

**Meeting of the
Audit Subcommittee
Yolo County
July 29, 2021
10:00 a.m.**

Note: This meeting is being agendized to allow Committee Members, staff and the public to participate in the meeting via teleconference, pursuant to the Governor's Executive Order N-29-20 (March 17, 2020), available at the following link.

Teleconference Options to join Zoom meetings:
By PC: <https://yolocounty.zoom.us/j/97446639333>
Meeting ID: 974 4663 9333
or
By Phone: 1 (408)-638-0968
Meeting ID: 974 4663 9333

Executive Order N-29-20 authorizes local legislative bodies to hold public meetings via teleconference and to make public meetings accessible telephonically or otherwise electronically to all members of the public. Members of the public are encouraged to observe and participate in the teleconference.

Further instructions on how to electronically participate and submit your public comments can be found in the PUBLIC PARTICIPATION note at the end of this agenda.

Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact Kim Eldredge, Audit Manager at least two (2) working days before the meeting at 530-666-8190 ext. 9204 or kim.eldredge@yolocounty.org.

If you have anything that you wish to be distributed to the Committee and included in the official record, please hand it to a member of County staff who will distribute the information to the members and other staff.

Committee Members:

Chair Gary Sandy	(Board of Supervisors – Voting)
Angel Barajas	(Board of Supervisors - Voting)
Lawrence Raber	(Public Member – Voting)

Yolo County Internal Audit Staff

Kim Eldredge	(Audit Manager – Non-voting)
Noemy Mora-Beltran	(Senior Auditor – Non-voting)
Navpreet Ghuman	(Internal Auditor – Non-voting)

10:00 am Call to Order

- 1. Introductions.**
- 2. Roll Call.**
- 3. Approval of Agenda.**
- 4. Follow-up of items from prior meeting (if any).**

- 5. Public Comment**

This item is reserved for persons wishing to address the Committee on any related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the Committee are customarily limited to 3 minutes per speaker, but an extension can be provided at the discretion of the chair.

CONSENT AGENDA

- 6. Approval of the prior meeting minutes 4/29/2021.**

REGULAR AGENDA

- 7. Receive staff report on the Purchase Card Continuous Auditing report (7/21/2021) (Mora-Beltran/Pistochini).**
- 8. Receive staff report on the status of the Division of Internal Audit Activity of current engagements and the release of audit reports since last meeting; (Eldredge)**
- 9. Receive staff report on the Proposed Audit Plan FY21/22 (Eldredge)**
- 10. Approve the Proposed Audit Plan FY21/22 with recommended changes (Eldredge)**
- 11. Confirm next meeting date: October 28, 2021**
- 12. Committee Member and Staff Announcements**

Action items and reports from members of the Committee, including announcements, questions to be referred to staff, future agenda items, and reports on meetings and information which would be of interest to the Committee or the public.
- 13. Adjournment (Approximately 11:30 a.m.)**

Public records that relate to any item on the open session agenda for a regular meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the Committee. Public records are available for inspection by contacting Kim Eldredge, Audit Manager at 530-666-8190 ext. 9204 or kim.eldredge@yolocounty.org and meeting materials can be inspected at County offices located at 625 Court Street, Woodland, CA 95695; those interested in inspecting these materials are asked to call 530-666-8190 ext. 9204 to make arrangements. The documents are also available on the County of Yolo Financial Oversight Committee website located at: <https://www.yolocounty.org/general-government/general-government-departments/financial-services/financial-oversight-committee>.

PUBLIC PARTICIPATION
OPTIONS FOR PUBLIC COMMENT

1. If you are joining the meeting via zoom and wish to make a comment on an item, press the “raise a hand” button. If you are joining the meeting by phone only, press *9 to indicate a desire to make comment. The chair will call you by name or phone number when it is your turn to comment. Speakers will be limited to 3:00 minutes. “Note: If you are joining by zoom and phone, still use the zoom raise a hand button as *9 will not work.

2. If you choose not to observe the Audit Subcommittee meeting but wish to make a comment on a specific agenda item, please submit your comment via email by 5:00 p.m. on the Monday prior to the Committee meeting. Please submit your comment to Kim Eldredge, Audit Manager at kim.eldredge@yolocounty.org. Your comment will be placed into the record at the Committee meeting.

3. If you are watching/listening to the live stream of the Committee meeting and wish to make either a general public comment or to comment on a specific agenda item as it is being heard, you may also submit your comment, limited to 250 words or less, to the Kim Eldredge, Audit Manager at kim.eldredge@yolocounty.org. Every effort will be made to read your comment into the record, but some comments may not be read due to time limitations. Comments received after an agenda item will be made part of the record if received prior to the end of the meeting.

YOLO COUNTY AUDIT COMMITTEE

MINUTES OF MEETING April 29, 2021

Note: This meeting was held via teleconference, pursuant to the Governor's Executive Order N-29-20 (March 17, 2020).

Members present on the call:	Gary Sandy (Chair - Supervisor), Angel Barajas (Supervisor), Larry Raber (Public Member)
Members excused:	None.
Others present on the call:	Kim Eldredge, Noemy Mora-Beltran, Douglas Port and Navpreet Ghuman (Internal Audit).
Moderator:	Kim Eldredge
Recorded by:	Noemy Mora-Beltran

- 1) **Call to order.** Gary Sandy called the meeting to order at 10:02 AM with Angel Barajas (left meeting at 10:47 am), Larry Raber in attendance. Quorum was formed.
- 2) **Introductions.** Members and Internal Audit above were on the call.
- 3) **Approval of agenda.** The agenda was reviewed and approved; agenda adopted (Raber/Barajas).
- 4) **Follow-up of items from 11/10/2020 meeting.**
Kim Eldredge discussed two incident emails sent to the internal audit email; 1) Contractor not paid for services performed at Health & Human Services Agency. HHSa resolved the matter and contractor has been paid; 2) Taxpayer complained of treatment at the Department of Financial Service's public counter and penalty incurred on property taxes. Chad Rinde, Chief Financial Officer resolved both matters with the taxpayer. No further follow-up needed.
- 5) **Public comment.** Kim Eldredge reported that no public comments were received for the record.
- 6) **Approval of the 11/10/2020 meeting minutes.** Minutes received and filed. No corrections needed.
- 7) **Receive staff report on the status of the Division of Internal Audit Activity of current engagements and the release of audit reports since last meeting; (Eldredge)**
Kim Eldredge provided a status of current engagements: Accounts Payable Audit deferred to FY21-22; Payroll Audit-Carry Forward and Contracting & Procurement Audit in-progress, but slow due to delay of supporting documents from the departments. Whistleblower project-draft Fraud, Waste, & Abuse Policy planned for review by the Committee in July 2021; and the Sheriff Cash Audit and Continuous Purchase Card Audit scheduled for May 2021.
- 8) **Discuss status update of audit recommendations for the Countywide Telecommuting Audit (2/04/2021); (Eldredge).**
Kim Eldredge provided a staff report on the audit recommendations and management response.
- 9) **Receive staff report on the Proposed Audit Plan FY21/22; (Eldredge).**
Kim Eldredge discussed the proposed audit plan in detail. The estimated budget hours included 4 FTEs. It was noted that the limited-term auditor was pending approval by the Yolo County Board of

