Yolo County

Division of Internal Audit

Internal Auditor's Initial Assessment of the Infor System

Follow-up Audit

For the Period:

As applied Discussion Draft dated October 20, 2015

Audit No: 2018-6

Report Date: December 20, 2018

Internal Audit Manager: Mary Khoshmashrab, MSBA, CPA
Senior Auditor: Kim Eldredge, CGAP

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- *Financial Strategy Leadership*
- *Budget & Financial Planning*
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- *Financial Systems Oversight*
- *Accounting & Financial Reporting*
- *Internal Audit*
- *Procurement*
-

Transmittal Letter

December 20, 2018

INFOR Steering Committee
c/o Mindi Nunes, Assistant County Administrator
County Administrator's Office
625 Court Street, Room 202
Woodland, CA 95695

Dear Ms. Nunes:

The Division of Internal Audit has completed a follow-up audit of the Internal Auditor's Initial Assessment of the Infor System Controls for the Financial Module to validate the auditor control considerations and to provide management with a status of the county project goals, auditor control concerns and the recommendations that resulted from the Kinsey review. This report does not include a review of the human resources and payroll system controls.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America (GAAS). These standards require that we plan and perform the audit to provide sufficient, competent, and relevant evidence to achieve the audit objectives. We believe this audit provides a reasonable basis for our conclusion.

In regards to auditor's independence, the Internal Audit Manager reports administratively to the Chief Financial Officer, but functionally to the Board of Supervisors.

As required, in accordance with auditing standards, management responded to each finding and recommendation contained in our report. Management's responses are included in the report.

We thank the Department of Financial Services and County Administrator's offices management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Sincerely,

Mary E. Khoshmashrab, MSBA, CPA
Internal Audit Manager

Attachments

Distribution
Board of Supervisors
Financial Oversight Committee
County Administrator
Chief Financial Officer
Internal Audit Website
Audit File Project No. 2018-6

FISCAL RESPONSIBILITY & SUSTAINABILITY

Internal Auditor's Initial Assessment of the Infor System
Follow-up Audit No: 2018-6

For the Period:
As applied Discussion Draft dated October 15, 2015

Executive Summary

Overview:

To validate the auditors control considerations identified in the Internal Auditor's Initial Assessment of the Infor System Controls for the Financial Module and to provide management with a status of the county project goals, auditor control concerns and the recommendations that resulted from the Kinsey review.

Background:

On April 8, 2014, the County ratified the agreement with Infor Public Sector, Inc. for the human resources and financial management software and implementation services. The Infor Enterprise Resource Planning software (ERP) includes systems for Finance, Procurement, Human Capital Management and Payroll. The Human Capital Management and Payroll systems went live on March 2015, and the Financial and Procurement systems went live on November 2015. Related implementation for Timekeeping and Talent Management are ongoing, and the Budgeting system implementation is pending (Attachment A & B).

The County Administrator's office issued a Request for Qualifications on May 20, 2016, from consulting firms interested in and capable of providing the initial assessments and after that continuing consultation and professional services to the County towards the improvement of the ERP deployment.

On September 13, 2016, the Yolo County Board of Supervisors approved the agreement with Kinsey & Kinsey, Inc. to provide review, assessment, and continuing consultation and professional services with regard to the County's implementation of the Infor Enterprise Resource Planning software (Attachment A & B).

Objectives, Scope and Methodology:

The objective of this audit was to perform a follow-up review of the Internal Auditor's Initial Assessment of the Infor System Controls for the Financial Module as applied in the Discussion Draft dated October 20, 2015. The auditors did not perform an audit of the Infor System, or the objective to provide an expression of an opinion regarding the Infor System taken as a whole, and, accordingly, we did not express such an opinion on them.

This audit consists primarily of inquiries from county management and staff, review of control deficiencies found by the auditor and testing of transactions in the areas related to requisition request, purchase orders receipts, accounts payables, accounts receivables, deposits, and budget management. This audit does not contemplate entertaining a system wide understanding of internal control or assessing control risk, detailed tests of accounting records and responses to inquiries by obtaining corroborating evidential matter, and certain other procedures ordinarily performed during an audit. Thus, the audit does not provide assurance that we will become aware of all significant matters that would be disclosed in a complete review of the system.

Conclusion:

The auditors recommend that management consider the following to help ensure the success of the Infor System.

- Obtain approval of contract agreements and change orders that have not been approved by the Board of Supervisors
- Retain a contract file of the Infor project with pre-award and post-award contract closeout documents
- Compile the total cost of the Infor project to determine if the project is on schedule and not over budget
- Implement the Kinsey & Kinsey, Inc. security tool
- Review monitoring procedures and reports for identifying duplicate payments and perfect match exceptions
- Explore the use of data analytics to further identify potential duplicate payment
- Formally develop, document, disseminate, and periodically update an access control policy and procedure and budget control policy and procedure
- Provide additional training to departments
- Division of Internal Audit will perform reviews of the countywide Infor system in a phased approach which is explained in more detail on page 11 in the report

Detailed Findings, Recommendations and Management Responses

Finding 1: Contract Administration
Infor project Contract Administration not following best practices

Criteria:
Pursuant to the National Association of State Procurement Officials (NASPO) - State and Local Government Procurement, "Contract Administration Best Practices Guide", documenting and maintaining a contract file are good practices to ensure the delivery is in line with the contract requirements and issues are addressed timely. All contract performance issues should be properly documented and included in the official contract file. The contract file should contain the essential record of contract award and performance as follows:

- **Pre-award documents**

  o Solicitation document
  o All responses to bids or proposals
  o Copy of contract, including all attachments and amendments

- **Post-award to contract closeout documents (Contract Administration files)**

  o Copies of all correspondence with the contractor
  o Notes from all meetings and verbal communications
  o Documentation of performance issues/complaints, cure letters
  o Contract amendments
  o Documentation of deliverables
  o Payment records
  o Contract closeout documentation

Condition:
The auditor requested copies of the Infor System commitments and payments. The County Management provided the copies of the contracts, change orders and an invoice tracking worksheet of payments but did not have the information easily available when requested. The contract agreements and payment records are held outside the county financial system on an excel spreadsheet and other contract administration documents in various manual and electronic files. Documentation and recordkeeping of the files such as steering committee meeting minutes, copies of invoices, change orders, etc. are not available and or were found in an unorganized manner. Additionally, some contract agreements and change orders were not approved by the Board and travel and living expenses reimbursed to the contractor is not tracked separately. Based on conversations with County Management the total cost of the Infor project including county staff time has not been sufficiently tracked and therefore cannot be determined. Further the Board has not received a staff report on the Infor project and contractor's performance since April 25, 2017, until recently at the November 6, 2018 Board meeting.

Effect:
Without a contract file that contains the essential record of contract award and performance, the County Management cannot determine if the contractor is in compliance with the contract terms and conditions, be able to identify problems timely, anticipate amendments such as contract prices, extension and renewals, manage deliverables and payments, or other terms deemed appropriate in the contract.

Cause:
The Infor project has had significant staff turnover since the inception of the project (project manager, functional team leads and team members). The system implementation has had significant delays and deficiencies related to security and setup.

Recommendation 1:
The County Management should retain a contract file of the Infor project with pre-award and post-award contract closeout documents (contract administration files), provide timely updates to the Board on the implementation status of the Infor System and obtain proper approval of contract agreements and change orders that have not been approved.

Additionally, the County Management should review the Infor commitments and payments and determine if amounts should be retained in the county financial system for better monitoring and record-keeping, track contractor travel and living expenses separately for additional costs incurred, include county staff time and compile the total cost of the Infor project to determine if the project is on schedule and not over budget.

Management Response 1:
Overall County management agree with the recommendations.

The Financial Systems Manager in the County Administrator's Office (CAO) will compile the Post-Award Contract files and will ensure the completeness of records to the extent possible. The Pre-Award files will be reviewed for completeness and will continue to be housed and maintained by the Department of Financial Services (DFS).

The CAO and DFS have committed to present information back to the board on the INFOR system and new budget system prior to June 2019 and will at a minimum of annually thereafter report on the INFOR system while there are active implementations. These presentations as provided in the past will provide an overview of whether the INFOR project as a whole and respective module implementations are on schedule. Any new capital projects, including the Sherpa Budget system, also are required to provide monthly updates to the Board's Capital Investment Committee.

The INFOR commitments and payments were reviewed in detail in the compilation of the November 2018 board report. We agree that the project should be tracked in the accounting system and though not set up initially in GENLED, detailed tracking worksheets were developed to ensure compliance with the contract terms however this excluded staff time absorbed by County departments. Additionally, starting in July 2018 all on-going INFOR contracts and activities have been recorded in the accounting system. The existing payments to date do not reflect the project being over annual budgets or contracting authority however there is the recognition that in this project unlike other capital projects a total project budget was not established at the outset and annual funding allocations have been provided through the board adopted budget. As a result, the Department of Financial Services will review the Capital Budgeting practices to ensure that capital projects have a project life budget established and maintained to provide additional accountability above the annual budgeting process and that appropriate staff time is charged to capital projects. This was implemented by the end of fiscal year 2017/18 and all new capital projects now have project life budgets that compliance is being measured against. **Actual / estimated Date of Corrective Action: June 2019**

Finding 2: Contract Approval

Kinsey & Kinsey Software License Agreement not approved by the Board of Supervisors

Criteria:
Pursuant to County Policy "Contracting & Purchasing Policies" and Government Code Section 25502.5, contractual dollar limitation with a single vendor in any fiscal year exceeds permissible levels for the County Administrator or Purchasing Agent approval, such contracts must thereafter be brought to the Board of Supervisors for its approval (adopted 9/09/2008; revised 7/01/2018).

