

YOLO COUNTY

Final Audit Report

ROAD FUND AND ROAD MAINTENANCE AND REHABILITATION PROGRAM

July 1, 2022, through June 30, 2023



MALIA M. COHEN

CALIFORNIA STATE CONTROLLER

January 2026



STATE CONTROLLER'S OFFICE | DIVISION OF AUDITS

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MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

January 12, 2026

Mr. Tom Haynes, Chief Financial Officer
Yolo County
625 Court Street
Woodland, CA 95695

Mr. Todd Riddiough, Director of Public Works
Yolo County
292 West Beamer Street
Woodland, CA 95695

Dear Mr. Haynes and Mr. Riddiough:

The State Controller's Office audited Yolo County's Road Fund and its Road Maintenance and Rehabilitation Program for the period of July 1, 2022, through June 30, 2023.

Our audit found an instance of noncompliance. Yolo County understated the fund balance by \$47,311 as of June 30, 2023, because it did not reimburse the Road Fund for expenditures incurred for non-road reimbursable work from fiscal year 2019-20 through fiscal year 2022-23. We found that the county has no maintenance-of-effort requirements for its Road Maintenance and Rehabilitation Program.

Mr. Tom Haynes and Mr. Todd Riddiough

January 12, 2026

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If you have any questions regarding this report, please contact Efren Loste, Chief, Local Government Audits Bureau, by telephone at 916-324-7226 or email at eloste@sco.ca.gov.

Thank you.

Sincerely,

Original signed by

Kimberly A. Tarvin, CPA

Chief, Division of Audits

Copy: Shelby Milliren, Chief Fiscal Administrative Officer

Yolo County Department of Community Services

The Honorable Lucas Frerichs, Chair

Yolo County Board of Supervisors

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SUMMARY

The State Controller's Office (SCO) audited Yolo County's (the county) Road Fund and its Road Maintenance and Rehabilitation Program (RMRP) for the period of July 1, 2022, through June 30, 2023.

Our audit found an instance of noncompliance. The county understated the fund balance by \$47,311 as of June 30, 2023, because it did not reimburse the Road Fund for expenditures incurred for non-road reimbursable work from fiscal year (FY) 2019-20 through FY 2022-23. We found that the county has no maintenance-of-effort (MOE) requirements for its Road Maintenance and Rehabilitation Program.

BACKGROUND

Streets and Highways Code (SHC) section 2100 created the Highway Users Tax Account (HUTA) in the Transportation Tax Fund. In accordance with Article XIX of the California Constitution, revenues from gasoline taxes are deposited in the HUTA. The State apportions funds monthly from the HUTA to cities and counties for the construction, maintenance, and operation of local streets and roads. SHC section 1622 requires each county to establish a Road Fund for the deposit of its HUTA apportionments. In addition, Government Code section 29484 requires counties to deposit a portion of their Federal Forest Reserve revenues in the Road Fund. Each county's board of supervisors may authorize the deposit of revenue from other sources into the Road Fund. Article XIX of the California Constitution and SHC sections 2101 and 2150 provide that counties may expend money in their Road Funds only for road-related purposes.

Senate Bill 1 (Chapter 5, Statutes of 2017), known as the Road Repair and Accountability Act of 2017, created the RMRP to address deferred maintenance on the state highway system and the local street and road systems. Program funds are apportioned by formula to eligible cities and counties pursuant to SHC section 2032. Article XIX of the California Constitution and SHC

sections 2030 through 2038 provide the requirements for RMRP funding. The county deposits its RMRP funds within its Road Fund.

AUDIT AUTHORITY

We conducted this audit in accordance with Government Code section 12410, which provides the SCO with general authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law for payment.

OBJECTIVES, SCOPE, AND METHODOLOGY

We audited the county's Road Fund and its RMRP for the period of July 1, 2022, through June 30, 2023. Our audit objectives were to determine whether the county:

- Accounted for and expended its Road Fund and RMRP funds in compliance with Article XIX of the California Constitution and Streets and Highways Code;
- Was in compliance with the RMRP MOE requirements; and
- Conformed with Appendix D, "Road Fund Accounting," of the SCO's *Accounting Standards and Procedures for Counties* for its cost accounting.

To achieve our objectives, we performed the following procedures:

- We gained an understanding and evaluated the effectiveness of the county's internal controls that are significant to the audit objective by reviewing policies and procedures, interviewing key personnel, completing an internal control questionnaire, reviewing the county's organization chart, and inspecting documents and records.
- We assessed the reliability of computer-processed data by reviewing existing information about the data and the system that produced it; by interviewing county officials

knowledgeable about the data; and by tracing data to source documents, based on auditor judgement and non-statistical sampling. We determined that the data was sufficiently reliable for the purposes of achieving our audit objectives.

