Meeting of the
Audit Subcommittee
Yolo County
November 9, 2023
10:00 a.m.

All meetings of the Yolo County Audit Subcommittee will be held in person at the Yolo County Administration Building, located at 625 Court Street, Woodland, Room 202. Please note: Zoom participation will no longer be supported.

If you have anything that you wish to be distributed to the Committee and included in the official record, please contact Kim Eldredge, Audit Manager at least two (2) working days before the meeting at 530-666-8190 ext. 9204 or kim.eldredge@yolocounty.org.

Committee Members:

Chair Angel Barajas	(Board of Supervisors – Voting)
Mary Vixie Sandy	(Board of Supervisors - Voting)
Vice-Chair, Lawrence Raber	(Public Member – Voting)

Yolo County Internal Audit Staff

Kim Eldredge	(Audit Manager – Non-voting)
Noemy Mora-Beltran	(Senior Auditor – Non-voting)

10:00 pm Call to Order

1. **Introductions and welcome Supervisor Vixie Sandy.**

2. **Roll Call.**

3. **Approval of Agenda.**

4. **Follow-up of items from prior meeting (if any).**
   a. Receive and file Cash Department Audit – Library and Countywide Accounts Payable Audit

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 (5 min.)

6. **Approve prior meeting minutes 8/10/2023.**
7. **Receive Countywide Purchase Card Audit 10/24/2023.**
8. **Summary of audit reports received by June 30, 2023 – County and Non-County**

REGULAR AGENDA

9. **Receive presentation of IT Governance & Strategy Audit (Baker Tilly) (15 min.)**

10. **Receive staff report on the status of the Division of Internal Audit Activity of current engagements and the release of audit reports since last meeting (Eldredge/Mora-Beltran) (5 min.)**

11. **Update on recruitment of Audit Manager and audit staff positions (Eldredge) (5 min.)**

12. **Discuss Internal Audit Reporting Lines (Eldredge) (10 min.)**

13. **Approve FY23-24 Proposed Annual Audit Plan with recommended changes (Eldredge) (10 min.)**

14. **Approve option to extend contract with On-Call Audit firms for an additional twelve (12) month period (Eldredge) (5 min.)**

15. **Approve meeting calendar for 2024 (5 min.)**

Preferred Month	Proposed Time
February 1, 2024	10:00-11:00 am
April 18, 2024	10:00-11:00 am
July 18, 2024	10:00-11:00 am
October 24, 2024	10:00-11:00 am

16. **Confirm next meeting date: February 1, 2024.**

17. **Adjournment (Approximately 11:00 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 Kim Eldredge, Audit Manager at 530-666-8190 ext. 9204 or kim.eldredge@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 530-666-8190 ext. 9204 to make arrangements. The documents are also available on the County of Yolo Financial Oversight Committee website located at: https://www.yolocounty.org/general-government/general-government-departments/financial-services/financial-oversight-committee.

YOLO COUNTY AUDIT SUBCOMMITTEE

MINUTES OF MEETING August 10, 2023

Members present on the call:	Angel Barajas (Supervisor-Chair) and Larry Raber (Public Member)
Others present on the call:	Kim Eldredge and Noemy Mora-Beltran (Internal Audit)
Moderator/ Recorded by:	Noemy Mora-Beltran Kim Eldredge

1) **Call to order.**   Angel Barajas called the meeting to order at 10:01AM with Larry Raber in attendance. Gary Sandy was absent. Quorum was formed.

2) **Introductions.** Members and Internal Audit above were in the meeting.

3) **Approval of agenda.** Agenda approved. (Raber/Barajas)

4) **Follow-up items from prior meetings (if any).** No items from follow-up were discussed.

5) **Public comment.** Noemy Mora-Beltran reported that no public comments were received for the record.

Consent Agenda

6) Approve prior meeting minutes 4/19/2023.
7) Receive Cash Department Audit – Library 4/27/2023
8) Receive Countywide Accounts Payable Audit 6/07/2023
    Item #8 Receive Countywide Accounts Payable Audit pulled for further discussion when Supervisor Sandy returns.

    Consent Agenda approved. (Raber/Barajas)

Regular Agenda

9) **Receive staff report on the status of the Division of Internal Audit Activity of current engagements and the release of audit reports since last meeting (Eldredge/Mora-Beltran)**
Kim Eldredge provided a status of current engagements: capital projects finalizing draft report; accounts payable-completed; cash department audit library-completed; governance & strategy audit - in-progress; and subrecipient compliance monitoring working with on-call auditors for reviews.

Noemy Mora-Beltran provided a brief update on the capital projects audit and next steps with communications with county management.

10) **Receive Annual Risk Assessment Report (Eldredge/Mora-Beltran)**
Kim Eldredge provided some highlights from the risk assessment conducted. The risk assessment identified a total of 13 high-risk or high priority areas in 6 departments and 8 countywide. The interviews conducted with the board members, chief administrative officer, and county departments identified risk themes in 7 categories (workforce, technology & systems, processes, safety & physical security, legal & regulatory, financial, and other). Based on the risk assessment, internal audit will use this data to prepare the annual audit plan.

11) **Discuss FY23-24 Proposed Annual Audit Plan – Options (Eldredge/Mora-Beltran)**
Kim Eldredge and Noemy Mora-Beltran provided 3 Options for the Proposed Annual Audit plan for FY23-24. The options were created based on the announcement of the audit manager retirement in December and the staff auditor personal leave starting in mid-December through April 2024. The internal audit function will be down 1-FTE for a 4–6-month period.

Internal Audit Activities	Approved 3-year Plan	Option 1	Option 2	Option 3
One-time Projects	1778	730	910	1790
Continuous & Mandated Audits	634	662	482	642
Other Internal Audit Activity	3228	3146	3146	3146
Outsource	850	2250	1650	850
Projects moved to FY24-25	550	0	0	0
Total budgeted hours	7040	6788	6188	6428
FTEs	3	2.5	2.5	3 includes proposed new hire Auditor III

12) **Approve FY23-24 Proposed Annual Audit Plan with recommended changes (Eldredge)**
Due to changes in staffing resources, the committee members requested a revised annual audit plan for review at the next meeting.

13) **Confirm next meeting date:** October 25, 2023, at 10:00 to 11:00 am.

14) **Closed session – Personnel matter**

15) **Adjournment** (Approximately 12:03 p.m.)

Purchase Card Audit

Yolo County Division of Internal Audit

Report Date
October 24, 2023

Audit Team

Noemy Mora-Beltran, Senior Auditor
Kim Eldredge, Audit Manager

County of Yolo
Department of Financial Services
Division of Internal Audit
P.O. Box 1995
Woodland, CA 95776

Visit the Division's Website at
http://www.yolocounty.org/general-government/general-government-departments/financial-services/internal-audit

Audit No: 2023-16

County of Yolo

www.yolocounty.org

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

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

Transmittal Letter

October 24, 2023

Ryan Pistochini, Director of General Services
Department of General Services
County of Yolo
Woodland, CA 95695

Re: Audit of the Yolo County Purchase Card Program

The Division of Internal Audit has completed an audit of the Yolo County Purchase Card Program for the period of July 1, 2021 to June 30, 2022 to determine whether adequate internal control exists to provide reasonable assurance to county management that there is an acceptable level of operational accountability in the purchase card program.

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

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

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to purchase program administration, card management, merchant management, and processing of transactions.

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

We thank the Department General Services management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Sincerely,

Kim Eldredge, CGAP
Internal Audit Manager

Distribution
Gerardo Pinedo, Chief Administrative Officer
Tom Haynes, Chief Financial Officer
Holly Alves, Accounting & Financial Reporting Manager
Tonia Murphy, Procurement Manager
Yolo County Audit Subcommittee
Audit File Project No. 2023-16

Yolo County Division of Internal Audit

Table of Contents

Purchase Card Audit
Audit No: 2023-16

For the Period July 1, 2021 to June 30, 2022

Detailed Findings and Recommendations

Background

Yolo County Purchase Card Program was established in 1995. The purpose was to facilitate the purchases of small dollar items that did not need to follow the formal procurement system. In March 2003, the Board of Supervisors adopted the Purchase Card Policy and a resolution to participate in the Cal-Card program offered by the State of California Department of General Services, Procurement Division. The County's Purchase Card Policy was last revised in July 2021 and the Purchase Card Procedures in January 2021 to strengthen accountability and improve the effectiveness of the program.

During the audit period, the Procurement Division transitioned from the Department of Financial Services to the Department of General Services in September 2022. The Procurement Division (purchase card program administrator) is responsible for the day-to-day management of the program including issuing and canceling cards, setting purchase limits, maintaining procurement card policy, and for providing training.

The Division of Internal Audit performs annual reviews of the purchase card program as part of their continuous auditing program in the areas of card management, merchant management, and transaction analysis. The Director of General Services has requested an additional review of the purchase card program administration to ensure that the program is running effectively. This report supports the continuous auditing program and additional scope of work in the program administration area.

Objective, Scope, and Methodology:

The objective of the audit was to determine whether adequate internal control exists to provide reasonable assurance to county management that there is an acceptable level of operational accountability in the purchase card program. Operational accountability is achieved when the purchase card program operates efficiently and effectively, transactions are executed in accordance with the laws, regulations and Board policies, and reliable information is generated and reported.

The scope of our audit included the review of the purchase card program from July 1, 2021 to June 30, 2022.

