

Create Opportunities



January 21, 2022

Proposal to provide professional services to:

Humboldt County

Eureka, CA

Prepared by:

Brian Pye, Principal
brian.pye@claconnect.com
612-397-3139

Heather Lyons, CPA/CFP, CFE, Director
heather.lyons@CLAconnect.com
916-266-8448



CLAconnect.com

WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND CONSULTING



CliftonLarsonAllen LLP
915 Highland Pointe Dr
Suite 300
Roseville, CA 95678
916 784-7800
CLAconnect.com

January 21, 2022

Elishia Hayes
County Administrative Officer
Humboldt County
825 5th Street
Eureka, CA 95501

Dear Elishia:

Thank you for inviting us to propose our services to you. We gladly welcome the opportunity to share our approach to helping Humboldt County meet its need for professional services. We feel that our team's dedication to the your industry combined with internal audit and information technology capabilities as well as payroll and human resources experience makes us truly unique in our ability to serve you.

Humboldt County can depend on CLA for several advantages that you will not see with other providers:

- **Professionals personally and deeply invested in your success.** CLA has established itself as a firm where the best and brightest come to build the careers they want. Our people provide transformative advice by applying their entire depth of experience—as well as their full potential—to Humboldt County work.
- **Value and affordability.** You can avail yourself of the knowledge and capabilities of a top 10 firm at competitive rates without sacrificing the small-firm touch. Moreover, by allowing Humboldt County access to our seamless capabilities, rest assured that CLA is demonstrating a deeper commitment to Humboldt County. We promise to know you and clearly understand your needs today and in the future.
- **Professionals personally and deeply invested in your success.** For each and every project, CLA will deploy a strong delivery team invested in the success of the engagement, while driving compliance, efficiencies, and value. We **create opportunities** for our clients.

At CLA, we have internal control and internal audit experience in working with similar entities to address the most difficult challenges your organization faces today. We would be pleased to discuss with you any of the details in our proposal, including level of effort and fees, especially if these differ significantly from your expectations.

CLA (CliftonLarsonAllen LLP)

Principal
612-397-3139
brian.pye@claconnect.com



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EXECUTIVE SUMMARY

Why should Humboldt County choose CLA?

With CLA by your side, you can find everything you need in one firm. We know your industry, and we want to know you.

- Need help getting started? We can provide resources.
- Want to improve your performance and results? We assemble the right team for you.
- Planning for an internal control change? CLA has the tools you need.

Create opportunities

We understand your most important needs are:

- **A proposed team of professionals carefully-selected for compatibility with Humboldt County's needs and circumstances** — Your service team understands the strategic, operational, and regulatory issues impacting your industry. These professionals dedicate a substantial percentage of their time assisting clients with payroll, internal audit, and cybersecurity matters.
- **Diversity and inclusion** – We are dedicated to building an inclusive culture that thrives on different beliefs and perspectives. By welcoming and respecting our clients and each other, we can all experience success.
- **Commitment to the community** — CLA family members bring meaningful social impact through volunteer efforts, charitable contributions, service on boards, and a focus on sustainable practices. Our community engagement team is bolstered by the diversity and inclusion council and the CLA Foundation — a philanthropic organization that has awarded more than \$3.5 million through 200 grants (to 158 unique organizations) funded solely by the CLA family.
- **Efficiency** — Our goal is to provide exceptional client service at the lowest possible cost. A well-planned and well-executed engagement by an experienced service team will minimize disruption to your staff and enable timely completion of all deliverables.
- **Experience and continuity** — Each engagement team member has in-depth experience in internal auditing, information technology and payroll/HR matters. We will commit the necessary resources to provide quality client service and timely report delivery.
- **Fresh perspective** — Humboldt County will benefit from a fresh look at your business, systems, and processes. You will be served by an engagement team with enthusiasm and a desire to develop a strong relationship that will help us exceed our expectations. We are confident that our industry experience will reveal new ideas, approaches, and opportunities.



Experience and capabilities

Our internal and risk management services

Our professionals are dedicated, skilled practitioners committed to the internal audit profession with extensive experience in all aspects of enterprise risk management and internal audit processes—from core internal auditors with operational and financial controls specialization, to IT auditors with knowledge of auditing automated controls and specialty IT reviews, to other subject matter specialists with specialized competencies.

Our practitioners also have access to the full breadth and depth of the multidisciplinary knowledge of CLA through our consultative practices to bring the right services and skill sets. CLA provides the following internal control, risk management, and internal control-related consulting services:

- Payroll and HR control assessments
- Segregation of duties / user access reviews
- Outsourced or co-sourced internal audit
- Enterprise risk management assessments
- Operational, financial, regulatory, and compliance assessments
- Documentation, evaluation, and tests of controls
- Future state design and implementation
- Business process reengineering
- Business continuity planning
- Benchmarking assessments and leading practice recommendations
- Policy and procedure development
- Facilitation of trainings and workshops
- Fraud reviews

Given the nature of the business environment and corporate objectives, it is essential that Humboldt County forms a strategic alliance with a service provider. Our approach is:

- Highly collaborative — teaming our top functional specialists with your management, service providers, and other business partners to leverage the best resources of our respective organizations;
- Comprehensive — integrating a top-down strategic assessment with a team representing a broad range of experience;
- Flexible — tailoring an approach to your requirements, one that is sufficiently dynamic to change with market conditions and your organizational needs;
- Risk-based — resources are optimally leveraged to address the most critical high-risk areas balanced with “blocking and tackling” of the fundamental risks; and
- Communicative — working closely with management to understand your business, your needs, the related risks, and how those risks impact operations.

