



# Yolo County Division of Internal Audit

## Countywide Accounts Payable Audit

Report Date  
June 7, 2023

### Audit Team

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

#### **County of Yolo**

Department of Financial Services  
Division of Internal Audit  
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>

***Audit No: 2022-0018***



# County of Yolo

www.yolocounty.org

**CHAD RINDE, CPA**  
Chief Financial Officer

**TOM HAYNES**  
Assistant Chief Financial Officer

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

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

## Transmittal Letter

June 7, 2023

Chad Rinde, Chief Financial Officer  
Department of Financial Services

Ryan Pistochini, Director of General Services  
Department of General Services  
County of Yolo  
Woodland, CA 95695

Re: Internal Control Review of Countywide Accounts Payable

The Division of Internal Audit performed an internal control review of the Countywide Accounts Payable to determine whether adequate internal control exists to provide reasonable assurance to county management that there is an acceptable level of operational accountability in the countywide accounts payable process. The audit was approved by the Audit Subcommittee in the fiscal year 2022-23 audit plan. This report does not include a full system review of the accounts payable system controls.

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 invoice approval and payment process, vendor file management, system access and accounts payable policy and 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.

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 Departments of Financial Services and General Services management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Sincerely,



Kim Eldredge, CGAP  
Internal Audit Manager

Distribution

Gerardo Pinedo, Chief Administrative Officer  
Mark Bryan, Deputy County Administrator  
Tom Haynes, Assistant Chief Financial Officer  
Nolan Sullivan, Director of Health and Human Services Agency  
Holly Alves, DFS Accounting Manager  
Tonia Murphy, Procurement Manager  
Duazong Her, ERP Manager  
Yolo County Audit Subcommittee  
Audit File Project No. 2022-0018

Yolo County Division of Internal Audit  
Table of Contents

**Internal Control Countywide Accounts Payable**  
**Audit No: 2022-0018**

**For the Period May 1, 2021 to April 30, 2022**

Transmittal Letter .....	1
<b>Detailed Findings and Recommendations .....</b>	<b>4</b>
<b>A. Accounts Payable Activity .....</b>	<b>5</b>
Finding #1: Inadequate internal controls over validating invoices for payments .....	6
Finding #2: Duplicate payments identified.....	6
Finding #3: Invoices not properly approved by authorized County Officials .....	7
Finding #4: Delay in vendor payments .....	8
Finding #5: Vendor payments over \$5,000 paid on claims instead of authorized payment method .....	8
Finding #6: Purchase order analysis of buyer’s authorized limits .....	8
Finding #7: Gaps detected in purchase orders.....	9
<b>B. Vendor Management.....</b>	<b>11</b>
Finding #8: Maintenance of the Master Vendor File needs improvement .....	11
Finding #9: Lack of segregation of duties with the Master Vendor File.....	13
<b>C. Safeguarding Check Processing.....</b>	<b>14</b>
Finding #10: Access to Document Express poses a possible security concern .....	14
<b>D. County Policies and Procedures.....</b>	<b>16</b>
Finding #11: AP processes not documented .....	16

## Detailed Findings and Recommendations

### **Background**

Yolo County's Department of Financial Services, Accounting and Financial Reporting Division (DFS) is responsible for timely and accurate payments to internal and external vendors of the County. DFS processes payments for a large variety of goods, services, and supplies which are necessary to keep the county functioning. Payments are made using warrants, ACH (Automatic Clearing House), or wire transfers. Warrant printing is conducted at DFS and the Health and Human Service Agency.

County's Accounts Payable (AP) function is closely tied to the purchasing function of the Department of General Services, Procurement Division. Procurement Division is responsible for approving requisitions to create purchase orders, which is a formal document issued to the vendor to purchase goods, supplies and services. Small purchases for goods and supplies costing less than \$5,000 can be paid for by a claim, purchase card or purchase order. Services are procured using a purchase order or a contract regardless of the cost of the service.

