

**Meeting of the
Audit Subcommittee
Yolo County
April 6, 2022
10:00 a.m.**

NOTE: This meeting is being agendized to allow Board Members, staff and the public to participate in the meeting via teleconference, pursuant to Government Code section 54953(e)(1) (as amended by Assembly Bill 361), available at the following [link](#).

Teleconference Options to join Zoom meeting:

By PC: <https://yolocounty.zoom.us/j/83488270223>

Meeting ID: 834 8827 0223

or

By Phone: (408) 638-0968

Meeting ID: 834 8827 0223

Government Code section 54953(e)(1) 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)
Vice-Chair, 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. **Renew authorization for remote (teleconference/videoconference) meetings by finding, pursuant to Assembly Bill 261, that (a) the COVID-19 pandemic state of emergency is ongoing, and (b) local officials continue to recommend measures to promote social distancing.**
7. **Approve prior meeting minutes 1/27/2022.**
8. **Receive Cash Department Audit - Assessor/Clerk-Recorder/Elections report (2/18/2022)**
9. **Receive Annual Reporting of Organizational Independence of the internal audit activity**
10. **Receive Self-Assessment Report on Internal Audit Activity**

REGULAR AGENDA

11. **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)**
12. **Receive staff report on resolution of audit findings and recommendations; (Eldredge)**
13. **Approve revised meeting calendar for year 2022.**

Proposed Dates	Proposed Time
July 6, 2022	10:00-11:30 am
October 5, 2022	10:00-11:30 am

14. **Confirm next meeting date: July 6, 2022 at 10:00 to 11:30 am.**

15. 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.

16. 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 SUBCOMMITTEE

MINUTES OF MEETING January 27, 2022

Note: This meeting was held via teleconference, pursuant to the Government Code section 54953(e)(1) (as amended by Assembly Bill 361)

Members present on the call: Gary Sandy (Chair – Supervisor), Larry Raber (Public Member) and Angel Barajas (Supervisor)

Others present on the call: Noemy Mora-Beltran and Navpreet Ghuman (Internal Audit) and Denny Cheuk, Chief of Finance – Sheriff’s Office.

Excused absence: Kim Eldredge, Audit Manager

Moderator/Recorded by: Noemy Mora-Beltran

- 1) **Call to order.** Gary Sandy called the meeting to order at 10:03 AM with Larry Raber and Angel Barajas in attendance. Quorum was formed.
- 2) **Introductions.** Members, Internal Audit, and Mr. Cheuk above were on the call.
- 3) **Approval of agenda.**
Noemy mentioned a conflict with the next scheduled meeting date with a change to April 6th at 10:00 to 11:30 am. Agenda amended and approved. (Raber/Barajas)
- 4) **Follow-up of items from 10/28/2021 meeting.**
 - a. Inquiry to Yolo County’s external auditors regarding reliance/timing of Internal Audit projects when assessing their own work.

Noemy reported that the internal audit reports are reviewed and evaluated by the external auditors as part of their risk assessment and design of audit procedures. They also inquire of any cybersecurity work completed.

- 5) **Public comment.** Noemy Mora-Beltran reported that no public comments were received for the record.

Consent Agenda

- 6) Renew authorization for remote (teleconference/videoconference) meetings by finding, pursuant to Assembly Bill 261, that (a) the COVID-19 pandemic state of emergency is ongoing, and (b) local officials continue to recommend measures to promote social distancing.
- 7) Approve prior meeting minutes 7/29/2021 and 10/28/2021.
- 8) Receive Purchase Card Continuous Auditing report – January to June 2021 (1/20/2022)

Consent agenda approved. (Barajas/Raber).

Regular Agenda

9) **Receive staff report on the Cash Department Audit – Sheriff report (11/22/2021) (Mora-Beltran/Cheuk).**

Noemy Mora-Beltran provided a staff report on the audit recommendations and management response. Denny Cheuk, Sheriff’s Chief of Finance, provided an explanation on findings noted within the report.

10) **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)**

Noemy Mora-Beltran provided a status of current engagements: Special Project-YCTD additional review, Cash-Department – Sheriff, Purchase Card Continuous Audit (January to June 2021)-completed; Cash Department – Assessor/Clerk-Recorder/Elections-wrapping up draft report; Cash Department – District Attorney-started; and Capital Project Audit-anticipated to be completed in February. For On-call Audit Services, selected 3 vendors and waiting on contracts. Other high priority projects are the Follow-up Audits and Testing of Corrective Action Plan expected to launch Jan/Feb.

11) **Confirm next meeting date.** The next meeting is scheduled for April 6, 2022, 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 10:50 a.m.



County of Yolo

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Interim Chief Financial Officer

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

Transmittal Letter

February 18, 2022

Jesse Salinas, Assessor/Clerk-Recorder/Registrar of Voters
625 Court Street, Room 104
Woodland, CA 95695

Re: Internal Control Cash Audit - Assessor/Clerk-Recorder/Elections

Dear Mr. Salinas:

The Division of Internal Audit performed an internal control cash audit of the Assessor/Clerk-Recorder/Elections for the period of December 1, 2020 to November 30, 2021 to determine whether adequate internal control exists to provide reasonable assurance to county management that there is an acceptable level of operational accountability over cash.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, reliable, relevant and useful information to provide reasonable assurance that our objective as described above is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Management is responsible for establishing and maintaining adequate internal controls. Our responsibility is to evaluate the internal controls.

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to cash handling, system access, and documentation of procedures.

As required, in accordance with auditing standards and the County Audit Follow-up Policy, County Management has responded to each finding and recommendation contained in our report. We will follow-up to verify that management implemented the corrective actions.

Yolo County Division of Internal Audit
Transmittal Letter

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

We thank the Assessor/Clerk-Recorder/Elections management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Sincerely,



Kim Eldredge, CGAP
Audit Manager

Distribution
Tom Haynes, Yolo County, Interim Chief Financial Officer
Chad Rinde CPA, Interim Yolo County Administrator
Sou Xiong, Treasury Manager
Yolo County Audit Subcommittee
Internal Audit Website
Audit File Project No. 2022-28

Yolo County Division of Internal Audit
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Audit No: 2022-28**

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Detailed Findings and Recommendations

Background

The Assessor/Clerk-Recorder/Elections (ACE) is an elected office that oversees the following branches:

Assessor

The Assessor is responsible for the determination of the county tax roll. The three primary elements are assessment of all taxable real property, business property, aircraft, and other miscellaneous personal property; assessment appeal; and customer service regarding personal property issues.

Clerk-Recorder

The Clerk Recorder serves as an archivist of various records. Three major types of these records are vital records (birth, death and marriage certificates,) real property records, and fictitious business name statements, which are related to businesses formed and conducted in Yolo County. All the records in the custody of the clerk recorder are preserved and protected, to insure the records originally submitted are not compromised or open for potential fraudulent activities.

Election

Elections conducts federal, statewide and local elections. Through collaboration with stakeholders in the community and other governmental agencies, the elections branch strives to inform voters of their ability to vote and to positively engage them in the election process.

Our review tested the ACE's cash operations at the above branches to determine that controls are operating in accordance with the Yolo County Cash Accounting Manual, Government Code, and Best Practice.

Objective, Scope, and Methodology:

The objective of the review was to determine whether adequate internal control exists to provide reasonable assurance to county management that there is an acceptable level of operational accountability over the handling of cash within the three branches (Assessor/Clerk-Recorder/Elections). Operational accountability is achieved when the cash operations operate effectively and efficiently, transactions are executed in accordance with laws, regulations and Board policies and reliable information is generated and reported.

