



Legislation Details (With Text)

File #: 2022-0898
Type: Consent Calendar Item **Status:** Passed
File created: 8/3/2022 **In control:** Auditor-Controller-Treasurer-Tax Collector
On agenda: 9/13/2022 **Final action:** 9/13/2022
Title: Internal Audit of the Sonoma County Economic Development Board and Sonoma County Economic Development Board Foundation.
Sponsors: Auditor-Controller-Treasurer-Tax Collector, Economic Development Board
Indexes:
Attachments: 1. Summary Report.pdf, 2. Attachment A-Economic Development Board & Foundation Internal Audit Report.pdf

Date	Ver.	Action By	Action	Result
9/13/2022	1	Board of Supervisors	Approved as recommended	Pass

To: Sonoma County Board of Supervisors

Department or Agency Name(s): Auditor-Controller-Treasurer-Tax Collector's Office, Economic Development Board

Staff Name and Phone Number: Olga Gray (707) 565-8303 & Kanchan Charan (707) 565-8300

Vote Requirement: Majority

Supervisory District(s): All

Title:

Internal Audit of the Sonoma County Economic Development Board and Sonoma County Economic Development Board Foundation.

Recommended Action:

Review and accept the Sonoma County Economic Development Board and Sonoma County Economic Development Foundation Internal Audit Report for the period of July 1, 2019 through June 30, 2021.

Executive Summary:

As a part of the 2021/2022 Annual Audit Plan, the Internal Audit Division of the Sonoma County Auditor-Controller-Treasurer-Tax Collector's Office (ACTTC) conducted an audit of the Sonoma County Economic Development Board (EDB) and Sonoma County Economic Development Board Foundation (Foundation) for the period of July 1, 2019 to June 30, 2021.

The ACTTC determined that financial information contained in the Foundation's annual reports for the fiscal years ended June 30, 2020 and 2021 submitted to the Sonoma County Board of Supervisors are adequately supported by the underlying accounting records and supporting documentation with some exceptions as detailed in the discussion below.

Discussion:

Background:

In 1957, the County of Sonoma, acting through its Board of Supervisors, created the Economic Development

Board (EDB) pursuant to the California Government Code Section 26104. The purpose of the EDB is to enhance the local business environment for the benefit of all residents of the County of Sonoma through the creation and development of economic research, analysis, and programs that promote local businesses. The EDB is governed by a ten-member Board under the direction of the Sonoma County Board of Supervisors, and is made up of two members appointed by each member of the Board of Supervisors.

The EDB presents several seminars and events throughout the year that address key opportunities, initiatives, and challenges facing Sonoma County. In addition, the EDB develops factual data regarding significant economic activities, trends, and projections for Sonoma County. These events and online reports are financially supported by business and community sponsors through the Foundation.

On January 23, 2001, the Sonoma County Board of Supervisors approved the establishment of the Foundation. In March 2001, the Foundation was incorporated as a California nonprofit public benefit corporation. The primary purpose of the Foundation is to assist in finding funding sources for EDB projects in need of financial support that are approved by the County Board of Supervisors. In accordance with the Memorandum of Understanding between the Foundation and the County of Sonoma (MOU), the ACTTC performs a comprehensive financial audit every two years and reports results accordingly as required.

Results:

The ACTTC determined that financial information contained in the Foundation's annual reports for the fiscal years ended June 30, 2020 and 2021 submitted to the Sonoma County Board of Supervisors on August 9, 2022 are adequately supported by the underlying accounting records and supporting documentation with some exceptions. Foundation management identified two errors in the fiscal year 2019-20 financial report submitted to the Board. The 2019-20 financial report was corrected and Foundation management resubmitted it to the Board on August 9, 2022.

1. Expenses and Accounts Payable for the fiscal year 2019-20 were understated by \$20,082 and \$101,862, respectively. These errors resulted in overstatement of change in net assets (net income) for fiscal year 2019-20 by \$20,082, see details on page 6 of the attached Audit Report.
2. As discussed in the Board Agenda item on September 14, 2021, Foundation management was planning to correct fiscal year 2017-18 and 2018-19 annual reports and resubmit them to the Board; this was completed on August 9, 2022. The corrected reports addressed the overstatement of cash and cash equivalents and short-term investments, and the identified errors of untimely reimbursement for staffing and consulting expenses by the Foundation to EDB. Since that time, the errors have been corrected and additional controls have been put into place to mitigate this issue moving forward.

Financial information contained in the Foundation's fiscal year 2020-21 annual report approved by the Foundation's Board, was adequately supported by the underlying accounting records and supporting documentation with no exceptions.

EDB management has made appropriate changes to its procedures and internal controls to address the above errors. These changes are discussed in the Internal Audit Report. The EDB's internal controls over billing and expenditures of funds received from the Foundation including payroll expenditures and contract payments operated effectively during the period covered by our audit.

The Internal Audit Report of the Sonoma County Economic Development Board and Foundation for the period July 1, 2019 through June 30, 2021, in its entirety, is included with this Board item as Attachment A

Strategic Plan:

N/A

Prior Board Actions:

08/09/2022: The Board of Supervisors received the Sonoma County Economic Development Board Foundation's Annual Report for Fiscal Year ending June 30, 2021 and Revised Annual Reports for Fiscal Years ending June 30, 2018, June 30, 2019, and June 30, 2020.

09/14/2021: The Board of Supervisors reviewed and accepted the Sonoma County Economic Development Board and Sonoma County Economic Development Board Foundation Internal Audit Report for the period July 1, 2017 through June 30, 2019.

FISCAL SUMMARY

Expenditures	FY 21-22 Adopted	FY22-23 Projected	FY 23-24 Projected
Budgeted Expenses			
Additional Appropriation Requested			
Total Expenditures			
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources			

Narrative Explanation of Fiscal Impacts:

None

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

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Narrative Explanation of Staffing Impacts (If Required):

None

Attachments:

Attachment A- Economic Development Board & Foundation Internal Audit Report

Related Items “On File” with the Clerk of the Board:

None