



# 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

April 8, 2022

Jeff W. Reisig, Yolo County District Attorney  
301 Second Street  
Woodland, CA 95695

Re: Internal Control Cash Audit – District Attorney

Dear Mr. Reisig:

The Division of Internal Audit performed an internal control cash audit of the District Attorney's department for the period of February 1, 2021 to January 31, 2022 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 gift card inventory, system access, and documentation of procedures.

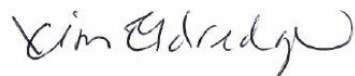
As required, in accordance with auditing standards and the County Audit Follow-up Policy, county management has responded to each finding and recommendation contained in our report. We will follow-up to verify that management implemented the corrective actions.

Yolo County Division of Internal Audit  
Transmittal Letter

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

We thank the District Attorney's 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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Audit File Project No. 2022-29

Yolo County Division of Internal Audit  
Table of Contents

**Internal Control Cash Audit – District Attorney**  
**Audit No: 2022-29**

**For the Period: February 1, 2021 to January 31, 2022**

Transmittal Letter.....	1
Detailed Findings and Recommendations .....	4
I. Revolving Cash Fund Accounts .....	5
II. Cash Receipts.....	6
III. Other Cash Funds and Cash Equivalents .....	7
Finding #1: Accountability over gift cards .....	7
IV. System Controls.....	8
Finding #2: Access to the Checkres system.....	8
V. County Policy and Procedures .....	9
Finding #3: Written procedures .....	9
VI. Priority Ranking Definitions.....	10

## Detailed Findings and Recommendations

### *Background*

The District Attorney's department is responsible for managing the following programs:

- **Criminal Prosecution:** Provides services towards the prosecution of felony and misdemeanor crimes committed in Yolo County by adults and juveniles.
- **Elder Abuse:** Ensures offenders are held accountable for the physical and financial abuse of senior citizens and increases awareness of ways to protect themselves from becoming victims of fraud.
- **Witness Protection:** Ensures the safety of potential witnesses in criminal prosecutions.
- **Charging and Intake:** Reviews referrals from law enforcement agencies and decides whether to charge/reject a case or request further investigation.
- **Consumer Fraud:** Ensures offenders are held accountable, in both criminal and civil courts, for using unfair business practices to defraud consumers.
- **Environmental Protection:** Ensures offenders are held accountable for practices that would damage and endanger the health and safety of Yolo County residents and natural resources.
- **Child Abduction:** Enforces compliance of child custody/visitation orders and assists in locating/returning children maliciously taken through any appropriate civil and criminal proceedings.
- **Neighborhood Court:** Reduces recidivism among offenders in the program and ensures victim and community restoration.
- **Office Traffic Safety (OTS) DUI:** Ensures that driving under the influence of drugs offenders are held accountable and deter the DUI/DUID activity in Yolo County.
- **Fraud Unit:** Increases fraud awareness and investigates and prosecutes fraud violations. The program includes auto insurance fraud and worker's compensation fraud investigations.
- **Victim Services:** Supports victims of crime by allowing their voices to be heard, increasing compensation/supports and increasing wellness.
- **Multi-Disciplinary Interview Center (MDIC):** Coordinates and facilitates a multi-agency response to support child abuse victims and reduce system-inflicted trauma.
- **Conviction & Sentencing Review:** Reviews and investigates claims of innocence raised after a criminal conviction.
- **Yolo Narcotic Enforcement Team (YONET):** Eliminates illegal narcotics from the community and holds offenders accountable for violations of narcotics trafficking laws.

Our review tested the department's cash operations 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 department. 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 February 1, 2021 to January 31, 2022. This report does not include a full system review of the Checkres System used by the Check Prosecution Unit (Criminal Prosecution).

## 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.

The District Attorney's department has an authorized revolving cash fund balance totaling \$1,440 distributed to the programs as follows:

- a. Petty cash fund in the amount of \$200 for tobacco buy money, supplies and food for teenage decoys (Criminal Prosecution/Special Programs)
- b. Petty cash fund in the amount of \$200 to purchase food and supplies needed for the YONET program
- c. Petty cash fund in the amount of \$300 for use by the Fiscal Administration Unit to reimburse small dollar items, postage and office supplies needed on an emergency basis (Criminal Prosecution)
- d. Petty cash fund in the amount of \$100 for use by the clerical area to pay for overdue postage and special mailings (Criminal Prosecution)
- e. Petty cash fund in the amount of \$400 for use by the Child Abduction program for miscellaneous items needed for children
- f. Change fund in the amount of \$40 for use by the front desk to make change for discovery copies (Criminal Prosecution)
- g. Change fund in the amount of \$200 for use by the Check Prosecution Unit to make change for payments received from clients (Criminal Prosecution)

The District Attorney's department also has four (4) outside bank accounts for YONET operations. These accounts are audited annually by external auditors.

In addition, the District Attorney's department has a special appropriation fund of \$5,000 per fiscal year that is made available to the department by the Board of Supervisors as required by Government Code Sec. 29400 Et. Seq. for payments of expenses in criminal cases, detection of crime and civil actions or proceedings.

### *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 and special appropriation fund replenishments 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 and the replenishments for the petty cash and special appropriation fund were supported by adequate documentation and the usage of the special appropriation fund complied with Government Code 29400. No petty cash replenishments were made during the audit period for the YONET, Child Abduction and Tobacco programs. The department should review these petty cash funds and determine if the established amounts are still needed for department operations.

