

YOLO COUNTY FINANCIAL OVERSIGHT AND AUDIT SUBCOMMITTEE

UPDATE - DIVISION OF INTERNAL AUDIT ACTIVITY

To: Members of the Financial Oversight Committee and Audit Subcommittee

From: Kim Eldredge, Senior Auditor, CGAP

Re: Update- Division of Internal Audit Activity Quarterly Report

Members of the Financial Oversight and Audit Subcommittee, the following updates are provided for this Quarter:

- (a) **Provide update on the County risk assessment –**
HHSA Risk Assessment Report was completed on March 19, 2019 by Mary Khoshmashrab, former Yolo County Audit Manager. The department management was provided a draft copy of the report and the invite to provide a department response by May 1, 2019. The Division of Internal Audit received the department’s response on June 6, 2019. Overall HHSA is in full agreement of the report and will use the assessment to determine where training is needed, succession planning required, grant sub-recipient monitoring and other identified areas that might require attention.

The risk assessment program will be reviewed with county management and the audit committee for improvements to the risk assessment process and approach.

- (b) **Provide status update of current in-progress and completed engagements –**

- | <u>In-progress:</u> | <u>Completed:</u> |
|---|---|
| - Landfill Cash – June | - Risk Assessment – HHSA |
| - Treasury Wire Transfers/ACH Payments – June | - Sept and Dec Quarterly Treasury Cash Counts |
| - Placer County Peer Review – June | - P-Card Audit Report |
| - Treasury Cash Count QE 3/31/19 - June | - County Management Request- P-Card |
| - P-Card continuous auditing – FY19/20 | Individual Statement |
| - Claim continuous auditing – FY19/20 | |

- (c) **Provide update of any proposed changes to the annual audit plan and audit resources**
The FOC and Audit Subcommittee approved the Division’s Annual Audit Plan in August of 2018. The plan has changed due to the addition of a new auditor and the vacancy of the audit manager. Attached is a copy of the internal audit activity project progress as of 5/31/2019.

<u>Annual Audit Plan</u>	<u>Hours:</u>
Approved Budgeted Hours	6,240
Add: New Auditor	960
Remove: Vacant Audit Manager	(442)
Total Adjusted Budgeted Hours	6,758

If at any time you would like more information on the plan, or would like to discuss audit activity, please contact me at kim.eldredge@yolocounty.org and we can arrange a one-on-one meeting.

Yolo County
Division of Internal Audit
Internal Audit Activity - Fiscal Year 2018-2019
As of May 31, 2019

