3	5	15	High
29	Organization Wide	Environment Risks Asset Damage	3	5	15	High
126	Child Support Services	Public is Unaware of Child Support Service Programs	3	5	15	High
18	Organization Wide	Cannabis Regulatory Project Legal Support	3	4	12	High
139	Sheriff's Office	Public Trespassing and Homelessness	3	4	12	High
<b>2. Financial</b>						
67	Financial Services	Accounts Payable Process / Aging Invoices	5	5	25	Very High
181	Organization Wide	COVID-19 Requirements / Financial	5	5	25	Very High
261	Financial Services	Investments, Debt, and Cash Management - Inefficiencies	5	5	25	Very High
262	Financial Services	Investments, Debt, and Cash Management - Fraud	5	5	25	Very High
7	Financial Services	American Rescue Plan Penalties	4	4	16	Very High
9	Financial Services	American Rescue Plan Funding Disagreement	4	4	16	Very High
15	Organization Wide	Departmental Funding and Service Quality	4	4	16	Very High
16	Organization Wide	Departmental Funding	4	4	16	Very High
42	General Services	Airport Operation Capital / Operating Expenses	4	4	16	Very High
48	Sheriff's Office	Detention Facilities / Evidence Management Construction	4	4	16	Very High
52	Organization Wide	Capital Projects 2022-23 Funding	4	4	16	Very High
202	Human Resources	Payroll Errors	4	4	16	Very High
216	Health and Human Services Agency	Health and Human Services Revenue Loss	4	4	16	Very High

Risk ID	Functional Area	Risk Title	Likelihood (1-5)	Impact (1-5)	Score	Low, Moderate, High
274	Organization Wide	Community-Based Organization Fraud	4	4	16	Very High
127	Child Support Services	Program Revenues	3	5	15	High
199	Human Resources	Employee Leave / FMLA Tracking	5	3	15	High
19	Organization Wide	Cannabis Regulatory Project Revenue Loss	3	4	12	High
132	Library	Internal Funding Stability	4	3	12	High
192	Human Resources	Employee Records Finances	4	3	12	High
86	County Counsel	Ongoing Litigation	3	4	12	High
98	Agriculture	Agriculture - State Agency Funding	3	4	12	High
103	Financial Services	Fraud Potential in County Organization Finances	3	4	12	High
105	Financial Services	Fraud Damages	3	4	12	High
187	General Services	Parks / Building Maintenance Financial	3	4	12	High
260	Financial Services	Investments, Debt, and Cash Management	3	4	12	High
264	County Administrator's Office	Grants Management Reporting	3	4	12	High
265	County Administrator's Office	Grants Management Application Strategy	3	4	12	High
267	Financial Services	Accounts Receivable Outstanding Balances	3	4	12	High
268	Financial Services	Accounts Receivable Redirected Payments	3	4	12	High
121	Organization Wide	Budget Constraint Impacting Human Resources Recruitment	2	5	12	High
93	Financial Services	A-87 Cost Allocation Plan	2	5	10	High
<b>3. Legal and Regulatory</b>						
2	Health and Human Services Agency	Coding Compliance	5	5	25	Very High
77	Financial Services	Procurement Process Divergence	5	5	25	Very High
263	Financial Services	Investment Policy Compliance	5	5	24	Very High
71	Organization Wide	Contract Admin Compliance Review	4	5	20	Very High
90	Organization Wide	Subrecipient Compliance	4	5	20	Very High
91	Organization Wide	Improper Subrecipient Funding Uses	4	5	20	Very High
92	Organization Wide	Subrecipient Relations	4	5	20	Very High
271	Human Resources	Payroll Policy Compliance	5	4	20	Very High
8	Financial Services	American Rescue Plan Funding Monitoring	4	4	17	Very High
35	Community Services	Compliance with Central Landfill Disposal Policies	4	4	16	Very High
41	General Services	Airport Operation Compliance	4	4	16	Very High
69	Organization Wide	Safety Legal Risks	4	4	16	Very High
44	Sheriff's Office	Detention Facilities / Evidence Management Compliance	4	4	16	Very High
112	Human Resources	Human Resources Laws Compliance	3	5	15	High
113	Human Resources	Human Resources Legal Penalties	3	5	15	High
149	Organization Wide	Emergency Preparedness and Response Policies	3	5	15	High
200	Human Resources	Employee Leave / FMLA Legal	5	3	15	High
99	Agriculture	State and County Agency Compliance Demand	3	4	12	High
101	Agriculture	Agriculture Violators Disputes and Litigation	3	4	12	High
106	Information Technology	Data Storage State and Federal Compliance	3	4	12	High
119	Organization Wide	Community-Based Watchdog Organization Litigation	3	4	12	High
134	Human Resources	Risk Management Function Efficiencies	3	4	12	High
159	Community Services	Environmental Health Division / Protection service Compliance	3	4	12	High
184	General Services	Security / Airport Safety Compliance	3	4	12	High
185	General Services	Parks / Building Maintenance	3	4	12	High
186	General Services	Parks / Building Maintenance Compliance	3	4	12	High

Risk ID	Functional Area	Risk Title	Likelihood (1-5)	Impact (1-5)	Score	Low, Moderate, High
227	District Attorney	Consumer Fraud and Environmental Protection	3	4	12	High
278	Assessor/Clerk-Recorder/Registrar of Voters	Federal and State Compliance	3	4	12	High
118	Organization Wide	Legal / Criminal Justice Compliance Risk	3	4	11	High
<b>4. Processes</b>						
65	Financial Services	Accounts Payable Late Payment	5	5	25	Very High
66	Financial Services	Accounts Payable Human Error	5	5	25	Very High
74	Financial Services	Procurement Processes Inefficiencies	5	5	25	Very High
75	Financial Services	Procurement Oversight and Administration	5	5	25	Very High
53	Organization Wide	Capital Projects 2022-23 Management	4	5	20	Very High
242	Information Technology	Outdated Systems / Technology - Enterprise System Catalog Updated Information	4	5	20	Very High
252	Information Technology	Change Management Processes and Procedures	4	5	20	Very High
269	Financial Services	Payroll Auditing	5	4	20	Very High
273	Financial Services	General Accounting Errors	5	4	20	Very High
14	Organization Wide	Departmental Funding and Budgeting Process	4	4	16	Very High
43	Sheriff's Office	Detention Facilities / Evidence Management Controls	4	4	16	Very High
78	Human Resources	Compensation Benchmarking Methodology	4	4	16	Very High
79	Organization Wide	Employee Retention - Compensation	4	4	16	Very High
215	Health and Human Services Agency	Staffing Shortages Service Quality	4	4	16	Very High
275	Organization Wide	Community-Based Organization Contracting	4	4	16	Very High
110	Information Technology	Project Prioritization in Innovation and Technology / Helpdesk Ticketing	5	3	15	High
137	Health and Human Services Agency	Processes and Procedure Capture	3	5	15	High
146	Community Services	Permitting Procedures Safety Impacts	3	5	15	High
247	Information Technology	Outdated Systems / Technology - Digital Communication Controls	3	5	15	High
1	Organization Wide	Public Records Requests Delivery	4	3	12	High
108	Organization Wide	Human Resources Process Quality / Internal Customers	4	3	12	High
168	Assessor/Clerk-Recorder/Registrar of Voters	Electronic Filing: Business Property State Filing Accuracy	4	3	12	High
193	Human Resources	Employee Records Guidance	4	3	12	High
194	Human Resources	Lack of Personal Information Tracking Hindering Unemployment Claim Response	4	3	12	High
17	Organization Wide	Cannabis Regulatory Project Compliance	3	4	12	High
100	Agriculture	State and County Agriculture Agency Process Efficiency	3	4	12	High
130	Library	Succession Planning - Service Quality	3	4	12	High
229	District Attorney	Consumer Fraud and Environmental Protection Controls	3	4	12	High
266	County Administrator's Office	Grants Management	3	4	12	High
148	Organization Wide	Emergency Preparedness and Response Technology	2	5	10	High
<b>5. Safety and Physical Security</b>						
116	Organization Wide	Physical Equipment / Machinery Safety	4	5	20	Very High
40	General Services	Airport Operation Safety	4	4	16	Very High
45	Sheriff's Office	Detention Facilities / Evidence Management Escape	4	4	16	Very High
46	Sheriff's Office	Overcrowding Effects on Detention Facility Safety	4	4	16	Very High
68	Organization Wide	Building Security and Employee Safety	4	4	16	Very High

Risk ID	Functional Area	Risk Title	Likelihood (1-5)	Impact (1-5)	Score	Low, Moderate, High
160	Community Services	Public Water Systems and Infrastructure Impacting Environmental Health	3	4	12	High
182	General Services	Security / Airport Safety Theft	3	4	12	High
183	General Services	Security / Airport Safety Work Environment	3	4	12	High
<b>6. Technology and Systems</b>						
3	Human Resources	Infor System Segregation of Duties	5	5	25	Very High
4	Human Resources	Infor System Policies	5	5	25	Very High
6	Human Resources	Infor System Security	5	5	25	Very High
123	Child Support Services	System Issues/Yolo phone system	4	5	20	Very High
124	Child Support Services	Access to CalSAWS and consortium cooperation	4	5	20	Very High
251	Information Technology	Asset Management Change Management	4	5	20	Very High
254	Information Technology	Information Technology Risk Management Identification	4	5	20	Very High
255	Information Technology	Technology Strategy and Service Quality	4	5	20	Very High
150	Organization Wide	System Issues / Time Entry	5	4	20	Very High
59	Information Technology	Technology Demand Impacting Cyber Security	4	4	16	Very High
60	Information Technology	Insufficient ITS Personnel to Meet County Technology Demands	4	4	16	Very High
61	Information Technology	ITS Service Quality	4	4	16	Very High
155	Community Services	System Issues / eTRAKIT	4	4	16	Very High
218	Health and Human Services Agency	Health and Human Services Technology Data Security	4	4	16	Very High
256	Information Technology	Technology Strategic Planning	4	4	16	Very High
259	Information Technology	Application Management Controls	4	4	16	Very High
72	Information Technology	Cyber Security Awareness Training	3	5	15	High
73	Information Technology	Cyber Security Confidential Info. Loss	3	5	15	High
170	Assessor/Clerk-Recorder/Registrar of Voters	Parcel Number Recorder and Reference Search Using Outdated Information	5	3	15	High
171	Assessor/Clerk-Recorder/Registrar of Voters	Parcel Number Recorder's Reference Search Accuracy	5	3	15	High
246	Assessor/Clerk-Recorder/Registrar of Voters	Outdated Systems / Technology - Digital Communication Accuracy	3	5	15	High
166	Assessor/Clerk-Recorder/Registrar of Voters	Electronic Filings for Business Properties Malfunctioning	4	3	12	High
167	Assessor/Clerk-Recorder/Registrar of Voters	Electronic Filing: Business Property State Data Management	4	3	12	High
169	Assessor/Clerk-Recorder/Registrar of Voters	Electronic Filing: Business Property State Website	4	3	12	High
191	Human Resources	Employee Records Management	4	3	12	High
24	Organization Wide	Remote Work Secure Connection	3	4	12	High
107	Information Technology	Data Storage Security Strength	3	4	12	High
114	Organization Wide	Outdated Systems / Technologies	3	4	12	High
135	Sheriff's Office	Radio Frequency Identification and Body Cams Implementation	3	4	12	High
136	Sheriff's Office	Radio Frequency Identification & Body Cams Implementation	3	4	12	High



Risk ID	Functional Area	Risk Title	Likelihood (1-5)	Impact (1-5)	Score	Low, Moderate, High
140	Probation	Outdated Systems / Technology - Probation Lawsuit Database	3	4	12	High
142	Probation	Outdated Systems / Technology - Probation Lawsuit Database Security	3	4	12	High
143	Child Support Services	Multi-Factor Authentication & Data Breach	3	4	12	High
248	Financial Services	Asset Management Tracking	3	4	12	High
249	Financial Services	Asset Management Long-term Planning	3	4	12	High
250	Financial Services	Insecure Asset Management Data Loss	3	4	12	High
257	Information Technology	Data / Database Management	3	4	12	High
141	Probation	Outdated Systems / Technology - Probation Lawsuit Database Delays	2	5	10	High
<b>7. Workforce</b>						
5	Organization Wide	Infor System Training	5	5	25	Very High
76	Financial Services	Demand Impact on Procurement Processes	5	5	25	Very High
56	Organization Wide	County Cross-functional Training	4	5	20	Very High
57	Organization Wide	Staffing Shortage Impacting County Compliance	4	5	20	Very High
58	Organization Wide	Depleted Seasonal / As-Needed Support Staff	4	5	20	Very High
120	Organization Wide	Human Resources Recruitment Talents	4	5	20	Very High
122	Organization Wide	Human Resources Recruitment Targets	4	5	20	Very High
125	Child Support Services	System Issues/trouble shooting	4	5	20	Very High
253	Information Technology	Need for ITS Department Change Management Roles	4	5	20	Very High
270	Human Resources	Payroll Personnel	5	4	20	Very High
39	General Services	Airport Operation Staffing Shortages	4	4	16	Very High
47	Sheriff's Office	Detention Facilities / Evidence Management Training	4	4	16	Very High
63	Organization Wide	Succession Planning / Knowledge Transfer	4	4	16	Very High
64	Financial Services	Property Tax Assessment Staffing	4	4	16	Very High
201	Human Resources	Benefit Vendors Misusing County Provided Data	4	4	16	Very High
203	Human Resources	Employee Recruiting and Competitive Benefits	4	4	16	Very High
214	Health and Human Services Agency	Staffing Shortages / Growing Case Loads	4	4	16	Very High
217	Health and Human Services Agency	Staffing Shortages /Technology - Programs	4	4	16	Very High
272	Financial Services	General Accounting Training	4	4	16	Very High
138	Health and Human Services Agency	Policies and Procedures - Knowledge Loss	3	5	15	High
147	Organization Wide	Emergency Preparedness and Response Financial Impacts	3	5	15	High
109	Organization Wide	Human Resources Onboarding Duration	4	3	12	High
111	Information Technology	Technology Services Staff Demands / Project Volume	4	3	12	High
87	County Counsel	County Counsel Ongoing Litigation	3	4	12	High
104	Financial Services	Fraud Prevention Control Gaps	3	4	12	High
133	Human Resources	Staffing Shortages / Risk Management Function	3	4	12	High
228	District Attorney	Consumer Fraud and Environmental Protection Skill	3	4	12	High

# Appendix A: Risk Dashboard

The risk map below depicts the inherent risk areas that we identified, as well as their relative potential impact and likelihood of occurrence and risk detail. Not all of these areas would be audited or evaluated by the Internal Audit function.

Risk ID	Functional Area	Risk Category	Risk Title	Risk Score
2	Health and Human Services Agency	Legal and Regulatory	Coding Compliance	25
3	Human Resources	Technology and Systems	Infor System Segregation of Duties	25
4	Human Resources	Technology and Systems	Infor System Policies	25
5	Organization Wide	Workforce	Infor System Training	25
6	Human Resources	Technology and Systems	Infor System Security	25
65	Financial Services	Processes	Accounts Payable Late Payment	25
66	Financial Services	Processes	Accounts Payable Human Error	25
67	Financial Services	Financial	Accounts Payable Process / Aging Invoices	25
74	Financial Services	Processes	Procurement Processes Inefficiencies	25
75	Financial Services	Processes	Procurement Oversight and Administration	25
76	Financial Services	Workforce	Demand Impact on Procurement Processes	25
77	Financial Services	Legal and Regulatory	Procurement Process Divergence	25
181	Organization Wide	Financial	COVID-19 Requirements / Financial	25
261	Financial Services	Financial	Investments, Debt, and Cash Management - Inefficiencies	25
262	Financial Services	Financial	Investments, Debt, and Cash Management - Fraud	25
263	Financial Services	Legal and Regulatory	Investment Policy Compliance	24
53	Organization Wide	Processes	Capital Projects 2022-23 Management	20
56	Organization Wide	Workforce	County Cross-functional Training	20
57	Organization Wide	Workforce	Staffing Shortage Impacting County Compliance	20
58	Organization Wide	Workforce	Depleted Seasonal / As-Needed Support Staff	20
70	Organization Wide	External	Vendor Contract Compliance Performance Monitoring	20
71	Organization Wide	Legal and Regulatory	Contract Admin Compliance Review	20
90	Organization Wide	Legal and Regulatory	Subrecipient Compliance	20
91	Organization Wide	Legal and Regulatory	Improper Subrecipient Funding Uses	20
92	Organization Wide	Legal and Regulatory	Subrecipient Relations	20
116	Organization Wide	Safety and Physical Security	Physical Equipment / Machinery Safety	20
120	Organization Wide	Workforce	Human Resources Recruitment Talents	20
122	Organization Wide	Workforce	Human Resources Recruitment Targets	20
123	Child Support Services	Technology and Systems	System Issues/Yolo phone system	20
124	Child Support Services	Technology and Systems	Access to CalSAWS and consortium cooperation	20

Risk ID	Functional Area	Risk Category	Risk Title	Risk Score
125	Child Support Services	Workforce	System Issues/trouble shooting	20
242	Information Technology	Processes	Outdated Systems / Technology - Enterprise System Catalog Updated Information	20
251	Information Technology	Technology and Systems	Asset Management Change Management	20
252	Information Technology	Processes	Change Management Processes and Procedures	20
253	Information Technology	Workforce	Need for ITS Department Change Management Roles	20
254	Information Technology	Technology and Systems	Information Technology Risk Management Identification	20
255	Information Technology	Technology and Systems	Technology Strategy and Service Quality	20
25	Organization Wide	External	Enterprise Resources Planning Cloud Suite Implementation	20
150	Organization Wide	Technology and Systems	System Issues / Time Entry	20
269	Financial Services	Processes	Payroll Auditing	20
270	Human Resources	Workforce	Payroll Personnel	20
271	Human Resources	Legal and Regulatory	Payroll Policy Compliance	20
273	Financial Services	Processes	General Accounting Errors	20
8	Financial Services	Legal and Regulatory	American Rescue Plan Funding Monitoring	17
7	Financial Services	Financial	American Rescue Plan Penalties	16
9	Financial Services	Financial	American Rescue Plan Funding Disagreement	16
10	Financial Services	External	Risk of Negative Community / County Organization Impact from Misused American Rescue Plan Funding.	16
14	Organization Wide	Processes	Departmental Funding and Budgeting Process	16
15	Organization Wide	Financial	Departmental Funding and Service Quality	16
16	Organization Wide	Financial	Departmental Funding	16
35	Community Services	Legal and Regulatory	Compliance with Central Landfill Disposal Policies	16
39	General Services	Workforce	Airport Operation Staffing Shortages	16
40	General Services	Safety and Physical Security	Airport Operation Safety	16
41	General Services	Legal and Regulatory	Airport Operation Compliance	16
42	General Services	Financial	Airport Operation Capital / Operating Expenses	16
43	Sheriff's Office	Processes	Detention Facilities / Evidence Management Controls	16
45	Sheriff's Office	Safety and Physical Security	Detention Facilities / Evidence Management Escape	16
46	Sheriff's Office	Safety and Physical Security	Overcrowding Effects on Detention Facility Safety	16
47	Sheriff's Office	Workforce	Detention Facilities / Evidence Management Training	16
48	Sheriff's Office	Financial	Detention Facilities / Evidence Management Construction	16
52	Organization Wide	Financial	Capital Projects 2022-23 Funding	16
59	Information Technology	Technology and Systems	Technology Demand Impacting Cyber Security	16

Risk ID	Functional Area	Risk Category	Risk Title	Risk Score
60	Information Technology	Technology and Systems	Insufficient ITS Personnel to Meet County Technology Demands	16
61	Information Technology	Technology and Systems	ITS Service Quality	16
63	Organization Wide	Workforce	Succession Planning / Knowledge Transfer	16
64	Financial Services	Workforce	Property Tax Assessment Staffing	16
68	Organization Wide	Safety and Physical Security	Building Security and Employee Safety	16
69	Organization Wide	Legal and Regulatory	Safety Legal Risks	16
78	Human Resources	Processes	Compensation Benchmarking Methodology	16
79	Organization Wide	Processes	Employee Retention - Compensation	16
155	Community Services	Technology and Systems	System Issues / eTRAKIT	16
201	Human Resources	Workforce	Benefit Vendors Misusing County Provided Data	16
202	Human Resources	Financial	Payroll Errors	16
203	Human Resources	Workforce	Employee Recruiting and Competitive Benefits	16
214	Health and Human Services Agency	Workforce	Staffing Shortages / Growing Case Loads	16
215	Health and Human Services Agency	Processes	Staffing Shortages Service Quality	16
216	Health and Human Services Agency	Financial	Health and Human Services Revenue Loss	16
217	Health and Human Services Agency	Workforce	Staffing Shortages /Technology - Programs	16
218	Health and Human Services Agency	Technology and Systems	Health and Human Services Technology Data Security	16
256	Information Technology	Technology and Systems	Technology Strategic Planning	16
259	Information Technology	Technology and Systems	Application Management Controls	16
272	Financial Services	Workforce	General Accounting Training	16
274	Organization Wide	Financial	Community-Based Organization Fraud	16
275	Organization Wide	Processes	Community-Based Organization Contracting	16
276	Organization Wide	External	Reputational Risk due to Coordination with Unprofessional Community Organizations	16
44	Sheriff's Office	Legal and Regulatory	Detention Facilities / Evidence Management Compliance	16
27	Organization Wide	External	Environmental Risks Causing Damage to Property	15
28	Organization Wide	External	Environment Risks Water Usage	15
29	Organization Wide	External	Environment Risks Asset Damage	15
72	Information Technology	Technology and Systems	Cyber Security Awareness Training	15
73	Information Technology	Technology and Systems	Cyber Security Confidential Info. Loss	15
110	Information Technology	Processes	Project Prioritization in Innovation and Technology / Helpdesk Ticketing	15
112	Human Resources	Legal and Regulatory	Human Resources Laws Compliance	15
113	Human Resources	Legal and Regulatory	Human Resources Legal Penalties	15
126	Child Support Services	External	Public is Unaware of Child Support Service Programs	15
127	Child Support Services	Financial	Program Revenues	15

Risk ID	Functional Area	Risk Category	Risk Title	Risk Score
137	Health and Human Services Agency	Processes	Processes and Procedure Capture	15
138	Health and Human Services Agency	Workforce	Policies and Procedures - Knowledge Loss	15
146	Community Services	Processes	Permitting Procedures Safety Impacts	15
147	Organization Wide	Workforce	Emergency Preparedness and Response Financial Impacts	15
149	Organization Wide	Legal and Regulatory	Emergency Preparedness and Response Policies	15
170	Assessor/Clerk-Recorder/Registrar of Voters	Technology and Systems	Parcel Number Recorder and Reference Search Using Outdated Information	15
171	Assessor/Clerk-Recorder/Registrar of Voters	Technology and Systems	Parcel Number Recorder's Reference Search Accuracy	15
199	Human Resources	Financial	Employee Leave / FMLA Tracking	15
200	Human Resources	Legal and Regulatory	Employee Leave / FMLA Legal	15
246	Information Technology	Technology and Systems	Outdated Systems / Technology - Digital Communication Accuracy	15
247	Information Technology	Processes	Outdated Systems / Technology - Digital Communication Controls	15
19	Organization Wide	Financial	Cannabis Regulatory Project Revenue Loss	12
1	Organization Wide	Processes	Public Records Requests Delivery	12
108	Organization Wide	Processes	Human Resources Process Quality / Internal Customers	12
109	Organization Wide	Workforce	Human Resources Onboarding Duration	12
111	Information Technology	Workforce	Technology Services Staff Demands / Project Volume	12
132	Library	Financial	Internal Funding Stability	12
166	Assessor/Clerk-Recorder/Registrar of Voters	Technology and Systems	Electronic Filings for Business Properties Malfunctioning	12
167	Assessor/Clerk-Recorder/Registrar of Voters	Technology and Systems	Electronic Filing: Business Property State Data Management	12
168	Assessor/Clerk-Recorder/Registrar of Voters	Processes	Electronic Filing: Business Property State Filing Accuracy	12
169	Assessor/Clerk-Recorder/Registrar of Voters	Technology and Systems	Electronic Filing: Business Property State Website	12
191	Human Resources	Technology and Systems	Employee Records Management	12
192	Human Resources	Financial	Employee Records Finances	12
193	Human Resources	Processes	Employee Records Guidance	12
194	Human Resources	Processes	Lack of Personal Information Tracking Hindering Unemployment Claim Response	12
17	Organization Wide	Processes	Cannabis Regulatory Project Compliance	12
18	Organization Wide	External	Cannabis Regulatory Project Legal Support	12
24	Organization Wide	Technology and Systems	Remote Work Secure Connection	12
86	County Counsel	Financial	Ongoing Litigation	12
87	County Counsel	Workforce	County Counsel Ongoing Litigation	12

Risk ID	Functional Area	Risk Category	Risk Title	Risk Score
98	Agriculture	Financial	Agriculture - State Agency Funding	12
99	Agriculture	Legal and Regulatory	State and County Agency Compliance Demand	12
100	Agriculture	Processes	State and County Agriculture Agency Process Efficiency	12
101	Agriculture	Legal and Regulatory	Agriculture Violators Disputes and Litigation	12
103	Financial Services	Financial	Fraud Potential in County Organization Finances	12
104	Financial Services	Workforce	Fraud Prevention Control Gaps	12
105	Financial Services	Financial	Fraud Damages	12
106	Information Technology	Legal and Regulatory	Data Storage State and Federal Compliance	12
107	Information Technology	Technology and Systems	Data Storage Security Strength	12
114	Organization Wide	Technology and Systems	Outdated Systems / Technologies	12
119	Organization Wide	Legal and Regulatory	Community-Based Watchdog Organization Litigation	12
130	Library	Processes	Succession Planning - Service Quality	12
133	Human Resources	Workforce	Staffing Shortages / Risk Management Function	12
134	Human Resources	Legal and Regulatory	Risk Management Function Efficiencies	12
135	Sheriff's Office	Technology and Systems	Radio Frequency Identification and Body Cams Implementation	12
136	Sheriff's Office	Technology and Systems	Radio Frequency Identification & Body Cams Implementation	12
139	Sheriff's Office	External	Public Trespassing and Homelessness	12
140	Probation	Technology and Systems	Outdated Systems / Technology - Probation Lawsuit Database	12
142	Probation	Technology and Systems	Outdated Systems / Technology - Probation Lawsuit Database Security	12
143	Child Support Services	Technology and Systems	Multi-Factor Authentication & Data Breach	12
159	Community Services	Legal and Regulatory	Environmental Health Division / Protection service Compliance	12
160	Community Services	Safety and Physical Security	Public Water Systems and Infrastructure Impacting Environmental Health	12
182	General Services	Safety and Physical Security	Security / Airport Safety Theft	12
183	General Services	Safety and Physical Security	Security / Airport Safety Work Environment	12
184	General Services	Legal and Regulatory	Security / Airport Safety Compliance	12
185	General Services	Legal and Regulatory	Parks / Building Maintenance	12
186	General Services	Legal and Regulatory	Parks / Building Maintenance Compliance	12
187	General Services	Financial	Parks / Building Maintenance Financial	12
227	District Attorney	Legal and Regulatory	Consumer Fraud and Environmental Protection	12
228	District Attorney	Workforce	Consumer Fraud and Environmental Protection Skill	12
229	District Attorney	Processes	Consumer Fraud and Environmental Protection Controls	12
248	Financial Services	Technology and Systems	Asset Management Tracking	12

Risk ID	Functional Area	Risk Category	Risk Title	Risk Score
249	Financial Services	Technology and Systems	Asset Management Long-term Planning	12
250	Financial Services	Technology and Systems	Insecure Asset Management Data Loss	12
257	Information Technology	Technology and Systems	Data / Database Management	12
260	Financial Services	Financial	Investments, Debt, and Cash Management	12
264	County Administrator's Office	Financial	Grants Management Reporting	12
265	County Administrator's Office	Financial	Grants Management Application Strategy	12
266	County Administrator's Office	Processes	Grants Management	12
267	Financial Services	Financial	Accounts Receivable Outstanding Balances	12
268	Financial Services	Financial	Accounts Receivable Redirected Payments	12
278	Assessor/Clerk-Recorder/Registrar of Voters	Legal and Regulatory	Federal and State Compliance	12
121	Organization Wide	Financial	Budget Constraint Impacting Human Resources Recruitment	12
118	Organization Wide	Legal and Regulatory	Legal / Criminal Justice Compliance Risk	11
93	Financial Services	Financial	A-87 Cost Allocation Plan	10
141	Probation	Technology and Systems	Outdated Systems / Technology - Probation Lawsuit Database Delays	10
148	Organization Wide	Processes	Emergency Preparedness and Response Technology	10
36	Community Services	Safety and Physical Security	Central Landfill Hazardous Material Safety	9
11	Financial Services	Workforce	Financial Services Support Burnout	9
20	County Board of Supervisors / Council	Financial	Retirement Home Village Acquisition Losses	9
21	County Board of Supervisors / Council	Legal and Regulatory	Retirement Home Village Acquisition Ongoing Litigation	9
22	County Board of Supervisors / Council	Processes	Retirement Home Village Acquisition Service Quality	9
26	Organization Wide	Processes	Ineffective Coordination Amongst County Departments	9
33	Child Support Services	Workforce	California Child Support Program Changes Staffing	9
34	Child Support Services	Legal and Regulatory	California Child Support Program Changes Compliance	9
49	Information Technology	External	Inaccurate Data Impacts on GIS Mapping	9
50	Information Technology	Financial	GIS Mapping Inefficiency	9
51	Information Technology	Processes	GIS Mapping Controls	9
80	Organization Wide	Processes	County and Department Policies and Procedures Alignment	9
81	Organization Wide	Workforce	Institutional Knowledge Loss due to Outdated Organizational Policies and Procedures	9
82	Organization Wide	Processes	Auditing Policies and Procedures Limited by Lack of Documentation	9
83	Agriculture	Legal and Regulatory	Inspector Certification / Training Quality	9

Risk ID	Functional Area	Risk Category	Risk Title	Risk Score
84	Agriculture	Processes	Inspection Quality	9
85	Agriculture	Workforce	Inspector Workload Burdens	9
88	Agriculture	Processes	Inadequate Certification Trainings	9
89	Agriculture	Legal and Regulatory	International Shipment and Organic Grower Certification Non-Compliance	9
95	Agriculture	Processes	Civil Action / Annual Penalty Processes	9
96	Agriculture	Legal and Regulatory	Civil Action and Agriculture Annual Penalties	9
97	Agriculture	Workforce	Civil Action / Annual Penalties Staffing	9
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258	Information Technology	Workforce	Application Management Implementation	9
277	Organization Wide	External	Vendor Relations	9
279	Assessor/Clerk-Recorder/Registrar of Voters	Technology and Systems	Voter Registration Operations	9
282	Financial Services	Workforce	Financial Services Support	9
144	Community Services	Workforce	Permitting Procedures Skills	8



Risk ID	Functional Area	Risk Category	Risk Title	Risk Score
145	Community Services	Legal and Regulatory	Permitting Procedures Compliance	8
209	Probation	Processes	Adult Service Arrests	8
210	Probation	Legal and Regulatory	Institutional Services Sentencing Approach	8
211	Probation	Financial	Loss of Funding due to Inefficiencies from Alternative Sentencing Programs	8
220	Office of Emergency Services	Workforce	Current Hazard Mitigation Projects Emergency Hotlines	8
230	District Attorney	Safety and Physical Security	Safety of Investigators in the High-Tech Crimes Unit	8
231	District Attorney	Processes	High Tech Crimes Unit Controls	8
232	District Attorney	Technology and Systems	High Tech Crimes Unit Skills	8
233	District Attorney	Safety and Physical Security	Investigations Unit Officer Safety	8
234	District Attorney	Processes	Investigations Unit Communication	8
235	District Attorney	Processes	Investigations Unit Process Controls	8
236	District Attorney	Processes	Investigations Unit Public Image	8
237	District Attorney	Safety and Physical Security	White Collar Crime & Fraud Prosecution Officer Safety	8
238	District Attorney	Processes	White Collar Crime & Fraud Prosecution Controls	8
239	District Attorney	Processes	White Collar Crime & Fraud Prosecution Public Image	8
244	Information Technology	Processes	Outdated Systems / Technology - County Website Access	8
245	Information Technology	Processes	Outdated Systems / Technology - County Website	8
172	Assessor/Clerk-Recorder/Registrar of Voters	Technology and Systems	Vital Records / Recording Reporting Quality	8
173	Assessor/Clerk-Recorder/Registrar of Voters	Workforce	Vital Records / Recording Function Staffing	8
174	Assessor/Clerk-Recorder/Registrar of Voters	Legal and Regulatory	Vital Records / Recording Legal Complaints	8
175	Assessor/Clerk-Recorder/Registrar of Voters	Technology and Systems	Recorder Filings	8
180	Organization Wide	Legal and Regulatory	COVID-19 Requirements / Compliance	8
13	Organization Wide	Financial	Landfill Capital Project Budgeting	7
12	Organization Wide	Legal and Regulatory	Landfill Capital Project Compliance	6
54	Organization Wide	Processes	Yolo County Tribal Agreements Opportunity	6
178	Public Defender	Workforce	Skilled Personnel and Workload	6
179	Public Defender	Processes	Defender Staff Experience	6
206	Probation	Legal and Regulatory	Juvenile Services Legal Compliance	6
207	Probation	Processes	Juvenile Services Public Awareness	6
208	Probation	External	Juvenile Services Service Quality	6
212	Sheriff's Office	Workforce	Correctional Officer Training	6

Risk ID	Functional Area	Risk Category	Risk Title	Risk Score
213	Sheriff's Office	Legal and Regulatory	Correctional Officer Involved Incidents	6
219	Office of Emergency Services	External	Current Hazard Mitigation Projects	6
224	District Attorney	Legal and Regulatory	Conviction & Sentence Review Unit Claims Analysis	6
225	District Attorney	Processes	Lack of Proper Case Review Processes and Controls for Conviction and Sentence Review Unit	6
226	District Attorney	Processes	Conviction & Sentence Review Unit Reputation	6
240	County Counsel	Legal and Regulatory	County Counsel Contract Review	6
241	County Counsel	Processes	County Counsel Representation	6
280	Public Defender	Financial	P-Card Audit Public Defense	6
55	Organization Wide	Legal and Regulatory	Yolo County Tribal Agreements Compliance	6
62	Probation	Workforce	Staffing Shortages / Analyst Role	6
94	County Counsel	External	Insurance Claims / 3rd Party Vendor Services	6
188	General Services	Legal and Regulatory	Parks / Regulations Fishing Compliance	6
281	Human Resources	Technology and Systems	Payroll Audit Technology	6
102	Organization Wide	Processes	Lack of Communication Between Departments	4
156	Community Services	External	Building Inspection Services County Floodplain Management	4
157	Community Services	Processes	Building Inspection Services Nation and Regional Floodplain Management	4
158	Community Services	Processes	Building Inspection Services Floodplain Management Technical Skills	4
161	Community Services	Workforce	Implementation Innovative Projects	4
162	Community Services	Processes	Implementation Innovative Projects Collaboration	4
163	Community Services	Legal and Regulatory	Implementation Innovative Projects Compliance	4
164	Assessor/Clerk-Recorder/Registrar of Voters	Financial	Disaster Recovery / Property Tax Relief Efficiency	4
165	Assessor/Clerk-Recorder/Registrar of Voters	Financial	Disaster Recovery / Property Tax Relief Quality	4
190	Health and Human Services Agency	Workforce	College Intern Program	4
243	Agriculture	External	Relations / Agriculture and Cooperative Extension	4
37	Community Services	External	Improper Disposal Practices at Esparto Recycling & Transfer Station / Garbage and Recycling	2
38	Community Services	Processes	Esparto Recycling & Transfer Station / Garbage and Recycling Services Quality	2
23	Assessor/Clerk-Recorder/Registrar of Voters	Workforce	Assessor Digitization of Records Workloads	1
30	Probation	Financial	Juvenile Detention Center Revenue Loss	1
31	Probation	Workforce	Juvenile Detention Center Staffing Shortages	1
32	Probation	External	Juvenile Detention Center Service Quality	1

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ASSESSMENT OF INTERNAL CONTROLS AND PROCEDURES  
*Vehicle Fleet Operations*  
Internal Audit Report

## County of Yolo, California

### **Submitted By**

Eide Bailly LLP

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## Executive Summary

Eide Bailly LLP (“We”, or “Our”) performed an independent assessment of the vehicle fleet operations of the Yolo County (“County”) for the period from April 1, 2021 to March 31, 2022. This review was focused primarily on the operational aspects of the fleet rather than the financial reporting records. Eide Bailly’s procedures were designed to address procedures outlined in the program approved by the County to assess the internal controls over the management of fiscal resources and evaluate maintenance costs, vehicle utilization, and general operations to determine if adequate controls were in place to ensure an efficient and cost-effective vehicle fleet. The procedures described in this report were performed in May and June of 2022.

Our assessment of the business processes, identification of internal controls/weaknesses, and the associated recommendations were developed based on the review of the County’s written policies and procedures (P&Ps), telephone and video conference interviews of key personnel of Fleet Services, as well as detailed testing for sampled assets or related records of the vehicle fleet. The key personnel interviewed included the Fleet Superintendent, the Chief Fiscal Admin Officer, and the Senior Accountant Technician. We also corresponded with the Risk Manager of the County.