Procurement Division is also responsible for maintaining the vendor master file which is a database composed of vital business information for various vendors that provide goods, supplies and services to the County of Yolo. The information includes the vendor's legal name, physical and mailing address, taxpayer identification number and other pertinent information.

County's financial System (Infor) is an ERP system that includes the system for finance, procurement, human capital-management, and payroll. County also uses MHC Image Express along with Infor to capture scanned or electronic document images and streamline the approval workflow.

### **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 in the countywide accounts payable process. Operational accountability is achieved when the countywide accounts payable system operates 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 all account payable transactions for the period of May 1, 2021 to April 30, 2022, except employee payroll and purchase card transactions. This report does not include a full system review of the Infor system.

We performed the following procedures:

- Evaluate the internal controls over accounts payable
- Verify vendor payments are made timely, accurately, properly recorded, and adequately supported
- Assess compliance with applicable laws, regulations, and county policies and procedures
- Use computer assisted audit techniques (CAATs) for data analytics, where data usage information is available and report the results

Yolo County Division of Internal Audit  
Internal Auditor's Report

**A. Accounts Payable Activity**

DFS Accounting and Financial Reporting Division approves invoices weekly and works diligently with other departments to ensure all payments made adhere to county's policies and procedures. The invoice process includes payments made through purchase orders, non-purchase orders (claims) and one-time vendor payments.

County's policy on procurement allows all department heads to make purchases of goods, supplies and services for less than \$5,000 per vendor per fiscal year. Payments for such goods and supplies under \$5,000 are made through claims.

All department heads seeking to procure goods, supplies and/or services costing equal to or greater than \$5,000 from the same vendor in a fiscal year would need to submit a requisition request with the Procurement Division to obtain a purchase order prior to making the purchase. Payment for such goods, supplies and/or services are made through a three-way match with the vendor invoice, purchase order and the receipt for goods, supplies and/or services.

Other payments processed through claims include one-time non-recurring vendor payments such as refunds, covid relief payments, jury witness expense payments etc. The table below provides the total amount paid by the county during the audit period.

Description	Total amount paid
Totals payments	\$418,465,849
Purchase Orders	\$120,797,784
Non-Purchase Orders	\$297,668,065

***Audit Objective/Methodology***

Our audit objective was to evaluate internal controls over accounts payable to ensure transactions are accurate, adequately supported, processed timely, properly recorded, and authorized in compliance with county policies and procedures.

To accomplish our objective, we selected a sample of AP transactions and performed the following procedures:

- Verified AP transactions were adequately supported and properly approved
- Confirmed if the payments were processed accurately and in a timely manner
- Reviewed AP transactions for duplicate payments to vendors
- Verified all transactions comply with county policies and procedures

Yolo County Division of Internal Audit  
Internal Auditor's Report

Summary of Exceptions	Invoices
Stamped signature or signature image pasted on invoice (missing wet or electronic signature)	9
Invoice not approved/ no approver's signatures or MHC approval found	9
Incomplete backup or backup not available in Infor/MHC	18
Invoice not processed in a timely manner	17
Total charges >5k, not on a PO	5
Payment to incorrect vendor	1
Payment not in compliance with county policy and procedures	5
Duplicate payment	5
Approver not listed on Signature Authorization Form	10
<b>Total</b>	<b>79</b>

**Finding #1: Inadequate internal controls over validating invoices for payments**

Yolo County's Policy for Criteria for Allowing Charges Against County Funds state any transaction must meet all five criteria listed below:

1. Transaction is supported by corroborative information and documentation
2. Transaction is related to County business
3. Transaction is in compliance with laws and County operations
4. Transaction is reasonable
5. Transaction was approved by authorized County officials or personnel

The auditors reviewed internal controls over validating invoices for payments and noted the following exceptions:

- Invoices had no or incomplete supporting documentation
- Payment made to the wrong vendor
- Invoices did not comply with county policies and procedures

Without proper controls in place to ensure invoices for payment comply with county policies and procedures may result in the misappropriation and/or loss of assets.