Supervisors in the annual budget. Kim will bring back the proposed audit plan with the adjusted hours for the limited-term auditor at the next meeting in July.

- 10) **Approve the Proposed Audit Plan FY21/22 with recommended changes; (Eldredge).**
Proposed Audit Plan FY21/22 was not approved.
- 11) **Confirm next meeting date.** The next meeting is scheduled for July 29, 2021 at 10:00-11:30 a.m.
- 12) **Committee Member and Staff Announcements.** There were no committee member and staff announcements.
- 13) **Adjournment.** Meeting adjourned at 11:21 a.m.

PURCHASE CARD CONTINUOUS AUDITING

Yolo County

Division of Internal Audit

Report on the continuous auditing of purchase card transactions.

For the Period: July 1, 2020 to December 31, 2020

Audit No: 2021-17

Report Date: July 21, 2021

The County had 155 purchase cards issued to employees. During the audit period, the County departments spent **\$456,758** of **2481** transactions charged to the purchase cards issued to their employees. The auditors reviewed the purchase card activity to identify transactions exceeding single and monthly credit limits; split transactions; weekend and holiday transactions; and other unusual activity.



The results of the procedures performed included custom data analytics and review of purchase card transactions to determine if purchase card transactions were supported by adequate documentation, and in compliance with County policies and procedures.

Continuous Auditing is a method used to perform audit-related activities on a continuous basis that includes control and risk assessment performed by Internal Audit.
(Best Practice by the Institute of Internal Auditors)

For more information, please contact:

Internal Audit Manager: Kim Eldredge, CGAP
Senior Auditor: Noemy Mora-Beltran
Internal Auditor: Navpreet Ghuman

County of Yolo
Department of Financial Services
Division of Internal Audits
P.O. Box 1995
Woodland, CA 95776



Visit the Division's Website at
<http://www.yolocounty.org/general-government/general-government-departments/financial-services/internal-audit>



County of Yolo

www.yolocounty.org

CHAD D. RINDE, CPA
Chief Financial Officer
TOM HAYNES
Assistant Chief Financial Officer

DEPARTMENT OF FINANCIAL SERVICES

625 Court Street, Room 102
PO BOX 1268
WOODLAND, CA 95776
PHONE: (530) 666-8190
FAX: (530) 666-8215
DFS @ yolocounty.org

- Financial Strategy Leadership
- Budget & Financial Planning
- Treasury & Finance
- Tax & Fee Collection
- Financial Systems Oversight
- Accounting & Financial Reporting
- Internal Audit
- Procurement

Date: July 21, 2021

To: Ryan Pistochini, Procurement Manager
Merilyn Tiriboyi, Accounting & Financial Reporting Division Manager

From: Kim Eldredge, Internal Audit Manager *Kim Eldredge*

Subject: Purchase Card Continuous Auditing Report
For the period July 1, 2020 to December 31, 2020
Audit Project: No. 2021-17

The Division of Internal Audit has completed the audit of Purchase Card - Continuous Auditing as part of our FY2020-21 Audit Plan approved by the Audit Sub-Committee. The scope of this audit consisted of all purchase card transactions for the period July 1, 2020 to December 31, 2020. The audit objectives were to:

- develop custom data analytic reports that continuously identify purchase card transactions that may require further review;
- test the items identified in the custom reports to ensure they adhere to purchasing card policies and procedures; and,
- determine if the custom reports could be used by management as a tool to increase awareness and compliance throughout the organization.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards) established by the Institute of Internal Auditors. These standards require that we identify, analyze, evaluate, and document sufficient information and evidence to achieve our objectives. We believe that the evidence obtained provides reasonable basis for the results, observations, and recommendations contained in our report.

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, County Management responded to each finding and recommendation contained in our report.

We thank the Department of Financial Services management, staff and other county personnel for their assistance.

Attachments

Cc. Chad Rinde, Yolo County, Chief Financial Officer
Daniel Kim, Interim Yolo County Administrator
Yolo County Audit Sub-Committee
Internal Audit Website
Audit File

Executive Summary

The Division of Internal Audit (DIA) completed the audit of Purchase Card – Continuous Auditing as part of our FY2020-21 Audit Plan approved by the Audit Sub-Committee. This audit performed an analytical review of the purchase card activity to determine that the purchase card transactions were supported by adequate documentation, and in compliance with County policies and procedures. We performed a variety of audit tests of the purchase card transaction activity utilizing computer-assisted audit techniques (known by the acronym CAATs). Continuous auditing is a

Purchase Card Transactions (CAATs Results) - 7/01/2020 12/31/2020		
8		Split Transactions- Potential split purchases within the same day and across multiple days to circumvent purchase card limits
64		Exceeds Limit- Transactions exceeded Cardholder's single purchase and monthly credit limits
259		Weekend/Holiday Transactions- Transactions that occurred on weekends or holidays
396		Purchases made through other means- Transactions typically made through the County's travel agency (hotels, airline, car rental, fuel)

a method used to perform control and risk assessments automatically on a frequent basis. Internal auditors use CAATs as a tool to help identify exceptions, duplicates, gaps, etc. in a set of data that require further review. CAATs can query 100% of the data population automatically with predetermined criteria. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing (Standards) established by the Institute of Internal Auditors.