We performed the following procedures:
- Perform an analytical review of the purchase card activity
- Determine whether the purchase card program and operations are properly managed, and records secured
- Determine whether the purchase card transactions are supported by adequate documentation
- Determine whether the purchase card transactions were in compliance with county policies and procedures

A. Program Administration

The Program Administrator is the Purchasing Agent. The Program Administrator is responsible for managing the purchase card program, recommending processes and procedures to ensure that adequate internal controls are in place, and is the primary point of contact with the card issuer. The responsibilities of the Program Administrator are:

a) Oversight of all cardholders including initial approval, ongoing monitoring of cardholder activity, and identifying compliance issues
b) Develop and maintain policy and procedures
c) Process new card requests, request replacement cards, set or change transaction limits, set, or change merchant category codes controls, and ensure card cancellations
d) Manage the relationship with the card issuer
e) Facilitate training and maintain training records for cardholders, approvers, reconcilers, and billing officials
f) Assist the internal audits division in auditing purchases
g) Monitor and evaluate the purchase card program, recommend changes, and ensure no violations of County policies or procedures exist
h) Report to the Board of Supervisors on an annual basis a summation of purchase card activity

Audit Objective/Methodology
The audit objective was to evaluate internal controls over the operations of the purchase card program in the areas of span of control, financial exposure, discipline, training and purchasing and reviewing authorities.

To accomplish our objective, the following procedures were performed:
- Obtained a general understanding of the purchase card program
- Reviewed the County Purchase Card Policy and Purchase Card Procedures
- Reviewed operations as they pertain to cardholder's trainings, discipline, and monitoring of card activities

Below is a summary of the number of cards and the purchase card transactions for fiscal year 2021-22.

Department	# of Cards	# of Trans	Transaction Amount
Agriculture	5	159	$30,176
Assessor Clerk Elections	4	139	$17,833
Board of Supervisors	1	94	$21,691
Child Support Services	3	89	$20,886
Community Services	8	163	$55,502
County Administrator	3	133	$29,509
County Counsel	2	8	$895
District Attorney	4	396	$46,835
Financial Services	3	137	$43,641
General Services	14	309	$54,967
Health Human Services	36	2252	$571,571
Human Resources	2	162	$46,411
Innovation Technology Services	2	50	$9,047
Library	7	252	$46,385
Probation	7	226	$32,230
Public Defender	20	260	$31,775
Sheriff	25	713	$146,456
Total	**146**	**5542**	**$1,205,811**

Finding #1: Internal control weaknesses over the operations of purchase card program

The Program Administrator is responsible for providing countywide training on the purchase card program, regular monitoring of usage to ensure compliance with policies, and for submitting an annual report to the Board of Supervisors. The auditor reviewed the purchase card program and identified the following weaknesses in the program administration.

- A formal process not followed when violations occur as indicated in purchase card procedures
- Attendance record not maintained for trainings conducted
- No monitoring or follow-up with the cardholders, approvers, reconcilers, and billing officials who did not attend any trainings
- Annual Purchase Card Activity report for fiscal year 2021-22 not submitted to the Board of Supervisors

Recommendation 1

The Program Administrator should review its internal controls over the management of the purchase card program to address the above noted exceptions.
(Priority 3 Issue – 180 days required corrective action)

Management Response 1
Management is in the process of review the internal controls and will make the necessary changes to ensure compliance. Management intends to work closely with Department of Finance to ensure controls in both areas are sufficient. (Anticipated Date of Completion 12/31/2023)

B. Card Management Analysis

Purchase cards are issued at the discretion of the Program Administrator upon receiving a valid request from the department head or assistant department head. Purchase cards are assigned to county employees only. The Program Administrator retains the authority to impose limits on, suspend or revoke purchase card privileges at any time.

Audit Objective/Methodology
The audit objective was to evaluate internal controls over the management of the purchase card accounts.

To accomplish our objective, we performed various data analytics utilizing computer-assisted audit techniques (CAATs) to identify open purchase cards for terminated employees, verified cardholder's name against payroll record, and confirmed purchase card approvers were at least one level above cardholder.

Result of data analytics:

Procedure	Number of cardholders/transactions
Purchase cards active during the audit period	146
Cardholders with less than 10 transactions in the audit period	26
Cardholders with no transactions during the audit period	15

Finding #2: Management of purchase card accounts needs improvement

The Program Administrator is responsible for prescribing and maintaining adequate internal control over the purchase card program to ensure accountability. This responsibility includes establishing countywide criteria for proper usage and regular monitoring to ensure compliance with policies. The auditors reviewed the data analytic results of the purchase card accounts and identified the following:
- Three (3) purchase cards found open for employees who are no longer with the county
- Seven (7) employees had duplicate purchase cards issued to them
- Twenty-three (23) cardholders identified as mismatched account name to their payroll records
- Out of a sample of forty (40) cardholders, the approver information was missing for one (1) cardholder while nine (9) cardholders had outdated information (listed approvers no longer with the county)

Recommendation 2

We recommend that the Program Administrator work closely with the cardholders, department approvers, department reconcilers, and billing officials to ensure that the above issues are addressed and resolved. Purchase cards for terminated employees should be closed immediately. Cardholder's approver information should be verified on a regular basis for continued accountability. The Program Administrator should consider verifying cardholder's legal name with human resources to ensure compliance with legal name requirements.
(Priority 1 Issue – 60 days required corrective action)

Management Response 2
Management has requested the termination of employee report and will monitor it monthly to ensure employee's cards are made inactive upon their departure from the County.
Employees with duplicate cards has been analyzed and is centralized in one department. Management intends to meet with the department and Department of Finance to better understand the need for two cards. Best practices will be discussed with the department and adjustments made accordingly.
With the implementation of the Infor CloudSuite, cardholders' names are now matched to the payroll records via the system. This finding has been resolved with the implementation of the new system.
The comparison of the signature authorities for cardholders is a task of Department of Financial Services to review signatures to what is on file. Procurement will coordinate to ensure that the division has those records and will monitor as needed to ensure the correct approver is kept current. (Anticipated Date of Completion 12/31/2023)

C. Merchant Management Analysis

Merchant Category Code (MCC) is a four-digit code that identifies the type of business a merchant conducts and is assigned by the bank based on their primary business. The State of California Cal-Card program and U.S. Bank have identified certain codes as high-risk for improper use and restrict their use for all cardholders. The County's Program Administrator further restricted other codes to maintain compliance with policy and procedures. When a new purchase card is issued, all high-risk merchant codes identified by the State of California Cal-Card program administrators along with the County's Program Administrator are automatically restricted by the U.S. Bank for all cardholders. At the request of the departments, the Program Administrator grants temporary or permanent access to the restricted MCCs.

Audit Objective/Methodology
The audit objective was to perform an overall analysis of the merchant category codes to identify cardholders and transactions involving restricted MCCs.

To accomplish our objective, we performed a variety of data analytics to identify cardholders with access to the restricted MCCs, purchase card transactions involving restricted MCCs, and access to restricted MCCs granted or revoked by the Program Administrator.

Result of data analytics:

Procedure	Number of cardholders/transactions
Cardholders with access to restricted MCCs Restricted	34
Restricted MCCs authorized to cardholders	22
Transactions under restricted MCCs	171
Total amount of transactions under restricted MCCs	$39,855

Finding #3: Access to Restricted Merchant Category Codes (MCCs)

The Program Administrator has the authority to set or change the merchant category code for the cardholders. The auditors selected a sample of entries to verify supporting documentation granting access to restricted MCCs. Out of a sample of 50 entries, the following exceptions were noted:
- Twenty-one (21) entries had no authorization on file
- Eleven (11) entries identified as a temporary lift on restricted MCCs but not restored to previous set up
- One (1) entry identified as a restricted item allowed for the purchase of flowers as a gift

Recommendation 3
We recommend that the Program Administrator obtain and retain written authorization when providing access to a restricted MCC. Access granted should be monitored and reviewed on a regular basis to prevent unauthorized purchases.
(Priority 2 Issue – 120 days required corrective action)

Management Response 3
Management concurs with the finding. Due to the promotion of the Procurement Manager to the Director of General Services, the movement of the Procurement Division to General Services and many failed recruitments this is an area that need to be improved. With the Division almost completely staffed, the Division has been able to conduct several trainings at the end of last fiscal year and is in the process of identifying other dates and time to conduct more training. The Division expects to be compliant by the end of the fiscal year barring no rapid changes in staffing. (Anticipated Date of Completion 12/31/2023)

D. Transaction Analysis

Purchase card may be used to pay for authorized purchase transactions that are not subject to a formal procurement process according to the procurement policy, and that are made through any legal means: over the counter, by telephone, or online. The card can be used to pay for small purchases of goods and services that cost less than $5,000. The purchase card shall not be used to pay for purchases that are typically made through purchase order or agreement or to lease equipment, purchase fixed assets or to pay for maintenance and/or professional services.

Audit Objective/Methodology
The audit objectives were to:
- perform various data analytics to identify purchase card transactions that may require further review
- test a sample of purchase card transactions to ensure they adhere to purchase card policies and procedures

To accomplish our objective, we performed a variety of data analytics using the purchase card data, employee date and vendor payments to identify purchase card activity in the following areas:

- Transaction overview of purchase card activity
- Transactions exceeding single purchase limits
- Transactions exceeding monthly credit limits
- Transactions occurring on weekends and holidays
- Purchases typically made through other means
- Top Ten Merchants with the highest transaction amounts

Summary of Purchase Card Transactions
During the audit period, county departments spent $1,205,811 of 5,542 transactions charged to the 146 purchase cards issued to their employees. There was an increase in purchase card transactions by 27% compared to last fiscal year as COVID-19 restrictions eased. The departments with significant transaction amounts included the Child Support Services, District Attorney and Sheriff's Office. The months of May and June 2022 had the most activity with a significant increase in transactions related to travel and hotels. An overview of the purchase card transactions for fiscal years 2020-21 and 2021-22 by department is presented in (figure 1) with a comparison by month in (figure 2).

