



**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Supervisors and
Financial Oversight Committee
County of Yolo, California

We have performed the procedures enumerated below, which were agreed to by the County of Yolo, California (County) (the specified parties), on the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments for the quarter ended September 30, 2018. The County's management is responsible for the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments. The sufficiency of these procedures is solely the responsibility of the County. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- 1) Inspected the Division of Internal Audit's work papers, verifying that the Division observed and certified the treasury cash count. Traced cash count performed to Treasurer daily cash report and Investment Summary.

Finding: No exceptions were found as a result of this procedure.

- 2) Verified that the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments and the records of the County of Yolo Auditor are reconciled as of September 30, 2018, pursuant to *Government Code Section 26905*.

Finding: The reconciliations for the Bank of America (County Pool Checking), U.S. Bank (County Pool Checking), and PFM accounts were not completed as of the date of the report. All other accounts noted in the investment summary were reconciled within 30 days after September 30, 2018 as required by *Government Code section 26905*.

- 3) Reconciled the investments included in the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments as of September 30, 2018, to the statements provided by the related financial institutions.

Finding: No exceptions were found as a result of this procedure.

- 4) We compared the investments listed in the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments as of September 30, 2018, to the types of investments authorized by the County's Investment Policy and *Government Code Section 53601*.

Finding: No exceptions were found as a result of this procedure.

- 5) We compared the market value of the investments listed in the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments as of September 30, 2018, to the statements provided by the related financial institutions. We identified all variances in excess of \$10,000 of the financial institution amount. For the variances above the scope, we received variance explanations from the County Treasury staff to identify whether variances are routine or non-routine.

Finding: Variances in excess of \$10,000 of the financial institution amount are summarized in Attachment A. The County Treasury staff considers these variances to be routine.

- 6) We read the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments to ascertain if it contained the information/data required by *Government Code Section 53646* and met the timing requirements of *Government Code Section 53646* and the County's Investments Policy, as follows:
- a) Was submitted within 30 days following the end of the quarter.
 - b) Included type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments, and monies held by the County.
 - c) Included those funds under management of contracted parties (fiscal agents, trustees, deferred compensation administrators, etc.).
 - d) Included market value (and source) as of the date of the report of all securities held by the County or under management of any outside party.
 - e) Stated compliance of the portfolio to the Investment Policy of the County.
 - f) Included a statement addressing the ability of the County to meet the pool's expenditure requirements for the next six months.

Finding: No exceptions were found as a result of this procedure.

- 7) We compared the investments listed in the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments as of September 30, 2018, to the prohibited investments listed in *Government Code Section 53601.6*.

Finding: No exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Investment Summary for the Treasurer's Pooled and Non-Pooled investments for the quarter ended September 30, 2018. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the County of Yolo and is not intended to be and should not be used by anyone other than those specified parties.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
July 18, 2019

County of Yolo, California
Investment Summary for the Treasurer's Pooled and Non-Pooled Investments
Agreed-Upon Procedures Report
Quarter Ended September 30, 2018
Attachment A
Procedure 5 Results – Market Value Comparison

Description	CUSIP	County Investment Summary	Financial Institution Statements	Variance \$
Bank of New York:				
UBS AG STAMFORD CD	90275DHG8	\$ 3,899,313	\$ 3,887,435	\$ 11,878
CREDIT AGRICOLE CORP CD	22532XHT8	2,549,886	2,539,257	10,629
BANK OF NOVA SCOTIA HOUSTON CD	06417GU22	4,421,248	4,408,441	12,807
WESTPAC BKG CORP CD	96121T4A3	4,425,550	4,414,949	10,601
SWEDBANK (NEW YORK) CD	87019U6D6	5,210,395	5,235,528	(25,133)
Wells Fargo:				
DREYFUS AMT-FREE TAX EXEMPT CASH	26202K205	3,893,268	3,948,714	(55,446)



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ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Supervisors and
Financial Oversight Committee
County of Yolo, California

We have performed the procedures enumerated below, which were agreed to by the County of Yolo, California (County) (the specified parties), on the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments for the quarter ended December 31, 2018. The County's management is responsible for the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments. The sufficiency of these procedures is solely the responsibility of the County. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- 1) Counted the cash in the Treasury as of December 31, 2018.

