Internal Audit Division

Auditor-Controller-Treasurer-Tax Collector

Contract Compliance Audit

County Counsel

Contract No. 2025-0213 and Amendment 01
$12,827,930

Sonoma Water

Contract No. 60-7-7 #61
$6,962,100

Report Date: July 10, 2026
Engagement No: 4030

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Executive Summary

As part of the 2025-2026 Annual Audit Plan, the Internal Audit Division (IA) of the Auditor-Controller-Treasurer-Tax Collector (ACTTC), performed a contract compliance audit of two Agreements (Contract) for two vendors doing business with the County:

(i) **Contract No. 2025-0213** of $12,827,930 with Indigent Defense Administration of Sonoma County LLC, an existing vendor doing business with the County; and

(ii) **Contract No. 60-7-7 #61** of $6,962,100 with Vikings Painting LLC, a new vendor doing business with the County.

The objective of the audit is to determine whether vendor invoices and related supporting documents submitted to the County are in compliance with key terms of these Contracts.

The following is a summary of our findings and recommendations. A more detailed discussion is provided in the Findings, Recommendations & Management Responses section beginning on page 5. One recommendation is considered high priority 1 and should be implemented within one to three months after this report has been issued. Additionally, one recommendation is considered medium priority 2 which should be implemented within three to six months and one recommendation is considered low priority 3 which should be implemented within six to twelve months. For further information on Priority Ratings and Definitions, please see page 7.

(i) **<u>Contract No. 2025-0213 - County Counsel</u>**

The vendor did not comply with the invoice and documentation requirements of the contract. During our review, we found that:

- The contract payment terms lack clarity, it's not clear if the County intended to pay the vendor a fixed price or to pay the vendor for services rendered up to the annual contract amount.
- The vendor does not submit invoices as required by the contract.
- The vendor does not provide sufficiently detailed supporting documents for ancillary fund and emergency fund expenses (monies held in trust by the vendor).

County Counsel and the County Executive's Office should:

- Update the contract to ensure payment terms align with invoice and payment practices, while preserving the County's ability to provide fiscal oversight.
- Require the vendor to submit invoices with supporting non-privileged documentation.
- Require the vendor to submit non-privileged supporting documentation for all ancillary and emergency fund expenses.

(ii) **<u>Contract No. 60-7-7 #61 – Sonoma Water</u>**

The sample of vendor invoices and supporting documents that we reviewed which were submitted to Sonoma Water are in compliance with the terms of the Contract.

We would like to thank the County Counsel's Office, County Executive's Office and Sonoma Water staff for their time, information, and cooperation throughout the engagement.

Introduction

We completed a contract compliance audit of the County of Sonoma County Counsel and Sonoma Water Contracts with Indigent Defense Administration of Sonoma County LLC and Vikings Painting LLC, respectively. We conducted our audit in accordance with the Global Internal Audit Standards (Standards). These Standards require that we identify, analyze, evaluate, and document sufficient information and evidence to achieve our audit objectives. We believe that the evidence obtained provides a reasonable basis for the results contained in our report.

The purpose of this report is to furnish management with independent and objective analysis, recommendations and other information concerning the activities reviewed. The audit report is a tool to help management identify and implement improvements.

Background

1. Contract No. 2025-0213 and 2025-0213-A01, Indigent Defense Administration of Sonoma County LLC

The County contracts with the Indigent Defense Administration of Sonoma County LLC (a Conflict Panel Administrator), operated by Nathan Poulos (vendor), to provide mandated legal representation when the Public Defender's Office is unable to represent clients due to a conflict, such as cases involving multiple defendants.

The County is obligated to pay the costs associated with representing indigent individuals facing incarceration in the criminal courts. The intent of the County is to ensure consistent, effective representation for indigent defendants who cannot be represented by the Public Defender. The Contractor is responsible for ensuring that a sufficient number of qualified attorneys are available to meet the needs of the criminal justice system, including cases involving felonies, misdemeanors, juvenile delinquency, contempt, misdemeanor appeals and witnesses requiring representation.

The contract is managed by County Counsel and costs are paid out of the Court Support budget overseen by the County Executive's Office. There is no state or other external funding allocated to support these costs; they are fully borne by the County.