**Recommendation 1**

We recommend that DFS review their processes to ensure that adequate supporting documentation is received, correct general ledger account is recorded for financial reporting purposes, invoice agrees to vendor information on file, and the transaction complies with county policies and procedures before approving payment. (Priority 1 Issue – 60 days required corrective action)

**Management Response 1**

Accounts Payable processes and procedures will be reviewed, documented, and communicated to County fiscal staff as part of the end-user training and transition to Infor CloudSuite. (Anticipated date of completion: 6/30/2023)

**Finding #2: Duplicate payments identified**

Pursuant to the Federal Information System Controls Audit Manual, audit trails and security reports should be monitored on a regular basis to help assure that transactions are processing as intended.

The auditor identified 5 invoices that were paid twice to vendors with multiple naming conventions for the same invoice. One payment was marked stale date while the others totaled \$35,966 in overpayments. Not having proper controls in place may result in unauthorized or invalid disbursements, including duplicate payments.

Yolo County Division of Internal Audit  
Internal Auditor's Report

**Recommendation 2**

We recommend that DFS design an exception report to identify possible duplicate payments and should implement a process to follow-up on any such items. In addition, define a standard naming convention for the invoice number field in the Infor system for any invoices received without an assigned invoice number.  
(Priority 1 Issue – 60 days required corrective action)

**Management Response 2**

*A standard naming convention for invoices without an assigned invoice number will be defined as part of the transition to Infor CloudSuite. Staff will also evaluate options for developing or utilizing system-delivered exception reports to identify possible duplicate payments. If it is determined that delivered reports are inadequate, additional time and funding may be required in order to develop a customized report.. (Anticipated date of completion: 6/30/2023)*

**Finding #3: Invoices not properly approved by authorized County Officials**

*Pursuant to County's Policy for Criteria for Allowing Charges Against County Funds, all transactions should be approved by authorized County Officials or personnel. The County's Signature Authorization Policy requires all departments to submit Signature Authorization forms to the Chief Financial Officer on or before July 1<sup>st</sup> of each fiscal year in order to maintain proper documentation of personnel authorized to take financial or accounting-related actions.*

The auditors reviewed the internal controls over the invoice approvals and noted the following exceptions:

- Invoices were not approved
- Invoices were approved by the person not listed on the Signature Authorization Form
- Signature Authorization Forms were missing
- Digital and electronic signatures were used instead of a manual signature

Invoices not approved by the designated approving official may result in unauthorized payments.

**Recommendation 3**

We recommend that DFS enforce the policy requirement for departments to submit Signature Authorization Forms with a manual signature by July 1, 2023, and to ensure proper approval of invoices are received before processing for payment. It is also recommended that DFS consult with legal counsel on the use of digital and electronic signatures for various county documents.  
(Priority 1 Issue – 60 days required corrective action)

**Management Response 3**

*DFS will be requiring departments to submit Signature Authorization Forms with a wet signature in order to ensure the ability for signature verification on invoices. In addition, departments will be notified that invoices will not be processed for payment without a valid Signature Authorization Form on file. DFS will also consult with County Counsel on the appropriateness of using various types of electronic signatures or approvals for various County documents and processes. It should be noted that the use of electronic signatures, both on the Signature Authorization Forms and for other purposes, largely arose out of necessity during the COVID-19 pandemic as a means to continue County operations from a remote environment. As a result, however, use of electronic signatures has now become the norm, and further policy clarification on when and how electronic signatures may be used is warranted. (Anticipated date of completion: For Signature Authorization Form compliance and ensuring proper approvals – 7/1/2023; For conferring with County Counsel on use of electronic signatures – 9/30/2023).*



Yolo County Division of Internal Audit  
Internal Auditor's Report

**Finding #4: Delay in vendor payments**

*California Prompt Payment Act states that all State agencies pay properly submitted, undisputed invoices, refunds, or other undisputed payments due to individuals within 45 days of receipt or notification. Failure to do so can attract late payment penalty. Yolo County requires all payments be made within 30 days of receiving the invoice unless otherwise stated. All departments are responsible for assuring receipts and paying for goods and services in a timely manner.*

The auditor found several invoices not paid within invoice terms or within net 30 days. Delay in vendor payments can negatively impact the county's relationship with vendors and the county may also be subject to payment penalties.