The scope of our audit included the review of the revolving cash fund and cash equivalents for the period of December 1, 2020 to November 30, 2021. This report also does not include a full system review of the Tyler system (Clerk-Recorder's system).

Yolo County Division of Internal Audit
Internal Auditor's Report

I. Revolving Cash Fund Accounts

Revolving funds are established by the Department of Financial Services for specific operational needs to facilitate certain expenditure and cash transactions throughout the county departments. The most common types of revolving funds are change funds, petty cash funds and special purpose funds.

ACE has an authorized revolving cash fund balance totaling \$345 distributed to the branches as follows:

- a. Petty cash in the amount of \$50 at the Assessor's branch to reimburse small dollar items and office supplies needed on an emergency basis.
- b. Change fund in the amount of \$50 to be used by the Assessor's branch to make change for the sale of maps, labels, property characteristics and research.
- c. Change fund in the amount of \$20 to be used by the Elections branch to make change for voter registration confirmations and copies.
- d. Change fund in the amount of \$225 to be used by the Clerk-Recorder's branch to make change for the collection of fees for vital records and official recordings.

Audit Objective/Methodology

To determine whether the revolving fund accounts were authorized, expenses applied allowed under policy, and replenishments supported by adequate documentation that funds were received.

To accomplish our objective, the following procedures were performed:

- Verified that the revolving funds agreed to the authorized accountable revolving cash fund balance on file with the Department of Financial Services
- Inquired with management and staff on the petty cash procedures
- Tested a sample of the petty cash replenishments and change funds to determine compliance with County Policy and Government Code

Based on the procedures performed, the revolving funds agreed to the accountable balance with the Department of Financial Services. No petty cash replenishments were made during the audit period. The department should review the petty cash fund and determine if the established amount of \$50 is still needed for department operations.

No exceptions noted.

Yolo County Division of Internal Audit
Internal Auditor's Report

II. Cash Receipts

Cash refers to U.S. currency and coins, checks drawn on U.S. banks and written in U.S. dollar values including travelers, cashiers, and certified checks, money orders, credit card sales drafts, Automated Clearing House (ACH) payments, and wire transfers. All of these forms of payment are acceptable by the County. The Chief Financial Officer must grant approval to a department to collect cash on behalf of the County. Departments must follow general cash receipt procedures and recording of transactions in handling of all cash receipts as stated below:

- A cash receipt must be provided for all cash transactions received over the counter.
- Cash collections shall be summarized daily on a cash receipt journal showing date received, amount received, and revenue or other accounts to be credited.
- Cash receipts must be deposited in the County Treasury or other authorized depository bank daily or when the amount on-hand exceeds a safe and reasonable threshold but no less frequently than weekly.
- A deposit transmittal form must accompany all cash receipts.
- Cash receipts that are transported from branch locations to headquarters for deposit must be maintained using a transmittal log or slip.
- Cash overages shall not be netted against cash shortages. Overages shall be deposited into the general ledger account and any shortages be listed on a log showing all relevant information including the date, amount, cashier, and an explanation for the shortage.
- Recording cash receipt transactions (cash register transactions, mail receipts, and credit cards) must be maintained and reconciled to the deposit.

ACE has four (4) collection areas at the Assessor, Clerk-Recorder (2 counters) and Elections public counters. The Clerk-Recorder and Elections branches reconcile their own collections and make the deposits into the County Treasury. The Assessor's branch transfers the cash receipts to the Elections-Finance for further processing.

Audit Objective/Methodology:

To determine that handling of cash receipts comply with County Policy, funds are adequately safeguarded, and there is a separation of duties among employees handling and reconciling cash.

To accomplish our objective, the following procedures were performed:

- Conducted a cash count of all change funds
- Tested a sample of cash receipts
- Reviewed the cash reconciliation procedures
- Determined whether the cash was secured and locked at all times
- Reviewed the annual revolving cash report for fiscal year 2020-21 for reported cash overages and shortages

Finding #1: Segregation of duties

Segregation of duties is "key duties and responsibilities that need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event."

To minimize the potential for mistakes in cash operations and/or misappropriation of cash, cash duties should be segregated among different individuals so that in all instances one person (preferably a supervisor) will

Yolo County Division of Internal Audit
Internal Auditor's Report

check the work performed by another. This is attained by having a different individual to receive the cash, prepare the deposit transmittal, and reconcile the ledger sheets while providing a control over the others, catching mistakes and preventing the misappropriation of funds.

The auditors found that duties were not properly segregated for the handling of payments at the Assessor and Clerk-Recorder branches as stated below:

- One employee reconciles daily collections and prepares the deposits at the Clerk-Recorder's branch. The same employee is an assigned cashier at the public counter (Tuesday & Wednesday 12:30 pm-4:00 pm) who is responsible for processing all payments received from title companies processed in the Tyler system.
- Cash collections at the Assessor's branch are reconciled by one cashier and not reviewed by an employee independent of the receipting function.

Duties that involve one person with control of all aspects of a transaction may cause errors to go unnoticed and provide an opportunity for misappropriation of funds.

Recommendation 1

We recommend that ACE review their procedures for handling payments at the Assessor and Clerk-Recorder branches and ensure that an independent person verifies the payments recorded in the Tyler system and the payments received from the customers.

(Priority 1 Issue – 60 days required corrective action)

Management Response 1

In Clerk-Recorder a manager or second person will review and sign off on all cash deposits.

In Assessor a manager or second person will review and sign off on all cash deposits. (Anticipated Date of Completion 2/28/2022)

Finding #2: Depositing cash receipts

All collections shall be deposited promptly and intact into the County Treasury or authorized bank accounts. Promptly deposited generally means making deposits daily or when the amount collected on hand exceeds a safe and reasonable threshold but no less frequently than weekly. This threshold is usually in the \$500-\$1,000 range and depends on the composition of the cash (currency versus checks) and the physical controls over cash.

The auditors performed a cash count of all the change funds, selected a sample of cash receipts and traced the funds to the deposits recorded in the general ledger. The following was noted:

- Collections at the Clerk-Recorder's branch are not deposited within the scheduled deposit date (Monday, Wednesday, and Friday). From a sample of 5 days reviewed in November 2021 and the outstanding deposits on the day of the cash count, three deposits totaling \$29,253 (\$682 cash and \$28,571 checks) were not made until 5 to 7 days after the receipt date. Per inquiry with the management and staff, the deposits and cash reconciliations are prepared by only one cashier. If the cashier is on personal leave, deposits are on-hold until her return to the office.
- Two checks totaling \$2,340 from August 2021 at the Elections branch were not deposited until 31-32 days after the receipt date.
- One check in the amount of \$686 at the Assessor's branch was not deposited until 30 days after the receipt date.

Yolo County Division of Internal Audit
Internal Auditor's Report

In addition, the Clerk-Recorder's branch collects payments on behalf of the Health & Human Services Agency (HHSA) for application fees for medical marijuana ID cards. Payments are kept in a locked cash drawer and deposited into the HHSA accounting unit in the Infor system. During the audit period, collections totaling \$646 were not deposited until 26 to 232 days after the receipt date.

Deposits not made when collections exceed a safe and reasonable threshold increases the risk of misplacement or misappropriation of cash and may cause reconciliation problems.