## Overview of the Vehicle Fleet Operations

The vehicle fleet of Yolo County is administered by Fleet Services which functions within the Public Works division of the County’s Community Services Department. Fleet Services is overseen by the Fleet Superintendent and the directors of the Public Works Division and Community Services Department. The highest level of authority for Fleet Services is the Board of Supervisors, comprised of 5 elected officials, who review and approve the annual financial budget including the procurement of vehicle fleet assets. The County Administrator’s Office prepares the annual budget with the Department of Financial Services, which is presented and approved by the Board of Supervisors.

Fleet Services is an “internal service fund” of the County and per the County’s approved budget, Fleet Services assumes administrative duties to ensure all vehicles are properly reported, managed, and maintained. Fleet Services is also the central point of contact and regulatory interface for vehicle and equipment emissions/environmental compliance; including assuming responsibility as the County’s Responsible Official Affirmation of Reporting, with authority to remove non-compliant equipment from service.

Fleet provides basic information available to Departments with which they can improve their vehicles use, condition and reliability as well as reduce costs and environmental impact. Fleet offers input pertaining to new technology, driver training, and specific vehicle outfitting; as well as vehicle utilization to minimize vehicle purchase, maintenance, and repair costs.

Fleet Services is comprised of approximately 3 Full Time Equivalent staff (“FTE’s”) and 1-2 FTE’s for admin staff; total of approximately 4.5-5 FTE’s.

### Key IT Systems:

- CAMS Cost Accounting Management System - A large number of County Public Works Departments use the CAMS system. It is used to track, inventory, and process maintenance requests of the fleet. CAMS is a fully integrated, multi-module cost and project accounting system specifically designed for Public Works/Road Departments to assist with managing all financial and operational aspects of Fleet Services.
- Lawson (Infor) ERP Software - Lawson is used by Yolo County for its accounting and financial reporting. Lawson is a robust ERP software platform that provides GL, accounting, and financial statement functionality as well as modules for other related tasks like AR, AP, Inventory, and Payroll services.

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County Fleet: As of the time of this assessment; the fleet was comprised of approximately 580 units including 434 vehicles and 146 units of equipment with an approximate historical purchase price of \$18.1M and a calculated net book value of approximate \$4M. See table 1 below for details.

**Table 1**

Asset Type	Qty	Historical Purchase Price	*Approx. Net Book Value (5 year useful life)
Vehicles	434	\$ 16,422,347	\$ 3,562,160
Equipment	146	\$ 1,671,410	\$ 482,819
<b>Total</b>	<b>580</b>	<b>\$ 18,093,757</b>	<b>\$ 4,044,979</b>

\*Disclosure: The calculation of net book value was based on a 5 year useful life. Some of the larger assets may have a longer useful life; however, for purposes of this calculation a 5 year useful life was assigned to all of the assets within the Fleet Services asset listing. The calculation was also based on the year of the vehicle as noted on the Fleet Services asset listing. This is an approximate calculation of the fleet’s NBV and does not come from the audited financial statement of the County.

The process for purchasing new vehicles follows the County-Wide Procurement Policy. Various departments throughout the County hold vehicles such as the Sheriff’s department, PPW Roads and Engineering, District Attorney’s Office, Probation Services, Mental Health Services and Department of Child Support Services.

Functional categories of fleet vehicles and equipment by department include (this is not a comprehensive list):

**Sheriff’s Office:**

- Patrol vehicles
- Full Size SUV vehicles and Trucks
- Detention, Animal Services, and Coroner vehicles
- Off-road: ATV’s & Boats

**Probation:**

- Sedans - Cops JUV Justice and service units
- SUV’s - Detention service units
- Trailers

**Public Works:**

- Light vehicles (e.g., cars, ½ ton trucks, vans, SUVs)
- Medium vehicles (e.g., utility trucks, crew trucks, flat-bed trucks)
- Heavy vehicles (e.g., tractor trailer trucks, semi-trucks, dump trucks)
- Sweeper
- Specialty equipment (e.g., road maintenance equipment, liquid asphalt distributors, forklifts)
- Trailers

**Public Works heavy equipment:**

- Loader/Skid steer loader
- Backhoe loader
- Compactors (definition: A compactor is a machine or mechanism used to reduce the size of material such as waste material or bio-mass through compaction)
- Vibratory roller (definition: A vibratory roller is a compactor having a drum\* (roll or horizontal cylinder) used to densify (compact) soil, asphalt, or other materials through the application of combined static and dynamic forces (weight and vibrations) to increase the load-bearing capacity of the surface.)
- General implement tractors

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**Table 2** - Below shows an approximate allocation of all vehicles and equipment in the fleet by department as of the time of this assessment.

**Vehicles and Equipment by Department:**

Qty	Qty Subtotal	Departments or Assigned Location	%	Percentage Subtotal
12		ADMH-MENTAL HEALTH - (MHSA)	2.1%	
31		AGRICULTURE	5.3%	
2		ASSESSOR	0.3%	
6		CANNABIS	1.0%	
15		DEPARTMENT OF CHILD AND SOCIAL SERVICES - (DCSS)	2.6%	
16		DEPARTMENT OF EMPLOYMENT AND SOCIAL SERVICES - (DESS)	2.8%	
1		DEPARTMENT OF FINANCIAL SERVICES - COURIER (DFS)	0.2%	
26		DISTRICT ATTORNEY	4.5%	
3		EMERGENCY MEDICAL SERVICES - (EMS)	0.5%	
1		EMERGENCY PREPAREDNESS	0.2%	
1		ENVIRONMENTAL HEALTH	0.2%	
3		FLEET SERVICES	0.5%	
31		GENERAL SERVICES DEPARTMENT	5.3%	
62		HEALTH AND HUMAN SERVICES - (CAR POOL)	10.7%	
4		INFORMATION TECHNOLOGY/TELCOM	0.7%	
1		LIBRARY	0.2%	
3		OFFICE OF EMERGENCY SERVICES	0.5%	
12		OTHER DEPARTMENTS	2.1%	
2		PUBLIC ASSISTANCE	0.3%	
6		PUBLIC DEFENDER	1.0%	
8		PW - DEPARTMENT INTEGRATED WASTE MANAGEMENT	1.4%	
6		PW - ENGINEERING	1.0%	
15		PW - ENVIRONMENTAL HLTH	2.6%	
8		PW - LANDFILL	1.4%	
24		PW - PARKS AND RESOURCES	4.1%	
85		PW - ROADS MAINT	14.7%	
22		PW - SANITATION	3.8%	
	168	SUBTOTAL - PW		29.0%
14		SHERIFF - ANIMAL SERVICES	2.4%	
22		SHERIFF - BOAT PATROL	3.8%	
1		SHERIFF - CIVIL	0.2%	
4		SHERIFF - CORONER	0.7%	
17		SHERIFF - DETENTION	2.9%	
7		SHERIFF - MANAGEMENT	1.2%	
15		SHERIFF - OTHER	2.6%	
45		SHERIFF - PATROL	7.8%	
49		SHERIFF - PROBATION	8.4%	
	174	SUBTOTAL - SHERIFF		30.0%
<b>580</b>		<b>TOTAL - VEHICLES AND EQUIPMENT</b>	<b>100.0%</b>	



## Objective & Scope

The objective of this project was to obtain an understanding of the business processes and procedures of the County's vehicle fleet service operations in order to identify and assess the internal controls and processes to ensure the fleet is operating efficiently and effectively. In order to accomplish the objective, we designed and organized our procedures by the following five functional areas of the fleet operations for its primary process components as given below:

### 1. Inventory Management

- Purchase, transfer, and sale of the vehicles and equipment
- Tracking mechanism for vehicles and equipment
- Inventory observations for parts
- General accounting processes related to inventory management
- Replacement vehicle process

### 2. Maintenance Services

- General internal processes and procedures
- Procedures for preventative maintenance, in-house repair services, and outsourced services.
- Work order handling and internal billing for maintenance costs
- Analysis of the department's admin fees process

### 3. Vehicle Use

- Vehicle usage monitoring and tracking
- Re-assignment of low usage vehicles
- Fuel consumption and mileage monitoring and accounting for fuel cost
- Driving safety guidelines, vehicle use standards, and fleet safety performance
- Fleet credit cards, (e.g. Fuel Cards – Voyager)

### 4. Security

- Fleet management software – appropriate user access, roles, and responsibilities
- Facility access badges
- Security measures to prevent theft and vandalism

### 5. Compliance

- Driver / operator license information, requirements, limitations
- Training for drivers / operators. Tracking and documentation of completed trainings
- Vehicle and equipment insurance policies and coverage
- Board's budget principle of a Green Fleet.

## Internal Controls

The following internal controls, (“IC”) were identified during the assessment:

### Inventory Management Controls:

- IC1. Collaborating with other departments:** Fleet Services works with Department Heads to identify vehicles that need to be replaced or re-assigned during the budget process and throughout the year. Departments are encouraged to check with fleet Services for availability of a vehicle from the garage pool or another County department and consider paying mileage in lieu of purchasing a new vehicle and incurring long-term repair and maintenance costs.
- IC2. Authorization by the Department Head and approval from the County Administrators Office are needed to purchase a new vehicle or equipment:** After it has been determined that the purchase is appropriate and cost-effective in providing the required services, purchase requests for vehicles must be authorized by the Department Head and approved by the County Administrator’s Office.
- IC3. Separation of duties:** County departments do not have access to CAMS; only Fleet Services department staff has access to CAMS. Fleet Services staff does not have access to the accounting records within Lawson.
- IC4. Official forms and documentation for transfers and surplus:** Signed transfer and surplus forms, a joint Fleet Services/Department and Purchasing/DFS effort, are sent to DFS and the Department the vehicle is assigned. DFS sends out asset listings from Lawson for all Department Heads to review and update as needed at the end of the year.
- IC5. Vehicle numbers for tracking:** Fleet Services assigns a number for tracking to each vehicle. Vehicles are also assigned a separate asset and tag number by Purchasing and DFS. Fleet Services will send to DFS the vehicle number they assigned along with other identifying information as applicable (VIN, license plate number, transfers and surplus information) and DFS will include the Fleet’s vehicle number in the tag number.
- IC6. Official Procurement Policy in Writing:** The County has an official “Principles of Procurement” policy, which both departments and Fleet Services follows for their own purchases. The Procurement Division of the DFS provides support, assistances, and oversight regarding purchasing decisions. The Procurement Division is responsible for coordination of solicitations for goods and supplies costing \$5,000 or more. Departments are generally responsible for the coordination of solicitation for services at any amount, and for goods and supplies costing less than \$5,000.

### Maintenance Services Controls:

- IC7. Fleet Services will try to regularly service vehicles:** Fleet Services will try to service vehicles approximately every 6 months or twice per year. Maintenance on equipment will vary. The Superintendent will coordinate maintenance activities with other departments.
- IC8. Department Admin Fees are budgeted each year:** Each year, Fleet Services prepares a total, estimated annual overhead charge for the upcoming year as part of the budgeting process. Once the total overhead charge is developed, it is allocated to each department/accounting unit. The allocation is based on the prior year’s actual repair orders by department, (in relation to repair orders for all departments as a whole).

Vehicle Use Controls:

- IC9. Fuel Usage reports are processed from the CAMS system:** These reports can be ran monthly or more frequently based on the report criteria. They show the fuel card number the fuel was charged to and the detailed information such as; the date the fuel was purchased, the number of gallons purchased, and fuel type “Unleaded/Diesel/Other type” purchased, and the total dollar amount of the gas purchase.
- IC10. Low mileage vehicles are reviewed during the budget process with departments:** During the annual review at budget time, around the month of February, Fleet Services will highlight each department’s low use vehicles, which are those with less than 400 miles/month average over the previous year.

Security Controls:

- IC11. Appropriate user access rights to CAMS:** Employees with user access to the CAMS Fleet Module have appropriate access based on their roles.
- IC12. Removal of user access rights to CAMS is done in a timely fashion after termination:** Controls appear to be in place to ensure that user access to CAMS Fleet Module is removed in a timely fashion after termination.

Compliance Controls:

- IC13. A Commercial Driver’s License (“CDL”) is required for PW road maintenance staff that use heavy vehicles:** PW Roads maintenance staff must have a CDL to advance above Assistant Roads Worker and Assistant Road Workers are not allowed to drive vehicles requiring CDL. Vehicles and equipment requiring a CDL are not part of the common pool of County vehicles.
- IC14. Department Heads and the Risk Manager work together to track and monitor CDL’s:** First, the Department Heads or supervisors are responsible to ensure that only employees with CDL’s can operate vehicles that require a CDL. Second, the Risk Manager (“RM”) will confirm that all intended operators have current and valid CDL to operate.
- IC15. Notices of CDL renewals are sent to the Risk Manager from the DMV:** The Department of Motor Vehicles, (“DMV”) will also send out notice to RM when employee’s CDL needs renewing or is suspended. In addition, Yolo County Public Agency Risk Management Insurance Authority (“YCPARMIA”) will run annual checks to ensure an employee’s CDL is valid.
- IC16. Pre-employment drug and alcohol tests performed for CDL drivers:** During the pre-employment of a potential CDL driver, drug and alcohol tests are performed. HR will coordinate the test during the hiring process.
- IC17. Current CDL drivers are subject to random drug and alcohol tests:** Quarterly, YCPARMIA will send a list of employees with CDL that will need tests and the tests are due back to YCPARMIA within approximately 3 months once the names are issued.
- IC18. The DOT Clearinghouse is used to check CDL drivers for possible drug and alcohol violations:** RM will conduct a query annually and upon hire of the Department of Transportation, (“DOT”) Clearinghouse for CDL drivers, for drug and alcohol violations.
- IC19. The Risk Manager will receive an annual report from the DMV listing all CDL drivers that are in need of a physical exam, which is required every two years:** DMV sends out an annual report to the Risk Manager for all CDL employees with info about when physical exams are due. The Risk Manager will maintain these records for compliance purposes and notify departments if there are any exam related issues. HR will schedule the physical examinations with the employee.

### Assessment Procedures

For the five functional areas, we reviewed the existing P&Ps related to vehicle fleet operations and performed virtual process walkthroughs with key personnel of Fleet Services to gain an understanding of business processes in all of the five functional areas and identified internal controls for independent evaluation as well as assessed them against the established P&Ps. As a result, we created process narratives describing the processes and procedures in each functional area. The accuracy and completeness of the process narratives were also reviewed by the Fleet Superintendent and the Chief Fiscal Admin Officer. Eide Bailly retained the process narratives for our internal records to support this report.

In addition, we designed and performed the following procedures specifically for each of the five functional areas as well as a high-level overview:

#### High-Level Overview of Fleet Services

1. The high-level overview involved obtaining and identifying official approved policies and procedures in writing related to Fleet Services, interviewing key stakeholders, and researching benchmark statistics for criteria related to the County and Fleet Service procedures.

The benchmarking statistics are available at the following website:

<https://www.government-fleet.com/operations/10151456/2021-benchmarking-statistics>

#### Inventory Management

2. Reviewed the County's Procurement Policy and Vehicle Purchases Criteria within the Vehicle Policy document. Then performed virtual walkthroughs of the processes related to procurement, tracking, and accounting for vehicles, equipment, and auto-parts. This included any identified as out-of-services or considered obsolete.
  - a) Eide Bailly noted that a County-wide inventory has never been performed over vehicles and equipment. Instead, individual departments will review and certify asset listings provided by DFS annually to update and reconcile asset listings in Lawson/Infor. As such, it is difficult to determine that the assets included in the CAMS inventory listing utilized by Fleet Services exist, and that the CAMS listing is complete and accurate, as a County-wide inventory has not been conducted and reconciled to CAMS. See the control weaknesses identified and recommendations section of inventory management for more detail.
  - b) Eide Bailly noted that there is no reconciliation performed or interface between CAMS and Lawson (Infor). There is neither a manual reconciliation nor an electronic interface between the two systems. This makes it difficult to determine if the information in the CAMS for inventory and maintenance purposes matches the information in Lawson/Infor for accounting and financial reporting purposes. See the control weaknesses identified and recommendations section of inventory management for more detail.

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3. Reviewed a sample of vehicles and equipment that were *purchased, transferred, sold, auctioned, wrecked, made surplus, or made inactive* to ensure approvals were obtained and vehicles were added and removed in CAMS according to Policies and Procedures. Specifically, we tested purchases, transfers, sales, surplus, and inactive vehicles and equipment during the period April 1, 2021 thru March 31, 2022. We also tested vehicles that were in “wrecked” status within CAMS.

**Table 3** - The population and sample sizes for testing are noted below:

Description	Population	Sample Size
Vehicles/Fleet sold during period	23	5
Vehicles/Fleet purchased during period	19	5
Vehicles/Fleet transferred during period	68	10
Vehicles/Fleet that went into "Inactive" status during period	4	2
Surplus	12	3
Wrecked	3	3
Auction	1	1

We performed the following procedures:

- a) Purchased: Inspected vehicle requests or acquisition forms, purchase invoices, and other documents to verify the approval of the purchase and accuracy of the addition.
- b) Transferred: Inspected the underlying transfer request forms to ensure the transfer was authorized and accurate.
- c) Sold and Auctioned: Inspected auction settlement statements, other sales forms, check copies, and approved asset disposal forms to verify approval and accuracy.
- d) Surplus, Inactive, and Wrecked: Inspected documentation and approval forms available indicating that the vehicle or equipment was transferred to surplus status, made inactive, or disposed of due to a wreck.

Controls appeared to be in place and no concerns were noted during this testing procedure.

4. Requested the most recent count sheets for auto-parts to verify that the physical inventory was actually performed by Fleet Services and to verify discrepancies found between the physical inventory and the CAMS system.
  - a) It was noted that official count sheets were not used or retained for the inventory of auto-parts. Therefore, we will make a recommendation to use and retain official count sheets for the inventory of auto-parts. See the control weaknesses identified and recommendations section of inventory management for more details.

Maintenance Services

5. Requested any official Policies and Procedures in writing related to maintenance services performed in-house and outsourced. Then performed virtual walkthroughs of the processes related to maintenance services in order to evaluate those processes against established Policies and Procedures.
  - a) Eide Bailly noted a lack of official approved Policies and Procedures in writing over specific maintenance and repair procedures performed in-house and outsourced. Eide Bailly requested more specific policies and procedures in writing for maintenance, repair operations, and inspections. Also requested an official list of maintenance and repairs performed in-house and those that are outsourced. Fleet Services was not able to provide either. Fleet Services instead will regularly review manufacturer recommendation concerning vehicles service requirements, as well as vehicle histories to predict what service is or will soon be needed. Therefore, there appears to be a lack of official policies in writing regarding what/when maintenance and repair services are to be performed. See the control weaknesses identified and recommendations section of maintenance services for more details.
  - b) In addition, Fleet Services relies heavily on the Fleet Superintendent to coordinate maintenance and repairs. While the Fleet Superintendent, has an impressive 14 years of experience; if the Superintendent was to separate from the County, it would create a significant “knowledge gap” within Fleet Services that would be further exasperated by not having any specific official policies and procedures in writing for Fleet Service staff to follow with regards to maintenance and repair procedures. See the control weaknesses identified and recommendations section of maintenance services for more details.
  - c) Eide Bailly also noted that the last approved official Vehicle Policy in writing was dated in 2013, nearly 10 years ago. Therefore, Eide Bailly will make a recommendation to have a reviewed and updated official approved Vehicle Policy in writing.
6. Obtained and reviewed a sample of work orders to determine if internal billing procedures followed established guidelines and to verify that maintenance procedures were performed. The scope of the period tested was from April 1, 2021 thru March 31, 2022. The work orders were non-statistically sample tested from a population 1,031 work orders and a sample size of 20 work orders, which were haphazardly selected using professional judgement. Eide Bailly tested labor charges, outsourced services, and regular auto-part charges related to the work order. The supporting documents included time-card distribution reports from CAMS, invoices from outsourced automotive vendors, and auto-parts requestion forms. Controls appeared to be in place and no concerns were noted during this testing procedure.
7. Performed an analysis of the department’s admin overhead fees charged to vehicles to ensure they are reasonable.
  - a) Fleet Services charges County Departments a “Fleet Administrative Overhead Charge” to recoup remaining costs other than Fuel and Maintenance, which are direct charged to each department. The Overhead charge is recorded on a quarterly basis in Lawson/Infor within account 501252 in each Department’s Fund. In FY 2022, the charge expense is now recorded in account 501253 within each Department’s Fund.
 

Once the overhead charge is allocated to each department, one fourth of the charge is posted as an expense in each Department’s Fund and recorded as Revenue in the Fleet Fund, (403799 account). The Fleet administrative Overhead Charge is a budgeted/estimated charge that gets pushed out to the Departments. The total summary of overhead charges by department is included in the County’s “Budget Instructions” which is provided to each department to assist in developing the budget for the upcoming fiscal year.
  - b) We prepared an analytic to test the reasonableness of the department’s admin overhead fees. The scope from April 1, 2021 thru March 31, 2022 was used for this analytic testing, which covered FY Q4 of 2021, (Period from April 1, 2021 thru June 30, 2021) FY Q1 of 2022, (Period from July 1, 2021 thru September 30, 2021) FY Q2 of 2022, (Period from October 1, 2021 thru December 31, 2021) and FY Q3 of 2022, (Period from January 1, 2022 thru March 31, 2022). The analytic involved Eide Bailly recalculating and reviewing total annual Overhead Charge for Fleet Services and the allocation and recording of the Overhead Charge to departments. The charges appeared reasonable based on Eide Bailly’s recalculation and review of the charges.

Vehicle Use

8. Reviewed the Vehicle Use Procedures, Safety Procedures, and Accident and Liability Guidelines within the official Vehicle Policy to gain an understanding of safety guidelines and vehicle use standards.
9. Obtained and reviewed vehicle usage reports to determine if “Low Usage Vehicles” were reassigned as needed.
  - a) First, Eide Bailly requested any official authorized Policy and Procedures in writing over Low Usage Vehicles; however, determined that there is not any official policies or procedures in writing. Therefore, Eide Bailly will make a recommendation to have an official approved policy in writing over Low Usage Vehicles. See the control weaknesses identified and recommendations section of Vehicle Use for more details.
  - b) Second, based on correspondences with the Chief Fiscal Admin Officer, Eide Bailly could expect that vehicles with less than 400 miles/month average annually to be reassigned. Eide Bailly then prepared a Low Mileage Analytic to determine if vehicles were properly identified as “Low Usage” by recalculating the start and end mileages and determining which had below 400 miles/month average annually. We then compared the calculated number of vehicles to be reassigned from the analytic to the number vehicles actually reassigned, which exceeded Eide Bailly’s expectations. See the control weaknesses identified and recommendations section of Vehicle Use for more details.
10. Reviewed fuel consumption reports of vehicles to determine accuracy and timeliness of fuel readings. Evaluated the processes and internal controls in places for refueling activities and economical fuel consumption.
  - a) Monitoring Fuel Consumption and Mileage: Fuel Usage reports can be processed from the CAMS system. These reports can be ran monthly or more frequently based on the report criteria. They show the fuel card number the fuel was charged to and the detailed information such as; the date the fuel was purchased, the number of gallons purchased, and fuel type “Unleaded/Diesel/Other type” purchased, and the total dollar amount of the gas purchase. The fuel information is uploaded into the CAMS system from a CSV file, which comes from the Interstate Fuel. This CSV file is uploaded daily into CAMS by Fleet Services. CAMS maintains both the fuel and milage data of the vehicles.
  - b) Fuel Billing and Reporting: The Senior Accountant Technician will process the monthly fuel journal in Lawson (Infor). Afterwards, the accounting report will be broken-down by budget unit numbers (the accounting units or object codes are set up as Fund-Department-Budget Unit-Cost Center). The Senior Accountant Technician will document the journal number on the top of each budget unit report and send it to the appropriate fiscal contacts, typically Fiscal Officers or Department Heads.
  - c) Fuel Cards and Voyager Fuel Credit Cards: There are two types of fuel cards available at the County: Voyager fuel credit cards and vehicle fuel cards (see step #12 for Voyager fuel credit card testing details).
 

There are approximately 130 Voyager fuel credit cards issued to drivers and it is noted that all of the Voyager fuel credit cards, other than a Fleet card, are assigned to law enforcement staff; Sheriff’s Office and District Attorney. In addition to the Voyager fuel credit cards, there are also approximately 150 vehicle fuel cards. This makes a total of approximately 280 cards, when adding both the fuel cards and the Voyager fuel credit cards. Vehicle fuel cards and Voyager fuel credit cards are requested by Department Heads. Voyager fuel credit cards are assigned to a specific individual while regular fuel vehicle cards are assigned to individual vehicle numbers. In most cases, the vehicle fuel cards assigned to vehicles are left in the vehicles. The driver is directed to use, check out, or is assigned to use the vehicle with the fuel card in it.
  - d) Eide Bailly requested an official policy in writing over the fuel cards; however, Fleet Services was not able to provide one. Therefore, a recommendation will be made to have an official written approved policies and procedures over all fuel cards. See the control weaknesses identified and recommendations section of Vehicle Use for details.

- e) Eide Bailly also noted that some departments have “miscellaneous fuel cards”, fuel cards that are not assigned to a vehicle but assigned to a department instead, for small equipment or rental vehicles. Card security is dependent on the department that the card is assigned. There does not appear to be any official policy in place to ensure that unassigned cards are kept locked-up in a secure location and checked-out for use. Therefore, this could create an internal control weakness over the security of unassigned cards to departments for small equipment. A recommendation will be made for more formal P&P in writing over the physical security of unassigned cards.
11. Inquired about the monitoring process in place to ensure overall fleet safety performance including the review of critical GPS Data (e.g., speeding, harsh breaking, harsh turning, etc.). No detail testing deemed necessary as most of the vehicles are not equipped with GPS systems.
- a) Per the Chief Fiscal Admin Officer, the following department use GPS tracking data (through Verizon):
    - 85 vehicles Health & Human Services
    - 22 vehicles Roads/Community Services
  - b) In addition, it is noted that the Sheriff’s Office plans to install GPS on their vehicles in the future, most likely in FY 2022-2023.
12. Sample tested Voyager fleet credit cards for accuracy and reasonableness. The Voyager cards were non-statistically sample tested from a population 131 Voyager cards and a sample size of 20 Voyager cards, which were haphazardly selected using professional judgement. Eide Bailly obtained and reviewed account balance information from the Voyager cards, detailed transaction reports, and accounting records to test the accuracy and reasonableness of the transactions. The transactions tested appeared reasonable.

Security

13. Reviewed available Policies and Procedures related to security, focusing on fleet management software user access and security measures in place to prevent theft and vandalism.
- a) Fleet Services currently does not use security access badges to access the main Fleet Services building. Physical keys are used with an “Employees Only” sign in front of the door. While physical keys are great physical control to prevent unauthorized access, security access badges provide additional data for who and when people access the main Fleet Services building. See the control weaknesses identified and recommendations section of security for more details.
14. Obtained the CAMS fleet management software user access report and inspected the list of users to determine if the access has been granted in accordance with employee’s roles and responsibilities and whether the access was disabled timely when the user is terminated. Eide Bailly reviewed the CAMS user access report, termination report, and personnel action form documentation. No concerns were noted.
15. Eide Bailly held discussions with key personnel to identify and verify security measures in place to prevent theft and vandalism and that the measures followed the established guidelines, if any.
- a) There are approximately 580 vehicles and equipment on the CAMS asset list, which was provided to Eide Bailly from Fleet Services. The vehicles are held by a number of different departments and in various physical locations depending on the department.



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- b) The physical security measures in place varies depending on the location. The following chart of physical security measures by location was provided by Fleet Services:

Location	Security	Address	Vehicle Access
County Yard	Gated yard, security patrol	292 West Beamer ST. Woodland, CA	Dept. key control
County Landfill	Gated yard, cameras	44090 Co Rd 28H, Woodland, CA	Dept. key control
Health dept. (Woodland)	Gated and open yards, security patrol	Woodland Ave & W. Beamer St., Woodland, CA	Pool program w/ key control
Health dept. W. Sac	Open lot, security patrol	Triangle Court	PD proximity
Probation/ DA/ Public Def'r	Gated yard, security patrol	Court st. btwn 3rd&4th. Woodland, CA	Dept. key control
Sheriff	Gated yard, cameras	Tony Diaz Dr. Woodland, CA	Dept. key control
DCSS	Gated yard	100 W. Court St. Woodland, CA	Dept. key control
GSD	Gated yard, security patrol	120 West Main St., Woodland, CA	Dept. key control

- c) Per the Fleet Superintendent and Chief Fiscal Admin Officer, the following occurred during the scope of April 1, 2021 thru March 31, 2022:
- The County has had a number of catalytic convertors stolen, vehicles vandalized, and two vehicles stolen; events which occurred at 3 different locations; all fenced, two with video surveillance. The stolen vehicles were noticed, identified and recovered promptly. See the control weaknesses identified and recommendations section of security for more details and recommendation.

### Compliance

16. Reviewed the Safety Policy, Driver's Responsibility Policy, and other compliance related guidelines within the Vehicle Policy.
- a) Department Heads will identify staffing needs, including the need for equipment operators and drivers requiring commercial driver's licenses, ("CDL's"). The County's vehicles and equipment requiring a CDL are mostly within the PW Roads department, with few other departments having custody of vehicles and equipment requiring a CDL. Vehicles and equipment requiring a CDL are not part of the common pool of County vehicles.
  - b) A CDL in the State of California is needed to operate any of the following vehicles; a single vehicle with a GVWR over 26,000 lbs, a combination vehicle with a GVWR over 26,000 lbs towing a unit over 10,000 lbs GVWR, or a passenger vehicle designed to carry 16 or more people, (including the driver).
  - c) After 5 years in the State of California, a CDL will expire and will need to be renewed. This is designed to coincide with the renewal of the driver's regular license. CDL renewals are not eligible if the driver already has a suspended or lost license. CDL renewals also require that the drivers provide a certified medical examination and complete a necessary knowledge test to maintain the endorsement.
17. Obtained and reviewed a listing of all drivers and operators and reviewed current license/certification status.
- a) Both Department Head and the Risk Manager, ("RM") Cha Yang, will track authorized drivers to ensure that they have current drivers licenses to operate the vehicles. The official Vehicle Policy states that a prerequisite for operating a County vehicle is to have a California issued State driver's License. The driver is also responsible for any citations resulting from operating a County vehicle.
  - b) Verification of CDL's: Department Heads or supervisors are responsible to ensure that only employees with CDL's can operate vehicles that require a CDL. The RM will confirm that all intended operators have current and valid CDL to operate.

- c) Supervisors will inform RM when they have a new operator. RM adds them to the “Pull Notice” program. DMV sends RM a report on the employee’s driving status and driver’s license class. Once clear, RM will notify the department/supervisor to allow the employee to drive the vehicle or equipment. DMV automatically sends the Yolo County Public Agency Risk Management Insurance Authority (“YCPARMIA”) and RM a notice when there is an issue with the employee’s driver’s license, (suspensions, expirations, violations, etc.). When a CDL is invalid, RM will inform the department to not allow the employee to operate a vehicle until the issue is resolved. The DMV will also send out notice to RM when employee’s CDL needs renewing or is suspended.

18. Inquired about the internal and external trainings required for the drivers and operators as well as drug and alcohol testing. Specifically, for the CDL requirements.

- a) Training: There is a CDL renewal testing requirement in California, according to the State of CA DMV website: <https://www.dmv.com/ca/california/renew-a-cdl-commercial-drivers-license>.

It is necessary to recomplete the CDL testing in order to renew the CDL. The general skills and knowledge and skills test for a CDL renewal is required to maintain the endorsement. The written test can take approximately 2-3 hours to complete. In addition, a physical exam is required every two years.

- b) Eide Bailly inquired with the Chief Fiscal Admin Officer and County Risk Manager, and determined that no mandatory trainings are provided to drivers or for CDL endorsement and maintenance. See the control weaknesses identified and recommendations section of compliance for more details.

- c) Drug and Alcohol Testing of CDL Drivers: Currently, there are 22 CDL drivers according to the Chief Fiscal Admin Officer.

During the pre-employment of a potential CDL driver, drug and alcohol tests are performed. HR will coordinate the test during the hiring process. This was noted as an internal control.

Current CDL drivers, are subject to random drug and alcohol tests. Quarterly, YCPARMIA will send a list of employees with CDL that will need tests and the tests are due back to YCPARMIA within approximately 3 months once the names are issued. The RM schedules tests through CST Solutions and informs the supervisor of the employee the night before, (not the employee themselves) for the employee to have next morning tests. Employees are given the time and location to show up the day of the test. Supervisors are instructed not to inform the employee until they are ready to send the employee for testing. Emails are sent the night before, because employee shifts start early and the supervisor will confirm receipt of the instructions. This was also noted as an internal control.

- d) DOT Clearinghouse: In January 2020, FMCSA, a division of DOT, launched a “Clearinghouse”, a new database that contains information pertaining to violations of the DOT controlled substances for FTA employees who were hired on and after January 6, 2020. The Clearinghouse provides employers the necessary tools to identify drivers who are prohibited from operating commercial motor vehicles (CMV) based on DOT drug and alcohol program violations and ensure that such drivers receive the required evaluation and treatment before operating on public roads.

The Clearinghouse rule requires the following:

- Employers must query the Clearinghouse for current and prospective employees' drug and alcohol violations before permitting those employees to operate a commercial motor vehicle (CMV) on public roads.
- Employers must annually query the Clearinghouse for each driver they currently employ.
- Employers must register all CDL holders and enter driver information for the past 2.5 years.

Per Cha Yang, Risk Manager will conduct a query annually and upon hire of the DOT Clearinghouse for CDL drivers, for drug and alcohol violations. This was noted as an internal control.

19. Inspected insurance policies and made inquiries to ensure that all vehicles and equipment were adequately insured for the period covering April 1, 2021 thru March 31, 2022. No concerns were noted.

- a) The Yolo County Public Agency Risk Management Insurance Authority, (“YCPARMIA”) is an intergovernmental agency, risk sharing, joint powers authority, duly formed pursuant to California Government Code; article 6500-6512. The County of Yolo has a deductible of \$5,000 per occurrence according to the coverage.

20. Inquired about the “Board’s budget principle of a Green Fleet” or “Sustainable Fleet” budget principle with Chief Fiscal Admin Officer and Fleet Superintendent, and through review of the vehicles within the CAMS asset listing.
- a) The “Board’s budget principle of a Green Fleet” ties directly to the “Sustainable Fleet” as noted in the budget principles. As stated in b) below; the “Sustainable Fleet” or “Green Fleet” principle is in place to build a green fleet and states that electric vehicles should be purchased over other types of vehicles.
  - b) The following principle below is included in the current board approved budget principles:
    - **“Sustainable Fleet** – Departments shall endeavor to purchase the most environmentally sustainable option when replacing or purchasing new vehicles, starting with electric, then electric-hybrid, hybrid and finally combustion. Hybrid or combustion vehicles will only be considered if there is a compelling business reason.”
  - c) When reviewing the CAMS vehicle and equipment asset listing, it was noted that only one electric vehicle could be identified in the list of approximately 550 vehicles (a Nissan Leaf). There were also a number of hybrid vehicles in the CAMS vehicle listing.
  - d) Outside of the sustainable fleet principle documented in the budget (noted above), it was noted that the County does not have in place official written policies and procedures to supplement and guide the principle in order to achieve the goal of maintaining a sustainable fleet. While the departments are encouraged to procure electric vehicles at time of purchase, there does not appear to be a centralized tracking or oversight mechanism to ensure that this goal is being met, enforced, and performance tracked across departments. Therefore; Eide Bailly has determined that meaningful progress toward this principle does appear to have been achieved. We noted this in the control weaknesses identified and recommendations section as a “Budgeting, Purchasing New Vehicles, and Compliance” issue, because it effects multiple function areas and not just compliance.

## Risk Rating Definitions

The following risk rating definitions were used for the observations provided in this report.

**High** – Control weaknesses and recommendations with a “High” rating are those that are the most critical to reducing various operational risks and improving efficiency and effectiveness within the Department. These items should be addressed by management as a matter of urgency. Either a likelihood and/or an impact is rated high.

**Medium** – Control weaknesses and recommendations with a “Medium” rating should be addressed as soon as the recommendations rated “high” have been resolved. These items are moderately important to the overall efficiency and effectiveness of the operations. Either a likelihood and/or an impact is rated medium.

**Low** – Control weaknesses and recommendations with a “Low” rating may represent best practices, items that do not represent high risks to the operations but are the matters for consideration. Either a likelihood and/or an impact is rated low.