Scope and Methodology

The scope of this audit consisted of all purchase card transactions for the period of July 1, 2020 to December 31, 2020, which included 2481 transactions totaling \$456,758. Our objectives were to analyze purchase card data, employee data and vendor payments to identify purchase card activity in the following areas:

- Transaction overview of purchase card activity
- Transactions exceeding single purchase limits
- Transactions exceeding monthly credit limits
- Transactions split to circumvent purchasing card limits
- Transactions occurring on weekends and holidays
- Purchases typically made through other means
- Top Ten Merchants with the highest transaction amounts

What We Found

The audit found exceptions as the result of tests conducted on the purchase card activity in the following areas:

	Lack of supporting documentation (original or supporting receipts)		Split transactions
	Purchase card statements not approved by an authorized Approving Official		Goods not verified when received
	Description of business purpose not identified		Program eligibility and department's policy and procedures for client services needs improvement

What We Recommend

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

- County Procurement Manager (CPM) should research reported exceptions and regularly monitor purchase card activity to reflect all changes to procedures, personnel, and updates to the Cal-Card system. In addition, the CPM should review Cardholders with low usage, no activity, or with multiple cards to determine need of card.
- Department Financial Services (DFS) should ensure that the Cardholders attach copies of sales receipts or other documentation to support the charge expensed to the County.

Transaction Analysis

The County's policy for the Purchase Card Program governs what types of purchases are allowed with the purchase card. The card is used to pay for small dollar transactions for items such as supplies, goods and services. The single dollar limit per transaction must not exceed \$5,000 including sales tax and any additional charges, such as freight or shipping.

Summary of Purchase Card Transactions by Department

At the time of the audit, the County had 155 purchase cards issued to employees. County departments spent \$456,758 during the audit period. An overview of the of the number of cards and the purchase card transactions by department is presented in Figure 1.

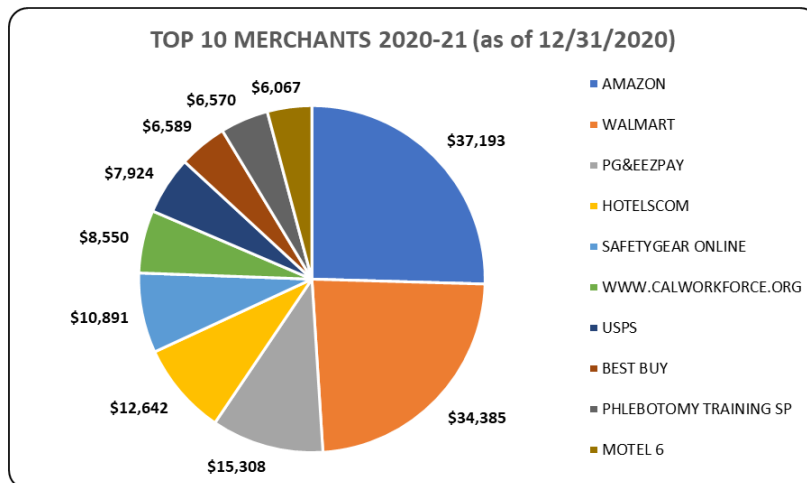
Fiscal Year 2020-21 (as of 12/31/2020)			
Department	Issued Cards	# of Transactions	Transaction Amount
Agriculture	5	55	\$10,920
Assessor Clerk Elections	4	164	\$9,324
Board of Supervisors	1	31	\$5,741
Child Support Services	3	22	\$2,264
Community Services	8	75	\$16,656
Coronavirus Recovery Operations Center	1	11	\$318
County Administrator	7	200	\$32,616
County Counsel	1	8	\$761
District Attorney	3	65	\$5,861
Financial Services	5	84	\$33,700
General Services	21	395	\$65,342
Health Human Services	37	862	\$209,187
Library	7	91	\$11,901
Probation	7	113	\$10,770
Public Defender	21	80	\$8,120
Sheriff	24	225	\$33,277
Total	155	2481	\$456,758

Number of purchase cards have decreased by 34 cards due to the efforts made by the Procurement Manager upon updating the new Procurement Policy and purchase card trainings.

(Figure 1) Transaction Summary by Department

Common Types of Merchants

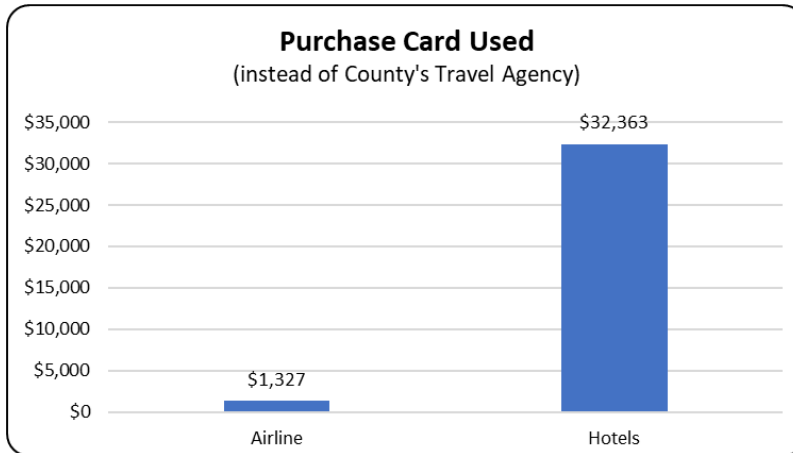
The most common merchants paid by the purchase card relate to items purchased for a specific program, office supplies, training, travel and shelter/utilities paid for clients as illustrated in the "Top 10 Merchants" in the pie chart below totaling \$146,119 from July 1, 2020 to December 31, 2020. Seven (7) vendors were added to the top ten based on goods needed during the pandemic.



(Figure 2) Top 10 Merchants

Transactions Typically Made Through Travel Agency

The County has contracted with an outside travel agency to arrange travel involving airfare and/or an overnight stay in a hotel. The preferred method for arranging travel is through the County's Travel Agency. In certain circumstances, better rates may be obtained via the Internet or sources other than the Travel Agency. Travel may be obtained from these other sources only if it results in a net saving to the County and has been pre-approved by the department head or their designee. During the audit period, there were 81 transactions totaling \$33,690 for airfare, and hotels (Figure 3). Hotels include transactions for clients under the CalWORKs Housing Support Program (HSP) and transactions during COVID-19 to shelter clients.