Our practitioners also have access to the full breadth and depth of the multidisciplinary knowledge of the CLA through our consultative practices to bring the right services and skill sets.

Project Objectives

The objective of the project is to provide Humboldt County with internal audit services specific to the functions / process areas described in the below sections. We will assist you with the following:

- Facilitate meetings with key stakeholders to gain an understanding of the current state payroll processes.
- Review payroll, HR and provisioning and deprovisioning policies procedures and controls.
- Evaluate the design of current state processes and internal controls (including people, process, and technology) to assist in our internal audit procedures.
- Evaluate the effectiveness of the payroll processes through testing procedures for the following:
 - Obtain the payroll/employee master file and payroll run for one period as defined by the Humboldt County.
 - Perform a review to determine if any non-active employees were incorrectly paid.
 - Perform procedures to verify accuracy of payroll disbursements for approximately 2,500 employees.
 - Developing analytical procedures to be assessed on future payroll periods to identify any variances from the prior disbursements.
- Identify improvement opportunities and provide recommendations for future state changes that mitigate risk, improve efficiencies through technology based improvements and better support internal controls via process redesign.

Based on our assessment, the following functions /process areas could potentially be included in our review.

Functional Area / Process	Detailed Coverage of Functional Area / Process
Payroll Controls	<ul style="list-style-type: none"> • Payroll Procedures • Time Recording • Compensation Calculations • New Hire Provisioning • Terminations and Deprovisioning • Payroll Disbursements • Changes to Employee Master File
Application Administration	<ul style="list-style-type: none"> • Data Input/Processing/Output
Segregation of Duties	<ul style="list-style-type: none"> • User privileges and roles • User access settings
Vendor Management	<ul style="list-style-type: none"> • Service Level Agreement review • Application functionality discussions with key stakeholders

Developing the Approach

There are four phases in our internal audit assessment approach. The following table summarizes the phases and our approach.

PHASE 1: PLANNING AND SCOPING

Task A: Planning

Our team will validate the project scope based on consultation with key stakeholders as designated by Humboldt County. We will validate our understanding of the expectations for the project, including the following:

- Refine and tailor the methodology and approach
- Define roles and responsibilities
- Establish communication protocols to ensure the most respectful and efficient working relationship is created at the very beginning of the process
- Identify resources to be utilized and logistical arrangements
- Develop strategies to mitigate disruption to day-to-day operations

Task B: Data Gathering

In addition, pertinent data will be requested to utilize during the planning process. Requested documents and information will include, but not be limited to:

- Organizational charts
- Policies, as applicable
- Access to employee master file records
- Copies of union / labor agreements

PHASE 2: DESIGN OF INTERNAL AUDIT ASSESSMENT

Task A: Facilitate Process Discussions

Our team will facilitate discussions with key managers and stakeholders associated with the payroll and HR functions. We will utilize any documented policies, procedures, or work instructions that Humboldt County has available as a starting point to facilitate discussions and to gain an understanding of the current operating structure, processes utilized, internal controls, personnel involved, and supporting technology.

Task B: Design Analysis

We will assess Humboldt County processes surrounding one test payroll period. The design analysis will allow us to identify specific actions that will allow us to build our internal audit program surrounding the remaining payroll periods in scope, including potential for automation and analytics where appropriate. Work procedures include:

- Understand policies and procedures and analyze processes surrounding ExecuTime and time card entries manually keyed into Finance Enterprise.
- Analyze the various hourly and salary pay structures and contracts
- Understand and analyze the payroll disbursement process (i.e. checks, EFT direct deposit) and format of available records and information that can be utilized in the internal audit assessment.
- Determine an efficient method for recalculation of employee pay using source HR data and comparing to actual payment amounts (to be approved by project sponsor).
- Define exception criteria and tolerances (to be approved by project sponsor).
- Identifying the payroll periods in scope for testing (to be approved by project sponsor).

PHASE 3: OPERATING EFFECTIVENESS TESTING PROCEDURES

Task A: Development of an Internal Audit Work Program

Our team will develop an internal audit work program specifically tailored for the needs of the Organization. The work program will be utilized to perform detailed payroll recalculations as defined by the previous phases. Included in the internal audit work program will be a request list of documentation to obtain from the Organization to perform the detailed testing.

Task B: Operating Effectiveness Testing and Recommendations

This phase will involve execution of operating testing. Activities will include:

- Develop approach for testing.
- Develop test work programs for all primary control activities identified as “in-scope”, specifically tailored for Humboldt County.
- Develop request lists for all documentation that will be needed prior to testing execution and communicate lists to Humboldt County personnel to gather documentation.
- Perform operating effectiveness testing procedures utilizing the test work programs developed.
- Conduct an exit/close meeting with Humboldt County management and personnel to communicate the results of the operating effectiveness testing procedures. Prior to the meeting, CLA will validate our internal control deficiencies with Humboldt County process owners so there are no “surprises.”

