

# County of Yolo

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Interim Chief Financial Officer

## DEPARTMENT OF FINANCIAL SERVICES

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### Transmittal Letter

November 22, 2021

Tom Lopez, Sheriff-Coroner-Public Administrator  
140 Tony Diaz Drive  
Woodland, CA 95776

Re: Internal Control Cash Audit - Sheriff-Coroner-Public Administrator Office

Dear Mr. Lopez:

The Division of Internal Audit performed an internal control cash audit of the Sheriff-Coroner-Public Administrator Office for the period of July 1, 2020 to June 30, 2021 to determine whether adequate internal control exists to provide reasonable assurance to county management that there is an acceptable level of operational accountability over cash.

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

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

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

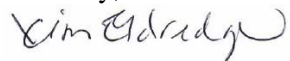
As required, in accordance with auditing standards, management responded to each finding and recommendation contained in our report. Management's responses are documented in a separate report. We will follow-up to verify that management implemented the corrective actions.

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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 Sheriff-Coroner-Public Administrator Office management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Sincerely,



Kim Eldredge, CGAP  
Audit Manager

Distribution

Tom Haynes, Yolo County, Interim Chief Financial Officer  
Chad Rinde CPA, Interim Yolo County Administrator  
Yolo County Audit Sub-Committee  
Internal Audit Website  
Audit File Project No. 2022-25

Yolo County Division of Internal Audit  
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Audit No: 2022-25**

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## **Detailed Findings and Recommendations**

### Background

The Sheriff-Coroner-Public Administrator Office is the chief law enforcement agency in the County of Yolo established since 1850. The department is divided into five major areas: Finance, Detention, Administration, Patrol, and Coroner.

- Finance: maintains fiscal accountability and stability for the Sheriff's Office, including all aspects of the general fund and public safety operating budgets, other special funds, and Inmate Welfare Trust.
- Detention: ensures a safe and secure environment for inmates housed in Yolo Detention Facilities. Detention Courts: ensures a safe and secure environment for inmates accessing the Courthouse and to provide bailiff and security services for courthouse staff and the general public.
- Administration/Civil: ensures timely and impartial assistance to the public with the service of process and enforcement of court orders. Training Section: increases employee knowledge, safety, and productivity.
- Patrol: ensures the protection of people, property, and rights in our community. Animal Services: increases the number of animals adopted in Yolo County.
- Coroner: determines the manner and cause of all deaths within the jurisdiction of the Coroner's Office. Public Administrator: ensures the resolution of finances and proper burial of decedents without a will or any known relatives to act on their behalf.

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

### Objective, Scope, and Methodology

The objective of the review was to determine whether adequate internal control exists to provide reasonable assurance to county management that there is an acceptable level of operational accountability over the handling of cash within the Sheriff-Coroner-Public Administrator Office. 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 July 1, 2020 to June 30, 2021. We did not review cash handling operations for the inmate welfare trust or Public Administrator operations. This report also does not include a full system review of the Teleosoft system (civil case management system).

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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.

The Sheriff-Coroner-Public Administrator Office (Sheriff's Office) has an authorized revolving cash fund balance totaling \$2,750 to be used as follows:

- a. Petty cash in the amount of \$200 at the Finance section to reimburse small dollar items and office supplies needed on an emergency basis.
- b. Special purpose - Training & Per Diem fund in the amount of \$2,000 to advance per diem meals for trainings.
- c. Change fund in the amount of \$300 to be used by the Civil counter to make change for court-related civil activities, concealed weapon licenses, coroner reports, and live scan transactions.
- d. Change fund in the amount of \$100 to be used by the Records counter to make change for cash bails, crime reports, and cash repossession fees.
- e. Change fund in the amount of \$150 to be used by the Animal Services section to make change for animal licenses, vaccinations, shelters, inspections, and animal pick-up fees.

The Sheriff's Office also has four separate bank accounts at Bank of the West to record receipts and disbursements for the Civil Trust account and the Inmate Welfare Trust account and to manage the client burial trust and custodial funds for the Public Administrator.

In addition, the Sheriff's Office has an established Special Appropriation fund in the amount of \$3,000 for use in accordance with Government Code 29430. The Sheriff may use the appropriation fund for expenses incurred in criminal cases arising in the County; expenses necessarily incurred in the preservation of peace; and expenses necessarily incurred in the suppression of crime.

### 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 and special purpose procedures
- Tested a sample of the petty cash, special purpose (training & per diem), and special appropriation fund replenishments to determine compliance with County Policy and Government Code

Based on the procedures performed, the revolving funds agreed to the accountable balance with the Department of Financial Services and the replenishments for the petty cash, special purpose, and special appropriation fund were supported by adequate documentation and complied with County Policy and Government Code 29430.