Condition:
The County has a contract with Kinsey & Kinsey Consultants, Inc. (Kinsey) to provide review, assessment, and continuing consultation and professional services with regard to the County's implementation of the Infor

Enterprise Resource Planning software. On July 18, 2017, the County amended the Kinsey contract to increase the maximum compensation to $1.3 million, extend the contract term to June 30, 2019 and revise the scope of the contract. However, on August 7, 2017, a subsequent software agreement (Kinsey Tools) was entered into with Kinsey signed by County Management in the amount of $142,500 (excluding annual maintenance fee) for a 5-year term without the Board of Supervisors approval and compliance with county policy. Additionally, the contract language in the software agreement is unclearly worded for Section II. Fees: "Upon the execution and delivery of this Agreement, Customer will pay to Kinsey a license fee of Seventy-Five Thousand Dollars and no/100ths ($37,500.00) for the Software licensed hereunder, plus Thirteen Thousand Five Hundred Dollars and no/100ths ($7,500) for first year's Maintenance", that may cause contract payment disputes with the vendor.

Effect:
The contract agreement is not in compliance with governing authority requirements.

Cause:
The Kinsey contract amendment did not take into count the contract provisions of the software agreement exceeding the contract term June 30, 2019 (Agreement 16-138, Second Amendment 17-210).

Recommendation 2:
The County Management should review the software agreement contract language for Section II Fees and obtain the Board of Supervisor's approval for the additional software agreement with Kinsey & Kinsey Consultants, Inc. to comply with governing authority requirements.

Management Response 2:
County management agrees that the software services agreement should not have extended further than the original contract term of June 30, 2019. This was an oversight during the process of execution of the software services agreement.

The County plans to perform an amendment with Kinsey & Kinsey to ensure that this is addressed before the expiration of the overall contract term in June 2019.
Actual / estimated Date of Corrective Action: June 2019

Finding 3: System Functionality, Security, System Controls, Etal.

System Functionality, Security, System Controls, County Operations and Documenting and Reporting needs improvement

Criteria:
The County Board and executive management expects and strongly encourages management to follow best practices and the COSO framework of good internal controls. According to best practices and the COSO framework of strong systems of control, departments are responsible for using appropriate systems to record and maintain detail of their accounts, including account activity, history of payments made and outstanding balances. All documentation and records should be properly managed, maintained and readily available for examination.

Condition:
The auditor met with Department of Financial Services management and staff to review the auditor's control concerns (Attachment B) and observe the system controls. The Systems Accountant provided a walkthrough of the control concerns identified in the Infor System. The auditor applied the FISCAM critical elements for Application Level General Controls and Business Process Controls (best practice tool) in the testing of the control concerns and evaluation of the results. Below is a description of the critical elements applied, testwork of control concerns and auditor results:

MHC ACCOUNTS PAYABLE NON PO CLAIM PROCEDURES

3.1. **Access to the application is not restricted to authorized users.** The user field can be changed to a different system login. If the approver is also an originator, the invoice transaction can be rerouted to themselves and approve their own transaction.

3.2. **Transactions are not valid and are NOT unique (can be duplicated).** Often the originator enters the same invoice information with a unique identifier (-1, a, etc.) to bypass the system control and a duplicate payment is processed. The Infor System has a standard report (AP221) Potential Duplicate Payment report to further identify duplicate payments; however, the report is very cumbersome with many lines of payment information. The DFS Accounting Division generates the report monthly but due to the nature of the report the payment information is not thoroughly reviewed.

3.3. **Transactions are not executed in accordance with the predetermined parameters and tolerances, specific to entity's risk management.** Once the invoice transaction is approved at the department, the transaction proceeds through the workflow. If the amount is over $5,000, the invoice transaction is routed to the DFS Accounting Manager's inbox for further review. The DFS Accounting Manager can approve the invoice transaction or reject the transaction back to the originator. However, the DFS Accounting Division does not review invoice transactions under $5,000 to ensure that adequate support for allowing charges against county funds complies with County policy "Criteria for Allowing Charges Against County Funds"; with the ability to duplicate invoices and no oversight for amounts under $5,000 there is a high risk for misappropriation.

CASH LEDGER

3.4. **Access to the application is not restricted to authorized users.** The Treasury Accounting Manager, Accounting Technician and Assistant Chief Financial Officer all have access to approve deposit transactions as the Treasury final approver. In addition, the former Accounting Technician who had performed backup duties for the Treasury Division also has access to approve deposit transactions as the Treasury final approver. This staff person has now been transferred to the DFS Tax Collector Division and access rights and permissions have not been removed. Furthermore, other DFS personnel (Assistant Chief Financial Officer and System Accountants) have DFS System/Admin security access rights and permissions which provide the ability to add, change or delete a transaction and the system control to approve one's own transaction; the Assistant Chief Financial Officer and executive management staff should not have the ability to override or manipulate financial information.

GENERAL LEDGER

3.5. **Access to the application is not restricted to authorized users.** In GL45 (journal control) a user who has access can add, change, delete, release, unrelease, quick post, select for transfer, backout and unrelease without AC to any journal transaction. Currently, there are 14 users that have access to GL45.1 from DFS Accountants, Accounting Managers, Systems Accountants, Chief Financial Officer, Assistant Chief Financial Officer, Financial Services Manager and General Services Information Technology staff; the Chief Financial Officer, Assistant Chief Financial Officer and executive management staff should not have the ability to override or manipulate a financial transaction.

REQUISITION

3.6. **Access to the application is not restricted to authorized users.** On occasion, the originator may need a requisition to be approved by someone other than their assigned approver (designated approver not available). The Procurement Division allows this type of request and requires that the originator obtain department management approval and an email authorizing the action. The Procurement Manager approves the requisition in RQ13 **overriding** the department approval and buyer approvals.

Further it was noted during testing that the Systems Accountant and Procurement Manager have access to all approval codes and the requestor setup of RQ04 (originator requestors profile). In RQ04 such setup fields include delivery from locations (ship to destinations). Currently the county has 101 "delivery from locations" setup; executive management staff should not have the ability to override or manipulate a financial transaction.

BUDGET CHECK

3.7. **Transactions are not executed in accordance with the predetermined parameters and tolerances, specific to entity's risk management.** The General Ledger Module does not have the budget control option activated. The budget control system codes can be turned off/on. Currently the Chief Budget Officer, Accounting Manager, Systems Accountants and Accountants all have access controls to the budget control system codes; executive management staff should not have the ability to override or manipulate a financial transaction.

MATCHING PROCESS

3.8. **Transaction Data Processing is not complete, accurate, valid, and confidential.** If the invoice amount and a credit is entered in the Accounts Payable Module with the credit amount entered in the expense distribution line and the PO matching information is entered as the full amount invoiced (excluding the credit) against the respective PO lines, the additional costs or credits applied to the expense distribution lines are allowed (adds and deletes) to the costs on a final PO Claim unauthorized and the rule is successful as a perfect match. Additionally, the Infor System has standard reports available such as PO Expense Distribution, Match Analysis Report and Cost Variance Analysis Report, **but the reports are not monitored by either of the DFS Accounting or Purchasing Divisions to identify exceptions**.

Effect:
Departments that do not consistently follow established county policies and/or adhere to best practices or other encouraged criteria such as the COSO framework, including the maintenance and availability to the client and other inquiring parties of account activity and the history of payments may result in an incorrect analysis of the account balance and unnecessary liability to the County.

Failure to setup user-approver roles by assigned official duties and proper segregation of duties may result in information that is added, deleted or changed without approval thus resulting in an incorrect transaction and unauthorized access privileges. Further system administrators that also have operational duties and responsibilities should not have the ability to manipulate financial transactions. Additionally, the Chief Financial Officer, Assistant Chief Financial Officer and executive management staff should not have the ability to manipulate a financial transaction.

Cause:
The control concerns identified are due to improper application of the implementation of the security management of user roles and responsibility as it relates to proper segregation of duties and the monitoring of users accounts that no longer need specific access rights and permissions in their assigned official duties.

