ITEM #3

Meeting of the
Yolo County Audit Subcommittee
November 20, 2025
11:30 p.m.

NOTE: This meeting is being agendized pursuant to Teleconference Rules of the Brown Act. Members must attend a physical location listed below, or participation will be limited to members of the public. The locations available for teleconferencing participation are listed below:

Physical Location for Member Participation:
County Administration Building – Room 202 (2nd Floor)
625 Court Street
Woodland, CA 95695

Teleconferencing Link:
Join Zoom Meeting
Meeting ID: 849 837 2635
Passcode: q7yAW1

Committee Members:

Chair, Mary Vixie Sandy	(Board of Supervisors – Voting)
Sheila Allen	(Board of Supervisors - Voting)
Lawrence Raber	(Public Member – Voting)

Yolo County Internal Audit Staff

Nathan Lugo	(Audit Manager – Non-voting)
Noemy Mora-Beltran	(Senior Auditor – Non-voting)

11:30 AM Call to Order

1. **Introductions.**

2. **Roll Call.**

3. **Approval of Agenda.**

4. **Follow-up of items from prior meetings (if any).**
   Staff will note that the discussion of the Summary of Audit Reports and applicable county policy wil be moved to the next meeting to allow time for more critical discussion items.

5. **Public Comment**
   This item is for the public to address the Subcommittee on matters within its jurisdiction not listed on this agenda. Comments on agenda items will be heard when each item is called. Speakers are limited to three minutes, subject to the Chair's discretion.

CONSENT AGENDA

6. **Approval of prior meeting minutes for September 26, 2025.**

7. **Receive Audit Recommendation Implementation Status Report (January – June 2025)**

REGULAR AGENDA

8. **Status Update on Internal Audit Governance, Operations, and Audits (Lugo)**
   Receive an update on Internal Audit's governance initiatives, operational priorities, audit plan progress, and status of ongoing engagements, with a request for Subcommittee input and direction as needed.

9. **Presentation of the Countywide Risk Assessment & Proposed 18-Month Internal Audit Plan (Lugo)**
   Presentation of the completed countywide risk assessment, key risk observations, and the planned audit coverage for the period January 2026 through June 2027, with a request for Subcommittee review, approval, and any additional feedback.

10. **Presentation on Options for an Interim Internal Audit Reporting Framework (Lugo)**
    Presentation of options for how Internal Audit results are shared and communicated, with a request for Subcommittee review, input, and direction on a preferred interim approach.

11. **Subcommittee Member and Staff Announcements.**

    Subcommittee members and staff may provide announcements, request future agenda items, or share brief reports of public interest.

12. **Adjournment (Approximately 12:30 p.m.)**

PUBLIC RECORDS NOTICE
Public records related to any item on the open session agenda for a regular meeting are available for public inspection at the County of Yolo offices located at 625 Court Street, Woodland, CA 95695. Records distributed less than 72 hours prior to the meeting will be available at the same time they are provided to all members of the Audit Subcommittee. To inspect materials, please contact Nathan Lugo, Audit Manager, at (530) 666-8668 or nathan.lugo@yolocounty.gov.

Documents are also available online at: https://www.yolocounty.org/government/general-government-departments/financial-services/financial-oversight-committee.

ITEM #6

YOLO COUNTY AUDIT SUBCOMMITTEE

MINUTES OF MEETING – September 26, 2025

Meeting Location: County Administration Building,
625 Court Street, Room 202
Woodland, CA 95695

Meeting Type: In-Person meeting open to the public under the Brown Act.

Members present: Mary Vixie Sandy (Supervisor-Chair)
Sheila Allen (Supervisor – arrived following Item 7)
Larry Raber (Public Member)

Others present: Nathan Lugo (Audit Manager)
Noemy Mora-Beltran (Senior Auditor)
Shenjuti Gupta (Auditor)
Tom Haynes (Chief Financial Officer)
Mike Webb (County Administrator, attended remotely)
Kamaljit Pannu (Human Resources Director)
Yasmin Lopez (Human Resources Manager)

Recorded/Prepared by: Nathan Lugo (Audit Manager)

1) **Call to Order and Introductions.**
Chair Vixie Sandy called the meeting to order at 1:05 p.m. and welcomed participants. Nathan Lugo introduced Kamaljit Pannu, Director of Human Resources, and Yasmin Lopez, HR Manager, who joined to provide updates related to the payroll audit. Introductions of members and attendees followed.

It was noted that Supervisor Sheila Allen was not yet present at the start of the meeting.

2) **Roll Call.**
No formal roll call was conducted. Attendance was informally noted during introductions. Chair Vixie Sandy and Public Member Larry Raber were present at the outset, constituting a quorum under the Brown Act.

3) **Approval of Agenda.**
Motion by Raber, seconded by Vixie Sandy, to approve the agenda. Motion carried unanimously.

4) **Follow-up items from prior meetings (if any).**
Nathan Lugo reported that there were no outstanding follow-up items from the June 17, 2025, meeting.

5) **Public comment.** No public comments were submitted or presented for the record.

Consent Agenda

6) Approval of prior meeting minutes from June 17, 2025.

7) Summary of Audit Reports Received by June 30, 2025

The Committee approved the Consent Agenda in its entirety (Items 6 and 7) on a motion by Raber, seconded by Vixie Sandy. The motion carried unanimously.

Following approval of the Consent Agenda, Larry requested clarification regarding the summary of external audit reports submitted by County departments, special districts, and joint powers authorities through June 30, 2025. Nathan Lugo responded that Internal Audit compiles and reports the submissions but does not verify completeness.

Committee members discussed the absence of a mechanism to ensure full compliance with the County's reporting policy and the importance of maintaining transparency through centralized tracking. Members also noted that external audits serve as an accountability tool for departmental financial and compliance reporting under County Administrative Policy.

The Committee requested that Internal Audit bring back the Administrative Policy governing external audit submissions for review at a future meeting.

At the conclusion of this discussion, Supervisor Sheila Allen joined the meeting.

Regular Agenda

8) Presentation – Internal Control Review of Payroll Processing Audit (Lugo)

Nathan Lugo presented the Internal Control Review of Payroll Processing for the period July–December 2024, which assessed the design and implementation of internal controls over payroll functions including health benefits, leave balances, employee pay rate calculations, retroactive pay adjustments, and W-2/tax reporting.

The review found that one staff member held broad system access within CloudSuite, allowing initiation and approval of personnel transactions, creating a segregation-of-duties risk. Additional findings included the absence of a centralized error-tracking system, reliance on institutional knowledge rather than written procedures, and limited oversight of manual payroll tasks.

Human Resources agreed with the findings and reported several corrective actions: revising workflows to separate approval duties; implementing an error tracker with pre- and post-pay cycle reviews; developing a detailed payroll procedure manual with screenshots and staff training; and assigning second-level reviews for high-risk manual processes.

The subcommittee discussed progress on these corrective measures and emphasized continued monitoring and documentation of payroll controls.

The item was received and filed; no action was taken.

9) Proposal to Establish Standard Framework for Internal Audit Reporting (Lugo)

Nathan Lugo presented the proposed Internal Audit Reporting Framework, developed to establish consistent standards for how internal audit reports are routed, reviewed, and presented to the Board of Supervisors. The framework sought direction on several questions: which audit reports should be elevated beyond the Audit Subcommittee, whether items should appear on consent or discussion, how management responses should be represented alongside audit findings, and whether an annual summary report should be provided to the full Board.

CAO Mike Webb supported the need for consistency and noted that the HHSA audit report had been delayed due to unresolved questions about report format, presentation balance, and how to handle cases where management disagrees with audit findings. He emphasized establishing a clear process to reconcile such differences before public release.

Nathan Lugo clarified that professional standards require obtaining and publishing management's response, with any remaining disagreement potentially resolved through the subcommittee or, if necessary, elevated to the Board. Supervisor Vixie-Sandy stressed maintaining a clear chain of command, with the CAO responsible for directing department responses, while ensuring the Board receives periodic updates for transparency.

The discussion also covered coordination of the annual risk assessment process, the CAO's involvement in reviewing identified risks, and ensuring a balance between transparency and confidentiality when reporting to the public. CFO Tom Haynes noted that finalized audit reports are typically posted publicly once issued and supported broader Board visibility of completed audits, provided management's responses are presented equally.

Members agreed that reports with significant findings should be brought to the full Board, that the CAO and County Counsel should review reports prior to publication, and that an annual update on audit activity should be provided.

The subcommittee deferred action on the framework to the next meeting to allow further review and discussion.

10) Review and Approve an Independent Audit Committee Ordinance (Lugo)

Nathan Lugo presented the proposed ordinance to establish an independent Audit Committee, separating it from the Financial Oversight Committee. He explained that the change would strengthen audit governance, align with best practices, and formalize the committee's authority under County Code.

Members briefly discussed provisions regarding alternate members and whistleblower confidentiality, confirming that detailed investigations would remain within Internal Audit and County Counsel.

Motion by Supervisor Allen, seconded by Larry Raber, to recommend the ordinance to the Board of Supervisors for approval. Motion passed unanimously.

11) Status Update on Internal Audit Governance, Operations, and Audits (Lugo)

Nathan Lugo provided a brief update, noting that Internal Audit is currently conducting its annual risk assessment and developing the internal audit work plan, which will be presented at the next meeting. He stated there were no other critical issues to report at this time and invited members to contact him directly with any questions or requests for additional information.

The item was received and filed; no action was taken.

12) Confirm Next Meeting Date

The next meeting was confirmed for November 20, 2025, from 11:30 a.m. to 12:30 p.m.

13) Subcommittee Member and Staff Announcements.

No announcements presented.

14) Adjournment

Chair Vixie Sandy adjourned the meeting at approximately 2:30 p.m.

Respectfully submitted by:
Nathan Lugo, Audit Manager

Report #
2024/25-02

ITEM #7

Audit Recommendation Implementation Status Report

January – June 2025

COUNTY of YOLO

Nathan Lugo
Audit Manager

YOLO COUNTY DIVISION OF INTERNAL AUDIT

Our Mission

The mission of the Division of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

Our Vision

The Division of Internal Audit helps Yolo County accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

Whistleblower Hotline

In the interest of public accountability and being responsible stewards of public funds, Yolo County has established a whistleblower hotline. The hotline protects the anonymity of those leaving tips to the extent permitted by law. The service is available 24 hours a day, 7 days week, 365 days per year. Through this service, all phone calls and emails will be received anonymously by third party staff.

Report online at EthicsPoint - County of Yolo or
Report by phone: 1-833-416-6434.

The Yolo County Division of Internal Audit can be contacted by phone at 530-666-8668 or at the address below:

625 Court Street, Room 103
Woodland, CA 95695

Contents

Recommendation Follow-Up Process

The Yolo County Division of Internal Audit (Division) provides recommendations to enhance accountability and improve the efficiency and effectiveness of County programs. This often involves verifying compliance with laws and regulations, identifying internal control weaknesses, and assessing whether the County has acquired and utilized its resources efficiently.