Project Num	Project Name	Project Type	Dept Name	Hours Budget	Hours Adjust	Total Hours Budget	Actual Hours	Remaining Hours	Percentage of Completion	Project Status	Project Summary
2018-11	Probation Juvenile Detention Facility Review	Agreed Upon Procedures	Probation	-	3	3	3	-	100%	Complete	Majority of testwork performed in prior fiscal year
2019-31	Treasury Cash Count - Quarterly	Agreed Upon Procedures	Dept of Financial Services	-	24	24	20	5	81%	In-progress	In-progress; QE 3/31/19 Anticipated completion by June 30, 2019; QE 6/30/19 planned for July 1, 2019
2019-33	Treasury Cash Count - QE 6/30/2018	Agreed Upon Procedures	Dept of Financial Services	-	22	22	22	-	100%	Complete	
2019-09	Cannabis Audits	Compliance	Community Service	200	(108)	92	92	-	100%	Complete	Majority of testwork performed in prior fiscal year
2019-10	Purchase Card-Countywide	Compliance	Countywide	100	257	357	354	3	99%	Complete	Final Report includes (9) County Management Letters with Total of 137 Exceptions
2019-11	Contracts & Grants Review-Countywide	Compliance	Countywide	150	(150)	-	-	-	0%	Carry Forward	FY 2019-2020
2019-12	Capital Improvement Management-Countywide	Compliance	Countywide	150	(150)	-	-	-	0%	Carry Forward	FY 2019-2020
2019-13	HR/MQ & Payroll Review-Countywide	Compliance	Countywide	200	(200)	-	-	-	0%	Carry Forward	FY 2019-2020
2019-14	Revenue recovery & uncollected revenue-Countywide	Compliance	Countywide	100	(100)	-	-	-	0%	Carry Forward	FY 2019-2020
2019-16	Transit Occupancy Tax & Airbnb Review	Compliance	Dept of Financial Services	100	(100)	-	-	-	0%	Carry Forward	FY 2019-2020
2019-01	Treasury Internal Control Review	Internal Control	Dept of Financial Services	200	-	200	43	157	22%	In-progress	In-progress; Audit focus wire transfers & ACH payments
2019-15	Property Tax Administration Review	Internal Control	Dept of Financial Services	100	(100)	-	-	-	0%	Carry Forward	FY 2019-2020
2019-34	Integrated Waste Management Internal Control Cash Audit	Internal Control	Community Service	-	300	300	248	52	83%	In-progress	In progress; Anticipated completion by June 30, 2019
2019-02	Risk Assessment-Countywide	Risk Asmt	Countywide	300	27	327	327	-	100%	Complete	DIA review risk assessment process; HHSa Report completed
2018-06	INFOR-Discussion Draft Auditor's Initial Review (F	Special Project	Countywide	-	343	343	343	-	100%	Complete	Audits of system controls & continuous auditing (e.g. contracts, p-cards, accounts payable and payroll timekeeping) will be included in FY 2019-2020 audit plan
2019-03	INFOR-Review of System Control	Special Project	Countywide	450	(450)	-	-	-	0%	Reallocate	Reallocate hours to INFOR Audit
2019-06	Continuous Auditing Program-Dev/Impl/Rpt	Special Project	Countywide	170	151	321	321	-	100%	Complete	Completed P-Card Dev; Continuous auditing P-Card / Travel Report by November 2019
2019-17	Special Reviews-Management Request	Special Project	Countywide	130	(130)	-	-	-	0%	Reallocate	
2019-36	County Management Request - PCard Individual Statement	Special Project	Health & Human Services	-	70	70	70	-	100%	Complete	Completed; Recommendation for individual card to be left in suspended status until proper purchase card training can be administered
2019-04	Training-Instructional Sessions Countywide	Admin Tasks	Countywide	300	(289)	12	12	-	100%	Complete	IA Mgr vacant
2019-23	Department Financial Services-Administration	Admin Tasks	Dept of Financial Services	-	623	623	623	-	100%	Complete	
2019-05	CAP Testing and Follow-up on Audits-Countywide	Other-General	Countywide	200	(161)	39	39	-	100%	Complete	IA Mgr vacant
2019-18	Manager Internal Audit-General	Other-General	Countywide	400	(161)	240	240	-	100%	Complete	IA Mgr vacant
2019-19	Manager Workpaper Review (2nd Level Review)	Other-General	Countywide	350	(320)	31	31	-	100%	Complete	IA Mgr vacant
2019-20	Supervisor Workpaper Review (1st Level Review)	Other-General	Countywide	150	-	150	18	132	12%	In-progress	
2019-21	Internal Audit-General	Other-General	Countywide	846	924	1,770	1,832	(62)	104%	In-progress	Hours include implementation of audit time tracking system; training & development of audit staff; transfer of managerial duties; non-audit work-monitoring, etc. and audit work less than 8 hours
2019-07	Audit Chief Sub-Committee	Other	Dept of Financial Services	50	(50)	-	-	-	0%	Cancel	IA Mgr vacant
2019-08	Peer Review-External Placer & DIA Internal Annual	Other	Dept of Financial Services	120	-	120	69	51	58%	In-progress	In-progress; Anticipated completion by June 30, 2019
2019-22	Training & Conferences-Continuing Professional Edu	Other-General	Dept of Financial Services	240	57	297	298	(1)	100%	In-progress	Training hours include 160 hours towards continuous auditing
2019-24	Break Time-Admin MOU	Other-General	Dept of Financial Services	390	(70)	320	210	110	66%	In-progress	
2019-25	County Holiday-Admin MOU	Other-Leave	Dept of Financial Services	252	-	252	252	-	100%	Complete	
2019-26	Floating Holiday-Admin MOU	Other-Leave	Dept of Financial Services	112	16	128	123	5	96%	Complete	

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Project Num	Project Name	Project Type	Dept Name	Hours Budget	Hours Adjust	Total Hours Budget	Actual Hours	Remaining Hours	Percentage of Completion	Project Status	Project Summary
2019-27	Administrative Leave-Admin MOU (Manager Only)	Other-Leave	Dept of Financial Services	48	-	48	48	-	100%	Complete	IA Mgr vacant
2019-28	Sick Leave-Admin MOU (Estimated)	Other-Leave	Dept of Financial Services	120	111	231	259	(28)	112%	Open	
2019-29	Vacation Leave-Admin MOU (Estimated)	Other-Leave	Dept of Financial Services	312	112	424	492	(68)	116%	Open	
2019-35	Accumulated Time Earned / Taken	Other-Leave	Dept of Financial Services	-	16	16	24	(8)	150%	Complete	
Total audit & non-audit hours				6,240	518	6,758	6,411	347			

AUDIT FACT SHEET

Yolo County Division of Internal Audit Report on the Audit of Yolo County Purchase Card Program

For the Period: July 1, 2016 to June 30, 2018
Audit No: 2019-2
Report Date: May 28, 2019

FINDINGS

Program Administration

- Finding #1: Card management needs improvement
- Finding #2: Monthly reconciliation of the purchase card program not performed
- Finding #3: Purchase Card Procedures Manual not up to date

Purchase Card Transactions

The auditors examined 61 purchase card transactions.