Department	Fiscal Year 2020-21			Fiscal Year 2021-22			Change				
	# of Cards	# of Trans	Transaction Amount	# of Cards	# of Trans	Transaction Amount	# of Cards	# of Trans	# of Trans %	Transaction Amount	Transaction Amount %
Agriculture	4	123	$22,423	5	159	$30,176	1	36	29%	$7,752	35%
Assessor Clerk Elections	4	368	$20,549	4	139	$17,833	0	(229)	-62%	($2,716)	-13%
Board of Supervisors	1	61	$17,217	1	94	$21,691	0	33	54%	$4,475	26%
Child Support Services	4	30	$5,181	3	89	$20,886	(1)	59	197%	$15,705	303%
Community Services	6	159	$34,369	8	163	$55,502	2	4	3%	$21,132	61%
County Administrator	6	242	$38,292	3	133	$29,509	(3)	(109)	-45%	($8,783)	-23%
County Counsel	1	20	$1,280	2	8	$895	1	(12)	-60%	($385)	-30%
District Attorney	3	153	$21,960	4	396	$46,835	1	243	159%	$24,875	113%
Financial Services	5	184	$60,706	3	137	$43,641	(2)	(47)	-26%	($17,064)	-28%
General Services	18	540	$92,856	14	309	$54,967	(4)	(231)	-43%	($37,888)	-41%
Health Human Services	35	1767	$438,941	36	2252	$571,571	1	485	27%	$132,630	30%
Human Resources	2	102	$24,316	2	162	$46,411	0	60	59%	$22,094	91%
Innovation Technology Services	2	81	$16,643	2	50	$9,047	0	(31)	-38%	($7,595)	-46%
Library	7	194	$35,904	7	252	$46,385	0	58	30%	$10,481	29%
Probation	6	234	$31,481	7	226	$32,230	1	(8)	-3%	$749	2%
Public Defender	18	161	$19,277	20	260	$31,775	2	99	61%	$12,498	65%
Sheriff	26	434	$71,468	25	713	$146,456	(1)	279	64%	$74,988	105%
Total	148	4853	$952,862	146	5542	$1,205,811	-2	689	14%	$252,948	27%

(Figure 1) Transaction Summary by Departments

Transaction Amount by Month FY 2020-21 & 2021-22
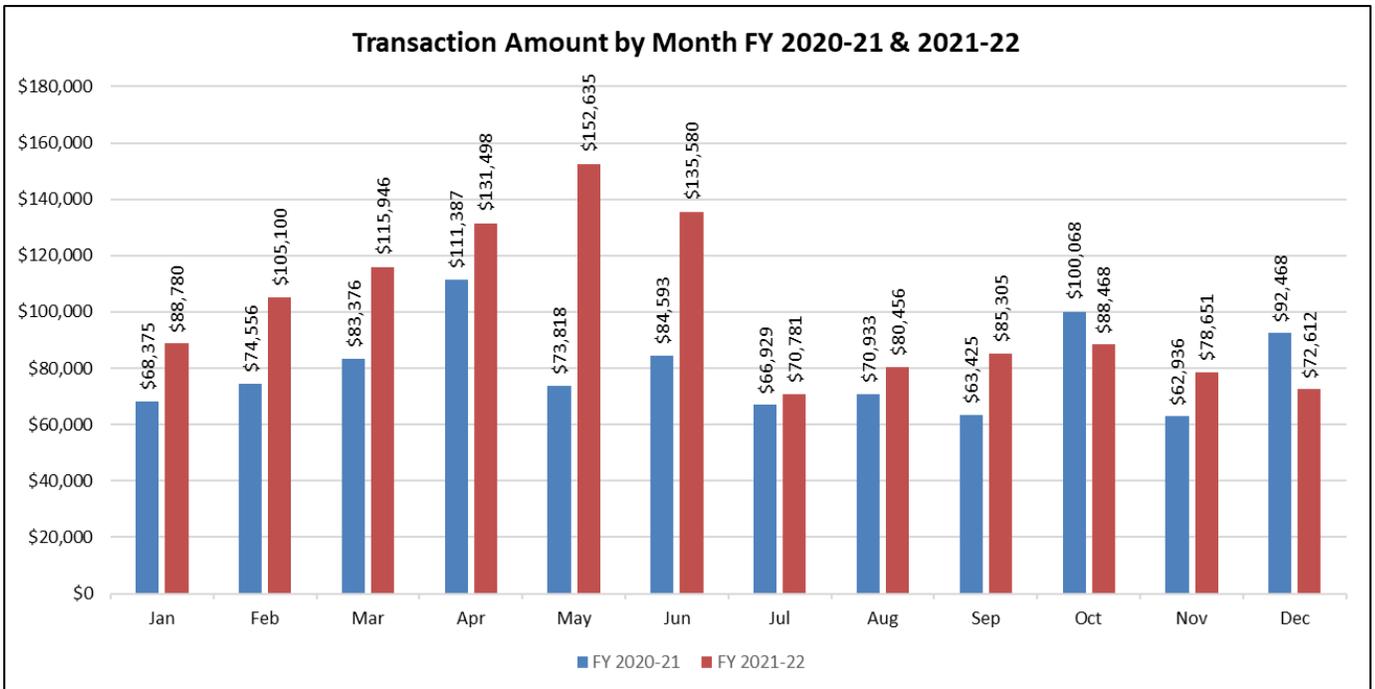
(**Figure 2**) **Transaction Amount by Month**

Common Types of Merchants

The most common merchants paid by the purchase card relate to trainings, travel, and shelter/supplies for Health & Human Services Agency (HHSA) clients as illustrated in the "Top 10 Merchants" (figure 3) in the pie chart below totaling $288,529 from July 1, 2021, to June 30, 2022. Walmart, Hotels.com, Amazon, PayPal and Costco continue to be the top ten vendors on the list.

TOP 10 MERCHANTS 7/1/2021 to 6/30/2022
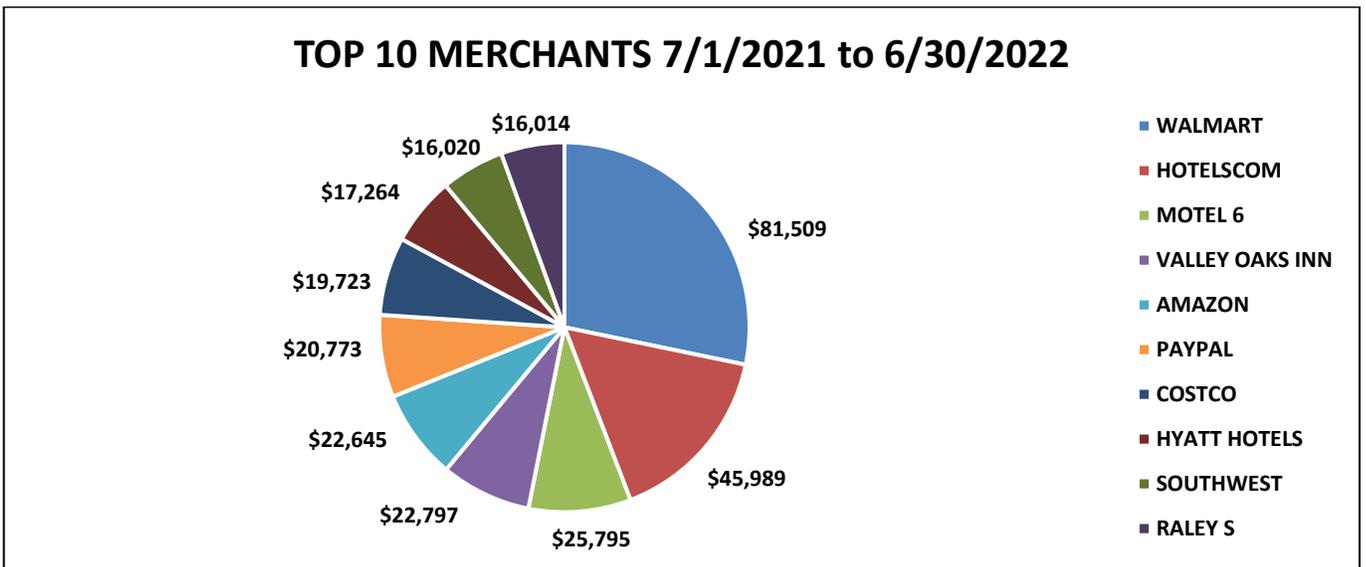
(**Figure 3**) **Top 10 Merchants**

Transactions Typically Made Through Travel Agency

The county has contracted with an outside travel agency to arrange travel involving airfare and/or an overnight stay in a hotel. The preferred method for arranging travel is through the county's travel agency. In certain circumstances, better rates may be obtained via the internet or sources other than the travel agency. Travel may be obtained from these other sources only if it results in a net saving to the county and has been pre-approved by

the department head or their designee. During the audit period, there were 450 transactions totaling $204,915 for airfare and hotels (figure 4).
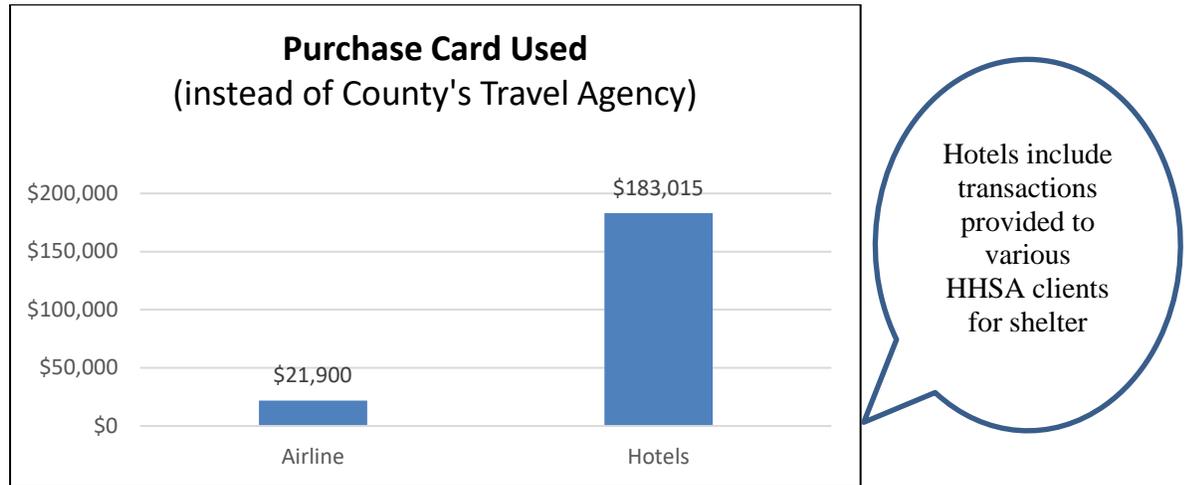
(Figure 4) Purchase Card Used (instead of County's Travel Agency)