The Yolo County Audit Follow-up Policy states: "The County Internal Audit Division, as part of its regular work plan, will review actions taken by County departments to implement audit recommendations." Additionally, "Departments will provide a status update on audit recommendations as outlined in their corrective action plan and as requested by the Internal Audit Division."

The Division actively monitors the implementation of all audit recommendations and currently reports on their status every six months through this report, with plans to transition to an annual reporting cycle beginning in 2026.

In accordance with the Division's Fiscal Year 2024-25 Work Plan, we have prepared this report covering the status of open recommendations for the six-month period ending June 2025. To complete our assessment, we met with department staff, reviewed documentation provided by departments, and conducted testing to evaluate implementation progress.

Although this report covers the six-month period ending June 30, 2025, Internal Audit continued receiving and validating departmental updates during the third quarter of 2025. To ensure accuracy and completeness, several tables present data as of September 30, 2025. This supplemental information does not change the defined reporting period but reflects the most current status available.

We appreciate the cooperation and assistance of County departments and staff throughout this review process.

Recommendation Progress

We classified recommendations based on the responsible party's progress:

- **Open** – The audit recommendation remains unresolved, and the responsible party is in the process of implementing corrective actions. Implementation is either in progress or has not yet begun, and further follow-up is required.
- **Extended** – The deadline for implementing the audit recommendation has been formally extended due to justified circumstances. The responsible party is actively working toward completion, and progress will continue to be monitored.
- **Past Due** – The responsible party has not provided the required documentation or implemented the audit recommendation by the established deadline, resulting in a delay in the resolution of the identified issue.
- **Pending Review** – The responsible party has submitted documentation, and the Division is currently in the process of validating whether the provided evidence demonstrates satisfactory implementation of the audit recommendation.
- **Closed** – The responsible party provided documentation, and the Division verified the satisfactory implementation of the audit recommendation.

Summary of Priority Issues in the Audit Follow-up Report

The Yolo County Division of Internal Audit has identified and categorized audit findings based on their potential impact and the urgency of corrective action.

● **Priority 1** issues represent significant control weaknesses or compliance lapses that require immediate corrective action within 60 days. These issues may involve reoccurring deficiencies or one-time failures in essential procedures or controls, posing high risks to financial integrity, compliance, public safety, or service quality. If left unaddressed, they could result in major financial, reputational, operational, or legal consequences.

● **Priority 2** issues are serious control weaknesses or compliance concerns that warrant prompt corrective action within 120 days. While not as urgent as Priority 1 findings, these issues increase exposure to financial losses, operational inefficiencies, and missed objectives. They typically involve deficiencies in internal controls, financial reporting, or operational processes that could escalate into more significant risks if not addressed in a timely manner.

● **Priority 3** issues consist of routine control weaknesses or compliance lapses that require timely action within 180 days. Although these issues are less critical than higher-priority findings, failing to correct them may lead to more serious problems in the future. Many of these recommendations focus on improving internal processes, ensuring adherence to policies, or enhancing documentation practices.

Departments should respond to audit recommendations within defined timeframes and provide status updates on their implementation. Internal Audit actively monitors compliance and may escalate unresolved high-priority issues to the Audit Subcommittee for further oversight. While some recommendations may warrant deadline extensions under justified circumstances, continued delays could result in additional scrutiny and the need for further corrective action.

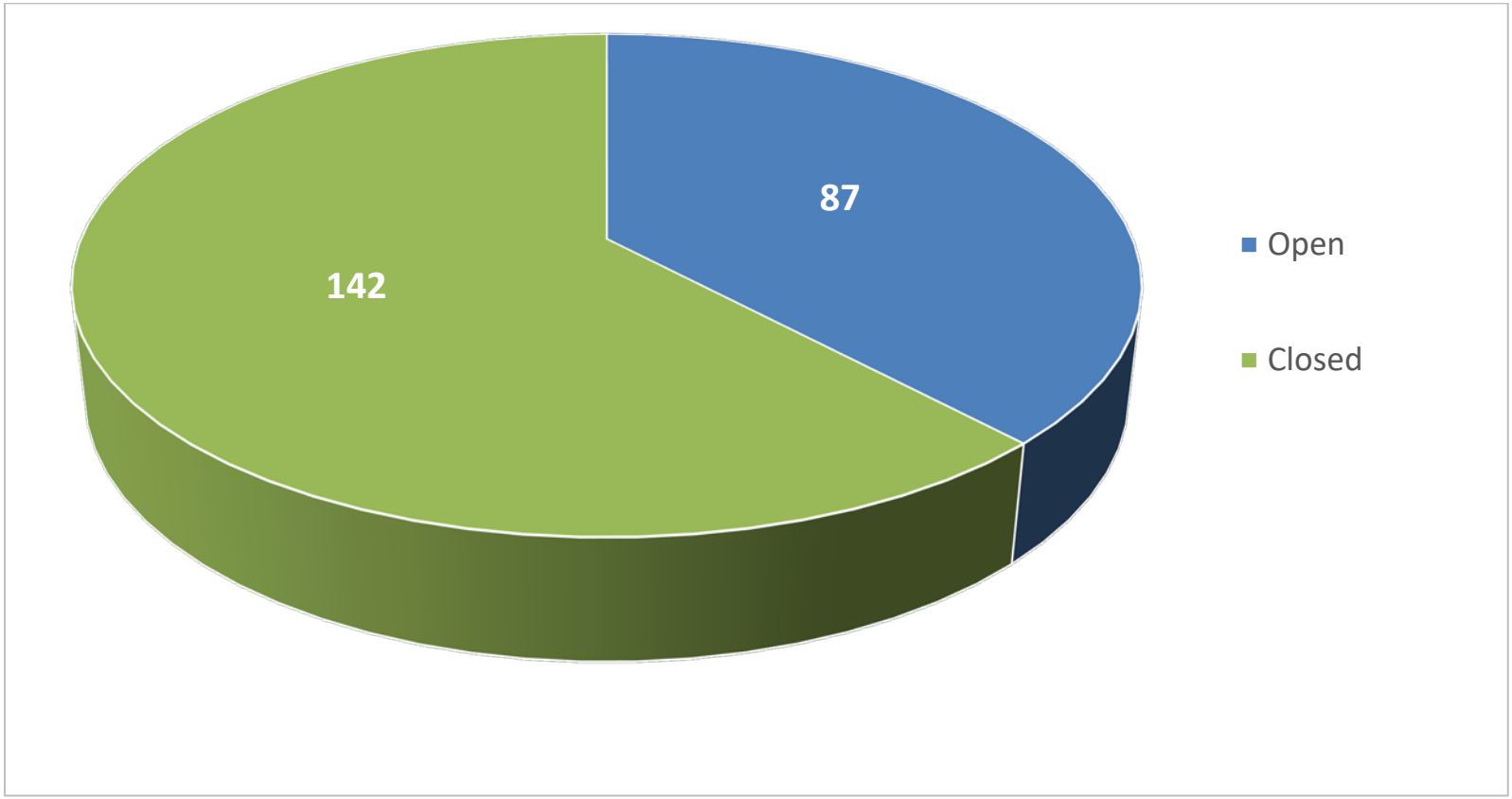
Implementation Progress of Recommendations

62 Percent of All Recommendations Have Been Fully Implemented

Since the Division of Internal Audit began systematically tracking audit recommendations in Fiscal Year 2018–19, a total of 229 recommendations have been issued. As of the conclusion of the current follow-up period, 142 recommendations (62 percent) have been fully implemented and closed.

Figure 1 illustrates the status of audit recommendations as of September 30, 2025, distinguishing between those that remain open and those that have been closed.

Figure 1. Status of Recommendations

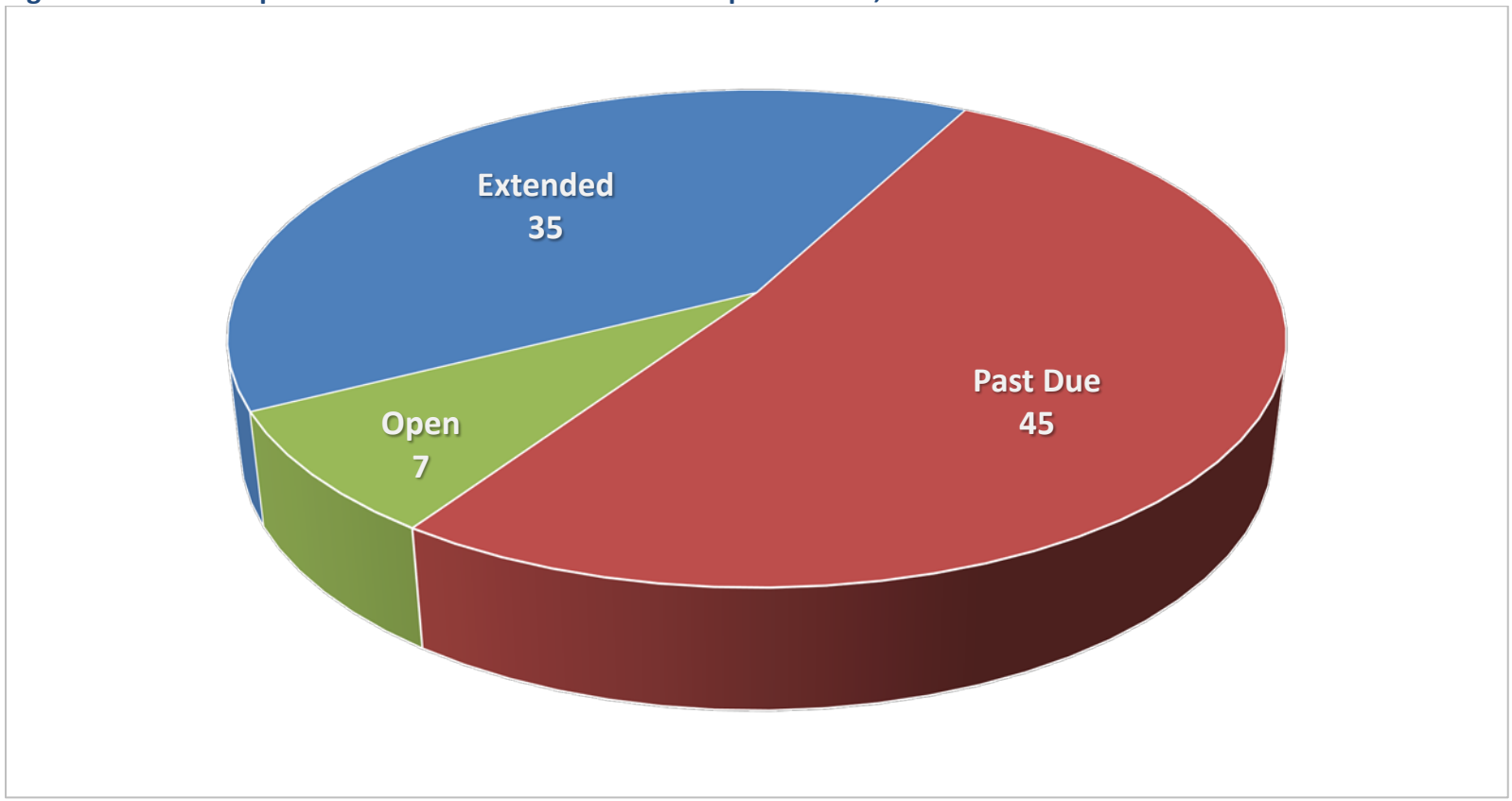


Source: Auditor generated

Implementation Status of Open Audit Recommendations

Open audit recommendations are categorized by implementation status and assigned department. Figure 2 illustrates the distribution of open recommendations as of the end of the reporting period. Of the 87 open recommendations, 35 had approved extensions, 45 were past due, and 7 remained open.