**Recommendation 4**

We recommend that DFS convey to the end user departments the importance of executing their payments in a timely manner.

(Priority 1 Issue – 60 days required corrective action)

**Management Response 4**

*DFS will communicate to end-user departments the importance of processing payments in a timely manner.*

*(Anticipated date of completion: 6/30/2023)*

**Finding #5: Vendor payments over \$5,000 paid on claims instead of authorized payment method**

*According to County's Procurement policy, departments seeking to procure goods, supplies and/or services costing equal to or greater than \$5,000 from the same vendor in a fiscal year needs to obtain a purchase order through the purchasing department prior to completing their purchase.*

The auditor examined 25 invoices paid through claims and identified three vendors paid more than \$5,000 in one fiscal year. Without monitoring the aggregate of vendor payments over \$5,000 may allow departments to favor one vendor over the other and not coordinating a competitive solicitation as required by county policy.

**Recommendation 5**

We recommend that DFS develop a process to monitor the total claim payments to a single vendor to ensure departments do not exceed the \$5,000 limit in one fiscal year.

(Priority 2 Issue – 120 days required corrective action)

**Management Response 5**

*Management partially concurs with this recommendation. We will evaluate whether delivered reports exist within the Infor CloudSuite system that allow for an expeditious review of total claim payments by vendor. However, management does not believe that this issue poses a significant risk to the County, so staff effort to monitor vendor payments should not exceed the benefit received. (Anticipated date of completion: 12/31/2023)*

**Finding #6: Purchase order analysis of buyer's authorized limits**

*Pursuant to the Federal Information System Controls Audit Manual, audit trails and security reports should be monitored on a regular basis to help assure that transactions are processed as intended.*

*County Policy on Procurement, the Board of Supervisors delegates the Purchasing Agent the ability to make purchase up to the maximum amount for \$200,00 for specialized services.*

Yolo County Division of Internal Audit  
Internal Auditor's Report

The auditors performed an analysis of all purchase orders approved in the Infor system and reviewed purchase orders over \$200,000 during the audit period. The table below illustrates the buyer's authority limits, number of POs, and total amount approved by each buyer.

Buyer	Authorized Limit	Number of POs	Total Amount
Associate Procurement Specialist	\$25,000	78	\$504,880
Procurement Specialist	\$50,000	217	\$2,111,266
Lead Buyer	Unlimited	959	\$22,058,163
Procurement Manager	Unlimited	2	\$6,399

The following exceptions were noted:

- Lead Buyer has an unlimited authority limit without a secondary review for all approved purchase orders. Purchase order amounts approved over \$200,000 totaled approx. \$7.04 million.
- One transaction was found in the amount of \$417,016 for election printing (special services) and not approved by the Board.

Without a purchasing control in place with a review and approval process may lead to an individual with too much control over a County's spend and result in noncompliance with county policy.

**Recommendation 6**

We recommend that the Purchasing Agent set an authorized limit with a secondary review for the Lead Buyer to ensure that purchases comply with county policy.  
(Priority 1 Issue – 60 days required corrective action)

**Management Response 6**

*Procurement is aware of a long standing staff limitation and system design that inhibits the ability to set a secondary review of high value purchase orders. At the outset of the new Infor Cloudsuite project, Procurement prioritized the need for additional staffing, unit reorganization, and technology solutions to enable secondary level reviews. Procurement has worked with Human Resources, Financial Services and County Administrator departments to resolve the additional staffing need. Procurement incorporated requirements for the new Infor Cloudsuite system to resolve technology limitations. Upon the recruitment of the additional staff and implementation of the technology solution, this is resolved. (Anticipated date of completion: 9/30/2023)*