Recommendation 3:
The County Management should consider:

a. implementing the Kinsey & Kinsey security tool (Agreement 17-210 dated 7/18/2017), that assists with improving the security and monitoring of the system, and review each user's profile to identify the nature and extent of access to the Infor System and MHC Software for necessary restricted access and segregation of duties. (Auditor results 3.1, 3.4, 3.5, 3.6, 3.7)

b. review their monitoring procedures and reports for identifying duplicate payments to determine if improvements are needed to processes and to explore the use of data analytics to further identify potential duplicate invoice transactions before a vendor payment is issued. (Auditor results 3.2)

c. formally develop, document, disseminate, and periodically update an access control policy and procedure. (Auditor results 3.1, 3.4, 3.5, 3.6, 3.7)

d. review their predetermined tolerance setup for invoice transactions to determine if more tolerance levels are needed to comply with county policy, best practices and the COSO framework of a strong systems of control. (Auditor results 3.3)

e. review their procedures for approving invoice transactions to ensure that charges against county funds are supported before a warrant is issued. (Auditor results 3.3)

f. review the need for several "delivery from locations" setup for one physical address location. (Auditor results 3.6)

g. formally develop, document, and disseminate a budget control policy and procedure. (Auditor results 3.7)

h. review their monitoring procedures and reports for identifying perfect match exceptions and provide additional training to departments for entering PO Claims. (Auditor results 3.8)

Management Response 3:
County management agrees with the overall finding and will implement the recommendations as follows.

a. The Kinsey and Kinsey security software will continue to be implemented to assist in the identification of potential segregation of duties and security concerns. For each of the identified security concerns, a determination will need to occur on whether the security concern can be managed or whether duties need to be further segregated.

b. The Accounting Division will explore data analytics or other methods in collaboration with the Internal Audits Division to better identify payments at risk for being a duplicate payment to a vendor. The Accounting Division will incorporate these procedures into an Accounts Payable checklist to be completed prior to completion of a warrant printing run.

c. The Department of Financial Services will develop and implement an access control policy and procedure for the INFOR system in collaboration with the Information Technology Division of General Services.

d/e. The Accounting Division of Department of Financial Services will review the tolerance levels in INFOR and ensure that it is compliant with County policy on "Charges against County Funds" or if revisions to the policy are required. Staff will ensure that procedures are available to determine the policy was followed prior to warrant issuance.

f. The Procurement Division of the Department of Financial Services will review the ability to limit delivery (receiving) locations to one per physical building location however this ability may be limited by the County not having a central receiving function and certain buildings housing multiple departments or programs that require separate delivery.

g. The Accounting Division in collaboration with the Financial Planning Division of the Department of Financial Services will implement policies and procedures to document the mechanisms within the INFOR

system to apply budget checking in support of the overall County Policy on "Budget and Financial Management" which sets budget authority and levels for budgetary control.

Actual / estimated Date of Corrective Action: *The corrective action will be implemented before end of December 2019. The INFOR system is currently going through a significant migration to a later version of the software which the current testing plan will extend through April 2019. This project limits the ability to work significant on the corrective actions until that work is completed.*

Finding 4: Training Materials and Accounting / Procurement Procedures

Training materials not updated and written procedures not available for many accounting and procurement processes

Criteria:
The United States General Accounting Office, Standards for Internal Control in the Federal Government, Appropriate Documentation of Transactions and Internal Control state that, "Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained."

Condition:
The training materials have not been updated since the implementation of the Infor System in 2015 and or update of system workflows. In addition, accounting and procurement procedures are not available.

Effect:
Accounting and procurement processes may not be followed as instructed. Errors and misappropriation of transactions may be undetected.

Cause:
Training materials have been considered as procedural documents. Documentation has not been updated with new processes and or system workflows.

Recommendation 4:
The County Management should review the training materials and update as needed, develop written procedures for accounting and procurement policies adopted by the Board and determine if other policy and procedures are needed based on business operations and system updates.

Management Response 4:
County management agrees with the recommendation. Though certain training materials have been updated throughout the ownership of the INFOR system, the old learning management system that was utilized at inception of the INFOR system was not maintained due to the time consuming and difficult nature of the software. As time progressed, training materials were only updated on newly implemented changes and materials as a whole were not consistently managed and maintained.

County management will review the INFOR Finance and Procurement training materials currently published and ensure that the training materials are updated and packaged into a consistent format reflecting current business processes. Training has also been a critical topic of discussion at monthly INFOR steering committee and has been a focus area since survey results were completed early in fiscal year 2018/19.

Actual / estimated Date of Corrective Action: *A training program for the INFOR system for calendar year 2019 is in development and will be implemented and accomplished before the end of December 2019.*

Further Review Needed

A. Invoice transactions

The Department of Financial Services Accounting Division does not review invoice transactions under $5,000 to ensure that adequate support for allowing charges against county funds complies with County policy "Criteria for Allowing Charges Against County Funds".

> According to the County Internal Audit Manager, the Division of Internal Audit will be implementing a continuous auditing plan based on assessed level of risk, including audits of system controls in various departments and around various transactions (e.g. contracts, purchase cards, accounts payable and HR timekeeping functions). The review of invoice transactions will be incorporated in this plan. Anticipated date of continuous reviewed by: June 30, 2019.

B. Related job classifications to the Infor System project

The auditor found job classifications related and or assigned to the Infor System project not available, abolished or questionable. The Special Projects Manager classification has been abolished and the class specification was not written for the Financial Systems Manager. According to the Human Resources Personnel Analyst, the class specifications are not required for at-will classifications. Additionally, duties and responsibilities of related and or assigned positions to the Infor System project are unclear e.g. Duty Statements not available. These positions in question are located in the Department of Financial Services and County Administrator's Office.

> Division of Internal Audit's Audit Plan for FY2018-2019 includes a Human Resources/Minimum Qualification Review. Anticipated date of review by: June 30, 2019.

C. Infor System Controls Audit planned in FY2018-19

The Division of Internal Audit will be conducting performance reviews of the countywide Infor system in five phases. **Phase 1 and 2 are planned for FY2018-19**.

> PRELIMINARY PHASE – Follow-up audit of the Internal Auditor's Assessment of the Infor System Controls for the Financial Module to validate the auditor control considerations and to provide management with a status of the county project goals, auditor control concerns and the recommendations that resulted from the Kinsey review.

> **PHASE 1 – Gain an understanding background, contract agreement modules, functions, user types, planning, implementing, roles and responsibilities (Infor vs County), timelines, etc.).** As noted above, some background has already been performed in the Preliminary Phase.

> **PHASE 2 – Design Audit Program – Preliminary results, Infor Systems Test of Controls (system and manual). Note: this is not to test the integrity of the data, the transactions for validity, proper segregation of duties, if transactions are properly reviewed, sufficient support, or adherence to county policy or other governing authority (this will be tested in Phase 3).**

> PHASE 3 – Test of System Data Integrity (system and manual input and output)

> PHASE 4 – Test of Transactions and Substantive Testing over accounting and reporting transactions in business processes

Yolo County
Attachment A: Infor Project Summary of Commitments and Payments

Below is a summary of the commitment and payments for contracts between Yolo County and Infor Public Sector, Inc. and Kinsey & Kinsey, Inc. The amounts paid under each agreement were provided by County Management within the Department of Financial Services and the County Administrator offices. The information is illustrated to provide context of the amounts agreed upon and paid through the period of June 30, 2018 and July 17, 2018 (unaudited).

Contract Description (Term 4/01/2014 to 3/30/2015)	Agreement Number	Contract Amount	Amendment / Change Order	Contract Adjusted Total	Travel Costs Paid	Actual Paid	Unused Balance
INFOR Software license agreement (2)	14-52	$559,221	$76,050	$635,271		$635,271	$0
INFOR Software support agreement (2) (4)	14-53	593,796	0	593,796		709,823	(116,027)
INFOR Hosting agreement (7)	14-54	800,000	87,000	887,000		1,017,123	(130,123)
INFOR Software services agreement (2) (5)	14-55	2,084,122	1,383,874	3,467,996		3,352,478	115,518
INFOR Software services agreement (Additional services-460 hours)	14-55	40,320	40,536	80,856		94,683	(13,826)
BSI Software services agreement (1)	Not approved	30,552	0	30,552		30,842	(289)
MHC Software license/ maintenance agreement (3) (6)	14-56	369,056	71,250	440,306		355,537	84,769
PCI license/equipment/ support/ maintenance agreement (2)	14-57	168,600	0	168,600		73,936	94,664
Subtotal (As of 6/30/2018)		**$4,645,667**	**$1,658,710**	**$6,304,377**	**$0**	**$6,269,693**	**$34,686**
Kinsey & Kinsey Consultants, Inc. (8) (9) (10) (12)	16-138	150,000	1,123,780	1,273,780	60,592	441,463	771,725
Kinsey (Software License Agreement) (1) (11)	Not approved	142,500		142,500			142,500
Subtotal (As of 7/17/2018)		**$292,500**	**$1,123,780**	**$1,416,280**	**$60,592**	**$441,463**	**$914,225**
County staff time (not included) (13)		Undetermined	Undetermined	Undetermined	Undetermined	Undetermined	Undetermined
Grand Total		**$4,938,167**	**$2,782,490**	**$7,720,657**	**$60,592**	**$6,686,626**	**$948,911**
Sherpa BFM budget system	Approved 11/6/2018	435,825		435,825			
GFOA Estimated (14)				**$8,000,000**			
Over (Under)				**156,482**			

