



County of Yolo

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- *Financial Strategy Leadership*
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- *Accounting & Financial Reporting*
- *Internal Audit*
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February 7, 2018

Edward Burnham, Manager
Department of Financial Services
Yolo County
625 Court Street, Room 102
Woodland, CA 95695

Re: Treasury Cash Count quarterly report for December 31, 2017

Dear Mr. Burnham:

We have performed the procedures as agreed upon in our engagement to assist the County with respect to compliance with Government Code Section 26920 (a) (1) for the quarter ending December 31, 2017. The County's Treasurer is responsible for compliance with the above noted Government Code section. The agreed upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified user of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Further, we did not review system controls of the county financial system.

Our procedures and results are as follows:

1. Perform a cash count of all cash (US currency and coins, checks drawn on US banks and written in US dollar values including travelers, cashiers, and certified checks and money orders) in the Treasurer public counter drawer, Treasurer vault, Tax Collector public counter drawers/cash lock bags and any pending deposits.

Results: Procedure performed with no exceptions.

Considerations: None.

2. Trace cash count to Treasurer daily cash report and Tax Collector daily register close out report.

Results: Procedure performed with no exceptions.

Considerations: None.

3. Verify that all deposits received by the Treasurer on 12/19/2017 were accounted for and recorded in the county financial system.

Results: All cash received by the Treasurer on 12/19/2017 and recorded on the Treasury Unit Transfer of Cash Accountability control log was accounted for and recorded in the county financial system.

Considerations: None.

4. Verify that all cash and deposits on 12/19/2017 were deposited in the county bank account at the outside financial institution.

Results: All cash counter deposits reported on 12/19/2017 agreed to the county bank account at Bank of America.

Treasury Division:

The auditor traced a sample of the bank transactions from the Treasury Document Tracker (Download of BofA transactions) and verified that the transactions were supported and recorded in the INFOR system. However, the transactions examined were updated on the date other than the bank transaction date. According to the Treasury Manager, bank transactions may be delayed due to the receipt of the accounting document from the customer and/or backlog of updating transactions to the system.

General Accounting Division:

The Department of Financial Services (DFS) Accounting Division performs a limited monthly close whereas items pending receipt of the customer accounting document can be posted to a period in the general ledger that was previously closed. During a limited monthly close, the accounting staff notifies all users of this type of closing procedure and instructs all users that they should not make any changes. The INFOR system does not have a system control in place that prevents any user from manipulating a transaction while a limited close has been initiated. Once a period is completely finalized, it can be moved to a final close status. As of January 11, 2018, the month of December 2017 has been transferred to a limited close status. The months of July through September 2017 are in a final close status. In addition, the fiscal year 2016-17 has been transferred to a final close after the County financial audit was issued on December 22, 2017. Furthermore, the bank reconciliations have not been completed for the months of June to December 2017.

Pursuant to Government Accounting Standards Board (GASB), Concept Statement No.1, financial reporting (financial transactions) should be relevant and timely to provide information about sources and uses of financial resources and how it financed its activities and met its cash requirements.

Control Deficiency: During a limited close status some system users within the DFS have the ability to change the limited close status to backposting status. Once in backposting status the INFOR system allows all user access to a period that is in a backposting status, to post to a prior monthly period. The manual control identified by auditors is that all users are instructed they should not post transactions during the backposting status; and DFS staff are instructed that they should not approve. This can pose a problem with departments that are reconciling and also can create issues around grant funding and assurance that expenditures are posted in the proper period. Further, some users that have access to the GL45 can unpost, unrelease, quick post, release, or bypass the IPA process at any point. It was noted that several DFS staff with access to the GL45 have duties and responsibilities that are in conflict, and therefore lack proper separations of duties.

Considerations:

Treasury Division:

The Treasury Manager should ensure that supporting documents and the posting of bank transactions are processed within a reasonable time period to avoid any backlog of updating transactions to the system.

General Accounting Division:

The General Accounting Manager should ensure that timely adjusting journal entries and all pending items are reflected in the correct accounting period for general accepted accounting principles. Proper cutoff procedures and timely reconciliation are also essential for financial reporting.

5. Determine that the Tax Collector checks are not held for more than 7-10 days as prescribed by the Yolo County Cash Accounting Manual.

Results: Procedure performed with no exceptions.

Considerations: None.

Response Requested:

We request a management response to each of the considerations listed above within 30 days of the date of issuance of this report.

We were not engaged to, and did not; conduct an audit, the object of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such as opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is prepared for use by the Treasury management, Department of Financial Services and Yolo County Board of Supervisors. However, it may be distributed to other interested parties.

We appreciate the timely and professional responses provided by the Treasury management and staff to our requests for information.

Sincerely,

A handwritten signature in blue ink that reads "Mary E. Khoshmashrab". The signature is written in a cursive style and ends with a long horizontal flourish.

Mary E. Khoshmashrab, MSBA, CPA
Internal Audit Manager
County of Yolo

cc: Patrick Blacklock, Yolo County Administrator
Howard Newens, CIA, CPA, Yolo County, Chief Financial Officer

Schedule of Prior Quarter Findings

Summarized below is the current status of all audit findings reported in the Treasury Cash Count quarterly report for September 30, 2017 dated December 21, 2017:

Finding Title	Finding Description	Status of Corrective Action
System control deficiency of month-end closing; additional security restrictions; backposting capabilities; and, untimely bank reconciliations.	The General Accounting Manager should ensure that timely adjusting journal entries and all pending items are reflected in the correct accounting period for general accepted accounting principles. Proper cutoff procedures and timely reconciliation are also essential for financial reporting. Additionally, the DFS Internal Audit Division should review, as planned, the system controls over the cash modules within the INFOR system.	Partially Implemented. (see comments below)
	a. Monthly periods in a limited close status (fiscal year 2016-2017 – June 2017) (fiscal year 2017-2018)	As of January 11, 2018, the month of December 2017 has been transferred to a limited close status. The months of June through September 2017 are in a final close status.
	b. Additional security restrictions for Accounting Division (GL45)	Not Implemented. According to the General Accounting Manager, review of additional security restrictions (GL45) will be incorporated with the work performed by the Kinsey consultants. The Kinsey consultants recommend to revise the County's INFOR Process Automation (IPA) workflow that is scheduled with an anticipated date of March 31, 2018.
	c. Bank reconciliation date completed for June, July, August, September, October, November and December 2017	Not Implemented.
Treasury wire instructions	The Treasury Manager should develop written procedures for processing and recording wire transactions in BofA and the INFOR system, and disseminate to staff.	Partially Implemented. According to the Treasury Manager, process improvements will be completed by March 1, 2018.