Finding: This procedure was performed by the County of Yolo Internal Audit Division. We inspected workpapers of the County of Yolo Internal Audit Division over the Treasury cash count, noting the cash count procedures were performed.

- 2) Verified that the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments and the records of the County of Yolo Auditor are reconciled as of December 31, 2018, pursuant to *Government Code Section 26905*.

Finding: The December 2018 PFM (Pooled), Bank of America (County Pool Checking), US Bank (County Pool Checking), River City Bank (County Pool MMA), Landfill Closure Trust Fund, Cache Creek, Demeter Endowment Fund, Ceres Endowment Fund, and PARS Pension Trust account reconciliations were not completed as of the date of this report. All other accounts noted in the investment summary were reconciled within 30 days after December 31, 2018 as required by Government Code section 26905.

- 3) Reconciled the investments included in the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments as of December 31, 2018, to the statements provided by the related financial institutions.

Finding: No exceptions were found as a result of applying this procedure

- 4) We compared the investments listed in the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments as of December 31, 2018, to the types of investments authorized by the County's Investment Policy and *Government Code Section 53601*.

Finding: No exceptions were found as a result of applying this procedure.

- 5) We compared the market value of the investments listed in the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments as of December 31, 2018, to the statements provided by the related financial institutions. We identified all variances in excess of 0.05 percent and \$10,000 of the financial institution amount. For the variances above the scope, we received variance explanations from the County Treasury staff to identify whether variances are routine or nonroutine.

Finding: Variances in excess of 0.05 percent and \$10,000 of the financial institution amount are summarized in Attachment A. The County Treasury staff considers these variances to be routine.

- 6) We read the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments to ascertain if it contained the information/data required by *Government Code Section 53646* and met the timing requirements of *Government Code Section 53646* and the County's Investments Policy, as follows:
- a) Was submitted within 30 days following the end of the quarter.
 - b) Included type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments, and monies held by the County.
 - c) Included those funds under management of contracted parties (fiscal agents, trustees, deferred compensation administrators, etc.).
 - d) Included market value (and source) as of the date of the report of all securities held by the County or under management of any outside party.
 - e) Stated compliance of the portfolio to the Investment Policy of the County.
 - f) Included a statement addressing the ability of the County to meet the pool's expenditure requirements for the next six months.

Finding: No exceptions were found as a result of applying this procedure.

- 7) We compared the investments listed in the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments as of December 31, 2018, to the prohibited investments listed in *Government Code Section 53601.6*.

Finding: No exceptions were found as a result of applying this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Investment Summary for the Treasurer's Pooled and Non-Pooled investments for the quarter ended December 31, 2018. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Supervisors, the Financial Oversight Committee, and the management of the County and is not intended to be and should not be used by anyone other than those specified parties.

Varrinck, Trine, Day & Co. LLP

Sacramento, California
July 19, 2019

County of Yolo, California
Investment Summary for the Treasurer's Pooled and Non-Pooled Investments
Agreed-Upon Procedures Report
Quarter Ended December 31, 2018
Attachment A
Procedure 5 Results – Market Value Comparison

Description	CUSIP	County Investment Summary	Financial Institution Statements	Variance	
				\$	%
Bank of New York:					
Canadian Imperial Bank NY CD	13606BVF0	\$ 3,110,769	\$ 3,094,690	\$ 16,079	0.52%
Sumitomo Mitsui Bank NY CD	86565BPCP	2,471,932	2,482,614	(10,682)	-0.43%
Swedbank NY CD	87019U6D6	5,214,217	5,270,713	(56,496)	-1.07%



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Supervisors and Financial Oversight Committee
County of Yolo, California

We have performed the procedures enumerated below, which were agreed to by the County of Yolo, California (County) (the specified parties), on the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments for the quarter ended March 31, 2019. The County's management is responsible for the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

Scope of the Procedures Performed and Related Findings

The procedures performed and the results obtained from the performance thereof were as follows:

- 1) Counted the cash in the Treasury as of March 31, 2019.