## Control Weaknesses Identified and Recommendations

#	Risk Rating	Control Weaknesses	Recommendation and Management Response
<b>Budgeting, Purchasing New Vehicles, and Compliance Control Weaknesses:</b>			
1	High	<p><i>Budget principle of switching to Electric vehicles, “Sustainable Fleet”:</i> The County budget principles clearly indicates under “Sustainable Fleet” that vehicles are to be purchased in the following order; starting with electric, electric-hybrid, hybrid, and traditional combustion last. It appears that this budget initiative is not being adhered to, implemented, or communicated to Department Heads outside of the budget documents.</p> <p>We noted this as a Compliance issue, but also noted it within Purchasing since it is directly tied to the budget and purchasing of new vehicles.</p> <p>Note: This affects multiple functional areas; such as compliance, budgeting, purchasing, and inventory management.</p>	<p>Recommendation: Develop County-wide policies and procedures to ensure that this budget principle is met and enforced. This should include the development of mechanisms to track the on-going performance as well as establish accountability of this budget principle to ensure that electric vehicles (as well as electric stations) are purchased within the County’s Fleet. The established policies and procedures should be adhered to by all staff involved in the County’s vehicle purchasing processes and may be a joint effort by Fleet services and County departments.</p> <p><u>Short-term:</u> As older vehicles need to be replaced, they should be replaced with electric vehicles and electric stations should be installed and budgeted annually. Training should also be provided to drivers.</p> <p><u>Long-term:</u> With the price of gas continuing to significantly increase, the switch to electric will provide a more sustainable fleet in the long-term, which is the goal of this budget principle.</p>
<p>Management Response –</p> <p>Responsible Departments: County Administrator, Financial Services, and Community Services</p> <p>Management partially agrees with this recommendation.</p> <p>Budget principles are developed and approved annually by the Board of Supervisors to provide general guidelines for developing the County’s budget for the upcoming fiscal year. While the budget principles provide an important yardstick for County staff in the course of budget development, they merely represent a statement of what the County would ideally like to achieve through the budget process, and do not carry the same weight and authority of a formal County Policy.</p> <p>While establishing a Countywide policy requiring the purchase and use of electric and/or hybrid vehicles is a laudable goal, there are currently several barriers to implementing such a policy, including insufficient electric vehicle charging infrastructure, higher purchase and different maintenance costs, and vehicle options that may not meet certain department specific service needs. However, inclusion of Sustainable Fleet in the County’s budget principles since January 2020 has resulted in a change in process whereby Fleet Services now provides electrified options to County departments when new vehicles are requested, as well as the infrastructure requirements to charge such vehicles.</p> <p>It should be noted that the Board of Supervisors has also taken several recent actions to address climate change and sustainability, including adoption of a resolution declaring a climate crisis requiring an urgent and inclusive mobilization in Yolo County, creation of the Yolo County Climate Action Commission (YCCAC) to advise the County on implementation of the Yolo County Climate Action Plan, and approval of several early action priority projects to reduce greenhouse gas emissions. One early action priority being considered is contemplation of a Zero Emission Vehicle (ZEV) Master plan that would help to guide this transition methodically across County departments. In addition, the Board of Supervisors approved funding in the 2022-23 Recommended Budget for an update to Yolo County’s Climate Action Plan.</p> <p>As the County continues to make progress on climate sustainability initiatives and reduce or eliminate the barriers to electrification of the County’s vehicle fleet, a Countywide policy regarding the purchase and use of low- or zero-emission vehicles may be considered at a future time however likely would be informed by the aforementioned ZEV master plan. If and when such a policy is approved, procedures to ensure adherence to the policy will also be considered and implemented.</p>			

<b>Inventory Management Control Weaknesses:</b>		
2	High	<p><b><i>No reconciliations or interface between CAMS and Lawson (Infor):</i></b> There is neither a manual reconciliation or an electronic interface between the CAMS and Lawson (Infor). Therefore, the information in CAMS for inventory and maintenance purposes may not match the information in Lawson for accounting and financial reporting purposes.</p>
<p>Recommendation: A regular reconciliation should be performed between CAMS and Lawson (Infor) to ensure information agrees and is accurate in both systems. This is recommended to maintain accurate and complete listings for inventory and maintenance purposes of the County’s fleet, as well as financial reporting information.</p> <p>-The CAMS asset inventory listing should also be checked for old vehicles and equipment that no longer exists, and then remove them from the listing.</p> <p>-Once the CAMS asset listing is determined to be accurate (preferably after conducting a County-wide inventory), then the related financial reporting information in Lawson (Infor) should be regularly reconciled to CAMS to ensure the vehicles and equipment within the fixed asset ledger prepared by the Department of Financial Services (DFS) agrees as noted above.</p>		
<p><b>Management Response –</b></p> <p>Responsible Department: Community Services</p> <p>Management does not agree with this recommendation.</p> <p>The Lawson/INFOR system and the CAMS function serve distinctly different functions. Therefore, while the County acknowledges there may be some risk to a lack of reconciliation between the two systems related to inventory control of vehicles, a reconciliation would be time consuming, and the cost of implementation and maintenance of a reconciliation is likely to exceed any benefit derived.</p> <p>The Department of Financial Services (DFS) is responsible for maintenance of the INFOR system and accounting and financial reporting. DFS uses Lawson/Infor and they do not rely on CAMS as the system of record.</p> <p>Fleet Services is not responsible for tracking and maintaining the inventory of vehicles for either the department’s assets or the County as a whole’s assets. Infor is the County’s record keeping system therefore all assets are reported, adjusted, certified, or removed from that system. CAMS Fleet module is for service and repair management purposes only. Infor holds all required assets consistent with County policy for Fixed Assets, not just vehicles. Our use of CAMS is to manage vehicle maintenance and process operations and repair billing, i.e., service, repair, and fuel. Fleet does not “track” historical value or depreciation.</p> <p>CAMS is not designed to store all County assets and is not the current purpose of the system. Although, Fleet accounts for the presence of vehicles frequently, specifically at times of service which is the primary method Fleet uses to identify the physical presence of vehicles and equipment. CAMS is a tool which follows vehicle use (through fuel use) and documentation of services and repairs.</p> <p>When a lack of information or discrepancies are identified, multiple sources are investigated to ensure the issue is correctly addressed. The movement of the vehicle during the year seems to be adequate evidence to Fleet that the vehicle exists and is being used as indicated by fuel use, regular services (per Fleet’s schedule) as well as other needs which may include recalls, service calls, or even accident, vandalism or theft. Infor is considered the official inventory, and inventory of fixed assets are performed on a scheduled basis (typically annually) by the Department of Financial Services through request of department personnel to verify their fixed assets (including vehicles) to determine if the official record of the county needs to be modified.</p> <p>Because of the differing purposes of the systems, a reconciliation while possible would like be time consuming and the value of which for organizational purposes is unclear thus likely the cost of performance exceeding the benefit.</p>		

YOLO COUNTY – VEHICLE FLEET OPERATIONS

3	High	<p><b><i>No County-wide inventory of vehicles and equipment:</i></b> It was noted that a County-wide physical inventory has not been conducted of vehicles and equipment. Per the County’s Vehicle Policy, "all County vehicles will be properly administered and maintained and administration and maintenance is provided by Fleet Services. Administration includes <u>inventory</u>, reporting, regulatory compliance, and historical documentation." While departments annually review and certify asset listings provided by DFS, these are prepared to verify asset listings in Lawson (Infor), and as noted in CW #2 above, reconciliations are not performed between Lawson (Infor) and CAMs (Fleet Services inventory records). This makes it difficult to conclude that the assets included in the CAMS inventory listing exist and the listing is complete and accurate as a County-wide fleet inventory has not been conducted. Fleet Services tries to service vehicles and equipment on a regular basis and relies on communication with Department Heads as a countermeasure which may uncover discrepancies; however, that does not eliminate the risks involved with not having a County-wide inventory.</p>	<p>Recommendation: Fleet Services should perform a County-wide inventory of vehicles and equipment. This should be performed to ensure the CAMS inventory listings (maintained by Fleet Services) are accurate and complete. A County-wide inventory will also supplement and verify the accuracy of the departments’ annual inventories that are prepared for the DFS for financial reporting. This also provides an opportunity to briefly inspect all of the vehicles and equipment.</p>
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**Management Response**

Responsible Department: Community Services and Financial Services

Management partially agrees with this recommendation.

While a County-wide inventory of vehicles and equipment might be ideal, Fleet Services does not currently have the staffing or ability to complete such a physical inspection of County vehicles and equipment on an annual basis and this is likely be repetitive of efforts already conducted.

Processes are already in place for County departments to review and certify physical inspection and inventory of assets under their control on an annual basis, and to make adjustments to fixed asset inventories as needed. Pursuant to the County Policy on Capital Asset Management, the Department of Financial Services maintains an inventory of all capital assets, which is updated annually based on certifications from all departments.

YOLO COUNTY – VEHICLE FLEET OPERATIONS

4	Medium	<p><i>Official Count Sheets not used or retained in auto-parts inventory:</i> Count sheets were not used or retained for the inventory of auto-parts. This makes it difficult to determine that the inventory actually took place and that changes were processed in both CAMS and Lawson (Infor). Fleet Services certifies that an inventory did take place June 2021 and provided a document with changes in quantities on it, but the document had no dates, document parameters, or other official identifying information on it. A recommendation will be made to use official count sheets and retain count sheets for auto-parts in order to show and prove that the inventory took place.</p>	<p>Recommendation: Use and retain official count sheets during the inventory of auto-parts, that includes the certification of the staff who took the inventory, as well as an approver. This will provide an audit trail that the inventory took place.</p>
<p><b>Management Response</b></p> <p>Responsible Department: Community Services</p> <p>Management does not agree with this finding.</p> <p>The terminology “count sheets” was not familiar to Fleet staff and repeated requests did not clarify the items. Perhaps a verbal review of the process would have led to a mutual understanding of Fleet Services process on auto parts inventory.</p> <p>Fleet provided a CAMS report called “Shop Inventory Transaction Review” This report includes date inventory was received and issued to/on a department vehicle, retail price of the item, the vendor name, inventory item, location of the item, quantity, and net value of quantity (if ran by date range). This information is very similar to information that would be found on a count sheet except this is an electronic version. If the purpose of count sheets is to track or document parts received and distributed, then CAMS provide this already.</p>			

<b>Maintenance Services Controls:</b>		
5	Medium	<p><b><i>Lack of official Policies and Procedures in writing over maintenance and repairs:</i></b> As part of our procedures, we requested more specific policies and procedures in writing for maintenance, repair operations, and inspections. We also requested an official list of maintenance and repairs performed in-house and those that are outsourced. Fleet Services was not able to provide either. There appears to be a lack of official policies in writing regarding what/when maintenance and repair services are to be performed. We also noted that the official Vehicle Policy was written and approved in 2013, which is significantly aged as of this report. In addition, Fleet Services relies heavily on the Fleet Superintendent to coordinate maintenance and repairs. While the Fleet Superintendent has 14 years of experience, if he were to separate from the County, it would create a significant “knowledge gap” within the department. Therefore, we recommend more formal procedures in writing.</p>
<p>Recommendation: Develop official approved policies and procedures in writing for specific maintenance, repair operations, and inspections. Also develop and maintain a comprehensive list of services that are performed in-house and those that are outsourced.</p> <p>The County should update the Vehicle Policy (within the County of Yolo Administrative Policies and Procedures Manual) as it is almost 10 years old.</p>		
<p>Management Response –</p> <p>Responsible Department: Community Services</p> <p>Management partially agrees with this finding.</p> <p>The Fleet module in CAMS assigns each vehicle to the appropriate service schedule based on the vehicle category. Each vehicle category has a list of “PM Services” which provides the service schedule and indication of the depth of the service. For instance, Category A is scheduled every 6 months or 5,000, whichever comes first, and a checklist of services is used by Fleet staff.</p> <p>Community Services agrees to update the County Vehicle Policy in conjunction with County Administrator’s Office and Department of Financial Services to improve the narrative on maintenance and repairs along with related policies and procedures.</p>		



<b>Vehicle Use Controls:</b>			
6	Medium	<p><i><b>Lack of official Policies and Procedures in writing over Fuel Cards:</b></i> There is no official policy and procedures in writing over the Voyager fuel credit cards or the vehicle fuel cards.</p>	<p>Recommendation: Develop official, approved policies and procedures in writing over the fuel cards and Voyager fuel credit cards. An emphasis on accountability and security of the cards should be made in the official policies and procedures to help ensure that the fuel cards are not misused, misplaced, or abused. The County should ensure staff that have access to these cards are aware of the standard policies and procedures over fuel cards.</p>
<p><b>Management Response –</b></p> <p>Responsible Department: Community Services</p> <p>Management agrees with this finding.</p> <p>The vehicle fuel cards remain with the vehicle and are used to fuel only that vehicle whereas the Voyager fuel cards are assigned to the driver. Card use requires a driver with an assigned personal identification number (PIN). When PINs are assigned, drivers are provided an email from Fleet Services with the procedures and some limits pertaining to the fueling process, such as the steps of the fueling process and that the card is not to be used for purchases other than fuel.</p> <p>CAMS will flag questionable mileage entries and cause Fleet to investigate the apparent error. This is part of the reason Fleet has confidence that the cars getting fuel are county cars. Fleet processes the fuel transactions and bills the departments for their fuel use monthly. The department effectively approves of all transactions when paying their fuel bill.</p> <p>Community Services agrees to update the County Vehicle Policy in conjunction with County Administrator’s Office and Department of Financial Services which will include a section on fuel cards.</p>			

YOLO COUNTY – VEHICLE FLEET OPERATIONS

7	Medium	<p><i>Use of miscellaneous or unassigned fuel cards:</i> Some departments have miscellaneous cards for small equipment or rental vehicles. Card security is dependent on the department that holds the cards. There does not appear to be any official policies or procedures in place provided to departments to ensure that unassigned cards are kept locked-up in a secure location and properly checked-out for use. Therefore, this could create an internal control weakness over the security of these cards issued to departments for small equipment. Eide Bailly will recommend formal Policies and Procedures in writing over the physical security of unassigned cards.</p>	<p>Recommendation: Develop official approved policies and procedures in writing over the “miscellaneous” fuel cards that are assigned to departments for equipment and not assigned to specific vehicles. Specifically, these should include the requirement that cards are properly secured and checked out/in for official use only.</p>
<p>Management Response –</p> <p>Responsible Department: Community Services</p> <p>Management agrees with this finding.</p> <p>Community Services agrees to update the County Vehicle Policy in conjunction with County Administrator’s Office and Department of Financial Services which will include a section on fuel cards. Fleet Services will state in the updated policy that fuel cards are to be locked in a secure location and property checked-out for use, however Fleet Services does have the staffing or ability to monitor other department’s security of the cards so the responsibility will likely remain with departments.</p>			

YOLO COUNTY – VEHICLE FLEET OPERATIONS

8	Medium	<p><i>Lack of official Policies and Procedures in writing over “Low Mileage Usage” vehicles:</i> There are no formal policies or procedures approved and in writing over the review of low usage vehicles. From a review of vehicle listings provided and their respective mileages performed, Eide Bailly calculated and estimated a total of 232 vehicles with average mileage below 400 annually; however, only 114 vehicles were noted as reassigned in a listing provided. In addition, there were a total of 48 vehicles with negative mileage reported. While there may be explanations or reasons for why certain vehicles are not reassigned, as well as negative mileage, the County would benefit from having written policies and procedures related to the reassignment of low mileage vehicles.</p>	<p>Recommendation: Develop official, approved policies and procedures in writing related to the review and reassignment of low mileage vehicles. Specifically, this should document the defined parameters for when vehicles with low usage are to be reassigned as well as the overall review process. Departments should follow the recommendations for reassigned vehicles or provide justification for not reassigning a low mileage vehicle. This will help to reduce the risk that County vehicles are not being reassigned or utilized as efficiently and effectively as possible.</p>
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Management Response –

Responsible Departments: County Administrator, Financial Services, and Community Services

Management partially agrees with this finding.

The identification and reporting of low use (mileage) vehicles to each department happens at the beginning stages of budget development process to ensure additional vehicles are not purchased when unnecessary. During the month of January Fleet Services reviews the list of county vehicles and will highlight vehicles that are recommended for replacement including low use (mileage) vehicles, high mileage vehicles, and aged vehicles. Each department receives their recommendations for replacement list prior to the entry of budget requests.

Fleet Services does not have authority over other departments decisions regarding vehicles, therefore if a department decides to continue using a vehicle that was recommended for replacement, Fleet Services will continue to service and maintain the vehicle.

Community Services agrees to update the County Vehicle Policy in conjunction with County Administrator’s Office and Department of Financial Services which will enhance the section on low mileage usage and related policies and procedures to be applied.

<b>Security Controls:</b>		
9	Low	<p><i>Not all physical locations with department vehicles have security cameras:</i> It was noted per inquiry with Fleet Services that County vehicles have had catalytic convertors stolen, vehicles vandalized, and two vehicles stolen. The stolen vehicles were noticed, identified and recovered promptly, however not all of the physical locations with vehicles and equipment have security cameras to help deter theft or vandalism.</p>
<p>Recommendation: It is recommended to add security cameras to all locations holding vehicles and equipment. We also recommend to add additional physical security controls to those locations as needed to help deter theft or vandalism.</p>		
<p>Management Response –</p> <p>Responsible Departments: General Services and Community Services</p> <p>Management partially agrees with this finding.</p> <p>Fleet Services does not have authority over other departments who store vehicles at their physical department locations rather than at the Fleet corporation yard and the security measures implemented but advises and will bring attention to issues concerning vehicle security, however each department is responsible for securing their own assets from loss, damage, or theft. This includes providing recommendations for preventing catalytic converter thefts.</p> <p>The General Services department agrees that the County as a whole should apply prudent and cost-effective security solutions where the value exceeds the cost however this is not anticipated to be all locations or possible locations that vehicles are stored. Certain proposals are being reviewed for two locations that experienced recent damage to vehicles. In addition, General Services has been developing longer term security options with a security consultant that includes replacement of the existing card key/lock system as well as deployment of additional cameras in select locations.</p>		

YOLO COUNTY – VEHICLE FLEET OPERATIONS

10	Low	<p><i>Security access badges are not used to enter Fleet Services:</i> Fleet Services currently does not use security access badges to access the main Fleet Services building. Physical keys are used with an “Employees Only” sign in front of the door. While physical keys are a great physical control to prevent unauthorized access, security access badges provide additional data for who and when people access the main Fleet Services building. Therefore, we will make a recommendation to use security access badges.</p>	<p>Recommendation: It is recommended to switch from a traditional lock and key system to security access badges for access to the main Fleet Services building.</p>
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Management Response –

Responsible Departments: General Services and Community Services

Management partially agrees with this finding.

Fleet services will confer with General Services as to security improvements that can be applied that do not impair operations and whether key cards are necessary at this location. A security study was recently conducted, and General Services is working to secure funding for replacement of the existing card key/lock system across the County.

This location has some specific challenges where a card key system could be costly or administratively burdensome. Fleet must leave the front door unlocked to allow for customers and vendors to come in during business hours. In addition, there are multiple garage bays with large doors. All Community Services staff (including Fleet Services staff) have County issued key cards to access the yard and main building. The parts/inventory room is secured by lock and key to limit access, and only Fleet staff and the Director of Public Works has keys to this room (as well as General Services Department staff). The physical vehicle keys are stored in a key management system and each user has their own pin which limits risk of theft and loss.

<b>Compliance Controls:</b>			
11	Low	<p><b><i>No mandatory driver training:</i></b> According to the County Risk Manager, the County requires no mandatory driver training. Based on the Commercial Driver’s License (CDL) renewal testing requirement, we recommend additional training be provided and offered for CDL operators or PW employees that seek to obtain a CDL.</p>	<p><b>Recommendation:</b> We recommend offering and providing training to CDL drivers for renewal purposes. We also recommend the County provide training to drivers on how to use electric vehicles as needed, especially as more electric vehicles are purchased in the future.</p>
<p><b>Management Response –</b></p> <p>Responsible Department: Human Resources</p> <p>Management agrees with this finding.</p> <p>According to the County Vehicle Policy, “departments are responsible for ensuring adequate driver training”. In addition, the Risk Manager in the Human Resources Department oversees all staff that require a Commercial Driver’s License (CDL).</p> <p>As of February 2022, DMV implemented a mandatory training requirement for new CDL applicants. Before February 2022, there was no mandatory training requirement. However, Department of Community Service does send their new CDL applicants to training. The County is compliant with the requirement as drivers were training in February 2022 for the new requirement and no new drivers have joined more recently. Regarding the mandatory CDL training required by DMV for new CDL applicants, Risk Management will work with departments and ensure that new CDL applicants go through the mandatory training. The DMV will not allow any new applicant to test before this training is completed.</p> <p>The County Risk Manager will implement a training course for commercial drivers via the Learning Management system to cover driver safety, defensive driving, and consider other relevant requirements such as how to operate electric vehicles.</p>			

## Conclusion

The County and the Fleet Services Department appears to have a good number of well-designed internal controls for efficient and effective operations of the fleet along with the highly qualified and experienced staff, Fleet Superintendent, and the Chief Fiscal Admin Officer who made a noticeable contribution in enhancing our understanding of the vehicle fleet operations of the County. We hope and believe that, at a minimum, addressing and resolving the “High” and “Medium” rated observations and recommendations provided in this independent assessment would directly and positively contribute and add value to the overall efficiency and effectiveness of the operations of the fleet including, but not limited to, an increase in adherence to the “Sustainable Fleet” or “Green Fleet” as stated in the budget principles, an appropriately designed inventory process of vehicles and equipment, more accurate inventory tracking of auto-parts, having more official policies and procedures in writing, an improved fleet utilization review process, improved safety controls over assets, and increased training to improve behavior of the drivers and operators to reduce the risks associated with the safety of the drivers as well as the general public.



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Respecting our peers and their individual contributions.

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**COUNTY OF YOLO**

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**TO:** Financial Oversight Committee  
**FROM:** Chad Rinde, Chief Financial Officer  
**SUBJECT:** Independent Auditor Agreement and discussion of Remaining Options for Extension  
**DATE:** November 10, 2022

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**RECOMMENDATION:**

Receive update on the Independent Auditor agreement terms including remaining options to extend, receive update on Financial Oversight Committee role in selection of external auditor, and provide Committee input and direction.

**BACKGROUND & DISCUSSION:**

The County Board of Supervisors on April 23, 2019 approved a contract with Lance, Soll, & Lunghard, LLP Certified Public Accountants for independent countywide auditing services for fiscal years 2018-19, 2019-20, 2020-21, and with the option to renew for two additional fiscal years (2021-22 and 2022-23).

Prior to the selection of the auditor, a Request for Proposals (RFP) evaluation committee was formed which included members from the Department of Financial Services, Health & Human Services Agency, and the County's Financial Oversight Committee. The committee scored the technical merits of each proposal and consolidated scores with the cost scoring completed by County procurement staff. The top three of the four firms were invited back to do an interview to allow County staff to ask additional questions on the firms' proposals to arrive at the recommendation of the best qualified firm.

As a result of the competitive bid process, Lance, Soll, & Lunghard, LLP (LSL) was determined to be the best qualified bidder.

The County Chief Financial Officer in coordination with County Procurement has already executed the option for the first of the two option years for LSL to perform the audit work for the fiscal year of 2021-22 (which is currently being performed) and one option year remains. The County Chief Financial Officer notified the Financial Oversight Committee of the extension at the August 11, 2022 meeting.

Pursuant to the Financial Oversight Committee ("the Committee") Charter, the Committee has a role related to the selection of the external auditor. Under Article V - Responsibilities and Duties, Section B. Financial and Audit Oversight, the responsibilities are described below.

*B. Financial and Audit Oversight In addition to the general responsibilities listed above the FOC is specifically empowered to recommend, and oversee the work of, the public accounting firm employed by the County to perform the annual audit and Single Audit. To fulfill this duty, Committee members may:*



1. *Review significant accounting and financial reporting issues that affect County financial statements, including recent state laws, professional and regulatory pronouncements;*
2. ***Participate in the selection of the independent audit firm*** which will conduct the annual financial audit and Single Audit, in accordance with state laws and auditing standards;
3. *Review the scope and timing of the annual financial Audit and Single Audit;*
4. *Meet with the independent auditors at their request;*
5. *Review the results of the annual financial audit and Single Audit;*
6. *Review the results and adequacy of follow-up actions necessary on audits conducted by any external auditors or regulatory auditors on any of the County’s activities, programs, transactions, or functions; and*
7. *Review the results of final internal audit reports.*

As shown above, section B(2) discusses that the Committee has a role in the selection of the independent auditor. This has historically been exercised by inviting FOC members to participate in the selection team during the RFP process and in periodically touching base with the Committee on auditor performance (normally during the February or May meeting). If performance issues or concerns have not materialized, the contract will continue for the term. For the option years, the CFO should obtain input from the FOC prior to execution.

Given the discussion around the extension of the option for 2021-22 and the FOC wanting a heightened role in the discussion, it would be appropriate at this time for the committee to provide preliminary input on the 2022-23 option. Should the County not extend the Audit agreement, the County would need to perform a request for proposals process. That process takes approximately 4 months to ensure that the contract starts timely and would need to begin in January, 2023 (if the option is not performed).

<b>Task</b>	<b>Dates</b>
Draft RFP	December, 2022
Issue RFP	January, 2023
Submission by Bidders	February, 2023
Review submissions	March, 2023
Board Approval	April, 2023
Contract Start	May, 2023

Absent performance concerns arising during the current option year, the Chief Financial Officer recommends that the CFO retain discretion to execute the option year for 2022-23. This recommendation is for one primary reason: (1) the County is implementing a major financial system upgrade to go-live on July 1, 2023, and the potential change in auditor at that time will put additional burden on the same staff preparing for that go-live.

Below is a historical summary of the County’s contracted audit firm for the last 10 years.

<b>Fiscal Year</b>	<b>Audit Firm</b>
2012-13	Macias, Gini, & O’Connell (MGO)
2013-14	Macias, Gini, & O’Connell (MGO)
2014-15	Macias, Gini, & O’Connell (MGO)
2015-16	CliftonLarsenAllen (CLA)
2016-17	Vavrinek, Trine & Day (VTD)
2017-18	Vavrinek, Trine & Day (VTD)
2018-19	Lance, Soll, and Lunghard (LSL)
2019-20	Lance, Soll, and Lunghard (LSL)
2020-21	Lance, Soll, and Lunghard (LSL)
2021-22	Lance, Soll, and Lunghard (LSL)

It should be noted that there are approximately five CPA firms that are active in performing audits of County governments in Northern California. The County of Yolo has worked with 4 of the 5 different CPA firms over the last ten years (as shown above).

Staff is looking forward to the discussion and input of the FOC.

**ATTACHMENTS:**

Attachment A - Financial Oversight Committee Charter

Attachment B – Agreement for Independent Auditing Services

# County of Yolo Financial Oversight Committee Charter



February 11, 2021

## Article I

### Introduction

The government representatives of Yolo County are held publicly accountable for the proper utilization, custody, and distribution of resources as the assigned fiscal agents of County funds by taxpayers and other stakeholders. This fiscal accountability is demonstrated through the monitoring and assurance of good systems of control, budgetary compliance, accurate and timely financial reporting, continuous monitoring and oversight reviews, and timely follow-up on audit findings and recommendations.

Measure H was passed by the county voters in 2012 to consolidate the elected offices of Auditor, Controller, Treasurer, Tax Collector, and other financial planning functions into one county department under the direction of an appointed Chief Financial Officer (CFO). Elected offices and separation of duties and control functions provided assurance of accountability which now need to be maintained through other means. With this purpose in mind, and in accordance with Measure H, the Board of Supervisors established the Yolo County Financial Oversight Committee (FOC). The FOC replaces the existing Treasury Oversight Committee, performing those duties pursuant to California Government Code Section 27130, and the existing Audit Committee, thereby providing leadership with independence over continuous monitoring, audits, and reviews of the County's business activity, processes, and transactions. The FOC shall not be designated the treasury oversight committee under Government Code section 27131. Additionally, the FOC ensures oversight for the monitoring and review of the property tax distribution process, and the accountability and transparency over budget compliance.

## Article II

### Authority

The FOC has the authority to provide oversight on treasury operations, leadership and independence over the monitoring, review, and audit of the County's business activities, and ensure accountability and transparency over the budgetary and tax distribution process. The FOC performs all of its duties in an advisory role to the Board of Supervisors and its chairperson has a direct communication with the Board of Supervisors. The FOC shall have no direct authority over the CFO or any County officer or staff regarding County financial operations. However, the FOC will have oversight over the Internal Audit Office as necessary. The Internal Audit Office will report to the CFO administratively. The FOC shall not be designated the treasury oversight committee under Government Code section 27131.

## Article III

### Purpose

The purpose of the FOC is to provide oversight on treasury operations, deliver leadership and independence over the monitoring, review, and audit of the County's business activities; and provide oversight that helps to further ensure accountability and transparency over the budgetary and tax distribution processes to further demonstrate good stewardship of public resources.

## Article IV

### Membership

#### *A. Membership Categories*

##### 1. Voting Members

- a. Two representatives of the Board of Supervisors
- b. One representative of a city in Yolo County
- c. One representative of the Yolo County Office of Education
- d. One representative of the special districts in the County
- e. Two members of the public

The two representatives of the Board of Supervisors and one public member are the members who make-up the Audit Subcommittee.

Members shall be nominated by the CFO, County Administrator or Board members and confirmed by the Board of Supervisors. All members will serve three-year terms. Members may serve additional three-year terms at the pleasure of the Board of Supervisors.

Each committee member is to be both independent and financially literate. At least one member shall have financial expertise. Independent in this context means devoid of any potential conflict of interest, such as described in Section VIII.

##### 2. Non-voting Members

The County Administrator and CFO, or their designees, participate on the FOC in an advisory capacity.

#### *B. Power and Duties of Members and Officers*

1. The Committee may not direct individual investment decisions, tax allocation or budgetary decisions, nor impinge on the day-to-day operations of the Department of Financial Services.
2. A Chair and Vice Chair shall initially be elected for a one-year term, which may be extended by a favorable vote of a majority of members.
3. At the last regular meeting of the calendar year, the Committee will select a Chair and Vice Chair to serve for the following calendar year.
4. The Chair's duties include presiding over all Committee meetings, responding to members' requests for information, signing communications on behalf of the Committee, and representing the Committee before the Board of Supervisors, subject to the approval of the Committee members.
5. The Chair shall preside over the meetings. In the absence of the Chair, the Vice Chair shall preside. In the event that neither is available, the Chair shall select a Chair pro-tem to serve in their absence.
6. The Chair shall preserve order at the meetings.

#### *C. Resignation*

A resignation from a Committee member may be submitted at any time by giving written notice to the CFO.

#### *D. Removal*

A member of the FOC may be removed for cause from their post by action of the Board of Supervisors. The FOC may, by two-thirds vote, recommend to the Board that a member be removed. At a public meeting within 60 days of the FOC's recommendation, the Board shall decide, in its sole discretion, whether or not to terminate the member.

#### *E. Filling Vacancies*

Vacancies occurring during the terms of appointment shall be filled as soon as practicable, as determined by the category of the Committee member position that is vacant. The appointment shall begin a 3-year term from the date of the appointment. The CFO shall seek recommendations from Committee members and any other appropriate sources to fill vacancies occurring on the Committee.

#### *F. Compensation*

FOC members serve without compensation.

#### *G. Training*

The CFO shall provide sufficient training to Committee members during the regular meetings or at other times and locations as necessary.

### Article V

#### Responsibilities and Duties

##### *A. General*

The primary responsibility of the FOC is to help ensure the highest level of public accountability and transparency within Yolo County financial systems, by serving as an advisory committee to the Yolo County Board of Supervisors. This advisory responsibility is fulfilled through recommendations to the Board of Supervisors regarding the areas of responsibilities described in this section. This responsibility includes advising the Board on recruitment, hiring, and termination of the CFO, and providing regular updates on Committee activities to the Board of Supervisors.

Advisory responsibilities preclude the Committee and its members from participating in decision making or influencing decisions concerning the operations of the Department of Financial Services.

##### *B. Financial and Audit Oversight*

In addition to the general responsibilities listed above the FOC is specifically empowered to recommend, and oversee the work of, the public accounting firm employed by the County to perform the annual audit and Single Audit. To fulfill this duty, Committee members may:

1. Review significant accounting and financial reporting issues that affect County financial statements, including recent state laws, professional and regulatory pronouncements;
2. Participate in the selection of the independent audit firm which will conduct the annual financial audit and Single Audit, in accordance with state laws and auditing standards;
3. Review the scope and timing of the annual financial Audit and Single Audit;
4. Meet with the independent auditors at their request;

5. Review the results of the annual financial audit and Single Audit;
6. Review the results and adequacy of follow-up actions necessary on audits conducted by any external auditors or regulatory auditors on any of the County's activities, programs, transactions, or functions; and,
7. Review the results of final internal audit reports.

*Audit Subcommittee*

The Audit Subcommittee is a separate committee specifically empowered to oversee the work of the internal audit activity. To fulfill this duty, Committee members may:

8. Approve the internal audit charter;
9. Review the results of the countywide risk assessments, performed annually or other appropriate frequency, and consider the effectiveness of the internal control system to mitigate identified risks;
10. Approve and monitor the progress of completion of the risk-based internal audit plan, and as appropriate, request performance of special tasks or projects;
11. Ensure the timely monitoring, and the resolution of audit findings, and recommendations are performed;
12. Receive communications from the chief audit executive on the internal audit activity's performance relative to its plan and other related matters;
13. Make appropriate inquires of the chief audit executive of the internal audit activities (eg. whether there are scope or resource limitations; and,
14. In concert with the CFO, at a minimum of annually, review the scope and effectiveness of internal audit activity, , participate in the appointment and removal of the Internal Audit Manager, and participate in the performance evaluation of the Internal Audit Manager; and

*C. Treasury Oversight*

In relation to its oversight responsibilities over the county treasury, members of the committee shall:

1. Annually review and ensure timely monitoring of the Yolo County Investment Policy proposed by the CFO is performed;
2. Review audits performed on treasury operations; and
3. Review the quarterly investment performance of the treasurer's pool.

*D. Budget Accountability Oversight*

Committee members ensure that timely reviews of internal controls are performed to further support accountability and transparency over the budget, and in this regard may:

1. Review the adopted budget and any subsequent amendments to help ensure compliance with the County Budget Act (California Government Code) and the County Budget Guide issued by the State Controller;
2. Review budgetary monitor reports; and
3. Review budget to actual reconciliation at year-end.

### *E. Tax Allocation Oversight*

As the acting oversight authority over property tax allocation matters, member may review the internal controls over the property tax distribution activities, transactions, and processes to further ensure compliance with the Revenue and Taxation Code, and with state regulations in an equitable manner with regard to all taxing entities.

## Article VI

### Meetings

#### *A. Attendance*

All members are expected to attend all regularly scheduled committee meetings. A call or other communication to the CFO prior to a regularly scheduled meeting or anticipating an absence in advance notice from a meeting, would constitute an excused absence.

#### *B. Meetings*

- a. Regular meetings of the FOC shall occur at least four times each fiscal year within 45 days of each quarter's end.
  - i. The Committee must also meet twice annually with the independent auditors, in the beginning and at the conclusion of each audit. These meetings may be scheduled separately or occur as part of the quarterly meetings.
- b. Special meetings may be called by the Chair or at the written request of two or more Committee members.
  - i. All Committee members shall be provided with a written agenda 24 hours in advance of the meeting and the agenda shall be posted in appropriate locations. The agenda shall state the time, place, and business to be transacted at the meeting, and no other business shall be considered at the special meeting.

#### *C. Convening Meetings*

The meeting agenda shall be posted and delivered to the Committee at least 72 hours in advance. Only items included in the agenda may be discussed and considered. The Committee may discuss a non-agenda item at a regular meeting if pursuant to Government Code Section 54954.2 (b) (2), upon determination by a two-thirds vote of the members, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the Committee subsequent to the agenda being posted.

#### *D. Open Meetings*

All Committee meetings are open to the public and are subject to the Ralph M. Brown Act (Title 5, Division 2, Part 1, Chapter 9, commencing with Section 54950). The public will be given the opportunity to be heard and make comments at the end of each meeting open to the public.

#### *E. Quorum*

A quorum is no less than a simple majority of the total current voting membership. Action may be taken by a majority of those present and voting and by no less than a majority of the quorum.



## *F. Staff Support*

- a. The CFO or designee shall cause minutes of all meetings to be recorded in sufficient detail to allow adequate follow-up.
- b. The CFO or designee shall work with the Chair to develop the meeting agendas.
- c. As required and to the extent possible, county staff will provide technical and administrative support to the Committee.

## Article VII

### Parliamentary Procedure

The committee meetings shall be governed by Roberts' Rules of Order, the Modern Edition, and the Chair shall decide questions of order (unless overridden by a simple majority of the members present) consistent with such rules.

## Article VIII

### Conflict of Interest

- A.* Each Committee member will be required to complete and file an "Application for Nomination and Affidavit of Understanding" with the CFO in a timely manner. Failure to do so may invalidate Committee membership. Further, if any Committee member is found in breach of the requirements or in violation of the understandings, they must resign from this Committee.
- B.* A Committee member shall disclose to the FOC at a regular meeting any activities that directly or indirectly raised money for: a candidate for local treasurer; or a member of the governing board of any local agency that has deposited fund in the county treasury while a member of the committee. Raising money includes soliciting, receiving, or controlling campaign fund of a candidate, but not the member's individual campaign contributions or non-financial support. This condition does not apply to a member raising money for his or her own campaign.
- C.* A committee member shall disclose to the FOC at a regular meeting any contributions, in the previous three years or during the period that employee is a member of the FOC, by any employer to: the campaign of a candidate for the office of local treasurer; or to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the county treasury.
- D.* The member of the Committee may not secure employment with, or be employed by, bond underwriters, bond counsel, security brokerages or dealers, or with financial services firms with whom the county treasurer is doing business during the period that the person is a member of the Committee or for one year after leaving the Committee. This subsection only applies to employment or soliciting employment, and no other relationships with such companies with whom the County is doing business.
- E.* The member of the Committee shall disclose to the FOC any honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons who conduct business with the County Treasurer while a member of the Committee. All members shall also comply with requirements of the Political Reform Act or any other law or regulation regarding to receipt and disclosure of financial benefits and conflicts.
- F.* Committee members who had any supervisory responsibility over any program under audit and that is the subject of discussion shall recuse themselves during that part of the discussion.