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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.

The Sheriff's Office has three (3) collection areas at the Civil section, Animal Services, and the Records public counter. Each area reconciles their daily collections and transfers the cash receipts to the Sheriff's Finance section for further processing. Collections for court-related civil activities and the inmate welfare funds are deposited into non-interest-bearing accounts at Bank of the West. All other collections at the Civil section (concealed weapon licenses, coroner reports, live scan, and parking citations), Animal Services, and the Records counter (crime reports, cash repossessions and cash bails) are deposited into the County's Treasury.

### Audit Objective/Methodology

To determine that handling of cash receipts and the use of outside bank accounts 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 2019-20 for reported cash overages and shortages
- Verified that monthly bank reconciliations for the Civil Trust account were properly completed

**Finding #1: Segregation of duties**

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

*To minimize the potential for mistakes in cash operations and/or misappropriation of cash, cash duties should be segregated among different individuals so that in all instances one person (preferably a supervisor) will check the work performed by another. This is attained by having a different individual to receive the cash, prepare the deposit transmittal, and reconcile the ledger sheets while providing a control over the others, catching mistakes and preventing the misappropriation of funds.*

The auditors found that duties were not properly segregated for the handling of payments at the Civil section as stated below:

- One employee oversees the section's operations. The same employee occasionally collects payments at the public counter, records and approves payments into the Teleosoft system (civil management system), sets up client accounts, prints checks for payments to creditors, maintains the check stock, and transfers service fees to the general ledger.
- Other collections at the Civil section (concealed weapon licenses, coroner reports, live scan, and parking citations) are reconciled weekly by one of the cashiers and not reviewed by an employee independent of the receipting function.

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

**Recommendation 1**

We recommend that the Sheriff's Office review their procedures for handling payments at the Civil section and ensure that an independent person verifies the payments recorded in the Teleosoft system and the amounts disbursed for civil transactions. It is also recommended that the Finance section perform a surprise cash count at the Civil section to ensure that funds received are properly recorded, approved, and deposited in accordance with County Policy and procedures. (Priority 1 Issue – 60 days required corrective action)

**Management Response 1**

*The Sheriff's Office will review our procedures. As part of the weekly reconciliation, the activities are printed from the Teleosystem summarizing Civil Revenue, by category and type. A copy of the reconciliation is attached to the print-out, as well as the listing of all checks deposited. The listing of checks deposited is printed from the mobile depositing system and lists the check number, the account number, bank routing number, and the amount. The Chief of Finance reviews the bank statement against the reconciliations when the statements are received and investigates any irregularities.*

**Finding # 2: Depositing cash receipts**

*All collections shall be deposited promptly and intact into the County Treasury or authorized bank accounts. Promptly deposited generally means making deposits daily or when the amount collected on hand exceeds a safe and reasonable threshold but no less frequently than weekly. This threshold is usually in the \$500-\$1,000*

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*range and depends on the composition of the cash (currency versus checks) and the physical controls over cash.*

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

- On the day of the cash count, the Animal Services had seven outstanding deposits totaling \$2,784 (\$723 cash and \$5,061 checks) from collections received from the prior week. The deposits were not made until 13 to 20 days after the receipt date.
- During the month of May 2021, deposits from the Animal Services were not transferred to the Finance section in sequential order (e.g. 5/9 collections deposited before the 5/4 collections).
- Collections from the Civil section for concealed weapon licenses and coroner reports totaling \$1,080 were not deposited until 16 to 29 days after the receipt date.

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

**Recommendation 2:**

We recommend that the Sheriff's Office develop a process to monitor outstanding deposits at the different sections to ensure that all deposits are reconciled on a timely basis, accounted for, and in compliance with the Yolo County Cash Accounting Manual. (Priority 1 Issue – 60 days required corrective action)

**Management Response 2**

*Although we do NOT concur with the finding, the Sheriff's office acknowledges the recommendation proposed and agree that every attempt will be made to make deposits of payments received at the Sheriff's Office to Department of Finance timely. Prior to the Covid pandemic, the Sheriff's Office made deposits with the Department of Finance twice per week.*

**Finding # 3: Endorsement of checks and control log for payments received in the mail**

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

The Sheriff's Office does not use a control log for payments received in the mail. Checks are not restrictively endorsed upon receipt. Not endorsing the checks immediately upon receipt and recording them on a control log may result in checks being misplaced or misappropriated without timely detection.