**Finding #7: Gaps detected in purchase orders**

*Pursuant to the Federal Information System Controls Audit Manual, completeness controls should provide reasonable assurance that all transactions that occurred are input into the system, accepted for processing, processed once and only once by the system, and properly included in output. Completeness controls include the following key elements:*

- *Transactions are completely input*
- *Valid transactions are accepted by the system*
- *Duplicate postings are rejected by the system*
- *Rejected transactions are identified, corrected and re-processed*
- *All transactions accepted by the system are processed completely*

The auditors performed CAATS to identify any sequence gaps in the purchase orders issued during the audit period and found the following four purchase orders missing:

Yolo County Division of Internal Audit  
Internal Auditor's Report

Gaps Detected	Purchase Order
Item missing	175677, 176565, 176581, 176747

Not setting up user-approver roles by assigned official duties and proper segregation of duties may result in information that is added, deleted, or changed without approval thus resulting in missing data.

**Recommendation 7**

We recommend that the Procurement Division review each user's profile to limit the access controls to prevent deletion of purchase orders.

(Priority 1 Issue – 60 days required corrective action)

**Management Response 7**

*Procurement confirmed the system is working as designed. The system allows the deletion of non-issued purchase orders as a way to clean up duplications or system errors.*

Yolo County Division of Internal Audit  
Internal Auditor's Report

**B. Vendor Management**

Vendor management is a critical element of the AP process and includes managing vital information about vendors in order to issue payments for the procurement of goods and services. It is essential to effectively maintain vendor files to avoid unauthorized or inappropriate activity, prevent duplicate payments and reduce inefficiencies.

Procurement Division is responsible for maintaining the master vendor file in the Infor system. The departments and vendors complete a *Vendor Registration Form and W-9* to setup a new vendor or update an existing vendor number. Procurement ensures that the information on both forms match the Infor system and if a change is needed will verify the source and update the vendor information.

***Audit Objective/Methodology***

Our audit objective was to evaluate internal controls over accuracy and completeness of vendor information in the Infor system.

To accomplish our objective, we performed the following procedures:

- Performed various computer assisted audit techniques (CAATs) to analyze the *Master Vendor File*
- Reviewed documentation for setup and approval of new and existing vendors
- Tested a sample of vendors in the Infor system and determine if vendors are legitimate

*Master Vendor File - CAATs identified potential fraud schemes:*

Fraud Scheme	Detection method	Result
Fictitious Vendors	Vendors with PO Box Address	1,479 vendors include 1,123 regular vendors, 62 employees and 294 one-time vendors
	Vendors with matching address to an employee	142 vendors include 52 regular vendors and 90 one-time vendors
	Vendors with missing Tax Identification Number	69 vendors
	Vendors with multiple Vendor Numbers	137 vendors
Conflict of Interest	Vendors with Tax ID matching to an employee's Social Security Number	17 vendors
<ul style="list-style-type: none"> <li>• Regular vendors are vendors registered with the Procurement Division.</li> <li>• Employee vendors are county employees who have made out-of-pocket purchases for county business.</li> <li>• One-time vendors are used by AP to facilitate refunds and reimbursements.</li> </ul>		

***Finding #8: Maintenance of the Master Vendor File needs improvement***

*Having a clean and accurate Master Vendor File cuts down on the effort involved in processing payments and helps to prevent an organization from becoming a victim of fraud.*

Procurement Division relies heavily on the information provided by the departments when adding or changing vendor information in the Infor system.