## Article IX

### Amendment of Committee Charter

Proposed amendments to the committee charter must be delivered at least 72 hours in advance of a regular or special meeting to every member. Amendments require a simple majority vote of those present and voting for passage.

## Article X

### Adoption, Approval, Acknowledgements, and Acceptance of the Charter

The Financial Oversight Committee approved the revisions to the charter on February 11, 2021 moved by Angel Barajas and seconded by Richard Horan thus this charter supersedes any previous charters.

AYES: Sandy (Chair-Supervisor), Barajas (Supervisor), Horan (Public), Raber (Vice-Chair Public), Huey (Education), McKinney (Cities), and Sicke (Special District)

NOES: None

ABSENT: None

ABSTAIN: None

BOARD OF SUPERVISORS  
Yolo County, California

To: Fin. Svcs. ✓

CONSENT CALENDAR

Excerpt of Minute Order No. 19-63 Item No. 19, of the Board of Supervisors' meeting of April 23, 2019.

MOTION: Sandy. SECOND: Chamberlain. AYES: Sandy, Provenza, Chamberlain, Villegas, Saylor.

19.

Approve contract with Lance, Soll, & Lunghard, LLP Certified Public Accountants for independent countywide auditing services for fiscal years 2018-19, 2019-20, 2020-21, and with the option to renew for two additional fiscal years. (General fund impact \$120,450) (Rinde)

Approved **Agreement No. 19-77** on Consent.



## County of Yolo

www.yolocounty.org

To: The Chair and Members of the Board of Supervisors

### Consent-General Government # 19.

#### Board of Supervisors

#### Financial Services

**Meeting Date:** 04/23/2019

**Brief Title:** Independent Audit Services Contract

**From:** Chad Rinde, Chief Financial Officer, Department of Financial Services

**Staff Contact:** Chad Rinde, Chief Financial Officer, Department of Financial Services, x8050

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#### Subject

Approve contract with Lance, Soll, & Lunghard, LLP Certified Public Accountants for independent countywide auditing services for fiscal years 2018-19, 2019-20, 2020-21, and with the option to renew for two additional fiscal years. (General fund impact \$120,450) (Rinde)

#### Recommended Action

Approve contract with Lance, Soll, & Lunghard, LLP Certified Public Accountants for independent countywide auditing services for fiscal years 2018-19, 2019-20, 2020-21, and with the option to renew for two additional fiscal years.

#### Strategic Plan Goal(s)

Operational Excellence

#### Reason for Recommended Action/Background

The County's contract with the current auditor Vavrinek, Trine, Day & Co., LLP (VTD) expires on June 30, 2019. The Department of Financial services issued a request for proposals (RFP) for independent auditing services. Four proposals were received to provide the audit services (as described in Competitive Bid Process below).

An RFP evaluation committee was formed which included members from the Department of Financial Services, Health & Human Services Agency, and the County's Financial Oversight Committee. The committee scored the technical merits of each proposal and consolidated scores with the cost scoring completed by County procurement staff. The top three of the four firms were invited back to do an interview to allow County staff to ask additional questions on the firms proposal to arrive at the recommendation of the best qualified firm.

As a result of the competitive bid process, Lance, Soll, & Lunghard, LLP (LSL) was determined to be the best qualified bidder. The scorecard reflecting the evaluation committees' scores is included in Attachment A. The Department of Financial Services requests the Board to approve the contract with LSL included in Attachment B.

**Collaborations (including Board advisory groups and external partner agencies)**

The Department of Financial Services collaborated with the County Financial Oversight Committee and included other departments fiscal staff including Health and Human Services Agency as part of the selection process.

**Competitive Bid Process**

Request for Proposals (RFP) Service Requested: Independent Audit Services

Evaluation Criteria Included in RFP

- Technical Score (80 points)
  - Includes qualifications and experience, delivery schedule, demonstrated competence, proposers approach to project, customer references, firm stability, compatibility with County software, and quality and completeness of proposal.
- Cost Score (20 points)
- Interview Score (25 points)

Bids Received

<b>Bidder</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>Total</b>
CliftonLarsenAllen LLP (CLA)	\$116,260	\$117,960	\$119,660	\$353,880
Harshwal & Company, LLP	\$92,500	\$92,500	\$92,500	\$277,500
Lance, Soll & Lunghard, LLP (LSL)	\$120,450	\$120,450	\$120,450	\$361,350
Vavrinek, Trine, Day & Co., LLP (VTD)	\$142,500	\$142,500	\$142,500	\$427,500

**Fiscal Information**

Fiscal impact (see budgetary detail below)

Fiscal Impact of this Expenditure

Total cost of recommended action	\$120,450
Amount budgeted for expenditure	\$120,450
Additional expenditure authority needed	\$0

On-going commitment (annual cost) \$120,450

Source of Funds for this Expenditure

General Fund \$120,450

Further explanation as needed

The independent audit services contract for 2018-19 generally begins in May and there is some cost that will be charged to the 2018-19 fiscal year; however, the majority of the cost will be incurred in the 2019-20 budget year after the fiscal year books and records are closed. The amounts necessary for the contract are requested in the 2019-20 Department of Financial Services budget.

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**Attachments**

Att. A. Audit Services Scorecard

Att. B. Audit Services Contract

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**Form Review**

<b>Inbox</b>	<b>Reviewed By</b>	<b>Date</b>
Constance Robledo	Constance Robledo	04/17/2019 09:17 AM
County Counsel	Carrie Scarlata	04/17/2019 04:56 PM
Form Started By: Chad Rinde		Started On: 04/09/2019 10:26 AM
Final Approval Date: 04/17/2019		

County of Yolo  
 2019 RFP for Audit Services  
 Combined scores

Total RFP Scores

	RFP Award Evaluation Criteria	Considerations	Max Score	CLA	Harshwal	LSL	VTD
1	Cost Score	Scored by Procurement Manager	20	17	20	17	14
2	Technical Score	Scored by Evaluation Committee	80	64	41	60	63
3	Interview Score	Scored by Interview Panel	25	14	-	24	21
	Total Score		125	95	61	100	98
	<u>Comments</u>						
	Instructions to evaluators: 1. Review proposals and assign preliminary score for each factor. 2. Insert comments in the cells as appropriate to explain scores. 3. You can add brief summary comments for each vendor at the bottom. 4. After preliminary scoring for all proposals, review scores across each factor to ensure consistency. 5. Do not take into account cost in this scoring since a cost score will be calculated for each firm based on objective cost data. 6. Do not change any format setting in this worksheet since it will be consolidated with others. 7. Print a copy of the final scoring for your files before returning the completed score sheet.						

**FILED**

APR 25 2019

BY *Lupe Ramirez*  
DEPUTY CLERK OF THE BOARD

**AGREEMENT NO. 19 - 77**  
(Agreement for Independent Audit Services)

THIS AGREEMENT (“Agreement”) is made and entered into this 23rd day of April, 2019, by and between the County of Yolo, a political subdivision of the State of California (“County”) and Lance, Solle & Lunghard, LLP (“LSL”), a limited liability partnership located in California.

**WITNESSETH**

**WHEREAS**, the County is authorized by Government Code Section 23004 to make contracts as necessary for the exercise of its powers; and

**WHEREAS**, the County is authorized by Government Code Section 31000 to contract with persons specially trained, experienced, expert and competent to perform special services such as governmental accounting and auditing; and

**WHEREAS**, the County desires to obtain auditing services that the County is seeking; and

**WHEREAS**, the Contractor submitted a proposal to audit the county’s financial programs and provide reports as to their findings as well as present at County Financial Oversight Committee meetings, an excerpt of which is attached as Exhibit A; and

**WHEREAS**, Contractor has represented and warrants to the County that it has the necessary training, experience, expertise and competency to provide the services, goods and materials that are described in this Agreement, at a cost to the County as herein specified; that it will be able to perform the herein described services at minimum cost to the County by virtue of its current and specialized knowledge of relevant data, issues, and conditions.

**WHEREAS**, Contractor represents and warrants that neither Contractor, nor any of its officers, agents, employees, contractors, subcontractors, volunteers, or five percent owners, is excluded or debarred from participating in or being paid for participation in any Federal or State program; and

**WHEREAS**, Contractor further represents and warrants that no conditions or events now exist which give rise to Contractor or any of its officers, agents, employees, contractors, subcontractors, volunteers or five percent owners being excluded or debarred from any Federal or State program; and

**WHEREAS**, Contractor understands that the County is relying upon these representations in entering into this Agreement.

**NOW, THEREFORE**, the County and the Contractor agree as follows:

**I. BASIC SERVICES**

**A.** Contractor shall furnish and perform the following services in accordance with Exhibit A, and in a manner satisfactory to the Chief Financial Officer (CFO) or his written



designee. These services include the following tasks:

- Task 1: Audit of the County's Financial Statements:
- Task 2: Audit of the County's Schedule of Federal Financial Assistance (Single Audit)
- Task 3: Quarterly Audits of the County Treasury
- Task 4: Audit the Schedules of Employer Allocations for Pension and OPEB
- Task 5: Attend and present at County Financial Oversight Committee meetings.
- Task 6: Perform Agreed upon Procedures on the County's GANN Limit

**C.** The complete contract shall include the following Exhibits attached hereto and incorporated herein:

Exhibit A	Proposal
Exhibit B	HIPAA Compliance

In the event of any conflict between any of the provisions of this Agreement (including Exhibits), the provision that requires the highest level of performance from Contractor for the County's benefit shall prevail.

**D.** The CFO may approve modifications of the term, scheduling, billing rates, and allocation of funds between the tasks and subtasks (if any) set forth above, provided that there is no increase in the total compensation as set forth in Paragraph III of this Agreement.

## **II. ADDITIONAL SERVICES**

The following services, insofar as they do not fall within the scope of the basic services required of Contractor under Paragraph I hereinabove and cause the Contractor extra expenses, and if authorized in advance in writing by the CFO, shall also be provided by Contractor:

- A. At the option of the County, elect to engage LSL to compile and prepare the County's financial statements, notes to the financial statements, required supplementary information, and supplemental schedules for inclusion in the County's CAFR at rates referenced in LSL's proposal.
- B. Provide assistance with the requirements of the GFOA Certificate of Achievement for Excellence in Financial Reporting program and to ensure related deliverables meet the requirements of the program.
- C. Provide other audit or accounting services under separate engagement letters, as requested by the Chief Financial Officer pursuant to Government Code Sections 1236, 6505, 26883, and 26909.

- D. Additional work that is directly related to the services set forth in Paragraph I above and requested in writing by the CFO.

### **III. COMPENSATION AND REIMBURSEMENT OF EXPENSES**

- A. For the services described in Paragraph I above, and subject to the condition that the services have been completed in a manner satisfactory to the CFO or his designee, Contractor shall be compensated as follows:

(Fiscal year 2018-19 Audits) July 1 through June 30, 2020: \$120,450  
(Fiscal year 2019-20 Audits) July 1 through June 30, 2021: \$120,450  
(Fiscal year 2020-21 Audits) July 1 through June 30, 2022: \$120,450  
(Fiscal year 2021-22 Audits) Option Year 1: July 1 through June 30, 2023:  
\$122,860  
(Fiscal year 2022-23 Audits) Option Year 2: July 1 through June 30, 2024:  
\$125,317

Provided, however, that the total amount of compensation to be paid to Contractor for the services required by this Agreement shall not exceed four hundred and one thousand and three hundred fifty dollars (\$401,350), unless the County exercises one or both option years. If one option year is exercised, the Agreement shall not exceed \$524,210. If both option years are exercised, the Agreement shall not exceed \$649,527. In the determination of hourly fees, time allotments shall be calculated to one-tenth of an hour.

- C. For the services described in Paragraph II above, insofar as they do not fall within the scope of the basic services required of Contractor under Paragraph I hereinabove and cause the Contractor extra expenses, Contractor shall be compensated at the rates presented in their proposal; provided, however, that the amount of any such compensation shall not exceed \$40,000 dollars. In the determination of hourly fees, time allotments shall be calculated to one-tenth of an hour.

- D. Contractor shall not be entitled to reimbursement for any expenses except as specifically set forth in this Paragraph. The following expenses may be reimbursed if they are incurred after prior written approval of the CFO: The compensation set forth above includes reimbursement for all expenses incurred by Contractor in the performance of this Agreement.

### **IV. METHOD OF PAYMENT**

- A. Within thirty (30) days of the completion of each subtask identified in Paragraph I in a manner that is satisfactory to the CFO, the Contractor shall submit an invoice detailing the services provided, the person(s) providing the service, the amount of time spent by each person providing the service calculated to the one-tenth of an hour, the rate per hour

charged for each person providing service, and an itemization of the actual expenses for which reimbursement is requested. Any claim for additional services pursuant to Paragraph II shall also include a copy of the CFO's written approval in advance of such services being provided. If requested by the County, Contractor shall provide any further documentation to verify the compensation and reimbursement sought by Contractor.

**B.** Within fifteen (15) calendar days of the receipt of Contractor's detailed invoice, the CFO shall either authorize payment or advise Contractor in writing of any concerns that the CFO has with the invoice and any need for further documentation.

**C.** Within thirty (30) calendar days of the CFO's authorization for payment of an invoice, the County CFO shall either issue the payment or advise Contractor in writing of any concerns that the County CFO has with the request and any need for further documentation.

## **V. REPORTS**

**A.** Contractor shall provide such reports as are required elsewhere by this Agreement, and such additional information and reports relating to the services otherwise required by this Agreement as are reasonably requested by the CFO, as the times and in the manner specified by this Agreement, or by the CFO if not so specified. Any other provision of this Agreement notwithstanding, should Contractor fail to provide any report required by this Agreement in a timely manner and as otherwise set forth in this Agreement, County may withhold any payments otherwise due Contractor pursuant to this Agreement, and any other agreement between Contractor and County, until such report is properly submitted as determined by the CFO.

**B.** County shall provide Contractor with all information pertinent to the services required of Contractor by this Agreement which is requested by Contractor and which is within County's possession. No charge will be made for these materials.

## **VI. OWNERSHIP OF DOCUMENTS AND WORK PRODUCTS**

All professional and technical documents and information developed under this Agreement, and all work products, including writings, work sheets, reports, and related data, materials, copyrights and all other rights and interests therein, shall become the property of the County, and Contractor agrees to deliver and assign the foregoing to the County, upon completion of the services hereunder or upon any earlier termination of this Agreement. Contractor assigns the work products, as and when the same shall arise, for the full terms of protection available throughout the world. In addition, basic data prepared or obtained under this Agreement shall be made available to the County without restriction or limitation on their use.

No additional charge will be made for any of the foregoing.

## **VII. RECORDS; ACCESS, RETENTION**

Contractor shall retain and make available for review by the County and its designees all records, documents, and general correspondence relating to this Agreement and the services required hereunder for a period of not less than five (5) years after receipt of final payment or until all pending audits and proceedings are completed, whichever is later. Contractor shall make such records available for inspection and copying by the County and its designees at any reasonable time. At least thirty (30) calendar days prior to any destruction of these records following the four years, Contractor shall notify the CFO. Upon such notification, the CFO shall either agree to the destruction or authorize the records to be forwarded to the County for further retention.

## **VIII. DISPUTES**

Any dispute arising under this Agreement shall be decided by the County Administrative Officer who shall put his or her decision in writing and mail a copy thereof to the address for the notice to Contractor. The decision of the County Administrative Officer shall be final unless, within thirty (30) days from the date such copy is mailed to Contractor, Contractor appeals the decision in writing to the County Board of Supervisors. Any such written appeal shall detail the reasons for the appeal and contain copies of all documentation supporting Contractor's position. In connection with any appeal proceeding under this paragraph, Contractor shall be afforded the opportunity to be heard and offer evidence in support of its appeal to the County Board of Supervisors at a regular Board meeting. Pending a final decision of the dispute, Contractor shall proceed diligently with the performance of this Agreement and in accordance with the County Administrative Officer's decision. The decision of the County Board of Supervisors on the appeal shall be final for purposes of exhaustion of administrative remedies.

## **IX. TERM AND TERMINATION**

**A.** The term of this Agreement shall be from July 1 2019 through June 30, 2022 unless sooner terminated as hereinafter provided

**B.** Should either party fail to substantially perform its obligations in accordance with this Agreement, the other party may notify the defaulting party of such default in writing and provide not less than thirty (30) days to cure the default. Such notice shall describe the default, and shall not be deemed a forfeiture or termination of this Agreement. If such default is not cured within said thirty-day period (or such longer period as is specified in the notice or agreed to by the parties), the party that gave notice of default may terminate this Agreement upon not less than fifteen (15) days advance written notice. In the event of such termination based upon Contractor default, the County reserves the right to purchase or obtain the supplies or services elsewhere, and Contractor shall be liable for the difference between the prices set forth herein and the actual cost thereof to the County. The foregoing notwithstanding, neither party waives the right to recover damages against the other for breach of this Agreement.

**C.** This Agreement is subject to the County, the State of California and the United States appropriating and approving sufficient funds for the activities required of the Contractor pursuant to this Agreement. If the County's adopted budget and/or its receipts

from the State of California and the United States do not contain sufficient funds for this Agreement, the County may terminate this Agreement by giving ten (10) days advance written notice thereof to the Contractor, in which event the County shall have no obligation to pay the Contractor any further funds or provide other consideration and the Contractor shall have no obligation to provide any further services pursuant this Agreement. If the County terminates the Agreement pursuant to this subparagraph, the County will pay Contractor in accordance with this Agreement for all services performed to the satisfaction of the CFO before such termination and for which funds have appropriated as required by law.

**D.** This Agreement may be terminated for any reason by either party at any time during its term, by giving 60 days' written notice to the other party.

**E.** If Contractor, or any of its officers, agents, employees, contractors, subcontractors, volunteers or five percent owners, becomes excluded, debarred or suspended from participation in Federally or State funded programs, the County may terminate this Agreement by giving ten (10) days advance written notice thereof to the Contractor.

**F.** Upon termination of this Agreement or suspension of work by either County or Contractor, Contractor shall furnish to County all documents and drawings prepared under this Agreement, whether complete or incomplete. In the event of termination for any reason, reproducible copies of all finished or unfinished documents, drawings, maps, models, photographs, and reports prepared by Contractor shall become the sole and exclusive property of Yolo County and Contractor shall be entitled to receive compensation for any work completed on such documents and other materials determined by the CFO to be of satisfactory quality and within the terms and conditions of this Agreement. All creative work undertaken by Contractor such as sketches, copy, dummies and all preparatory work for which Contractor is not compensated by the County shall remain the sole and exclusive property of the Contractor.

**G.** During and following the term of this Agreement, Contractor shall not use, distribute or otherwise circulate any of the materials developed pursuant to this Agreement and for which Contractor was compensated by the County without the express written permission of the CFO.

## **X. APPLICABLE LAWS**

**A.** In the performance of the services required by this Agreement, Contractor shall comply with all applicable Federal, State, and County statutes, ordinances, regulations, directives and laws. This Agreement is also subject to any additional restrictions or conditions that may be imposed upon the County by the Federal or State government.

**B.** This Agreement shall be deemed to be executed within the State of California and construed in accordance with and governed by the laws of the State of California. Any action or proceeding arising out of this Agreement shall be filed and resolved in a California State court located in Woodland, California. Contractor waives any removal

rights it might have under State or Federal law.

## **XI. NON-DISCRIMINATION IN SERVICES AND BENEFITS**

Contractor certifies that any service provided pursuant to this Agreement shall be without discrimination based on color, race, creed, national origin, religion, sex, age, sexual preferences, or physical or mental disability in accordance with all applicable Federal, State and County laws and regulations and any administrative directives established by the County Board of Supervisors or the County Administrative Officer. For the purpose of this Agreement, distinctions on the grounds of color, race, creed, national origin, religion, sex, age, sexual preferences, or physical or mental disability include but are not limited to the following: denying a participant any service or benefit which is different, or is provided in a different manner or at a different time from that provided to other participants under this Agreement; subjecting a participant to segregation or separate treatment in any way in the enjoyment or any advantage or privilege enjoyed by others receiving any service or benefit; treating a participant differently from others in determining whether the participant has satisfied any admission, enrollment quota, eligibility, membership, or other requirement or condition which individuals must meet in order to be provided any service or benefit; and the assignment of times or places for the provision of services.

## **XII. CONTRACTOR'S RESPONSIBILITIES**

**A.** Contractor shall exercise all of the care and judgment consistent with good practices in the performance of the services required by this Agreement.

**B.** With the exception that this section shall in no event be construed to require indemnification by Contractor to a greater extent than permitted under the public policy of the State of California, Contractor shall indemnify, defend and hold harmless the County of Yolo, officers, agents, employees and volunteers from and against any and all claims, damages, demands, losses, defense costs, expenses (including attorney fees) and liability of any kind or nature arising out of or resulting from performance of the work, provided that any such claim, damage, demand, loss, cost, expense or liability is caused in whole or in part by any negligent or intentional act or omission of the contractor, any subcontractor, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, regardless of whether or not it is caused in part by a party indemnified hereunder. Contractor and/or Subcontractor's responsibility for such defense and indemnity obligations shall survive the termination or completion of this agreement for the full period of time allowed by law. The defense and indemnification obligations of this agreement are undertaken in addition to, and shall not in any way be limited by, the insurance obligations contained in this agreement.

**[or:]**With the exception that this section shall in no event be construed to require indemnification by Contractor to a greater extent than permitted under the public policy of the State of California, Contractor shall indemnify, defend and hold harmless the County of Yolo, its officers, agents, employees and volunteers from and against any and all claims, damages, demands, losses, defense costs, expenses (including attorney fees) and liability of any kind or nature arising out of, or as a result of, litigation or administrative

proceeding(s), alleged to arise out of:

1. any negligent act, error or omission of Contractor, its officers, agents or employees, in performing the services, responsibilities or duties required of Contractor by this Agreement; or
2. any breach of any statutory, regulatory, contractual or legal duty of any kind related, directly or indirectly, to the services, responsibilities or duties required of Contractor by this Agreement.

Responsibility for such defense and indemnity obligations shall survive the termination or completion of this agreement for the full period of time allowed by law. The defense and indemnification obligations of this agreement are undertaken in addition to, and shall not in any way be limited by, the insurance obligations contained in this agreement.

### **XIII. PUBLIC LIABILITY AND PROPERTY DAMAGE INSURANCE**

A. During the term of this Agreement, Contractor shall at all times maintain, at its expense, the following coverages and requirements. The comprehensive general liability insurance shall include broad form property damage insurance.

1. Minimum Coverages (as applicable). Insurance coverage shall be with limits not less than the following:
  - a. **Comprehensive General Liability** – \$1,000,000/occurrence and \$2,000,000/aggregate
  - b. **Automobile Liability** – \$1,000,000/occurrence (general) and \$500,000/occurrence (property) (include coverage for Hired and Non-owned vehicles)
  - c. **Professional Liability/Malpractice/Errors and Omissions** – \$1,000,000/occurrence and \$2,000,000/aggregate (If any engineer, architect, attorney, accountant, medical professional, psychologist, or other licensed professional performs work under a contract, the contractor must provide this insurance. If not, then this requirement automatically does not apply.)
  - d. **Workers' Compensation** – Statutory Limits/**Employers' Liability** - \$1,000,000/accident for bodily injury or disease (If no employees, this requirement automatically does not apply.)
2. The County, its officers, agents, employees and volunteers shall be named as additional insured on all but the workers' compensation and professional liability coverages. [NOTE: Evidence of additional insured may be needed as a separate endorsement due to wording on the certificate negating any additional writing in the description box.] It shall be a requirement under this agreement that any available insurance proceeds broader than or in excess of the specified minimum Insurance coverage requirements and/or limits shall be available to the Additional Insured. Furthermore, the requirements for coverage

and limits shall be (1) the minimum coverage and limits specified in this Agreement; or (2) the broader coverage and maximum limits of coverage of any Insurance policy or proceeds available to the named Insured; whichever is greater.

a. The Additional Insured coverage under the Contractor's policy shall be "primary and non-contributory" and will not seek contribution from the County's insurance or self-insurance and shall be at least as broad as CG 20 01 04 13.

b. The limits of Insurance required in this agreement may be satisfied by a combination of primary and umbrella or excess Insurance. Any umbrella or excess Insurance shall contain or be endorsed to contain a provision that such coverage shall also apply on a primary and non-contributory basis for the benefit of the County of Yolo (if agreed to in a written contract or agreement) before the County's own Insurance or self-insurance shall be called upon to protect it as a named insured.

3. Said policies shall remain in force through the life of this Agreement and, with the exception of professional liability coverage, shall be payable on a "per occurrence" basis unless the County Risk Manager specifically consents in writing to a "claims made" basis. For all "claims made" coverage, in the event that the Contractor changes insurance carriers Contractor shall purchase "tail" coverage covering the term of this Agreement and not less than three years thereafter. Proof of such "tail" coverage shall be required at any time that the Contractor changes to a new carrier prior to receipt of any payments due.

4. The Contractor shall declare all aggregate limits on the coverage before commencing performance of this Agreement, and the County's Risk Manager reserves the right to require higher aggregate limits to ensure that the coverage limits required for this Agreement as set forth above are available throughout the performance of this Agreement.

5. Any deductibles or self-insured retentions must be declared to and are subject to the approval of the County Risk Manager. All self-insured retentions (SIR) must be disclosed to Risk Management for approval and shall not reduce the limits of liability. Policies containing any SIR provision shall provide or be endorsed to provide that the SIR may be satisfied either by the named Insured or Yolo County.

6. Each insurance policy shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the CFO (ten (10) days for delinquent insurance premium payments).



7. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, unless otherwise approved by the County Risk Manager.
  8. The policies shall cover all activities of Contractor, its officers, employees, agents and volunteers arising out of or in connection with this Agreement.
  9. For any claims relating to this Agreement, the Contractor's insurance coverage shall be primary, including as respects the County, its officers, agents, employees and volunteers. Any insurance maintained by the County shall apply in excess of, and not contribute with, insurance provided by Contractor's liability insurance policy.
  10. The Contractor shall waive all rights of subrogation against the County, its officers, employees, agents and volunteers.
- B.** Prior to commencing services pursuant to this Agreement, Contractor shall furnish the County with original endorsements reflecting coverage required by this Agreement. The endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. All endorsements are to be received by, and are subject to the approval of, the County Risk Manager before work commences. Upon County's request, Contractor shall provide complete, certified copies of all required insurance policies, including endorsements reflecting the coverage required by these specifications.
- C.** During the term of this Agreement, Contractor shall furnish the County with original endorsements reflecting renewals, changes in insurance companies and any other documents reflecting the maintenance of the required coverage throughout the entire term of this Agreement. The endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. Upon County's request, Contractor shall provide complete, certified copies of all required insurance policies, including endorsements reflecting the coverage required by these specifications. Yolo County reserves the right to obtain a full certified copy of any Insurance policy and endorsements. Failure to exercise this right shall not constitute a waiver of right to exercise later.
- D.** Contractor agrees to include with all Subcontractors in their subcontract the same requirements and provisions of this agreement including the indemnity and Insurance requirements to the extent they apply to the scope of the Subcontractor's work. Subcontractors hired by Contractor agree to be bound to Contractor and the County of Yolo in the same manner and to the same extent as Contractor is bound to the County of Yolo under the Contract Documents. Subcontractor further agrees to include these same provisions with any Sub-subcontractor. A copy of the Owner Contract Document Indemnity and Insurance provisions will be furnished to the Subcontractor upon request. The General Contractor/**and or Contractor** shall require all Subcontractors to provide a valid certificate of insurance and the required endorsements included in the agreement prior to commencement of any

work and General Contractor/**and or Contractor** will provide proof of compliance to the County of Yolo.

- E. Contractor shall maintain insurance as required by this contract to the fullest amount allowed by law and shall maintain insurance for a minimum of five years following the completion of this project. In the event contractor fails to obtain or maintain completed operations coverage as required by this agreement, the County at its sole discretion may purchase the coverage required and the cost will be paid by Contractor.

#### **XIV. WORKERS' COMPENSATION**

Contractor shall provide workers' compensation coverage as required by State law, and prior to commencing services pursuant to this Agreement shall file the following statement with the County in a form substantially as set forth below.

##### **WORKERS' COMPENSATION CERTIFICATE**

I am aware of the provisions of Section 3700 of the Labor Code that require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that Code, and I will comply with such provisions before commencing any services required by this Agreement.

The person executing this certificate on behalf of Contractor affirmatively represents that she/he has the requisite legal authority to do so on behalf of Contractor, both the person executing this Agreement on behalf of Contractor and Contractor understand that the County is relying on this representation in entering into this Agreement.

#### **XV. NOTICE**

- A. All notices shall be deemed to have been given when made in writing and delivered or mailed to the respective representatives of County and Contractor at their respective addresses as follows:

Contractor:

LSL  
2151 River Plaza Dr., Suite 150  
Sacramento, CA 95833

Attn: Kenneth A. Macias, D.P.A., M.B.A, CPA.  
Partner  
(916) 503-9691 Ext. 310

County: Yolo County Department of Financial Services  
625 Court Street  
Suite 103  
Woodland Ca. 95695

Attn: Chad Rinde, CPA  
Chief Financial Officer

**B.** In lieu of written notice to the above addresses, any party may provide notices through the use of facsimile machines provided confirmation of delivery is obtained at the time of transmission of the notices and provided the following facsimile telephone numbers are used:

Contractor: (714) 672-0331

County: (530) 666-8708

**C.** Any party may change the address or facsimile number to which such communications are to be given by providing the other parties with written notice of such change at least fifteen (15) calendar days prior to the effective date of the change.

**D.** All notices shall be effective upon receipt and shall be deemed received through delivery if personally served or served using facsimile machines, or on the fifth (5th) day following deposit in the mail if sent by first class mail.

## **XVI. CONFLICT OF INTEREST**

**A.** Contractor shall comply with the laws and regulations of the State of California and County regarding conflicts of interest, including, but not limited to, Article 4 of Chapter 1, Division 4, Title 1 of the California Government Code, commencing with Section 1090, and Chapter 7 of Title 9 of said Code, commencing with Section 87100 including regulations promulgated by the California Fair Political Practices Commission.

**B.** Contractor covenants that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of Contractor's obligations and responsibilities hereunder. Contractor further covenants that in the performance of this Agreement, no person having any such interest shall be employed. This covenant shall remain in force until Contractor completes performance of the services required of it under this Agreement.

**C.** Contractor agrees that if any fact comes to its attention that raises any question as to the applicability of any conflict of interest law or regulation, Contractor will immediately inform the County and provide all information needed for resolution of the question.

## **XVII. COVENANT AGAINST CONTINGENT FEES**

Contractor warrants that it has not employed or retained any company or person, other than a bona fide employee working for Contractor, to solicit or secure this Agreement, and that it has not paid or agreed to pay any company or person, other than a bona fide employee, any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the award or making this agreement. For breach or violation of this warranty, the County shall have the right to annul this agreement without liability, or in its discretion to deduct from the agreement price or consideration, or otherwise recover, the full amount of such fee, commission, percentage, brokerage fee, gift or contingent fee.

## **XVIII. AUDITS**

**A.** Contractor shall be subject to examination and audit by the State or the County, or both, throughout the term of this Agreement and thereafter for a period of three years from the date that final payment is made pursuant to this Agreement. This does not preclude access to records by County, State, the Comptroller General of the United States, or any of their authorized representatives, as otherwise provided by this Agreement, the State contract, or State or Federal laws and regulations. Contractor agrees that County and/or State has the right to review, obtain, and copy all records pertaining to the performance of this Agreement, and agrees to provide County and/or State with any and all relevant information requested.

**B.** Any and all books, records, and facilities maintained by Contractor related to services provided under this Agreement may be audited, inspected and copied at any time during normal business hours. Unannounced visits may be made at the discretion of the County or State. Employees who might reasonably have information related to such records may be interviewed. All expenditures of State and federal funds furnished to Contractor pursuant to this Agreement are subject to audit by County, State and/or Federal representatives. Such audits shall consider and build upon external independent audits performed pursuant to audit requirements of the Office of Management and Budget (OMB) Circular A-133 as described in Paragraph C below.

**C.** Should Contractor expend \$500,000 or more in Federal funds during any fiscal year, Contractor shall furnish County a certified copy of an Audit Report from an independent CPA firm covering the Contractor's preceding fiscal year of January 1 through December 31. This Audit shall be performed in accordance with OMB Circular A-133 and conducted in accordance with generally accepted government auditing standards as described in Government Auditing Standards (1994 Revision), and provided in a form satisfactory to the CFO.

Contractor shall provide this Audit Report no later 270 days after contractors year. In the event that this Agreement expires or is terminated on a date other than December 31, Contractor shall provide County such an Audit Report covering the preceding period of January 1 through the date of expiration or termination no later than July 31 after the date

of expiration or termination. Contractor shall ensure that audit work papers supporting the report are retained for a period of three (3) years from the date of the audit report, and longer if notified by the State or County to extend the retention period, and are made available to the State and/or County upon request.

**D.** Should an Audit Report or any State or County audit determine that Contractor has misspent funds and been overpaid based on the requirements of this Agreement and applicable laws and regulations, County shall demand repayment from Contractor in the amount of such audit findings and withhold any payment otherwise due under this Agreement until Contractor repays such amount. Contractor shall repay County such amount within sixty (60) days of the date of the County's demand for repayment. Should Contractor fail to repay County within sixty (60) days of the date of County's demand for repayment, the County may offset the amount due from Contractor against any amounts that would otherwise be due from the County to Contractor pursuant to this Agreement or any other agreement or source.

**E.** Any failure or refusal by Contractor to permit access to any facilities, books, records or other information required to be provided to the State &/or the County by this Agreement &/or the State contract shall constitute an express and immediate breach of this Agreement.

#### **XIX. ASSIGNMENT AND SUBCONTRACTS**

The services and obligations required of Contractor under this Agreement are not assignable in whole or in part. In addition, Contractor shall not subcontract any portion of the services required of Contractor by this Agreement without the express written consent of the CFO. If any portion of the services required of Contractor are subcontracted, the subcontractor(s) shall maintain the same insurance as required of Contractor by this Agreement and Contractor shall be fully responsible to the County for all work undertaken by subcontractors.

#### **XX. STATUS OF CONTRACTOR**

**A.** It is understood and agreed by all the parties hereto that Contractor is an independent contractor and that no relationship of employer-employee exists between the County and Contractor. Neither Contractor nor Contractor's assigned personnel shall be entitled to any benefits payable to employees of the County. Contractor hereby indemnifies and holds the County harmless from any and all claims that may be made against the County based upon any contention by any third party that an employer-employee relationship exists by reason of this Agreement or any services provided pursuant to this Agreement.

**B.** It is further understood and agreed by all the parties hereto that neither Contractor nor Contractor's assigned personnel shall have any right to act on behalf of the County in any capacity whatsoever as an agent or to bind the County to any obligation whatsoever.

**C.** It is further understood and agreed by all the parties hereto that Contractor must

issue any and all forms required by Federal and State laws for income and employment tax purposes, including W-2 and 941 forms, for all of Contractor's assigned personnel.

#### **XXI. AMENDMENT**

This Agreement may be amended only by written instrument signed by the County and Contractor.

#### **XXII. WAIVER**

The waiver by the County or any of its officers, agents or employees or the failure of the County or its officers, agents or employees to take action with respect to any right conferred by, or any breach of any obligation or responsibility of this Agreement shall not be deemed to be a waiver of such obligation or responsibility, or subsequent breach of same, or of any terms, covenants or conditions of this Agreement.

#### **XXIII. AUTHORIZED REPRESENTATIVE**

The person executing this Agreement on behalf of Contractor affirmatively represents that she/he has the requisite legal authority to enter into this Agreement on behalf of Contractor and to bind Contractor to the terms and conditions of this Agreement. Both the person executing this Agreement on behalf of Contractor and Contractor understand that the County is relying on this representation in entering into this Agreement.

#### **XXIV. PUBLIC RECORDS ACT**

Upon its execution, this Agreement (including all exhibits and attachments) shall be subject to disclosure pursuant to the California Public Records Act.

#### **XXV. ADDITIONAL PROVISIONS**

**A.** Where there is a doubt as to whether a provision of this document is a covenant or a condition, the provision shall carry the legal effect of both. Should the County choose to excuse any given failure of Contractor to meet any given condition, covenant or obligation (whether precedent or subsequent), that decision will not be, or have the legal effect of, a waiver of the legal effect in subsequent circumstances of either that condition, covenant or obligation or any other found in this document. All conditions, covenants and obligations continue to apply no matter how often County may choose to excuse a failure to perform them.