Recommendation 2:

We recommend that ACE develop a process to monitor outstanding deposits at the different branches to ensure that all deposits are reconciled on a timely basis, accounted for, and in compliance with the Yolo County Cash Accounting Manual.

(Priority 1 Issue – 60 days required corrective action)

Management Response 2

All branches will follow the Cash Accounting Manual. Clerk-Recorder has already addressed deposit timing and is monitoring closely. Elections will be more diligent in determining which account to code deposits to. Assessor will deposit funds for future FY into unearned revenue accounts and release in the new FY or when appropriate. (Anticipated Date of Completion 3/15/2022)

Finding #3: Voided receipts in the Tyler system

On a periodic basis, a supervisor must verify that the receipts are used in sequential order and that all receipts are accounted for, including voided receipts. Voided receipts shall be validated by an independent person and retained for department records.

Two cashiers at the Clerk-Recorder's branch have the ability to void receipts in the Tyler system. A voided receipt report is available from the Tyler system but is not reviewed by an independent person when the daily reconciliations are performed. Not having an independent person review the voided transactions may result in errors to go undetected and potential fraudulent activity to occur.

Recommendation 3:

We recommend that the Clerk-Recorder's branch review their process for voiding receipts in the Tyler system to ensure that voided transactions are reviewed by an independent person of the receipting function.

(Priority 1 Issue – 60 days required corrective action)

Management Response 3

Clerk-Recorder will review processes to include a 2nd level approval on all voided transactions. (Anticipated Date of Completion 3/15/2022)

Finding #4: Control log for payments received in the mail

Payments received in the mail should be listed immediately on a mail log (showing the date, check number, payee's name, amount, and description of payment) or scanned and kept on file to establish a record. A copy of the log or scanned documents must be maintained by the department for audit purposes and should be reconciled to the deposit.

The Clerk-Recorder's branch maintains a control log for payments received in the mail. However, the mail log is not reconciled to the deposit to ensure that the payment was recorded in the general ledgers. Not recording checks on a control log may result in checks being misplaced or misappropriated without timely detection.

Yolo County Division of Internal Audit
Internal Auditor's Report

Recommendation 4:

We recommend that the Clerk-Recorder's branch mail log be reconciled by an independent person of the collection process at least monthly to the deposit records to ensure that all monies received in the mail have been deposited in the County Treasury.

(Priority 1 Issue – 60 days required corrective action)

Management Response 4

Clerk-Recorder will update processes to ensure that deposits in the general ledger are reconciled to the mail log. (Anticipated Date of Completion 3/30/2022)

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Internal Auditor's Report

III. Other Procedures Performed (Banknote Paper)

The Clerk-Recorder's branch maintains an inventory of banknote paper to print out the birth certificates, marriage certificates and death certificates. The department orders the banknote paper in bulk and uses several control logs to record the banknote paper when it is received, scanned/activated in the Tyler system, issued, voided, and reconciled at the end of the day. The banknote paper stock is maintained in a locked and secure location until it is used.

Audit Objective/Methodology

To determine that the internal controls over physical security of banknote paper are adequate.

To accomplish our objective, the following procedures were performed:

- Reviewed the procedures for handling banknote paper
- Verified that banknote paper stock is maintained in a locked and secure location
- Determined that control logs for banknote paper stock are used and reconciled on a regular basis
- Determined that voided or canceled banknote papers are retained in a locked and secure location or destroyed on a schedule

Based on the procedures performed, the banknote paper stock is maintained in a secure location and control logs were properly used to maintain accountability over the banknote papers used and voided.

No exceptions noted.

Yolo County Division of Internal Audit
Internal Auditor's Report

IV. System Controls

According to Best Practice and the COSO framework of strong systems of control, departments are responsible for using appropriate systems to record and maintain detail of their accounts, including account activity, history of payments made, and outstanding balances. All documentation and records should be properly managed, maintained, and readily available for examination.

The Clerk-Recorder is responsible for processing and maintaining various records; such as, vital records (birth, death and marriage certificates,) real property records, and fictitious business name statements, which are related to businesses formed and conducted in Yolo County. The Clerk-Recorder uses the Eagle Recorder Suite system by Tyler Technologies Inc. to manage its day-to-day operations. In December 2019, the Clerk-Recorder replaced its image information system "CRIis" due to the lack of system support. The Tyler system is used by other counties; such as, Lassen, Sonoma, Humboldt, Yuba, and Monterey.

Audit Objective/Methodology

To review the system accounts associated with the cash handling process to ensure that ACE has adequate segregation of duties given the user's role and responsibilities.

To accomplish our objective, the following procedures were performed:

- Obtained a list of system administrators and users
- Compared the list of system administrators and users against the list of employees handling cash
- Obtained a general understanding of the user profile accounts

Finding #5: Access to the Tyler system

The auditors obtained a list of system administrators and users for the Tyler system. Access to the system is not restricted to authorized users, thus potentially posing a segregation of duties issue as stated below:

- Seven employees have administrative access with three employees assigned as cashiers. The system administrators have the ability to add, change or delete transactions and the system controls to approve their own transactions.
- One cashier with user access has the ability to void transactions in the Tyler system.

Improper user access rights and permissions may result in information that is added, deleted, or changed without approval or authorization. System administrator access that has operational duties and responsibilities should not have the ability to change financial transactions.

Recommendation 5:

We recommend that the Clerk-Recorder's branch review the list of system administrators and users for the Tyler system to ensure that each access permission is assigned appropriately for the job being performed. Further, that the security and change control reports be available, actively monitored, logged, and reported accordingly.

(Priority 1 Issue – 60 days required corrective action)

Management Response 5

Clerk-Recorder will review system administrators and users for Tyler and update access permissions accordingly. Processes will be updated to ensure listed concerns about security and change control reports are treated accordingly. (Anticipated Date of Completion 3/30/2022)

Yolo County Division of Internal Audit
Internal Auditor's Report

V. County Policy and Procedures

The Yolo County Cash Accounting Manual prescribes uniform accounting procedures for county departments pertaining to cash collections, cash revolving funds, other cash funds, cash equivalents and cash losses in accordance with generally accepted accounting principles, laws & regulations and county policies. County employees with cash handling functions are required to read the manual and become familiar with its contents. Individual departments may have more detailed procedures for each cash handling position.

Best Practice recommend that the following processes be documented with step-by-step procedures:

- Handling payments received at the counter and through the mail
- Handling credit card payments
- Recording payments into the cash handling systems
- Reconciling and depositing daily collections

Audit Objective/Methodology

To determine if procedures for cash handling confer with standards of internal control, Best Practice, and the Yolo County Cash Accounting Manual.

To accomplish our objective, the following procedures were performed:

- Reviewed policy manuals and procedures for recommended essential components within a Cash Handling Policy
- Verified that the cash handling processes are documented

Finding #6: Written procedures

The auditors reviewed ACE's procedures and identified the following:

- The Clerk-Recorder's branch has manuals on how to process payments in the Tyler system, but does not have procedures for reconciling cash collections and preparing the deposit.
- The Assessor's branch has procedures on how to reconcile collections, but it does not have procedures for collecting and recording cash payments.

Not providing staff with the necessary steps to process a transaction may result in procedures not being followed as intended and may allow errors to go undetected.

Recommendation 6:

We recommend that ACE review and update their manuals and procedures to include step-by-step procedures for collecting, recording, reconciling, and preparing deposits as recommended by Best Practice. The updated manuals and procedures should be disseminated to all staff handling cash payments and performing bank reconciliations.