The auditors found the following:

- CAATs performed on the *Master Vendor File* and identified potential fictitious and conflict of interest vendors– see results above

Yolo County Division of Internal Audit  
Internal Auditor's Report

Procurement Division does not:

- Conduct an independent validation of vendors using a 3<sup>rd</sup> party service or database
- Validate the tax identification numbers of all vendors
- Regularly verify vendors before they are updated in the Infor system
- Have adequate documentation to support vendor information changes
- Have a process in place to monitor changes to the *Master Vendor File*

Without maintaining a robust system of internal controls over the *Master Vendor File* may result in opportunities for fraud and increases data corruption

**Recommendation 8**

We recommend that the Procurement Division do the following:

- Review the legitimacy of all vendors before adding or changing vendor information in the Infor system and document validation
- Review all active vendors using a PO Box as their business or remittance address and receive confirmation of their existence at a physical location
- Review all active vendors with duplicate addresses on file to consolidate information into one entry and deactivate the other associated vendor number
- Review all active vendors with missing Tax ID and receive a W-9 on file to update records
- Review all inactive vendors without any payment for more than 2 years and determine if they should be deactivated from the *Master Vendor File*

(Priority 2 Issue – 120 days required corrective action)

**Management Response 8**

*Procurement already reviews and documents all requests to add or change vendor information. Procurement does not have the capacity to review historical vendors that have not changed since assuming the vendor file. In July 2023, the vendor file returns to the Department of Financial Services and Procurement is supporting the department and will recommend that they review all historical vendors.*

*Procurement does not have the means to independently review mailing information for businesses without third party solutions. Procurement will forward the concern about PO Boxes to the Department of Financial Services when that department resumes the vendor file duties.*

*In certain instances, duplicate addresses on file are associated with large governmental agencies that have specific remittance instructions and thus requires multiple vendor numbers (such as the Superior Court of California or the United States Postal Service). Procurement will work with Department of Financial Services to review non-governmental vendors that have duplicates to determine if consolidation is possible.*

*Procurement will work with the Department of Financial Services to receive W-9s from vendors that are missing tax identification numbers. This project will begin after the vendor file transfers to Department of Financial Services.*

*Procurement does not have the means to identify inactive vendors as the unit does not have access to payment history. Procurement will forward this recommendation to the Department of Financial Services who have the reports and tools to determine which vendors are inactive due to payment inactivity, and beginning July 2023, that department will be able to inactive those vendors instead of Procurement. (Anticipated date of completion: 9/30/2023)*

Yolo County Division of Internal Audit  
Internal Auditor's Report

***Finding #9: Lack of segregation of duties with the Master Vendor File***

*Segregation of duties is a vital element of many internal control systems and should be designed in a way that limits an employee's ability to perform incompatible or unnecessary tasks.*

The auditors found that one procurement staff is adding and changing new and existing vendor information without a review by an independent person. Duties that involve one person with control of all aspects of a transaction may cause errors to go unnoticed and provide an opportunity for fraudulent activity to occur.

**Recommendation 9**

We recommend that the Procurement Division review their procedures for adding and changing new and existing vendor information and ensure that an independent person verifies the accuracy of the information on all vendors actions entered in the Infor system.

(Priority 1 Issue – 60 days required corrective action)

***Management Response 9***

*A process is designed, has passed testing, and is awaiting for the system to go-live in July 2023. (Anticipated date of completion: 7/17/2023)*

### C. Safeguarding Check Processing

Checks must be serially pre-numbered. Spoiled checks must be voided and retained for subsequent inspection. All checks (used and unused) must be accounted for on a periodic basis (monthly at a minimum). Computerized cash systems may also use pre-numbered check stock. Most systems will print the check numbers. Additionally, the department must not allow a void or cancelled check number to be reused and the department must maintain an adequate audit trail that details checks issued. Blank check stock and signature stamps must be stored in a secured area with access restricted to only authorized individuals.

AP check processing is handled by both DFS and the Health and Human Services Agency (HHS). DFS is responsible for issuing all vendor payments while HHS is responsible for issuing benefit payments. Both departments use *Document Express* which captures data from the Infor and CalWIN systems and converts the data into warrants or ACH payments.

HHS Administration Branch is responsible for printing the benefit checks for the CalWORKS, Foster Care, Adoption Assistance, and General Assistance programs. These checks are issued daily and batched into HHS's CalWIN system. All benefit checks are issued as warrants.

#### *Audit Objective/Methodology*

To determine if the AP check processing in both departments have adequate segregation of duties, check stock is safeguarded, and check printing has proper access controls in *Document Express*.