(1) Agreement not approved by the Yolo County Board of Supervisors
(2) Contract term automatically renewable
(3) Maintenance, support and future improvements – annual fee equal to 18% of the current list price and $1,500/day plus reasonable travel expenses
(4) Annual escalation percentage cap – 3% per year for five (5) years; thereafter 6% or the then-current year-over-year increase in the Consumer Price Index (CPI-U), whichever is greater
(5) Reasonable travel, living and other out-of-pocket expenses incurred are included in the milestone payment in Agreement 14-55 Section 8.2
(6) Change orders – Addendum 3 & 4 totaling $48,975 not approved by the Yolo County Board of Supervisors
(7) Order form not submitted to the Yolo County Board of Supervisors as a complete Board packet. Travel and living expenses are not included in the rates or fees and will be billed at actual cost incurred. After initial term, the yearly rate may be adjusted; not to exceed the greater of CPI or 3%.
(8) Original contract; Agr 16-138 contract term 8/01/2016-6/30/2018
(9) Amendment #1; Agr 17-63 increase maximum compensation $120,850
(10) Amendment #2; Agr 17-210 increase maximum compensation $1,002,930, extend term 6/30/2019 and revise scope of contract
(11) Software License Agreement; contract term 7/21/2017-7/20/2022 (5-year term with option to renew additional 5-year term); $75,000-software license one-time fee and $13,500 annual fee; Not approved by the BOS
(12) Work Authorization-Workforce Management (WFM) subcontractor-Axsium, contract amount $20,000
(13) Pursuant to GASB 51, internal cost (county staff time) incurred to develop internal-use computer software during the application development stage shall be capitalized. Per County Management, county staff time has not been sufficiently tracked and therefore cannot be determined.
(14) GFOA Estimated – undetermined if county staff time is included in the $8,000,000 system project costs

The County's process improvement goals of a new financial and human resources information systems were to provide business process re-design services that will achieve measurable improvements in business processes within a few key processes including budget preparation and submission, time tracking and labor reporting, HR/payroll employee/manager self-service, accounts payable processing, accounts receivable creation and tracking. Below is a status of the project goals thus far since implementation by County Management as of October 2018:

Project Goals / Success Indicators:

Project Goal	Goal Description	Key Indicator	Percent of Goal Attainment	Status
Retire the County's general ledger system and eliminate reliance on a small number of individuals for development and support.	The County's current financial system is programed in an outdated development environment and experienced programmers are difficult to locate.	Financial System is created and managed in a development environment that is industry standard and is supported by an organization with sufficient resources to meet the County's ongoing needs.	100%	
Upgrade or replace payroll system	The cost to support PeopleSoft version 8.9 is rapidly increasing. The County should upgrade or replace version 8.9 due to its retirement by Oracle.	PeopleSoft version 8.9 is replaced. The new system supports business process workflow for the following: employee / management self-services, time and labor tracking and reporting that is fully integrated with general ledger. Additionally, the system will provide tools to assist with forecasting labor costs, position control, tracking of certifications, skills, degrees, levels of expertise and training.	100%	
Provide an integrated budget development system	County staff currently develop individual spreadsheets and manually enter results into a budget tracking system resulting in inconsistent formats and assumptions causing inefficiencies in the review and approval process.	The system is fully integrated between departments, auditor, accounting and budget with data input only once. Documentation of assumptions, revisions, and approvals are visible and accessible for all authorized users. The HR/payroll system and general ledger are fully integrated for forecasting salary and benefit costs and accessing historical information. Use of spreadsheets is eliminated as the County's primary budget development tool.	10%	Through the original contract with INFOR, the County purchased the CPM budget module. This product was replaced by mutual agreement with DEPM. The initial discovery was conducted in Fall of 2016. Implementation activities began in Summer of 2017. Functional issues were present due to the software being a recent release. The county is re-evaluating options due to significant delays in INFOR performing updates necessary to implement.
Provide better management information	County managers need better and more timely information from the system to provide decision support.	County managers have access to dashboard information with key information and the ability to drill down to get detailed transaction data for decision support. Additionally, the system will provide a tool to assist with forecasting and performance measurement.	50%	INFOR has reports with drill-down features. More effort is needed to implement dashboards and incorporate tools for forecasting and performance measurement.
Improve business process efficiency	The County needs to streamline business processes and eliminate duplicate data entry. A financial system with multiple modules will allow for the reduction of the many departmental shadow systems.	County has a system that allows users to enter key business information, to view, query and report on this information in real time, and use this information to automate key business processes. Departments have the confidence in the system and rely on it as their primary source of information. Duplicate shadow systems are eliminated.	75%	Business processes are still being refined to meet best practices. Department confidence is demonstrated through the INFOR survey results.
Data Integration	For key systems already in place in the County, there will need to be interfaces developed and maintained that allow for information to be transferred automatically between systems. The County is looking to avoid fragmented information that relies on users to enter and reconcile data between multiple systems	Real time interface developed with existing third party software.	60%	Many of the initially planned interfaces were not implemented due to the timing of go-live for the project and **due to lack of department desire for interfaces**. The majority of interfaces are not live interfaces; rather they are run daily by either departments or DFS.
Elimination of Shadow Systems	Because of limitations with the current financial system, many users both in the Auditor's office and in the departments have been forced to use shadow systems to track information. This system will eliminate the need for most of those shadow systems.	Capitol assets are tracked in the system. Departments use system for project and grant costing, billing, and reporting.	40%	The Capital Assets system is currently being implemented in 2018-19.\n\nProject accounting has been implemented. However, the associated grant costing, and billing and reporting features are not fully implemented.
Revise the Chart of Accounts	The County's chart of accounts is currently restrictive and does not allow the County to capture costs and report information adequately. This project will be an opportunity to develop a chart of accounts consistent with best practices.	County's chart of accounts is revised to accommodate the various reporting and managerial needs of departments across the County. Each segment of the chart of accounts has one purpose.	100%	
Project Risk Mitigated	The County strives for a successful project that is accepted and easily used by end users throughout the County. To gain efficiencies, improve processes, and have better access to data, the County's project must be properly planned, communicated, and executed.	The project scope will go-live according to the schedule listed in this RFP without going over budget.	100%	Go-live portion of the project is completed. Payroll experienced delays of 3 months and Finance experienced delay of 4 months. There were additional costs related to delays of go-live dates.

Attachment B: Status of Project Goals, Auditor Control Concerns and Kinsey Recommendations

Auditor Control Concerns:

The Internal Auditor's Initial Assessment of the Infor System Controls for the Financial Module identified control deficiencies that the county should consider and determine where manual controls should be designed and implemented to help ensure that best practices are being followed, risks are minimized, and that business transactions have sufficient compensating preventive and detective controls in place. The areas of control deficiencies within the Infor System were related to requisition request, purchase order receipts, accounts payables, accounts receivables, deposits and budget management.

The critical elements for application level general controls and business process controls for establishing adequate controls within the category established by Federal Information System Controls Audit Manual (FISCAM) control audits are summarized below for each auditor control concern identified in the report:

Critical Elements for application level general controls/business process controls	Critical Element Description	Number of Auditor Control Concerns Identified (Attachment C)
AS-2 – Implement effective application access controls	Provides reasonable assurance that only authorized personnel have access to the application and only for authorized purposes.	5
BP-2 – Transaction Data Processing is complete, accurate, valid, and confidential (Transaction Data Processing Controls)	Relates to controls over data integrity within the application (e.g., review of transaction processing logs).	9
BP-3 – Transaction data output is complete, accurate, valid, and confidential (Transaction Data Output Controls)	Relates to controls over data output and distribution (e.g., output reconciliation and review).	2
Supporting Documentation		2
Total		18

Application Level General Controls (AS): Application level general controls consist of general controls operating at the business process application level, including those related to security management, access controls, configuration management, segregation of duties, and contingency planning. Application level general controls are dependent on general controls operating at the entity wide and system levels. The application is generally a subset of the infrastructure that includes one or more operating systems, networks, portals, LDAPs, and data management systems. In addition, applications themselves require another level of access requirements that restrict users to application functionality that aligns with the user's role in the organization. The objective of application level general controls is to help entity management assure the confidentiality, integrity, and availability of information assets, and provide reasonable assurance that application resources and data are protected against unauthorized: modification, disclosure, loss and impairment.

Weaknesses in application level general controls can result in unauthorized access, use, disclosure, disruption, modification, or destruction of applications and application data. Consequently, weaknesses in application level general controls can affect the achievement of all of the control objectives (completeness, accuracy, validity, and confidentiality) related to applications data.

Business Process Controls (BP): Business Process controls are the automated and/or manual controls applied to business transaction flows and relate to the completeness, accuracy, validity and confidentiality of transactions and data during application processing. They typically cover the structure, policies, and procedures that operate at a detailed business process (cycle or transaction) level and operate over individual transactions or activities across business processes.