Figure 2. Status of Open Audit Recommendations as of September 30, 2025



Source: Auditor generated

Recommendations Issued and Closed by Fiscal Year

Figure 3 illustrates the number of audit recommendations issued and closed from Fiscal Year 2018–19 through Fiscal Year 2025–26. Activity peaked in Fiscal Year 2021–22, when 55 recommendations were issued and 53 were closed. In subsequent years, the number of closed recommendations has stabilized near the long-term annual average of 18, indicating a consistent pace of implementation.

Figure 3: Recommendations Issued and Closed by Fiscal Year

Source: Auditor generated

Implementation Status of Audit Recommendations by Department

Figure 4 summarizes the implementation status of audit recommendations by department as of September 30, 2025. Of the 229 recommendations issued since Fiscal Year 2018–19, 142 (62 percent) have been fully implemented and closed. The Departments of Financial Services (DFS) and General Services (GSD) have the greatest number of outstanding recommendations, while several departments, including the Assessor/Clerk-Recorder/Elections, District Attorney, Library, and Probation, have achieved full implementation of all recommendations.

Figure 4: Implementation Status of Audit Recommendations by Department

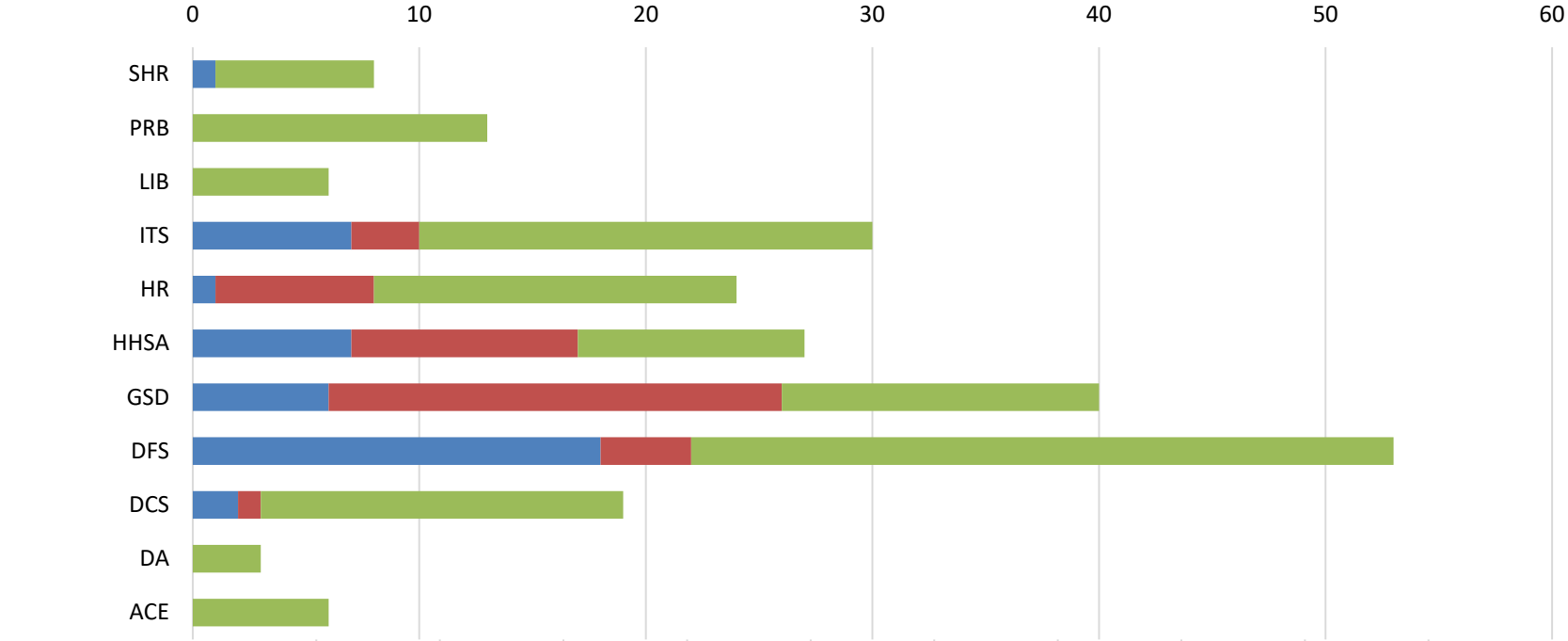
Department	Open/ Extended	Past Due	Closed	Total Issues	% Closed
Assessor/ Clerk-Recorder/ Elections (ACE)	0	0	6	6	100%
District Attorney (DA)	0	0	3	3	100%
Department of Community Services (DCS)	2	1	16	19	84%
Department of Financial Services (DFS)	18	4	31	53	58%
Department of General Services (GSD)	6	20	14	40	35%
Health & Human Services (HHSA)	7	10	10	27	37%
Human Resources (HR)	1	7	16	24	67%
Innovation & Technology Services (ITS)	7	3	20	30	67%
Library (LIB)	0	0	6	6	100%
Probation (PRB)	0	0	13	13	100%
Sheriff Department (SHR)	1	0	7	8	88%
Overall Status	**42**	**45**	**142**	**229**	**62%**

Source: Auditor generated

Departments with a Significant Number of Open or Past Due Recommendations

Figure 5 provides a visual summary of the implementation status of audit recommendations by department. The data indicate that outstanding recommendations are concentrated primarily within the Department of Financial Services (DFS) and the Department of General Services (GSD), which together account for the majority of open and past due items. Departments such as Health and Human Services (HHSA), Human Resources (HR), and Innovation and Technology Services (ITS) have moderate levels of open recommendations but continue to demonstrate progress toward closure. Overall, the distribution shows that most outstanding items are concentrated within a limited number of departments that manage large and complex operational areas.

Figure 5: Implementation Status of Audit Recommendations by Department (Chart)



	ACE	DA	DCS	DFS	GSD	HHSA	HR	ITS	LIB	PRB	SHR
Open/ Extended	0	0	2	18	6	7	1	7	0	0	1
Past Due	0	0	1	4	20	10	7	3	0	0	0
Closed	6	3	16	31	14	10	16	20	6	13	7

Source: Auditor generated

Aging of Open Audit Recommendations as of September 2025

Figure 6 presents all audit reports that contain open recommendations as of the end of the reporting period. The table identifies the report title, issuance date, fiscal year issued, and the number of recommendations that remain open.

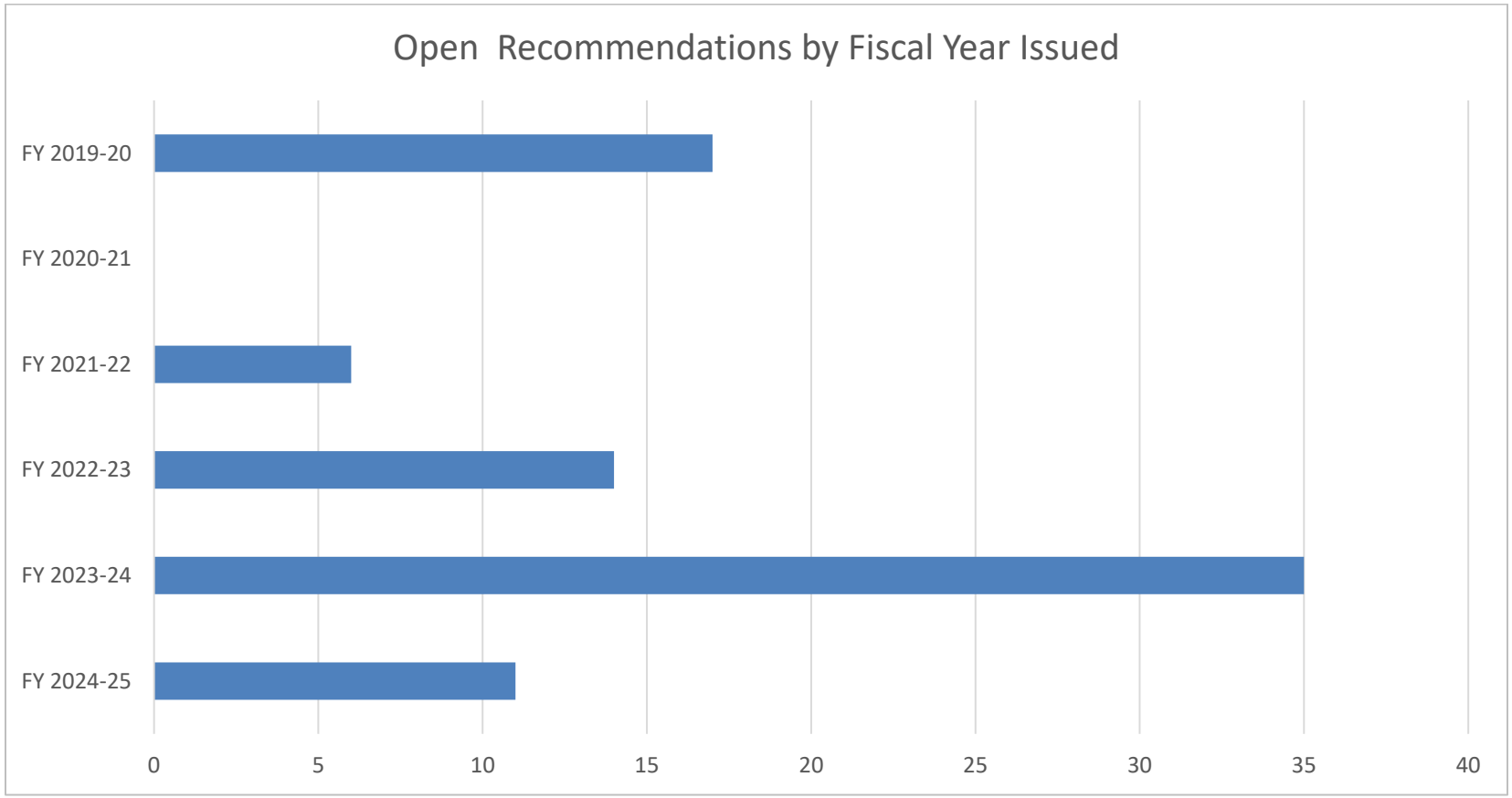
Figure 6: Aging of Open Audit Recommendations

