



County of Yolo

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- *Financial Strategy Leadership*
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Transmittal Letter

June 24, 2022

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

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

Dear Mr. Sullivan:

The Division of Internal Audit performed an internal control cash audit of the Health and Human Services Agency for the period of March 1, 2021 to February 28, 2022 to determine whether adequate internal control exists to provide reasonable assurance to county management that there is an acceptable level of operational accountability over cash.

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

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

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to cash handling, bank reconciliations, gift card/bus passes inventory, system access, and documentation of procedures.


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

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

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

Sincerely,



Kim Eldredge, CGAP
Audit Manager

Distribution

Tom Haynes, Yolo County, Interim Chief Financial Officer
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Audit File Project No. 2022-30

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Audit No: 2022-30**

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Detailed Findings and Recommendations

Background

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

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

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

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

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

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

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

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

Objective, Scope, and Methodology:

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

The scope of our audit included the review of the revolving cash fund and cash equivalents for the period of March 1, 2021 to February 28, 2022. We did not review cash handling operations for the Public Guardian operations. This report also does not include a full system review of the Ventura Automated Collection System "VACS" used for client overpayments.

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I. Revolving Cash Fund Accounts

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

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

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

HHSA also has the following bank accounts:

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

Audit Objective/Methodology

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

To accomplish our objective, the following procedures were performed:

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

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

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

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

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

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

Recommendation 1:

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

Management Response 1

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

Finding #2: Segregation of duties

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

To minimize the potential for mistakes in cash operations and/or misappropriation of cash, cash duties should be segregated among different individuals so that in all instances one person (preferably a supervisor) will check the work performed by another. Generally, one person should be designated as petty cash custodian. This person disburses petty cash and turns in vouchers to reimburse the fund. Petty cash counts should be made on a periodic basis by someone independent of the petty cash process.

The petty cash fund for the Public Authority program is maintained by three custodians. One of the custodians uses the fund to purchase items as needed and prepares the claim to replenish the fund. The petty cash fund is not reconciled by someone independent of the custodian. Duties that involve one person with control of all aspects of a transaction may cause errors to go unnoticed and provide an opportunity for misappropriation of funds.

Recommendation 2:

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

Management Response 2

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

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II. Cash Receipts

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

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

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

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

HHSa has three (3) collection areas: Community Health (car seats), Woodland Service Center and West Sacramento Service Center (benefit overpayments). Each location reconciles their collections and transfers the cash and the cash receipts to the Woodland Administration Branch for further processing of the deposits into the County's Treasury.

Audit Objective/Methodology:

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

To accomplish our objective, the following procedures were performed:

- Conducted a cash count of all change funds
- Tested a sample of cash receipts
- Reviewed the cash reconciliation procedures

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

Finding #3: Payments at the West Sacramento Service Center

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

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

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

Recommendation 3:

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

Management Response 3

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

Finding #4: Reconciliation of bank statements

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

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

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

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

Recommendation 4:

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

Management Response 4

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

Finding #5: Terminated employees as check signers

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

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

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

Recommendation 5:

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

Management Response 5

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

III. Other Cash Funds and Cash Equivalents

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

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

Audit Objective/Methodology

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

To accomplish our objective, the following procedures were performed:

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

Finding #6: Accountability over bus passes

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

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

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

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

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

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Recommendation 6:

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

Management Response 6

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

Finding #7: Accountability over gift cards

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

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

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

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

Recommendation 7:

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

Management Response 7

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

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

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IV. System Controls

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

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

Audit Objective/Methodology

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

To accomplish our objective, the following procedures were performed:

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

Finding #8: Access to the VACS system

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

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

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

Recommendation 8:

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

Management Response 8

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

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

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V. County Policy and Procedures

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

Audit Objective/Methodology

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

To accomplish our objective, the following procedures were performed:

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

Finding #9: Written procedures

HHSA uses the Yolo County Cash Accounting Manual as a guideline on how to handle the petty cash funds and record and reconcile cash receipts. However, detailed procedures for handling the revolving funds, bank accounts, and bus pass/gift card inventory, cash payments are not available.

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

Recommendation 9:

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

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

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

Management Response 9

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

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VI. Priority Ranking Definitions

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

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

Priority 1 Issues

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

Priority 2 Issues

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

Priority 3 Issues

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