The Department of Financial Services (DFS) provided a status of the control considerations in March 2017 and updated their status response in April 2018. Based on the injuries with DFS management and staff, the auditor selected a sample of Infor System modules for further testing. The recap of management's responses for the status of the control considerations is listed below:

Status	March 9, 2017	April 2018
Implemented	0	1
Not Implemented	5	4
Partially Implemented	1	2
Not applicable	11	11
Not clear of observation noted	1	0
Total	18	18

Implemented – The control concern identified by the auditor is complete and management has taken action to mitigate risk.
Not Implemented – The control concern identified by the auditor is not complete and management has not taken action to mitigate risk.
Partially Implemented – The control concern identified by the auditor is partially complete and management has taken some action to mitigate risk.
Not applicable – The control concern identified by the auditor is not applicable in the functionality of the Infor System.
Not clear of observation noted – The control concern identified by the auditor is not clear of observation noted during training session.

Attachment B: Status of Project Goals, Auditor Control Concerns and Kinsey Recommendations

Kinsey Recommendations:

The Kinsey scope of work included a review and assessment of the current set-up of the County's Infor Lawson Financial, Procurement, Human Capital Management, and Payroll implementation to determine issues and identify areas, configuration, processes, and functionality needing to be improved. Kinsey provided four assessment reports (Finance, Procurement, Global Human Resources/Payroll and Project Accounting-Activities) with a total of 125 recommendations for improvement.

The auditors met with the Department of Financial Services on the status of the Kinsey recommendations provided for Finance and Procurement. Out of the 69 recommendations, 22 have been completed, 15 in-progress, 22 not started and 10 passed for a 32% overall completion.

Illustrated below is a summary of the status of the Kinsey recommendations excluding Global Human Resources/Payroll:

TASK ID	TASK NAME	ACTUAL STATUS	REPORT	DFS COMMENTS
AC-01	AC Redesign	Complete	Finance	
AC-02	Grants Management Implementation	Not Started	Finance	Currently discussing with Infor
AM-01	Asset Management	In Progress	Finance	
AM-02	AM-a: Review current setup and complete missing elements such as defining Locations and Divisions. 99 hour	In Progress	Finance	System accountant has started the review and will coordinate with Asst. CFO to design and implement set up
AM-03	AM-b: Assign a dedicated resource to have ongoing responsibility for AM. 1 hour	Not Started	Finance	Will assign after setup is complete
AM-04	AM-c: Work with dedicated resource to train them in setup and processing of AM. 100 hours	Not Started	Finance	System accountant has started the review and will coordinate with Asst. CFO to design and implement set up
AM-05	AM-d: Review the data in the interface file to determine if these are assets to be added or will be included in an asset conversion. 100 hours	Not Started	Finance	System accountant has started the review and will coordinate with Asst. CFO to design and implement set up
AM-06	AM-e: Dedicated resource to work with Kinsey resource to prepare, test and convert historical assets. 100 hours	Not Started	Finance	System accountant has started the review and will coordinate with Asst. CFO to design and implement set up
AP-01	Process Level Entry	In Progress	Finance	With the new AP workflows, new process levels will be set up for depts.
AP-02	Procedures: AP178 into cash payment cycle	Complete	Finance	Can include with month-end closing process but no value until grant mgmt. is implemented
AP-03	Cash Discounts	Pass	Finance	No further testing needed at this time. System defaults discounts to one accounting unit. Past practice not aligned with new setup. County must decide what our business process will be.
AP-04	Separate Payroll Account	Not Started	Finance	In conjunction with new bank vendor
AP-06	AP Workflow	In Progress	Finance	
AP-14	Discuss and consider removing the Pay Vendor field from AP20 and AP30 screens. (page 7)	Pass	Finance	Visibility required to review. DFS will train to staff to review the pay vendor field as part of the approval process.

Continued - Kinsey Recommendations:

TASK ID	TASK NAME	ACTUAL STATUS	REPORT	DFS COMMENTS
AP-15	For confidential payments through County Counsel, District Attorney and Public Defender, consider processing through CB using a generic vendor. This needs to be taken under consideration in conjunction with security setup for these departments. (page 6)	Complete	Finance	DA confidential warrants are currently processed via CB. DFS testing CB for PDR confidential warrants.
AP-17	Review Income Codes to see if all are needed. Only 9 of 22 are in use. (page 8)	Complete	Finance	
AP-18	Income Codes should only be assigned to vendors who receive 1099's. Remove this value from vendors who do not receive 1099's. (page 8)	Pass	Finance	1099 issuance is not dependent on whether a vendor has an income code assigned in AP10. Defining the income code indicates whether a 1099 will be issued or not.
AP-20	Consider use of workflow for non-PO invoices for approval.	Complete	Finance	Considered with the redesign of AP workflow
CB-01	CB10 Workflow Redesign	In Progress	Finance	
CB-02	CB20 Workflow Redesign	In Progress	Finance	
GL-01	GL Hierarchy	Complete	Finance	
GL-02	Strategic Ledger Implementation	Not Started	Finance	On hold; will revisit with new Strategic Plan
GL-03	Employee Expense Implementation	Not Started	Finance	On hold until after asset management, contract management; lease management
GL-05	Procedures: Recurring Entries & Cost Allocations	In Progress	Finance	Recurring journals will be implemented when the GL40 workflow redesign is completed. Cost allocation setup and process still needs to be tested to see if (and how) it can benefit the County to use it.
GL-06	Procedures: Person Responsible (GL20)	Not Started	Finance	Simple change. Need to decide whether data in this field will be a person's name or a department name
GL-07	Procedures: GL192 into close process	Complete	Finance	
GL-09	Account Descriptions - Analysis & retitling	In Progress	Finance	System accountant reviewing with Finance Manager
GL-10	DAG List Analysis - Cleanup	Complete	Finance	
GL-11	GL40 Workflow Redesign	In Progress	Finance	
GL-12	Interface Review	Not Started	Finance	On hold; will be revised as needed
SEC-01	Security	In Progress	Finance	Purchased Kinsey Security Tool. Listerner turned on to track user activity. Current task is to review the SOD rules, conflicts, and clean up security access. Data level security has not been discussed as to when we will start reviewing this.
AP-07	Eliminate additional Pay Groups CC01, DA01 and PD01 as they are not being used and not serving intended purpose. Processing of separate checks for County Counsel, District Attorney and Public Defender needs to be investigated through use of Process Levels and changes in security to move away from having to create handwritten checks for these departments. (page 4 & 5)	Complete	Procurement	

Continued - Kinsey Recommendations:

.	TASK NAME	ACTUAL STATUS	REPORT	DFS COMMENTS
AP-08	Change setting at Vendor Class to not allow zero dollar payments and activate it only when invoices and credit memos need to be processed to clear from open payables. (page 4)	Pass	Procurement	County reviewed. Will not implement.
AP-09	Determine if there was a purpose in defining Invoice Accrual Codes ACST and RETN. If not delete these codes. (page 6)	Pass	Procurement	ACST is used to record accrued sales tax. RETN is used to record accrue retention holds
AP-10	Assign new vendor setup to Procurement instead of Finance to avoid conflict of personnel being able to create and pay a vendor. (page 7)	Not Started	Procurement	Currently assigned to Systems Acct in Finance for now, evaluating longer term solution.
AP-11	Review setup of PO Vendors particularly for Issue Method, Revised Issue Method and Location Control. (page 13)	Not Started	Procurement	In conjunction with strategic supply
AP-12	Determine consistent method for vendor setup as to what default information should be included and limit the number of users who can setup vendors. Remove information from vendors as overrides that mirrors data defaulting from a higher level. This includes Cash Codes and Payment Codes. (page 6)	Not Started	Procurement	In progress; already issued new vendor setup forms
AP-13	Discuss and consider eliminating the use of One Time vendors. One Time vendors circumvent the normal vendor review process. There are approximately 100 users who can create a One Time vendor. There are many duplicates of these vendors indicating they are not always single use. (page 7)	Pass	Procurement	Eliminating one-time creation is not a valid option for the County. DFS to discuss other options/processes to mitigate the inappropriate use.
AP-16	Assign SER as the default Handling Code on the Match Company MA01.1. If most of the invoices processed are for service PO's making this the default will save keystrokes during data entry. (page 8)	Pass	Procurement	Users are already use to entering a handling code when entering an invoice
AP-19	Vendor File Cleanup	In Progress	Procurement	in progress; on-going
MA-01	MA-1: Use of Rule Group AOC which has a $20 unit cost tolerance per item. It is assigned to the Handling Code MAT which means all PO's with goods, (received items), have a $20 tolerance on the unit cost. This should be eliminated immediately.	Complete	Procurement	
MA-02	MA-2: Current practice of when invoices are not a perfect match, deleting invoices and requesting re-invoice from vendor or making revisions to PO's when necessary. Stop practice to determine actual number of invoices that do not match PO's.	Complete	Procurement	
MA-03	MA-3: Use Reconciliation Messaging particularly if practice of deleting invoices that do not match is eliminated.	Complete	Procurement	

Attachment B: Status of Project Goals, Auditor Control Concerns and Kinsey Recommendations

Continued - Kinsey Recommendations:

TASK ID	TASK NAME	ACTUAL STATUS	REPORT	DFS COMMENTS
MA-04	MA-4: Use Auto Match MA126 as part of daily routine.	Pass	Procurement	County's current practice does not allow the auto-matching of PO claims without department approving the claim first.
MA-05	MA-5: Clearly define roles and responsibilities for Finance/AP and Procurement/Buyers.	Not Started	Procurement	Will confirm in conjunction with security review.
MA-06	Use workflow to route invoice messages. (page 24)	Not Started	Procurement	In progress; still configuring alerts with workflow
MA-07	Determine through security review if there are users having access to invoice entry and PO. (page 26)	Not Started	Procurement	Complete but will confirm with security review
PO-01	RQ Workflow Design	Not Started	Procurement	On hold until RQC module is implemented
PO-02	Automate issue of PO's by fax and email. This may be a service Yolo has already with MHC. (page 13)	Complete	Procurement	
PO-03	Automate PO Creation (PO100)	Pass	Procurement	County will not automate PO100 but will use it to create PO's
PO-04	PO Numbering	Complete	Procurement	
PO-05	Review PO Approval.	Complete	Procurement	
PO-06	Review PO Codes setup. I would consider using them for certain PO's such as service. Currently several are setup but not being used. (page 28)	Pass	Procurement	Reviewed and tested the use of PO Codes with Procurement Mgr. May not be a viable use for the County. Not compatible with the use of PO100.
PO-07	Year-end encumbrances (PO/RQ)	Complete	Procurement	
PO-08	Encumbrance creation date (PO/RQ).	Complete	Procurement	Requisitions now encumbered based on delivery date. PO encumbered based on system date. Cannot use delivery date setup for PO because it affects the encumbrance of SVA.
PO-09	Consider defining often purchased items as non-stock items for which pricing and vendors can be established. Items can be added to templates and made available to requesters when creating requisitions. (page 30)	Not Started	Procurement	On hold; low priority
PO-10	Review creation of Vendor Agreements. Yolo has a large number of agreements not all of which appear to be in use. Also, there is an issue with agreements not being encumbered. A patch is being installed to test as of 1/10/17. (page 35)	In Progress	Procurement	Patch for PO26.3 unsuccessful. Waiting for INFOR to provide another patch.
PO-11	Vendor Agreement Line Access	In Progress	Procurement	Procurement Mgr. reviewing
PO-12	Agreement Administrator	In Progress	Procurement	Administrator added to the SVA. Testing the email functionality.
RQ-01	Use workflow for requisition approval in place of form based approval at RQ12. This provides more flexibility and greater security. Approval should be at header level. (page 21)	Not Started	Procurement	Will review concurrently with RQC implementation. Waiting for INFOR. Need to update INFOR version.

Continued - Kinsey Recommendations:

TASK ID	TASK NAME	ACTUAL STATUS	REPORT	DFS COMMENTS
RQ-02	Prior to having workflow in place for requisition approval, make the Authorization ID unique for each Approval Code. This serves as a password and currently it is the same at Level 1 for all Approval Codes. (page 20)	Complete	Procurement	
RQ-03	Requisition approval settings.	Complete	Procurement	
RQ-04	Review list of Requesters who are also Approvers. What is the circumstance that creates this situation? As a general rule I would not have a Requester also be an Approver. (page 19)	Not Started	Procurement	Will review with SOD conflicts. Currently, requester setup does not allow a requester to change the approval workflow.
RQ-05	Review Accounting Unit restrictions assigned to Requesters and verify how is maintaining this and how being maintained is properly documented. (page 19)	Not Started	Procurement	Will review concurrently with Task MA-05
RQ-06	Requesting Location & AU Default	Complete	Procurement	
RQ-07	Requisition Center (RQC)	Not Started	Procurement	Updating INFOR version is a prerequisite that needs to be completed first. Waiting for INFOR to provide a timeline
TX-01	Review Tax Code setup and consider eliminating duplicate Tax Codes. (page 16)	Complete	Procurement	
TX-02	Begin using Tax Codes on lines for requisitions, PO's and invoices when applicable, instead of adding tax as an Add On Cost, (AOC). This should include discussion between Finance, Procurement and Requesters to clearly define a process. (page 16 & 28)	Complete	Procurement	
PO-13	Commodity Code implementation	In Progress	Procurement	

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- *Treasury & Finance*
- *Tax & Fee Collection*

- *Financial Systems Oversight*
- *Accounting & Financial Reporting*
- *Internal Audit*
- *Procurement*

TO: Howard Newens, Chief Financial Officer

FROM: Mary Khoshmashrab, Internal Audit Manager

COPY: Kim Eldredge, Supervising Auditor

DATE: October 30, 2015

SUBJECT: Results of the Internal Auditor's Initial review of the Infor system
controls for the Financial Module.

This correspondence is intended to provide the results of the internal auditor's initial review of the
Infor Financial Module's system controls. The review was limited and mainly consist of the auditors'
inquiries and testing performed while attending the Infor training that was provided by county staff,
various conversations with Mark Bryan, and meeting held with Infor consultants, Mark Bryan and
other county staff on October 23, 2015. Additionally, a follow-up meeting to discuss additional
questions and further clarify our understanding of the Infor's system of controls has been rescheduled
for November 16, 2015. Based upon further discussion some of the information may change or
additional control concerns may be added. At this point the document is only in draft form and
intended to provide an update with the understanding the document has not be finalized, and as a
result of the meeting discussion may change.

At this point, as a result of our limited review the auditors identified control deficiencies that the
county should consider and determine where manual controls should be designed and implemented to
help ensure that best practices are being followed, risks are minimize, and that business transactions
have sufficient compensating preventive and detective controls in place.

Background:

The auditors attended several Infor module trainings that were provided by county staff prior to the
go live date of November 2, 2015. During the training the auditors performed various business type
transactions that related to requisitions request, purchase orders receipts, accounts payables, accounts
receivables, deposits, and budget management. The auditors performed the transactions as guided,
identified system controls built in the system according to the testing manuals, tested the system to
determine if the controls were reliable and sufficient, and inquired further with the trainers to gain an

FISCAL ACCOUNTABILITY

understanding of the transactions and the system processes. Additionally we met with Mark Bryan to gain a deeper understanding of the system's control capabilities, and to seek clarification around areas that the auditors identified as being potentially weak or lacking within the system and the transaction process.

The auditors also met with Mark Bryan, other county staff, and Infor consultants to gain additional understanding, and to determine if the control deficiencies identified by the auditors were as a result of having an open system during the training, or if the deficiencies would remain once the system was locked and in operation.

Identifying the control deficiencies within the Infor automated system will help assist the County in determining where management should develop and implement manual control procedures to ensure that sufficient compensating detection and prevention controls are in place, and risks are minimized.

Discussions and Considerations:

According to our discussions with the Infor consultant's and county staff (Infor team) they are still in the process of developing workflow documents referred to as Infor Process Automation (IPA) for each of the business transactions that are performed through Infor, and other interface systems such as WinCam. The workflow document is designed to include both the step by step process of the business transaction cycle (flow), and the system controls that are built-in or are planned to be built-in to the Infor system.

Currently, though several of the IPA's have been written, the Infor team is in the process of testing the system to ensure that the controls identified in the written plan are in fact present and functioning as intended within the system, and cannot be worked around or manipulated. It should be noted that during the training phase of Infor the auditors were able to manipulate the system and workaround some of the controls described by the trainers. The Infor team assured the auditors that some of the controls could be manipulated because the system was in test mode. However, several of the control weaknesses identified appear to be as a result of the system's inability to function in the County's decentralized business environment (e.g. many different companies).

Based on discussions with the Infor team, the Infor system is designed to function in a centralized business environment (one company) where there is one department (user type) within the business environment that performs a specific business transaction (e.g. the procurement, the accounts receivable, the accounts payable department, etc.). Therefore, the system controls in place may not be compatible to the controls necessary in an environment that has several of the same "user types" that are decentralized and performing similar business transactions (e.g. procurement, accounts receivable, and accounts payable) throughout various departments.

The Infor system does not have the ability to lock down or implement a control at the "employee" level. Therefore, all employees that are defined as a specific 'user type" has the ability to manipulate all transactions relating to that user type in the entire Infor system rather than just the transactions that the employee originated or within only one department. Further, if the employee has been defined as a "user" and as an "approver" type, because the system does not recognize the two types as the same employee, there does not appear to be control procedures that could be developed in the system that

ASSURANCE OF ACCOUNTABILITY

would prevent the user (an employee) from originating and approving a single business transaction (proper segregation of duties).

The auditors identified other control deficiencies that resulted from the system's inability to operate in a decentralized business environment. The ability for employees, according the user types assigned, can view, add, change, or delete any transaction that was created by others with the same user type; up until the entry is released and posted to the general ledger. The system does not lock the transaction's editing capabilities as it should, for good system control, as it moves from the originator, to the approver and if applicable to DFS for final approval.