Results of Transaction Testwork

The following findings and recommendations are made as a result of tests conducted on 100 transactions by cardholders at the Agriculture, Assessor/Clerk-Recorder/Registrar of Voters, Board of Supervisors, Community Services, County Administrator, District Attorney, Financial Services (DFS), General Services, Health & Human Services Agency, Library, Probation, Public Defender, and Sheriff's Office. The auditors reviewed the transactions and additional documentation provided by the department management and verified compliance with county policy and procedures.

Title	Finding	Recommendation	Management Response
Finding #4 Lack of supporting documentation (original or supporting receipts)	• Sixteen (16) transactions had no original or supporting receipt on file and/or incomplete evidence of all items purchased • Two (2) transactions for food purchases did not include date and location of the event, approval by an authorized official, and a list of names of persons who benefited from the county paid meal as required by county policy • Twelve (12) transactions had no approved Travel Request Forms attached or the forms were not signed by an authorized official • Seven (7) transactions had no documentation for using alternative methods for travel arrangements instead of the county's Travel Agency • One (1) transaction included Exception Request Form where vendor information stated did not match the purchase card statement	DFS should ensure that the cardholders review the statement for accuracy and attach copies of sales receipts or other documentation to support the charge expensed to the county in the order they appear on the statement. The approving official ensures that receipts and documentation are in order and that they match the statement. The reconciler reviews the supporting documentation, records the proper expenditure accounts, and prepares the journal entry. (Priority 1 Issue – 60 days required corrective action)	Management will remind departmental approvers and reconcilers that they are the first and second level of people who are responsible for ensuring supporting documentation is sufficient. (Anticipated Date of Completion 12/31/2023)
Finding #5 Description of business purpose not identified	• Twelve (12) transactions had no description of business purpose. • Thirteen (13) transactions with not enough information to determine compliance with County policy and procedures.	DFS should ensure that detailed information be documented when the business purpose is not evident from the sales draft. Fund codes need to be exact and having information to better assist in the coding of the transaction is helpful. (Priority 1 Issue – 60 days required corrective action)	Management has established trainings that inform cardholders of the need to document the business purpose. Management will remind departmental approvers and reconcilers that they are the first and second level of people who are responsible for ensuring supporting documentation is present and sufficient. (Anticipated Date of Completion 12/31/2023)
Finding #6 Goods not verified when received	• Twenty-two (22) transactions that had no	DFS should ensure that the cardholder keeps a copy of the order form, including all shipping and sales tax	Management has established trainings that inform cardholders of the need to verify when goods were

Title	Finding	Recommendation	Management Response
	verification of when goods were received. • One (1) transaction missing control log to record the purchase of gift cards	information. When the order is received, the cardholder should keep a copy of the packing slip and attach it as proof that the goods were received. (Priority 1 Issue – 60 days required corrective action)	received. Management will remind departmental approvers and reconcilers that they are the first and second level of people who are responsible for ensuring supporting documentation is present and sufficient. (Anticipated Date of Completion 12/31/2023)
Finding #7 Purchase card statements not approved by an authorized approving official	• Two (2) purchase card statements not signed by authorized approving official • Ten (10) purchase card statements had printed or stamped signatures	Program Administrator should communicate to the cardholder, approving official, and reconciler of the policy requirement for approval of purchase card statements. (Priority 1 Issue – 60 days required corrective action)	The collection of the signature authorities for cardholders is a task of Department of Finance. Procurement will coordinate to ensure that the division has those records and will monitor as needed to ensure the correct approver is kept current. Additionally, Procurement and the Department of Financial Services will discuss alternatives to "wet" signatures in the "new" normal of hybrid/remote workforce. (Anticipated Date of Completion 12/31/2023)
Finding #8 Purchase card used instead of authorized payment method	• One (1) transaction where goods were purchased over $5,000 using purchase card instead of a purchase order • One (1) transaction where payment was made to vendor using purchase card instead of the established contract	Program Administrator should communicate to the cardholder, approving official and reconciler actions required to resolves these types of transactions. (Priority 1 Issue – 60 days required corrective action)	With the most recent Accounts Payable audit and the CalCard audit, DFS and Procurement are monitoring transactions closely. Procurement will be sure to emphasize in training the intent of the CalCard Program and approved transactions. (Anticipated Date of Completion 12/31/2023)
Finding #9 Program eligibility and department's policy and procedure for clients need improvement	• Three (3) cases were missing acknowledgement from the client/relative/caretaker for the receipt of items/services • Two (2) cases to procure the items/services on behalf of client was not approved by management in advance	Program Administrator should ensure that the cardholders review the statement for accuracy and attach copies of sales receipts or other documentation to support the charge expensed to the county in the order they appear on the statement. The approving official ensures that receipts and documentation are in order and that they match the statement. The reconciler reviews the supporting documentation, records the proper expenditure accounts, and prepares the journal entry. (Priority 1 Issue – 60 days required corrective action)	These transactions are mostly isolated in one department. There have been ongoing discussions regarding Personal Identifying Information with DFS, Procurement and the Department. Unfortunately, all don't agree. However, the conversations will continue with additional advisement from County Counsel to ensure proper documentation is obtained. (Anticipated Date of Completion 12/31/2023)

County of Yolo
Summary of Audit Reports - **County**
Received During Fiscal Year Ending - June 30, 2023

No.	Audit Report Title	Audit Firm	Audit Period	Results and Findings	Date Issued
1	Countywide Accounts Payable	Division of Internal Audit	5/1/2021 - 4/30/2022	Findings 11: Improvement needed over validation of invoices for payments; duplicate payments identified; invoices not properly approved; delay in vendor payments; payments made through claims instead of authorized payment method; no established buyer's authority limits for purchase orders; gaps in purchase orders; improvement needed on the maintenance of master vendor file; segregation of duties with the master vendor file; security concerns on the Document Express access; accounts payable processes not documented	6/7/2023
2	Department of Community Services - Environmental Health Certified Unified Program Agency (CUPA) Performance Evaluation	California Environmental Protection Agency (CalEPA)	September 2020 to February 2021	Findings 7: Incomplete Unified Program administrative procedures; components of the Inspection and Enforcement (I&E) Plan were missing, incomplete, or inaccurate; changes to roles and responsibilities of the West Sacramento Fire Department not approved by the CalEPA; operating permits not consistent with Underground Storage Tank (UST) Regulations; Underground Storage of Hazardous Substances not inconsistent with UST Regulations; no ELD (enhanced leak detection) testing required; Hazardous Waste Generator Program and Aboveground Petroleum Storage Act Program	5/10/2021
3	Department of Community Services - Environmental Health Local Primacy Agency Annual Evaluation	State Water Resources Control Board-Division of Drinking Water	Fiscal Year 2021-22	Finding 1: Systems operating without a full water system permit.	10/20/2022
4	District Attorney Automobile Insurance Fraud Grant	Clifton Larson Allen LLP	7/1/2020 - 6/30/2021	No exceptions	9/24/2021
5	District Attorney Workers' Compensation Insurance Fraud Grant	Clifton Larson Allen LLP	7/1/2020 - 6/30/2021	No exceptions	9/24/2021
6	Internal Control Cash Audit - DFS Revenue Unit	Division of Internal Audit	10/1/2021 - 9/30/2022	Findings 6: Segregation of duties; daily reconciliation of payments missing elements; no control log for payments received in the mail; cash shortages and overages not properly reported; access to Megabyte and RevQ systems not limited; written procedures not available	3/1/2023
7	Internal Control Cash Audit - Library	Division of Internal Audit	11/1/2021 - 10/31/2022	Findings 6: Cash drawers shared and waiver forms missing at the library branches; lack of accountability of collections at the Winters library branch; bank reconciliation not performed; lack of accountability over gift cards; improper access to the Sierra System; written procedures not available	4/27/2023
8	Internal Control Cash Audit - Probation	Division of Internal Audit	10/1/2021 - 9/30/2022	Findings 3: No approval for re-establishment of petty cash funds; petty cash transactions not properly supported; lack of accountability over bus passes and gift cards	3/14/2023

