

# County of Yolo

www.yolocounty.org

**CHAD RINDE, CPA**  
Chief Financial Officer

**TOM HAYNES**  
Assistant Chief Financial Officer

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## DEPARTMENT OF FINANCIAL SERVICES

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WOODLAND, CA 95776

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- Financial Leadership
- Budget & Financial Planning
- Treasury & Finance
- 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.

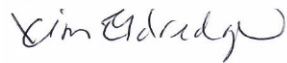
**Considerations:** None.

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.



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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**