



# County of Yolo

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**TOM HAYNES**  
Interim Chief Financial Officer

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## DEPARTMENT OF FINANCIAL SERVICES

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### 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.

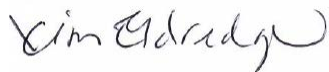
As required, in accordance with auditing standards and the County Audit Follow-up Policy, County Management has responded to each finding and recommendation contained in our report. We will follow-up to verify that management implemented the corrective actions.

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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  
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Yolo County Audit Subcommittee  
Internal Audit Website  
Audit File Project No. 2022-28

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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).

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## 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.

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## 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*

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*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.

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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.



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**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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### 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.

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#### 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)*

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## 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)*

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## 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.