**Recommendation 3:**

We recommend that the Sheriff's Office record checks received in the mail onto a control log and endorse the checks immediately upon receipt. It is also recommended that the control log be maintained by an employee independent of the collection process and that the log be reconciled at least monthly to the deposits to ensure that all monies received in the mail have been deposited in the bank or County Treasury. (Priority 1 Issue – 60 days required corrective action)

**Management Response 3**

*There is limited opportunities and a low risk in our process for the misplacement or misappropriation of a check. We rely on recording the receipt into our system to track the check rather than creating a control log, therefore our system serves as our control log. Checks received are written pay to the order of the Yolo County Sheriff's Office, the opportunity for anyone to deposit or cash a check that is meant for the Yolo*



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*County Sheriff's Office is extremely low. To comply with the Yolo County Cash Accounting Manual, the Sheriff's Office will obtain and use endorsement stamps. (Anticipated Date of Completion 1/1/2022)*

**Finding # 4: Weekly bank reconciliations of the Civil Trust account**

*Cash on hand shall be reconciled to the accountable balance and to the bank on a monthly basis. The reconciliation shall be documented and signed by the preparer and reviewer.*

The bank reconciliation for the Civil Trust account is prepared on a weekly basis by the Finance section. However, the reconciliation is not signed by the preparer and the reviewer. Not reviewing or signing the bank reconciliation may allow errors to go undetected and differences to go unresolved.

**Recommendation 4:**

We recommend that a section manager or supervisor review the bank reconciliation to provide oversight of any differences between the accounting records, cash balances, and bank balance position per the bank statement. Additionally, the bank reconciliation must be signed by the preparer and reviewer. (Priority 1 Issue – 60 days required corrective action)

**Management Response 4**

*Finance Section will perform the bank reconciliation and sign off by the preparer and reviewer.*

**Finding # 5: Outstanding checks for the Civil Trust account**

Government Code Section 50050: *Except as otherwise provided by law, money, excluding restitution to victims, that is not the property of a local agency that remains unclaimed in its treasury or in the official custody of its officers for three years is the property of the local agency after notice if not claimed or if no verified complaint is filed and served. At any time after the expiration of the three-year period, the treasurer of the local agency may cause a notice to be published once a week for two successive weeks in a newspaper of general circulation published in the local agency. At the expiration of the three-year period, money representing restitution collected on behalf of victims shall be deposited into the Restitution Fund or used by the local agency for purposes of victim services.*

The auditors noted that the Sheriff's Office has several outstanding checks for the Civil Trust account. As of June 30, 2021, the outstanding checks totaled \$199,815. The amount includes checks that have not been claimed since June 2010. Not performing a review of outstanding checks may result in unnecessary and inefficient use of staff time to track and monitor checks that have been stale dated for several years.

**Recommendation 5:**

We recommend that the Sheriff's Office review the list of outstanding checks for the Civil Trust account and develop a process for unclaimed monies as prescribed in the Government Code Section 50050. (Priority 2 – 120 days required corrective action)

**Management Response 5**

*The Sheriff's Office will review the list of outstanding checks and process the unclaimed monies as appropriate in accordance with Government Code. (Anticipated Date of Completion 2/1/2022)*

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### III. Other Cash Funds and Cash Equivalents

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

The Sheriff's Office maintains an inventory of bus passes to be used for transportation of clients released from the detention facility or travel to the animal shelter for community service work. The bus passes are purchased by one of the commissary officers (custodian) at the detention facility and then transferred to the sub-divisions for distribution to the clients. During the audit period, the Sheriff's Office purchased a total of \$2,500 value of bus passes for their inventory.

#### Audit Objective/Methodology

To determine that the bus passes are maintained, documented, and agree to the Sheriff's Office records. And, that the client signed a receipt for possession of the bus pass.

To accomplish our objective, the following procedures were performed:

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

#### **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.*

The auditors examined 240 bus passes and reviewed the internal controls over the handling of bus passes and noted the following exceptions:

- Inventory of bus passes are not recorded in the general ledger.
- Control logs for bus passes purchased, transferred to other department sections, and distributed to clients were not available for review.

Not maintaining control logs for bus passes creates the risk for misappropriation and/or a loss of accountability of the bus passes. In addition, not recording the inventory of bus passes in the general ledger may result in inaccurate financial data reported on the County's annual financial statements.

#### **Recommendation 6:**

We recommend that the Sheriff's Office develop a process to document the transfer of bus passes to the office sections and the distribution to clients. In addition, the bus pass inventory should be recorded in the general ledger to reflect the actual inventory on-hand in the financial records.