2. Contract No. 60-7-7 #61, Viking Painting LLC

Sonoma Water's Capital Improvement Plan identifies key infrastructure projects to meet the wastewater, flood management, and water transmission needs within its jurisdiction. The plan includes a Tank Recoating Program (Program) aimed at maintaining and extending the lifespan of Sonoma Water's 18 above-grade welded steel water storage tanks.

Through a competitive bidding process, Viking Painting LLC was awarded a contract to repair and recoat an 18-million-gallon water storage tank located in Cotati.

Work on the Project started in early 2025, with an estimated completion date of January 16, 2026. The project includes removing and replacing interior and exterior coatings and paint, as well as installing health, safety, seismic structural, and cathodic protection system improvements to maintain the functional lifespan of the tank.

Scope

The audit was performed between August and November 2025. For each Contract, we reviewed one invoice submitted to the County.

1. Contract No. 2025-0213 and Amended Contract No. 2025-0213-A01
   - Term of contract: July 1, 2023, to August 31, 2027
   - Tested invoice billed for June 2025.

2. Contract No. 60-7-7 #61
   - Term of contract: February 17, 2025, to January 16, 2026
   - Tested invoice billed for May 2025.

Methodology

- Interviewed County Counsel, CEO and Sonoma Water staff to obtain an understanding of their invoice review and payment process for the respective vendors.

- Reviewed the Contracts and tested sampled invoices and backup documentation to determine the vendors compliance with key terms of the Contracts.

Results

The results of our audit are provided below:

1. **Contract No. 2025-0213 and 2025-0213-A01, Indigent Defense Administration of Sonoma County LLC – County Counsel**

   The vendor did not submit invoices to County Counsel as required by the contract. Instead, the vendor was paid fixed monthly amounts in accordance with the contract terms. We reviewed a payment and its supporting documentation in the County's financial management system and interviewed County Counsel staff responsible for administering the contract. Staff confirmed that the vendor has not submitted invoices for any of the contract payments.

   Although the vendor provided summarized caseload data, the absence of more detailed non-privileged information, prevents County Counsel from effectively evaluating the vendor's performance, and from determining whether the County received the services it is paying for.

   Other Matters: During the course of our audit, additional issues came to our attention that, in our opinion, warrant management's consideration.

   Due to insufficient supporting documentation, we were unable to verify the accuracy of $150,719.26 in ancillary funds and $33,178.62 in emergency funds refunded by the vendor to the County. Ancillary funds are funds held in trust by the vendor to help ensure attorneys have the necessary resources for specialized litigation services, while emergency funds are jointly set aside by the vendor and County for extraordinary cases or other emergency situations. Both funds are reported to the County quarterly in a workbook; however, information is summarized, and the lack of detailed cost data or supporting documentation limits County staff's ability to assess the reasonableness and accuracy of reported expenses.

   Refer to page 5 for detailed findings, recommendations and management responses.

2. **Contract No. 60-7-7 #61, Viking Painting LLC – Sonoma Water**

   The vendor invoice and supporting documentation we reviewed complied with the financial terms of the Contract, and no exceptions were noted.

   The Water Agency uses Projectmates, a construction project management platform, to manage contractor invoices. We performed a walkthrough of the sampled invoice in Projectmates and noted that County staff verified invoices submitted by the vendor by comparing them to inspection reports, payroll receipts, and subcontractor charges within Projectmates.

   An inspector visited the site daily and documented construction activities in Projectmates. This process ensured that work progressed as planned and that invoice charges aligned with actual work performed. Designated Water Agency approvers receive real-time alerts and can review, annotate, approve, or reject invoices directly within the platform, enhancing oversight and accountability.

Findings, Recommendations & Management Responses

The following are our findings, recommendations, and management responses.