**B.** Except where specifically stated otherwise in this document, the promises in this document benefit the County and Contractor only. They are not intended to, nor shall they be interpreted or applied to, give any enforcement rights to any other persons (including corporate) which might be affected by the performance or non-performance of this Agreement, nor do the parties hereto intend to convey to anyone any "legitimate claim of entitlement" with the meaning and rights that phrase has been given by case law.

**C. Suspension and Debarment:**

1. By signing this agreement, the Contractor agrees to comply with applicable Federal suspension and debarment regulations including, but not limited to, 7 CFR Part 3017, 45 CFR 76, 40 CFR 32 or 34 CFR 85.
2. By signing this agreement, the Contractor certifies to the best of its knowledge and belief, that it and its principals:
  - a. Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any federal department or agency;
  - b. Have not within a three-year period preceding this application/proposal/agreement been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
  - c. Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with commission of any of the offenses enumerated in Paragraph 2(b) herein;
  - d. Have not within a three-year period preceding this application/proposal/agreement had one or more public transactions (Federal, State or local) terminated for cause or default;
  - e. Shall not knowingly enter into any lower tier covered transaction with a person who is proposed for debarment under federal regulations (i.e., 48 CFR part 9, subpart 9.4), debarred, suspended, declared ineligible, or voluntarily excluded from participation in such transaction, unless authorized by the State; and
  - f. Will included a clause entitled, "Debarment and Suspension Certification" that essentially sets forth the provisions herein, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.
3. If the Contractor is unable to certify to any of the statements in this certification, the Contractor shall submit an explanation to the County program funding this Agreement, and the County shall have the option of terminating this Agreement immediately or at any time thereafter, upon giving Contractor written notice of such termination, if the explanation is not found satisfactory by the County in its sole discretion.
4. The terms and definitions herein have the meanings set out in the Definitions and

Coverage sections of the rules implementing Federal Executive Order 12549.

- 5. If the Contractor knowingly violates this certification, in addition to other remedies available to the Federal Government, the County may terminate this Agreement at any time upon giving Contractor written notice of such termination.

**D.** Contractor shall comply with, and shall ensure that its officers, agents, employees, participants and volunteers comply with, the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations, and the privacy and security requirements set forth in Exhibit B attached hereto.

**XXVI. ENTIRE AGREEMENT**

This Agreement constitutes the entire agreement between the County and Contractor and supersedes all prior negotiations, representations, or agreements, whether written or oral. In the event of a dispute between the parties as to the language of this Agreement or the construction or meaning of any term hereof, this Agreement shall be deemed to have been drafted by the parties in equal parts so that no presumptions or inferences concerning its terms or interpretation may be construed against any party to this Agreement.

**IN WITNESS WHEREOF**, the parties have executed this Agreement as of the day and year first set forth above.

**CONTRACTOR**

DocuSigned by:  
 By Kenneth Macias  
 Kenneth A. Macias, D.P.A, M.B.A. C.P.A.,  
 Partner

**COUNTY OF YOLO**

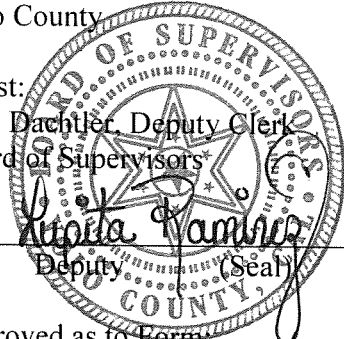
By Don Saylor  
 Don Saylor, Chair  
 Board of Supervisors

DocuSigned by:  
 By Chad Rinde  
 Chad Rinde, Chief Financial Officer  
 Yolo County

Attest:  
 Julie Dachler, Deputy Clerk  
 Board of Supervisors

By Angela Ramirez  
 Deputy (Seal)

Approved as to Form:  
 DocuSigned by:  
Eric May  
 Eric May, Senior Deputy County Counsel





**WORKERS' COMPENSATION CERTIFICATE**

I am aware of the provisions of Section 3700 of the Labor Code that require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing any services required by this Agreement.

The person executing this certificate on behalf of Contractor affirmatively represents that she has the requisite legal authority to do so on behalf of Contractor, both the person executing this Agreement on behalf of Contractor and Contractor understand that the County is relying on this representation in entering into this Agreement.

**CONTRACTOR**

DocuSigned by:  
By Kenneth Macias  
0F01F5C3881F456...

\_\_\_\_\_  
Print Name/Title

EXHIBIT A



Proposal Presented to

# COUNTY OF YOLO

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FOR INDEPENDENT AUDIT SERVICES  
FOR FISCAL YEARS ENDING  
JUNE 30, 2019, 2020, 2021

**CONTACT PERSON:**

Kenneth A. Macias, D.P.A., M.B.A, CPA, Partner  
[Ken.Macias@lslcpas.com](mailto:Ken.Macias@lslcpas.com)  
(916) 503-9691 Ext. 310  
2151 River Plaza Dr., Suite 150  
Sacramento, CA 95833

**March 1, 2019**

Focused  
on YOU





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## **EXHIBIT A – PROPOSAL TRANSMITTAL LETTER**

March 1, 2019

County of Yolo Department of Financial Services  
 Josh Iverson, Accounting Manager  
 625 Court Street, Room 102  
 Woodland, California 95695

**LANCE, SOLL & LUNGHARD, LLP (LSL)** is pleased to respond to your request for proposal for audit services. As a leader in the field of governmental accounting and auditing, we appreciate this opportunity to present our professional qualifications. Because of our extensive California government experience, dedication to excellence and determination to retain the brightest talent, we believe you will find that LSL is the most qualified accounting firm to provide professional audit services to the County of Yolo (County). In addition, we have substantially enhanced our Sacramento resources by having Ken Macias, former managing partner and founder of Macias Gini & O’Connell, LLP (MGO) join LSL as partner. Ken has an abundance of small and large county experience.

Members of our team provide auditing services for cities, counties, and special-purpose government agencies. In addition, we have provided seminars on GASB statement No.75, “Accounting and Financial Reporting” for post-employment benefits other than pensions (OPEB)” and we are knowledgeable and ready to assist the authorities in implementing it and GASBs 84, 86 and 87. We have excellent communication with our clients, because our team plans to be on-site to perform the fieldwork. The team also has an abundance of experience with fund accounting, revenues and transactions—this is what we do, and why our clients trust us.

We affirm that we meet the independence requirements as defined by Government Auditing Standards for the County of Yolo and its related agencies. Our partners do not own any other business organization that has in the past, or will in the future, be providing services, supplies, materials or equipment to the County of Yolo. We haven’t had any professional relationship with the County or its related agencies within the past five years. LSL will provide written notice of any reportable professional relationship entered into during the period of the proposed agreement.

We are committed to providing the services required in **Section C-2** of the RFP, and affirm that we meet the minimum qualifications stated in **Section C-3** of the RFP. Additionally, we have prepared our proposal following the county’s requested format, starting with this transmittal letter. For purposes of this proposal, Kenneth A. Macias, Partner, is authorized to make representations for our firm, sign a contract with the County of Yolo and empowered to submit this bid. He can be reached at the address below or by phone at (916) 503-9691, or through email at [ken.macias@lslcpas.com](mailto:ken.macias@lslcpas.com).

Very Truly Yours,

A handwritten signature in black ink that reads "Kenneth A. Macias". The signature is written in a cursive, flowing style.

Kenneth A. Macias, D.P.A., M.B.A, CPA, Engagement Partner  
 Lance, Soll & Lunghard, LLP  
 2151 River Plaza Dr., Suite 150, Sacramento, California 95833



## BENEFITS TO WORKING WITH LSL

In today's environment, keeping up with the numerous accounting and regulatory changes can seem unmanageable. Finance departments are facing more complexity, risk, and change than ever before, and with less resources. As the industry continues to evolve, a strategic relationship with LSL, can help you better manage these changes and better understand the industries best management practices.

- 1 Annual Governmental Accounting Update**  
Annually, we hold a half day seminar providing an update to new accounting and regulatory standards impacting local governments. The goal is to provide useful relevant information that impacts your organization.
- 2 Annual Onsite Client Specific Training**  
Tailored training for your organization on topics that are most relevant and needed for you and your team. Topics may include fraud risk management, internal controls, accounting pronouncements, governmental accounting, and CAFR preparation.
- 3 Focused Topic Specific Webinars and Ongoing News & Alerts**  
Important topics effecting local governments sometimes need more attention and explanation. In addition to our annual update, our webinars and news offer a short focused approach to these critical areas.
- 4 Meetings with Boards & Committees**  
We believe communication is the key to a successful relationship and offer two annual meetings with your Board or Committees. Both meetings encourage dialogue between LSL and Board Members during the preliminary and concluding segments of the audit.
- 5 Experience**  
LSL has experienced and educated professionals. In addition to providing auditing and consulting services to government organizations, Ken Macias has studied risky government organizations—Orange County, financing authorities and other agencies. His dissertation topic--"A Financial Audit Model for Entrepreneurial Governments"-- will provide meaningful exchanges of standards and best practices in dealing with risk and operations.
- 6 Cost Benefit**  
LSL has recently opened a Sacramento office due to the number of Northern California clients in the region. The firm is currently looking to add more government agencies to our client list, particularly, county government. This opportunity allows us to select desirable clients, whom we are offering very competitive rates. Therefore, we are pleased to select the County of Yolo to offer reduced rates from our Sacramento office. We do not want fees alone to be an obstacle in the County's selection of LSL. We would be happy to discuss such fee issues and responsibilities with you.
- 7 Communication**  
LSL focuses on its clients and their organizations. The firm offers advanced planning by providing early client requested schedules, promptly informing clients of any findings, listening, and understanding the needs of the count.



## **EXHIBIT B – PROPOSAL PROFILE, QUALIFICATIONS, AND EXPERIENCE**

### **LOCATION OF OFFICES**

LSL is regional CPA firm with 3 offices located in California. **The audit for the County of Yolo will be staffed from our Sacramento location.** LSL has two other offices in Brea (Headquarters) and Santa Ana, California.

### **SIZE OF FIRM**

**Our firm has approximately 115 employees including 17 partners and professional staff.** Governmental staff consists of four partners, one senior manager, four managers, five supervisors, and ten seniors. **All professional staff assigned to the proposed engagement work on a full-time basis.**

### **EXPERTISE AND SUPPORT**

Our activities overall cover auditing and attestation, business advisory, taxes and planning, and accounting and financial services. **Approximately 30% of our practice deals with the government sector and related services.** Generally, our government sector services break down into the following major classifications: compliance, performance, strategic planning and tax services. We have an abundance of both audit and tax resources ready and available in each of our 3 offices, and regularly share resources as needed.

### **LICENSE TO PRACTICE IN CALIFORNIA**

LSL is a limited liability partnership and is not a wholly owned subsidiary of a parent company. LSL is a public accounting firm licensed by the State of California, Department of Consumer Affairs, as a Public Accounting Partnership. As a firm, we are members of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. All key staff to be assigned to this engagement are or will be licensed by the State of California to practice as Certified Public Accountants.

### **GFOA AWARD PROGRAM**

We prepare the financial statements and footnote disclosures for most of our clients that have received the GFOA award, and are ready to provide this service to the County, if requested. All of our governmental partners, managers and seniors have been closely involved in the preparation of these reports, and members of our team serve as GFOA technical reviewers.

### **DESK REVIEWS/DISCIPLINARY ACTION**

**There have been no disciplinary actions against our organization since its inception.** Our Single Audit reports are desk reviewed by the Federal cognizant agency or the State Controller's Office acting as the Oversight Agency. LSL has never had a report rejected by any of these agencies. In fact, we are highly regarded and recognized by the staff of the State Controller's Office for top quality reports.

### **NUMBER AND NATURE OF PROFESSIONAL STAFF TO BE EMPLOYED ON THE ENGAGEMENT**

Personnel assigned to this engagement will include an engagement partner (field partner), a concurring partner (quality control), audit senior manager (technical manager), audit manager (field manager), a senior in-charge and three to four additional staff. **All professional staff assigned to the proposed engagement work on a full-time basis and are committed to successfully complete this engagement. The staff for this job will be working out of the Sacramento office with respective experience specific to the scope of work to be performed.**

### **EXTERNAL QUALITY CONTROL REVIEWS**

Our most recent peer reviews was conducted by Sikich. All peer reviews covered governmental engagements. Our most recent peer review is included on page 16 of our proposal.

### **RECENT AUDIT ENGAGEMENTS**

LSL and members of the proposed engagement team has performed, and currently perform, audits for the City of Pasadena, the City of Santa Monica, LA County Community Development Commission and the City of Chula Vista, which had operating budgets for fiscal year 2018 of \$783M, \$775M, \$457M and \$373M respectively.



Kenneth A. Macias, D.P.A, M.B.A, CPA  
Engagement Partner



Deborah A. Harper, CPA  
Quality Assurance Partner



Brandon T. Young, CPA  
Assurance Senior Manager



Jocelyn Esparza, CPA  
Assurance Manager

### KEY PERSONNEL AND RESPONSIBILITIES

The individuals assigned have experience in performing the tasks for which they are responsible, as well as familiarity with accounting operations. In addition, each has developed extensive skills in a variety of other complementary subjects through their work with clients in other industries. Thus, the experience gained on previous assignments can be applied and tailored to the unique needs of your organization. **LSL will not be subcontracting any portion of the audits of the County of Yolo.**

The partners at LSL are routinely an integral part of the audit process and will be overseeing and supervising staff personnel in the field.

Resumes of the key personnel assigned are included on the following pages and list their governmental auditing experience, applicable continuing professional education for the past three years, and memberships in professional organizations relevant to the performance of the audit of the County of Yolo.

Any changes in personnel at the in-charge level or above will be approved by the County of Yolo. LSL's philosophy is to provide **quality audit services with minimal disruption to County staff.** Our focused efforts to obtain and retain quality staff have further enabled us to provide high level of services to our clients.

### CONTINUING EDUCATION

As a firm policy, all professional government staff meet the requirement of 40 hours of continuing education every year, with at least 24 hours in governmental accounting and auditing in a two-year period. Our educational programs include training from CalCPA, AICPA, Government Audit Quality Center, and GFOA.



**KENNETH A. MACIAS, D.P.A, M.B.A., CPA**  
**ENGAGEMENT PARTNER**

## ACHIEVEMENTS

Ken Macias has over 39 years of extensive experience, including, all phases of external and internal auditing, accounting, evaluating internal controls, and providing performance audits for large, complex organizations. He founded and managed another large statewide government audit and consulting firm—Macias Gini & O’Connell, LLP (MGO). After leaving MGO’s partnership, he joined LSL to continue to serve government organizations and mentor staff.

Ken is a well-respected member of the accounting profession who has earned national recognition. He has been appointed to several national and state accounting and auditing related positions including the prestigious AICPA Auditing Standards Board (ASB) and the AICPA Governance Council. Due to his involvement on various AICPA Board and Councils, he was named to the AICPA Board of Directors.

As a former member of the AICPA State and Local Government Expert Panel, Ken was one of the contributors to the revised Audits of State and Local Government Units (The Audit Guide). He has also been an active member of an AICPA task force on performance auditing and program specific audits. He continues to serve on GASB Task Force projects. He served on the task force that ultimately issued GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. He also served on GASB’s Asset Impairment Advisory Committee.

As a member of the ASB he was responsible for drafting and finalizing pronouncements, reports, studies, practice aids, etc., for all auditing standards. His active participation allows him to be at the forefront in understanding and establishing quality standards of reporting and auditing governmental entities and to be an effective liaison with the GASB, the GAO, the OMB, the State Controller’s Office, the AICPA, the CSCPA’s, and other significant federal, state and local agencies.

## LICENSES

Certified Public Accountant - California 1981  
 Certified Government Financial Manager -1996  
 Certified Global Management Accountant – 2014





**Kenneth A. Macias, D.P.A., M.B.A., CPA**, Engagement Partner (Continued)

## EDUCATION

Doctorate in Public Administration (D.P.A.) - University of Southern California (USC)  
 M.B.A. in Finance Golden Gate University, San Francisco  
 Master of Public Administration (M.P.A.) in Management (USC)  
 M.S. in Accountancy and Taxation from California State University, Sacramento (CSUS)  
 B.S. Business Administration

## CONTINUING EDUCATION

Total hours were 149 in last three years of which **78 were in governmental accounting and auditing subjects**. Kenneth has met the Governmental Auditing Standards requirement for governmental CPE.

## MEMBERSHIPS

Certified Public Accountant  
 Certified Government Financial Manager (CGFM) by the AICPA Board of Directors  
 AICPA Board of Directors (2011-2014)  
 American Society for Public Administration  
 American Institute of Certified Public Accountants  
 Association of Government Accountants  
 California Society of Certified Public Accountants  
 Government Finance Officers' Association  
 Board Member, California Utilities Diversity Council, an advisory board to the California Public Utilities Commission  
 Chair Emeritus California Hispanic Chambers of Commerce, a network of 65 local chambers with over 700,000 Hispanic businesses

### Cities & Counties Served at MGO

Fresno County  
 Orange County  
 Placer County  
 Sacramento County  
 San Bernardino County  
 San Mateo County  
 Santa Clara County  
 City of Los Angeles  
 City of Oakland  
 City of Sacramento  
 City of San Diego  
 City of San Jose

### Enterprise Governments Served at MGO

California Public Employers' Retirement System (CalPERS)  
 California State Teachers' Retirement System (CalSTRS)  
 Oakland International Airport  
 Golden Gate Bridge  
 Los Angeles International Airport  
 Los Angeles County Metropolitan Transportation Authority  
 Port of Oakland  
 Various Government Utilities

Ken has provided all professional services to government organizations during his long, distinguished career.



**DEBORAH A. HARPER, CPA**  
**QUALITY ASSURANCE PARTNER**

## ACHIEVEMENTS

Deborah was accepted as a 2015 and 2016 **executive committee member of the AICPA Government Audit Quality Center**, which is a national division for governments. As an executive board member, Deborah participates in the development, review, and first hand discussion of new standards and guidance published in the AICPA Audit Guides which is provided to audit firms across the country. In 2017, Deborah also accepted participation in the **GASB Research Note Disclosure Reexamination Roundtable**. Deborah leads the Lance, Soll & Lunghard, LLP training program and serves as the firm Learning Director.

## LICENSE

Certified Public Accountant - California 2005

## EDUCATION

Bachelor of Arts Degree in Business Administration with an emphasis in Accounting – California State University, Fullerton, 2000

## CONTINUING EDUCATION

Total hours were 132 in last three years of which **68 were in governmental accounting and auditing subjects**. Deborah has met the Governmental Auditing Standards requirement for governmental CPE.

## MEMBERSHIPS

California Society of Certified Public Accountants (CalCPA)  
 American Institute of Certified Public Accountants (AICPA)  
 California Society of Municipal Finance Officers, Associate Member (CSMFO)  
 Government Finance Officers Association, Associate Member (GFOA)  
 Governmental Accounting and Auditing Committee  
 AICPA Government Audit Quality Center

## EXPERIENCE

Deborah has over sixteen years of experience in governmental audits. During her time with the firm, Deborah has performed all phases of our government audits and made numerous presentations to Boards of Directors and Audit Committees. Work performed has included:

- The preparation of the Comprehensive Annual Financial Report for those entities involved in the award programs of the California Society of Municipal Finance Officers and the Government Finance Officers Association of the United States and Canada.
- Review the audit of these entities and provide technical assistance throughout the year to deliver the most up to date information with current GASB pronouncement.
- Present the overall audit results to audit committees or other Board Members.



**BRANDON T. YOUNG, CPA**  
**ASSURANCE SENIOR MANAGER**

## LICENSE

Certified Public Accountant - California 2014

## CONTINUING EDUCATION

Total hours were 125 in last three years of which **74 were in governmental accounting and auditing subjects**. Brandon has met the Governmental Auditing Standards requirement for governmental CPE.

## MEMBERSHIPS

California Society of Certified Public Accountants (CalCPA)  
American Institute of Certified Public Accountants (AICPA)  
CalCPA State Governmental Accounting & Auditing Committee (GAA)  
California Society of Municipal Finance Officers (CSMFO)

## EXPERIENCE

Brandon has quickly become a leader in our government department in his 8+ years with the firm. Brandon has performed and managed all phases of our government audits for over 30 different levels government organizations including county related organizations, cities, special districts and non profits. This work involved the award programs of the California Society of Municipal Finance Officers and the Government Finance Officers Association of the United States and Canada. He is also very involved in the firm training and mentorship program, and is also a GFOA technical reviewer.

## EDUCATION

Bachelor of Arts Degree in Accounting – Magna Cum Laude – Vanguard University, 2012



**JOCELYN ESPARZA, CPA**  
**ASSURANCE MANAGER**

## LICENSE

Certified Public Accountant – California 2017

## CONTINUING EDUCATION

Total hours were 132 in last three years of which **82 were in governmental accounting and auditing subjects**. Jocelyn has met the Governmental Auditing Standards requirement for governmental CPE.

## EXPERIENCE

Jocelyn has progressed in an outstanding manner in her 5 years with the firm. During her time with the firm, Jocelyn has performed all phases of our government audits for over 20 different levels of government organizations. This work involved the award programs of the California Society of Municipal Finance Officers and the Government Finance Officers Association of the United States and Canada.

## EDUCATION

Bachelor of Arts Degree in Business Administration, Concentrations in Accounting & Information Systems – California State University, Fullerton, 2013



## EXHIBIT C – AUDIT METHODOLOGY, APPROACH, AND USE OF I.T. TOOLS

### SERVICES TO BE PROVIDED

LSL will provide the following audit services and deliverables for the fiscal years ending June 30, 2019, 2020, and 2021, with the option to extend the contract for two additional one year periods:

- Audit of the County's Financial Statements: Express an opinion as to the fair presentation of the financial statements (CAFR) of the County in accordance with Generally Accepted Accounting Principles, Generally Accepted Auditing Standards, *Governmental Auditing Standards*, and applicable laws and regulations.
- At the option of the County, elect to engage LSL to compile and prepare the County's financial statements, notes to the financial statements, required supplementary information, and supplemental schedules for inclusion in the County's CAFR. County staff would continue to prepare the Management's Discussion and Analysis, the introductory and statistical sections, and print and bind the report.
- Provide assistance with the requirements of the GFOA Certificate of Achievement for Excellence in Financial Reporting program and to ensure related deliverables meet the requirements of the program.
- Audit of the County's Schedule of Federal Financial Assistance (Single Audit): Conduct annual audits of Federal awards including all financial and compliance audit requirements of the provisions of the federal Single Audit Act (including all amendments) and applicable United States Office of Management and Budget circular(s).
- Audit of the County Treasury: Conduct quarterly reviews of the Treasurer's statement of assets, pursuant to Government Code Section 26920(a) of the first three quarters of each fiscal year and conduct annual audits of the county treasury, pursuant to Government Code Section 26920(b) and Section 27134.
- Audit the Schedules of Employer Allocations: Express opinions on the schedule of employer allocations and the specified column totals included in the schedule of amounts by employer for both pension (GASB 68) and OPEB (GASB 75).
- Perform agreed-upon procedures to test and report on the County's GANN appropriation limitation calculation in accordance with attestation standards established by the American Institute of Certified Public Accountants.
- Other Auditing or Accounting Services: Provide other audit or accounting services under separate engagement letters, as requested by the Chief Financial Officer pursuant to Government Code Sections 1236, 6505, 26883, and 26909.
- Provide deliverables in accordance with generally accepted auditing standards and/or government auditing standards including the Independent Auditor's communication with those charged with governance (SAS 114); the Independent Auditor's Report on the CAFR; and the Independent Auditor's Report on the Schedule of Expenditures of Federal Awards per the Uniform Guidance including on internal control and compliance, etc.
- Attend and present at select Financial Oversight Committee meetings.



## PROPOSED SEGMENTATION OF THE ENGAGEMENT

The services will be divided into three segments.

### ***Segment 1 - Planning and Obtaining an Understanding:***

LSL will provide an annual audit communication letter, engagement letter, and Government Audit Quality Center Information letter. The audit communication letter is to be provided to the Governing Board. In addition, this can be communicated orally to the Governing Board or sub-committee, if requested. This communication will discuss the planning stages, the responsibilities of the Governing Board, Auditors, and Management, and provide an opportunity for communication with us as the auditors.

LSL's audit team will meet prior to our initial on-site visit to brainstorm and discuss economic conditions, industry elements, and new standards that will affect the County of Yolo. A trial balance is requested for our planning meeting to assist the LSL team in obtaining knowledge and preparing expectations for the audit year. We will compile a list of "Prepared by Client" ("PBC") items based on our review of prior year financial statements and information gathered. This will be provided to the County of Yolo one month prior to our visit or earlier if requested. Our interim visit will focus on obtaining an understanding of the key transaction cycles of the County, as well as the tax collection system, payroll system, controls surrounding special districts within the County, pension and OPEB allocation, and grant accounting and management among departments. We operate on a paperless software system and provide a secured cloud based portal for all clients. The County of Yolo will have its own folder which can be customized to organize and upload requested schedules, support documents, etc.

### ***Segment 2 - Financial Audit Testing:***

Based on the information gathered each year thus far, we will utilize a customized audit program based on

the risk assessment developed during our assessment of the County's internal controls and government auditing standards. The primary benefit of a tailored program is a focused set of procedures to address relevant areas. We believe that this approach will be the most effective and efficient by We will annually compile another customized "Prepared by Client" (PBC) list for the year-end on-site visit provide at least one month prior or earlier if requested.

We will request a trial balance for our analytical review to be provided one week prior to our arrival.

Year end fieldwork will include testing of the balance sheet, revenue and expenditures accounts, confirmation of selected balances, analytical procedures, evaluation of the internal controls and preparation of reports and letters.

### ***Segment 3 - Conclusion:***

Based on our year-end exit meeting we will schedule a plan to finalize the CAFR in the timetable of the County. We will schedule dates for the initial and final drafts including time for the County to review and approve all reports and letters related to the audit. In addition, this will account for the review of the engagement partner and quality assurance partner. After the review and receipt of the signed Representation Letter from County, we will provide the final Reports by the end of December each year.

### ***SAMPLE SIZE***

Our approach may be to utilize statistical sampling in the areas of receipts, disbursements, utility billing and payroll. Here we develop a statistical conclusion based upon an initial computer selected random sample which is based on the population and other risk factors identified. If errors are noted in the sample, the sample size will be expanded. We believe that a random selection can be efficient, while providing each item in the population an equal chance of being selected. Additionally, we may select a stratified sample of all transactions over a specified



dollar limit for review. This allows us to cover all high dollar value transactions not otherwise selected in the random sample. Our samples are selected randomly utilizing IDEA data analysis software.

### **ANALYTICAL PROCEDURES**

For the audits of the financial statements, we will use analytical procedures as an overall review of the financial information in the preliminary and final stages of the audits. These procedures are designed to assist us in planning our audits and in assessing the propriety of the conclusions reached, and in the evaluation of the overall financial statement presentation. The procedures to be utilized consist of determining expectations for changes to significant revenue, expenditure and balance sheet accounts, reading the financial statements and related notes, reviewing the budget and related material, and focusing on overall relationships within the financial statements. Once determined, these are reviewed to evaluate if the changes appear reasonable or require further analysis. For all significant differences, explanations are obtained as to why the situation occurred and additional substantive procedures may be applied and related evidence gathered to resolve concerns and questions.

If the County can provide a check register electronically from July 1<sup>st</sup> through the date of fieldwork, then we can pre-select our sample for cut-off test work and provide that information ahead of time. Our PBC list will detail out schedules we would like provided, which is directed straight from the audit report. Support requested and sampling for these schedules will be assessed each year based on the strengths and weaknesses of the internal control processes of the County, and the materiality level of the account. We will discuss our analytical variances with the County and obtain documentation that provides support for the accounts.

### **UNDERSTANDING OF THE COUNTY'S INTERNAL CONTROL STRUCTURE OVER FINANCIAL REPORTING**

To gain an understanding of the internal control structure over the financial statements, we will perform procedures as required by SAS 122-125. This will include review of internal controls in the areas of financial reporting; cash; revenues and receivables; expenditures and accounts payable; payroll; capital assets; long-term debt; grant reporting and monitoring; and significant administrative controls as applicable.

Based on the result of our review, we will issue a management letter (SAS 115 Letter) that will identify any significant deficiencies and/or material weaknesses noted. This report is required by the *Government Auditing Standards* issued by the Comptroller General of the United States. Auditing Standards require auditors to obtain an understanding of the Entity and its Environment along with Assessing the Risks of Material Misstatements. LSL obtains an understanding through a variety of ways all throughout the year, but the most pertinent time each year is during our interim on-site visit. We will conduct interviews with management of finance along with each audit section responsible part (e.g. cashier, accounts payable clerk, payroll clerk, etc.) to review the processes and controls through observation and discussions. Based on our observations, we will sample as we observe a "walk-through" to verify the system of control is working in accordance with policies and procedures. We will provide a list each year of randomly selected employees of the County of Yolo to interview for fraud interviews (SAS 99), which will consist of all levels of the County across all departments.

After our interim on-site visit, we will have an exit meeting to discuss potential weaknesses, if any, and provide any feedback for improvements or valuable information we have gathered from our outside clientele that would benefit the County of Yolo.



### ***DETERMINING LAWS & REGULATIONS SUBJECT TO AUDIT TEST WORK***

The Laws and Regulations that will be subject to audit test work are determined from the applicable laws, regulations, contracts, and grant agreements which we identify through the understanding we obtain of the County of Yolo and our extensive experience with governmental entities.

### ***DRAWING AUDIT SAMPLES***

For tests of controls, we use audit sampling. Tests of controls are procedures directed towards determining the effectiveness of the design or operation of an internal structure policy or procedures. Normally, audit sampling is used for tests of controls and tests of compliance that involve inspection of documents and reports indicating performance of the applicable policy or procedures and compliance with the applicable laws and regulations. These sampling procedures test the operating effectiveness of an internal control structure policy or procedures by determining how the policy or procedure was applied, the consistency with which it was applied during the audit period, and by whom it was applied. To achieve this goal, we will draw samples for disbursements, receipts and payroll when applicable. Each document selected will be tested for various attributes that are designed to verify compliance with different aspects of internal controls and applicable laws and regulations. Additionally, each sample item will be tested for coding to the proper accounts and posting to the general ledger. Sample sizes vary based on the population and risk based calculations, but generally will range from 50-100 sample items for each transaction area.

### ***QUALITY ASSURANCE POLICY & PROCEDURES***

LSL has established strict review procedures to ensure quality reporting in accordance with the standards. These procedures are designed to maximize adherence to quality.

### **IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS**

With our familiarity with similar governments, we do not anticipate unusual audit problems, except implementing GASB Nos. 84, 86, and 87. We do anticipate some implementation challenges. To address these changes, we offer training, our experience with similar governments, and implementation experts within the firm and the team.

We have no concerns in regard to the timeline established for the completion of work, and are committed to completing the CAFR by December 23<sup>rd</sup> each year.

### **USE OF INFORMATION TECHNOLOGY TOOLS**

LSL is always at the forefront of technology and finding ways to increase efficiency in our audits, which adds additional value to our clients. We use specialized auditing software, Caseware, to perform our audit in addition to Data Analysis Software, IDEA, to perform audit testing. If the County requests that LSL prepares and compiles the CAFR, all financial statements and schedules are linked to Caseware and audit documentation which ensures accuracy and consistency with County records and eliminates the risk of manual errors. Utilizing IDEA to perform testing and making selections, helps us not only make selections much quicker, but also assists in pin pointing areas and transactions that are higher risk to ensure those items are selected, which provides the County additional assurances that previously may not have existed. We also use a secure web portal to communicate information through ShareFile, which allows us to obtain information much faster, while keeping private or sensitive information safe and secure.

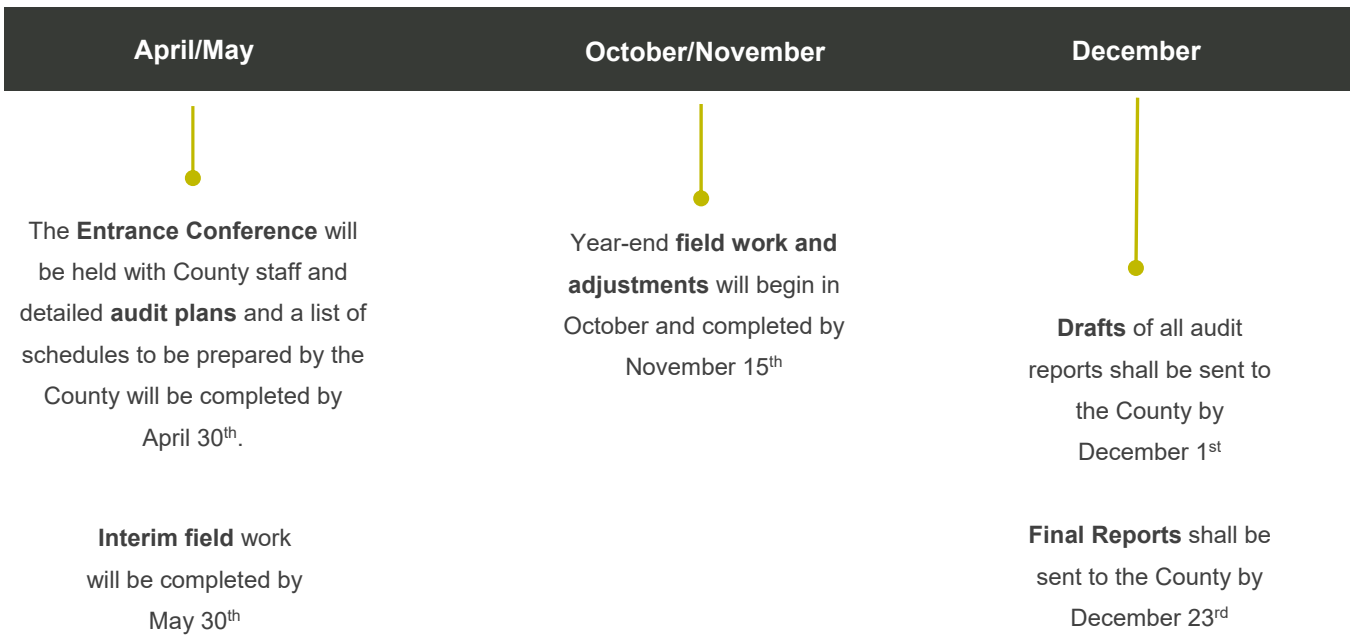




## OVERALL WORK PLAN AND TIMELINE



Our proposed schedule for the annual audit is as follows:





## EXHIBIT D – PEER REVIEW REPORT



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Akron, OH 44313

330.864-6661 // [www.sikich.com](http://www.sikich.com)  
Certified Public Accountants & Advisors  
Members of American Institute of Certified Public Accountants

### SYSTEM REVIEW REPORT

October 26, 2016

To the Partners of Lance, Soll & Lunghard, LLP  
and the Peer Review Committee of the California Society of CPA's:

We have reviewed the system of quality control for the accounting and auditing practice of Lance, Soll & Lunghard, LLP (the Firm) in effect for the year ended May 31, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The Firm is responsible for designing a system of quality control and complying with it to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under Government Auditing Standards and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Lance, Soll & Lunghard, LLP in effect for the year ended May 31, 2016 has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Lance, Soll & Lunghard, LLP has received a peer review rating of *pass*.

A stylized, handwritten-style signature of 'Sikich LLP' in black ink.



## EXHIBIT E – PROPOSAL COST WORKSHEET

### Cost Proposal (Total All Inclusive Maximum Price)

#### Schedule of Professional Fees and Expenses

Description of Service	Estimated Hours for Each Year	2018/19	2019/20	2020/21	Option Year 2021/2022	Option Year 2022/23
Audit of County's CAFR	634	\$ 64,489	\$ 64,489	\$ 64,489	\$ 65,779	\$ 67,095
Compilation and Preparation of County's CAFR (Optional)	110	\$ 13,749	\$ 13,749	\$ 13,749	\$ 14,024	\$ 14,304
Single Audit*	255	\$ 26,393	\$ 26,393	\$ 26,393	\$ 26,921	\$ 27,459
Audits of the County Treasury	121	\$ 12,733	\$ 12,733	\$ 12,733	\$ 12,988	\$ 13,248
Audit of GASB 68 and 75 Employer Allocation Schedules	26	\$ 3,086	\$ 3,086	\$ 3,086	\$ 3,148	\$ 3,211
County GANN Limit AUP	6	Included	Included	Included	Included	Included
<b>Total for Fiscal Year (not-to-exceed)</b>	<b>1152</b>	<b>\$ 120,450</b>	<b>\$ 120,450</b>	<b>\$ 120,450</b>	<b>\$ 122,860</b>	<b>\$ 125,317</b>

\*Assumes four major programs. Each additional program is \$5,000.

#### Quoted Hourly Rates of Firm's Professionals

Position	2018/19	2019/20	2020/21	Option Year 2021/2022	Option Year 2022/23
Partner	\$ 238	\$ 238	\$ 238	\$ 243	\$ 248
Manager	\$ 145	\$ 145	\$ 145	\$ 148	\$ 151
Supervisor	\$ 125	\$ 125	\$ 125	\$ 128	\$ 131
Senior Accountant	\$ 106	\$ 106	\$ 106	\$ 108	\$ 110
Staff Accountant	\$ 85	\$ 85	\$ 85	\$ 87	\$ 89
Clerical	\$ 60	\$ 60	\$ 60	\$ 61	\$ 62

The rates above will be utilized for additional audit or accounting services requested by the County.