(Priority 3 Issue – 180 days required corrective action)

Management Response 6

The Clerk-Recorder branch has already begun an update to their manuals and procedures.

*The Assessor branch will ammend existing procedures to incorporate collecting and recording cash payments.
(Anticipated Date of Completion 3/30/2022)*

Yolo County Division of Internal Audit
Internal Auditor's Report

VI. 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.



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- Treasury & Finance
- Tax & Fee Collection
- Financial Systems Oversight
- Accounting & Financial Reporting
- Internal Audit
- Procurement

April 6, 2022

Yolo County Audit Subcommittee
Woodland, CA 95695

Re: Annual Reporting of the organizational independence of the internal audit activity

Dear Audit Subcommittee Members:

As required by International Standards for the Professional Practice of Internal Auditing (*Standards*) promulgated by the Institute of Internal Auditors, the chief audit executive (Audit Manager) must confirm with the board, at least annually, the organizational independence of the internal audit activity.

Standard 1110 – Organization independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:

- Approving the internal audit charter
- Approving the risk-based internal audit plan
- Approving the internal audit budget and resource plan
- Receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters
- Approving decisions regarding the appointment and removal of the chief audit executive
- Approving the remuneration of the chief audit executive
- Making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations

1110.A1 – The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results. The chief audit executive must disclose such interference to the board and discuss the implications.

The internal audit activity reports functionally to the Financial Oversight Committee's Audit Subcommittee and administratively to the Department of Financial Services Chief Financial Officer. The Audit Subcommittee has three members, two representatives of the Yolo County Board of Supervisors and one public member. In 2018, the internal audit activity's external quality assessment conducted by Napa County Internal Audit recommended to include specific tasks related to the Yolo Internal Audit Division in the Financial Oversight Committee's charter. This recommendation has been implemented as of February 11, 2021.

Additionally, the Napa County Internal Audit recommended that the Yolo County Internal Audit Division include in each engagement report issued, language addressing the division's consideration of independence and conformation of independence discussed with the Audit Subcommittee annually. This recommendation has been implemented.

It is in this report that no impairments of independence or objectivity have been reported or any interference with audit work.

Respectfully submitted,

Kim Eldredge, CGAP
Audit Manager



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Transmittal Letter

April 6, 2022

Yolo County Audit Subcommittee
Woodland, CA 95695

Re: Submission of Internal Audit Self-Assessment Report

Dear Audit Subcommittee Members:

As required by International Standards for the Professional Practice of Internal Auditing (*Standards*) promulgated by the Institute of Internal Auditors, the chief audit executive (Audit Manager) must evaluate the internal audit activity's conformance with the *Definition of Internal Auditing, the Code of Ethics, and the Standards*, on a periodic basis, and submit the results to the Audit Committee. The last internal audit self-assessment was completed on October 23, 2017.

The purpose of the internal audit self-assessment is to evaluate the internal audit activity's conformance with the *Standards*, assess the efficiency and effectiveness of the internal audit activity, and identify opportunities for improvement. The annual internal audit self-assessment is also included in the internal audit activity's quality assurance and improvement program.

The internal audit self-assessment was focused on internal projects during the period of July 1, 2019 to the current period (date of this report). The review consisted of the review of administrative documents and audit work paper, interviews with audit staff, audit management and other key county managers, and comparison with practices recommended by the *Standards*.

Based on my evaluation, Yolo County Internal Audit generally conforms to the *Standards* and Code of Ethics. This means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal audit activity. However, there are identified opportunities for improvement in the areas of the quality assurance and improvement program and annual risk-based audit plan as noted in the report.

Sincerely,

Kim Eldredge, CGAP
Audit Manager

Cc: Tom Haynes, Interim Chief Financial Officer

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Executive Summary

The International Standards for the Professional Practice of Internal Auditing requires that a periodic self-assessment of the internal audit activity be conducted to validate its continued conformance with the *Standards* and the Code of Ethics and to evaluate:

- The quality and supervision of work performed,
- The adequacy and appropriateness of internal audit policies and procedures,
- The ways in which the internal audit activity adds value,
- The achievement of key performance indicators; and,
- The degree to which stakeholders' expectations are met.

Periodic self-assessments are generally conducted by senior members of the internal audit activity, a dedicated quality assurance team or individuals within the internal audit activity who has extensive experience with the International Professional Practices Framework (IPPF), Certified Internal Auditors, or other competent internal audit professionals who may be assigned elsewhere in the organization.

To accomplish the self-assessment, each standard is assessed to determine whether the internal audit activity is operating in conformance. This may include in-depth interviews and surveys of county management or stakeholders, conducting post-engagement reviews, or analyzing key performance indicators.

Results of periodic self-assessments must be communicated to the audit committee upon completion, as required by Standard 1320 – Reporting on the Quality Assurance and Improvement Program.

Objectives, Scope and Methodology:

The internal audit self-assessment was focused on internal projects during the period of July 1, 2019 to the current period (date of this report). The review consisted of the review of administrative documents and audit work papers, surveys distributed to internal audit staff and other key county managers, and the comparison with practices recommended by the *Standards*.

The IPPF *Standards* (Revised January 2017) as well as the Institute of Internal Auditors Quality Assessment Manual for the Internal Audit Activity (2017) were used as the primary criteria for the evaluation.

- Standard 1311 requires ongoing monitoring of the performance of the internal audit activity.
- Standard 1312 requires an external assessment of the internal audit activity be conducted at least once every five years to assess compliance with the standards and to evaluate the quality of the internal audit activity's operations.

Conclusion:

Based on the Audit Manager's self-assessment of the Yolo County Internal Audit, the results of the internal audit activity's work generally conform to the IPPF *Standards* and Code of Ethics (See Attachment A, Standards Conformance Evaluation Summary) and has also incorporated best practices within the internal audit activity function. Additionally, the internal audit activity is well organized and innovative, understands the IPPF *Standards*, internal audit management provides useful tools for audit work, and has implemented most of the recommendations from its last peer review. The internal audit activity's quality assurance program needs improvement and should be a focus in the next review period.

Detail Observation and Recommendation

The Yolo County Internal Audit is comprised of three full-time employees (staff auditor, senior auditor, audit manager). The internal audit activity reports administratively to the County Chief Financial Officer and functionally to the Financial Oversight Committee's Audit Subcommittee. The internal audit activity follows the set of auditing standards as required by International Standards for the Professional Practice of Internal Auditing (*Standards*) promulgated by the Institute of Internal Auditors. The *Standards* require the internal audit activity to have a quality assurance and improvement program which includes periodic internal and external assessments, as well as on-going monitoring of performance. The purpose of the internal audit self-assessment is to evaluate the internal audit activity's conformance with the *Standards*, to assess the efficiency and effectiveness of the internal audit function, and to identify opportunities for improvement. The observations are divided into three categories, *Part I – Successful Internal Audit Practices*; *Part II – Gaps to Conformance with the Standards or the Code of Ethics*; and *Part III – Opportunities for Continuous Improvement* as described below:

Part I – Successful Internal Audit Practices

Successful Internal Audit Practices are areas where the Yolo County Internal Audit is operating in a particularly effective or efficient manner when compared to the practice of internal auditing demonstrated in other internal audit activities. The identification of these items is intended to provide internal audit stakeholders with a view of the internal audit activity's practices when compared to other internal audit activities.