Finding: This procedure was performed by the County of Yolo Internal Audit Division. We inspected workpapers of the County of Yolo Internal Audit Division over the Treasury cash count, noting the cash count procedures were performed.

- 2) Verified that the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments and the records of the County of Yolo Auditor are reconciled as of March 31, 2019, pursuant to *Government Code Section 26905*.

Finding: The March 2019 County Pool Checking (US Bank) and the Demeter Money Market (BNY Mellon) account reconciliations were not completed as of the date of this report. The March 2019 HHSA Checking (US Bank), Office of Education Checking (US Bank), Mosquito Checking (US Bank), River City Bank Money Market, LAIF County Pooled, CAMP County Pooled, LAIF Yolo County PARMIA, LAIF Sacramento-Yolo MVCD, LAIF Washington JUSD Scholarship, LAIF Davis JUSD CFD #1, LAIF Davis JUSD CFD #2, CAMP 2017A Lease Revenue Bonds, CAMP Willowbank Water, PARS OPEB Trust (US Bank), and PARS Pension Trust (US Bank) account reconciliations were prepared within 30 days after March 31, 2019, but not approved until outside the 30 days as required by *Government Section Code 26905*. The March 2019 County Pool Checking (B of A), Accounts Payable (US Bank), County Pooled Investments (PFM/BNY Mellon), Landfill Closure Trust Fund (PFM/BNY Mellon), Demeter Fund (PFM/BNY Mellon), Cache Creek (PFM/BNY Mellon), and Ceres Endowment (PFM/Wells Fargo) were not prepared or approved 30 days after March 31, 2019 as required by *Government Code Section 26905*.



Board of Supervisors and Financial Oversight Committee
County of Yolo, California

- 3) Reconciled the investments included in the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments as of March 31, 2019, to the statements provided by the related financial institutions.

Finding: No findings were noted as a result of applying this procedure.

- 4) We compared the investments listed in the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments as of March 31, 2019, to the types of investments authorized by the County's Investment Policy and *Government Code Section 53601*.

Finding: No findings were noted as a result of applying this procedure.

- 5) We compared the market value of the investments listed in the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments as of March 31, 2019, to the statements provided by the related financial institutions. We identified all variances in excess of 0.5% and \$10,000 of the financial institution amount. For the variances above the scope, we received variance explanations from the County Treasury staff to identify whether variances are routine or nonroutine.

Finding: Variances in excess of 0.05 percent and \$10,000 of the financial institution amount are summarized in **Attachment A**. The County Treasury staff considers these variances to be routine.

- 6) We read the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments to ascertain if it contained the information/data required by *Government Code Section 53646* and met the timing requirements of *Government Code Section 53646* and the County's Investments Policy, as follows:

- a) Was submitted within 30 days following the end of the quarter.
- b) Included type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments, and monies held by the County.
- c) Included those funds under management of contracted parties (fiscal agents, trustees, deferred compensation administrators, etc.).
- d) Included market value (and source) as of the date of the report of all securities held by the County or under management of any outside party.
- e) Stated compliance of the portfolio to the Investment Policy of the County.
- f) Included a statement addressing the ability of the County to meet the pool's expenditure requirements for the next six months.

Finding: The March 2019 Treasurer's Investment Report was submitted to the Board of Supervisors on May 21, 2019, which exceeds the 30 days required by *Government Code Section 53646*. All other requirements were satisfied.

- 7) We compared the investments listed in the Investment Summary for the Treasurer's Pooled and Non-Pooled Investments as of March 31, 2019, to the prohibited investments listed in *Government Code Section 53601.6*.

Finding: No findings were noted as a result of applying this procedure.



CPAs AND ADVISORS

Board of Supervisors and Financial Oversight Committee
County of Yolo, California

We were not engaged to and did not conduct an audit, the objective of which would be the expression of a certified opinion, of the of the Investment Summary for the Treasurer's Pooled and Non-Pooled investments for the quarter ended March 31, 2019, Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

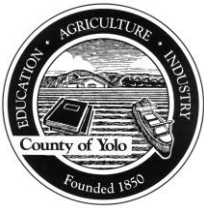
This report is intended solely for the information and use of the Board of Supervisors, the Financial Oversight Committee, and management of the County and is not intended to be, and should not be used by anyone other than these specified parties.