Project Name	Report Date	Fiscal Year Issued	Open Recommendations
Internal Control Review of Wire Transfers and ACH Transactions	11/6/2019	FY 2019-20	5
HIPAA Privacy Risk Assessment	1/1/2020	FY 2019-20	12
CF Payroll Audit	10/1/2021	FY 2021-22	4
CF Cash-Department Audit (Sheriff Dept)	11/22/2021	FY 2021-22	1
Cash Audit Health & Human Services Agency	6/24/2022	FY 2021-22	1
Vehicle Fleet Operations	8/12/2022	FY 2022-23	3
Cash Department Audit - DFS Tax Collector	3/1/2023	FY 2022-23	4
Accounts Payable Audit	6/7/2023	FY 2022-23	7
Purchase Card	10/24/2023	FY 2023-24	4
IT Strategy and Governance Audit	10/26/2023	FY 2023-24	7
CF Capital Project	12/15/2023	FY 2023-24	24
Vendor Performance Monitoring Audit	10/30/2024	FY 2024-25	4
HHSA Administration Branch Performance Audit	5/20/2025	FY 2024-25	7
Internal Controls Review for Payroll Processing	8/1/2025	FY 2025-26	4
Total			**87**

Source: Auditor generated

Figure 7 illustrates the aging of open audit recommendations by the fiscal year in which the corresponding audit reports were issued. The chart shows that no new recommendations were issued during Fiscal Year 2020–21 due to the operational impacts of the COVID-19 pandemic. Audit activity resumed in subsequent years, resulting in a gradual increase in issued and open recommendations. The higher number of open recommendations from Fiscal Year 2023–24 is primarily due to the Capital Projects Audit, which generated a significant volume of findings and accounts for the majority of outstanding items from that period.

Figure 7: Aging of Open Audit Recommendations by Fiscal Year Issued (Chart)



Source: Auditor generated

With new leadership in the Division of Internal Audit, efforts are underway to establish a more formal and standardized process for tracking, monitoring, and validating the implementation of audit recommendations. These improvements are intended to strengthen consistency, accountability, and timeliness in future follow-up reporting.

Conclusion and Next Steps

The Division of Internal Audit has undertaken a comprehensive review of outstanding audit recommendations and continued to strengthen the County's follow-up and reporting process. Recent efforts have focused on improving communication with departments, clarifying expectations for providing status updates, and verifying evidence of implementation. Although obtaining timely responses can be challenging, persistence and structured follow-up have resulted in improved engagement and accountability.

To promote greater consistency and transparency, the Division established formal written guidance outlining departmental follow-up requirements, implemented instructions for the County's issue tracking application, and adopted a standardized reporting framework to ensure that recommendation data are compiled, validated, and reported in a clear and consistent manner.

With new leadership in place, the Division is advancing additional improvements to formalize processes for tracking, monitoring, and validating the implementation of audit recommendations. These efforts are intended to strengthen consistency, accountability, and timeliness across future reporting cycles.

Given limited staffing resources and the need to balance active audit work with administrative follow-up, the Division is also evaluating a transition from semiannual to annual follow-up reporting. This adjustment would better align reporting frequency with available capacity while maintaining appropriate oversight and visibility for the Audit Committee.

The Division remains committed to strengthening internal controls and fostering accountability through collaboration with County departments, clear communication, and continued enhancement of audit processes.

ITEM #8

COUNTY OF YOLO
CALIFORNIA

Division of Internal Audit
Nathan Lugo, Audit Manager

AUDIT SUBCOMMITTEE STAFF REPORT

DATE: November 20, 2025

ITEM: #8

FROM: Nathan Lugo, Audit Manager, Division of Internal Audit

SUBJECT: Status Update on Internal Audit Governance, Operations, and Audits

Purpose

The purpose of this staff report is to provide the Audit Subcommittee with an update on the status of the Division of Internal Audit (Internal Audit), including matters related to governance, operations, audit plan and the progress of ongoing engagements.

Recommended Action

1. Provide direction on the staffing and resource allocation approach for the vacant Auditor III position.
2. Provide direction on whether to finalize the IT Disaster Recovery and Emergency Preparedness Audit without the remaining management response.
3. Provide direction on whether to discontinue the ARPA Compliance and Program Audit.
4. Receive the remaining governance, operational, and audit status updates.

Background

Internal Audit plays a critical role in ensuring that Yolo County's operations are conducted efficiently, effectively, and in compliance with applicable laws and regulations. As part of our commitment to transparency and accountability, regular status updates are provided to the Audit Subcommittee.

Governance Updates

1. Independent Audit Committee Ordinance

The ordinance establishing a standalone Audit Committee is scheduled for consideration by the Board of Supervisors on November 18, 2025, following the Audit Subcommittee's prior recommendation for adoption. If adopted, this action would formally separate the Audit Committee from the Financial

Oversight Committee (FOC), aligning Yolo County's oversight structure with best practices and strengthening independent oversight of the County's internal audit activities.

The proposed Audit Committee is anticipated to operate in a similar manner to the current Audit Subcommittee, continuing to provide governance oversight, review internal audit reports, and monitor management's implementation of recommendations. During 2026, Internal Audit plans to work with County Counsel, the County Administrator's Office, and the Committee to develop a formal Audit Committee Charter defining its authority, responsibilities, and administrative protocols.

2. Internal Audit Reporting Framework

At the September 26, 2025, meeting, Internal Audit presented a proposed framework for standardizing the timing, content, and distribution of internal audit reports. Following discussion, the Audit Subcommittee requested that action be postponed allowing additional time for review and refinement of the proposal.

Further discussion is scheduled for the November 20, 2025, meeting to evaluate the framework's structure, distribution process, and alignment with the newly adopted Audit Committee model. The goal is to establish an interim reporting approach that can be implemented immediately and later incorporated into the formal Audit Committee Charter. Internal Audit will incorporate feedback from the Committee and County leadership to ensure the approach supports clear communication, transparency, and consistency in reporting.

Operational Updates

Annual Risk Assessment and Proposed 18-Month Internal Audit Plan

Internal Audit has completed its 2025 countywide risk assessment and prepared a proposed 18-Month Internal Audit Plan covering January 2026 through June 2027. Developing an 18-month plan provides a more practical planning horizon, as the County is already midway through FY 2025-26. Preparing a plan for only the remainder of the fiscal year would offer limited coverage and require restarting the planning process within a few months. Extending the plan through mid-2027 allows for broader audit coverage, greater stability in planning, and more efficient use of resources.

The risk assessment applied both quantitative and qualitative methods to evaluate risk across County departments. Key inputs included budget and financial data, operational trend analysis, and feedback obtained through interviews with key stakeholders and results from the department head risk survey. These inputs were analyzed collectively to identify high-risk areas and prioritize audits based on financial exposure, operational complexity, and compliance requirements.

The proposed 18-Month Internal Audit Plan (January 2026 – June 2027) reflects Internal Audit's ongoing effort to right-size and refine the planning process to balance responsiveness with sustainability. The plan is presented as a separate agenda item for discussion and direction at this meeting.

3. Staffing Update and Resource Allocation Update

In November 2025, Internal Audit's Auditor III position became vacant, leaving the Division with two filled FTE positions. Internal Audit has historically experienced challenges attracting auditors with relevant experience. These challenges contributed to the decision to fill the role at the Auditor II level during the prior recruitment cycle, after attempts to recruit for the Auditor III classification generated a limited pool of qualified applicants.

Given the impact of this vacancy on audit capacity and the structural considerations associated with reallocating resources, Internal Audit is seeking the Subcommittee's guidance on the preferred approach moving forward. The following options are available:

- **Option 1: Convert the Auditor III salary & benefit appropriations into additional on-call audit services.**
  This approach would expand access to external audit capacity with the technical expertise needed to maintain audit coverage. The conversion could be temporary or longer-term, depending on the County's budget position and the Subcommittee's direction.

- **Option 2: Submit a formal request to recruit for the Auditor III position.**
  Due to the County's current budget deficit, all hiring requests are undergoing heightened review, and approval is not guaranteed. Recruitment for this classification has historically taken considerable time and may result in a limited applicant pool, particularly for candidates with relevant experience.

- **Option 3: Continue operations with the two existing staff positions and defer recruitment or conversion at this time.** This approach would reduce Internal Audit's available staffing by approximately 30–40 percent, requiring adjustments to audit coverage and potentially deferring lower-priority projects.

Internal Audit welcomes the Subcommittee's feedback on which option it believes is most appropriate and is prepared to proceed in alignment with the Subcommittee's direction.

4. Status of Internal Audit Plan (FY 2024-25)

To provide a concise overview of activity under the FY 2024–25 Audit Plan, the list below summarizes the status of audit engagements as of November 2025.

Completed Audits & Engagements

- **Payroll Processing Internal Control Review** – finalized and presented to the Audit Subcommittee in September 2025; pending presentation to the Board of Supervisors.
- **HHSA Administrative Branch Performance Audit** – finalized and presented to the Audit Subcommittee in June 2025; pending presentation to the Board of Supervisors.

- **Vendor Performance Monitoring Audit** – finalized and presented to the Audit Subcommittee in November 2024; presented to the Board of Supervisors in February 2025.
- **Special Project for the County Administrator's Office** – agreed-upon procedures engagement performed to evaluate contract compliance for a community-based organization.
- **Quarterly Treasury Cash Counts** – ongoing recurring agreed-upon procedures (AUP) engagement performed quarterly to confirm cash balances.
- **HHSA Food and Nutrition Services (FNS) Form 209 Validation Review (FY 2025)** – finalized; results shared with HHSA management.

Near Completion / In Progress

- IT Disaster Recovery and Emergency Preparedness Audit (Baker Tilly)
- HHSA Subrecipient & SUD Contract Monitoring (Eide Bailly)
- Purchase Card (P-Card) Program Audit

On-Hold Pending Subcommittee Direction

- American Rescue Plan Act (ARPA) Program Audit (Baker Tilly)

5. Whistleblower Hotline Administration and Planned Improvements

Internal Audit continues to oversee the County's Whistleblower Hotline, which provides a confidential mechanism for reporting potential fraud, waste, abuse, or policy violations.

As of November 2025, two cases remain open—one pending departmental corrective action and another currently under investigation. Overall call volume has declined in recent months, with very few new reports received. While this lower level of activity suggests limited use, Internal Audit remains mindful that hotline awareness and accessibility are important to maintaining public and employee confidence.

Given current staffing constraints and higher-priority audit activities, hotline process improvements have been paced accordingly. However, Internal Audit has not lost sight of this initiative and plans to continue refining procedures and documentation practices, with implementation of updated materials expected in the coming year.

Status of Audits

6. IT Disaster Recovery and Emergency Preparedness Audit (Baker Tilly)

This engagement was conducted by Baker Tilly, one of the County's on-call audit firms. A draft report has been ready since June 2025, at which time management responses were requested for two findings—one from the Innovation and Technology Services Director and one from the Office of Emergency Services (OES) Chief.