Standard 1200 – Proficiency and Due Professional Care – *Engagements must be performed with proficiency and due professional care.*

The internal audit activity collectively possesses the knowledge, skills, and other competencies needed to perform their audit work. Internal audit staff are required to complete 40 hours of continuing education and 2 hours of ethics training annually. The internal audit management ensures that relevant continuing education training for internal audit staff is budgeted and included in the annual audit plan.

Standard 2300 – Performing the Engagement - *Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.*

The internal audit activity uses computer assisted auditing techniques (CAATs) for data analytics and sample-based testing. Each engagement includes the use of CAATs for data analytics (e.g., ratio analysis, trend analysis, or benchmarking) and to assist the auditor with performing detailed testing. The results of CAATs are also incorporated in their continuous monitoring program and fact sheets included in audit reports

Standard 2400 – Communicating Results – *The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.*

The internal audit activity initiates each engagement with an entrance conference to discuss audit objective, scope, and timing. Any deviations to the planned scope and objectives are communicated to the auditee in written form. Results of audit work are communicated in an exit conference with the auditee where each finding and recommendation is described in detail. During this review period, the internal audit activity performed the majority of their work remotely whereby using PowerPoint presentations and Microsoft Teams calls. Additionally, the internal audit activity has made significant improvement to audit reports by providing a more clear and concise work product using charts, fact sheets, and infographics.

Standard 2500- Monitoring Progress – *The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.*

The internal audit activity implemented an electronic workpaper system which includes the tracking of corrective actions from audit recommendations. This new system provides automated notifications to

responsible managers and executives to provide supporting documentation for implemented actions and status of progress made within the approved target dates. Reporting of resolution of corrective actions are prepared for county management and the audit subcommittee.

Part II – Gaps to Conformance with the Standards

Gaps to Conformance with the *Standards* or the Code of Ethics are areas identified during the internal audit self-assessment where the Yolo County Internal Audit is operating in a manner that falls short of achieving one or more major objectives, with the *Standards* or the Code of Ethics that results in an opinion for an individual standard of "partially conforms" or "does not conform." This item will include a recommendation for action to be implemented for achieving "generally in conformance" with the standard and will include the Yolo County Audit Manager's response and an action plan to address the gap.

Partial Gap to Conformation

Standard 1300 – Quality Assurance and Improvement Program – *The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.*

The internal audit activity has incorporated the five essential components for an effective quality assurance and improvement program (QAIP) with an annual internal self-assessment of the internal audit activity, peer review, use of a checklist and customer survey after each audit, performance measures of the internal audit activity, and communication of QAIP results to the audit subcommittee. However, since the internal audit activity's last peer review the annual internal self-assessment was not completed due to changes in audit management and the COVID-19 pandemic.

- *Audit Manager's response: The internal audit self-assessment will be included in a staff report to the audit subcommittee annually. Completed 4/06/2022.*

Part III – Opportunities for Continuous Improvement

Opportunities for Continuous Improvement are observations of opportunities to enhance the efficiency or effectiveness of the Yolo County Internal Audit's infrastructure of processes. This item does not indicate a lack of conformance with the *Standards* or the Code of Ethics, but rather offer a suggestion on how to better align with criteria defined in the *Standards* or the Code of Ethics. The Yolo County Audit Manager's response and action plan to address the opportunity for continuous improvement is noted.

Standard 2100 – Nature of Work - *The internal audit activity must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive, and their evaluations offer new insights and consider future impact.*

The internal audit activity uses risk consideration surveys that are completed by county management and the board to identify key risks (operational, financial, or technical) that would threaten the achievement of their goals or objectives and areas that they believe internal audit should focus on. A risk scorecard is completed to evaluate the risk in each department using risk factors such as expenditures, revenues, number of staff, number of audit findings, and date of last audit to determine the highest risk departments. Results are reviewed and a proposed audit plan is created. The current process of developing the audit plan is simplistic and does not take into account the recommended COSO framework to identify all potential inherent risks.

- *Audit Manager's response: The On-Call Audit Services will help evaluate opportunities to improve the existing risk management process, make improvements to the risk assessment survey, and develop any additional tools in the process. In addition, perform a risk assessment through which the population of auditable areas is identified, analyzed, and prioritized for incorporation into a 3-year annual internal audit plan.*

Yolo County Internal Audit Self-Assessment
Attachment A: Standards Conformance Evaluation Summary

OVERALL EVALUATION		GC	PC	DNC
1000	Purpose, Authority, and Responsibility (1010) The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the <i>Standards</i> , and the Definition of Internal Auditing). The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.	X		
1100	Independence and Objectivity (1110, 1111, 1120, 1130) The internal audit activity must be independent, and internal auditors must be objective in performing their work.	X		
1200	Proficiency and Due Professional Care (1210, 1220, 1230) Engagements must be performed with proficiency and due professional care.	X		
1300	Quality Assurance and Improvement Program (1310, 1311, 1312, 1320, 1321, 1322) The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.		X	
2000	Managing the Internal Audit Activity (2010, 2020, 2030, 2040, 2050, 2060, 2070) The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.	X		
2100	Nature of Work (2110, 2120, 2130) The internal audit activity must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive, and their evaluations offer new insights and consider future impact.		X	
2200	Engagement Planning (2201, 2210, 2220, 2230 2240) Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.	X		
2300	Performing the Engagement (2310, 2320, 2330, 2340) Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.	X		
2400	Communicating Results (2410, 2420, 2421, 2430, 2431, 2440) Internal auditors must communicate the engagement results.	X		
2500	Monitoring Progress The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.	X		
2600	Communicating the Acceptance of Risks When the chief audit executive concludes that management has accepted the risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.	X		
IIA Code of Ethics The Code of Ethics states the principles and expectations governing behavior of individuals and organizations in the conduct of internal auditing. It describes the minimum requirements for conduct, and behavioral expectations rather than specific activities.		X		

GC = Generally Conforms; PC = Partially Conforms; DNC = Does Not Conform

Yolo County Internal Audit Self-Assessment
Attachment A: Standards Conformance Evaluation Summary

GC - "Generally Conforms" means that the assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or elements of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to most of the individual *Standard* or element of the Code of Ethics and at least partial conformity to the others within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the *Standards* or the Code of Ethics and has not applied them effectively or achieved their stated objectives. As indicated above, general conformance does not require complete or perfect conformance, the ideal situation, or successful practice, etc.

PC - "Partially Conforms" means that the assessor has concluded that the activity is making good-faith efforts to comply with the requirements of the individual standard or elements of the Code of Ethics or a section or major category but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or the Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organization.

DNC- "Does Not Conform" means that the assessor has concluded that the internal audit activity is not aware of, is not making good-faith efforts to comply with or is failing to achieve many or all the objectives of the individual standard or element of the Code of Ethics or a section or major category. These deficiencies will usually have a significantly negative impact on the internal audit activity 's effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board.

Yolo County Internal Audit Self-Assessment
Attachment B: Status of External Assessment Recommendations

Below is the status of recommendations of the External Quality Assessment provided by Napa County Internal Audit for the three years ended June 30, 2017 (5/18/2018).