(Figure 3) Purchase Card Used (instead of County's Travel Agency)

Summary of Spending Limits

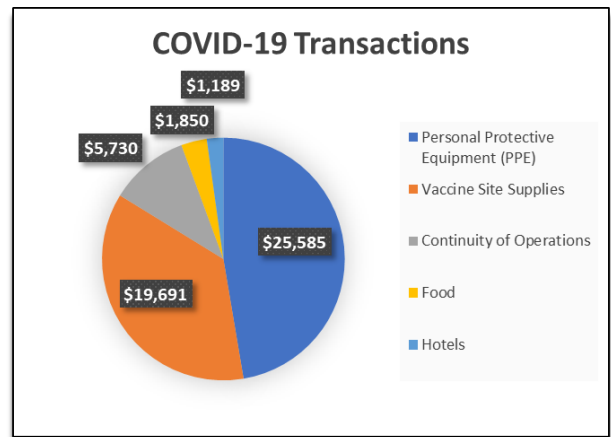
Each purchase card has a single purchase limit and monthly credit limit established within the CAL-Card system. Cardholders have single dollar limits that range from \$200 to \$6,000 and monthly credit limits from \$500 to \$20,000. The auditors reviewed the purchase card accounts and found that 32 Cardholders had low activity (less than 4 transactions per year); 24 Cardholders had no activity during the period under review; and 9 Cardholders had duplicate cards.

COVID-19 Transactions

The Yolo County Coronavirus Recovery Operations Center (CROC) is responsible for monitoring COVID-19 related transactions and for ensuring compliance with the Federal Emergency Management Agency (FEMA) and other applicable policy and procedures. The auditors reviewed thirty-two (32) COVID-19 related transactions totaling \$54,044. There were 34 exceptions noted for lack of supporting documentation, goods not verified when received, and purchase card statements not signed by authorized Approving Official. The following charts provide an overview of the COVID-19 purchase card transactions tested.

Category	Item Purchased	# of Trans	Transaction Amount
Personal Protective Equipment (PPE)	Face shields, masks, hand sanitizers, air purifiers	8	\$25,585
Vaccine Site Supplies	Safety vests, badges, temperature monitors, folding chairs and tables, gloves, folding platforms for trucks, and syringes	16	\$19,691
Continuity of Operations	Thermometers, plastic sneeze guards, and canopies	4	\$5,730
Food	Food for COVID-19 individuals and lunch for volunteers	3	\$1,850
Hotels	Hotel to shelter COVID-19 individuals	1	\$1,189
Total		32	\$54,044





(Figure 4) COVID-19 Purchase Card Transactions (Items Purchased)



(Figure 5) COVID-19 Purchase Card Transactions

Results of Transaction Testwork

The following findings and recommendations are made as a result of tests conducted on 115 transactions by Cardholders at the Agriculture, Assessor Clerk Elections, Board of Supervisors, Child Support Services, Community Services, County Administrator, District Attorney, Financial Services, General Services, Health & Human Services Agency, Library, Probation, Public Defender and Sheriff's departments. The auditors reviewed the transactions and additional documentation provided by the department management and verified compliance with County policy and procedures. The results are listed below.

Purchase Card Transactions (CAATs Results) – 7/01/2020 to 12/31/2020		
8		Split Transactions- Potential split purchases within the same day and across multiple days to circumvent purchase card limits
63		Exceeds Limit- Transactions exceeded Cardholder's single purchase and monthly credit limits
259		Weekend/Holiday Transactions- Transactions that occurred on weekends or holidays
396		Purchases made through other means- Transactions typically made through the County's travel agency (hotels, airline, car rental, fuel)

Summary of Findings and Recommendations

Title	Finding	Recommendation	Management Response
1. Lack of supporting documentation (original or supporting receipts)	<p>DIA identified:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Four (4) transactions had no original or supporting receipt on file and/or incomplete evidence of all items purchased <input type="checkbox"/> Nine (9) transactions had no approved Travel Request Forms attached <input type="checkbox"/> Twelve (12) transactions had no documentation for using alternative methods for travel arrangements instead of the County's Travel Agency 	<p>DFS should ensure that the Cardholders review the statement for accuracy and attach copies of sales receipts or other documentation to support the charge expensed to the County in the order they appear on the statement. The Approving Official ensures that receipts and documentation are in order and that they match the statement. The Reconciler reviews the supporting documentation, records the proper expenditure accounts, and prepares the journal entry.</p>	<p>Concur. Marilyn Tiriboyi, Accounting & Financial Reporting Division Manager 7/20/2021. The process of ensuring proper documentation is a shared responsibility between DFS and the departments. DFS will continue to offer training as part of the travel and purchasing policy training that will be held at a minimum twice year.</p>
2. Description of business purpose not identified	<p>DIA identified:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Three (3) transactions had no description of business purpose <input type="checkbox"/> Four (4) transactions with not enough information to determine compliance with County policy and procedures 	<p>DFS should ensure that detailed information be documented when the business purpose is not evident from the sales draft. Fund codes need to be exact and having information to better assist in the coding of the transaction is helpful.</p>	<p>Concur. Marilyn Tiriboyi, Accounting & Financial Reporting Division Manager 7/20/2021. Departments are responsible for documenting the business purpose and appropriate coding for accounting purposes. There is therefore shared ownership between DFS and the departments in ensuring that proper procedures are followed. DFS will continue to reinforce procedures as</p>