Lane, Soll & Luykard, LLP

Sacramento, California
August 14, 2019

County of Yolo, California
Investment Summary for the Treasurer's Pooled and Non-Pooled Investments
Agreed-Upon Procedures Report
Quarter Ended March 31, 2019
Attachment A
Procedure 5 Results - Market Value Comparison

Description	CUSIP	County Investment Summary	Financial Institution Statements	Variance	
				\$	%
Bank of New York ING (US) Funding LLC Commercial Paper	4497W1X76	\$ 3,312,476	\$ 3,359,985	\$ (47,509)	-1.43%



County of Yolo

www.yolocounty.org

CHAD RINDE, CPA
Chief Financial Officer

TOM HAYNES
Assistant Chief Financial Officer

DEPARTMENT OF FINANCIAL SERVICES

625 Court Street, Room 102

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- Financial Leadership
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- Tax & Revenue Collection

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

August 15, 2019

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

Re: Treasury Cash Count quarterly report for March 31, 2019

Dear Mr. Burnham:

We have performed the procedures as agreed upon in our engagement to assist the County with respect to compliance with Government Code Section 26920 (a) (1) for the quarter ending March 31, 2019. The County's Treasurer is responsible for compliance with the above noted Government Code section. The agreed upon procedures engagement was performed in accordance with Government Auditing Standards prescribed by the U.S. Comptroller General. In regards to auditor's independence, the Internal Audit Division reports administratively to the Chief Financial Officer, but functionally to the Board of Supervisors. The sufficiency of these procedures is solely the responsibility of the specified user of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Further, we did not review system controls of the county financial system.

Our procedures and results are as follows:

1. Observe and certify the treasury staff cash count and verify that the coin and cash bags are properly sealed.

Results: Procedure performed with no exceptions.

Considerations: None.

2. Vouch the deposit slips prepared for the coin and cash bags to the bank statement.

Results: Procedure performed with no exceptions.

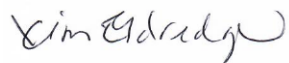
Considerations: None.

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

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

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

Sincerely,



Kim Eldredge, CGAP
Senior Auditor

Distribution
Patrick Blacklock, Yolo County Administrator
Chad Rinde, CPA, Yolo County, Chief Financial Officer
Merilyn Tiriboyi, Accounting & Financial Reporting Division Manager
Yolo County Audit Committee
Internal Audit Website
Audit File

Schedule of Prior Quarter Findings

Summarized below is the current status of all audit findings reported in the Treasury Cash Count quarterly report for December 31, 2018:

System control deficiency of month-end closing; additional security restrictions; backposting capabilities; and, untimely bank reconciliations (*Repeat finding Prior Quarter June 30, 2016 dated September 22, 2016*)

The Department of Financial Services (DFS) Accounting Division performs a limited monthly close whereas items pending receipt of the customer accounting document can be posted to a period in the general ledger that was previously closed. During a limited monthly close, the accounting staff notifies all users of this type of closing procedure and instructs all users that they should not make any changes. The INFOR system does not have a system control in place that prevents any user from manipulating a transaction while a limited close has been initiated. Once a period is completely finalized, it can be moved to a final close status.

The months of December 2018 and January, February, and March 2019 are now in a final close status; respectively on February 13, March 12, May 10, and June, 12, 2019 (limited close status had remained open 27 to 59 days before the final close). The month of January 2019 was transferred to a limited close and then re-opened for school district adjustments on February 24, 2019. Authorization to re-open the period was not available for review. The additional security restrictions recommended by the Kinsey consultants for the GL45 module enhancement are not implemented. Furthermore, bank accounts are broken down into 10 individual accounts for ease of identifying adjustments. In aggregate, the bank reconciliations from July 2018 to March 2019 are still outstanding.