## EXHIBIT F – REFERENCES

**City of Pasadena** - Audit of a Comprehensive Annual Financial Report (CAFR) which receives the GFOA award. In addition, we performed a single audit, review and submit the REAC financial data submission, and issue report on the City's appropriation limit. Last audit performed was for June 30, 2018 and services have been provided for 4 years. Total hours were approximately 1,700. Quality Assurance partner is Mrs. Deborah A. Harper and Engagement Manager is Mr. Brandon T. Young.

**Contact person:** Mr. Matthew Hawkesworth, Finance Director

**Phone:** (626) 744-4355

**Email:** [mhawkesworth@cityofpasadena.net](mailto:mhawkesworth@cityofpasadena.net)

**City of Santa Monica** - Audit of a Comprehensive Annual Financial Report (CAFR) which receives the GFOA award. In addition, we performed a single audit, review and submit the REAC financial data submission, standalone statements for the Big Blue Bus, National Transportation Database (NTD) agreed upon procedures, and issue report on the City's appropriation limit. Last audit performed was for June 30, 2018 and services have been provided for 3 years. Total hours were approximately 1,200. Quality Assurance partner is Mrs. Deborah A. Harper and Engagement Manager is Mr. Brandon Young.

**Contact person:** Ms. Stephanie Manglaras, Accounting Manager

**Phone:** (310) 458-8272

**Email:** [stephanie.manglaras@smgov.net](mailto:stephanie.manglaras@smgov.net)

**City of Emeryville** - Audit and preparation of a Comprehensive Annual Financial Report (CAFR) which receives the GFOA award in addition to various compliance and single audits. These services have been provided for over 10 years. Last audit performed was for June 30, 2018. Total hours were approximately 1,000. Quality Assurance partner is Mrs. Deborah A. Harper and Engagement Manager is Mr. Brandon T. Young.

**Contact person:** Ms. Susan Hsieh, Finance Director

**Phone:** (510) 596-4352

**Email:** [shsieh@emeryville.org](mailto:shsieh@emeryville.org)

**City of Dixon** - Audit and preparation of a Comprehensive Annual Financial Report (CAFR) which receives the GFOA award in addition to various compliance and single audits. These services have been provided for 4 years. Last audit performed was for June 30, 2018. Total hours were approximately 426. Quality Assurance partner is Mrs. Deborah A. Harper and Engagement Manager is Mr. Brandon T. Young.

**Contact person:** Ms. Joan Michaels Aguilar, Deputy City Manager

**Phone:** (707) 678-7000

**Email:** [jmichaelsaguilar@ci.dixon.ca.us](mailto:jmichaelsaguilar@ci.dixon.ca.us)

**County of Placer** - As a member of another firm, Ken work closely with Placer's Auditor-Controller on various large governments, including, counties, cities and special districts. The Auditor-Controller can provide details about how he can manage a strong government audit shop that has large government experience in managing the following services to counties and other governments. Several engagements were above 1,200 hours. Engagement partner was Mr. Kenneth A. Macias. (Work was performed by Ken Macias while at MGO)

**Contact person:** Mr. Andrew C. Sisk, Auditor-Controller

**Phone:** (530) 368-6093

**Email:** [asisk@placer.ca.gov](mailto:asisk@placer.ca.gov)



## EXHIBIT G – NON-COLLUSION NON-CONFLICT OF INTEREST STATEMENT

### NON-COLLUSION AND NON-CONFLICT OF INTEREST STATEMENT

I, Kenneth A. Macias, am the  
(name)

Partner of Lance, Soll & Lunghard, LLP,  
(Position Title) (Company)

The term "Offeror", as used herein, includes the individual or business entity submitting the Offer and for the purpose of this Affidavit includes the directors, officers, partners, managers, members, principals, owners, agents, representatives, employees, other parties in interest of the Offeror, and anyone or any entity acting for or on behalf of the Offeror, including a subcontractor in connection with this Offer.

**1. Anti-Collusion Statement.** The Offeror has not in any way directly or indirectly:

- a. Colluded, conspired, or agreed with any other person, firm, corporation, offeror or potential offeror to the amount of this Offer or the terms or conditions of this Offer.
- b. Paid or agreed to pay any other person, firm, corporation, offeror or potential offeror any money or anything of value in return for assistance in procuring or attempting to procure a contract or in return for establishing the prices in the attached Offer or the offer of any other offeror.

**2. Preparation of Solicitation and Contract Documents.** The Offeror has not received any compensation or a promise of compensation for participating in the preparation or development of the underlying Solicitation or Contract documents. In addition, the Offeror has not otherwise participated in the preparation or development of the underlying Solicitation or Contract documents, except to the extent of any comments or questions and responses in the solicitation process, which are available to all offerors, so as to have an unfair advantage over other offerors, provided that the Offeror may have provided relevant product or process information to a consultant in the normal course of its business.

**3. Participation in Decision Making Process.** The Offeror has not participated in the evaluation of offers or other decision making process for this Solicitation, and, if Offeror is awarded a contract hereunder, no individual, agent, representative, consultant, subcontractor, or subconsultant associated with Offeror, who may have been involved in the evaluation or other decision making process for this Solicitation, will have any direct or indirect financial interest in the contract, provided that the Offeror may have provided relevant product or process information to a consultant in the normal course of its business.

**4. Present Knowledge.** Offeror is not presently aware of any potential or actual conflicts of interest regarding this Solicitation, which either enabled Offeror to obtain an advantage over other offerors or would prevent Offeror from advancing the best interests of the County in the course of the performance of the Contract.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct:

March 1, 2019

(Date)

*Kenneth A. Macias*  
(Signature)

**EXHIBIT B**  
**HIPAA COMPLIANCE**

- (a) Contractor shall comply with, and assist the County in complying with, the privacy and security requirements of the Health Insurance Portability and Accountability Act (including but not limited to 42 U.S.C. 1320d et seq.; "HIPAA") and its implementing regulations (including but not limited to 45 CFR Parts 142, 160, 162, and 164), hereinafter collectively referred to as the "Privacy Rule" and "Security Rule." Terms used but not otherwise defined in this Agreement shall have the same meaning as those terms are used in the Privacy Rule and Security Rule.
- (b) Except as otherwise limited in this Agreement, Contractor may use or disclose Protected Health Information (including but not limited to Electronic Protected Health Information) to perform functions, activities, or services for or on behalf of the County as specified in this Agreement, provided that such use or disclosure would not violate the Privacy Rule if done by the County.
- (c) Contractor shall not use or further disclose Protected Health Information other than as permitted or required by this Agreement or as required by law.
- (d) Contractor shall use appropriate safeguards to prevent use or disclosure of the Protected Health Information other than as provided for by this Agreement.
- (e) Contractor shall report to the County any use or disclosure of the Protected Health Information not provided for by this Agreement.
- (f) Contractor shall mitigate, to the extent practicable, any harmful effect that is known to Contractor of a use or disclosure of Protected Health Information by Contractor in violation of the requirements of this Agreement.
- (g) Contractor shall ensure that any agent, including a subcontractor, to whom it provides Protected Health Information received from, or created or received by Contractor on behalf of the County agrees to the same restrictions and conditions that apply through this Agreement to Contractor with respect to such information.
- (h) Contractor shall provide access, at the request of the County, and in the time and manner designated by the County, to Protected Health Information in a Designated Record Set, to the County or, as directed by the County, to an Individual in order to meet the requirements under 45 CFR 164.524.
- (i) Contractor shall make any amendment(s) to Protected Health Information in a Designated Record Set that the County directs or agrees to pursuant to 45 CFR 164.526 at the request of the County or an Individual, in the time and manner designated by the County.
- (j) Contractor shall document such disclosures of Protected Health Information and information related to such disclosures as would be required for the County to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 CFR 164.528.
- (k) Contractor shall provide to the County or an Individual, in time and manner designated by the County, information collected in accordance with subSection (j), to permit the County to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 CFR 164.528.
- (l) Contractor shall make internal practices, books, and records relating to the use and disclosure of Protected Health Information received from, or created or received by Contractor on behalf of, the County available to the County, or at the request of the County to the Secretary of the United States Department of Health and Human Services ("Secretary"), in a time and manner designated by the County or the Secretary, for purposes of the Secretary determining the County's compliance with the Privacy Rule.
- (m) Contractor shall implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the Electronic Protected Health Information that it creates, receives, maintains, or transmits on behalf of the County as required by HIPAA.

(n) Contractor shall ensure that any agent, including a subcontractor, to whom it provides Electronic Protected Health Information agrees to implement reasonable and appropriate safeguards to protect it.

(o) Contractor shall report to the County any security incident of which it becomes aware.

(p) (1) Except as provided in subparagraph (2) of this section, upon termination of this Agreement for any reason, Contractor shall return or destroy all Protected Health Information received from the County, or created or received by Contractor on behalf of the County. This provision shall apply to Protected Health Information that is in the possession of subcontractors or agents of Contractor. Contractor, its agents and subcontractors shall retain no copies of the Protected Health Information.

(2) In the event that Contractor determines that returning or destroying the Protected Health Information is infeasible, Contractor shall provide to the County notification of the conditions that make return or destruction infeasible. Upon mutual agreement of the Parties that return or destruction of Protected Health Information is infeasible, Contractor shall extend the protections of this Agreement to such Protected Health Information and limit further uses and disclosures of such Protected Health Information to those purposes that make the return or destruction infeasible, for so long as Contractor, or any of its agents or subcontractors, maintains such Protected Health Information.

(3) The respective rights and obligations of Contractor concerning the Privacy Rule and the Security Rule, including but not limited to the provisions of this Section, shall survive the termination of this Agreement.

(q) The Parties agree to take such action as is necessary to amend this Agreement from time-to-time as is necessary for the County to comply with the requirements of the Privacy Rule, Security Rule, or any other requirements of HIPAA and its implementing regulations.

## County of Yolo Administrative Policies and Procedures Manual

**TITLE:** Investment Policy

**Department:** Financial Services

**TYPE:** POLICY

**DATE:** December ~~6~~<sup>7</sup>, 202~~2~~<sup>3</sup>

**A. PURPOSE**

This document is known as the annual investment policy and represents the policies of the Board of Supervisors of the County of Yolo related to the investment of funds under the control of the Chief Financial Officer. The office of the Auditor-Controller and the Treasurer-Tax Collector have been consolidated. All statutory duties, responsibilities, and budgets of the Auditor-Controller and Treasurer-Tax Collector are consolidated into the office known as the Chief Financial Officer as per Yolo County code section 2-5.113 effective January 5, 2015.

The Department of Financial Services was established to consolidate and perform all functions of the offices of the Auditor, Controller, Tax Collector, and Treasurer, and any other county-wide fiscal functions directed by the board as per county code sec. 2-5.2001.

This policy is prepared annually by the Chief Financial Officer in accordance with the California Government Code and prudent asset management principles. Pursuant to Government Code sections 27133 and 53646 this policy has been reviewed by the Financial Oversight Committee and approved by the Board of Supervisors at a public meeting.

**B. APPLICABILITY**

This policy will cover the period of January 1, 202~~2~~<sup>3</sup> through December 31, 202~~2~~<sup>3</sup>.

This policy applies to the cash management and investment activities performed by County personnel and officials for any local agency, public agency, public entity, or public official that has funds on deposit in the county treasury pool. The terms "County" and "county treasury pool" are used interchangeably and include all such funds so invested.

The investment of bond proceeds will be governed by the provisions of relevant bond and related legal documents.

The investment of endowment funds will be governed by the underlying laws, regulations, and specific governmental approvals under those laws pursuant to which the endowments were created. Endowment fund investments will primarily focus on the preservation of principal and use of investment income for operational purpose.

The investment of the Section 115 Trusts related to OPEB and Pension will be invested in compliance with the County Policies on "Accounting, Funding and Recovery of OPEB Costs" and the "Pension Funding Policy" and legal documents associated with the Section 115 Trusts.



## County of Yolo Administrative Policies and Procedures Manual

### C. STANDARD OF CARE

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "prudent investor" standard which states that "when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

This standard shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

### D. PUBLIC TRUST

All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the County's ability to govern effectively.

### E. OBJECTIVES

The primary objectives, in descending priority order, of the investment activities of the County shall be:

1. **Safety.** Safety of principal is the foremost objective of the investment program. Investments of the County shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio.
2. **Liquidity.** The investment portfolio shall be maintained in such a manner as to provide sufficient liquidity to meet the operating requirements of any of the participants.
3. **Return on Investment.** The investment portfolio of the County shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and liquidity considerations.

### F. DELEGATION OF AUTHORITY

Subject to Section 53607 the authority of the Board of Supervisors to invest or to reinvest funds of the pooled investments, or to sell or exchange securities so purchased, may be delegated for a one-year period by ordinance in accordance with Government Code Sections 27000.1 and 27000.3.

The Board of Supervisors has designated the Chief Financial Officer as its agent authorized to make investment decisions ~~in consultation with the Finance and Investment Committee of the Board~~ after considering the strategy proposed by the investment advisor.

#### Commented [SX1]:

Should this be removed or reworded? The charter states the committee and its members are precluded from participating in or influencing decisions concerning financial operations.

#### Suggested change:

The Board of Supervisors has designated the Chief Financial Officer as its agent authorized to make investment decisions after considering the strategy proposed by the investment advisor.

Commented [CR2R1]: I agree and think that a prudent change.

## County of Yolo Administrative Policies and Procedures Manual

### G. ETHICS AND CONFLICT OF INTEREST

Individuals performing the investment function and members of the Financial Oversight Committee (FOC) shall maintain the highest standards of conduct.

**County Officers and employees** involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. These individuals should follow the Code of Ethics for Procurement approved by the Board of Supervisors and comply with all relevant provisions of the Political Reform Act, especially the requirements of Chapter 7 – Conflict of Interest and Chapter 9.5 – Ethics. The key requirements are listed below:

1. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could affect their ability to make impartial decisions.
2. Officers and employees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the County.
3. Officers and employees shall not accept gifts or gratuities with a value exceeding \$500 in any one year from any bank, broker, dealer, or any other person, firm, or organization who conducts business with the Department of Financial Services.
4. No person with investment decision-making authority in the County Administrator's office or the Department of Financial Services may serve on the board of directors or any committee appointed by the board or the credit committee or supervisory committee of a state or federal credit union which is a depository for County funds.

The Financial Oversight Committee Charter includes the following requirements for members of the committee:

1. A member shall disclose to the committee at a regular meeting any activities that directly or indirectly raised money for a member of the governing board of any local agency that has deposited funds in the County Treasury while a member of the committee. For purposes of this subsection, raising money includes soliciting, receiving, or controlling campaign funds of a candidate, but not the member's individual campaign contributions or non-financial support. This section does not apply to a member raising money for his or her own campaign.
2. A member shall disclose to the Committee at a regular meeting any contributions, in the previous three years or during the period that the employee is a member of the committee, by an employer to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the County Treasury.
3. A member cannot secure employment with, or be employed by, bond underwriters, bond counsel, security brokerages or dealers, financial services firms, financial institutions, and municipal advisors with whom the County is doing business during the member's Financial Oversight Committee membership period or for one year after leaving the Financial Oversight Committee. This subsection only applies to employment or soliciting employment, and not other relationships with such companies with whom the County is doing business.

## County of Yolo Administrative Policies and Procedures Manual

4. A member shall disclose to the Committee any honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons who conduct business with the Department of Financial Services while a member of the Committee. All members shall also comply with the requirements of the Political Reform Act or any other law or regulation regarding to receipt and disclosure of financial benefits and conflicts.

### H. INTERNAL CONTROLS

Internal control procedures shall be established and maintained by the Department of Financial Services that provide reasonable assurance that the investment objectives are met and to ensure that the assets are protected from loss, theft, misuse, or mismanagement. The internal controls shall be reviewed as part of the regular annual independent audit. The controls and procedures shall be designed to prevent employee error, misrepresentations by third parties, and imprudent or illegal actions by employees or officers of the County.

### I. CASH MANAGEMENT

In determining the amount that can be invested County personnel shall take into account the liquidity needs of the County and the agencies in the Treasury pool, and shall take reasonable steps to ensure that cash flow requirements of the County and pool participants are met for the next six months, barring unforeseen actions from the State Controller or other funding sources, such as deferral of cash payments.

County personnel shall maintain separate accounting for cash funds and monitor aggregate cash balances of the County and each agency in the Treasury pool, and shall notify the County Administrator or agency management of unhealthy trends in aggregate cash balances. Unhealthy trends may include but are not limited to deferral of cash payments from State, Federal grantors, or other funding sources, significant declines in available aggregate cash balances, or near-deficit aggregate balances. Agencies that are so notified are expected to take immediate action to cure any deficit and improve cash balances. Continuing deficits shall be reported to the Board of Supervisors for further action.

The Chief Financial Officer shall provide quarterly reports on total cash flows and balances of the Treasury Pool to the Financial Oversight Committee.

### J. AUTHORIZED FINANCIAL DEALERS AND QUALIFIED INSTITUTIONS

The County may secure the services of an Investment Advisor. Precautionary contractual language with such an adviser shall include: delivery versus payment methods, third-party custody arrangements, prohibitions against self-dealings, independent audits, and other appropriate internal control measures as deemed necessary by the Chief Financial Officer.

The County or the County's Investment Advisor shall maintain a list of authorized broker/dealers and financial institutions which are approved for investment transaction purposes, and it shall be the policy of the County to purchase securities only from those authorized institutions or firms. Authorized brokers/dealers must either (i) be classified as Reporting Dealers affiliated with the New York Federal Reserve Bank as Primary Dealers or (ii) be registered to conduct business in the State of California and be licensed by the state as a broker-dealer, as defined in Section 25004 of the Corporations Code.

No broker/dealer shall be selected which has within any consecutive 48-month period made a political contribution to any member of the Board of Supervisors or to any candidate for these offices in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board.

## County of Yolo Administrative Policies and Procedures Manual

### K. PERMITTED INVESTMENT INSTRUMENTS

1. United States Treasury Obligations. Government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest.
2. Federal Agency Obligations. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
3. California Municipal Obligations. Obligations of the State of California, this local agency or any local agency within the state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled or operated by the state, this local agency or any local agency or by a department, board, agency or authority of the state or any local agency that is rated in a rating category of "A" long term or "A-1" short term, the equivalent or higher by a nationally recognized statistical rating organization (NRSRO). Any investment in obligations of this local agency shall be in a ratio proportionate to the County's share of the pooled investments.
4. Other 49 State Municipal Securities. Registered treasury notes or bonds issued by any of the other 49 states, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any state that is rated in a rating category of "A" long term or "A-1" short term, the equivalent or higher by a NRSRO.
5. Repurchase Agreements. Agreements to be used solely as short-term investments not to exceed 90 days.

The County may enter into Repurchase Agreements with primary dealers in U.S. Government securities who are eligible to transact business with, and who report to, the Federal Reserve Bank of New York.

The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities, as described above in (K)(1) and (K)(2), will be acceptable collateral.

All securities underlying Repurchase Agreements must be delivered to the County's custodian bank versus payment or be handled under a properly executed tri-party repurchase agreement. The total market value of all collateral for each Repurchase Agreement must equal or exceed, 102 percent of the total dollar value of the money invested by the County for the term of the investment. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed at least weekly.

Market value must be calculated each time there is a substitution of collateral.

The County or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

The County will have properly executed a Public Securities Association (PSA) agreement with each counter party with which it enters into Repurchase Agreements.

6. Banker's Acceptances. Issued by domestic or foreign banks, the short-term paper of which is rated in the highest category by a nationally recognized statistical rating organization (NRSRO).

Commented [SX3]: Public Securities Association?

Commented [CR4R3]: Yes, good catch.

## County of Yolo Administrative Policies and Procedures Manual

Purchases of Banker's Acceptances may not exceed 180 days maturity or 40 percent of the County's investment portfolio.

7. Commercial Paper. Of prime quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions shown in either paragraph (A) or paragraph (B):
  - a. The entity meets the following criteria:
    - i. Is organized and operating in the United States as a general corporation.
    - ii. Has total assets in excess of five hundred million dollars (\$500,000,000).
    - iii. Has debt other than commercial paper, if any, that is rated in a rating category of "A", the equivalent or higher by a nationally recognized statistical-rating organization (NRSRO).
  - b. The entity meets the following criteria:
    - i. Is organized within the United States as a special purpose corporation, trust, or limited liability company.
    - ii. Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
    - iii. Has commercial paper that is rated in a rating category "A-1", the equivalent or higher by a nationally recognized statistical-rating organization (NRSRO).

Purchases of eligible commercial paper may not exceed 270 days maturity. No more than 40 percent of the County's investment portfolio may be invested in eligible commercial paper.

8. Medium-Term Corporate Notes. Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term corporate notes shall be rated in a rating category "A", the equivalent or higher by a nationally recognized statistical rating organization (NRSRO) and shall have a maximum remaining maturity of five years or less. Purchase of medium-term corporate notes may not exceed 30 percent of the County's investment portfolio.
9. Non-Negotiable Certificates of Deposit. FDIC insured or fully collateralized time certificates of deposit in financial institutions located in California, including U.S. branches of foreign banks licensed to do business in California. All time deposits must be collateralized in accordance with California Government Code Section 53651, either at 150% by promissory notes secured by first mortgages and first trust deeds upon improved residential property in California eligible under section (m) or at 110% by eligible marketable securities listed in subsections (a) through (l) and (n) and (o). The County, at its discretion and by majority vote of the Board of Supervisors, on a quarterly basis, may waive the collateralization requirements for any portion of the deposit that is covered by federal insurance. Alternatively, the County may invest in deposits, including certificates of deposit, at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit as provided for in Government Code section 53635.8.

## County of Yolo Administrative Policies and Procedures Manual

10. Negotiable Certificates of Deposit. Negotiable certificates of deposit issued by a nationally or state-chartered bank or a state or federal savings and loan association or by a federally-licensed or a state-licensed branch of a foreign bank that is rated in a rating category of "A" long-term or "A-1 short-term, the equivalent or higher by a nationally recognized statistical rating organization (NRSRO). Purchases of all negotiable certificates of deposit may not exceed 30 percent of the County's investment portfolio.
11. Local Government Investment Pools. (Either state-administered or through joint powers statutes and other intergovernmental agreement legislation.) Investments may be maximized to the level allowed by the State and should be reviewed periodically. Investment objectives, limitations, and controls of each pool must be consistent with this policy.
12. Money Market Funds. Shares of beneficial interest issued by diversified management companies that are money market mutual funds registered with Securities and Exchange Commission under the Investment Company Act of 1940. To be eligible for investment pursuant to this subdivision these companies shall either: (1) attain the highest ranking letter or numerical rating provided by not less than two of the largest nationally recognized statistical rating organizations or (2) have retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience investing in securities and obligations authorized by Government Code Section 53601 and with assets under management in excess of \$500,000,000. Money Market Funds shall not exceed 20 percent of the investment portfolio of the County as recorded at purchase price on date of purchase.
13. Asset-Backed Securities. Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-back certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond. Eligible securities must be rated, by a nationally recognized statistical rating organization, as "AAA", and have a maximum remaining maturity of five years or less. No more than 20 percent of the County's investment portfolio may be invested in this type of security.
14. Reverse Repurchase Agreements. Reverse repurchase agreements shall be used primarily as a cash flow management tool and subject to all the following conditions
  - a. The security to be sold using a reverse repurchase agreement has been owned and fully paid for by the County for a minimum of 30 days prior to sale.
  - b. The total of all reverse repurchase agreements on investments owned by the County does not exceed 20 percent of the base value of the portfolio. The base value of the County's portfolio for this section is defined as that dollar amount obtained by totaling all cash balances placed in the portfolio by all participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements, securities lending agreements, or other similar borrowing methods.
  - c. The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.
  - d. Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty using a reverse repurchase agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the

## County of Yolo Administrative Policies and Procedures Manual

reverse repurchase agreement, unless the reverse repurchase agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.

- e. Investments in reverse repurchase agreements or similar investments in which the County sells securities prior to purchase with a simultaneous agreement to repurchase the security shall be made only with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency. A significant banking relationship is defined by any of the following activities of a bank:
  - i. Involvement in the creation, sale, purchase, or retirement of the County's bonds, warrants, notes, or other evidence of indebtedness.
  - ii. Financing of the County's activities.
  - iii. Acceptance of the County's securities or funds as deposits.

15. Supranationals. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA", the equivalent or higher by a NRSRO. Purchases of these securities shall not exceed 30 percent of the County's portfolio.

The Chief Financial Officer may make permitted investments (as described above) pursuant to the California Government Code (including Section 53601 et. seq.) or deposit funds for safekeeping in state or national banks, savings association, credit unions, or federal insured industrial loan companies (as described in Section 53635.2). [For purposes of compliance with this policy, an investment's term or remaining maturity shall be measured from the settlement date to final maturity. A security purchased in accordance with this section shall not have a forward settlement date exceeding 45 days from the time of investment.](#)

Credit criteria listed in this section refers to the credit of the issuing organization at the time the security is purchased. Should a security owned by the County be downgraded below "A" the Investment Advisor shall immediately notify the Chief Financial Officer who will report to the Board of Supervisors, at their next regularly scheduled meeting, the circumstances of the downgrade and any action taken or recommended.

### L. INELIGIBLE INVESTMENTS

The County shall not invest any funds in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity.

Effective January 1, 2021, the County may invest in securities issued by, or backed by, the United States government that could result in zero- or negative-interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates. The County may hold these instruments until their maturity dates. Securities described in this paragraph shall remain in effect only until January 1, 2026, and as of that date is repealed.

Any other security not specifically permitted by Section K is prohibited.

## County of Yolo Administrative Policies and Procedures Manual

### M. MAXIMUM MATURITY

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the County to meet all projected obligations.

Where this policy does not specify a limitation on the term or remaining maturity at the time of the investment, Unless otherwise specified in this policy or unless authorized by the Board of Supervisors no less than three months prior to the investment, no investment shall be made in any security, other than a security underlying a repurchase agreement as authorized by this policy that at the time of the investment has a term remaining to maturity in excess of five years.

The Board of Supervisors has specifically approved investment maturities beyond five years for certain three long-term portfolios: Yolo County Landfill Closure Trust Fund, the Yolo County Cache Creek Maintenance and Remediation Fund, and the Demeter Endowment (funds deallocated from the Ceres Tobacco Endowment Fund).

### N. DIVERSIFICATION & PERCENTAGE LIMITATIONS

The County shall limit the County's investments in any one issuer to no more than 5 percent of the County's total investments at the time of purchase, except for U.S. Treasuries, Federal Agencies, Supranationals, repurchase and reverse repurchase agreements, and pooled investments such as local government investment pools, LAIF, and money market funds

All percentage limitations apply at the time of the investment (purchase date).

### O. REPORTING REQUIREMENTS

The Chief Financial Officer shall render a quarterly investment report to the Board of Supervisors that includes, at a minimum, the following information for each investment:

- Type of investment instrument (e.g., U.S. Treasury note, Federal Agency note)
- Issuer name (e.g., General Electric Capital Corp.)
- Credit quality
- Purchase date
- Maturity date
- Par value
- Purchase price
- Current market value and the source of the valuation
- Current amortized or book value
- Accrued interest
- Original yield to maturity
- Overall portfolio yield based on cost
- New investment transactions

The quarterly report shall (i) state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance, (ii) include a description of any of the County's funds, investments or programs that are under the management of contracted parties, including lending programs, and (iii) include a statement explaining the ability of the County to meet its cash flows requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.



## County of Yolo Administrative Policies and Procedures Manual

This quarterly report shall be available within 30-45 days following the end of the quarter and submitted to the Board of Supervisors at the earliest reasonable opportunity, with copies published and available to all pool participants.

### **P. ANNUAL REVIEW OF INVESTMENT POLICY**

The Chief Financial Officer shall annually prepare an investment policy that will be reviewed by the County Financial Oversight Committee and submitted to the Board of Supervisors for approval in a public meeting. Any change to the investment policy shall be reviewed and approved by the Board in a public meeting.

### **Q. SAFEKEEPING AND CUSTODY**

All securities, whether negotiable, bearer, registered or non-registered shall be delivered either by book entry or physical delivery to the County's third-party custodian.

Monthly safekeeping statements are received from custodians where securities are held. Authorized personnel, other than the person handling daily investments, shall review the statements to confirm that investment transactions have settled and been delivered to the County's third-party custodian.

### **R. APPORTIONMENT OF EARNINGS AND COSTS**

The manner of calculating and apportioning the cost of investing, depositing, banking, auditing, reporting, or otherwise handling or managing funds is as follows:

Investment earnings shall be apportioned to all pool participants quarterly based upon the ratio of the average daily balance of each individual fund to the average daily balance of all funds in the investment pool. Earnings are computed on an accrual basis and the effective date that earnings are deposited into each fund is the first day of the following quarter (January 1, April 1, July 1, and October 1).

Direct and Administrative (including indirect) costs associated with investing, depositing, banking, auditing, reporting, safekeeping, or otherwise handling or managing funds shall be netted against any moneys received pursuant to state mandated reimbursements and deducted from the gross investment earnings in the quarter received.

### **S. CRITERIA FOR CONSIDERING REQUEST TO WITHDRAW FUNDS**

Withdrawal of funds from County Treasurer Pool may occur pursuant to Government Code Section 27136 and approval of the Board of Supervisors.

Assessment of the effect of a proposed withdrawal on the stability and predictability of the investment in the County Pool will be based on the following criteria:

- Size of withdrawal
- Size of remaining balances of:
  - Pool
  - Agency
- Current market conditions
- Duration of withdrawal
- Effect on predicted cash flows
- A determination if there will be sufficient balances remaining to cover costs

## County of Yolo Administrative Policies and Procedures Manual

- Proof that adequate information has been supplied in order to make a proper finding that other pool participants will not be adversely affected.

The Chief Financial Officer reserves the right to mark a fund balance to market value prior to allowing a withdrawal if it is deemed necessary to be equitable to the remaining funds.

### T. TERMS AND CONDITIONS FOR NON-STATUTORY COMBINED POOL PARTICIPANTS

All entities qualifying under California Government Code Section 27133 (g) may deposit funds for investment purposes providing all of the following has been accomplished: (1) the agency's administrative body has requested the privilege, (2) has agreed to terms and conditions of an investment agreement as prescribed by the County's Board of Supervisors, (3) has by resolution identified the authorized officer acting on behalf of the agency; and (4) the Chief Financial Officer has prescribed the appropriate accounting procedures.

### U. AUDIT

1. Annual Compliance Audit - The Financial Oversight Committee is not designated a Treasury Oversight Committee however the FOC may cause an annual audit pursuant to Government Code section 27134 at its discretion which may include issues relating to the structure of the investment portfolio and risk. The costs of complying with this article shall be County charges and may be included with those charges enumerated under Section 27013.
2. Quarterly Review and Annual Financial Audit – The Chief Financial Officer shall cause quarterly reviews to be made of the Treasury Division records relative to the type and amount of assets in the treasury, pursuant to Government Code sections 26920 - 26923. The Chief Financial Officer shall also cause an annual financial audit to be made of the Treasury Division's records as of June 30. In addition to an opinion on the statement of assets held in the treasury this audit shall include a review of the adequacy of internal controls.

The annual compliance audit and the annual financial audit may be combined.

The Chief Financial Officer shall report audits that contain significant audit findings to the Audit Subcommittee of the Board of Supervisors immediately and to the full Board at the earliest reasonable opportunity. Copies of the audit reports shall be provided to the Financial Oversight Committee.

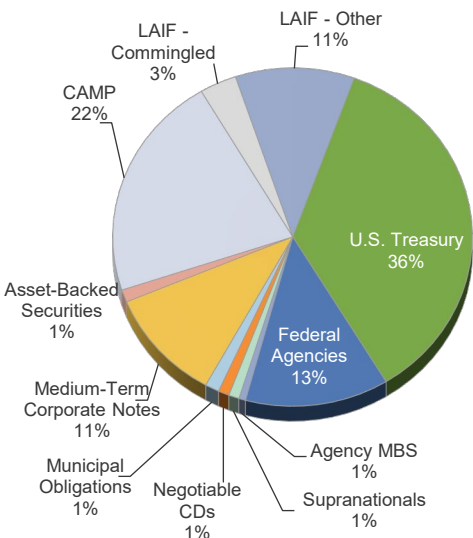
All audit recommendations shall be addressed timely and in a manner acceptable to the Board of Supervisors' Audit Subcommittee.

## Portfolio Review

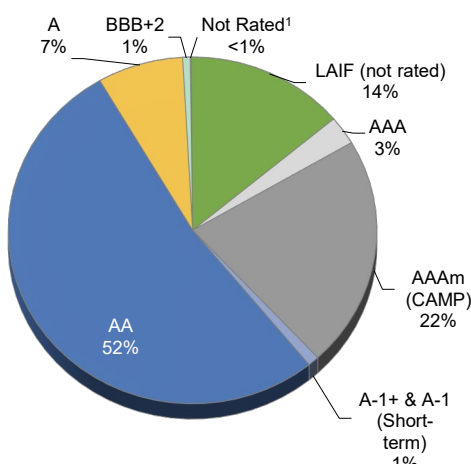
- ▶ The portfolio is in compliance with the California Government Code and the County’s Investment Policy.
- ▶ The portfolio is well diversified by sector, issuer, and maturity and is of high credit quality.
- ▶ The portfolio has sufficient liquidity to meet the County’s cash needs.
- ▶ Like the prior two quarters, the portfolio’s duration was maintained at a shorter position than the benchmark, as yields continued to move higher on stubbornly persistent inflation and expectations for continued aggressive rate hikes of the Fed Funds target rate.
- ▶ Fixed income indices and portfolios once again generated negative total return performance during the quarter as interest rates surged to the highest levels in 14 years. The County’s portfolio was not immune to market value losses; however, the portfolio outperformed its benchmark, primarily due to its shorter duration position.

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

### Sector Composition



### Credit Quality



## The Economy

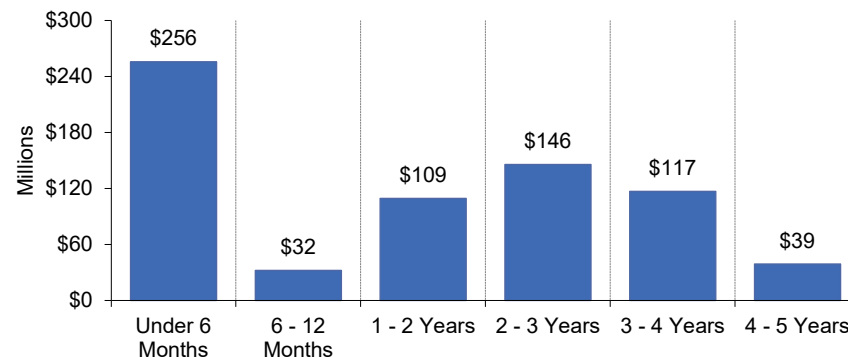
- ▶ In the quarter, U.S. economic conditions were characterized by: (1) persistently high inflation despite recent energy price declines; (2) aggressive interest rate hikes by the Fed; (3) rising Treasury yields and two-decade-high mortgage rates; (4) further weakening of credit and equity markets; and (5) increasing recession probability.
- ▶ The focus of headlines on inflation remains very high, with the Consumer Price Index increasing 8.2% year-over-year through September.
- ▶ The U.S. labor market remained strong in the third quarter, adding 1.1 million new jobs, or an average of 372,000 per month. The unemployment rate ticked down to 3.5%, while the labor force participation rate improved marginally. Wage growth remained elevated, as average hourly earnings increased 5% over the past year.

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

	Quarter	Annualized Return 1 Year	Annualized Return 5 Years
<b>Yolo County Total Return<sup>1</sup></b>	<b>-2.00%</b>	<b>-6.32%</b>	<b>0.60%</b>
Treasury Benchmark Total Return	-2.27%	-6.91%	0.21%
Net Apportionment Rate	0.80%	-	-

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.