Internal Auditor's Report

Title	Finding	Recommendation	Management Response
			part of the monthly journal entry review process.
3. Goods not verified when received	DIA identified thirty-nine (39) transactions with no verification of when goods were received	DFS should ensure that the Cardholder keep a copy of the order form, including all shipping and sales tax information. When the order is received, the Cardholder should keep a copy of the packing slip and attach it as proof that the goods were received.	Concur. Marilyn Tiriboyi, Accounting & Financial Reporting Division Manager 7/20/2021. Mandatory cardholder training that began in December 2020 emphasized the need to record receipt of goods. Additionally, ensuring adequate documentation is a shared responsibility between DFS and the departments. Specifically, the approving official for the cardholder is the first line of defense. DFS will continue to push back to departments as part of the monthly journal entry review process to remind users to keep and provide necessary documentation to verify that goods were received.
4. Program eligibility and department's policy and procedures for client services needs improvement	DIA identified: <ul style="list-style-type: none"> <input type="checkbox"/> Three (3) cases were not active in the department's case management system at the time the items/services were provided <input type="checkbox"/> Two (2) cases where cost of the items procured exceeded the designated amount per policy for each person <input type="checkbox"/> Three (3) cases were missing acknowledgement from the client for the receipt of items/services <input type="checkbox"/> Seven (7) cases where management approval to procure the services/items on behalf of client was not received in advance 	DFS should ensure that the Cardholders review the statement for accuracy and attach copies of sales receipts or other documentation to support the charge expensed to the County in the order they appear on the statement. The Approving Official ensures that receipts and documentation are in order and that they match the statement. The Reconciler reviews the supporting documentation, records the proper expenditure accounts, and prepares the journal entry.	Concur. Marilyn Tiriboyi, Accounting & Financial Reporting Division Manager 7/20/2021. This relates to specific county departments serving clients including HHSA, Probation and Public Defender. It is the department responsibility to comply and enforce department policy and to ensure that cases are active in their case management system. DFS has no visibility to the case management system. DFS will reiterate the importance for department to follow policy guidelines in regard to these specific transactions. Additionally, the mandatory cardholder training that began in December 2020 contains a portion that focuses on documenting allowable purchases for clients.
5. Purchase card statements not approved by an authorized Approving Official	DIA identified: <ul style="list-style-type: none"> <input type="checkbox"/> Four (4) purchase card statements were not signed by authorized Approving Official 	CPM should communicate to the Cardholder, Approving Official, and Reconciler of the policy requirement for approval of purchase card statements.	Concur. Ryan Pistochini, Procurement Manager 7/20/2021. As part of the monthly mandatory purchase card user training that started in December 2020, cardholders were reminded of

Internal Auditor's Report

Title	Finding	Recommendation	Management Response
	<input type="checkbox"/> Fourteen (14) purchase card statements were missing wet or electronic signature		the importance of signing their statements. Management is developing specific training for approvers and reconcilers to roll out in late 2021.
6. Split transactions	DIA identified one (1) transaction that was split into multiple purchases	CPM should review the transactions and communicate to the Cardholder, Approving Official, and Reconciler actions required to resolve this type of transaction.	Concur. Ryan Pistochini, Procurement Manager 7/20/2021. Management will review the split transaction with the cardholder. The mandatory cardholder training that begin in December 2020 discusses what a split transaction is, and how to properly avoid creating a split transaction.

Since the last Purchase Card Continuous Auditing report, the CPM has conducted a series of 8 trainings commencing in October 2020 for cardholders on the use of the purchase card, policy and procedures. In addition, the CPM has made improvements on the monitoring of Cardholder's single purchase and monthly credit limits by maintaining supporting documentation for all changes in spending limits.

For the exceptions and findings noted in this report, we forwarded the exceptions to the County Procurement Manager for further research, which involves contacting departments/agencies and/or clarifying existing purchase card policies and procedures.

All findings above are rated as Priority 1 Issues – 60 days required corrective action. See Attachment A for definitions of priority rankings.

PRIORITY RANKING DEFINITIONS

Auditors use their professional judgment to assign rankings to recommendations using the criteria and definitions listed below. The purpose of the rankings is to highlight the relative importance of some recommendations over others based on the likelihood of adverse impacts if a corrective action is not taken and the seriousness of the adverse impact that may result. Adverse impacts are situations that have or could potentially undermine or hinder the following:

- a. The quality of services department provides to the community;
- b. The accuracy and completeness of County books, records, or report;
- c. The safeguarding of County asset;
- d. The County's compliance with pertinent rules, regulations, or laws;
- e. The achievement of critical programmatic objectives or program outcomes; and/or,
- f. The cost-effective and efficient use of resources.

Priority 1 Issues

Priority 1 issues are control weaknesses or compliance lapses that are significant enough to warrant immediate corrective action. Priority 1 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category may be situations that create actual or potential hindrances to the department's ability to provide quality services to the community, and/or present significant financial, reputational, business, compliance, or safety exposures. Priority 1 recommendations require management's immediate attention and corrective action within 60 days of report issuance.

Priority 2 Issues

Priority 2 issues are control weaknesses or compliance lapses that are of a serious nature and warrant prompt corrective action. Priority 2 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category, if not corrected, typically present increasing exposure to financial losses and missed business objectives. Priority 2 recommendations require management's prompt attention and corrective action within 120 days of report issuance.

Priority 3 Issues

Priority 3 issues are the more common and routine control weaknesses or compliance lapses that warrant timely corrective action. Priority 3 recommendations may result from weaknesses in the design or absence of a procedure or control, or when personnel fail to adhere to the procedure or control. The issues, while less serious than a higher-level category, are nevertheless important to the integrity of the department's operations and must be corrected or more serious exposures could result. Departments must implement Priority 3 recommendations within 180 days of report issuance.



County of Yolo

www.yolocounty.org

CHAD D. RINDE, CPA
Chief Financial Officer

TOM HAYNES
Assistant Chief Financial Officer

DEPARTMENT OF FINANCIAL SERVICES

625 Court Street, Room 102
PO BOX 1268
WOODLAND, CA 95776
PHONE: (530) 666-8190
FAX: (530) 666-8215
DFS @ yolocounty.org

- Financial Strategy Leadership
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- Tax & Fee Collection
- Financial Systems Oversight
- Accounting & Financial Reporting
- Internal Audit
- Procurement

MEMORANDUM

TO: Kim Eldredge, CGAP
Audit Manager

FROM: Ryan Pistochini, Procurement Manager

DATE: **July 20, 2021**

AUDIT WORK: Purchase Card Continuous Auditing Report, Audit No. 2021-17

SUBJECT: Management Response to Draft Report

In response to the Purchase Card Continuous Auditing Report for the period of July 1, 2020 to December 31, 2020, our comments are provided below:

Finding 5: Purchase card statements not approved by an authorized Approving Official

The Division of Internal Audit (DIA) identified the following:

- Four (4) purchase card statements were not signed by authorized Approving Official
- Fourteen (14) purchase card statements were missing wet or electronic signature

a. Management position concerning the finding:

Concur _____ Do not concur

b. Management comments:

Management notes that the audit period rests entirely within the time period the County desired for employees to work from home due to the pandemic. During this time, cardholders and approvers reported difficulty in signing their statements as all statements are mailed to County offices.