No.	Audit Report Title	Audit Firm	Audit Period	Results and Findings	Date Issued
9	Sheriff/Coroner/Public Administrator Office - Board of State and Community Corrections (AB900 Local Jail Construction Financing Program Audit Report)	Lance, Soll & Lunghard (LSL)	9/25/2015 to 6/30/2021	No Exceptions	1/26/2022
10	Treasury Cash Count QE 9/30/2022	Division of Internal Audit	QE 9/30/2022	No Exceptions	10/21/2022
11	Treasury Cash Count QE 12/31/2022	Division of Internal Audit	QE 12/31/2022	No Exceptions	1/13/2023
12	Treasury Cash Count QE 3/31/2023	Division of Internal Audit	QE 3/31/2023	No Exceptions	4/28/2023
13	Vehicle Fleet Operations Internal Audit Report	Eide Bailly LLP	4/1/2021 to 3/31/2022	Findings 11: Budget principle of switching to electric vehicles (Sustainable Fleet) not implemented; no reconciliations or interface between CAMS and Infor; no county-wide inventory of vehicles and equipment; count sheets not used for auto-parts inventory; miscellaneous fuel cards not assigned; no security cameras for all vehicle physical locations; no security badges used for the Fleet Services building; no mandatory driver training; lack of written policies and procedures over maintenance and repairs, fuel cards, and low mileage usage vehicles	8/12/2022
14	Yolo County Internal Audit External Quality Assessment (Peer Review) Internal Audit Activity	Napa County	FYE 6/30/2022	Improvement Opportunities 3: Present an annual summary of audit reports and status of audit recommendations to the full Board of Supervisors; adopt additional key performance indicators to measure efficiencies; expand on performance audits to include assessments of program effectiveness	1/4/2023
15	Yolo County Single Audit Report	Lance, Soll & Lunghard (LSL)	7/1/2021 to 6/30/2022	No Exceptions	2/9/2023
16	Yolo County Treasury Review	Lance, Soll & Lunghard (LSL)	QE 3/31/2022	Finding 1: Variances not resolved	8/5/2022
17	Yolo County Treasury Review	Lance, Soll & Lunghard (LSL)	QE 6/30/2022	No Exceptions	11/3/2022
18	Yolo County Treasury Review	Lance, Soll & Lunghard (LSL)	QE 9/30/2022	No Exceptions	2/1/2023
19	Yolo County Treasury Review	Lance, Soll & Lunghard (LSL)	QE 12/31/2022	Finding 1: Variances not resolved	4/19/2023

County of Yolo
Summary of Audit Reports - Joint Power Agency and Other Entities
Received During Fiscal Year Ending - June 30, 2023

	Audit Report Title	Audit Firm	Audit Period	Results and Findings	Date Issued
1	First 5 Yolo County Children and Families Commission - Financial Statement	Jensen Smith Certified Public Accountants	7/01/2021 to 6/30/2022	Unmodified	10/19/2022
2	Sacramento Area Council of Governments (SACOG) - Independent Auditor's report	Eide Bailly	7/01/2021 to 6/30/2022	Unmodified	12/29/2022
3	Valley Clean Energy Alliance - Financial Statements Audit Report	James Marta & Company LLP Certified Public Accountants	7/1/2020 to 6/30/2021	Unmodified	11/5/2021
4	Valley Clean Energy Alliance - Financial Statements Audit Report	James Marta & Company LLP Certified Public Accountants	7/01/2021 to 12/31/2021 (Six Months)	Unmodified	4/7/2022
5	Woodland-Davis Clean Water Agency - Basic Financial Statement	Maze and Associates	7/01/2019 to 6/30/2020	Unmodified	10/18/2022
6	Yolo County Habitat/Natural Community Conservation Plan Joint Power Agency	Lance, Soll & Lunghard, LLP	7/01/2021 to 6/30/2022	1 finding	4/25/2023
Other Entities					
7	Yolo County Transportation District - Financial Statements and Compliance Reports	Richardson & Company LLP	6/30/2020 & 6/30/2021	Unmodified	11/5/2021

County of Yolo
Summary of Audit Reports – Special Districts
Received During Fiscal Year Ending – June 30, 2023

Audit Report Title	Audit Firm	Audit Period	Results and Findings	Date Issued
Clarksburg Fire Protection District Independent Auditor's Report Financial Statements	Fechter & Company Certified Public Accountants	6/30/2021 6/30/2022	Unmodified – No Findings	8/4/2023
Davis Cemetery- Independent Auditor's Report Financial Statements	Fechter & Company Certified Public Accountants	6/30/2019 6/30/2020 6/30/2021	Unmodified – No Findings	08/10/2023
Madison Community Services District Independent Auditor's Report Financial Statements and Other Report	Eide Bailly Certified Public Accountant & Business Advisor	06/30/2017 06/30/2018 06/30/2019	Unmodified- 3 Findings	09/11/2020
Madison Fire Protection District Independent Auditor's Report Financial Statements	PBJ Certified Public Accountants	06/30/2019 06/30/2020 06/30/2021	Unmodified – No Findings	06/01/2023
Reclamation District 150 Independent Auditor's Report Financial Statements	Don Cole & Company Certified Public Accountant	06/30/2020 06/30/2021 06/30/2022	Unmodified – No Findings	02/17/2021 03/15/2022 04/07/2023
Winters Cemetery District Independent Auditor's Report Financial Statements and Other Report	Nigro & Nigro Certified Public Accountant	06/30/2021 06/30/2022	Unmodified – No Findings	01/11/2023
Yolo County Resource Conservation District Independent Auditor's Report Financial Statements	R.J. Ricciardi, INC. Certified Public Accountants	06/30/2020	Unmodified- No Findings	01/14/2021
Yolo County Resource Conservation District Independent Auditor's Report Financial Statements	PBJ Certified Public Accountants	6/30/2022	Unmodified – No Findings	02/15/2023

Yolo County, California

IT STRATEGY AND GOVERNANCE AUDIT

October 26, 2023

bakertilly

Table of Contents

Executive Summary

Background

Yolo County (County) requested assistance from Baker Tilly US, LLP (Baker Tilly) in performing an IT strategy and governance audit. The audit assessed the IT strategic planning process and reviewed how performance is evaluated the operating budget is tracked and resources are consumed.

Yolo County and the IT Department are dedicated to achieving world-class information security and compliance without imposing unnecessary bureaucracy and disempowerment. The County pursues world-class operations that consistently deliver reliable, safe, and up-to-date services for the community. Additionally, opportunities are often sought out to improve technological advancement that directly align with the IT Department's business strategies. Lastly, the County is committed to achieving operational excellence and is willing to achieve objectives by emphasizing security, operational reliability, and innovative technologies.[1]

Baker Tilly performed testing to assess the effectiveness of IT strategy and governance controls. Our evaluation encompassed various aspects of the IT Department's processes, including development, maintenance, and execution. This report offers concrete suggestions and recommendations to address gaps and enhance the County's systems. The conclusions were gathered through staff interviews and a thorough review of relevant organization-wide and departmental documents.

Objectives and Scope

Through the audit, we will be able to provide reasonable assurances that effective controls related to IT strategy and governance are in place and operating effectively.

1. Evaluate the development, maintenance, and approval of the IT strategic framework that is aligned with the organization's business strategy
2. Confirm the development and execution of the tactical IT plans that are aligned with the IT strategy
3. Assess the development, maintenance, and approval of an IT operating budget
4. Verify whether there is recurring performance and risk reporting to Executive Management and the Board of Supervisors
5. Review oversight of the IT operation and resource consumption by Executive Management and the Board of Supervisors

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[1] 2023-2024 Recommended Budget, County of Yolo
IT Strategy and Governance Audit

Audit Methodology

Phase I: Project Initiation and Management
- Identify communication channel, reporting relationships and responsibilities of project staff
- Conduct meetings to understand current processes and risks to refine the project workplans
- Conduct a kick-off meeting explaining the audit process, timeline, and expectations

Phase II: Data Gathering and IT Strategy and Governance Interviews
- Develop and distribute information requests (strategy, governance structure, operating, monitoring, and reporting related policies and procedures, etc.)

Phase III: Fieldwork and Testing
- Evaluate the development, maintenance and approval of the IT strategic framework that is aligned with the organization's business strategy
- Confirm the development and execution of tactical IT plans that are aligned with the IT strategy
- Assess the development, maintenance and approval of an IT operating budget
- Verify whether there is recurring performance and risk reporting to Executive Management and the Board of Supervisors
- Review the oversight of the IT operation and resource consumption by Executive Management and the Board of Supervisors

Phase IV: Reporting
- Develop an audit report that summarizes the methodology, scoring rubric, and highlights key risks and findings
- Provide guidance and recommendations for improving gaps and opportunities for improvements based on testing audit objectives 1-5.
- Review any findings and process improvement recommendations with Management and obtain Management responses.

Acknowledgements

Thank you to the Yolo County, California team members for their support and cooperation throughout the audit. Their insight and responsiveness in providing information was integral to the successful execution of this audit. Specifically:

- Lee Gerney, IT
- Gary Sandy, Supervisor District 3
- Lucas Frerichs, Vice-Chair
- Oscar Villegas, Chair
- Jim Provenza, Supervisor District 4
- Angel Barajas, Supervisor District 5

Department Directors:

- Philip Pogledich, County Counsel
- Jesse Salina, Assessor
- Jeff Reisig, District Attorney
- Tom Lopez, Sheriff-Coroner
- Mark Bryan, Deputy CAO
- Humberto Izquierdo, Agriculture
- Leslie Lindbo, Community Services
- Ryan Pistochini, General Services
- Alberto Lara, Human Resources
- Diana Lopez, Library
- Tracie Olson, Public Defender
- Natalie Dillon, Child Support Services
- Tom Haynes, Financial Services
- Nolan Sullivan, Health and Human Services
- Danin Fruchtenicht, Probation
- Kristin Welvoda, Office of Emergency Services

Conclusions, Summary, and Findings

During this audit, we evaluated numerous factors that may contribute to the process of the IT Department for Yolo County, assessed the IT operating budget, and provided advice for steps to take in the future. The Baker Tilly team has also confirmed the development and execution of the IT plans that are aligned with the IT strategy. This report will provide a clear pathway of suggestions the team feels would fill gaps and improve the system.