# Yolo County

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

November 10, 2022

213-415-1699

**pfmam.com**

*PFM Asset Management LLC*

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

Sarah Meacham, Managing Director  
Allison Kaune, Senior Analyst

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# Economic and Interest Rate Update



# Current Market Themes



- ▶ The U.S. economy is characterized by:
  - ▶ Persistent high inflation
  - ▶ A deteriorating housing market
  - ▶ Continued personal consumption that is impacting household savings and balance sheets
  - ▶ Worsening economic outlook that is propped up by a strong labor market



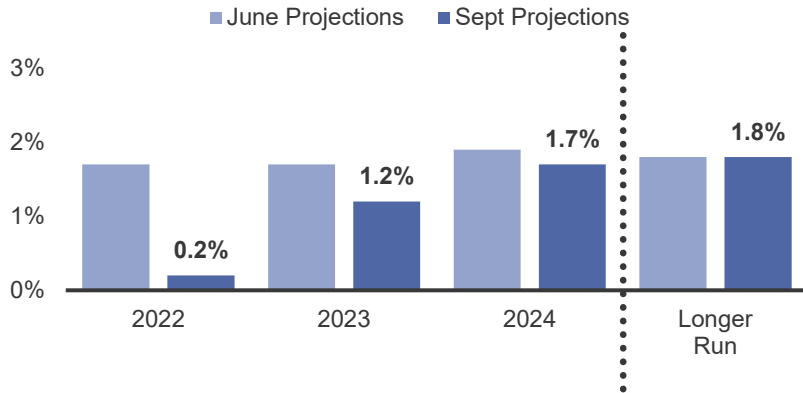
- ▶ The Federal Reserve has committed to a heavy-handed policy
  - ▶ Expectations have shifted from a soft landing to a moderate/hard landing, with increased recession risks
  - ▶ Short-term fed funds rate projected to reach 4.25% to 4.50% by year end
  - ▶ Increased pace of quantitative tightening



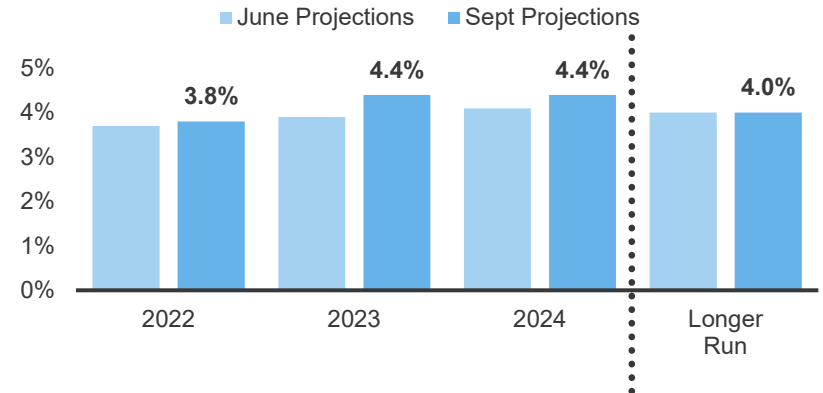
- ▶ Rapidly rising rates negatively impacting valuations and inducing market volatility
  - ▶ Yields across curve reached their highest levels in 14 years
  - ▶ Treasury yield curve remains inverted
  - ▶ Elevated volatility across all major asset classes

# Fed's Projections Reflect Weaker Economic Growth and Extended Timeline for Tighter Policy

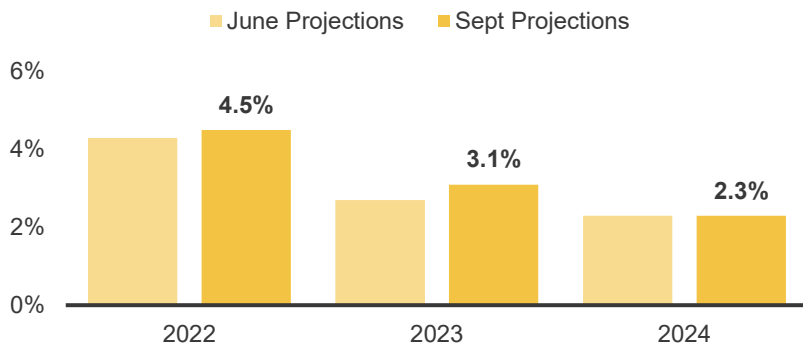
## Change in Real GDP



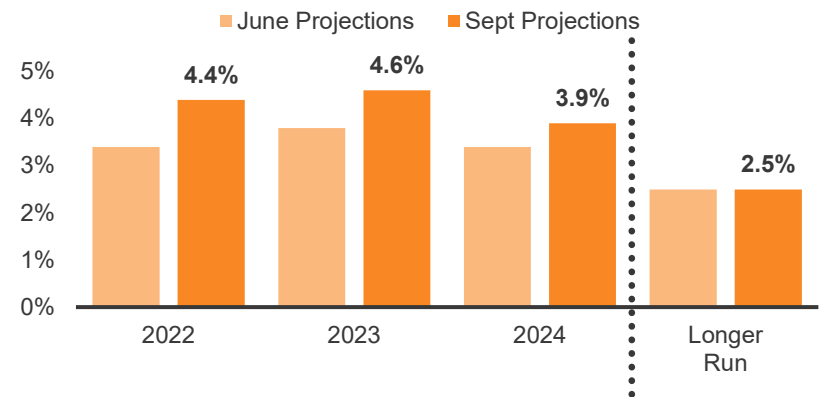
## Unemployment Rate



## Core PCE Inflation



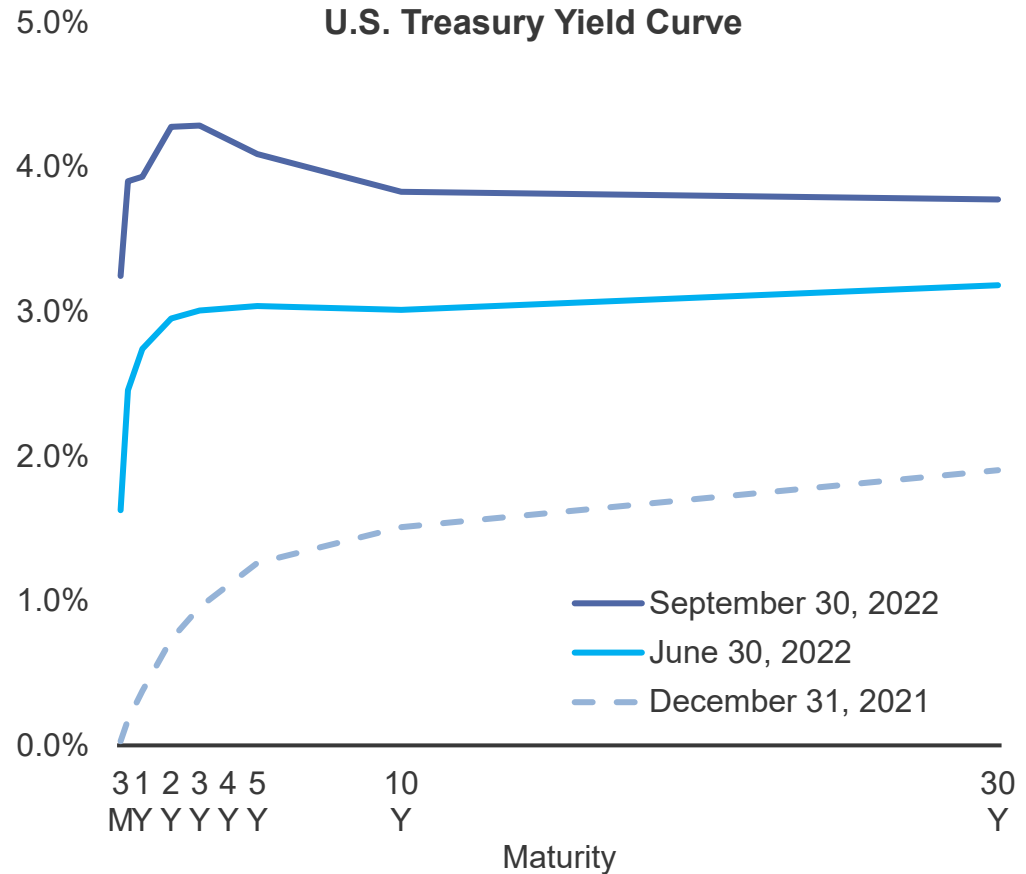
## Federal Funds Rate



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

# Treasury Yields Move Higher Across the Curve; Inversion Steepens Over the Quarter

	3Q2022 09/30/22	2Q2022 06/30/22	QoQ Change
3-month	3.25%	1.63%	+1.62%
1-year	3.93%	2.74%	+1.19%
2-year	4.28%	2.95%	+1.33%
3-year	4.29%	3.01%	+1.28%
5-year	4.09%	3.04%	+1.05%
10-year	3.83%	3.01%	+0.82%
30-year	3.78%	3.18%	+0.60%

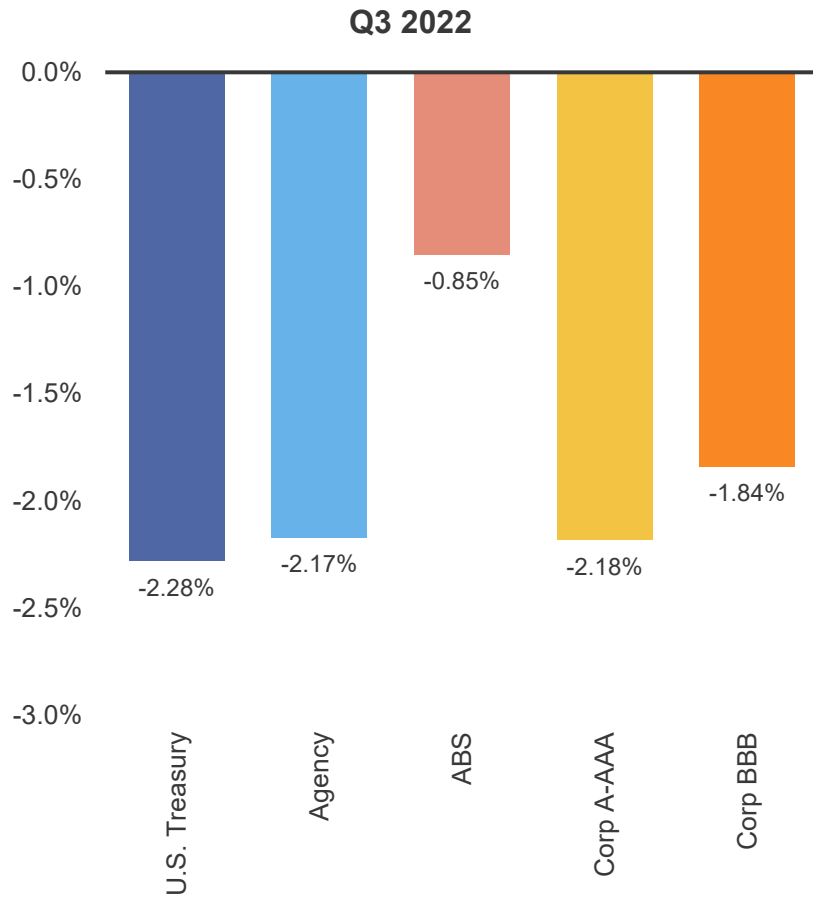


Source: Bloomberg as of 9/30/2022.

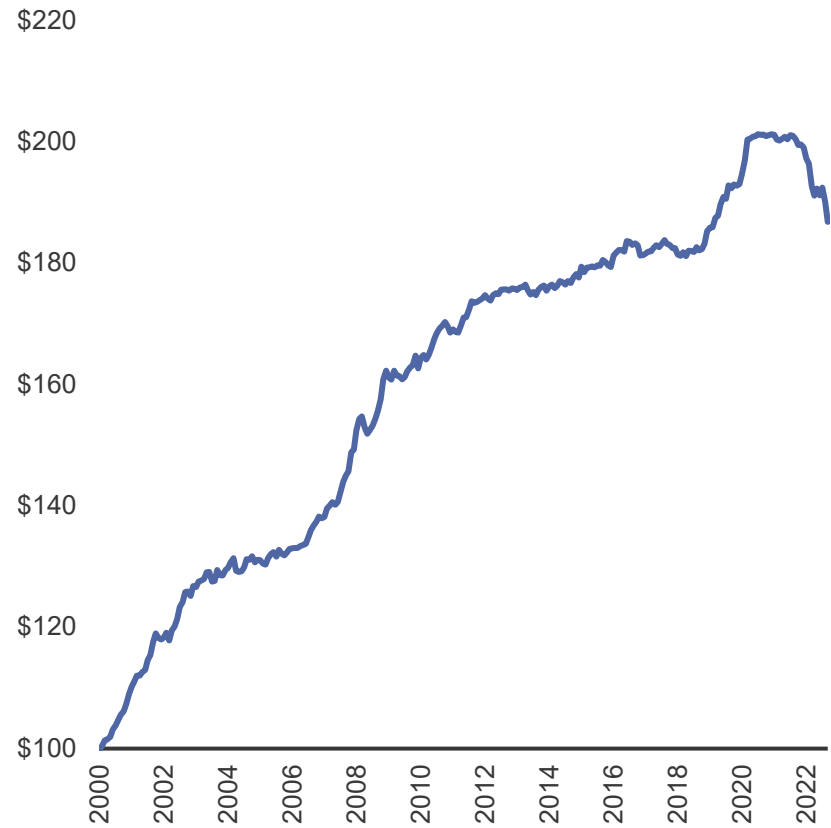


# Fixed Income Returns in Q3 2022

## 1-5 Year Indices



## Growth of \$100 (1/1/2000 - 9/30/2022)



Source: ICE BofAML Indices. ABS indices are 0-5 year, based on weighted average life. As of September 30, 2022.  
Right Chart: 1-5 Year Treasury (GVQ0 Index).

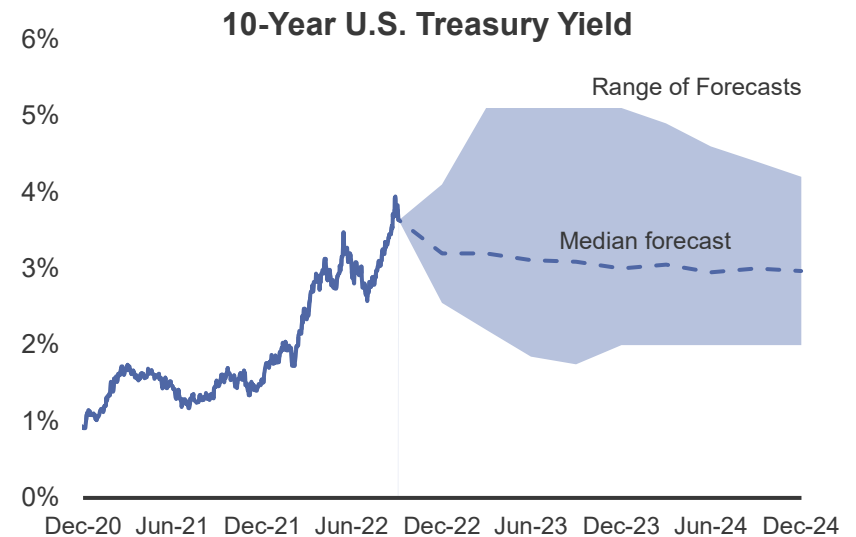
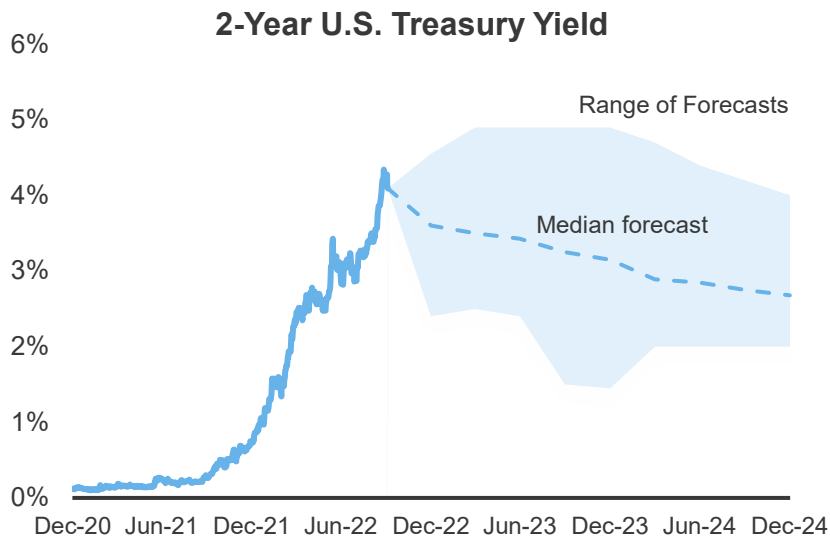
# Fed Makes Aggressive Stance Clear but Market Uncertainty Persists

**From the  
September 2022  
FOMC Meeting  
Press Conference**

“Without price stability, the economy does not work for anyone.”

“We are moving our policy stance purposefully to a level that will be sufficiently restrictive to return inflation to 2%.”

“No one knows whether this process will lead to a recession or if so, how significant that recession would be.”



Source: Federal Reserve, Bloomberg, Bloomberg Economist Forecasts as of September 30, 2022.

# Portfolio Update



# Portfolio Composition

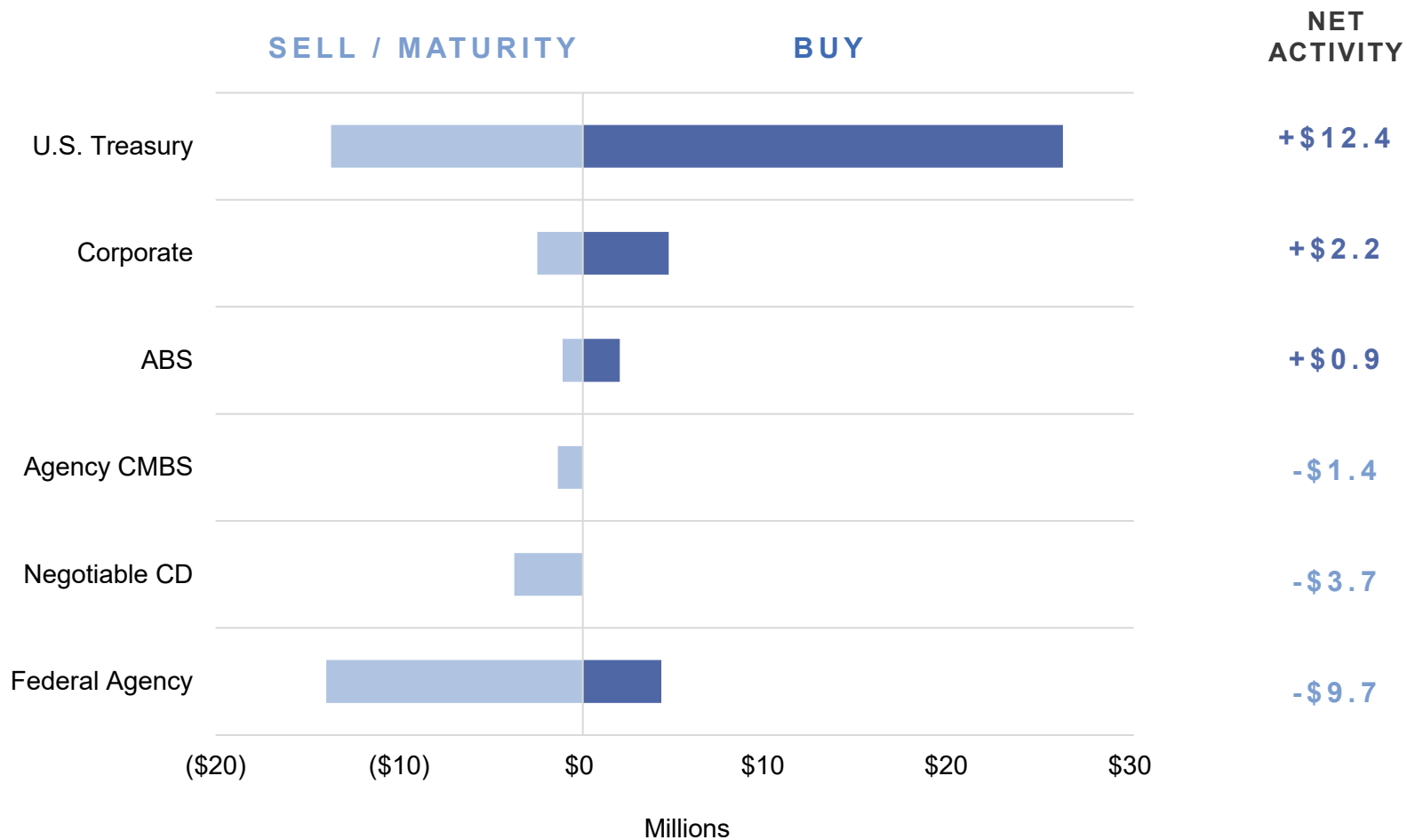
Security Type	Total Market Value September 30, 2022	% of Total Portfolio
U.S. Treasury	\$249,407,750	35.7%
Federal Agency	\$90,192,754	12.9%
Federal Agency CMOs	\$4,267,033	0.6%
Municipal Obligations	\$8,836,981	1.3%
Supranationals	\$6,527,808	0.9%
Negotiable CDs	\$6,911,429	1.0%
Corporate Notes	\$74,604,332	10.7%
Asset-Backed Securities	\$8,274,570	1.2%
<b>Securities Sub-Total</b>	<b>\$449,022,657</b>	<b>64.4%</b>
Accrued Interest	\$1,218,198	
<b>Securities Total</b>	<b>\$450,240,856</b>	
CAMP	\$150,710,926	21.6%
LAIF – Total	\$97,939,493	14.0%
<b>Total Investments</b>	<b>\$698,891,274</b>	<b>100.0%</b>

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

# Third Quarter Portfolio Strategy Recap

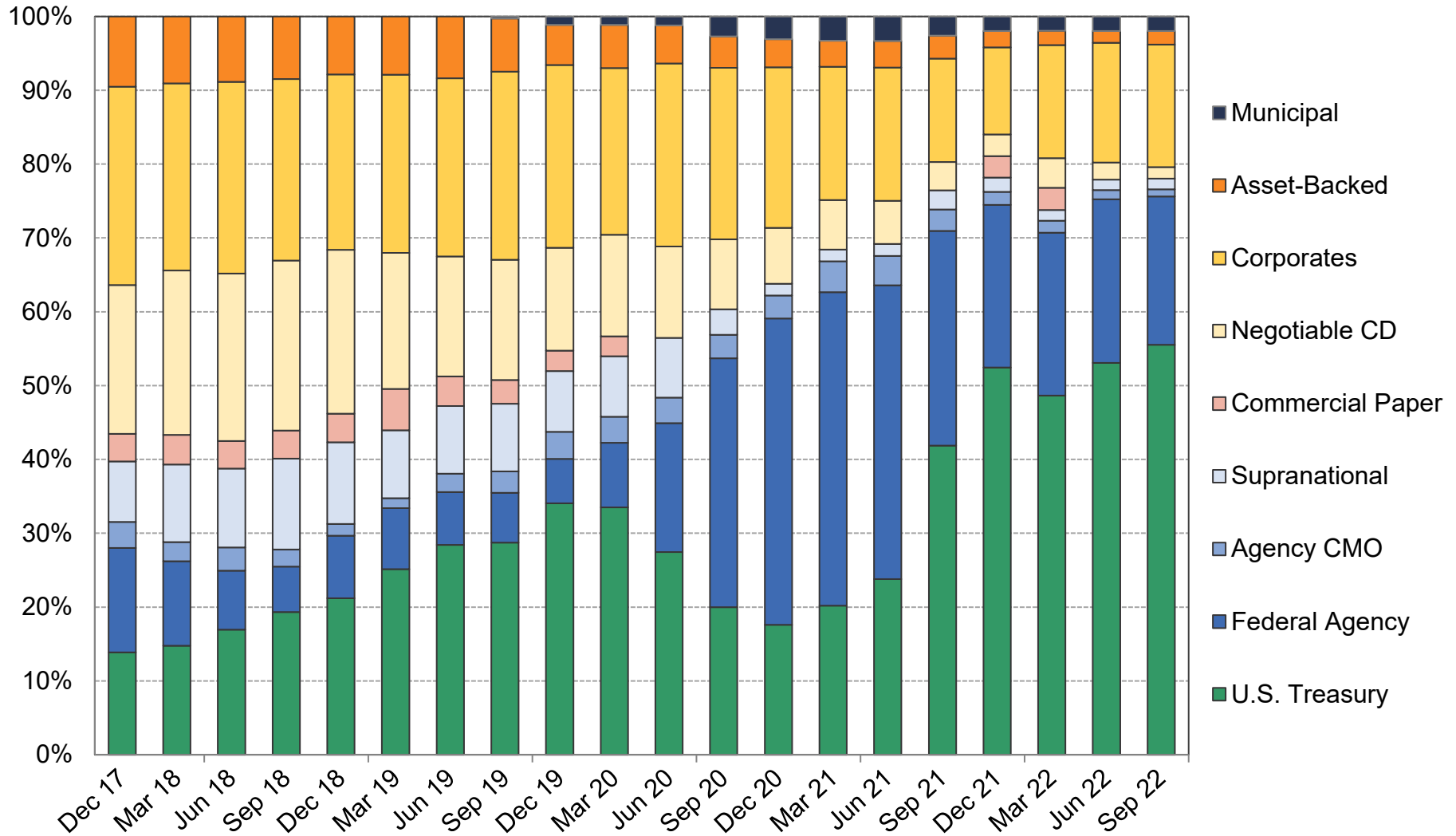
- ▶ During the quarter, inflation negatively impacted consumer balance sheets, recessionary risks began to mount, housing affordability deteriorated, and the Fed seemingly gave up the goal of a soft landing.
- ▶ Interest rates rose sharply as the Fed doubled down on their inflation-fighting mantra and raised the fed funds target rate by an additional 75 basis points (0.75%) at both their July and September meetings.
- ▶ **Strategic themes** during the quarter included:
  - ▶ Managed portfolio with a **defensive duration posture** given the expectation for further increasing interest rates.
  - ▶ Carefully managed risk and sought to **minimize exposure** to corporates that face challenges in global recessionary conditions.
  - ▶ **Increased allocation** to Treasuries.

# Third Quarter Trade Activity



Portfolio purchases, sells, maturities, and paydowns through periods July 1, 2022 – September 30, 2022.

# Historical Sector Allocation – PFMAM-Managed Portfolio

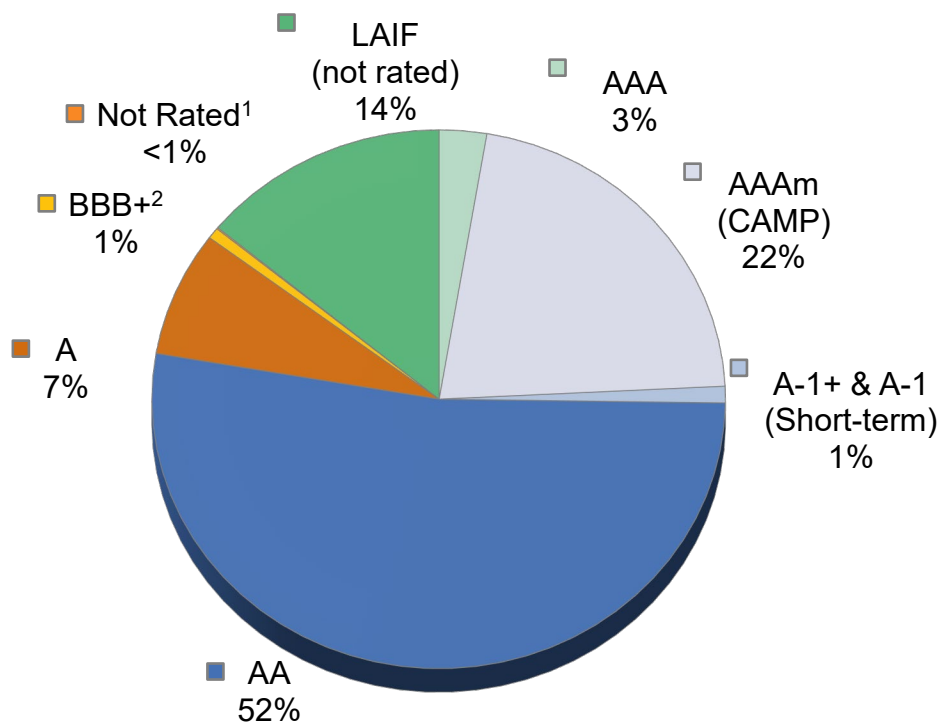


Excludes funds in LAIF and CAMP.

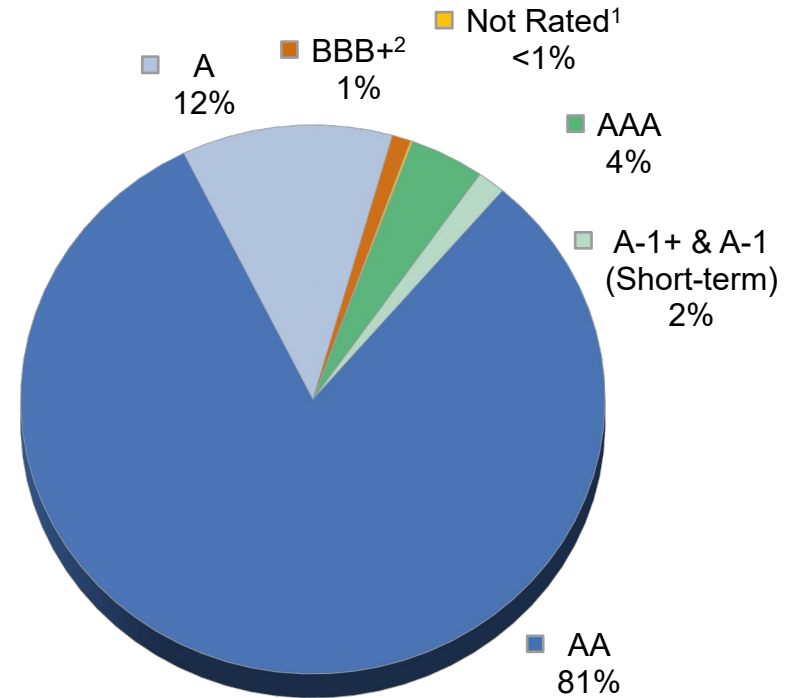
# Portfolio Credit Quality

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

## Including Liquid Accounts



## Excluding Liquid Accounts



As of September 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.

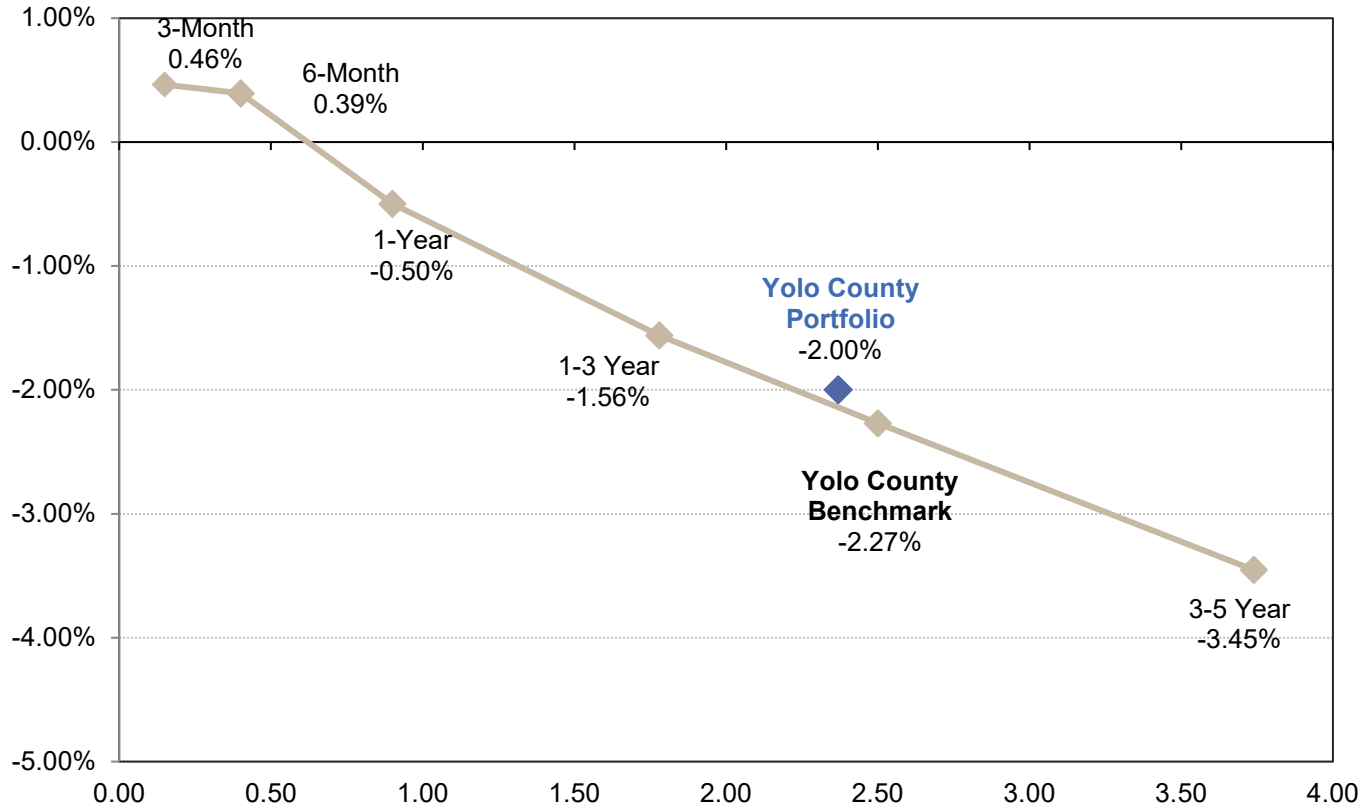
2. The "BBB+" category comprises securities rated in a rating category of A or better by at least one NRSRO.



# 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	1.33%
LAIF	1.35%

- For periods ending September 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 continue to negatively impact total return performance for most fixed income strategies, including the County's portfolio and the benchmark.
- ▶ Outperformance for the quarter can be attributed to the portfolio's shorter duration position and sector diversification.
- ▶ Historically, the portfolio continues to perform well relative to the benchmark.

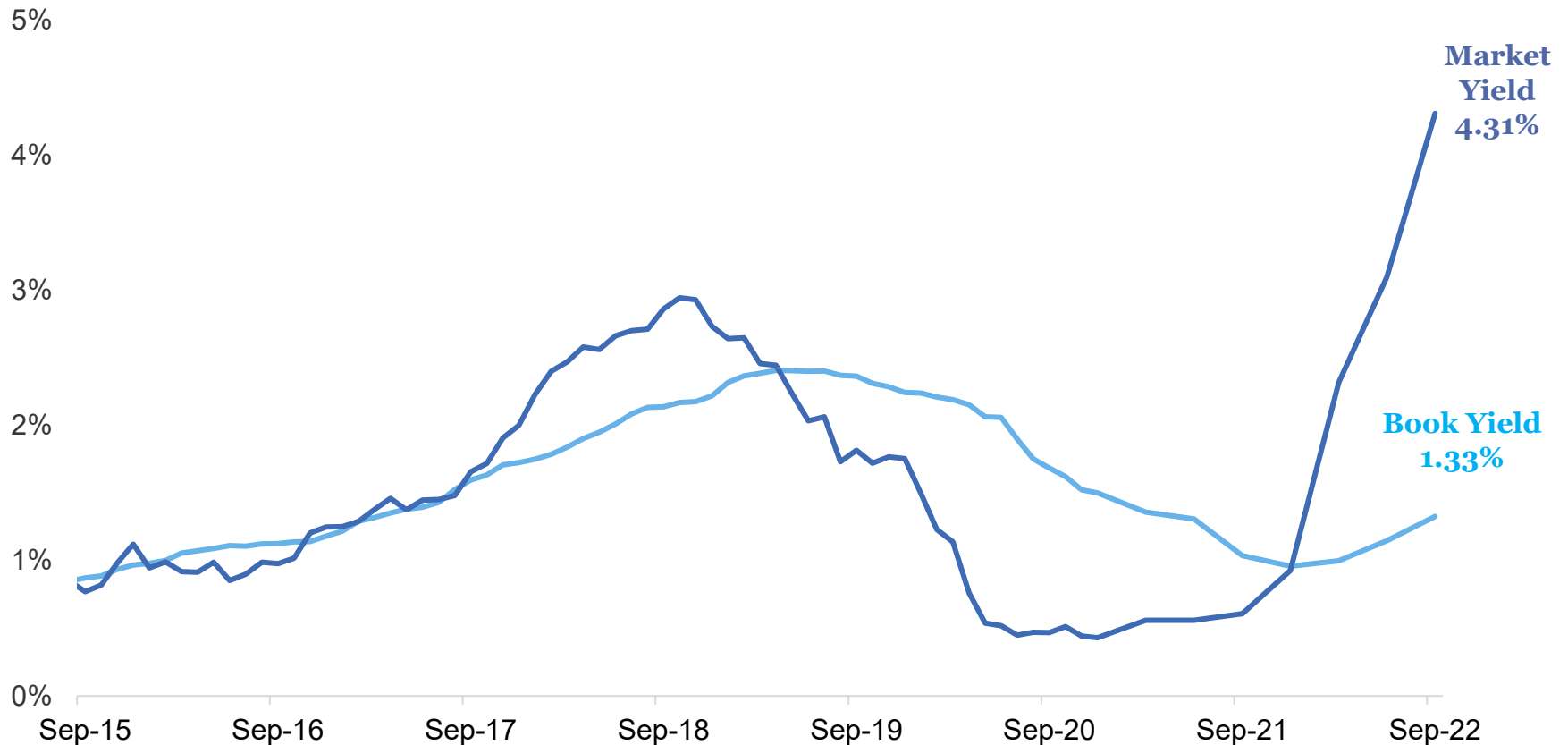
**Total Return**  
For periods ended September 30, 2022

	Duration (years)	3Q 2022	Past Year	Past 5 Years	Past 10 Years	Since Inception
<b>Yolo County</b>	<b>2.37</b>	<b>-2.00%</b>	<b>-6.32%</b>	<b>0.60%</b>	<b>0.72%</b>	<b>2.67%</b>
Benchmark	2.50	-2.27%	-6.91%	0.21%	0.33%	2.05%
Difference	-	+0.27%	+0.58%	+0.38%	+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.