- We conducted a risk assessment to determine the nature, timing, and extent of substantive testing.
- We performed analytical procedures to determine and explain the existence of any unusual or unexpected account balances.
- We verified the accuracy of fund balances by performing a fund balance reconciliation for the period of July 1, 2010, through June 30, 2022, and by recalculating the trial balance for the period of July 1, 2022, through June 30, 2023.
- We verified that the components of and changes to fund balances were properly computed, described, classified, and disclosed by scheduling and analyzing the Road Fund account balances.
- We reconciled the fund revenue recorded in the county ledger to the balance reported in the SCO's apportionment schedule for the period of July 1, 2022, through June 30, 2023, to determine whether the county completely accounted for HUTA apportionments that it received.
- We analyzed the system used to allocate interest, and determined whether the interest revenue allocated to the Road Fund was fair and equitable by interviewing key personnel and recalculating all interest allocations for the audit period.
- We reviewed the fund cash and receivables accounts for unauthorized borrowing to determine whether unexpended road funds were available for future road-related expenditures and protected from impairment.
- We reviewed the county's Road Fund assets to ensure that the county properly recorded and identified them.

- We reviewed county accruals and adjustments for validity and eligibility.
- We analyzed the county's cost accounting system to determine whether the county performed project costing and properly used clearing accounts for labor, equipment, shop overhead, general overhead, and inventory.
- We selected and tested all non-road reimbursable transactions to verify that all amounts were reimbursed to the Road Fund on time.
- We compared the county's RMRP project list with the list submitted to the California Transportation Commission to ensure that actual RMRP expenditures were for program projects approved by the California Transportation Commission.
- We verified that the expenditures incurred during the audit period were supported by proper documentation and eligible in accordance with the applicable criteria by testing all expenditure transactions that were equal to or greater than the significant item amount (calculated based on materiality threshold), and judgmentally selecting non-statistical samples of other transactions in the following categories. For the selected samples, errors found, if any, were not projected to the intended (total) population.
 - Services and supplies, including capital outlay – We tested \$12,032,059 of \$16,075,434.
 - Labor – We tested \$25,760 of \$2,429,463.
 - Equipment – We tested \$6,799 of \$364,713.

We did not audit the county's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that the county accounted for and expended its Road Fund in accordance with the criteria.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions

based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

CONCLUSION

Our audit found an instance of noncompliance for the period of July 1, 2022, through June 30, 2023, as quantified in the Schedule and described in the Finding and Recommendation section. The finding requires an adjustment of \$47,311 to the county's accounting records. We found that the county has no MOE requirements for its Road Maintenance and Rehabilitation Program.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

The county has satisfactorily resolved the findings noted in our prior audit report for the period of July 1, 2009, through June 30, 2010, issued on April 3, 2013. The implementation status of corrective actions is described in the Appendix.

VIEWS OF RESPONSIBLE OFFICIALS

We issued a draft audit report on August 28, 2025. The county's representative responded by letter dated September 4, 2025, agreeing with the audit results. This final audit report includes the county's response as an attachment.

RESTRICTED USE

This report is solely for the information and use of the county and the SCO; it is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

Kimberly A. Tarvin, CPA

Chief, Division of Audits

January 12, 2026

SCHEDULE—RECONCILIATION OF ROAD FUND BALANCE

July 1, 2022, through June 30, 2023

Counties receive apportionments from the State HUTA, pursuant to SHC sections 2103, 2104, 2105, and 2106. The basis of the apportionments varies, but the funds may be used for any road-related purpose. Counties must establish individual Road Funds for the deposit of their HUTA fund apportionments.

Counties also receive RMRP apportionments from the Road Maintenance and Rehabilitation Account of the State Transportation Fund, pursuant to SHC section 2032(h). These funds may be used for basic road maintenance, rehabilitation, and critical safety projects on local streets and roads systems. Furthermore, SHC section 2036 establishes the MOE requirements, which counties must meet annually in order to remain eligible for an allocation or apportionment of funds. The county's required MOE is \$0. The county deposits its RMRP funds within its Road Fund.