The audit findings are listed in the table below. Additional information on the findings, recommendations, management's responses, and process improvement recommendations are located within the Detailed Report section.

Rating/Criticality:

- **High** - significant internal control weakness exists that may result in the inability to meet the County's business objectives and/or can cause disruption in business operations.
- **Medium** - internal control weakness may result in the inability to meet the County's business objectives and/or can cause disruption in business operations.
- **Low** - Internal control weakness exist; however, this may not result in the inability to meet the County's business objectives and/or cause disruption in business operations.

Objective 1: Evaluate the development, maintenance, and approval of the IT strategic framework that is aligned with the organization's business strategy.

Finding #	Finding	Rating/Criticality
1	Outdated Strategic Framework	**High**

2	Lack of Documented Review	**High**
3	Lack of Documented Procedures	**High**

Objective 2: Confirm the development and execution of the tactical IT plans that are aligned with the IT strategy.

Finding #	Finding	Rating/Criticality
4	Misalignment of IT Strategy and IT Tactical Plan	**High**

Objective 3: Assess the development, maintenance, and approval of an IT operating budget.

Finding #	Finding	Rating/Criticality
N/A	No Exceptions Noted	**N/A**

Objective 4: Verify whether there is recurring performance and risk reporting to Executive Management and the Board of Supervisors.

Finding #	Finding	Rating/Criticality
5	Inconsistent Project Execution Documentation	**Medium**
6	Lack of Performance Monitoring for All Projects	**Medium**
7	Lack of Risk Monitoring for All Projects	**Medium**

Objective 5: Review oversight of the IT operation and resource consumption by Executive Management and the Board of Supervisors.

Finding #	Finding	Rating/Criticality
8	Oversight of the IT Operation	**High**
9	Monitoring Over IT Operation	**High**
10	Resource Consumption Management	**High**
11	Resource Consumption Monitoring and Tracking	**High**

Detailed Report

Background, Roles, and Responsibilities

Baker Tilly conducted an audit of IT Strategy and Governance for the Yolo County organization. As a result, we performed testing to ensure that effective controls related to IT strategy and governance are in place and operating effectively. To summarize, the steps includes: Project Initiation and Management, Data Gathering, Testing, and Reporting.

We evaluated numerous factors that may contribute to the process of the IT Department including development, maintenance, execution of the work and more. This report will provide a clear pathway of suggestions the team feels would fill gaps and improve the system.

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 and Yolo County to assess the internal control environment in order to identify high impact areas for development of the IT operation.

Audit Methodology

Baker Tilly's audit approach consists of the following phases:

1. Planning   2. Information Gathering   3. Analysis   4. Reporting

Ongoing project and change management

Phase I: Project Initiation and Management
- Identify communication channel, reporting relationships and responsibilities of project staff
- Assign key responsibilities
- Review and confirm the timing and format for project status meetings
- Conduct meetings to understand current processes and risks to refine the project workplans
- Review and confirm preliminary timelines
- Review and confirm work products to be delivered including expectations
- Conduct a kick-off meeting explaining the audit process, timeline, and expectations

Phase II: Data Gathering and IT Strategy and Governance Interviews

- Develop and distribute information requests (strategy, governance structure, operating, monitoring, and reporting related policies and procedures, etc.)
- Develop interview questions for strategic planning and oversight interviews
- Conduct interviews with members of IT leadership, executive management and members of the Board of Supervisors

Phase III: Fieldwork and Testing
- Evaluate the development, maintenance and approval of the IT strategic framework that is aligned with the organization's business strategy
- Confirm the development and execution of tactical IT plans that are aligned with the IT strategy
- Assess the development, maintenance, and approval of an IT operating budget
- Verify whether there is recurring performance and risk reporting to Executive Management and the Board of Supervisors
- Review oversight of the IT operation and resource consumption by Executive Management and the Board of Supervisors
- Provide guidance and recommendations for improving gaps and opportunities for improvements based on testing audit objectives 1-5. Thorough testing was conducted, and the results were drawn in collaboration with reputable internal audit and public sector entities, including esteemed organizations such as the Institute of Internal Auditors (IIA), Government Finance Officers Association (GFOA) and Information Systems Audit and Control Association (ISACA).
-

Phase IV: Reporting
- Develop an audit report that summarizes the methodology, scoring rubric, and highlights key risks and findings
- Provide guidance and recommendations for improving gaps and opportunities for improvements based on testing audit objectives 1-5.
- Review any findings and process improvement recommendations with Management and obtain Management responses

IT Strategy and Governance Audit

Findings, Recommendations, and Management's Responses

Finding #	Finding	Recommendation	Rating	Management's Response
1	**Objective 1:** <u>Strategic Framework Valuation</u> **Title:** <u>Outdated Strategic Framework</u> **Criteria:** An IT Strategic Framework should align with current organizational goals and objectives, new technology, and project prioritization. **Condition:** Although the IT Strategic Framework is in place and properly approved, the Strategic Framework is outdated and needs modifications to remain relevant. The Strategic Framework was implemented in 2013 and updated in 2018. The framework does not capture any of the ERP upgrades, outdated technology and operations. **Cause:** The IT Strategic Framework has not been updated or reviewed by appropriate personnel since 2018. **Consequence:** Strategic Framework Misalignment	**Recommendation:** We recommend updating the IT Strategic Framework at least every three years to ensure it reflects new goals, objectives, project, and technology landscape. Additionally, review and approval of updates should be formally documented and retained.	**High**	**Management's Response:** Management agrees with this finding. **Action Plan:** Develop strategic plan in coordination with departments after the BOS revises the County strategic plan as the IT Plan should support the County Strategic Plan. **Owner/Responsible:** Lee Gerney **Personnel:** Department Directors & CAO **Target Completion Date:** 12/31/2024

Finding #	Finding	Recommendation	Rating	Management's Response
2	**Objective 1:** Strategic Framework Valuation **Title:** Lack of Documented Review **Criteria:** IT policies should include documented review and approval to allow for transparency, accountability, and quality control. **Condition:** Although IT policies have been established, there is no log including evidence of a review being completed at least annually, the updates incorporated within the policies, and approval from management. **Cause:** The IT policies in place have not received timely, documented review. Additionally, its unknown when or how often updates have been made to the IT policies. **Consequence:** Polices Misaligned with Current Operations	**Recommendation:** We recommend that the IT policies have evidence of an annual documented review and approval to promote effective governance, risk management, and quality assurance. The record of this review process should be documented and retained, as well as include a revision history.	**High**	**Management's Response:** Management agrees with these findings. **Action Plan:** Once the governance committee as recommended in finding #8 is established, the executive committee will be responsible to review policy on an annual basis. **Owner/Responsible:** Lee Gerney **Personnel:** IT Executive Committee **Target Completion Date:** 12/31/2024
3	**Objective 1:** Strategic Framework Valuation **Title:** Lack of Documented Procedures **Criteria:** The policy framework is critical in explaining how to achieve an objective in detail. Necessary procedures should include implementation guidance, clarity in roles and responsibilities, operational efficiency, and risk mitigation. Procedures detailing how the County will comply with the policy framework should be designed and documented. **Condition:** Policies within the IT department have been established, however, there are no detailed, step-by-step procedures to ensure the County is in compliance with the policy and achieves its objectives.	**Recommendation:** We recommend that detailed procedures are designed and implemented for each of the County's IT policies that clearly define step-by-step action items for the following processes: Implementation of new technology, risk assessments, security, planning, incident response, contingency planning, training, and system integrations to ensure alignment with the County's strategic plan. The procedures should be a structured set of instructions that outline how specific tasks and processes should be performed.	**High**	**Management's Response:** Management agrees with these findings. Some of this has already started (example Mobile Device Policy & associated policy) **Action Plan:** ITS will develop procedures to accompany policies. **Owner/Responsible:** Lee Gerney **Personnel:** ITS Department **Target Completion Date:** 12/31/2024

IT Strategy and Governance Audit

Finding #	Finding	Recommendation	Rating	Management's Response
	Cause: Detailed procedures related to processes within the IT environment have not been established. **Consequence:** Loss of Efficiency and Productivity			
4	**Objective 2:** Plan Alignment with the IT Strategy **Title:** Misalignment of IT Strategy and IT Tactical Plan **Criteria:** An organization's IT Strategy and IT Tactical Plan should align in order to help with consistency with organizational goals, resource allocation, setting priorities, and risk mitigation. The IT Strategy should be updated, reviewed, and approved annually to help an organization operate cohesively and efficiently. **Condition:** The Tactical IT Plan (s) describe current operations. The IT Strategy is outdated and requires modification before the Tactical plan(s) can be reviewed for adequacy and updated (as needed) to ensure alignment with strategic objectives and current/future projects. **Cause:** The IT Strategic Framework has not been updated or reviewed by appropriate personnel since 2018. **Consequence:** Misalignment with Current Objectives	**Recommendation:** We recommend updating the IT Strategic Framework at least every three years to remain relevant to new goals, objectives, projects, and technology. Additionally, review and approval of updates should be formally documented and retained. The Tactical IT Plan(s) should clearly align with the IT Strategic Framework.	**High**	**Management's Response:** Management agrees with these findings. **Action Plan:** Once the governance committee as recommended in finding #8 is established and the IT strategic plan is developed, tactical plans will be developed to support the strategic plan. **Owner/Responsible:** Lee Gerney **Personnel:** Governance Group **Target Completion Date:** 12/31/2024

