

# COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION - INTERNAL AUDIT UNIT

**INTERNAL AUDIT REPORT**  
**POTENTIAL LITIGATION FINANCIAL IMPACT**  
**LIMITED SCOPE ENGAGEMENT**  
**COUNTY COUNSEL**



**Audit Committee Submittal Date: 06/19/2020**

## SUMMARY

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### Background

The Sacramento Countywide risk assessment study assessed County Counsel's potential litigation financial impact reporting as a high-risk area for the County of Sacramento (County) operation. Accordingly, we performed a limited scope engagement regarding County Counsel's communication protocols related to reporting of estimated potential costs/settlements of ongoing litigation that may significantly impact the County's financial statements.

### Audit Objective

To assess County Counsel's communication protocols related to reporting of estimated potential costs/settlements of ongoing litigation that may significantly impact the County's financial statements.

### Summary

Based on the result of our procedures performed, we did not have any concerns regarding to the communication protocols related to reporting of estimated potential costs/settlements of ongoing litigation that may significantly impact the County's financial statements.



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**County of Sacramento**

*Inter-Departmental Memorandum*

May 29, 2020

To: Lisa Travis  
County Counsel

Copy: David Devine  
Director, Department of Personnel Services

From: Ben Lamera  
Director of Finance

By: Hong Lun (Andy) Yu  
Audit Manager

A handwritten signature in blue ink, appearing to be "A Yu", is written over the name of the sender.

Subject: **COUNTY COUNSEL – POTENTIAL LITIGATION FINANCIAL IMPACT REPORTING**

The Sacramento Countywide risk assessment study assessed County Counsel's potential litigation financial impact reporting as a high-risk area for the County of Sacramento (County) operation. Accordingly, we performed this limited scope engagement to assess County Counsel's communication protocols related to reporting of estimated potential costs/settlements of ongoing litigation that may significantly impact the County's financial statements.

Procedures we performed for this engagement included:

1. Interviewed with the County Counsel and her staff
2. Interviewed with Risk & Loss Control Division Manager, Department of Personnel Services, Risk Management Division (Risk Management)
3. Interviewed Department of Finance (DOF) staff
4. Reviewed of County's liability claims and litigation process
5. Review of reporting process of estimated costs of open claims and litigation to Office of the County Executive, Board of Supervisors (BOS), and other affected parties.

Based on our procedures performed, we noted that high cost impact claims and litigations are handled by outside claims administrator, George Hills Company. Per the most recent annual report submitted to BOS by the County Counsel on August 20, 2019, all total 663 new claims filed against the County in Fiscal Year 2018-19 were handled by George Hills Company.

Risk Management prepares the monthly open claims and litigation status report including costs estimated by George Hills Company. This report is made available to County Counsel, Deputy County Executive Administrative Services, and Director of Personnel Services. George Hills Company and Risk Management meet with all Deputy County Executives and Director of Personnel Services quarterly to discuss the status report and other claims-related topics. County Counsel and George Hills Company report closed claims and litigations to BOS annually. Annually, DOF requests County Counsel to provide a written letter to apprise any pending litigations against the County that could result in financial loss and impact the County's financial condition and cash flow. DOF uses the information from the County Counsel's letter to identify any potential litigation liability for recording and/or disclosing within the County's comprehensive annual financial report according to U.S. Generally Accepted Accounting Principles.

Based on the result of our procedures performed, we did not have any concerns regarding to the communication protocols related to reporting of estimated potential costs/settlements of ongoing litigation that may significantly impact the County's financial statements.

This report relates only to procedures referred to in this report and does not extend to any operation, internal control, and compliance of County Counsel, Risk Management, or George Hills Company. We were not engaged to, and did not perform an audit or examination, or review, the objective of which would be the expression of an opinion or conclusion, respectively, on County Counsel's operation, internal control, financial data, or compliance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use by Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive, and County Counsel and Risk Management's management, and should not be used by anyone other than these specified parties. However, this restriction is not intended to limit distribution of this report, which is a matter of public record.