Internal Audit received the IT response but has not yet received a response from OES. While Internal Audit recognizes that the former OES Chief's departure and the Esparto fireworks incident initially contributed to delays, the time elapsed since those events has extended beyond what is typically required to prepare a response. Internal Audit has provided additional time, briefed interim OES leadership, supplied response templates, and escalated the matter to the County Administrator's Office on multiple occasions.

Based on discussions to date, Internal Audit understands that management does not disagree with the audit findings; however, a formal written response has not been provided. The Division seeks the Subcommittee's direction on whether to proceed with finalizing the audit without a management response or continue to pursue one.

7. **HHSA Subrecipient & SUD Contract Monitoring (Eide Bailly)**
   Eide Bailly has completed most procedures for this engagement, with only a few remaining items pending supporting documentation from certain subrecipients. The firm briefly shifted resources to meet other client deadlines at the end of October but has since resumed work and expects to finalize the project within the next few weeks. Based on procedures completed to date, no significant issues have been identified.

8. **Purchase Card (P-Card) Program Audit (Internal)**
   Fieldwork for this audit is essentially complete, and the reporting phase is now underway. Progress on the engagement was delayed due to documentation requests not being received from management in a timely manner, which affected the completion of certain testing procedures. Internal Audit anticipates finalizing results later this fall, with the report expected to be presented in early 2026.

9. **American Rescue Plan Act (ARPA) Program Audit (Baker Tilly)**
   In accordance with the FY 2024–25 approved audit plan, this engagement was initiated in early October 2025 with Baker Tilly, one of the County's on-call audit firms. The audit objectives were to confirm compliance with American Rescue Plan Act requirements and assess whether funded programs achieved their intended purposes. Shortly after initiation, the County Administrator's Office requested that the engagement be paused to reassess its relevance in the context of the upcoming countywide risk assessment and development of the 18-Month Internal Audit Plan (January 2026 – June 2027).

   The ARPA audit was originally identified during the FY 2022–23 audit planning cycle and carried forward as the County implemented approximately $40 million in ARPA-funded activities. Since that time, the program has largely concluded, with funds fully appropriated and most expenditures completed. ARPA expenditures have also been reviewed each year as part of the County's Single Audit, which evaluates compliance with applicable federal requirements for the periods in which ARPA funds were expended.

The County Administrator observed that, given the status of the program and the extent of prior federally required oversight, the added value of conducting an additional ARPA-specific audit at this stage may be limited. After reviewing these factors, Internal Audit acknowledges that this perspective has merit and that the timing and relevance of the engagement warrant consideration by the Subcommittee.

Internal Audit requests the Subcommittee's direction on whether to formally cancel the ARPA Compliance and Program Audit. If canceled, the consulting resources allocated to this engagement could be reassigned to areas the Subcommittee identifies as more aligned with current risk and operational priorities.

ITEM #9

Countywide Risk Assessment and Proposed 18-Month Internal Audit Plan

November 2025

Division of Internal Audit

Yolo County

November 14, 2025

Yolo County Audit Subcommittee
Woodland, CA 95695

Re: Countywide Risk Assessment and Proposed 18-Month Internal Audit Plan

Attached for your review is the Countywide Risk Assessment and the Proposed 18-month Internal Audit Plan. This assessment informs the selection and prioritization of audit work by identifying areas where the County may be exposed to financial, operational, compliance, technological, or strategic risks.

California Government Code §1236 requires local government audit functions to perform their work in accordance with professional auditing standards. To support risk-based planning under these standards, the Division of Internal Audit periodically conducts organization-wide risk assessments.

Because this assessment was completed later in the calendar year, the resulting plan covers an 18-month period to ensure that current projects can be completed, new risk-informed audits can be initiated, and another full assessment will not be required in the near term.

Please contact me if you have any questions or need additional information.

Sincerely,

Nathan Lugo, CPA, CIA, CFE
Audit Manager
Yolo County Division of Internal Audit

Table of Contents

Executive Summary

The Division of Internal Audit ("Internal Audit") completed a Countywide risk assessment to identify areas where Yolo County may be exposed to elevated financial, operational, compliance, technological, and strategic risks. The assessment informs the proposed 18-Month Internal Audit Plan and supports aligning limited audit resources with the County's highest-priority needs.

The review incorporated Department Risk Survey responses, stakeholder interviews, an analysis of the FY 2025–26 Recommended Budget, and prior audit and grand jury findings. Ten Countywide Risk Themes emerged consistently across these sources:

1. Fiscal constraints limiting multi-year planning and stability
2. Staffing vulnerabilities due to vacancies and limited redundancy
3. Workload pressures contributing to delays, backlogs, and service limitations
4. System adoption and integration challenges following technology changes
5. Outdated administrative policies and the lack of a structured review cycle
6. Deferred maintenance and facility-related operational risks
7. Gaps in safety awareness and emergency preparedness
8. Inconsistent documentation and recordkeeping practices
9. Increasing administrative and regulatory demands
10. Limited performance measurement and data-driven decision-making

These themes, combined with department-level scoring results, provide a structured basis for determining where audit work can most effectively add value. The 18-Month Internal Audit Plan emphasizes areas of highest auditability and projected benefit, including carry-forward projects, Priority I and Priority II audits, and mandated or continuous activities. A detailed version of the Audit Plan is included in Appendix A.

This risk assessment is a planning tool and does not constitute an audit or provide assurance. Internal Audit will continue to monitor emerging risks and may adjust the Audit Plan in consultation with the Audit Subcommittee to ensure continued alignment with the County's highest-risk and highest-impact areas.

1. Introduction

The Yolo County Division of Internal Audit completed a Countywide risk assessment to support development of the FY 2025–26 and FY 2026–27 Internal Audit Plan. The assessment identifies areas of elevated financial, operational, compliance, technological, and strategic risk and provides a structured basis for prioritizing audit engagements.

California Government Code §1236 requires local government audit functions to perform their work in accordance with professional auditing standards. Consistent with these standards, the Division of Internal Audit conducts periodic risk assessments to inform risk-based planning.

This assessment draws on multiple sources, including stakeholder interviews, the Department Risk Survey, analysis of the FY 2025–26 Recommended Budget, prior audit and grand jury reports, and other operational information. This multi-source approach provides a comprehensive view of Countywide risks and supports consistent prioritization across departments.

The results are intended for planning purposes and reflect information available at the time of review. The assessment is not an audit and does not provide assurance on management practices. Because this assessment was completed later in the calendar year, the resulting Audit Plan covers January 2026 through June 2027—an 18-month period that aligns with the latter half of FY 2025–26 and the full duration of FY 2026–27. Future cycles may return to an annual schedule as the County's audit governance framework matures.

2. Approach and Methodology

The Division of Internal Audit used a structured, practical methodology to assess Countywide risk and develop the 18-month Internal Audit Plan. The approach reflects recognized public-sector practices and incorporates multiple sources of information to provide a balanced view of Yolo County's operational environment.

2.1 Information Gathering

Internal Audit used four primary sources to assess risk across County departments:

Stakeholder Interviews
Discussions with the County Administrator, Board members, and senior departmental leaders provided insight into strategic priorities, operational capacity, and emerging risks.

Department Risk Survey
Fifteen departments submitted twenty-two survey responses rating ten risk categories and providing narrative comments on operational challenges, resource limitations, and internal control conditions.

Budget and Program Analysis

A structured review of the FY 2025–26 Recommended Budget evaluated fiscal exposure, operational scale, program complexity, funding structure, and compliance demands across County operations.

External Oversight and Reporting

Internal audit reports, grand jury findings, open recommendations, and relevant public reporting were reviewed to identify recurring themes, outstanding risks, and areas subject to external scrutiny.

Figure 2-1. Risk Assessment Information Sources

2.2 Audit Universe

The Audit Universe represents the full list of organizational units eligible for audit. For this assessment, Internal Audit used the departments presented in the FY 2025–26 Recommended Budget as the basis for analysis. Although many departments manage multiple programs or cost centers, these structures are not consistently comparable or uniformly reflected in Countywide financial documents.

Evaluating risk at the department level supports clearer interpretation, reduces variability, and aligns the assessment with the County's organizational structure. Internal Audit may incorporate additional granularity in future cycles as data structures and internal audit governance continue to mature.

2.3 Risk Categories

Risk information was organized using categories consistent with the department survey and the FY 2025–26 Recommended Budget. The survey evaluated exposure across ten categories: Financial, Strategic, Operational, Compliance, Information Technology, Human Resources, Fraud, Environmental and Safety, Reputational, and Emerging Risks.

Complementary budget analysis considered fiscal exposure, operational complexity, compliance requirements, strategic or organizational change, and public-facing impact. Together, these inputs support a balanced and consistent prioritization process.

2.4 Prioritization Approach

Internal Audit used both quantitative scoring and qualitative assessment to determine audit priority.

Fiscal Risk Score

Derived from the FY 2025–26 Recommended Budget using:

- expenditure levels
- net county cost percentage
- cost recovery ratios
- staffing indicators as a proxy for operational scale

Department Risk Score

Combines:

- departmental survey results
- a structured budget evaluation of fiscal exposure, operational complexity, program scale, compliance demands, and public impact

Qualitative Indicators

- Incorporates risks not fully captured in the quantitative model, including:
- grand jury themes
- open audit recommendations
- stakeholder interview insights
- narrative survey comments
- recent public reporting

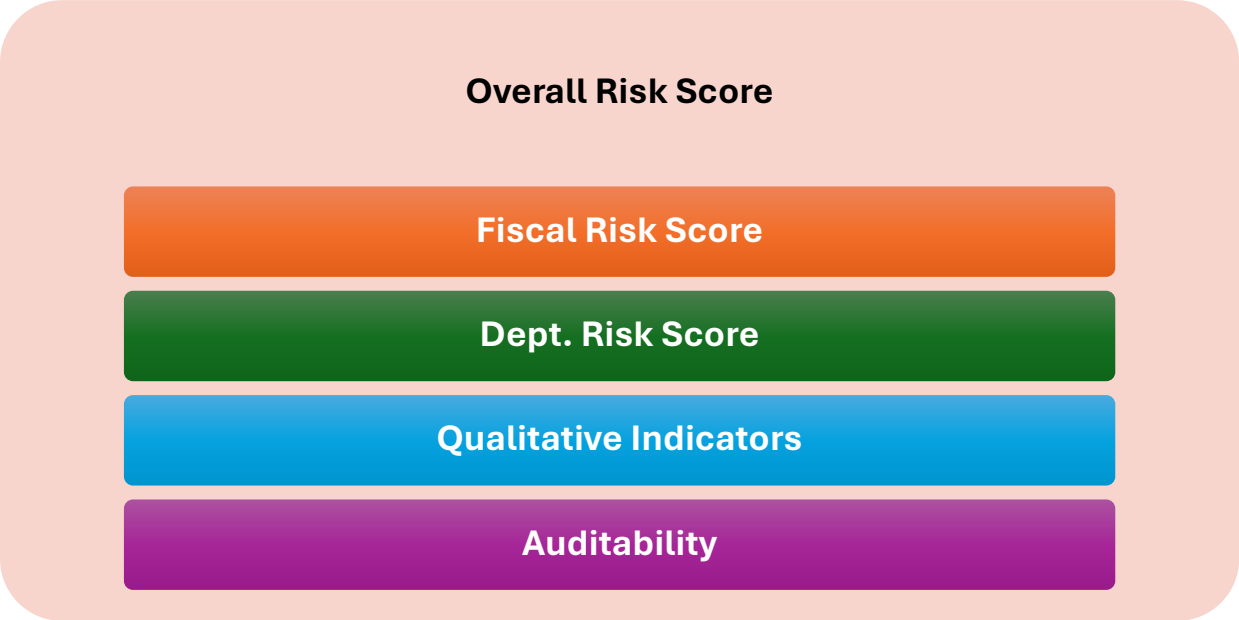
Auditability Adjustment

An adjustment was applied where statutory constraints, confidentiality, or reliance on professional judgment limit Internal Audit's ability to perform meaningful work (e.g., justice-sector departments).