IT Strategy and Governance Audit

Finding #	Finding	Recommendation	Rating	Management's Response
5	**Objective 4:** Performance and Risk Reporting **Title:** Inconsistent Project Execution Documentation **Criteria:** It is important to utilize project management templates for all projects as the templates will increase consistency, increase efficiency, align with best practice, and potentially reduce errors. **Condition:** Project management templates have been created, however, they have not been fully utilized or incorporated. Baker Tilly was unable to receive project management supporting documentation for current and on-going projects requested as the project management templates are not fully developed. **Cause:** The project management templates in place have not been fully utilized on all projects as intended. **Consequence:** Lack of Consistent Production Management Documentation	**Recommendation:** We recommend implementing and prioritizing project management templates for all IT related projects. This will ensure that a standardized approach exists across projects. The project management templates will ultimately contribute to the successful planning, execution, and completion of projects.	**Medium**	**Management's Response:** Management agrees with these findings. This will be included as part of the IT Governance framework. **Action Plan:** ITS is already in the process of developing a project management framework. **Owner/Responsible:** Lee Gerney **Personnel:** ITS / Governance Group **Target Completion Date:** 12/31/2024

Finding #	Finding	Recommendation	Rating	Management's Response
6	**Objective 4:** <u>Performance and Risk Reporting</u> **Title:** <u>Lack of Performance Monitoring for All Projects</u> **Criteria:** Performance monitoring should exist for all IT related projects. Performance monitoring will help achieve organizational goals faster, assist with decision-making, provide quality assurance, improve risk management, assist with resource allocation, and increase accountability. **Condition:** Although performance monitoring exists for IT related projects, it only exists for projects that include a third-party vendor and are not utilized for in-house projects. **Cause:** Performance monitoring is not being applied to all IT projects. **Consequence:** Lack of Proper Accountability, Loss of Productivity	**Recommendation:** We recommend that the County implements performance monitoring key performance indicators (KPI) for all IT related projects. Performance monitoring metrics that should be monitored include, and are not limited to: project scheduling, resource utilization and allocation, budget, scope changes, third-party vendor performance, and documented review and approval.	**Medium**	**Management's Response:** Management agrees with these findings. This will be included as part of the IT Governance framework. **Action Plan:** ITS is already in the processes of developing a project management framework. Performance monitoring will be included in this framework. **Owner/Responsible:** Lee Gerney **Personnel:** ITS / Governance Group **Target Completion Date:** 12/31/2024
7	**Objective 4:** <u>Performance and Risk Reporting</u> **Title:** <u>Lack of Risk Monitoring for All Projects</u> **Criteria:** Risk monitoring should exist for all IT related projects. Risk monitoring will help detect risks early, assist with decision-making, positively impact cybersecurity, assist with strategic planning, and positively influence operational efficiency. **Condition:** Although risk monitoring exists for IT related projects, it only exists for projects that include a third-party vendor and are not utilized for in-house projects. **Cause:** Risk monitoring is not being applied to all IT projects.	**Recommendation:** We recommend that the County implements risk monitoring for all IT related projects. Risk monitoring metrics include, and are not limited to: risk exposure, risk response and effectiveness, risk accountability, risk response time, risk tolerance, and risk categories.	**Medium**	**Management's Response:** Management agrees with these findings. This will be included as part of the IT Governance framework. **Action Plan:** ITS is already in the processes of developing a project management framework. Risk monitoring will be included in this framework. **Owner/Responsible:** Lee Gerney **Personnel:** ITS / Governance **Target Completion Date:** 12/31/2024

IT Strategy and Governance Audit

Finding #	Finding	Recommendation	Rating	Management's Response
	Consequence: IT Risk Management Program			
8	**Objective 5:** Review of Oversight of the IT Operation **Title:** Oversight of the IT Operation **Criteria:** Proper oversight of IT operations is critical to ensure business objectives are being met, a governance framework exists, compliance with laws and regulations is prioritized, and risk management is in place. **Condition:** Per Management discussion, there is a lack of oversight over IT operations, as the County lacks a structure and a comprehensive system for managing and controlling IT activities on a day-to-day basis. **Cause:** Processes related to managing the day-to-day IT operation have not been developed at the County. **Consequence:** Insufficient IT Governance, Ineffective Decision-Making	**Recommendation:** We recommend the County establish a County IT Governance/Technology Committee ("CIGTC") as a governance structure. A charter should be adopted to define the committee's purpose, authority, responsibilities, and limitations. The CIGTC should include the Chief Technology Officer ("CTO"), a Board of Supervisors liaison to serve in an advisory capacity and rotating representation from various County Departments/ Offices. The Committee size should be limited to 7 members, always include a County representative that works in the public safety department. The meetings should occur quarterly. A Committee member can be an executive leader or senior management with the authority to act on behalf of the department and should serve a four-year term to support continuity with the Strategic Framework three-year update. **Note: for more details on the Framework refer to Findings #1 & #4.** The CIGTC responsibilities should include: - Setting the County's IT strategic objectives - Directing and provide oversight of the IT operations, resource consumption and performance management - Monitoring compliance with County wide IT operational	High	**Management's Response:** Management agrees with these findings: we need to develop a governance methodology which fits Yolo County culture. **Action Plan:** ITS will work the BOS, CAO and department heads to develop a user centric governance model. **Owner/Responsible:** Lee Gerney **Personnel:** ITS, CAO, BOS, Departments **Target Completion Date:** 12/31/2024

IT Strategy and Governance Audit

Finding #	Finding	Recommendation	Rating	Management's Response
		standards, policies and internal controls • Providing transparent, complete, clear, and timely communication to stakeholders		
9	**Objective 5:** Review of Oversight of the IT Operation **Title:** Monitoring Over IT Operation **Criteria:** Monitoring IT operations is essential to ensure performance and security of an organization's IT infrastructure. **Condition:** There is an absence of comprehensive IT operation monitoring processes and tools at the County. **Cause:** IT operation monitoring processes and tools have not been developed at the County. **Consequence:** Reduced Productivity and Security	**Recommendation:** We recommend that the County implements a Key Performance Indicators ("KPI") program. The monitoring process should be based on input from users and IT management to ensure the achievement of business goals and objectives, define expected results, measure progress and report performance on a periodic basis. This will help to facilitate decision-making, and update KPI's as necessary. This will support to projection of existing and future County needs in alignment with strategic planning. Monitoring should be in real-time, with real-time alerts and notifications. Subsequently, KPI's should be reported to the CIGTC and the Board of Supervisors at least quarterly for the following: • CPU utilization • Computer storage	High	**Management's Response:** Management agrees with these findings but disagrees with some of the metrics provided. The business needs to be presented business metrics not IT metrics. **Action Plan:** ITS will work with the business and governance committee to develop metrics that demonstration IT service satisfaction and performance. **Owner/Responsible:** Lee Gerney **Personnel:** ITS, Governance Group **Target Completion Date:** 12/31/2024

IT Strategy and Governance Audit

Finding #	Finding	Recommendation	Rating	Management's Response
		• Telecommunications • Lan and WAN bandwidth utilization • Number of users • IT service delivery satisfaction • New technologies • New applications • Number of licenses • Helpdesk responsiveness • Infrastructure upgrades • Third-party provider performance • Service level agreements • Number of facilities/operational incident/problems (reoccurring vs. new and resolved) Internal and external monitoring tools should be explored to identify methods to automate tracking, real-time alerts and generate automated reporting to improve transparency.		

Finding #	Finding	Recommendation	Rating	Management's Response
10	**Objective 5:** <u>Review of Oversight of the IT Operation</u> **Title:** <u>Resource Consumption Management</u> **Criteria:** Resource consumption documentation should be maintained and managed. Resources in the form of data, equipment, network, human resources, policies, procedures, and standards is critical in an IT environment. Managing resource consumption improves operational efficiency, resource availability, cost control, and mitigates risk. **Condition:** There is an absence of formalized documentation for managing the day-to-day operations of resource consumption. With no established system or process in place for managing resource consumption, data, equipment, and resources are not properly supervised. **Cause:** No supporting documentation related to managing resource consumption exists. **Consequence:** Lack of Projected Resourcing	**Recommendation:** We recommend that the County implements a comprehensive resource consumption process in order to analyze operational activity. This would allow the County to determine the type of resources that are needed. Additionally, effective management oversight would assist the County in identifying necessary employee training, timely reporting, and ensuring compliance with polices on resource capacity, allowing for prompt remediation when required.	**High**	**Management's Response:** Management agrees with these findings. **Action Plan:** ITS will implement a resource consumption management program. **Owner/Responsible:** Lee Gerney **Personnel:** ITS **Target Completion Date:** 12/31/2024

Finding #	Finding	Recommendation	Rating	Management's Response
11	**Objective 5:** Review of Oversight of the IT Operation **Title:** Resource Consumption Monitoring and Tracking **Criteria:** Effective tracking and monitoring of resource consumption would assist an organization with data accuracy for decision-making, forecasting staffing assignments, and improve resource efficiency metrics. Tracking and monitoring assists an organization in mitigating risks such as, early staffing issue detection, performance evaluations, and resource optimization. **Condition:** There is an absence of formalized documentation for measuring and tracking resources. The absence of resource consumption tracking and monitoring makes it challenging for the County to assess its resource efficiency and identify opportunities for cost savings and sustainability improvements. **Cause:** No supporting documentation related to monitoring and tracking resource consumption exists. **Consequence:** Ineffective Resource Allocation	**Recommendation:** Refer to the Finding #8 recommendation.	**High**	**Management's Response:** Management agrees with these findings. **Action Plan:** ITS will implement tools which will assist with reporting resource consumption to the IT Governance Committee. **Owner/Responsible:** Lee Gerney **Personnel:** ITS **Target Completion Date:** 12/31/2024

IT Strategy and Governance Audit

Contact Information

If you have any questions about this report, please contact:

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Yolo County Division of Internal Audit
Proposed Audit Plan FY2023-24

Yolo County Proposed Audit Plan FY2023-24
Based on the risk assessment results and areas of high-risk and high priority to Yolo County as identified in the organizational-wide Risk Assessment and Three-Year Internal Audit Plan performed by Baker Tilly and concerns noted in this risk assessment, our audit plan includes internal control audits, information technology audits, contract compliance audits, and other internal audit activities & administration.