(Priority 1 Issue – 60 days required corrective action)

#### **Management Response 6**

*The Sheriff's Office will develop a process to log bus passes purchased, transferred, and distributed. The purchase of the bus pass will be recorded in the general ledger as inventory and once per quarter, the Finance Section will review the number of bus passes distributed and record a journal entry to adjust the inventory account in the general ledger.*

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#### **IV. System Controls**

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

The Sheriff's Civil section works in conjunction with the Civil Courts in Yolo County to provide services related to court judgements and for collecting and disbursing funds as required by those judgements. The Civil section uses the Teleosoft system (civil case management system) to manage its day-to-day operations. In November 2020, the Civil section replaced its case management system "Sirron" due to the owner's retirement and the lack of system support. The Teleosoft system is used by other counties in the area (Sacramento, Sonoma, and Placer).

##### **Audit Objective/Methodology**

To review the system accounts associated with the cash handling process to ensure that the Sheriff's Office 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 # 7: Access to the Teleosoft system***

The auditors obtained a list of the system administrators and users for the Teleosoft system. Users were assigned to security classes without knowing the full access permissions within each security class, thus potentially posing a segregation of duties issue as stated below:

- Three employees have administrative access with one employee assigned as a cashier. The system administrators have the ability to add, change or delete transactions, set-up new client accounts, and print checks.
- One employee was found with supervisory access, who has the ability to approve and post payment transactions in the system. This individual is also an assigned cashier.

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

##### **Recommendation 7:**

We recommend that the Sheriff's Office review the list of system administrators and users for the Teleosoft system to ensure that each access permission is assigned appropriately for the job being performed. Further, that the security and change controls reports be available, actively monitored, logged, and reported accordingly. (Priority 1 Issue – 60 days required corrective action)

##### ***Management Response 7***

*The Sheriff's Office has reviewed the list of system administrators and users for the Teleosoft system and is deemed appropriate.*

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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.

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

- Handling payments received at the counter and through the mail
- Handling credit card payments
- Recording payments into the cash handling systems
- Reconciling and depositing daily collections
- Preparing and printing checks to creditors
- Transferring funds to the general ledger
- Performing bank reconciliations

### 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 Sheriff's Office policy for recommended essential components within a Cash Handling Policy
- Verified that the cash handling processes are documented

### ***Finding # 8: Written procedures***

The Sheriff's Office has an office policy manual that provides guidelines on how to handle the petty cash fund, instruction manuals on how to process disbursements in the Teleosoft system, and procedures for reconciling cash collections at the Civil and Animal Services sections.

The auditors reviewed the manual and procedures and identified the following:

- Procedures include outdated information.
- Written procedures for recording, distributing, and performing inventory counts of bus passes are not available.

Not providing staff with current procedures may result in processes not operating as intended and may allow errors to go undetected.

### **Recommendation 8:**

We recommended that the Sheriff's Office review and update their policy manuals and procedures to ensure that it meets the County Policy and recommended Best Practice. The updated policy manuals and procedures should be disseminated to all staff handling cash payments, performing bank reconciliations, and handling bus pass inventory. (Priority 3 Issue – 180 days required corrective action)

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

*The Sheriff's Office will review our policy manuals and procedures and update as necessary. (Anticipated Date of Completion 2/1/2022)*

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**VI. Further Review Needed**

Implementation of the Teleosoft system

The Sheriff's Office implemented a new civil case management system Teleosoft in November 2020 in the mist of COVID-19. The Sheriff's Office did not receive a post implementation system review. We recommend a follow-up review to determine that the data transferred from the Sirron system to Teleosoft was accurate and complete.

Access to the Chameleon system

The Animal Services section is responsible for the operation of the Yolo County Animal Services shelter and animal control services to the cities and unincorporated areas of the county. The section uses the Chameleon system (an integrated animal shelter case management system) to document all animal related information and to record payments. A list of system users and administrators for the Chameleon system was not available for review. We recommend a follow-up review to determine that the Sheriff's Office has adequate segregation of duties given the user's roles and responsibilities.

Internal controls over customer accounts

The Animal Services and Civil sections have several customer accounts with large outstanding receivable balances. We recommend a follow-up review to determine whether adequate internal control exists over the handling of customer accounts at the Animal Services and Civil sections.

Inmate Welfare Trust account

The Sheriff's Office has 21 employees that are authorized to sign checks for the Inmate Welfare Trust account. These employees included staff, supervisors and a manager. We did not perform a review over the handling of cash for the Inmate Welfare Trust account; therefore, a follow-up review is recommended to determine that the department has adequate internal controls over cash receipts and disbursements of the fund.

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## VII. 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.