Gaps to Conformance	
Standard	Status
<p><u>Standard 1110 – Organizational Independence</u> Chief Audit Executive (Audit Manager) reports administratively to the appointed Chief Financial Officer. Though the current holders of the positions are able to carry out their responsibilities in an unbiased manner, this may not be the case for future employees. The Financial Oversight Committee's charter dated September 22, 2014, is silent on specific tasks related to the Internal Audit Division.</p>	<p><u>Implemented</u> Included recommendations in revised Financial Oversight Committee charter (5/08/2018) and added public member to Audit Subcommittee and approval of internal audit tasks (2/11/2021).</p>
<p><u>Standard 1130 – Impairment to Independence or Objectivity</u> Potential appearance of impairment due to reporting administratively to an appointed Chief Financial Officer was evaluated and confirmed through the results of the surveys received as part of the external peer review. Future changes to reports noting the appearance of impairment and the mitigating steps such as the peer review and changes to the Financial Oversight Committee charter will be required.</p>	<p><u>Implemented</u> Included recommendation in each engagement report issued, language addressing the internal audit activity's consideration of independence and conformation of independence is discussed with Audit Subcommittee annually.</p>

Opportunities for Continuous Improvement	
Standard	Status
<p><u>Standard 1311 – Internal Assessment and Standard 1312 – External Assessment</u> The first internal assessment occurred in 2017 and the second external assessment (since 2003) occurred in 2018. Recommend the continuation of annual internal assessments and continuation of external assessments based on the nature of the engagements performed.</p>	<p><u>Partially Implemented</u> Occurrence of annual internal audit self-assessment not performed annually (10/23/2017) and on-track with external assessment within IPPF <i>Standards</i> (5-years) scheduled for Fall 2022.</p>
<p><u>Standard 1320 – Reporting on the Quality Assurance and Improvement Program</u> The last external assessment occurred in 2003. No evidence could be located that external assessment was discussed with the Board of Supervisors, Financial Oversight Committee or with senior management. Recommend ensuring current external assessment is presented to senior management and the governing bodies in accordance with the <i>Standards</i>.</p>	<p><u>Partially Implemented</u> Audit manager sent an email along with the external assessment report to the Yolo County Board of Supervisors of external assessment report (7/31/2018). No evidence found that the Audit Manager reported the results to the Financial Oversight Committee and Audit Subcommittee.</p>
<p><u>Standard 2060 – Reporting to Senior Management and the Board</u> Independence is documented within the work papers during an engagement; however, the minutes of the Financial Oversight Committee do not demonstrate the discussion on independence nor does the annual business plan include a statement confirming the status of independence of the internal audit activity.</p>	<p><u>Implemented</u> Audit Manager discussed conformance of independence at regular meetings (8/22/2018, 11/10/2020 included recommendation to add public member to Audit Subcommittee as recommended by Best Practice). Status reports of the annual audit plan are presented to the Audit Subcommittee quarterly.</p>
<p><u>Standard 2330.A2 – Documenting Information</u> The current record retention and file management policy was adopted by the Board of Supervisors in 1996. Code sections and retention requirements have changed since 1996 and the provision approved by the Board should be reviewed and updated.</p>	<p><u>Not Implemented</u> Interim Chief Financial Officer plans to review the retention schedule in year 2022.</p>
<p><u>Standard 2420 – Quality of Communication</u> Based on surveys and interviews, report readers conveyed a need to have written communications be more concise and to highlight key concerns.</p>	<p><u>Implemented</u> The internal audit activity has made significant progress to improve audit reports to be more concise and focus on key control concerns.</p>

Yolo County Internal Audit Self-Assessment
Attachment C: Internal Audit Activity Performance Measurements

As part of the internal audit activity’s quality assurance program, below are the results of the key performance indicators that are monitored on a regular basis.

Key Performance Indicators																						
Area	Measure	Target	Actual FY20-21	Actual FY21-22 *																		
Quantitative Measures																						
Delivering the annual audit plan	Percent of audit plan delivered during the year	80%	61%	32%																		
<p>The internal audit activity has had its challenges with available staffing resources and the COVID-19 pandemic with reassignment of staff for county emergent needs, delay of audits due to timely receipt of supporting documentation for testing, and staff personal matters directly impacted with the pandemic. In FY20-21, the majority of the audits were in-progress at fiscal year-end therefore were carry forward. Currently, 3 projects are carry forward due to the implementation of an upgrade to the County’s ERP financial/procurement/human resources system to version 11 (CloudSuite). The internal audit activity anticipates starting all open projects before fiscal year end. Note: additional resources have been approved with On-Call Audit Services.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Status</th> <th>FY 20-21</th> <th>FY21-22</th> </tr> </thead> <tbody> <tr> <td>Completed</td> <td style="text-align: center;">14</td> <td style="text-align: center;">10</td> </tr> <tr> <td>Carry Forward</td> <td style="text-align: center;">5</td> <td style="text-align: center;">3</td> </tr> <tr> <td>Open</td> <td style="text-align: center;">0</td> <td style="text-align: center;">17</td> </tr> <tr> <td>Canceled</td> <td style="text-align: center;">4</td> <td style="text-align: center;">1</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">23</td> <td style="text-align: center;">31</td> </tr> </tbody> </table>					Status	FY 20-21	FY21-22	Completed	14	10	Carry Forward	5	3	Open	0	17	Canceled	4	1	Total	23	31
Status	FY 20-21	FY21-22																				
Completed	14	10																				
Carry Forward	5	3																				
Open	0	17																				
Canceled	4	1																				
Total	23	31																				
Customer Services																						
Customer Feedback Survey	Number of surveys received	70%	No data	63%																		
<p>We request a customer feedback survey after each engagement via SurveyMonkey survey. This helps us ensure quality on an audit-by-audit basis. The survey is a new process but have had some technical glitches using the tool and responses received. Follow-up reminders are sent to auditees to encourage participation of the survey.</p>																						
Staff Satisfaction and Development																						
Staff training hours/year	Actual training hours vs. budget (3-FTE x 40 hours)	120 hours	80.50	129.25																		
<p>Continuing education has been a focus area for the internal audit activity for staff training and development. Pursuant to Standard 1200, engagements must be performed with proficiency and due professional care. Each auditor is required to complete 40 training hours per year with 2 hours specific to ethics. In FY20-21, the internal audit activity fell short due to relevant available trainings online due to the COVID-19 pandemic. Thus far, staff training is on-track for fiscal year 21-22.</p>																						
Audit Delivery/Efficiency																						
Audit reviews completed within agreed target date	Audit completed 3-months after engagement date. For countywide audits 6 months after engagement date.	3 to 6 months	4 out of 5 on-time	4 out of 8 completed on-time																		
<p>The internal audit activity has had its challenges with available staffing resources and the COVID-19 pandemic with reassignment of staff for county emergent needs, delay of audits due to timely receipt of supporting documentation for testing, and staff personal matters directly impacted with the pandemic. We are hopeful that the timing of audit delivery and efficiency will improve this fiscal year with a full staff within the internal audit activity and the additional resources of contracted audit services.</p>																						

*As of the date of this report (4/06/2022)