The audit plan is prepared by the Division and approved by the Audit Subcommittee at the beginning of each fiscal year. Our audit services are focused on improving internal control in standard business processes and cycles common to all departments. Please see table below for a description of primary service areas and hours allocated to each area.

Service	Description	Hours	%
One-time projects	Reviews of department operations to determine if adequate internal controls exist to provide reasonable assurance to county management that there is an acceptable level of operational accountability. Projects include internal control audits, contract compliance audits, and special reviews.	560	9%
Continuous & mandated audits	Continuous audits of data that supports auditing activities such as the review of purchase card transactions. Mandated audits are based on rules or regulations such as treasury cash counts, and subrecipient monitoring. Projects also include the maintenance/investigations with the fraud hotline.	747	12%
Other internal audit activities & administration	Performing the annual risk assessment, preparing the audit plan, follow-up prior audit findings, meetings with FOC/AC and internal audit, professional training, management activities, and staff benefits and leave.	2,853	47%
Outsource	Services outsourced that cannot be done by internal audit due to limited staffing resources or skill set not in subject area. (7 projects)	1,900	31%
Total audit and non-audit hours with audit resources of 2 FTEs		6,060	100%

For each engagement in the audit plan, we have listed the department, preliminary audit objectives, and estimated hours to complete the audit. Please refer to Audit Plan at Appendix A for more details on the audit plan.

The audit plan is subject to change for such events where the internal audit or the Audit Subcommittee determines if a substitution, postponement, or cancelation of an audit is warranted due to timing, priority, resources, and/or other risk considerations.

Audit Resources (authorized positions):
Audit Manager	1.0 FTE	retiring in December 2023
Supervising Auditor	1.0 FTE	
Staff Auditor	1.0 FTE	vacant
Total Internal Audit Resources available	3.0 FTE	

Status	Name of Engagement	Entity	Preliminary Audit Objectives	Priority	Budget	Type of Activity
Carry Forward FY22-23	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	60.00	CF One-time Project
Carry Forward FY22-23	Purchase Card Audit (General Services)	Department	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	200.00	CF Continuous & Mandated Audits
Carry Forward FY22-23	Payroll Processing and Changes, Employee Leave/FMLA, and Pay Rates (Human Resources)	Department	Perform a review of payroll processes including the health benefit calculation, leave balances, and the accuracy of employee pay rates.	High	250.00	CF Outsource
Carry Forward FY22-23	Governance and Strategy (Innovation & Technology)	Department	Assess the IT strategic planning process. Understand how performance is evaluated, the operating budget is tracked, and resources are consumed.	High	250.00	CF Outsource
Carry Forward FY22-23	Fiscal Monitoring (Health & Human Services Agency)	Department	Fiscal monitoring services for County Health & Human Services Agency as required by Code of Federal Regulations 2 CFR part 200 etal. FY21-22 Reviews	Med	300.00	Outsource
Approved	Workforce Compensation, Workforce Recruitment, and Succession Planning	Countywide	Assess salary levels to determine if the County is offering competitive compensation and benefit 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.	High	300.00	Outsource
Approved	Contract Compliance	Countywide	Assess contract compliance practices related to competitive bidding process.	High	250.00	One-time Project
Approved	Training, Professional Development and Cross-Training	Countywide	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.	High	250.00	One-time Project
Approved	Technology System (Assessor/Clerk-Recorder/ Registrar of Voters)	Department	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.	High	250.00	Outsource
Approved	Vendor Performance Monitoring	Countywide	Evaluate policies and procedures established to assess vendor performance and service level agreements compliance to determine effective third-party risk	High	250.00	Outsource

Status	Name of Engagement	Entity	Preliminary Audit Objectives	Priority	Budget	Type of Activity
			management, service provider due diligence and performance. Audit will focus on the following: - Development of key performance indicators - Identification of key monitoring documentation - Assignment of monitoring ownership - Establish status reporting - Escalation procedures for non-compliance or non-performance			
Approved	FWA Reporting and Hotline	Countywide	Maintain hotline, investigate matters, and report to Board/Audit Subcommittee. Includes developing internal fraud manual and user's guide.	Med	100.00	Continuous & Mandated Audits
Approved	Treasury Cash Counts (Financial Services - Treasury)	Department	Conduct quarterly cash count as required by Government Code Section 26920(a)(1).	Med	16.50	Continuous & Mandated Audits
Approved	Fiscal Monitoring (Health & Human Services Agency)	Department	Arrange subrecipient monitoring services for HHSA, add any findings into IA's audit case mgmt. system for tracking CAPs, report stats to HHSA on progress of fiscal reviews. Includes drafting subrecipient monitoring policy and procedures.	Med	180.00	Continuous & Mandated Audits
New	Fiscal Reviews for SUD/SABG contracts (Health & Human Services Agency)	Department	Perform fiscal reviews for Substance Use Disorder/Substance Abuse Prevention & Treatment Block Grant contracts. Separate engagement with HHSA. 14 fiscal reviews	Med	250.00	Continuous & Mandated Audits
Approved	Fiscal Monitoring (Health & Human Services Agency)	Department	Fiscal monitoring services for County Health & Human Services Agency as required by Code of Federal Regulations 2 CFR part 200 etal. FY22-23 Reviews	Med	300.00	Outsource
Approved	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	380.00	Other Internal Audit Activity
Approved	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	40.00	Other Internal Audit Activity
Approved	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	32.00	Other Internal Audit Activity
Approved	Financial Oversight Committee and Financial Services Administration	Administration	Administrative support for the Financial Oversight Committee and Audit Subcommittee meetings.	N/A	172.50	Other Internal Audit Activity
Approved	Internal Meetings and Planning	Audit Function	General planning, project management meetings, workload and planning reviews required by the IIA standards.	N/A	551.00	Other Internal Audit Activity
Approved	Staff Benefits and Leave	Other Administration	Required time based on labor bargaining units	N/A	1146.00	Other Internal Audit Activity

Status	Name of Engagement	Entity	Preliminary Audit Objectives	Priority	Budget	Type of Activity
Approved	Training, Professional Development, Audit Communication with Mgmt./Staff	Audit Function	80 hours for training and continuing professional education (CPE) 352 hours for office time (2 hours/week)	N/A	432.00	Other Internal Audit Activity (Increase budget 2 hours)
Approved	Manage Co-Sourced/External Resources	Audit Function	Internal Audit to manage and coordinate with external resources.	N/A	100.00	Other Internal Audit Activity
		Total audit & non-audit hours and benefits & leave			*6060.00*	

Projects moved to FY24-25

- System Implementation including system configuration, functionality, and access (Countywide)
- Project and Portfolio Management and Helpdesk Ticketing (Innovation & Technology)
- Application Management (Countywide)

Projects cancelled – due to low risk and available audit resources

- Wireless Communications Devices (Countywide)
- Cash Operations and Accounts Receivable (Agriculture)
- Disaster Recovery Emergency Preparedness and Response (Countywide)
- Cash Operations (Community Services)
- Accounts Payable continuous auditing (Countywide)
- Purchase Card continuous auditing (Countywide)
- Probation Juvenile Books & Accounts Welfare & Institutions Code Section 275 (Probation)

COUNTY OF YOLO

Item 14

TO:	Audit Subcommittee
FROM:	Kim Eldredge, Audit Manager
SUBJECT:	On-Call Internal Audit Agreements and Option to Extend Audit Services
DATE:	November 9, 2023

RECOMMENDATION:
1. Receive update on the On-Call Internal Audit agreements
2. Approve the Option to Extend On-Call Internal Audit Services for one (1) additional twelve (12) month period on the same terms and conditions set for the in the agreement

BACKGROUND & DISCUSSION:
The County Procurement Manager on March 1, 2022, approved the contracts with Eide Bailly, Baker Tilly, and Moss Adams for internal audit services for two (2) years with two (2) additional one (1) year terms with the same terms and conditions. Total contact amount for the entire term March 1, 2022, to February 29, 2024, was $200,000 for each contractor.

Prior to the selection of the auditors, a notice of request for qualifications for On-Call Internal Audit Services was released and seven (7) firms submitted their proposals. An evaluation team reviewed the firms and selected the top three qualified firms to meet the County's needs.

OUTSOURCED PROJECTS TO DATE:

Audit Plan	Type of Service	Actual Costs
FY21-22	- Fleet Audit - Inmate Welfare Fund AUP - Internal Audit Risk Assessment & 3-year Audit Plan	$116,521
FY22-23	- Countywide Fiscal Monitoring Program - HHSA Subrecipient vs. Contract Determination	$43,037
FY23-24	- HHSA Subrecipient Monitoring – FY21-22 - IT Governance & Strategy Audit (quote $61,290) - HHSA Subrecipient Monitoring – FY22-23 (quote $30,000)	$56,130
	6 Projects	$215,688
	2 Pending	91,290
	Total	$306,978

PERFORMANCE:
The On-Call Auditors have performed in accordance with the work authorizations and no performance issues are known from Internal Audit.

ALTERNATIVE:
Should the Audit Subcommittee not extend the On-Call Audit agreements, the Annual Internal Audit Plan for FY23-24 would need to be revised to reduce the number of outsourced audit projects.

To establish a new list of firms to perform audit services, the County would need to begin the request for qualifications process immediately which usually takes approximately 4-6 months.