Recommendation 5: The County Procurement Manager (CPM) should communicate to the Cardholder, Approving Official, and Reconciler of the policy requirement for approval of purchase card statements.

a. Management position concerning the recommendation:

Concur _____ Do not concur

b. Management comments:

As part of the monthly mandatory purchase card user training that started in December 2020, cardholders were reminded of the importance of signing their statements. Management is developing specific training for approvers and reconcilers to roll out in late 2021.

- c. Actual / estimated Date of Corrective Action: September 30, 2021

Finding 6: Split transactions

DIA identified one (1) transaction that was split into multiple purchases

- a. Management position concerning the finding:

Concur Do not concur

- b. Management comments:

Management concurs with this finding.

Recommendation 6: The CPM should review the transactions and communicate to the Cardholder, Approving Official, and Reconciler actions required to resolve this type of transaction.

- a. Management position concerning the recommendation:

Concur Do not concur

- b. Management comments:

Management will review the split transaction with the cardholder. The mandatory cardholder training that begin in December 2020 discusses what a split transaction is, and how to properly avoid creating a split transaction.

- c. Actual / estimated Date of Corrective Action: August 31, 2021



County of Yolo

www.yolocounty.org

CHAD D. RINDE, CPA
Chief Financial Officer

TOM HAYNES
Assistant Chief Financial Officer

DEPARTMENT OF FINANCIAL SERVICES

625 Court Street, Room 102
PO BOX 1268
WOODLAND, CA 95776
PHONE: (530) 666-8190
FAX: (530) 666-8215
DFS @ yolocounty.org

- 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
Audit Manager

FROM: Marilyn Tiriboyi, Accounting & Financial Reporting Division

DATE: 7/20/2021

AUDIT WORK: Purchase Card Continuous Auditing Report, Audit No. 2021-17

SUBJECT: Management Response to Draft Report

In response to the Purchase Card Continuous Auditing Report for the period of July 1, 2020 to December 31, 2020, our comments are provided below:

Finding 1: Lack of supporting documentation (original or supporting receipts)

The Division of Internal Audit (DIA) identified the following:

- Four (4) transactions had no original or supporting receipt on file and/or incomplete evidence of all items purchased
- Nine (9) transactions had no approved Travel Request Forms attached
- Twelve (12) transactions had no documentation for using alternative methods for travel arrangements instead of the County's Travel Agency

a. Management position concerning the finding:

Concur Do not concur

b. Management comments:

Management agree with findings. DFS will continue to offer training on travel policy at least twice a year and purchase card policy at least six times a year.

Recommendation 1: The Department of Financial Services (DFS) should ensure that the Cardholders review the statement for accuracy and attach copies of sales receipts or other documentation to support the charge expensed to the County in the order they appear on the statement. The Approving Official ensures that receipts and documentation are in order and that they match the statement. The Reconciler reviews the supporting documentation, records the proper expenditure accounts, and prepares the journal entry.

a. Management position concerning the recommendation:

Concur _____ Do not concur

b. Management comments:

The process of ensuring proper documentation is a shared responsibility between DFS and the departments. DFS will continue to offer training as part of the travel and purchasing policy training that will be held at a minimum twice year.

c. Actual / estimated Date of Corrective Action: October 29, 2021

Finding 2: Description of business purpose not identified

DIA identified the following:

- Three (3) transactions had no description of business purpose
- Four (4) transactions with not enough information to determine compliance with County policy and procedures

a. Management position concerning the finding:

Concur _____ Do not concur

b. Management comments:

Management agrees with finding and will continue to reinforce procedures and train cardholders on the need to adequately document business purpose.

Recommendation 2: DFS should ensure that detailed information be documented when the business purpose is not evident from the sales draft. Fund codes need to be exact and having information to better assist in the coding of the transaction is helpful.

a. Management position concerning the recommendation:

Concur _____ Do not concur

b. Management comments:

Departments are responsible for documenting the business purpose and appropriate coding for accounting purposes. There is therefore shared ownership between DFS and the departments in ensuring that proper procedures are followed. DFS will continue to reinforce procedures as part of the monthly journal entry review process.

c. Actual / estimated Date of Corrective Action: 9/30/2021

Finding 3: Goods not verified when received

DIA identified thirty-nine (39) transactions with no verification of when goods were received

a. Management position concerning the finding:

Concur _____ Do not concur

b. Management comments:

Management agrees with the finding and will continue to reinforce procedures and train cardholders on the need to verify that goods were received.

Recommendation 3: DFS should ensure that the Cardholder keep a copy of the order form, including all shipping and sales tax information. When the order is received, the Cardholder should keep a copy of the packing slip and attach it as proof that the goods were received.

a. Management position concerning the recommendation:

Concur Do not concur

b. Management comments:

Mandatory cardholder training that began in December 2020 emphasized the need to record receipt of goods. Additionally, ensuring adequate documentation is a shared responsibility between DFS and the departments. Specifically, the approving official for the cardholder is the first line of defense. DFS will continue to push back to departments as part of the monthly journal entry review process to remind users to keep and provide necessary documentation to verify that goods were received.

c. Actual / estimated Date of Corrective Action: 9/30/2021

Finding 4: Program eligibility and department's policy and procedures for client services needs improvement

DIA identified:

- Three (3) cases were not active in the department's case management system at the time the items/services were provided
- Two (2) cases where cost of the items procured exceeded the designated amount per policy for each person
- Three (3) cases were missing acknowledgement from the client for the receipt of items/services
- Seven (7) cases where management approval to procure the services/items on behalf of client was not received in advance

a. Management position concerning the finding:

Concur Do not concur

b. Management comments:

This relates to specific county departments serving clients including HHSA, Probation and Public Defender. It is the department responsibility to comply with department policy and to ensure that cases are active in their case management system.