1. Contract No. 2025-0213 and 2025-0213-A01, Indigent Defense Administration of Sonoma County LLC ($12,827,930)

No.	Criteria	Findings & Recommendations	Management Responses
1	**Section 2, Contract No. 2025-0213 states:** Consultant shall be paid an annual amount up to $2,689,025.70 for Fiscal Year 2023 - 2024, paid in monthly payments of $224,085.48 with an annual increase of 3% of each subsequent year on the agreement. A breakdown of costs used to derive the lump sum amount is specified in Exhibit C, attached hereto and incorporated herein by this reference.	**Finding:** Some of the financial terms in the contract lack clarity. The use of the phrase "up to" suggests a ceiling amount rather than a fixed fee, which conflicts with the current payment process in which the vendor is paid a fixed monthly amount. This inconsistency appears to stem from unclear or outdated contract language that was not updated to reflect the existing payment structure and invoicing practices, creating ambiguity in interpreting the Contract. **Recommendation: Low / Priority 3** County Counsel and CEO management should review and amend the Contract to ensure the payment terms clearly reflect the current invoicing and payment process while preserving the County's oversight and accountability responsibilities.	The CEO and County Counsel will review these recommendations when the next contract is proposed.
2	**Section 2, Contract No. 2025-0213 states:** Consultant shall submit bills or invoices for payment in a form approved by County's Auditor and the Head of the County Department receiving the services. The bills or invoices shall identify the services completed and the amount charged.	**Finding:** The vendor did not submit invoices as required by the contract. Payments have been issued without corresponding invoices or documented evidence that services were completed.	Invoices are created by the County Counsel's Office with input from the vendor confirming that the vendor provided the services during the dates reflected by the invoice. The Contract terms state the payment is a lump sum amount, spread out in monthly equal payments. The

No.	Criteria	Findings & Recommendations	Management Responses
	Unless otherwise noted in this Agreement, payments shall be made within the normal course of County business after presentation of an invoice in a form approved by the County for services performed. Payments shall be made only upon the satisfactory completion of the services as determined by the County.	**Recommendation: High / Priority 1** County Counsel should require the vendor to submit invoices with supporting non-privileged documentation, including attorney names, case numbers, case types, general descriptions of services, hours worked and related charges.	vendor also submits quarterly reports detailing caseloads and work performed to support contract compliance. County Counsel and the CEO's Office also meet quarterly with the Presiding Judge to confirm that the vendor is providing appropriate services pursuant to the contract. The CEO and County Counsel will review this recommendation when the next contract is proposed.
3	**California Standards for Contract & Panel Defense Systems and Implementation Guide (issued February 2025):** **Standard 7 – Fiscal Accountability** The defense system must maintain transparent fiscal practices, including clear accounting of all funds received and expended, and must ensure that public funds are used solely for their intended purpose.	**Finding:** The vendor does not provide sufficiently detailed supporting documents for expensed ancillary and emergency funds. As a result, the County cannot evaluate the accuracy of the quarterly reports submitted or determine whether the funds were used for allowable Contract expenses. **Recommendation: Medium / Priority 2** County Counsel should require the vendor to submit detailed, non-privileged supporting documentation for all ancillary and emergency fund expenditures to ensure transparency and accountability.	The CEO and County Counsel will review this recommendation and incorporate additional non-privileged supporting documentation requirements in the next contract.

Priority Ratings and Definitions

Priority Ratings	Definition of Priority Ratings and Suggested Implementation Timeframe
High / Priority 1	Priority 1 recommendations are assigned to the highest assessed level of risk. For these recommendations, internal controls are considered poor or insufficient, and there is a high likelihood of significant financial loss, waste, misappropriation of assets, or errors for the area(s) evaluated. Priority 1 recommendations also include significant issues related to non-compliance with laws, regulations or policies and procedures. Management should urgently implement these recommendations within 1 to 3 months after issuance of the final audit report to avoid risk exposure.
Medium / Priority 2	Priority 2 recommendations are assigned to the moderately assessed level of risk. For these recommendations, internal controls are considered poor or insufficient, and there is a moderate likelihood of financial loss, waste, misappropriation of assets, or errors for the area(s) evaluated. Priority 2 recommendations also include moderately severe issues related to noncompliance with laws, regulations or policies and procedures. Management should promptly implement these recommendations within 3 to 6 months after issuance of the final audit report to improve internal control processes.
Low / Priority 3	Priority 3 recommendations are assigned to the lowest assessed level of risk. For these recommendations, there are opportunities to improve the design and or operation of internal controls and there is a potential of financial loss, waste, misappropriation of assets, or errors for the area(s) evaluated. Priority 3 recommendations may include minor issues related to non-compliance with laws, regulations or policies and procedures. These recommendations are desired actions to enhance current practices. Management should consider implementing these recommendations within 6 to 12 months after issuance of the final audit report to provide additional confidence in the internal control system.
Opportunity for improvement/ Priority 4	Priority 4 recommendations are assigned to matters which do not involve internal controls, they typically involve opportunities for improvement or efficiency/effectiveness issues that require management's consideration to implement or enhance processes.