



County of Yolo

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HOWARD H. NEWENS, CIA, CPA
Chief Financial Officer

CHAD D. RINDE, CPA
Assistant Chief Financial Officer

DEPARTMENT OF FINANCIAL SERVICES

625 Court Street, Room 102
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- *Financial Strategy Leadership*
- *Budget & Financial Planning*
- *Treasury & Finance*
- *Tax & Fee Collection*
- *Financial Systems Oversight*
- *Accounting & Financial Reporting*
- *Internal Audit*
- *Procurement*

February 7, 2018

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

Re: Treasury Cash Count quarterly report for December 31, 2017

Dear Mr. Burnham:

We have performed the procedures as agreed upon in our engagement to assist the County with respect to compliance with Government Code Section 26920 (a) (1) for the quarter ending December 31, 2017. The County's Treasurer is responsible for compliance with the above noted Government Code section. The agreed upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified user of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Further, we did not review system controls of the county financial system.

Our procedures and results are as follows:

1. Perform a cash count of all cash (US currency and coins, checks drawn on US banks and written in US dollar values including travelers, cashiers, and certified checks and money orders) in the Treasurer public counter drawer, Treasurer vault, Tax Collector public counter drawers/cash lock bags and any pending deposits.

Results: Procedure performed with no exceptions.

Considerations: None.

2. Trace cash count to Treasurer daily cash report and Tax Collector daily register close out report.

Results: Procedure performed with no exceptions.

Considerations: None.

3. Verify that all deposits received by the Treasurer on 12/19/2017 were accounted for and recorded in the county financial system.

Results: All cash received by the Treasurer on 12/19/2017 and recorded on the Treasury Unit Transfer of Cash Accountability control log was accounted for and recorded in the county financial system.

Considerations: None.

4. Verify that all cash and deposits on 12/19/2017 were deposited in the county bank account at the outside financial institution.

Results: All cash counter deposits reported on 12/19/2017 agreed to the county bank account at Bank of America.

Treasury Division:

The auditor traced a sample of the bank transactions from the Treasury Document Tracker (Download of BofA transactions) and verified that the transactions were supported and recorded in the INFOR system. However, the transactions examined were updated on the date other than the bank transaction date. According to the Treasury Manager, bank transactions may be delayed due to the receipt of the accounting document from the customer and/or backlog of updating transactions to the system.

General Accounting Division:

The Department of Financial Services (DFS) Accounting Division performs a limited monthly close whereas items pending receipt of the customer accounting document can be posted to a period in the general ledger that was previously closed. During a limited monthly close, the accounting staff notifies all users of this type of closing procedure and instructs all users that they should not make any changes. The INFOR system does not have a system control in place that prevents any user from manipulating a transaction while a limited close has been initiated. Once a period is completely finalized, it can be moved to a final close status. As of January 11, 2018, the month of December 2017 has been transferred to a limited close status. The months of July through September 2017 are in a final close status. In addition, the fiscal year 2016-17 has been transferred to a final close after the County financial audit was issued on December 22, 2017. Furthermore, the bank reconciliations have not been completed for the months of June to December 2017.

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

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

Considerations:

Treasury Division:

The Treasury Manager should ensure that supporting documents and the posting of bank transactions are processed within a reasonable time period to avoid any backlog of updating transactions to the system.

General Accounting Division:

The General Accounting Manager should ensure that timely adjusting journal entries and all pending items are reflected in the correct accounting period for general accepted accounting principles. Proper cutoff procedures and timely reconciliation are also essential for financial reporting.

5. Determine that the Tax Collector checks are not held for more than 7-10 days as prescribed by the Yolo County Cash Accounting Manual.

Results: Procedure performed with no exceptions.

Considerations: None.

Response Requested:

We request a management response to each of the considerations listed above within 30 days of the date of issuance of this report.

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

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

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

Sincerely,

A handwritten signature in blue ink, reading "Mary E. Khoshmashrab", with a long horizontal flourish extending to the right.

Mary E. Khoshmashrab, MSBA, CPA
Internal Audit Manager
County of Yolo

cc: Patrick Blacklock, Yolo County Administrator
Howard Newens, CIA, CPA, Yolo County, Chief Financial Officer

Schedule of Prior Quarter Findings

Summarized below is the current status of all audit findings reported in the Treasury Cash Count quarterly report for September 30, 2017 dated December 21, 2017:

Finding Title	Finding Description	Status of Corrective Action
System control deficiency of month-end closing; additional security restrictions; backposting capabilities; and, untimely bank reconciliations.	The General Accounting Manager should ensure that timely adjusting journal entries and all pending items are reflected in the correct accounting period for general accepted accounting principles. Proper cutoff procedures and timely reconciliation are also essential for financial reporting. Additionally, the DFS Internal Audit Division should review, as planned, the system controls over the cash modules within the INFOR system.	Partially Implemented. (see comments below)
	a. Monthly periods in a limited close status (fiscal year 2016-2017 – June 2017) (fiscal year 2017-2018)	As of January 11, 2018, the month of December 2017 has been transferred to a limited close status. The months of June through September 2017 are in a final close status.
	b. Additional security restrictions for Accounting Division (GL45)	Not Implemented. According to the General Accounting Manager, review of additional security restrictions (GL45) will be incorporated with the work performed by the Kinsey consultants. The Kinsey consultants recommend to revise the County's INFOR Process Automation (IPA) workflow that is scheduled with an anticipated date of March 31, 2018.
	c. Bank reconciliation date completed for June, July, August, September, October, November and December 2017	Not Implemented.
Treasury wire instructions	The Treasury Manager should develop written procedures for processing and recording wire transactions in BofA and the INFOR system, and disseminate to staff.	Partially Implemented. According to the Treasury Manager, process improvements will be completed by March 1, 2018.