Recommendation 4: DFS should ensure that the Cardholders review the statement for accuracy and attach copies of sales receipts or other documentation to support the charge expensed to the County in the order they appear on the statement. The Approving Official ensures that receipts and documentation are in order and that they match the statement. The Reconciler reviews the supporting documentation, records the proper expenditure accounts, and prepares the journal entry.

a. Management position concerning the recommendation:

Concur Do not concur

b. Management comments:

This relates to specific county departments serving clients including HHSA, Probation and Public Defender. It is the department responsibility to comply and enforce department policy and to ensure that cases are active in their case management system. DFS has no visibility to the case management system. DFS will reiterate the importance for department to follow policy guidelines in regard to these specific transactions. Additionally the mandatory cardholder training that began in December 2020 contains a portion that focuses on documenting allowable purchases for clients.

c. Actual / estimated Date of Corrective Action: 9/30/2021

Yolo County
Division of Internal Audit
Audit Plan
Fiscal Year 2020-2021

No.	Name	Entity	Preliminary Audit Objective/Project Description	Hours	Comments	Status
1	Accounts Payable Audit	Countywide	To assess internal controls over accounts payable to ensure invoicing/payment processes are properly reviewed and complete, valid, and accurate. Includes review of system controls and data analytics.	300	High-risk area: Implementation of new financial/payroll system. Identified in Infor System Audit.	Carry Forward FY21-22
2	Contracting and Procurement Audit	Countywide	The internal audit activity will work with the Procurement Manager on determining scope of audit.	400	High-risk area: Implementation of new financial/payroll system. Identified in Infor System Audit.	In-progress Selected sample and performing subsequent testwork
3	Payroll Audit-Carry Forward	Countywide	To assess internal control over payroll processing to ensure payroll is accurate, authorized, reviewed, and duties are properly segregated.	240	High-risk area: Implementation of new financial/payroll system. Identified in Infor System Audit. Review of payroll processes not performed in 9 years.	Draft report completed. Exit Conf to be scheduled with HR Director
4	Audit Communication with Management and Staff	Countywide	Division weekly meetings, discussions on audit subject matters, and other communications.	280	Requirement - Standard 2200	On-going
5	Follow-up Audits and Testing of Correction Action Plans	Countywide	Monitor progress of the status of audit recommendations. Report to FOC/Audit Committee	200	Requirement - Standard 2500, 2600	Finalizing issues within electronic workpapers.
6	Whistleblower Hotline and Report of Fraud, Waste and Abuse Policy	Countywide	Develop policy; create incident form on website	80	Best practice	Survey completed with departments.
7	Accounts Receivable-Department Audit	Department	To assess internal control over accounts receivable to ensure receivable accounts are accurate, valid, properly approved, and recorded.	120	Department selected based on preliminary risk assessment	Carry Forward FY21-22
8	Cash-Department Audit	Department-Sheriff	To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records.	120	Department selected based on preliminary risk assessment	Carry Forward FY21-22; Started
9	Treasury Cash Counts	Department	To count cash in the county treasury (at least once in each quarter).	40	Mandated: Government Code 26920 (a)(1)	Completed
10	Continuous Auditing Program	Countywide-Cont Aud	Development of analytics, testing of transactions, and results for two high risk areas (payroll and purchase card). Report to FOC/Audit Committee	340	Divisional Goal- Operation Efficiency	Completed; Final Report issued 7/21/2021
11	Accounts Receivable-Risk Assessment	Countywide-Risk Assessment	To perform a preliminary risk assessment to determine audit area and scope of work.	120	Internal audit activity will perform a countywide preliminary risk assessment on accounts receivable and select two (2) high risk individual departments to audit based on the results.	Canceled

Yolo County
Division of Internal Audit
Audit Plan
Fiscal Year 2020-2021

No.	Name	Entity	Preliminary Audit Objective/Project Description	Hours	Comments	Status
12	Telecommuting Audit	Special Project- Countywide	To determine whether the departments telecommuting arrangements are administered in accordance with the County of Yolo Telecommuting policy and procedures; and, whether the department supervisors were properly monitoring and certifying employee work time to ensure an acceptable level of output resulted from the time spent teleworking.	90	County Management Request	Completed Final Report Issued 2/04/2021
13	Inter-Governmental Transfer Fund (IGT)	Special Project	To review spending for allowance under partnership plan.	100	County Management Request	Canceled
14	Special Project - YCTD	Special Project	Confidential Audit	60	County Management Request	Completed Final Report Issued 12/22/2020
15	Food Bank Analysis	Special Project	To determine whether the invoiced amount by the Food Bank agrees to the funding agreement and supporting documentation.	40	County Management Request	Completed Final Report Issued 6/15/2020
16	COVID-19 Cost Tracking	Special Project	Non-audit services	448	Disaster Service Work	Completed
17	Contingency Reserve	Special Project	Unassigned projects	390	To be determined	Hours reallocated
18	Electronic workpapers	Audit Function	Implementation and training	340	Divisional Goal- Operation Efficiency	Completed Working minor issues with software/vendor
19	Internal Audit General	Audit Function	Manage the internal audit activity, establish a risk-based audit plan; ensure that engagements are performed with proficiency and due professional care; develop and update policies and procedures. Various general duties- timekeeping, team-building activities (strength finders), etc.	662		Completed Two "new" audit policies. Audit Follow- up Policy & Audits Conducted by External Entities and Fiscal Monitoring Review Policy; approved by BOS 11/17/2020
20	Continuing Professional Development	Audit Function	Continuing professional development-Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.	120	Requirement - Standard 1230	Yolo County Internal Audit will Host Virtual Conference; Audit Chief's Mtg April 27-28 2021 186 Attendees representing 30 counties

Yolo County
 Division of Internal Audit
 Audit Plan
 Fiscal Year 2020-2021

No.	Name	Entity	Preliminary Audit Objective/Project Description	Hours	Comments	Status
21	Countywide Trainings	Audit Function	Countywide Fiscal Foundations Series: Data Analytics; Ethics & Fraud; Preparing for an Audit; and audit tips-short video clips. Includes development, preparation and instruction.	60	Department Goal	On-hold Due to available staffing resources
22	Department of Financial Services General	Administration	Various meetings, employee evaluations, and other events not directly related to the division	292		On-going
23	Financial Oversight Committee	Administration	Support services for the Financial Oversight Committee	140		On-going
24	Estimated staff benefits & leave	Other-Administration	General provisions within the MOU	1258	Memorandum Of Understanding Agreements with Labor Relations	On-going
Total audit & non-audit hours and benefits & leave				6240		