# Portfolio Book Yield Continues to Rise as New Securities Are Purchased at Higher Yields

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



Source: Portfolio Data as of September 30, 2022.

# Outlook and Strategy Implications

## KEY TAKEAWAYS

- ▶ Fed prepared markets for pain to come as their battle with inflation wages on.
- ▶ Housing market quickly cooled down, creating nearly the worst conditions for housing affordability in recent history.
- ▶ Inflation continues to negatively impact consumer balance sheets, but strong job reports and cheaper gasoline prices helped buoy consumer confidence.

## RISKS TO OUTLOOK

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

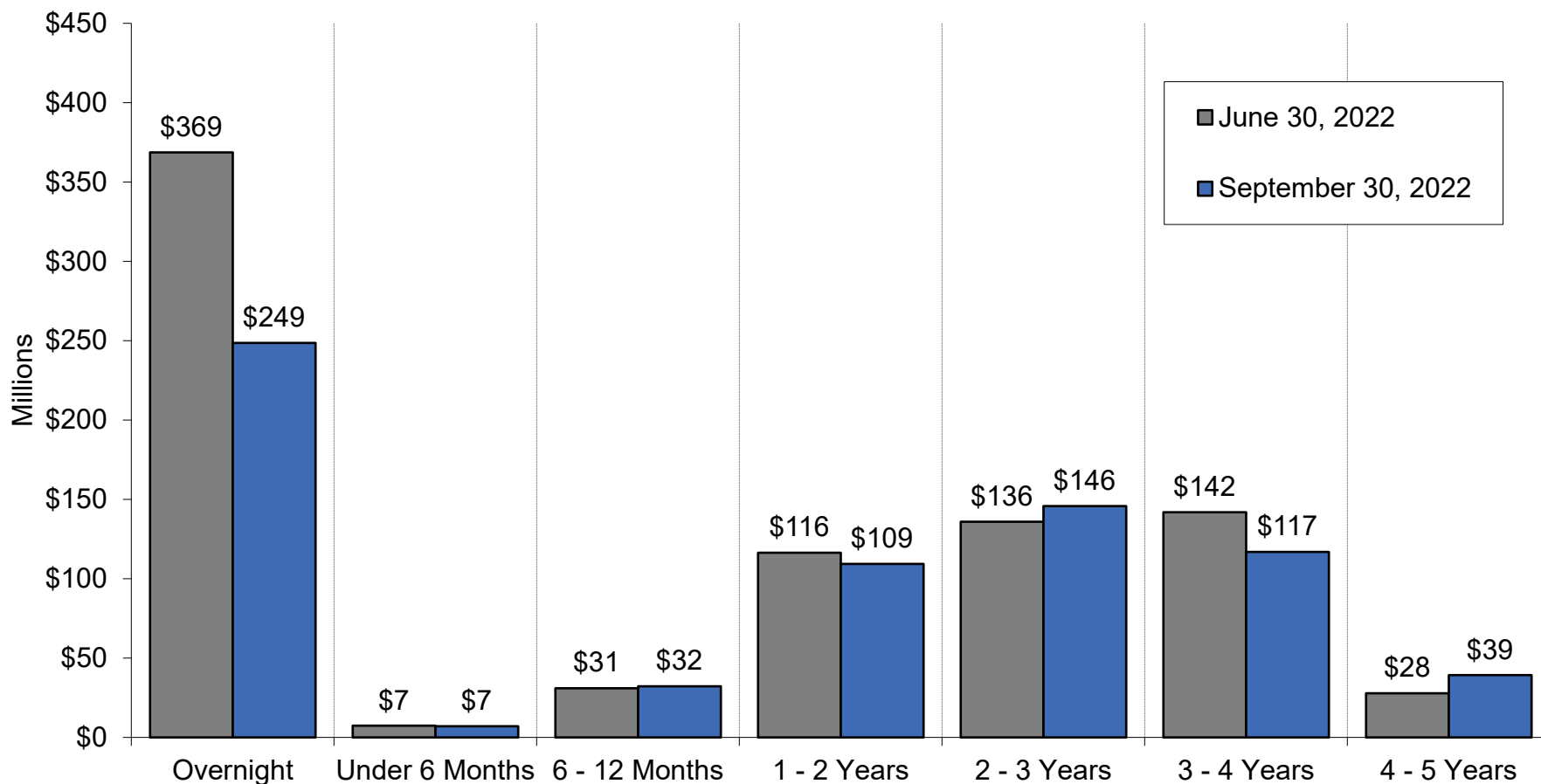
## PORTFOLIO STRATEGY

- ▶ Maintain modestly defensive duration position
- ▶ Maintain broad diversification by sector, industry, and issuer
- ▶ Utilize Treasury allocations to take advantage of diversification opportunities and market volatility imbalances
- ▶ 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	55.5%

Federal Agency Issuers	
Fannie Mae	13.1%
Freddie Mac	4.9%
Federal Home Loan Banks	1.4%
Federal Farm Credit Banks	0.8%

Federal Agency CMBS Issuers	
Fannie Mae (CMBS)	0.2%
Freddie Mac (CMBS)	0.7%

ABS Issuers	
Carmax Auto Owner Trust	0.8%
Discover Financial Services	0.2%
Honda Auto Receivables	0.2%
Hyundai Auto Receivables	0.3%
Nissan Auto Receivables	<0.1%
Toyota Motor Corp	0.4%

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

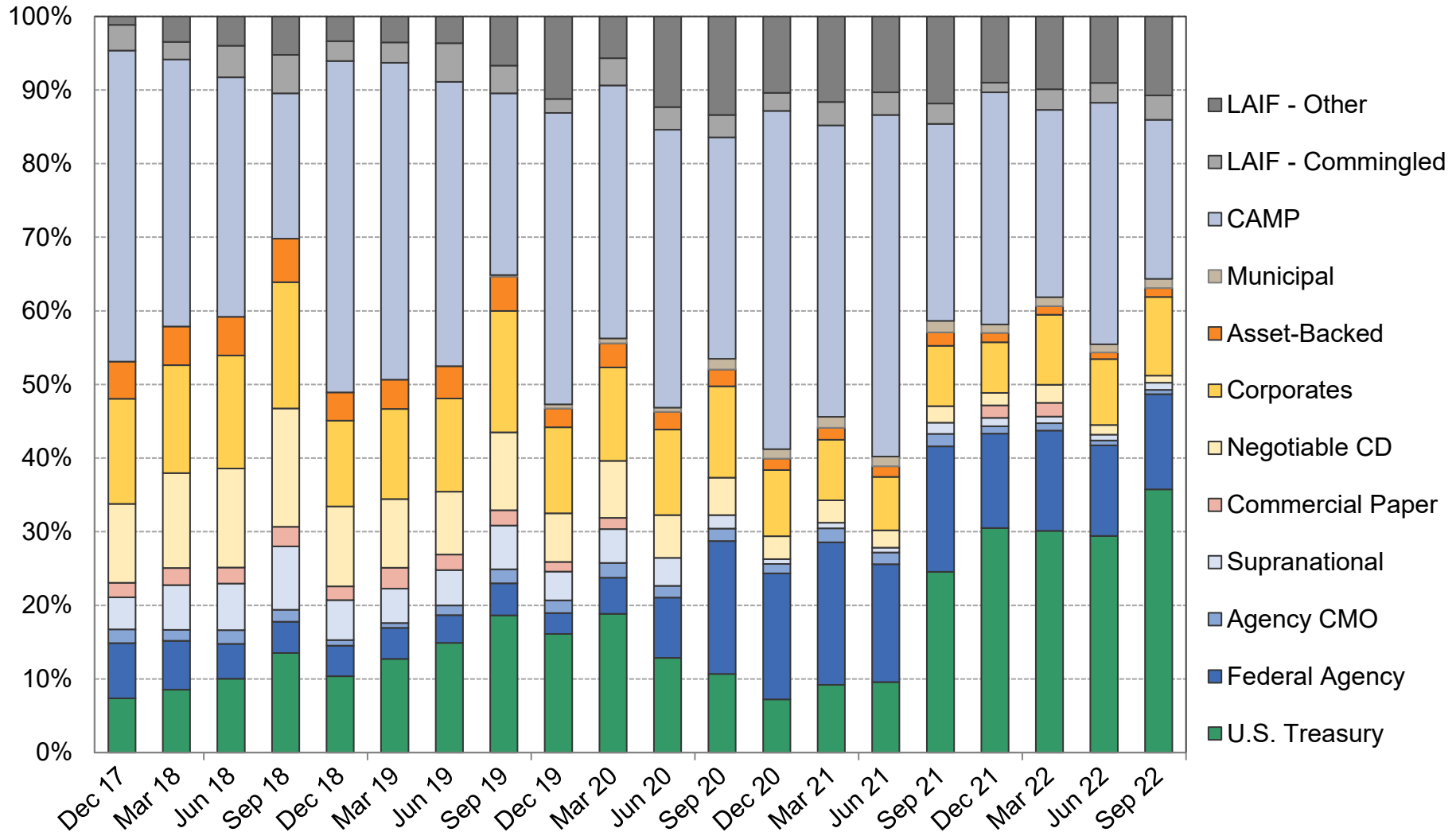
Corporate Issuers			
3M Company	1.0%	Mastercard Inc	0.7%
Adobe Inc.	0.7%	Microsoft Corp	0.6%
Amazon.com Inc	1.4%	Morgan Stanley	0.3%
Bank of America Co	1.5%	State Street Corporation	0.6%
Burlington Northern Santa Fe	0.8%	Target Corp	0.5%
Citigroup Inc	0.3%	The Bank of New York Mellon	0.9%
Deere & Company	0.4%	Toyota Motor Corp	0.5%
Goldman Sachs Group Inc	0.7%	Truist Fin Corp	0.7%
Honeywell International	0.4%	United Health Group Inc	0.5%
Intel Corporation	0.8%	US Bancorp	0.6%
JP Morgan Chase & Co	1.4%	Wal-Mart Stores Inc	1.2%

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

Negotiable CD Issuers			
Barclays PLC NY	1.1%	Credit Suisse Group NY	0.5%

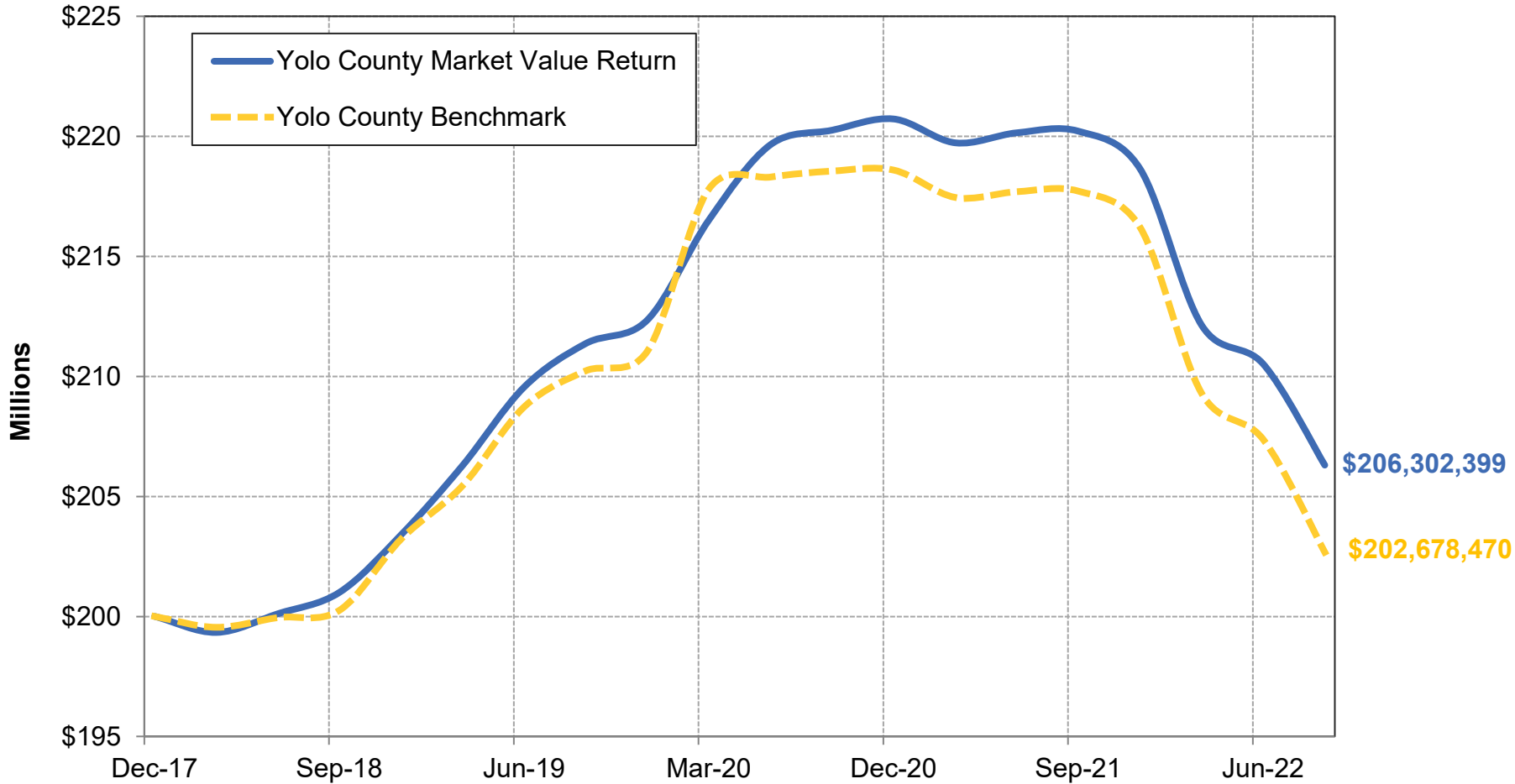
As of 9/30/2022. Details may not add to 100% due to rounding. Excludes funds in LAIF and CAMP.

# Historical Sector Allocation—All Funds





# County's Potential Growth Impacted by Negative Returns



Source: Bloomberg

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

# Fiscal Year Accrual Basis Earnings

INVESTMENT PORTFOLIO						
Date	Month-End Amortized Cost Value	Portfolio YTM at Cost	Actual Accrual Basis Earnings <sup>3</sup>	Earnings Rate <sup>1</sup>	Assumed Reinvestment Rate <sup>2</sup>	Projected Accrual Basis Earnings <sup>4</sup>
Jul-22	\$480,666,303	1.16%	\$458,902	1.16%		
Aug-22	\$481,059,671	1.26%	\$224,398	1.26%		
Sep-22	\$481,282,657	1.33%	\$228,929	1.33%		
Oct-22	-	-	-	1.33%	4.54%	\$340,724.20
Nov-22	-	-	-	1.33%	4.56%	\$329,733.09
Dec-22	-	-	-	1.33%	4.56%	\$340,724.20
Jan-23	-	-	-	1.33%	4.55%	\$340,724.20
Feb-23	-	-	-	1.37%	4.53%	\$320,511.18
Mar-23	-	-	-	1.38%	4.52%	\$362,294.54
Apr-23	-	-	-	1.38%	4.50%	\$350,607.62
May-23	-	-	-	1.38%	4.49%	\$362,294.54
Jun-23	-	-	-	1.39%	4.48%	\$354,414.26
<b>Projected FY 22-23 Total</b>						<b>\$4,014,257</b>

1. Earnings rates calculated based on the yield to maturity at cost through 9/30/2022 and the assumed reinvestment rates of maturities for each period thereafter.

2. Assumed reinvestment rates based on the interpolated 2.5-year U.S. Treasury Forward Rate Curve as of 10/19/2022.

3. Earnings for the periods 7/31/2022 – 9/30/2022 are actual earnings and include realized gains/losses; periods thereafter are projected.

4. Earnings assume no sales or realized gains/losses for periods after 9/30/2022.

# Disclaimer

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## COUNTY OF YOLO

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**TO:** Financial Oversight Committee  
**FROM:** Chad Rinde, Chief Financial Officer  
**SUBJECT:** FOC Meeting Survey  
**DATE:** November 10, 2022

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**RECOMMENDATION:**

Receive results of the FOC survey, hear recommendations, and provide direction related to the Financial Oversight Committee Meeting Survey.

**BACKGROUND & DISCUSSION:**

Staff from the Department of Financial Services had a survey open to the FOC members from July to September 2022. The intent of the survey was to review the meeting format, topics covered and receive feedback to improve the functioning of the Financial Oversight Committee in the performance of their duties and determine areas for improvement.

The survey results (Attachment A) included 6 of the 9 members of the Financial Oversight Committee which is a 67% participation rate. The timing and meeting format was reviewed, and the collective feedback was that certain months of the year are preferable and that a 90-minute meeting might be more productive than a longer or shorter meeting.

Some of the other feedback received is summarized below:

- Financial and audit function
  - More detail, trend analysis (trend or not), corrective action/prevention in other areas.
  - External auditors should report more information on upcoming changes (ex. Accounting standards)
- Internal audit function
  - Should continue to clarify role of FOC vs Audit Committee.
  - More time on risk assessment and comprehensive evaluation of risks would be appreciated
- Budget function
  - Would appreciate more on mechanics of how funds are used solely for the purposes intended (i.e., county road improvement taxes, etc.).
  - Would like to see a high-level report in narrative form that gives a good snapshot of where we stand in the current budget along with risks that could have a negative impact on actual performance against the budget.
- Treasury function
  - Need to work to condense and shorten these quarterly updates

- Need to determine the role of the FOC on the quarterly investment performance reports on Treasury and what oversight should committee apply.
- Tax Allocation function
  - Should have an annual presentation in addition to the presentation of the audit from State Controller's Office (SCO).
  - Not recollecting anything done here recently except to accept the report by the SCO on property tax allocation.

Based on the comments received which were well taken, staff plan to work on the following changes over the course of the next calendar year (2023):

- Financial and audit function
  - Work with external auditors to inform the committee on upcoming accounting standard changes for 2022-23.
  - Ensure an update occurs on any outstanding corrective actions in the prior year's audits (2021-22).
- Internal audit function
  - Staff are working on possible changes to the FOC Charter to bring further clarity between the Audit Committee and FOC. There could be several options that staff plan to bring back at the first meeting of 2023.
- Budget function
  - Staff plan to give an overview of our budget structure and how restricted uses are managed
  - Staff are working to improve our quarterly budget reports. We note that they are numerically heavy and are trying to find ways to get more information from the departments earlier to bring more meaningful information to the FOC. This may be an iterative process.
- Treasury function
  - County staff will work with PFM as the Investment Advisor to see if the information for the Committee's quarterly oversight can be condensed.
  - Staff will also provide an overview in early 2023 of the Committee's role as it pertains to investment oversight.
- Tax Allocation function
  - Staff will bring forward an annual report on tax allocation providing the committee an overview of the process and allocations. This is expected to be at either the February or May meeting depending on timing.

**ATTACHMENTS:**

Attachment A – Survey Results

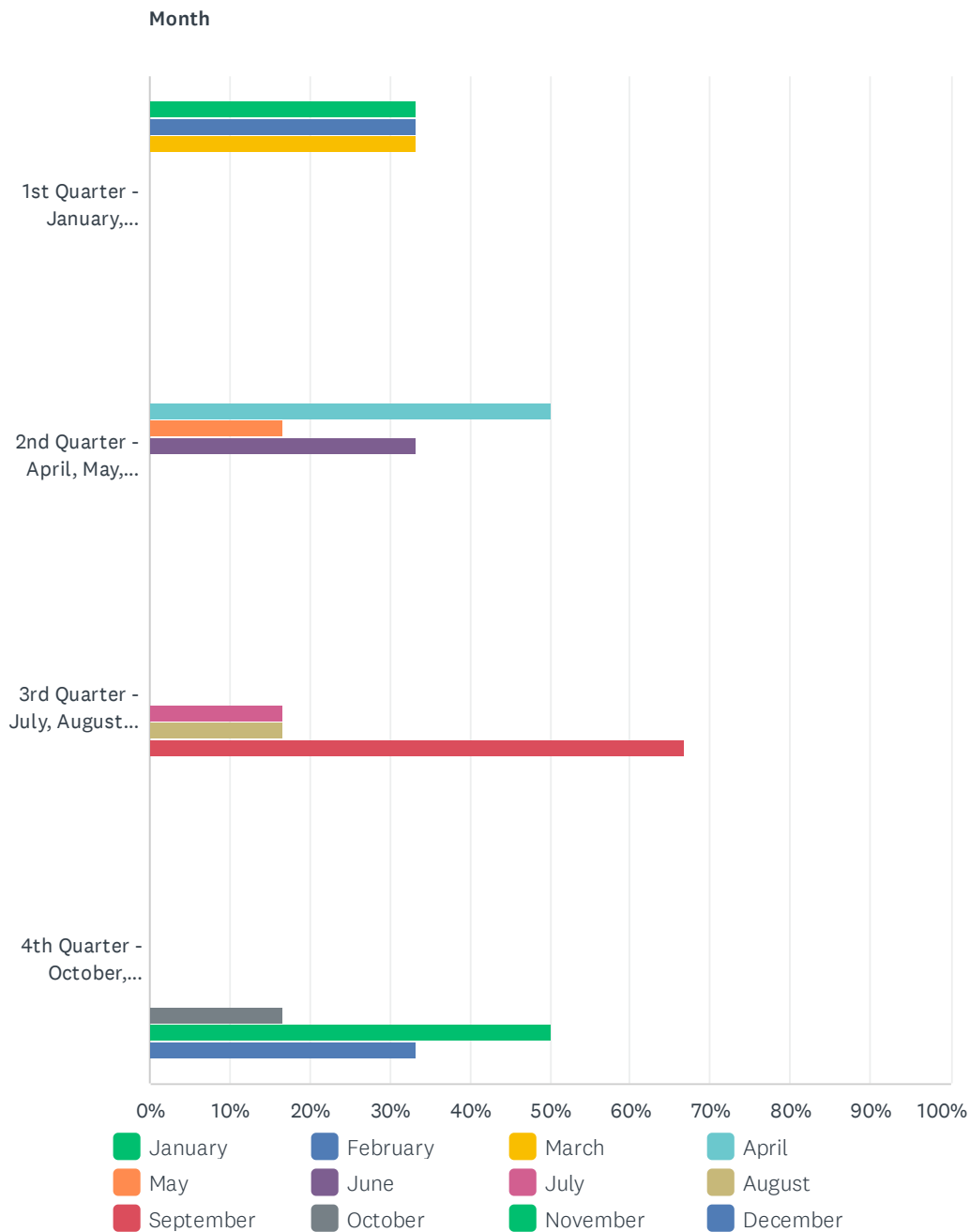
## Q1 Please provide your First Name, Last Name and Membership Category

Answered: 6 Skipped: 0

ANSWER CHOICES	RESPONSES	
First Name, Last Name	100.00%	6
Membership Category	100.00%	6

## Q2 What months would you prefer the meetings to occur? Please select one month for each quarter

Answered: 6 Skipped: 0



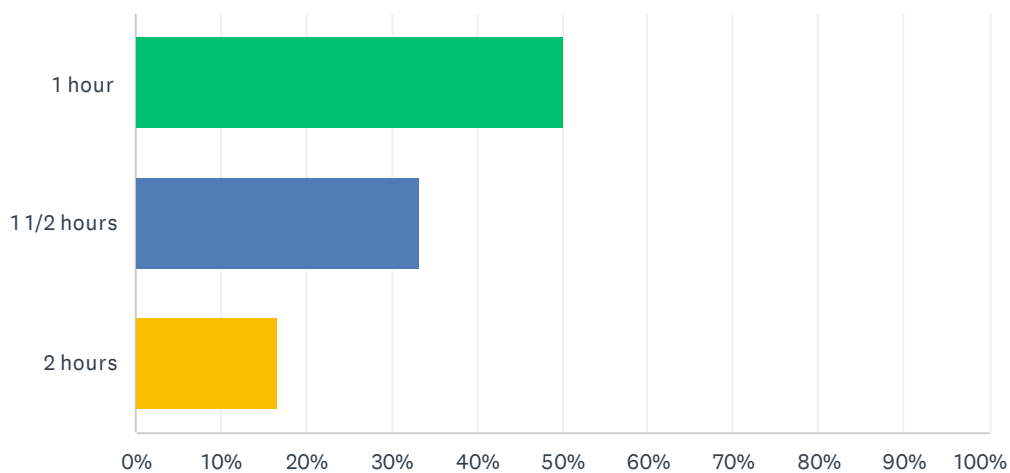
## Financial Oversight Committee Feedback Survey

Month	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER
1st Quarter - January, February, March	33.33% 2	33.33% 2	33.33% 2	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0
2nd Quarter - April, May, June	0.00% 0	0.00% 0	0.00% 0	50.00% 3	16.67% 1	33.33% 2	0.00% 0	0.00% 0	0.00% 0	0.00% 0
3rd Quarter - July, August, September	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	16.67% 1	16.67% 1	66.67% 4	0.00% 0
4th Quarter - October, November, December	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	16.67% 1



### Q3 How long would you like the meetings to last?

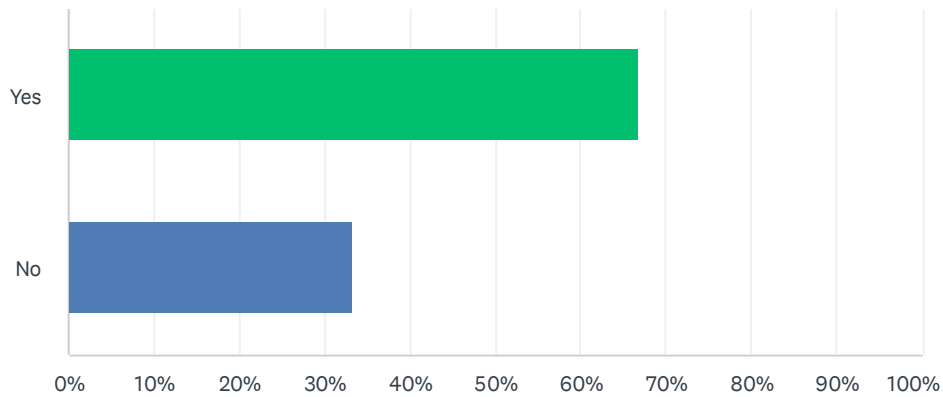
Answered: 6 Skipped: 0



ANSWER CHOICES	RESPONSES
1 hour	50.00% 3
1 1/2 hours	33.33% 2
2 hours	16.67% 1
<b>TOTAL</b>	<b>6</b>

Q4 Do you feel that each staff report provides you enough information for oversight in the Financial and Audit function? 1. Review significant accounting and financial reporting issues that affect County financial statements, including recent state laws, professional and regulatory pronouncements;2. Participate in the selection of the independent audit firm which will conduct the annual financial audit and Single Audit, in accordance with state laws and auditing standards;3. Review the scope and timing of the annual financial Audit and Single Audit;4. Meet with the independent auditors at their request;5. Review the results of the annual financial audit and Single Audit;6. Review the results and adequacy of follow-up actions necessary on audits conducted by any external auditors or regulatory auditors on any of the County’s activities, programs, transactions, or functions; and,7. Review the results of final internal audit reports.If no, please provide additional feedback on how we can improve.

Answered: 6 Skipped: 0



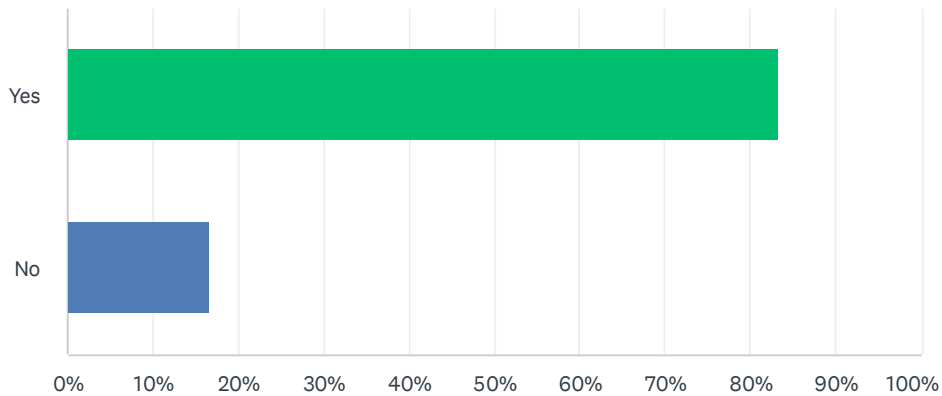
ANSWER CHOICES	RESPONSES
Yes	66.67% 4
No	33.33% 2
TOTAL	6

Q5 Do you feel that each staff report provides you enough information for oversight in the Internal Audit function (Audit Subcommittee Only)?

1. Approve the internal audit charter;
2. Review the results of the countywide risk assessments, performed annually or other appropriate frequency, and consider the effectiveness of the internal control system to mitigate identified risks;
3. Approve and monitor the progress of completion of the risk-based internal audit plan, and as appropriate, request performance of special tasks or projects;
4. Ensure the timely monitoring, and the resolution of audit findings, and recommendations are performed;
5. Receive communications from the chief audit executive on the internal audit activity’s performance relative to its plan and other related matters;
6. Make appropriate inquires of the chief audit executive of the internal audit activities (eg. whether there are scope or resource limitations; and,
7. In concert with the CFO, at a minimum of annually, review the scope and effectiveness of internal audit activity, , participate in the appointment and removal of the Internal Audit Manager, and participate in the performance evaluation of the Internal Audit Manager; and

If no, please provide additional feedback on how we can improve.

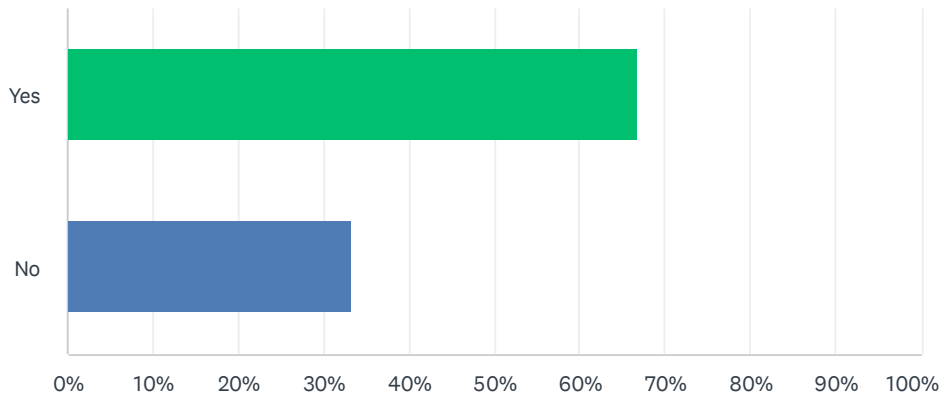
Answered: 6 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	83.33%	5
No	16.67%	1
TOTAL		6

Q6 Do you feel that each staff report provides you enough information for oversight in the Budget function? 1. Review the adopted budget and any subsequent amendments to help ensure compliance with the County Budget Act (California Government Code) and the County Budget Guide issued by the State Controller; 2. Review budgetary monitor reports; and 3. Review budget to actual reconciliation at year-end. If no, please provide additional feedback on how we can improve.

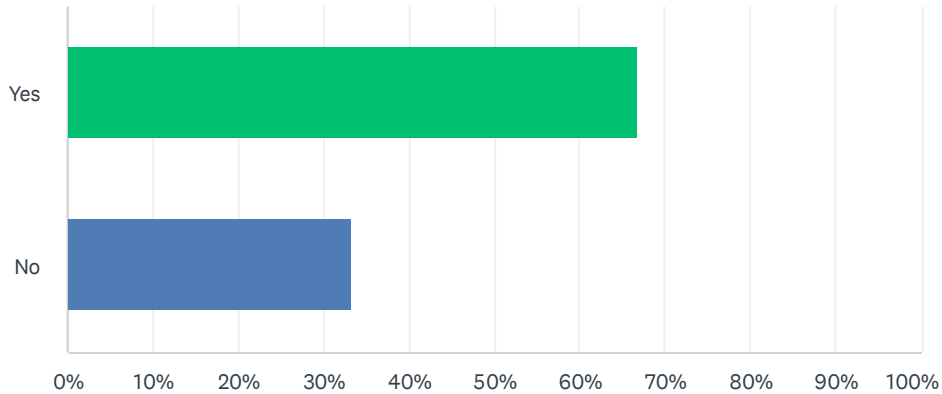
Answered: 6 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	66.67%	4
No	33.33%	2
TOTAL		6

Q7 Do you feel that each staff report provides you enough information for oversight in the Treasury function? 1. Annually review and ensure timely monitoring of the Yolo County Investment Policy proposed by the CFO is performed;2. Review audits performed on treasury operations; and3. Review the quarterly investment performance of the treasurer’s pool.If no, please provide additional feedback on how we can improve.

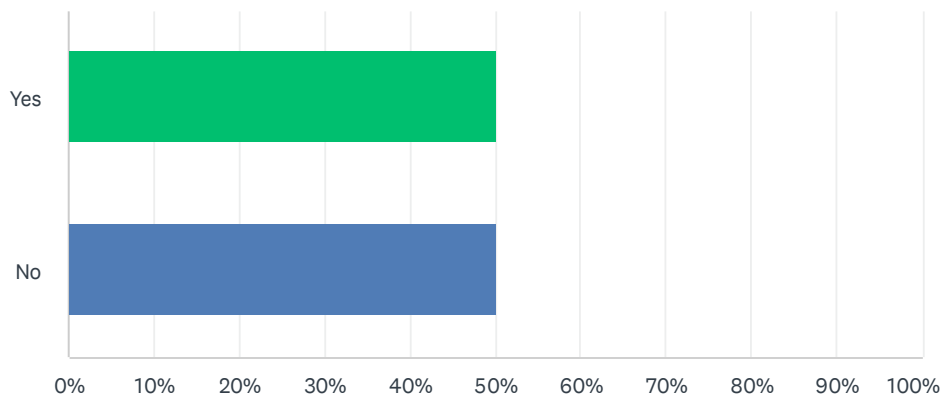
Answered: 6 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	66.67%	4
No	33.33%	2
TOTAL		6

Q8 Do you feel that each staff report provides you enough information for oversight in the Tax Allocation function? As the acting oversight authority over property tax allocation matters, member may review the internal controls over the property tax distribution activities, transactions, and processes to further ensure compliance with the Revenue and Taxation Code, and with state regulations in an equitable manner with regard to all taxing entities. If no, please provide additional feedback on how we can improve.

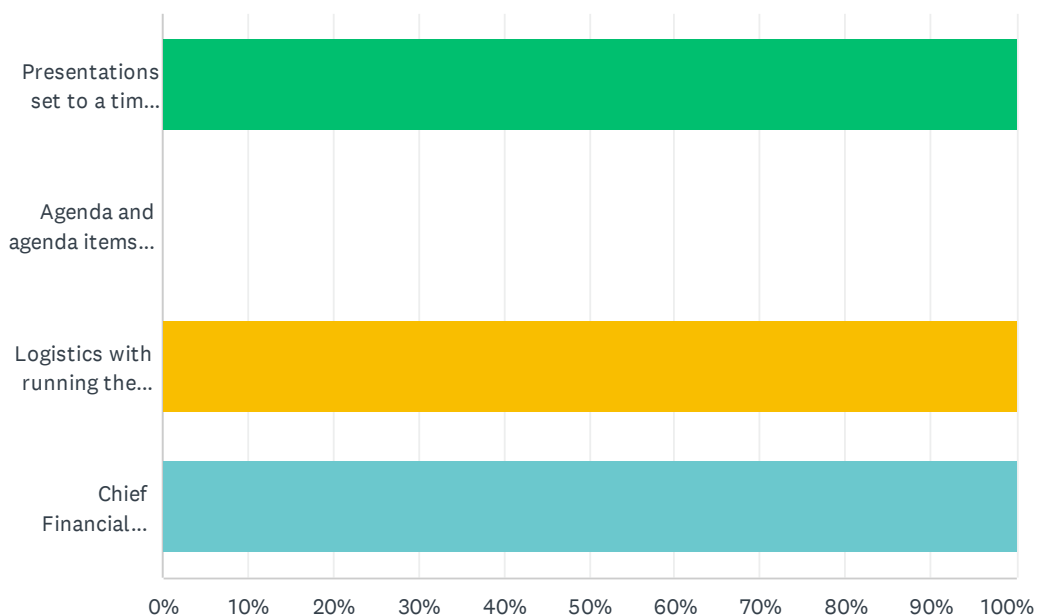
Answered: 6 Skipped: 0



ANSWER CHOICES	RESPONSES
Yes	50.00% 3
No	50.00% 3
TOTAL	6

## Q9 What improvements would you like to see with the meetings?

Answered: 6 Skipped: 0



Select box

	SELECT BOX	TOTAL RESPONDENTS
Presentations set to a time limit	100.00% 4	4
Agenda and agenda items received more timely	0.00% 0	0
Logistics with running the meeting more organized	100.00% 2	2
Chief Financial Officer or designed staff to provide more input of financial systems/function	100.00% 3	3

**Q10 Please share any other comments you have below:**

Answered: 3 Skipped: 3