Final Prioritization

Scores from these components were combined to produce an overall audit-priority rating for each department. The results informed—but did not solely determine—the 18-Month Internal Audit Plan.

Figure 2-2. Inputs to Risk Prioritization Model



3. Countywide Risk Themes

3.1 Overview

The risk assessment identified several cross-cutting themes that affect County operations, service delivery, and long-term organizational stability. These themes reflect recurring issues observed across interviews, survey responses, budget analysis, and external oversight sources. The assessment identified ten recurring Countywide themes that reflect cross-cutting operational conditions and risk factors. These themes highlight areas where operational pressures, structural constraints, and system-level gaps contribute to elevated Countywide risk.

3.2 Countywide Themes

1. Fiscal Conditions Limiting Multi-Year Planning and Stability

Departments report difficulty planning beyond the near term due to constrained discretionary revenue, rising operating costs, and reliance on one-time funds. These conditions reduce predictability in managing programs, staffing, and capital needs.

2. Staffing Vulnerabilities Driven by Vacancies and Limited Redundancy

Operational continuity is at risk where key roles lack back-up coverage. Turnover and persistent vacancies delay work, reduce institutional knowledge, and increase dependence on a small number of experienced staff.

3. Workload Pressures Leading to Delays, Backlogs, and Service Constraints

Growing service demands—combined with limited staffing and administrative capacity—result in delays, backlogs, and reduced ability to complete improvement projects or meet service expectations.

4. System Adoption and Process Integration Challenges Following Technology Changes

Inconsistent use of new systems, limited training, and reliance on manual workarounds reduce efficiency and create variation in how core processes are executed. System changes are not fully embedded into daily operations.

5. Outdated Administrative Policies and an Absence of a Structured Review Process

Many Countywide policies lack timely updates and clear ownership. Without a maintenance cycle, policy interpretation varies, leading to inconsistent administrative practices and unclear expectations for staff.

6. Growing Deferred Maintenance and Facility-Related Operational Risks

Aging buildings, deferred repairs, and limited funding for preventive maintenance create operational constraints, workplace safety concerns, and potential service disruptions.

7. Gaps in Safety Awareness and Emergency Preparedness

Survey results and stakeholder feedback indicate inconsistent understanding of safety procedures, limited drill activity, and unclear channels for reporting incidents or hazards.

8. Inconsistent Documentation and Recordkeeping Affecting Oversight and Continuity

Documentation practices vary across departments, resulting in incomplete files, weak audit trails, and difficulty verifying activities or decisions when required.

9. Administrative and Regulatory Requirements Outpacing Support Capacity

Compliance and reporting obligations continue to expand, while administrative resources and tools have not kept pace. This increases the risk of late, incomplete, or inaccurate reporting.

10. Lack of Performance Measures to Assess Outcomes or Inform Decision-Making

Most departments lack structured metrics to evaluate program outcomes or service effectiveness. Without performance indicators, it is difficult to measure impact, justify resources, or support data-informed planning.

3.3 Implications for Audit Planning

These themes provide the strategic foundation for prioritizing audit work over the 18-month planning horizon. They highlight operational areas where audit coverage can support improved controls, increased efficiency, better compliance, and stronger organizational resilience.

Figure 3-1. Countywide Risk Themes Identified Through the Assessment

#	Countywide Risk Theme
1.	Fiscal Conditions Limiting Multi-Year Planning and Stability
2.	Staffing Vulnerabilities Driven by Vacancies and Limited Redundancy
3.	Workload Pressures Leading to Delays, Backlogs, and Service Constraints
4.	System Adoption and Process Integration Challenges Following Technology Changes
5.	Outdated Administrative Policies and an Absence of a Structured Review Process
6.	Growing Deferred Maintenance and Facility-Related Operational Risks
7.	Gaps in Safety Awareness and Emergency Preparedness
8.	Inconsistent Documentation and Recordkeeping Affecting Oversight and Continuity
9.	Administrative and Regulatory Requirements Outpacing Support Capacity
10.	Lack of Performance Measures to Assess Outcomes or Inform Decision-Making

4. Risk Assessment Results

4.1 Overview

Internal Audit applied the risk prioritization methodology to the County's Audit Universe to produce department-level risk scores. The results combine fiscal indicators, inherent departmental risk, qualitative factors, and an auditability adjustment. The adjustment recognizes that statutory limitations, confidentiality requirements, or the nature of professional judgment may restrict Internal Audit's ability to perform meaningful assurance work in certain departments.

Accordingly, the final scores represent audit-priority risk—the areas where Internal Audit can reasonably deliver value—rather than an evaluation of overall organizational performance or community impact.

Figure 4-1. Distribution of Department-Level Risk Classifications

Risk Level	# of Departments
Very High	1
High	4
Moderate	5
Low	4
Very Low	3

4.2 Department-Level Risk Ratings

The table below presents the final audit-priority risk ratings for each County department. These ratings reflect a combination of quantitative scoring results and auditability adjustments and are intended to identify areas where Internal Audit can most effectively support improved processes, strengthened internal controls, and operational consistency.

Figure 4-2. Department-Level Audit Priority Ratings

Department	Risk Level
Health and Human Services Agency	Very High
Community Services	High
General Services	High
Department of Financial Services	High
Assessor/Clerk-Recorder/Elections	High
Human Resources	Moderate
Innovation and Technology Services	Moderate
County Administrator's Office	Moderate
Public Defender	Moderate
Sheriff	Moderate
Agriculture	Low
Probation	Low
Library	Low
District Attorney	Low
Board of Supervisors	Very Low
Child Support Services	Very Low
County Counsel	Very Low

4.3 Interpretation of Results and Auditability Considerations

The risk ratings reflect both inherent organizational exposure and the extent to which Internal Audit can meaningfully evaluate a department's internal controls, documentation, and processes. Several departments—such as County Counsel, the District Attorney, Public Defender, Sheriff, Probation, Child Support Services, and, to some extent, the Board of Supervisors—perform functions that involve confidential casework, legal judgment, or law enforcement discretion. These activities limit Internal Audit's ability to conduct traditional performance, compliance, or internal control audits.

As a result, such departments may appear in lower audit-priority tiers even though their underlying operational or public-facing risks may be significant. This placement does not reflect a judgment about departmental performance; it reflects the constraints on Internal Audit's scope, authority, and audit approach.

The auditability adjustment ensures that final risk ratings emphasize areas where Internal Audit can provide actionable recommendations and where audit resources can deliver the greatest organizational benefit.

4.4 Use of Results for Audit Planning

The department-level ratings informed the development of the proposed 18-month Internal Audit Plan; however, they were not used in isolation. Internal Audit also incorporated the ten Countywide Risk Themes identified in Section 3, which highlight cross-departmental pressures such as staffing limitations, outdated administrative practices, system adoption challenges, deferred maintenance, documentation weaknesses, and gaps in safety practices.

Accordingly, audit planning reflects a combined evaluation of:

- the department-level audit-priority scores,
- the Countywide themes that signal systemic or enterprise-level risk,
- auditability and feasibility constraints,
- carry-forward obligations from prior plans, and
- available Internal Audit capacity.

This integrated approach ensures that the audit plan addresses both the specific risks identified within individual departments and the systemic challenges affecting multiple County operations.

5. Proposed 18-Month Internal Audit Plan

5.1 Overview

The 18-month Internal Audit Plan was developed using two primary inputs: (1) the department-level risk scores generated through the prioritization model, and (2) the ten Countywide Risk Themes identified in Section 3. This combined approach ensures audit selections reflect both inherent departmental exposure and broader operational pressures.

The plan emphasizes areas where Internal Audit can provide meaningful value, where auditability is sufficient, and where conditions indicate elevated potential benefit. Carry-forward projects remain included to ensure continuity of work underway.

Because the assessment occurred late in the calendar year, the plan covers January 2026 through June 2027, providing a stable planning horizon and avoiding the need for another immediate reassessment

5.2 Proposed 18-Month Internal Audit Plan

Figure 5-1. 18-Month Internal Audit Plan (January 2026 – June 2027)

Status	Priority	Department(s)	Description	Hours
Carry Forward	Priority I	Countywide	Countywide Administrative Policy Maintenance Review	300
Carry Forward	Priority I	Health & Human Services Agency	HHSA Targeted Risk Assessment	300
Carry Forward	Priority I	Countywide	Infor CloudSuite Post-Implementation Assessment	350
New	Priority I	General Services Department	Work Order and Preventive Maintenance Review	400
Carry Forward	Priority I	Human Resources Department	Countywide Safety & Risk Management Review	300
New	Priority I	Health & Human Services Agency	HHSA Priority Audit (Resulting from Risk Assessment)	400
New	Priority I	Department of Financial Services	Master Fee Schedule Audit	325
New	Priority II	General Services Department	Facilities Condition Assessment & Capital Planning Readiness Audit	400
New	Priority II	Community Services	Animal Services Safety, Training & Volunteer Management Audit	300
New	Priority II	Department of Financial Services	Financial Close, Reconciliation, and Reporting Controls Audit	400
New	Priority II	General Services Department	Security Camera Governance & Footage Management Audit	300
New	Priority II	Countywide	Incident Reporting & Safety Escalation Review	350
Continuous	N/A	Department of Financial Services	Treasury Cash Counts (Quarterly)	48
Continuous	N/A	Countywide	Whistleblower Hotline & Reporting	200
Continuous	N/A	Countywide	Annual Countywide Risk Assessment	200
Continuous	N/A	Board of Supervisors and/or Executive Management	Ad Hoc Audits, Special Investigations, and Research	300
			Total Budgeted Hours for 18-Month Internal Audit Plan	**4873**

5.3 Deleted or Deferred Audits

Certain engagements considered during planning were removed from the final plan. Deletions occurred for three primary reasons:

- Risk was reassessed as lower priority relative to other Countywide needs.
- Recent external or internal work already provided assurance, reducing the need for additional review.
- Conditions no longer warranted an audit for this cycle; these topics may be reconsidered in future plans if risk conditions change, or higher-priority work is resolved.