## 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.

The District Attorney's department has three (3) collection areas at the front desk (discovery copies), Check Prosecution Unit (Criminal Prosecution), and the Neighborhood Court program. Each area reconciles their daily collections and transfers the cash and cash receipts to the Fiscal Admin. staff for further processing of the deposits into the County's Treasury.

### *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

Based on the procedures performed, cash on-hand for the front desk, Check Prosecution Unit, and the Neighborhood Court program were supported by adequate documentation, cash receipts were properly deposited within the County Treasury, and funds were adequately secured.

### III. Other Cash Funds and Cash Equivalents

Cash equivalents; such as, gift certificates, gift cards, and bus passes may be acquired for use in grant funded or county programs. Approval and purpose of such acquisition must be on file. Departments are required to maintain an inventory for the cash equivalents showing the purchase date, card number, vendor name, amount and expiration (if applicable). Issuance of the inventory items must be documented, and recipients must sign a receipt that the item was received. Total amount per recipient over \$600 within a calendar year must be reported to the Department of Financial Services.

The District Attorney's department maintains an inventory of gift cards to be used as ancillary items needed for the Elder Abuse program. The inventory is maintained by the Fiscal Admin. Unit and then transferred to the program advocates for distribution to clients. All gift cards were purchased in July 2021 with a total value of \$2,875.

#### *Audit Objective/Methodology*

To determine that the gift cards are maintained, documented, and agree to the department records. And, that the client signed a receipt for possession of the gift cards.

To accomplish our objective, the following procedures were performed:

- Conducted a count of the gift cards on-hand and traced to the inventory logs
- Determined that the inventory was properly recorded in the general ledger

#### **Finding #1: Accountability over gift cards**

*Departments are ultimately responsible for the safekeeping of inventory they purchase. Purchases of inventory are charged to the asset inventory account and credited from inventory when used. The inventory account should reflect the "book balance" of inventory on-hand. Physical inventory counts should be taken periodically by someone independent of the purchasing and custody of inventory. Missing items should be investigated and analyzed for possible control deficiencies.*

The auditors examined 101 gift cards and reviewed the internal controls over the handling of gift cards and noted the following exceptions:

- Inventory of gift cards is not recorded in the general ledger
- 95% of the gift cards are unused; remaining balance \$2,675

Not recording the inventory of gift cards in the general ledger may result in inaccurate financial data reported on the County's annual financial statements. Gift cards held as inventory and not redeemed within a year may result in a loss of value and increases the risk of potential tracking errors and/or misappropriation of gift cards.

#### **Recommendation 1:**

We recommend that the department record the gift card inventory in the general ledger to reflect the actual inventory on-hand in the financial records. It is also recommended that the gift cards be reviewed to determine if they are deemed necessary for program operations.

(Priority 1 Issue – 60 days required corrective action)

#### **Management Response 1**

*All remaining gift cards will be entered into inventory. Gift cards were purchased with grant funds which grant cycle ended 12/31/21. Gift card can only be used for activities associated with that specific grant and can't be used in any other program or grant. (Anticipated Date of Completion – Gift cards into inventory by 6/30/2022)*

## 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 District Attorney's Check Prosecution Unit (Unit) is responsible for tracking down check writers for non-sufficient fund/closed accounts. The Unit returns the money to the victim/merchant and deters future offenses through a diversion program and possible criminal prosecution at no cost to the victim for using the program. The Unit uses the Checkres system to manage client accounts and record receipts and disbursements.

### *Audit Objective/Methodology*

To review the system accounts associated with the cash handling process to ensure that the District Attorney's department 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 #2: Access to the Checkres system***

Access to the Checkres system is limited to only one user thus creating a segregation of incompatible duties issue. The user has the ability to record payments, distribute payments, and adjust client accounts. The system is a demo version without software maintenance support and is installed on an old computer. According to the department, the software is unable to be transferred to a different computer device.

Improper user access rights and permissions may result in information that is added, deleted, or changed without approval or authorization. Using a software without maintenance support may decrease the program's functionality to keep the software in working order.

### **Recommendation 2:**

We recommend that the department develop a procedure to review system reports that include client account information that maybe added, deleted or changed and have an independent person verify the accuracy of the information on all client account transaction activity. It is also recommended that the department document a plan of continued usage of the unsupported software or migrate to another supported system.

(Priority 1 Issue – 60 days required corrective action)

### ***Management Response 2***

*The Chief Fiscal Admin Officer can go into CheckRes and review account information, see what was added, payments made, check notes, etc. The program may be on one computer but it's a laptop which can move from office to office. We will be closing the Check Prosecution unit. We are still working out all the logistics but it is anticipated that all bad checks that come to our department will go through Restorative Justice Partnership (RJP). We are hoping to make this transition by July 1, 2022. We do have a few clients that pay monthly but we anticipate that these clients will be transferred into the RJP process. By the time we develop a plan, CheckRes will no longer be used. (Anticipated Date of Completion - No date of corrective actions as CheckRes will not be used beyond July 1, 2022)*



## 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
- Handling gift card inventory

### *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 #3: Written procedures***

The District Attorney's department uses the Yolo County Cash Accounting Manual as a guideline on how to handle the petty cash funds and record and reconcile cash receipts. The department also has written procedures for handling the special appropriation fund and for recording and adjusting client accounts in the Checkres system. However, detailed procedures for recording, distributing and performing inventory counts of gift cards are not available.

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 3:**

We recommend that the department develop step-by-step procedures to ensure compliance with County Policy and recommended Best Practice. The procedures should be disseminated to all staff handling gift card inventory.

(Priority 3 Issue – 180 days required corrective action)

### ***Management Response 3***

*Procedures will be written. (Anticipated Date of Completion 6/30/2022)*

## 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.