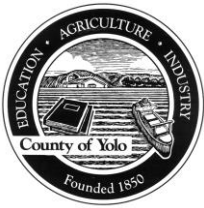
Control Deficiency: During a limited close status some system users within the DFS have the ability to change the limited close status to backposting status. Once in backposting status the INFOR system allows all user access to a period that is in a backposting status, to post to a prior monthly period.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

Criteria:

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

Recommendation:

The Accounting & Financial Reporting Division Manager should consider implementing all prior audit recommendations to reduce the risk that may be unacceptable to the organization.



County of Yolo

www.yolocounty.org

CHAD D. RINDE, CPA

Chief Financial Officer

TOM HAYNES

Assistant Chief Financial Officer

DEPARTMENT OF FINANCIAL SERVICES

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- Financial Strategy Leadership
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MEMORANDUM

TO: Kim Eldredge, CGAP
Senior Auditor

FROM: Edward Burnham, Manager
Department of Financial Services

DATE:

AUDIT WORK: Treasury Cash Count quarterly report for March 31, 2019

SUBJECT: Management Response to Status of Prior Quarter Findings

In response to the treasury cash count review for quarter ending March 31, 2019, our comments are provided below:

Status of Prior Quarter Findings:

System control deficiency of month-end closing; additional security restrictions; backposting capabilities; and, untimely bank reconciliations (*Repeat finding Prior Quarter June 30, 2016 dated September 22, 2016*)

The Department of Financial Services (DFS) Accounting Division performs a limited monthly close whereas items pending receipt of the customer accounting document can be posted to a period in the general ledger that was previously closed. During a limited monthly close, the accounting staff notifies all users of this type of closing procedure and instructs all users that they should not make any changes. The INFOR system does not have a system control in place that prevents any user from manipulating a transaction while a limited close has been initiated. Once a period is completely finalized, it can be moved to a final close status.

The months of December 2018 and January, February, and March 2019 are now in a final close status; respectively on February 13, March 12, May 10, and June, 12, 2019 (limited close status had remained open 27 to 59 days before the final close). The month of January 2019 was transferred to a limited close and then re-opened for school district adjustments on February 24, 2019. Authorization to re-open the period was not available for review. The additional security restrictions recommended by the Kinsey consultants for the GL45 module enhancement are not implemented. Furthermore, bank accounts are broken down into 10 individual accounts for ease of identifying adjustments. In aggregate, the bank reconciliations from July 2018 to March 2019 are still outstanding.

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

Criteria:

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

Recommendation:

The Accounting & Financial Reporting Division Manager should consider implementing all prior audit recommendations to reduce the risk that may be unacceptable to the organization.

Management comments:

No entries can be posted to an INFOR accounting period when it is in a limited close status unless it is moved to a backposting status. An accounting period is moved into a backposting status only if the Chief Financial Officer determines it is justified and approves in writing. The accounting period is in a backposting status only long enough to allow the posting of the required entry, typically a matter of minutes. No other entries are allowed and reports are then ran to ensure that only the approved entry was posted.

While the feature to open a period to backposting in the system exists, the posting of entries is controlled by the DFS Accounting division, which needs to approve the individual journal entries. When Accounting moves a period from backposting back to a limited close, the INFOR system will produce a report from screen GL199 that documents which entries have been posted since the last close for review. As a result, there is a report to detect the changes that were approved to be posted to the ledgers after the initial limited close.

The Accounting division expanded the accounting month end closing procedures to incorporate guidance on what circumstances DFS would open up the accounting periods from limited close to allow backposting and when periods should be moved to a final close. These procedures were shared in November, 2016 with the Financial Officer's Forum and approval is now obtained from the Chief Financial Officer in the event a period is reopened.

The Accounting division is aware that GL45 (Journal Control Screen) allows those users in the Accounting division to perform additional actions outside of those currently allowable on the

regular journal entry screen and Infor Process Automation (IPA) workflow. This screen and its capabilities were reviewed in detail with Kinsey, the County's INFOR consulting firm, to determine if additional security restrictions or limitations need to be created. The Kinsey recommendation is to revise the County's IPA workflow to include this screen. This work has been scheduled and begun and is on-going. Design discussions with County departmental stakeholders are complete and the work specific to the Cash Book (CB) module was implemented in August. The work on the other modules continues and should be completed in the next few months.