Figure 5-2. Deleted or Deferred Audits and Rationale

Audit	Department(s)	Updated Summary Rationale
Juvenile Books and Accounts	Probation	The Detention Center uses a token-based system and does not handle cash or trust accounts, so the audit objective does not apply.
Proposition 218 Process	County Administrator	Initial concerns arose from the 2024 election error, but continued review shows the risk is low and controls appear stable.
Voter-Approved Debt (School District Bonds)	Department of Financial Services	Internal Audit already performed work in this area, and current assessments show low risk and no need for additional audit work.
Increased Case Load *(Carried over from FY 22–23 plan)*	Health & Human Services Agency	Conditions have changed since the prior plan. A targeted HHSA Risk Assessment will determine whether caseload remains a priority.
Contract Compliance *(Carried over from FY 22–23 plan)*	Countywide	General Services is still implementing Capital Projects Audit recommendations. Higher-risk capital asset and facilities issues take precedence.
AB 8 Allocations	Department of Financial Services	The State Controller's Office recently audited AB 8 allocations, making additional Internal Audit work duplicative.
Wireless Communications *(Carried over from FY 22–23 plan)*	Countywide	Current review shows no elevated risk or operational priority in wireless communications.
Asset Management Review *(Carried over from FY 22–23 plan)*	General Services Department	Asset management remains relevant, but higher-risk capital asset and facilities issues require priority before revisiting this area.

5.4 Alignment of the Audit Plan with Risk Results

The audits selected for this cycle reflect both:

- The highest-priority departments based on the final risk scores, and
- The Countywide themes identified in Section 3.

While risk scores provided a structured ranking, the themes added necessary context—particularly around safety, deferred maintenance, outdated administrative frameworks, system adoption challenges, and documentation weaknesses.

Several high-risk departments received multiple engagements (e.g., General Services, DFS, HHSA) because both the quantitative risk model and the qualitative themes converge around those operational pressures.

Because the assessment was performed at the department level, the plan is easier for leadership to interpret, aligns more clearly with organizational structure, and reflects more stable operational groupings than a program-level model.

5.5 Reference to Detailed Audit Plan

A full version of the 18-Month Internal Audit Plan—including preliminary objectives, detailed descriptions, estimated hours, and department assignments—is provided in Appendix A. The appendix serves as the authoritative reference for audit scheduling, planning, and resource allocation.

5.6 Conclusion

The 18-month Internal Audit Plan provides a structured, risk-informed roadmap for deploying Internal Audit resources in support of Yolo County's governance, accountability, and operational resilience. By aligning audit coverage with the Countywide Risk Themes, higher-priority departments, and ongoing organizational needs, the plan directs attention to areas where Internal Audit can provide meaningful, actionable oversight.

As County operations evolve throughout the planning period, Internal Audit will revisit the plan with the Audit Subcommittee and recommend adjustments as conditions warrant to maintain alignment with the County's highest-risk areas.

PROPOSED 18-MONTH INTERNAL AUDIT PLAN

Yolo County Division of Internal Audit

Covers January 2026 through June 2027 (18-Month Planning Cycle)

INSIDE

OUR MISSION

The Division of Internal Audit is essential in upholding Yolo County's commitment to organizational integrity and transparency. Our mission is to "enhance and protect organizational value by providing risk-based, objective assurance, advice, and insight."

To help Yolo County achieve its goals, the Division of Internal Audit employs a systematic, disciplined approach to assess and enhance the effectiveness of governance, risk management, and internal control processes. This includes verifying compliance with applicable laws and regulations, evaluating operational efficiency, and identifying internal control gaps or failures.

In accordance with the Yolo County Internal Audit Charter, which the Board of Supervisors has approved, the Internal Audit Manager is required to submit a risk-based Internal Audit Plan for review and approval by the Audit Subcommittee. This report outlines the Division of Internal Audit's Proposed 18-Month Internal Audit Plan covering January 2026 through June 2027.The risk-informed plan is developed using both qualitative and quantitative metrics. By drawing on a broad range of information sources, our aim is to present the Audit Subcommittee with a plan that is fair, objective, and aligned with the County's strategic needs.

Recognizing the potential for special requests throughout the year, we have allocated some of the Division's capacity to respond to such requests efficiently and in a timely manner.

I am pleased to present the Proposed 18-Month Internal Audit Plan. My team and I look forward to providing the Audit Subcommittee and the Board of Supervisors with valuable insights and recommendations to improve the efficiency and effectiveness of County operations.

Sincerely,

Nathan Lugo, CPA, CIA, CFE
Audit Manager
Yolo County Division of Internal Audit

AUDIT PLAN

Audits in Progress

Innovation & Technology Services	**IT Disaster Recovery & Emergency Preparedness**	The objective of this audit is to assess the adequacy and effectiveness of the county's IT disaster recovery and emergency preparedness plans for ensuring the protection and rapid restoration of critical systems and data.
General Services Department	**P-card Program Review**	The objective of this review is to evaluate the adequacy of internal controls, program management, and compliance of the purchase card program, with a focus on card management, merchant oversight, and transaction analysis.

Priority I Audits (In Tentative Order)

Countywide	**Countywide Administrative Policy Maintenance Review**	The objective of this audit is to evaluate whether the County has a structured and sustainable process to develop, update, approve, and communicate countywide administrative policies.
Health & Human Services Agency	**HHSA Targeted Risk Assessment**	The objective of this review is to identify priority risks within HHSA to support selection and planning of high-impact audits in FY 2026–27.
Countywide	**Infor CloudSuite Post-Implementation Assessment**	The objective of this audit is to assess user adoption, training, workflow alignment, data reliability, and support structures following the implementation of the Infor CloudSuite ERP.
General Services Department	**Work Order and Preventive Maintenance Review**	The objective of this audit is to determine whether General Services has an effective preventive maintenance program and work order system that ensures timely maintenance, accurate documentation, and appropriate tracking of resources and backlog.
Human Resources Department	**Safety & Risk Management Review**	The objective of this review is to evaluate whether the Risk Management function has the capacity, structure, and processes needed to oversee countywide safety, hazard reporting, incident mitigation, and risk-prevention activities.
Health & Human Services Agency	**HHSA Priority Audit (Resulting Project)**	The objective of this audit is to evaluate a high-risk HHSA operational, or program area identified through the HHSA risk assessment.
Department of Financial Services	**Master Fee Schedule Audit**	The objective of this audit is to evaluate whether the Master Fee Schedule uses a consistent methodology, appropriate oversight, and accurate cost-recovery practices.

AUDIT PLAN

Priority II Audits (In Tentative Order)

General Services Department	**Facilities Condition Assessment & Capital Planning Readiness Audit**	The objective of this audit is to assess the reliability of facility condition data and cost estimates maintained by General Services, and to evaluate whether current practices provide the foundational elements needed for a structured, long-term capital planning process.
Community Services	**Animal Services Safety, Training & Volunteer Management Audit**	The objective of this audit is to assess whether Animal Services has effective and consistently applied processes for volunteer onboarding, safety training, incident reporting, and communication of animal-risk information.
Department of Financial Services	**Financial Close, Reconciliation, and Reporting Controls Audit**	The objective of this audit is to assess whether DFS has effective controls over the financial close process, account reconciliations, journal entry authorization, and financial reporting documentation.
General Services Department	**Security Camera Governance & Footage Management Audit**	The objective of this audit is to assess whether the County has effective governance, access controls, and monitoring processes for security camera systems and recorded footage.
Countywide	**Incident Reporting & Safety Escalation Review**	The objective of this audit is to assess whether the County has effective and consistent processes for reporting, documenting, and escalating safety incidents, and whether governance structures support timely mitigation.

CONTINUOUS & MANDATED PROJECTS

The following projects are mandated by Government Code or County Policies and are required to be performed annually.

Department of Financial Services	**Treasury Cash Counts (Quarterly)**	The objective of the agreed-upon procedures review is to conduct quarterly cash counts as required by Government Code Section 26920(a)(1).
Countywide	**Whistleblower Hotline & Reporting**	In accordance with the Yolo County Fraud Reporting and Whistleblower Policy, the Division of Internal Audit manages the fraud hotline, investigate matters, and report to Board/Audit Subcommittee. Includes developing internal policies and procedures for investigations.
Countywide	**Annual Countywide Risk Assessment**	Identify and evaluate significant risks across County operations to support development of a risk-based Internal Audit Plan and inform audit prioritization.
Board of Supervisors and/or Executive Management	**Ad Hoc Audits, Special Investigations, and Research**	Internal Audit accommodates Board of Supervisors and/or Executive management requests for specific audits, investigations or research.

AUDIT SELECTION PROCESS

The Division of Internal Audit's 18-Month Internal Audit Plan is developed using quantitative and qualitative inputs. The Audit Subcommittee or Board of Supervisors may request additions during the year, and the Audit Manager may propose changes if risk conditions evolve.

Audit topics are selected based on multiple sources of risk information and professional judgment. Areas considered when evaluating departments or programs include, but are not limited to:

- ✓ Expenditure Levels
- ✓ Staffing Levels
- ✓ Funding Structure
- ✓ Operational Complexity
- ✓ Public-Facing Impact
- ✓ Compliance Requirements
- ✓ Technology Exposure
- ✓ Safety & Emergency Preparedness
- ✓ Change in Operations or Leadership
- ✓ Emerging Risk Conditions

Input from elected officials, county management, the whistleblower hotline, prior audits, and grand jury themes is also considered when developing the Internal Audit Plan.

AUDITOR'S AUTHORITY

The Yolo County Division of Internal Audit provides independent, objective assurance and consulting services designed to add value and improve County operations. The Audit Manager reports functionally to the Audit Subcommittee and administratively to the Chief Financial Officer. The Audit Manager works closely with the Board of Supervisors, Audit Subcommittee, senior management, department heads, and other key stakeholders when conducting audits and evaluating programs.

The Division of Internal Audit governs itself in accordance with the Government Auditing Standards (GAGAS) issued by the U.S. Government Accountability Office (GAO) and provides the Board of Supervisors and the public with objective, timely, and accurate information about County government. Findings and recommendations are designed to enhance the efficiency and effectiveness of County operations.

The Audit Subcommittee authorizes the Division of Internal Audit to have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information. Additionally, the Division of Internal Audit has the authority to allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.

ITEM #10

COUNTY OF YOLO
CALIFORNIA

Division of Internal Audit
Nathan Lugo, Audit Manager

AUDIT SUBCOMMITTEE STAFF REPORT

DATE: November 20, 2025

ITEM: #10

FROM: Nathan Lugo, Audit Manager, Division of Internal Audit

TITLE: Options for an Interim Internal Audit Reporting Framework

Subject

Options for communicating Internal Audit results.

Recommended Action

1. Review and discuss the options for communicating Internal Audit results.
2. Provide direction on which options should form an interim reporting framework until the independent Audit Committee is established.

Background

Over the past year, the Division of Internal Audit has worked with the Audit Subcommittee and County leadership to strengthen how audit results are communicated and shared. The goal is to ensure that audit information is delivered in a clear, consistent, and transparent way—giving management, the Board of Supervisors, and the public appropriate visibility into audit work and follow-up progress.