To accomplish our objective, the following procedures were performed:

- Obtained a general understanding of the check processing procedures
- Compared the list of employees with *Document Express* access against their role in the AP process
- Verified that the check stock is maintained in a locked and secure location

#### ***Finding #10: Access to Document Express poses a possible security concern***

*Access controls provide reasonable assurance that access to computer resources (data, equipment, and facilities) is reasonable and restricted to authorized individuals, including effective, protection of information system boundaries, identification and authentication mechanisms, authorization controls, protection of sensitive system resources, audit and monitoring capability, including incident handling, and physical security controls.*

The auditors obtained a list of employees who have access to *Document Express* and compared it against their role in the AP process. Three employees were identified of not being involved in the check printing process and access to *Document Express* thus creating a security concern. Without proper security management, improper user access rights and permissions may result in information that is added, deleted, or changed without approval and authorization.

#### **Recommendation 10**

We recommend that DFS and HHS review their list of employees with access to *Document Express* and ensure that each permission is assigned only to those employees performing the job. 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 10***

*DFS: The Document Express accounts for the employees identified as not having a role in the check printing process have been disabled. In addition, system security roles are reviewed and adjusted on an annual basis, and management agrees that access to Document Express should be included as part of this review. Finally, system access and security will be thoroughly reviewed as part of the transition to Infor CloudSuite. (Anticipated date of completion: 6/30/2023)*

Yolo County Division of Internal Audit  
Internal Auditor's Report

*HHSA: HHSA has reviewed the Document Express user list and have disabled the employees that should not have access to the system. There are only the required users on the list. (Anticipated date of completion: 4/13/2023)*



Yolo County Division of Internal Audit  
Internal Auditor's Report

## D. County Policies and Procedures

Accounts payable policy and procedures manual should outline the responsibilities and guidelines for processing expenditures incurred and disbursed for the county. AP procedures should cover all essential components of the AP process and provide uniformity among processors to handle the payments. The manual should also be updated on a regular basis to cover any changes in the process.

The following are some essential components of an AP policy and procedures manual:

- Invoice approval process
- Receiving and documentation
- Standard payment terms
- Invoice deadlines and payment cycle
- Electronic payments
- Employee reimbursements
- Duplicate payments
- Check distribution
- Vendor credits/refunds
- Voids
- Archiving documents

*List not inclusive*

### *Audit Objective/Methodology*

To determine if the procedures for accounts payable confer with standards of internal control and best practices.

To accomplish our objective, the following procedures were performed:

- Review the policy manuals and procedures for recommended essential components within an AP policy
- Verify that the AP processes are documented

### ***Finding #11: AP processes not documented***

*GFOA recommends documenting accounting policies and procedures, have an appropriate level of management and authority, and documentation of policies and procedures should be readily available to employees. The policies and procedures manual should be in a searchable, electronic format and available on the employee portal or intranet site. Management should also periodically review the policies and procedures and related internal control activities for continued relevance and effectiveness.*

The auditors found 79 exceptions related to processing invoices as detailed in this report. Although, DFS has some training guides for entering and approving invoices in the Infor system, there is not a county policy and/or AP policy and procedure manual available to DFS accounting staff or departments. Not providing a comprehensive AP policy and procedures manual may result in procedures not being followed as approved and allows inconsistent procedures to be carried forth by DFS accounting staff and departments.

### **Recommendation 11**

We recommend that DFS consider developing an AP policy and procedures manual that details AP procedures and processes not provided elsewhere and coordinate instructions of various authorities on specific AP subjects. (Priority 3 Issue – 180 days required corrective action)

### ***Management Response 11***

*Management concurs with the recommendation to develop an AP policy and procedure manual. Documentation of AP processes and procedures is being completed as part of the end-user testing and transition to the Infor CloudSuite system. However, development of a formal AP policy (or updates to existing policies mentioned above) may take slightly longer to complete. (Anticipated date of completion: 12/31/2023)*