Reconciliation of Fund Balance	Road Fund Amount
Beginning fund balance, per county	\$26,915,355
Revenues	<u>19,011,647</u>
Total funds available	45,927,002
Less: Expenditures	<u>21,717,731</u>
Ending fund balance, per county	24,209,271
Audit adjustment:	
Finding – Unreimbursed non-road expenditures	<u>47,311</u>
Ending fund balance, per audit	<u><u>\$24,256,582</u></u>

FINDING AND RECOMMENDATION

Finding—Unreimbursed Non-Road Expenditures

The county did not reimburse the Road Fund for expenditures incurred on non-road reimbursable work performed for county departments and outside parties from FY 2019-20 through FY 2022-23, totaling \$47,311, which resulted in an understatement of the Road Fund balance.

The following table shows total, reimbursed, and unreimbursed non-road expenditures for FY 2019-20 through FY 2022-23:

Unreimbursed Non-road Expenditures	Amount
FY 2019-20	\$7,529
FY 2020-21	647
FY 2021-22	2,267
FY 2022-23	36,868
Total	\$47,311

The errors occurred because the county lacked policies and procedures to ensure that Road Fund expenditures for non-road reimbursable work are reimbursed to the Road Fund in a timely manner.

SHC section 2150 states, in part:

All amounts paid to each county out of the Highway Users Tax Fund shall be deposited in its road fund. The Board may deposit in said fund any other money available for roads. All money received by a county from the Highway Users Tax fund and all money deposited by a county in its road fund shall be expended by the county exclusively for county roads for the purposes specified in Section 2101 or for other public streets and highway purposes as provided by law. . . .

Recommendation

We recommend that the county:

- Reimburse the Road Fund \$47,311; and
- Establish policies and procedures to ensure that Road Fund expenditures for non-road reimbursable work are reimbursed to the Road Fund in a timely manner.

APPENDIX—SUMMARY OF PRIOR AUDIT FINDINGS

The following table shows the implementation status of Yolo County's corrective actions related to the findings contained in our prior audit report dated April 3, 2013.

Prior Audit Finding	Status
Finding 1— Huff's Corner unreimbursed project expenditures	Fully implemented
Finding 2— Unreimbursed non-road expenditures	Fully implemented
Finding 3— High clearing account variances	Fully implemented

ATTACHMENT—YOLO COUNTY'S RESPONSE TO DRAFT AUDIT REPORT



COUNTY of YOLO

DEPARTMENT OF COMMUNITY SERVICES

Adam Fieseler
Director

292 W Beamer St, Woodland, CA 95695
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September 4, 2025

Aya Abe
Auditor
3301 C Street, Suite 700
Sacramento, CA 95816

Kimberly Tarvin, CPA
Chief, Division of Audits
3301 C Street, Suite 700
Sacramento, CA 95816

Dear Ms. Abe and Ms. Tarvin:

We appreciate the opportunity to respond to the audit finding and provide clarification regarding the identified balances. Our review confirms that while the total finding was reported as \$47,311.41, most of the projects included are reimbursable and are in the process of being reconciled.

After accounting for a \$1,672.28 surplus on FY22-23 Project #ZF2022-0054, the net difference to be reimbursed is \$48,983.69. Of this amount:

- \$44,712.23 is reimbursable, and supporting documentation showing customer payments will be provided to the State Controller's Office (SCO).
- \$1,971.96 relates to closed projects that may no longer be eligible for reimbursement; however, Public Works will make efforts to pursue collection where possible.
- \$2,299.50 relates to a project where funding had not been secured prior to the work being completed.

The minimum potential General Fund obligation is \$2,299.50 for Project #RM3089 – Homeless Encampment Cleanup, with the maximum up to \$4,271.46 if reimbursement cannot be secured for closed projects. The remaining balances relate to open projects, for which funds have likely already been received; staff are compiling documentation to submit to SCO to clear these items. As the balances were reported as of June 30, the FY22-23 items reflect amounts that were to be billed and collected in FY23-24.

Delays in billing during FY23-24 were primarily due to the implementation of the new permitting system and the countywide Enterprise Resource Planning (ERP) system, which required duplicate data entry until system interface issues were resolved. Billing has been consistent on a quarterly basis beginning with FY23-24 Q4 and continues through the present.

Corrective actions have also been implemented, including strengthened internal collection procedures with Engineers and Planners to ensure deposits are obtained in advance of project fund depletion and that all projects carry surplus or zero balances at year-end.

We anticipate this finding will be fully resolved by December 31, 2025, allowing sufficient time to reconcile payments already received, issue any additional billings in FY2026 Q1, and apply payments to the appropriate projects. Based on these measures, we are confident the finding will be fully resolved within the stated timeframe.

Sincerely,



Todd N. Riddiough, P.E.
Yolo County Dept. of Community Services
Director of Public Works
292 W. Beamer Street
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(530) 666-8039