We have made significant progress in the reconciliations, but faced some additional challenges with system changes for payroll and migration interrupting progress on accounts with warrants. The Smart Sheet is tracking the reconciliations assignments and work is being done to bring the reconciliations current for year end. Additionally, the banking transition completion will reduce a lot of the nuances from the past reconciliation issues.

Actual / estimated Date of Corrective Action: 09/30/2019



County of Yolo

www.yolocounty.org

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- Internal Audit
- Procurement

August 15, 2019

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

Re: Treasury Cash Count quarterly report for June 30, 2019

Dear Mr. Burnham:

We have performed the procedures as agreed upon in our engagement to assist the County with respect to compliance with Government Code Section 26920 (a) (1) for the quarter ending June 30, 2019. The County's Treasurer is responsible for compliance with the above noted Government Code section. The agreed upon procedures engagement was performed in accordance with Government Auditing Standards prescribed by the U.S. Comptroller General. In regards to auditor's independence, the Internal Audit Division reports administratively to the Chief Financial Officer, but functionally to the Board of Supervisors. The sufficiency of these procedures is solely the responsibility of the specified user of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Further, we did not review system controls of the county financial system.

Our procedures and results are as follows:

1. Observe and certify the treasury staff cash count and verify that the coin and cash bags are properly sealed.

Results: Procedure performed with no exceptions.

Considerations: None.

2. Vouch the deposit slips prepared for the coin and cash bags to the bank statement.

Results: Procedure performed with no exceptions.

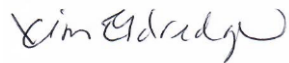
Considerations: None.

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

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

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

Sincerely,



Kim Eldredge, CGAP
Senior Auditor

cc: Patrick Blacklock, Yolo County Administrator
Supervisor Gary Sandy, Yolo County District 3
Supervisor Duane Chamberlain, Yolo County District 5
Chad Rinde, CPA, Yolo County, Chief Financial Officer
Marilyn Tiriboyi, Accounting & Financial Reporting Division Manager
Internal Audit Website
Audit File

Schedule of Prior Quarter Findings

Summarized below is the current status of all audit findings reported in the Treasury Cash Count quarterly report for March 31, 2019:

System control deficiency of month-end closing; additional security restrictions; backposting capabilities; and, untimely bank reconciliations (*Repeat finding Prior Quarter June 30, 2016 dated September 22, 2016*)

The Department of Financial Services (DFS) Accounting Division performs a limited monthly close whereas items pending receipt of the customer accounting document can be posted to a period in the general ledger that was previously closed. During a limited monthly close, the accounting staff notifies all users of this type of closing procedure and instructs all users that they should not make any changes. The INFOR system does not have a system control in place that prevents any user from manipulating a transaction while a limited close has been initiated. Once a period is completely finalized, it can be moved to a final close status.

The months of April and May 2019 remained open 51 to 81 days before the final close on August 2, 2019. According to the Accounting & Financial Reporting Division, the month of June 2019 will remain in an open status and not be moved to a limited close until the end of August 2019. The month of June 2019 will be moved to a final close after the County financial audit is completed for the recording of audit adjustments as needed. The additional security restrictions recommended by the Kinsey consultants for the GL45 module enhancement are not implemented. Furthermore, bank accounts are broken down into 10 individual accounts for ease of identifying adjustments. In aggregate, the bank reconciliations for April, May, and June 2019 are still outstanding.

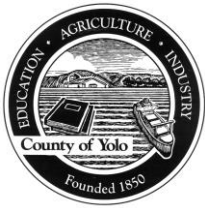
Control Deficiency: During a limited close status some system users within the DFS have the ability to change the limited close status to backposting status. Once in backposting status the INFOR system allows all user access to a period that is in a backposting status, to post to a prior monthly period.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

Criteria:

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

Recommendation:

The Accounting & Financial Reporting Division Manager should consider implementing all prior audit recommendations to reduce the risk that may be unacceptable to the organization.



