



County of Yolo

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HOWARD H. NEWENS, CIA, CPA

Chief Financial Officer

CHAD D. RINDE, CPA

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DEPARTMENT OF FINANCIAL SERVICES

625 Court Street, Room 102

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DFS @ yolocounty.org

- *Financial Strategy Leadership*
- *Budget & Financial Planning*
- *Treasury & Finance*
- *Tax & Fee Collection*

- *Financial Systems Oversight*
- *Accounting & Financial Reporting*
- *Internal Audit*
- *Procurement*

May 17, 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 March 31, 2018

Dear Mr. Burnham:

We have performed the procedures as agreed upon in our engagement to assist the County with respect to compliance with Government Code Section 26920 (a) (1) for the quarter ending March 31, 2018. 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 3/30/2018 were accounted for and recorded in the county financial system.

Results: All cash received by the Treasurer on 3/30/2018 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 3/30/2018 were deposited in the county bank account at the outside financial institution.

Results: All cash counter deposits reported on 3/30/2018 agreed to the county bank account at Bank of America. The auditor traced a sample of bank transactions from the Treasury Document Tracker (Download of Bank of America transactions) and verified that the transactions were supported and recorded in the INFOR system.

Considerations: None.

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: There were no Tax Collector checks on hold during this quarterly review.

Considerations: None.

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

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

*Department of Financial Services
Treasury Cash Count QE 3/31/2018
May 17, 2018
Page 3 of 5*

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

Sincerely,



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 December 31, 2017 dated February 7, 2018:

- A. System control deficiency of month-end closing; additional security restrictions; backposting capabilities; and, untimely bank reconciliations:

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 March 12, 2018, the month of December 2017 has been transferred to a final close status. The months of January, February and March are in a final close status; respectively on March 12, April 9, and May 9, 2018. According to the General Accounting Manager, the accounting division completes a limited close in 10 days or less after the last day of the month. However, the limited close status has remained open more than 27 days before a final close for the quarter ending March 31, 2018. In addition, the additional security restrictions for the Accounting Division (GL45) have not been implemented. The Kinsey consultants have recommended that the County revise their INFOR Process Automation (IPA) workflow. Furthermore, the bank reconciliations continue to be outstanding for the months of October, November, December 2017 and January, February and March 2018.

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

Criteria:

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

B. Treasury wire instructions

Treasury Division:

The Treasury Division does not have written procedures for processing and recording wire transactions in the Bank of America and the INFOR systems. According to the Treasury Manager, the wire transfer process has not been formalized as of date.

Criteria:

Pursuant to the International Standards for the Professional Practice of Internal Auditing (Standards) 2500 Monitoring Progress, the chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

Effect:

Departments not implementing prior audit recommendations on issues such as non-compliance, internal control weaknesses, financial audit adjustments, etc. may have a material effect on the department operations, financial reporting and funding of equipment/programs.

Cause:

The County implemented a new financial system in November 2015. The DFS management and staff are working through the system control issues as they arise and/or have come to their attention. The County hired a consulting firm (Kinsey) to help resolve setup problems and other issues that occurred with implementing the new system. Furthermore, the Treasury Division has new staff and subsequent staffing turnovers which have led to delays in writing formal procedures

Recommendation:

The Treasury Manager and General Accounting Manager should consider implementing all prior audit recommendations to reduce the risk that may be unacceptable to the organization.

View of Responsible Officials and Planned Corrective Action:

See separate corrective action plan.



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MEMORANDUM

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

FROM: Edward Burnham
Treasury Manager

DATE: 29-MAY-2018

AUDIT WORK: Treasury Cash Count quarterly report for March 31, 2018

SUBJECT: Management Response to audit results and considerations

In response to the treasury cash count review for quarter ending March 31, 2018, our comments are provided below:

Status of Prior Quarter Findings:

A. Treasury wire instructions

Treasury Division:

The Treasury Division does not have written procedures for processing and recording wire transactions in the Bank of America and the INFOR systems. According to the Treasury Manager, the wire transfer process has not been formalized as of date.

Criteria:

Pursuant to the International Standards for the Professional Practice of Internal Auditing (Standards) 2500 Monitoring Progress, the chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

Effect:

Departments not implementing prior audit recommendations on issues such as non-compliance, internal control weaknesses, financial audit adjustments, etc. may have a material effect on the department operations, financial reporting and funding of equipment/programs.

Cause:

The Treasury Division has new staff and subsequent staffing turnovers which have led to delays in writing formal procedures.

Recommendation:

The Treasury Manager should consider implementing all prior audit recommendations to reduce the risk that may be unacceptable to the organization.

Management comments:

The wire transfer procedure will be routed for department review and approval in June 2018 for FY18/19 implementation.

Actual / estimated Date of Corrective Action: 01-JUL-18

A handwritten signature in black ink, appearing to read "J. E. Jones", is written in a cursive style.



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MEMORANDUM

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

FROM: Josh Iverson
General Accounting Manager

DATE: **May 23, 2018**

AUDIT WORK: Treasury Cash Count quarterly report for March 31, 2018

SUBJECT: Management Response to Status of Prior Quarter Findings

In response to the treasury cash count review for quarter ending March 31, 2018, our comments are provided below:

Status of Prior Quarter Findings:

- A. System control deficiency of month-end closing; additional security restrictions; backposting capabilities; and, untimely bank reconciliations:

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.

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Criteria:

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

Effect:

Departments not implementing prior audit recommendations on issues such as non-compliance, internal control weaknesses, financial audit adjustments, etc. may have a material effect on the department operations, financial reporting and funding of equipment/programs.

Cause:

The County implemented a new financial system in November 2015. The DFS management and staff are working through the system control issues as they arise and/or have come to their attention. The County hired a consulting firm (Kinsey) to help resolve setup problems and other issues that occurred with implementing the new system.

Recommendation:

The General Accounting Manager should consider implementing all prior audit recommendations to reduce the risk that may be unacceptable to the organization.

Management comments:

No entries can be posted to an INFOR accounting period when it is in a limited close status unless it is moved to a backposting status. An accounting period is moved into a backposting status only if the Chief Financial Officer determines it is justified and approves in writing. The accounting period is in a backposting status only long enough to allow the posting of the required entry, typically a matter of minutes. No other entries are allowed and reports are then ran to ensure that only the approved entry was posted.

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

The Accounting division expanded the accounting month end closing procedures to incorporate guidance on what circumstances DFS would open up the accounting periods from limited close to allow backposting and when periods should be moved to a final close. These

procedures were shared in November, 2016 with the Financial Officer's Forum and approval is now obtained from the Chief Financial Officer in the event a period is reopened.

The Accounting division is aware that GL45 (Journal Control Screen) allows those users in the Accounting division to perform additional actions outside of those currently allowable on the regular journal entry screen and Infor Process Automation (IPA) workflow. This screen 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 second quarter of calendar year 2018.

Beginning with period one of fiscal year 2018-19, journal entries will no longer be rolled forward from one accounting period to the next. Additionally, DFS staff are taking steps, including, but not limited to, enhanced tracking and reporting tools to monitor the status of the monthly close process in an effort to reduce the number of days to move an accounting period from being open to being in a limited close to being in a final close status.

The Chief Financial Officer and the Assistant Chief Financial Officer met with the Accounting Managers of the Treasury and General Accounting divisions on May 4, 2018 to develop a plan for completing all outstanding bank reconciliations. The bank reconciliations for fiscal year 2017-18 are scheduled to be complete by July 31, 2018.

Actual / estimated Date of Corrective Action: July 31, 2018