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MEMORANDUM

TO: Mary E. Khoshmashrab, MSBA, CPA
Internal Audit Manager

FROM: Edward Burnham
Treasury Manager

DATE: 28-February-2018

AUDIT WORK: Treasury Cash Count quarterly report for December 30, 2017

SUBJECT: Management Response to audit results and considerations

In response to the treasury cash count review for quarter ending December 30, 2017, our comments are provided below:

Procedure 4: Verify that all cash and deposits on 12/19/2017 were deposited in the county bank account at the outside financial institution.

Results: All cash counter deposits reported on 12/19/2017 agreed to the county bank account at Bank of America.

The auditor traced a sample of the bank transactions from the Treasury Document Tracker (Download of BofA transactions) and verified that the transactions were supported and recorded in the INFOR system. However, the transactions examined were updated on the date other than the bank transaction date. According to the Treasury Manager, bank transactions may be delayed due to the receipt of the accounting document from the customer and/or backlog of updating transactions to the system.

a. Management position concerning the results:

Concur

Do not concur

b. Management comments:

As mentioned from audit findings for period ended September 30th, processing improvements will be completed by beginning March 1st. The Treasury department is working towards a daily reconciliation of all transactions by reducing monthly close process by (1) day per month through period ending May 31st. Our goal is to reconcile daily beginning June 1, 2018.

Considerations: The Treasury Manager should ensure that supporting documents and the posting of bank transactions are processed within a reasonable time period to avoid any backlog of updating transactions to the system.

c. Management position concerning the consideration:

Concur Do not concur

d. Management comments:

Please see the above comments.

e. Actual / estimated Date of Corrective Action: 01-MARCH-2018

Concur Do not concur





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MEMORANDUM

TO: Mary E. Khoshmashrab, MSBA, CPA
Internal Audit Manager

FROM: Josh Iverson
General Accounting Manager

DATE: **March 1, 2018**

AUDIT WORK: Treasury Cash Count quarterly report for December 31, 2017

SUBJECT: Management Response to audit results and considerations

In response to the treasury cash count review for quarter ending December 31, 2017, our comments are provided below:

Procedure 4: Verify that all cash and deposits on 12/19/2017 were deposited in the county bank account at the outside financial institution.

Results: The Department of Financial Services (DFS) Accounting Division performs a limited monthly close whereas items pending receipt of the customer accounting document can be posted to a period in the general ledger that was previously closed. During a limited monthly close, the accounting staff notifies all users of this type of closing procedure and instructs all users that they should not make any changes. The INFOR system does not have a system control in place that prevents any user from manipulating a transaction while a limited close has been initiated. Once a period is completely finalized, it can be moved to a final close status. As of January 11, 2018, the month of December 2017 has been transferred to a limited close status. The months of July through September 2017 are in a final close status. In addition, the fiscal year 2016-17 has been transferred to a final close after the County financial audit was issued on December 22, 2017. Furthermore, the bank reconciliations have not been completed for the months of June to December 2017.

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

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

a. Management position concerning the results:

Concur **Do not concur**

b. Management comments:

The Accounting division of Financial Services moved the General Ledger module for the month ended December 31, 2017 of the INFOR system into a limited close status as of January 11, 2018. The accounting period was not re-opened to backposting status. No entries can be posted to an INFOR accounting period when it is in a limited close status unless it is moved to a backposting status. The December period will be moved to a final close status when the February period is moved to a limited close status.

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

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

The Accounting division is aware that GL45 (Journal Control Screen) allows those users in the Accounting division to perform additional actions outside of those currently allowable on the regular journal entry screen and Infor Process Automation (IPA) workflow. This screen is necessary to be used to facilitate rollforward of entries needed for month-end closing. This screen and its capabilities were reviewed in detail with Kinsey, the County's INFOR consulting firm, to determine if additional security restrictions or limitations need to be created. The Kinsey recommendation is to revise the County's IPA workflow to include this screen. This work has been scheduled and begun and is on-going. Though the original goal for completion was September 30, 2017, due to scheduling challenges during the year end

period, as well as design discussions with County departmental stakeholders, this work will more realistically be completed in the first quarter of calendar year 2018.

Considerations: The General Accounting Manager should ensure that timely adjusting journal entries and all pending items are reflected in the correct accounting period for general accepted accounting principles. Proper cutoff procedures and timely reconciliation are also essential for financial reporting.

c. Management position concerning the consideration:

Concur **Do not concur**

d. Management comments:

The Accounting division has recently hired an Accounting Technician, an Accountant I, an Accountant II, an Accountant III, and has completed reclassifying the Administrative Services Analyst to a Systems Accountant. Having these additional human resources will much better enable the division to implement processes and procedures to help ensure timely adjusting journal entries and reconciliation. Meetings have been held to discuss and allocate responsibilities and either create new or enhance existing procedures to address this consideration.

e. Actual / estimated Date of Corrective Action: May 31, 2018

Concur **Do not concur**