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

No.	Project No	Type	Name	Entity	Preliminary Audit Objective/Project Description	Priority	Hours	% Complete	Status	Report Issued	No. of Findings
1	2022-18	Carry Forward FY20-21	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.	High	410	0%	Planned for May		
2	2022-24	Carry Forward FY20-21	Yolo County Transit District	Special Project	Confidential Audit; Requested by District Board.	High	60	100%	Completed	11/17/2021	7
3	2022-17	Carry Forward FY20-21	Purchase Card	Countywide-Cont Aud	To provide County Management with assurance that the purchase card program is in compliance with County's policies and industry best practices. <i>Continuous audit every six month period. Review period (July - Dec 2020)</i>	High	130	100%	Completed	7/21/2021	6
4	2022-23	Carry Forward FY20-21	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.	High	200	60%	In-progress		
5	2022-22	Carry Forward FY20-21	Payroll Audit	Countywide	To assess internal control over payroll processing to ensure payroll is accurate, authorized, reviewed, and duties are properly segregated.	High	120	100%	Completed	10/1/2021	12 5 Follow-ups
6	2022-25	Carry Forward FY20-21	Cash-Department Audit	Department Sheriff	To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records.	High	172	100%	Completed	11/22/2021	8 4 Follow-ups
7	2022-34	New	Contracting and Procurement Audit	Countywide	The internal audit activity will work with the Procurement Manager on determining scope of audit.	TBD- Depends on scope	220	0%	Carry Forward to FY22-23 due to the Infor Project		
8	2022-33	New	Payroll Audit	Countywide	To be determined from outcome from Payroll Audit (Project No. 2022-22)	High	120	0%	Carry Forward to FY22-23 due to the Infor Project		
9	2022-32	New	Accounts Receivable-Department Audit	Department TBD	To assess internal control over accounts receivable to ensure receivable accounts are accurate, valid, properly approved, and recorded.	Med	172	0%	Planned for May		
10	2022-31	New	Accounts Receivable-Department Audit	Department TBD	To assess internal control over accounts receivable to ensure receivable accounts are accurate, valid, properly approved, and recorded.	Med	172	0%	Canceled; combined with #9		
11	2022-30	New	Cash-Department Audit	Department HSA	To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records.	High	172	20%	In-progress		

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

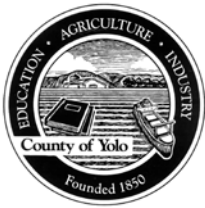
No.	Project No	Type	Name	Entity	Preliminary Audit Objective/Project Description	Priority	Hours	% Complete	Status	Report Issued	No. of Findings
12	2022-29	New	Cash-Department Audit	Department District Attorney	To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records.	High	172	98%	Waiting on Mgmt. Response to Draft Report		
13	2022-28	New	Cash-Department Audit	Department Clerk-Recorder	To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records.	High	172	100%	Completed	2/18/2022	6
14	2022-36	New	Cell Phone Audit	Special Project-Countywide	To ensure compliance with County Policy & Procedures, Government Code, and Best Practices.	TBD- Depends on scope	168	20%	In-progress		
15	2022-27	New	Purchase Card	Countywide-Cont Aud	To provide County Management with assurance that the purchase card program is in compliance with County's policies and industry best practices. <i>Continuous audit every six month period. Review period (Jan - June 2021)</i>	High	120	100%	Completed	1/20/2022	7
16	2022-13 2022-14	New	Treasury Cash Counts	Department DFS	To count cash in the county treasury (at least once in each quarter). <i>Mandated: Government Code 26920 (a)(1).</i>	High	28	50%	3rd Qtr Scheduled April 1st	1st Qtr 9/30 - 10/12/21 2nd Qtr 12/31 - 1/27/22	0
17	Outsource	New	Network and Web Application Penetration Tests	Department ITS	To address concerns raised on cybersecurity of the County Network.	High	0		Scheduled May 2nd		
18	Outsource	New	Access Review Audit	Special Project-Countywide	To ensure compliance with County Policy & Procedures, Government Code, and Best Practices.	High	0	5%	Carry Forward to FY22-23 due to the Infor Project		
19	Outsource	New	Fleet Audit	Department Community Services	To ensure compliance with County Policy & Procedures, Government Code, and Best Practices.	High	0	5%	Planned for April-June		
20	Outsource	New	Inmate Welfare Fund Audit	Department Sheriff	To evaluate the Sheriff-Coroner's assertions regarding the propriety of revenues and expenditures of the fund, appropriateness of internal controls over administration and accounting for fund activities, and compliance with the requirements of Title 15 and Penal Code 4025.	High	0	5%	Planned for April-June		
21	2022-26	New	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	Med	100	60%	Working with HR for a combined solution FWA/ Whistleblower Program	N/A	N/A

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

No.	Project No	Type	Name	Entity	Preliminary Audit Objective/Project Description	Priority	Hours	% Complete	Status	Report Issued	No. of Findings
22	Outsource	New	Countywide Risk Assessment	Internal Audit	Support Internal Audit with 3-year Risk Based Audit plan within Auditor Assistant tool	Med	0	20%	Working with On-Call Audit Services	N/A	N/A
23	2022-19	New	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.	Low	180	0%	Not Started	N/A	N/A
24	2022-35	New	Contingency Reserve	Special Project	Unassigned projects	TBD	142	0%	TBD	TBD	TBD
25	2022-15	On-going	Audit Communication with Management and Staff	Countywide	Division weekly meetings, discussions on audit subject matters, and other communications. <i>Requirement - Standard 2200.</i>	N/A	500	75%	On-going	N/A	N/A
26	2022-16	On-going	Follow-up Audits and Testing of Correction Action Plans	Countywide	Monitor progress of the status of audit recommendations. Report to FOC/Audit Committee <i>Requirement - Standard 2500, 2600.</i>	High	80	100%	Completed	N/A	N/A
27	2022-20	On-going	Electronic workpapers	Audit Function	Implementation and training	High	160	100%	Completed	N/A	N/A
28	2022-10	On-going	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.	Various	700	60%	Working with DFS-Procurement & HHSa on subrecipient monitoring	N/A	N/A
29	2022-12	On-going	Continuing Professional Development	Audit Function	Continuing professional development-Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development. <i>Requirement - Standard 1230.</i>	High	120	75%	Staff on-track with training plan	N/A	N/A
30	2022-11	On-going	Department of Financial Services General	Administration	Various meetings, employee evaluations, and other events not directly related to the division	N/A	320	75%	On-going	N/A	N/A
31	2022-21	On-going	Financial Oversight Committee	Administration	Support services for the Financial Oversight Committee	N/A	160	75%	On-going	N/A	N/A
32		On-going	Estimated staff benefits & leave	Other-Administration	General provisions within the MOU	N/A	1170	N/A	N/A	N/A	N/A

Total audit & non-audit hours and benefits & leave

6240



County of Yolo

www.yolocounty.org

TOM HAYNES
Interim Chief Financial Officer

DEPARTMENT OF FINANCIAL SERVICES

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

April 6, 2022

Yolo County Audit Subcommittee
Woodland, CA 95695

Re: Resolution of Audit Findings and Recommendations

Dear Audit Subcommittee Members:

The Internal Audit Division monitors the implementation of all audit recommendations as in accordance with the Yolo County Audit Follow-up Policy and auditing standards. After the completion of each engagement, the auditee provides the auditor with a management response of the audit recommendation and anticipated date of completion (target date). The division monitors each audit recommendation by requesting a status of corrective action and provides a report to county management and the Audit Subcommittee.

To prepare this report, we asked each responsible manager and executive director to provide a status of each audit recommendation and provide supporting documentation for any implemented audit recommendation for review.

We categorized each audit recommendation by auditee progress:

Category	Description
Open	In-progress
Extended	Some elements of audit recommendation satisfied, but additional work remains
Past Due	Past Due from target date (anticipated date of completion)
Pending Review	Under review by auditor
Closed	Completed and supporting documentation provided OR removed due to change in circumstance rendered it no longer applicable or feasible

Our review consisted of an examination of the supporting documentation, inquiry, and discussion with county personnel. Our field follow-up review did not constitute an audit and did not include a sampling of transactions for testing and verification purposes.