A system control should exists that prevents the manipulation of the originator actions (by anyone including other users and/or the assigned approver) once it is input into the system and moves through the system's approval process. Once to the approver the system should not allow the approver to make changes to the originators actions (once the originator releases to the approver, the originator (or others with the same assigned user types) should not be able to manipulate the action).

The approver should only have the ability to approve or deny (if denied, the action should be sent back to the originator directing the originator to edit the denial and forward back to the approver).

Also, the system allows the Department of Financial Services (DFS) staff to add, delete, or change the transaction. Good system controls should prevent the final approver from manipulating the transaction. The DFS should only be allowed to approve or deny (sending it back to department's approver and originator for editing).

Further, for the same reasons described with other departments, control deficiencies exist at the DFS regarding their own business transactions.

The auditors identified the following control deficiencies, including the control deficiencies described above that management should consider.

➢ In general the system does not lock control capabilities at the employee and the department level rather it is defined at a "user" type level. The system does not recognize each department as its own separate entity rather all departments are seen as one large department (company).

  ▪ Control Concern:
    ✓ Originator can manipulate similar users from the same or other departments entries (including add, delete, or change actions within a transactions)
    ✓ Originator can manipulate the system- once in the system the user can manipulate the system in a way that would allow the user to change approvers or approve their own transactions; directives by trainers and warning messages in procedures for user to operate in a diligent manner should not be considered a sufficient control.

➢ The system does not lock down the entry for editing once the originator releases the action to the approver. The system does not lock down the ability for the originator, the approver or others with similar user type to manipulate (add, delete, or change) the transaction prior to being sent to DFS. Further, DFS has the ability to manipulate the action. DFS also has the ability to manipulate all department transactions as the final oversight entity, as well as the ability to perform transactions as a department function.

October 30, 2015
Page 4 of 11

- ▪ Control Concern:
    - ✓ The originator should not be able to manipulate an entry once it is forwarded to approver
    - ✓ Other user's with similar user type rights should not have the ability to add, delete, change or view other originators or departments business transactions
    - ✓ The approver should not have the ability to add, delete, or change entry actions. The approver should only be able to approve or send back for correction to the originator
    - ✓ The final approver or oversight entity (DFS) should not have the ability to add, delete, or change the entry. The DFS should only be able to approve or deny (sending the entry back to the approver and originator at the department for editing)
    - ✓ The DFS staff should not have the ability to function as both the oversight approver and as a department originator for business transaction without separate assigned rights or user rights that identify and/or prevent the employee's user type and that restricts the function as the approver as the oversight entity from the originator as part of a department business transaction.

➤ During Infor training, once the auditor signed into Infor or MCH with their own user's name and password, the Infor system and the MCH system allowed the auditor to enter another user's id and therefore change the approver assigned, create a business transaction, etc., without the system preventing the action. The auditor was able to create an action (requisition request, or pay a PO) that another user had rights to create even though the auditor did not have those rights under the auditor's user type (the auditor once signed in to the system, was able to change to another user. The system did not require a password).

- ▪ Control Concern:
    - ✓ The system should not allow the user id to be changed within the Infor system to a different user id. The system allows the user id to be changed (without requiring a password) and for employee to manipulate the system and allowable business transactions to be created that the initial user has no assigned right.
    - ✓ The system does not prevent the user id to be changed once in the Infor system and requires no password (once in the system) thus allowing the manipulation of the assigned approver.

➤ During Infor training, for the payment of an invoice, to test the system, the auditor entered the wrong vendor name that was not shown in the system as a selection option, a larger wrong dollar amount, and no vendor number; therefore, no automated number was assigned. We found that the system accepted the transaction and forwarded it to the trainer (approver) for approval. Even though the system identified the items did not match, the approver was able to make necessary changes to the entry, and clear and approve the transaction without involving requiring any action from the originator.

ASSURANCE OF ACCOUNTABILITY

Internal Auditor's Initial Assessment of the Infor System

October 30, 2015
Page 5 of 11

- ▪ Control Concern:
    - ✓ The system should not allow a transaction to be accepted and passed to an approver when information entered does not match, dollar amounts do not match, and/or the vendor is not automatically recognized.
    - ✓ The system should not allow the <u>approver</u> to make changes to the entry (when the system did not recognize the vendor from point of entry) and push it through to the next approval or for payment without involving the originator to approve the changes or without notification to the originator that the entry has been changed
    - ✓ The system should not allow the approver to make edits to the entry and clear the errors (which is a system control that failed) to approve and finalize the transaction.

➢ Duplicate vendor and/or duplicate payment lines. The auditors were able to enter the same vendor amounts or duplicate payment lines without the system preventing the duplication or at least flagging a warning that required the originator to verify and proceed.

- ▪ Control Concern:
    - ✓ The system does not prevent the originator from entering the same vendor information, or payment lines without preventing the duplication or flagging it with a warning. The system should either prevent duplicate entry or system flag warning the originator, the approver, and to DFS. Though the auditors have not tested if the same invoice number can be referenced over and over. If so, this too is a control weakness.

➢ Infor system may not have a hard control in place that prevents the departments from exceeding the $5,000 limit, or a control that would automatically direct the transaction to DFS for approval. The IPA directs the user not to exceed the limit, but it is unclear if the system would prevent the user from exceeding the limit. During training the auditor was able to move through the process with a larger amount but it is unclear if the transaction was accepted as a result of the system being in test mode. Further testing is necessary.

- ▪ Control Concern:
    - ✓ The system should have controls in place at each user type, originator, approver, and DFS that provides a hard control preventing the system from completing the transaction.

Infor system does not notify the originator that the transaction has been finalized or completed. The system should notify the originator when an entry has been changed or deleted, and also once the transactions has been completed and posted to the GL.

- ▪ Control Concern:
    - ✓ The system should have controls in place at each user type, originator, approver, and DFS that notifies the users involved when the entry (action) has been changed, added, deleted, and when finalized.

ASSURANCE OF ACCOUNTABILITY

➤ One Time Vendor Transactions- the Infor system does not have a system control in place that prevents a transaction from being processed when a one-time vendor has entry has been processed more than a maximum of X number of times within a given time period (according to County Policy).

- Control Concern:
  ✓ The system should prevent a department from processing a one-time vendor more than the allowable number of times. This will prevent a department from avoiding bidding requirements, quotes, and from splitting up vendor invoice amounts to stay under the required spending limits at the department level, etc.

One Time Vendor Transactions- the Infor system does not have a system control in place that prevents a transaction from being processed when a one-time vendor exceeds the $600 by requiring that the originator input a FIN or SSN before the action can be completed. This will ensure that the County is properly reporting to the FTB and IRS.

- Control Concern:
  ✓ The system should prevent a department from processing a one-time vendor for amount exceeding $600 (by transaction and in total for a 12 month calendar period) without the system requiring the vendors FIN or SSN be entered.

➤ Internal Billing- the Infor system allows the users involved (originator, IB department's user, and the approvers) in the process to view, change, and delete the others entry. The system relies on the other user entering the other side to move the action forward. There is no confirmation to the originator that the entry has been completed, and the support has been provided to finalize the transaction.

- Control Concern:
  ✓ The system should prevent each of the users from being able to make changes to the others entry. The system should notice all users involved when the transaction has been completed or if the entry of the originator has been manipulated by the other involved users.

Budget Management and reallocation- The Infor system does not have a control in place that includes a system check to ensure that funds are available, and if not a control preventing the transaction, when funds are taken from one object and moved to another, to increase the funds of one object and decrease the funds of the other. The system relies on the individual to manually verify that the funds are available before posting the transaction to move the funds from one object to another. The control deficiency will allow for budget overspending and overages.

- Control Concern:

ASSURANCE OF ACCOUNTABILITY

October 30, 2015
Page 7 of 11

- ✓ The system should automatically verify that the funds are available to be reallocated before allowing the transaction. This will prevent Budget overspending. The system should notice the department head and/or DFS when the budget has been exceeded.

➢ Deposit Entry- the Infor system for deposits do not appear to have sufficient controls built in the system. The system will not be fully developed upon implementation and requires several work around manual processes. The department's enters their deposit using the total "net" amount of the deposit. The system does not detail the amount of bills, detailed checks, or credit cards. The system does require on a following screen to reduce the amount of credit card payments being deposited. Once the transaction is entered into the system, the department originator brings the deposit to the Treasurer (hopefully with a detail of the cash count, individual bills, checks, etc.) and the DFS staff performs a count to agree and signs the form, keeping a copy and giving a copy to the department staff (?). The department staff returns to the department, shows the document vouching the count to an approver and the approver goes into the system and manually approves the transaction (?).

Auditors are assuming that the DFS staff forwards the form to accounting and the deposit is posted to the GL through Infor. The process has not been verified and should prior to the go live date.

- ▪ Control Concern:
    - ✓ Infor system is defined by user type. The control deficiency identified at this point would be that the department approver is manually approving the deposit transaction. The approver should not have the ability to change the deposit entry created by the originator.
    - ✓ The DFS staff should not have the ability to edit, add, change, or delete the originator's deposit transaction. The control deficiency would allow the DFS staff to change the dollar amount of the transaction, and post a different amount to the general ledger. Since there is no notification of the final transaction, the originator or the department would not be noticed that the amount was different or changed.
    - ✓ Cash is inherently risky. The deposit and accounts receivable Infor processes should be reviewed and tested by the auditors once the system process is fully developed. Additional compensating manual controls must be in place to ensure accountability and minimize risk.