PHASE 4: FINAL REPORTING

Our team will provide results with an executive summary describing the scope, objectives, approach and overall conclusion of the internal audit assessment. In addition, our report will describe internal control deficiencies identified along with process improvement recommendations. We can also tailor the final report format to meet Humboldt County’ needs.



PROFESSIONAL FEES & EXPENDITURES

Professional fees. Our professional fees for these services are based on the time involved and the degree of responsibility and skills required, number of systems, system complexity, number of employees and number of payroll runs included in the internal audit assessment. Professional service fees are billed on an hourly basis based on actual time spent. Estimated fees for each individual component are presented below:

Services	Estimated Hours	Professional fees
Phase 1: Planning and scoping	40	\$7,400
Phase 1: Design of internal audit assessment	80	\$14,800
Phase 3: Operating effectiveness testing	1,200	\$222,000
Phase 4: Final reporting	80	\$14,800
Total estimated service hours and fees	1,400	\$259,000

We will also bill for a technology and client support fee of five percent (5%) of all professional fees billed. Like most firms, we are investing heavily in technology to enhance the client experience, protect our data environment, and deliver quality services. We believe our clients deserve clarity around our Technology and Client Support Fee, and we will continue to be transparent with our fee structure.

Travel is not expected on this engagement; however, travel time will be billed at one-half (1/2) the normal hourly rate if travel is required. We will also bill you in arrears for reimbursement of any out-of-pocket travel expenses incurred (e.g., hotel, airfare, meals as actual or per diem, etc.) on a pass-through basis.

Our last word on fees – we are committed to serving you. Therefore, if fees are a deciding factor in your selection of a professional services firm, we would appreciate the opportunity to discuss with you the scope of our audit plan.

At CLA, it's more than just getting the job done...

CLA OVERVIEW



Create opportunities

CLA exists to create opportunities for our clients, our people, and our communities through industry-focused wealth advisory, outsourcing, audit, tax, and consulting services. Our broad professional services allow us to serve clients more completely — from startup to succession and beyond.

Our professionals are immersed in the industries they serve and have specialized knowledge of their operating and regulatory environments.

More than

7,400

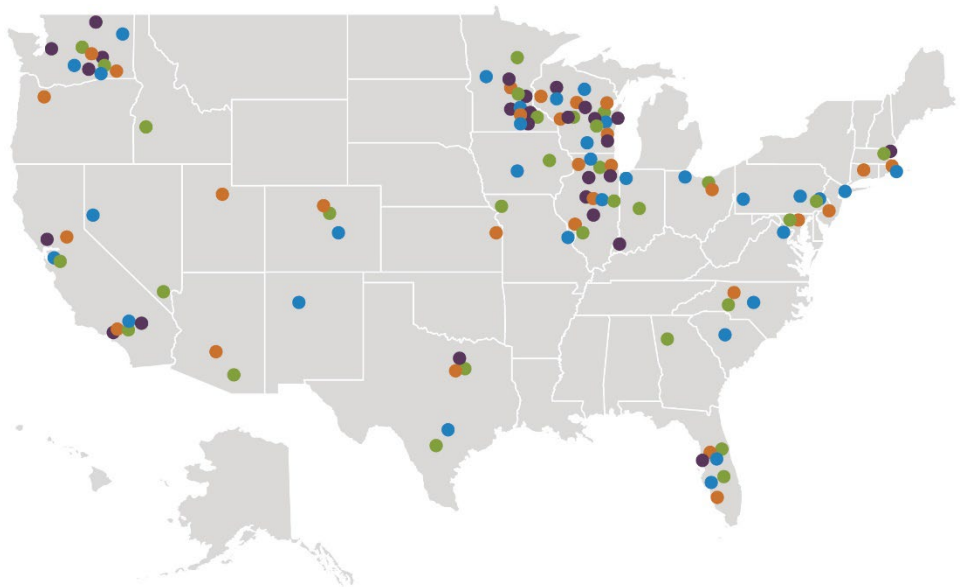
people



More than

120

U.S. locations



A

global

affiliation



With CLA by your side, you can find everything you need in one firm.



Create Opportunities

What makes us different?

You can depend on CLA for several uncommon advantages:

Deep industry specialization

Our people are industry practitioners first and foremost. You will work with professionals who know you, your organization, and your industry. We combine their knowledge with yours to make you stronger.



Seamless, integrated capabilities

We offer planning and guidance from startup through succession, with particular care for the people behind the enterprise. Your team connects with a broad network of resources behind the scenes to support you.

Premier resource for private business owners

We place you — personally — at the core of our strategic focus because your success means a better world for all of us.



Inspired careers

Our team members are personally invested in your success. You will work with entrepreneurial people who are constantly developing capabilities to help you meet any challenge you face.

For more information about CLA, visit CLAconnect.com/aboutus.