Audit Results:

Total of 137 Exceptions. 81 for noncompliance with County policy and procedures and lack of supporting documentation. 56 for noncompliance with program eligibility and department's policy and procedures for client services.

RECOMMENDATIONS

The auditors recommend that management consider the following to improve accountability and compliance within the Yolo County Purchase Card Program.

- Establish criteria for spending and transaction limits
- Provide written procedures for card issuance, cancellation, transfer to another department, employee terminations, and disciplinary actions for county and purchase card violations
- Maintain current listing of Cardholders, Approving Officials and Reconcilers
- Monitor cardholder activity and restricted Merchant Category Codes (MCCs)
- Perform monthly reconciliations of the purchase card transactions and ensure that journal entries are posted timely
- Provide training for Cardholders, Approving Officials, and Reconcilers
- Update the Purchase Card Procedures Manual and the CAL-Card system from the finding noted within this report

HIGHLIGHTS

The auditors performed a variety of audit tests of the purchase card accounts and transactions using the Audit Command Language (ACL) Analytics software. The auditors analyzed transactions in the areas of **card management, merchant management, and transaction analysis.**

Card Management Analysis

Procedure	Result
Unmatched Accounts – Purchase cards not matching the employee's payroll name	Thirty-five (35) purchase cards were issued to individuals that did not match the employee payroll name. One (1) Cardholders had 2-cards under two different names.
Non-Active Employees – Purchase cards issued to terminated employees	No purchase cards issued to terminated employees.
Employees Transferred to Other Departments – Purchase cards issued to employees transferred to other departments	One (1) purchase card issued to an employee that had transferred to another department.
Low Card Activity – Cardholders with lowest volume of transactions	Twenty (20) Cardholders only used their cards 1 to 4 times during the 2-year audit period.
No Card Activity – Purchase cards that were not used during the audit period	Eleven (11) Cardholders had no activity for the 24 months under review.
Multiple Purchase Cards – Cardholders with duplicate cards	Seven (7) Cardholders had duplicate cards.
Accounts Exceeding Policy Amounts – Spending limits are in accordance with County Policy	There is no criteria established for setting up credit limits. The single transaction limits range from \$0 to \$5,000 and monthly credit limit from \$250 to \$20,000. (See Figure 3)

Merchant Management Analysis

Procedure	Result
Access to Restricted MCCs – Cardholders with access to restricted merchant category codes (MCC)	Thirty (30) cardholders have access to restricted MCCs authorized by the County.
Activity with Restricted MCCs – Purchase card transactions involving restricted MCCs	746 purchase card transactions involved restricted MCCs.
Activity with Restricted MCCs by Cardholders with No Access to Restricted MCCs – Transactions involving restricted MCCs were performed by the cardholders with access to restricted MCCs	490 out of 746 transactions involved restricted MCCs not authorized by the County.

Transaction Analysis

Procedure	Result
Transactions Exceeding Single Purchase Limit – Cardholders that exceeded their single purchase limit	Ninety-seven (97) transactions exceeded the single purchase limit. 94 out of 97 transactions were from one (1) Cardholder with a zero single purchase limit.
Transactions Exceeding Monthly Credit Limit – Cardholders that exceeded their monthly credit limit	Six (6) instances where the monthly transactions exceeded the Cardholder limits.
Split Transactions – Potential split purchases within the same day and across multiple days to circumvent purchase card limits	Fifty-four (54) potential split transactions.
Weekend/Holiday Transactions – Transactions that occurred on weekends or holidays	1,811 transactions occurred on Saturday, Sunday or a County holiday.
Top Cardholders – Cardholders with the highest transaction amounts	Ten (10) Cardholders with the highest transaction amounts
Purchases Typically Made Through Other Means – Purchase transactions typically made through a purchase order or the County's Travel Agency (hotels, airline, catering vehicle, fuel, software, computer, services, etc.)	4,742 potential transactions that should have been made through a purchase order or the County's Travel Agency