➢ Vendor and Contractors- the Infor system issues one check to like vendors and contractors. Vendors and contractors are paid with one warrant for services or supplies for all departments of which they do business. The system does not have a control in place preventing the vendor or contractor from exceeded the contract terms or budgeted amount.

- ▪ Control Concern:

ASSURANCE OF ACCOUNTABILITY

    ✓ Other test should be performed around budgeting in regards to budget limits, and vendor and contract allocation spending limits, to prevent budget overages and ensure that vendors or contractors are paid in accordance to contract terms.

➢ Infor system's Perfect Match process can be manipulated by entering plug numbers and trick the system into matching and showing there is no discrepancies.

    ▪ Control Concern:
        ✓ Because the system be tricked by entering plug numbers, thus allowing the system to accept and clear errors and for the transaction to pass-match and be finalized. The county should consider the reliability of the reports generated. A system report is as only as good as the information entered. If incorrect numbers or information can be entered then the reports should not be relied upon as good or useful information.
        ✓ More testing is needed around the reliability of the data provided in the reports generated by the Infor System.

➢ Infor system Audit Report and other standard reports– The report referred to as an Audit Report does not show a trail of all changes and users edits performed on a business transaction. According to discussion with the Infor team, the report is limited and only provides information on the last edit/user for a business transaction. Further, it is not clear if the report provides transactions that have been completed, or deleted. More testing and information regarding this report would be necessary. Additional testing and discussion is necessary regarding the other reports that are available in the system, to determine the reliability of the information reported, and also the possibility of the reports being used for monitoring and oversight procedures.

    ▪ Control Concern:
        ✓ The Audit Report may not provide sufficient information that would be useful in helping to monitor and audit around the system. The report should provide all edits by user, and also show all transactions regardless of the status, in process, completed and closed, or deleted.
        ✓ More testing is needed around the reliability of the data provided in the reports generated by the Infor System.

➢ Infor system automatically assigns a sequence of entry numbers and the training booklets have suggested that the originator manually track the automated assigned numbers to enable the department's originator of the transaction to follow-up or move to the next phase as necessary. In order to ensure that transactions have been completed and closed, the auditors recommend that the department users implement, at least monthly, a manual reconciliation between the users tracking system and the infor system to ensure that business processes have been completed, and vendors are paid according to contract terms. At this time, we are unsure of

A S S U R A N C E   O F   A C C O U N T A B I L I T Y

the potential impact for monitoring and auditing purposes how often the sequence is repeated within a year or over different fiscal years. Will the repeated numbers be identified by period.

- Control Concern:
  - ✓ If for example an invoice is deleted or changed then the county is at risk for late fee penalties and other charges. The system cannot general a report by employee or department that would provide information on outstanding entries that would provide the department with a report that could be reconciled to department records to ensure transactions were completed and when. Therefore, a monthly manual reconciliation should be considered.
  - ✓ Once the system is implemented the County should encourage staff to develop desk procedures for each of the business transaction that include and identify both system and manual controls necessary to ensure the county's risk is minimized.

➢ Supporting Documentation- The infor system (outside of MCH imaging and forms) will attach the link or URI to the Infor transaction. The system will process the transaction however, should the link be disturbed, the document is renamed, added, changed, or deleted, the link is broken, or the support for the transaction does not stay as initially shown when the transaction was processed, the edited version, or if the link is broken the transaction will no longer have sufficient support.

- Control Concern:
  - ✓ Transactions may become unsupported. The review of transactions and support for federal or state funding or other grant programs will be at risk.
  - ✓ The controls to the link should be limited by user and by read/write capabilities. This is more a county issue and not something Infor can control.

➢ Other control weaknesses identified during our review- until the Infor system is fully implemented which will be after the planned go-live date of November 2, 2015, the Infor team workaround procedures includes having the originator manually scan a portion of the supporting documentation (e.g. the invoice). Though this process will provide some support and that the document has an approval signature with a note stating that the supporting documents are maintained at the department level, the DFS should require more sufficient support, or implement a continuous monitoring process.

We recommend that the DFS staff not be process payments that do not have sufficient support provided when there is no continuous monitoring in place to ensure that the department are in fact maintaining sufficient support.

The auditors have requested a testing environment (with the system locked down) that would allow testing of various business transactions, and in roles of various user types to help the auditors identify additional control concerns, and help determine where manual controls should be implemented.

ASSURANCE OF ACCOUNTABILITY

During discussions with the Infor team, the Infor consultants explained that two roles were developed. The first role created a system with more locked down controls in place that were by user type or user role. However, the Infor team determined that the lock down created greater cost factors to maintain, and the system reports would not be useful for several departments that rely on system generated data to prepare state and federal reports that are required by some departments. According to Mark Bryan, there were much bigger issues that were identified which resulted in the team determining that role-one would not work and that another role needed to be developed (role-two). The Infor consultants confirmed that the role-one was nearly completed and can still be considered with additional time, resources, and cost.

The next role (role-two) is the role that is currently planned to be implemented. This role has a much greater open system and because of the systems inability to lock users down at the employee or department level, the system's controls are limited. The system is essentially being forced to work in a decentralized environment when it was designed to work in a centralized environment. The design of role-two has limited ability to develop system hard controls, and or reminder or warning flags.

Auditor's reviewed a few of the IPA's and noted the following that should be further considered by County Management:

➢ From an auditor's perspective the IPA's are well written with easy flow and understanding. However, for non-auditors or someone that does not have a comfort with more formally written, understating of undefined technical terms, and program code type language, the specifications would be difficult to follow and understand. The workflow process, approvals, and system controls should be designed and provided in a way that is more user friendly and includes simple terms and language wherever possible.

➢ The IPA's are written to include and provide steps of the business process, guidance through the system flow, approval process, return and release processes, and rejections process. However, at this point, based on the inquiries and testing performed on the system, what should occur based on the written IPA, and what does occur in the system may not be the same. Further, the controls identified in the system should be controls that detect or prevent the user's ability to manipulate the system and therefore the business transaction. A control that can be worked around or manipulated, is a control that is deficient in the design or is the wrong control. If a control works sometimes but not all the time, the control does not work.

➢ Once the system is operational and functioning the IPA's should be tested and edited accordingly. Additional manual controls to compensate for the system controls deficiencies should be developed and implemented to help minimize risk.

We have requested additional clarification regarding the control concerns identified above, as well as additional system related questions. Further, we requested the following document from the Infor team for further review.

➢ Security Roles – a list of all departments that have completed their security roles and those pending
➢ IPA's and other workflow- a list of all IPA's that have been completed and those outstanding or pending

ASSURANCE OF ACCOUNTABILITY

Yolo County Division of Internal Audit
Attachment C: Internal Auditor's Initial review of the Infor System Controls -- Financial Module

October 30, 2015
Page 11 of 11

➢ A workflow plan for all business transactions that do not have completed IPA's or business transactions that will require manual processes and will not be included in a completed IPA

➢ A flowchart or planning document that supports forward planning (i.e. a plan that shows the flow of how we intend to move from the IPA (system flow/controls, etc.), to the business policy, to the procedures (business practices to implement the policy) to the desk procedures around each business transaction (including system and manual processes and controls in place), and

➢ A list of all user types for infor system (e.g. user, approver, and super-user, etc.) and the assigned rights each user type would have in the system.

Conclusion and Recommendation:

Based on the auditor's limited review, time, and inquires with the Infor team, and with consideration that the system is still in the process of being fully developed, and normal kinks needing to be worked through have not been all been identified and corrected, the auditors identified several control deficiencies within the system that should be considered by management. Additionally, the management should consider developing and implementing additional manual controls that will compensate and support the system and ensure accountability.

As with the implementation of any automated system, regardless of the controls in place, the risk, required resources, and productively levels are negativity impacted. The positive impact and true measures and benefits of the system can take up to three-years. To help support the success of the system, good planning, and upfront review, written system process and desk procedures that identify and include strong control processes around business transactions, and monitoring and testing procedures on an ongoing basis are critical. Further, management should consider running the system parallel to the Gen-Leg system for at minimum the first month of operations. Though there would be more resources needed during this time, the cost would far outweigh the benefit should the implementation of the Infor system not run as smoothly as planned.

The auditors recommend that management consider the following to help ensure the success of the Infor System:

➢ Additional and ongoing testing as the system is initially implemented

➢ Testing of system controls and manual control are being implemented and performed

➢ Ongoing monitoring to ensure that departments develop a plan that includes timelines and assignment of staff to develop written policies and procedures necessary

➢ Ongoing monitoring to ensure that written plan is being followed and that the departments are diligent on writing important policies, business transactions, and desk procedures; and

➢ More importantly, testing and reviews over department transactions to ensure accountability, and that best practices have been considered.

ASSURANCE OF ACCOUNTABILITY