Yolo County
Division of Internal Audit
Audit Plan - Proposed
Fiscal Year 2021-2022

No.	Name	Entity	Preliminary Audit Objective/Project Description	Hours	Comments	Status
1	Accounts Payable Audit	Countywide	To assess internal controls over accounts payable to ensure invoicing/payment processes are properly reviewed and complete, valid, and accurate. Includes review of system controls and data analytics.	410	High-risk area: Implementation of new financial/payroll system. Identified in Infor System Audit.	CF FY20-21
2	Capital Project Audit	Countywide	To provide County Management with assurance that capital project management systems are in compliance with County's policies, industry best practices, and generally accepted project management standards.	200	High risk area recommended by Procurement Mgr.	CF FY20-21
3	Payroll Audit	Countywide	To assess internal control over payroll processing to ensure payroll is accurate, authorized, reviewed, and duties are properly segregated.	120	High-risk area: Implementation of new financial/payroll system. Identified in Infor System Audit. Review of payroll processes not performed in 9 years.	CF FY20-21
4	Contracting and Procurement Audit	Countywide	The internal audit activity will work with the Procurement Manager on determining scope of audit.	220	High-risk area: Implementation of new financial/payroll system. Identified in Infor System Audit.	New
5	Payroll Audit	Countywide	To be determined from outcome from Payroll Audit.	120	Follow-up	New
6	Audit Communication with Management and Staff	Countywide	Division weekly meetings, discussions on audit subject matters, and other communications.	500	Requirement - Standard 2200	On-going
7	Follow-up Audits and Testing of Correction Action Plans	Countywide	Monitor progress of the status of audit recommendations. Report to FOC/Audit Committee	80	Requirement - Standard 2500, 2600	On-going
8	Whistleblower Hotline and Report of Fraud, Waste and Abuse Policy	Countywide	Implement policy; create incident form on website, and track incidents. Report to BOS/Audit Committee	100	Best practice	New
9	Accounts Receivable-Department Audit	Department TBD	To assess internal control over accounts receivable to ensure receivable accounts are accurate, valid, properly approved, and recorded.	172	Department selected based on preliminary risk assessment	New
10	Accounts Receivable-Department Audit	Department TBD	To assess internal control over accounts receivable to ensure receivable accounts are accurate, valid, properly approved, and recorded.	172	Department selected based on preliminary risk assessment	New
11	Cash-Department Audit	Department Sheriff	To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records.	172	Department selected based on preliminary risk assessment	CF FY20-21
12	Cash-Department Audit	Department HHSA	To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records.	172	Department selected based on preliminary risk assessment	New
13	Cash-Department Audit	Department District Attorney	To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records.	172	Department selected based on preliminary risk assessment	New

Yolo County
Division of Internal Audit
Audit Plan - Proposed
Fiscal Year 2021-2022

No.	Name	Entity	Preliminary Audit Objective/Project Description	Hours	Comments	Status
14	Cash-Department Audit	Department Clerk-Recorder	To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records.	172	Department selected based on preliminary risk assessment	New
15	Treasury Cash Counts	Department DFS	To count cash in the county treasury (at least once in each quarter).	28	Mandated: Government Code 26920 (a)(1)	Annual
16	Cont Auditing-Pcard	Countywide-Cont Aud	Development of analytics, testing of transactions, and results for three high risk areas (purchase card, payroll and accounts payable). Report to FOC/Audit Committee	130	Divisional Goal- Operation Efficiency	CF FY20-21
17	Continuous Auditing Program	Countywide-Cont Aud	Development of analytics, testing of transactions, and results for three high risk areas (purchase card, payroll and accounts payable). Report to FOC/Audit Committee	120	Divisional Goal- Operation Efficiency	Continuous
18	Yolo County Transit District	Special Project	Confidential Audit	60		CF FY20-21
19	Cell Phone Audit	Special Project-Countywide	To ensure compliance with County Policy & Procedures, Government Code, and Best Practices.	168	Identified in Cont Purchase Card Audit.	New
20	Contingency Reserve	Special Project	Unassigned projects	142	To be determined	Reserve
21	Electronic workpapers	Audit Function	Implementation and training	160	Divisional Goal- Operation Efficiency	On-going
22	Internal Audit General	Audit Function	Manage the internal audit activity, establish a risk-based audit plan; ensure that engagements are performed with proficiency and due professional care; develop and update policies and procedures. Various general duties-timekeeping, team-building activities (strength finders), etc.	700		On-going
23	Continuing Professional Development	Audit Function	Continuing professional development-Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.	120	Requirement - Standard 1230	On-going
24	Countywide Trainings	Audit Function	Countywide Fiscal Foundations Series: Internal Controls and audit tips-short video clips. Includes development, preparation and instruction. Restart discussion on CBO Workshop w/Procurement Mgr.	180	Department Goal. CBO Workshop identified in FY21-22 Annual Risk Consideration	New
25	Department of Financial Services General	Administration	Various meetings, employee evaluations, and other events not directly related to the division	320		On-going
26	Financial Oversight Committee	Administration	Support services for the Financial Oversight Committee	160		On-going
27	Estimated staff benefits & leave	Other-Administration	General provisions within the MOU	1170	Memorandum Of Understanding Agreements with Labor Relations	On-going
Total audit & non-audit hours and benefits & leave				6240		

Yolo County
 Division of Internal Audit
 Audit Plan - Proposed
 Fiscal Year 2021-2022

No.	Name	Entity	Preliminary Audit Objective/Project Description	Hours	Comments	Status
	Outsource Projects					
	<i>Network and Web Application Penetration Tests</i>	<i>Department ITS</i>	<i>To address concerns raised on cybersecurity of the County Network.</i>		<i>Last test performed June 2017</i>	
	<i>Access Review Audit</i>	<i>Special Project-Countywide</i>	<i>To ensure compliance with County Policy & Procedures, Government Code, and Best Practices.</i>		<i>County Management Request. Concern by FOC/Audit Committee</i>	
	<i>Fleet Audit</i>	<i>Department Community Services</i>	<i>To ensure compliance with County Policy & Procedures, Government Code, and Best Practices.</i>		<i>County Management Request</i>	
	<i>Countywide Risk Assessment</i>	<i>Internal Audit</i>	<i>Support Internal Audit with 3-year Risk Based Audit plan within Auditor Assistant</i>			