We thank the county management and staff for their cooperation and assistance during this review and reporting period.

Respectively Submitted,

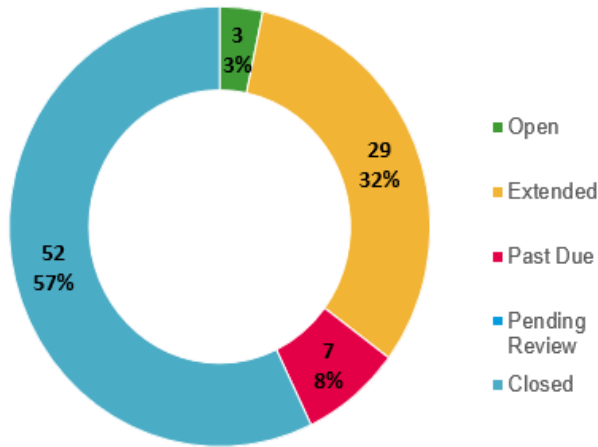
Kim Eldredge, CGAP
Audit Manager

Cc: Tom Haynes, Interim Chief Financial Officer
Chad Rinde, Interim County Administrator

I. OPEN AUDIT RECOMMENDATIONS BY STATUS

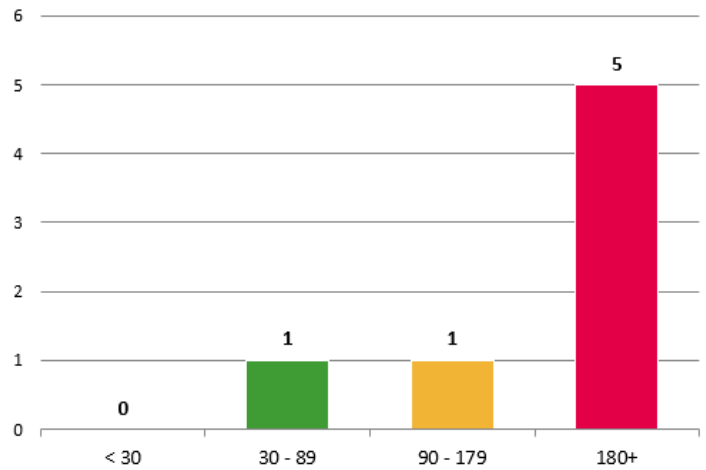
The following charts illustrate all open audit recommendations (issues) by status (Open, Extended, Past Due, Pending Review, and Closed), aging of issues (past due and coming due), and issues by priority ranking.

Issues by Status



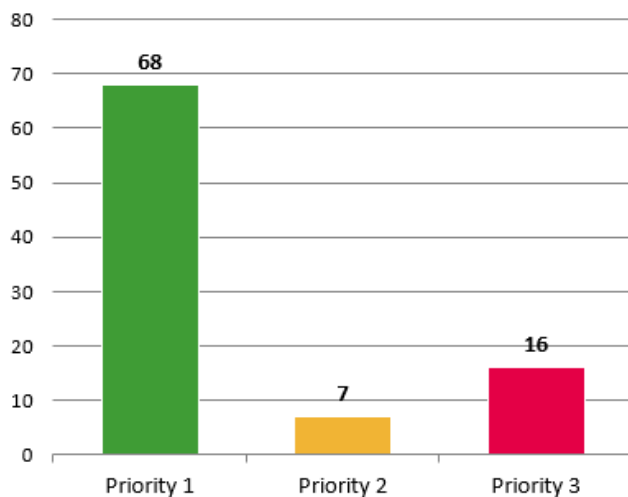
Status of issues by count and percentage for Open, Extended, Past Due, Pending Review, and Closed

Past Due Issue Summary



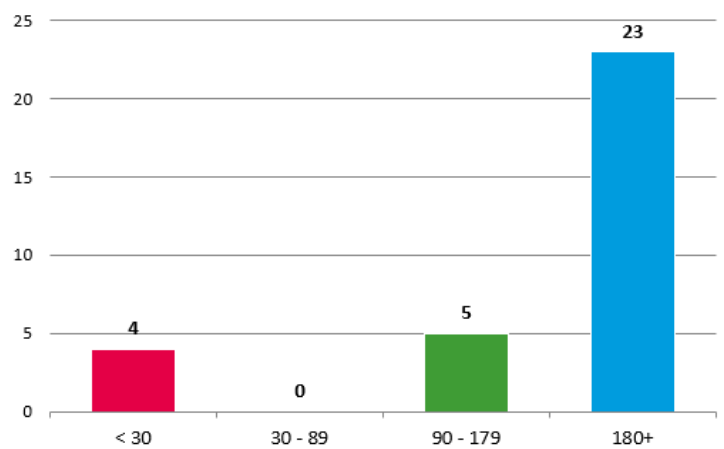
Number of issues by length of days past due

Issues by Rating



*Number of issues by priority ranking
Priority 1 - 60 days, Priority 2 - 120 days,
Priority 3 - 180 days of report issuance*

Coming Due Issue Summary



Number of issues by length of days coming due

II. SUMMARY OF STATUS OF AUDIT RECOMMENDATIONS, by ENTITY

The following table summarizes the entity's reported status of audit recommendations.

Project Name	Entity	ReportDate	No. Issues	Open	Extended	Past Due	Pending Review	Closed
2018-11 - Probation-AUP	PRB	2018-08-30	10	0	0	0	0	10
2018-06 - Internal Auditor's Initial Assessment of the Infor System-Follow-up	CWD	2019-06-01	11	0	7	1	0	3
2019-34 - Internal Control Cash Audit Division of Integrated Waste Management	DCS	2019-08-31	7	0	0	2	0	5
2019-2 - Audit of Yolo County Purchase Card Program	CWD	2019-12-31	3	0	1	1	0	1
2019-1 - Internal Control Review of Wire Transfers and ACH Transactions	DFS	2020-05-31	8	0	7	1	0	0
Telecommuting Audit - AUDTRACK #2021-28	CWD	2021-04-30	9	0	1	0	0	8
CF Cont Aud Purchase Card - AUDTRACK #2022-17 (July to December 2020)	CWD	2021-10-29	6	0	1	0	0	5
CF Cash-Department Audit (Sheriff Dept) - AUDTRACK #2022-25	SHR	2022-01-21	8	0	2	1	0	5
CF Payroll Audit - AUDTRACK #2022-22	CWD	2022-02-25	16	3	8	1	0	4
Cash Audit ACE/Clerk-Recorder - AUDTRACK #2022-28	ACE	2022-02-28	6	0	0	0	0	6
CF Cont Aud Purchase Card - AUDTRACK #2022-17 (January to June 2021)	CWD	2022-02-28	7	0	2	0	0	5
Totals			91	3	29	7	0	52

As seen in the table above, 91 audit recommendations were issued to strengthen accountability and improve the efficiency and effectiveness of county programs. During the reporting period, 29 extensions were granted due to the implementation of an upgrade to the County's ERP financial/procurement/human resources system to version 11 (CloudSuite), new employees in key financial and human resources positions, and the recovery of available staffing resources and operations from the COVID 19 pandemic. We anticipate most of these audit recommendations to be cleared in the fiscal year 2022-23.

<u>Abv</u>	<u>Entity</u>
ACE	Assessor/Clerk-Recorder/Elections
CWD	Countywide
DCS	Department of Community Services
DFS	Financial Services
PROB	Probation Department
SHR	Sheriff-Coroner