An initial process for communicating audit results was introduced in late 2024 and revisited in 2025 following discussions with the County Administrator, Chief Financial Officer, and members of the Audit Subcommittee. While there was broad agreement on the importance of transparency and collaboration, members requested additional context before finalizing an approach.

To support this next step, Internal Audit reviewed how other California counties handle similar reporting. The benchmarking results, summarized in Appendix A, show that practices vary widely depending on each county's structure and degree of audit independence. Some counties post all reports publicly, others provide annual summaries, and several use hybrid approaches that balance public transparency with administrative flexibility. These comparisons reinforce that there is no single statewide model, but rather multiple ways to achieve the same goals of accountability and openness.

This report presents options for an interim process that fits Yolo County's structure and supports the County's upcoming transition to an independent Audit Committee. The intent is to formalize a practical and transparent approach now, while recognizing that the process will be further refined and memorialized in the Audit Committee and Internal Audit Charters once those are updated.

Benchmarking Overview

To help inform this discussion, Internal Audit reviewed how other California counties share their audit results. The comparison, summarized in **Appendix A**, shows that practices vary widely depending on each county's structure, level of independence, and governance model.

Practice Area	Observed Approaches Across Counties
Public Posting of Reports	Many counties post completed audit reports on a county or audit committee website (Ventura, San Diego, Placer, Sonoma, Santa Clara). Others distribute reports directly to officials but do not routinely post them online.
Distribution of Reports	Reports are typically shared with the department head, the County Executive (CAO/CEO), and sometimes the Board or Audit Committee. A few counties also share audit reports with the Grand Jury (San Bernardino, Santa Clara).
Board Agenda Placement	Approaches range from rarely placing items on the Board agenda (Ventura, except Cash Counts) to selectively presenting audits in open or closed session when warranted (Riverside, Sonoma, Monterey). Several counties rely on annual summaries rather than individual report presentations.
Confidential or Sensitive Audits	Some counties route sensitive audits through County Counsel or apply confidentiality provisions (Ventura, Santa Clara, San Diego). Others omit sensitive details before posting.
Annual Audit Summary or Report	A small number of counties, such as Placer, provide the Board with an annual summary of audits issued during the year. Others address this informally through briefings or committee updates.
Structural Variation	Counties differ in how their audit functions are organized—some have elected Auditor-Controllers, while others have internal audit offices that report through management or an appointed committee. These differences directly shape reporting practices and visibility.

These comparisons show that there is flexibility in how counties meet professional expectations for transparency and accountability, allowing Yolo County to design an approach that fits its governance structure and local context. The next section outlines the professional standards and state requirements that guide how audit results must be communicated and made available to the public.

Context on Standards

Internal Audit follows the Government Auditing Standards ("Yellow Book") issued by the U.S. Government Accountability Office. These standards establish the professional framework for how public-sector audits are planned, performed, and reported, emphasizing independence, objectivity, and service to the public interest through transparency and accountability.

Under California Government Code Section 1236, local government audit functions are required to follow either the Yellow Book or the standards issued by the Institute of Internal Auditors. These standards call for audit results to be communicated to both management and the governing body and to be made publicly available unless restricted by law. Within this framework, counties have flexibility to determine how best to share audit results, depending on their governance structure and organizational needs. Within these requirements, counties retain flexibility to design reporting processes that fit their governance structures.

Options for an Interim Reporting Framework

The following options outline possible approaches for how Internal Audit results are communicated and shared. The Subcommittee may select or combine options to form an interim process that reflects Yolo County's structure and priorities.

1) Public Availability of Final Audit Reports

- **Option A – Post after Subcommittee receipt (recommended):**
  Finalized reports are posted on the Internal Audit webpage after management responses are included and the Audit Subcommittee has received the report. Reports containing sensitive or confidential content are redacted or withheld.
- **Option B – Limited distribution:**
  Finalized reports are provided to management, the Audit Subcommittee, and the Board of Supervisors only; not posted publicly. The Subcommittee may still elevate specific reports for public release on a case-by-case basis.
- **Option C – Summary posting:**
  A summary of key results is posted online; full reports are distributed internally.

2) Board Agenda Placement

- **Option A – Default Consent with Subcommittee elevation (recommended):**
  All finalized audits appear on the Board of Supervisors Consent Calendar after Subcommittee receipt. The Subcommittee may direct that a report be placed on Discussion if broader review is warranted.
- **Option B – Default Discussion:**
  All finalized audits appear on the Board of Supervisors Discussion Calendar after Subcommittee receipt. The Subcommittee may direct that a report be placed on Consent when appropriate.
- **Option C – No Board agenda placement:**
  Audit reports are not routinely placed on the Board of Supervisors agenda. The Subcommittee may determine, on a case-by-case basis, that a report should be forwarded to the Board.

3) Distribution and Notification

- **Option A – Distribute to Audit Subcommittee, CAO, and management (recommended):**
  Finalized audit reports are distributed to the department head, with the County Administrator (or designee) copied, and sent to the Audit Subcommittee.
- **Option B – Distribute to Board, Audit Subcommittee, CAO, and management:**
  Finalized audit reports are distributed to the department head, with the County Administrator (or designee) copied, and sent to both the Audit Subcommittee and the full Board of Supervisors. *Distributing reports to the Board outside of a formal agenda item may create questions or follow-up needs, as reports would be received without context.*
- **Option C – Distribute to management only:**
  Finalized audit reports are distributed to the department head, with the County Administrator (or designee) copied. The governing body receives reports through Subcommittee meeting presentations or the annual audit report, but they are not part of the routine report distribution.

4) Annual Reporting to the Board

- **Option A – Annual presentation (recommended):**
  Internal Audit presents an annual summary to the Board of Supervisors, including audits completed, key themes, follow-up progress, and hotline activity.
- **Option B – Annual consent item:**
  The annual audit report is provided to the Board of Supervisors as a consent-calendar item with the full report posted on the County website.
- **Option C – No formal annual item:**
  Audit results are communicated through the Audit Subcommittee's regular meetings and periodic updates; no separate annual report is presented to the Board.

Internal Audit recommends adopting the selected options as an interim reporting framework to guide how audit results are communicated and shared. This framework will remain in place until the independent Audit Committee is established. Once that transition occurs, the framework will be incorporated and refined as part of updates to the Audit Committee Charter and the Internal Audit Charter to ensure consistency and alignment under the new governance structure.

Reports containing confidential or legally restricted information will continue to be reviewed in coordination with County Counsel and may be redacted or limited in release in accordance with legal guidance and applicable professional standards.

Staff Recommendation

Staff recommends that the Audit Subcommittee identify its preferred options from this report and adopt them collectively as an interim Internal Audit Reporting Framework. This interim framework is intended to improve clarity, consistency, and transparency in how audit results are communicated to management, the Audit Subcommittee, the Board of Supervisors, and the public.
The interim framework will remain in place until the independent Audit Committee is established. At that time, the framework will be incorporated into the Audit Committee Charter and the Internal Audit Charter for formal adoption under the new governance structure.

Reports containing confidential or legally restricted information will continue to be reviewed with County Counsel and may be redacted or limited in release in accordance with legal guidance and professional standards.

Appendices

Appendix A: County Audit Report Distribution and Transparency Practices

Appendix B: Statutory and Professional Standards References

Appendix A: County Audit Report Distribution and Transparency Practices

County	Auditor-Controller Structure	Report Distribution	BOS Involvement	Public Posting
Ventura	Elected Auditor-Controller	Agency Head, BOS, CAO, CAO Analyst, audit contact	Not on agenda (except Cash Count)	Yes
San Diego	Appointed Auditor-Controller or equivalent	Similar to Ventura + CAO and Audit Committee	Not specified	Yes
Riverside	Appointed Auditor-Controller or equivalent	CAO, CAO Analyst, BOS (via agenda), Grand Jury	Reports appear on BOS agenda; closed sessions for confidential items	Yes
Santa Clara	Appointed Auditor-Controller or equivalent	Dept. Head, Appointed Director, Department Contact, Grand Jury	Indirect via Audit Committee website	Yes, on Audit Committee site
Placer	Elected Auditor-Controller	Dept. Head; CAO (for countywide audits); Audit Committee	BOS receives annual summary of all reports	Yes
Monterey	Appointed Auditor-Controller or equivalent	BOS, CAO, Assistant CAO, Dept. Head, audit staff	Not on agenda unless auditor requests	Not specified
Kern	Elected Auditor-Controller	BOS, Dept. Head	Unspecified	Not specified
Solano	Appointed Auditor-Controller or equivalent	Department doesn't receive report if they requested it; Audit Plan on BOS consent agenda	BOS sees audit plans, not reports	Limited
San Bernardino	Appointed Auditor-Controller or equivalent	BOS, CAO, Grand Jury	Monthly email summary (links to reports)	Yes
Sonoma	Elected Auditor-Controller-Treasurer-Tax Collector	BOS Audit Committee, CAO, Dept. Head, audit contact, CAO Analyst	Some reports appear on BOS agenda	Yes
Madera	Appointed Auditor-Controller or equivalent	Audit Committee, Dept. Head	Indirect through Audit Committee	Likely internal only

Appendix B: Statutory and Professional Standards References

Source	Requirement / Key Principle	Application to County Audit Reporting
California Government Code §1236	Requires that all local government audit functions follow either the *Government Auditing Standards* ("Yellow Book") or *Institute of Internal Auditors* standards. Establishes expectations for independence, professional care, internal control evaluation, audit planning, reporting, and follow-up.	Confirms that Yolo County's Internal Audit Division must comply with Government Auditing Standards, including requirements for independence, public accountability, and communication of results to both management and the governing body.
Yellow Book – Ethical Principles (§3.07–3.16)	Outlines five core ethical principles: public interest, integrity, objectivity, proper use of information/resources, and professional behavior.	Provides the ethical foundation for transparent, unbiased, and professional audit reporting.
Yellow Book – Independence (§3.18–3.19)	Requires auditors and audit organizations to be independent in both mind and appearance from the entities they audit. Independence ensures objective judgment and public confidence.	Supports the Internal Audit Division's dual reporting structure — functionally to the Audit Subcommittee and administratively through the CAO — while maintaining independence in audit work and reporting.
Yellow Book – Reporting Standards: Obtaining Views of Officials (§9.50–9.53)	Auditors must obtain and report management's views on findings, conclusions, and recommendations. Differences must be fairly presented.	Ensures that management responses accompany audit reports and that the process reflects balanced presentation.
Yellow Book – Reporting Standards: Distribution (§9.56)	Reports should generally be made available to the public, except when restricted by law or engagement terms. Limitations on distribution must be documented.	Establishes the presumption of public reporting, consistent with Internal Audit's transparency objectives.
Yellow Book – Confidential or Sensitive Information (§9.61–9.63)	When confidentiality limits full disclosure, auditors must explain omissions and ensure reports remain accurate and not misleading.	Provides the framework for working with County Counsel to redact or limit release in compliance with legal and ethical standards.