County of Yolo

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- Financial Strategy Leadership
- Budget & Financial Planning
- Treasury & Finance
- Tax & Fee Collection

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

MEMORANDUM

TO: Kim Eldredge, CGAP
Senior Auditor

FROM: Edward Burnham, Manager
Department of Financial Services

DATE:

AUDIT WORK: Treasury Cash Count quarterly report for June 30, 2019

SUBJECT: Management Response to Status of Prior Quarter Findings

In response to the treasury cash count review for quarter ending June 30, 2019, our comments are provided below:

Status of Prior Quarter Findings:

System control deficiency of month-end closing; additional security restrictions; backposting capabilities; and, untimely bank reconciliations (*Repeat finding Prior Quarter June 30, 2016 dated September 22, 2016*)

The Department of Financial Services (DFS) Accounting Division performs a limited monthly close whereas items pending receipt of the customer accounting document can be posted to a period in the general ledger that was previously closed. During a limited monthly close, the accounting staff notifies all users of this type of closing procedure and instructs all users that they should not make any changes. The INFOR system does not have a system control in place that prevents any user from manipulating a transaction while a limited close has been initiated. Once a period is completely finalized, it can be moved to a final close status.

The months of April and May 2019 remained open 51 to 81 days before the final close on August 2, 2019. According to the Accounting & Financial Reporting Division, the month of June 2019 will remain in an open status and not be moved to a limited close until the end of August 2019. The month of June 2019 will be moved to a final close after the County financial audit is completed for the recording of audit adjustments as needed. The additional security restrictions recommended by the Kinsey consultants for the GL45 module enhancement are not implemented. Furthermore, bank accounts are broken down into 10 individual accounts for ease of identifying adjustments. In aggregate, the bank reconciliations for April, May, and June 2019 are still outstanding.

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

Criteria:

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

Recommendation:

The Accounting & Financial Reporting Division Manager should consider implementing all prior audit recommendations to reduce the risk that may be unacceptable to the organization.

Management comments:

No entries can be posted to an INFOR accounting period when it is in a limited close status unless it is moved to a backposting status. An accounting period is moved into a backposting status only if the Chief Financial Officer determines it is justified and approves in writing. The accounting period is in a backposting status only long enough to allow the posting of the required entry, typically a matter of minutes. No other entries are allowed and reports are then ran to ensure that only the approved entry was posted.

While the feature to open a period to backposting in the system exists, the posting of entries is controlled by the DFS Accounting division, which needs to approve the individual journal entries. When Accounting moves a period from backposting back to a limited close, the INFOR system will produce a report from screen GL199 that documents which entries have been posted since the last close for review. As a result, there is a report to detect the changes that were approved to be posted to the ledgers after the initial limited close.

The Accounting division expanded the accounting month end closing procedures to incorporate guidance on what circumstances DFS would open up the accounting periods from limited close to allow backposting and when periods should be moved to a final close. These procedures were shared in November, 2016 with the Financial Officer's Forum and approval is now obtained from the Chief Financial Officer in the event a period is reopened.

The Accounting division is aware that GL45 (Journal Control Screen) allows those users in the Accounting division to perform additional actions outside of those currently allowable on the regular journal entry screen and Infor Process Automation (IPA) workflow. This screen and its capabilities were reviewed in detail with Kinsey, the County's INFOR consulting firm, to determine if additional security restrictions or limitations need to be created. The Kinsey recommendation is to revise the County's IPA workflow to include this screen. This work has been scheduled and begun and is on-going. Design discussions with County departmental stakeholders are complete and the work specific to the Cash Book (CB) module was implemented in August. The work on the other modules continues and should be completed in the next few months.

We have made significant progress in the reconciliations, but faced some additional challenges with system changes for payroll and migration interrupting progress on accounts with warrants. The Smart Sheet is tracking the reconciliations assignments and work is being done to bring the reconciliations current for year end. Additionally, the banking transition completion will reduce a lot of the nuances from the past reconciliation issues.

Actual / estimated Date of Corrective Action: _____