



County of Yolo

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CHAD RINDE, CPA
Chief Financial Officer

DEPARTMENT OF FINANCIAL SERVICES

625 Court Street, Room 102
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- Financial Leadership
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- Accounting & Financial Reporting
- Internal Audit
- Procurement

February 19, 2019

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, 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 December 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. In regards to auditor's independence, the Internal Audit Manager reports administratively to the Chief Financial Officer, but functionally to the Board of Supervisors. 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. Observe and certify the treasury staff cash count and verify that the coin and cash bags are properly sealed.

Results: Procedure performed with no exceptions.

Considerations: None.

2. Vouch the deposit slips prepared for the coin and cash bags to the bank statement.

Results: Procedure performed with no exceptions.

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.

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
Supervisor Gary Sandy, Yolo County District 3
Supervisor Duane Chamberlain, Yolo County District 5
Chad Rinde, CPA, Yolo County, Chief Financial Officer
Josh Iverson, General Accounting Manager
Internal Audit Website
Audit File

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, 2018:

System control deficiency of month-end closing; additional security restrictions; backposting capabilities; and, untimely bank reconciliations (*Repeat finding Prior Quarter June 30, 2016 dated September 22, 2016*)

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.

The month of December 2018 was transferred to a limited close status on January 10, 2019. The months of October and November 2018 remained open more than 34 days before the final close on December 31, 2018 and January 10, 2019, respectively. DFS received a request to re-open the November period for a school district wire adjustment, but the district uploaded other transactions without approval. In addition, the additional security restrictions recommended by the Kinsey consultants for the GL45 module enhancement have not been implemented. Furthermore, the bank reconciliations for July, August, September, October, November, and December 2018 are still outstanding.

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.

Recommendation:

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



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HOWARD H. NEWENS, CIA, CPA

Chief Financial Officer

CHAD D. RINDE, CPA

Assistant Chief Financial Officer

DEPARTMENT OF FINANCIAL SERVICES

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MEMORANDUM

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

FROM: Josh Iverson
General Accounting Manager

DATE: **February 11, 2019**

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

SUBJECT: Management Response to Status of Prior Quarter Findings

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

Status of Prior Quarter Findings:

System control deficiency of month-end closing; additional security restrictions; backposting capabilities; and, untimely bank reconciliations (*Repeat finding Prior Quarter June 30, 2016 dated September 22, 2016*)

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.

The month of December 2018 was transferred to a limited close status on December 10, 2018. The months of October and November 2018 remained open more than 34 days before the final close on December 31, 2018 and January 10, 2019, respectively. DFS received a request to re-open the November period for a school district wire adjustment, but the district uploaded other transactions without approval. In addition, the additional security restrictions recommended by the Kinsey consultants for the GL45 module enhancement have not been implemented. Furthermore, the bank reconciliations for July, August, September, October, November, and December 2018 are still outstanding.

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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.

Due to various factors including fiscal year-end and staffing issues, the bank reconciliations have taken longer to complete. Recently a SmartSheet project document was created which lists bank reconciliation assignments and work is being done to bring the reconciliations current.

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 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. Design discussions with County departmental stakeholders are complete and the work specific to the Cash Book (CB) module was implemented in August. The work on the other modules continues and should be completed in the next few months.

Actual / estimated Date of Corrective Action: June 30, 2019