

COUNTY OF SUTTER
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2000

COUNTY OF SUTTER

Management Report
June 30, 2000

Table of Contents

	<u>Page</u>
Introduction.....	1
Comments Pertaining to Officials and Departments:	
Auditor-Controller.....	2-5
Sheriff – Coroner.....	6
Status of Prior Year Recommendations.....	7-10



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Certified Public Accountants and Management Consultants

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INTRODUCTION

Board of Supervisors and Grand Jury
County of Sutter
Yuba City, California

In planning and performing our audit of the general purpose financial statements of County of Sutter as of and for the year ended June 30, 2000, we considered the County's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating deficiency. The report that accompanies this letter summarizes all comments and suggestions regarding those matters. We previously reported on the County's internal control structure in our report dated February 1, 2001. This letter does not affect our report dated February 1, 2001 on the general purpose financial statements of the County of Sutter.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with department personnel. We will discuss them in further detail at your convenience, or perform additional study of these matters to assist you in implementing the recommendations.

BARTIG, BASLER & RAY, CPAs, INC.

Bartig Basler & Ray CPAs Inc

February 1, 2001

COUNTY OF SUTTER

Management Report
June 30, 2000

AUDITOR-CONTROLLER

Condition

During our audit we noted the county has not prepared a plan of action for the implementation of Government Auditing Standards Statement Number 34 (GASB 34) *Basic Financial Statements and Management's Discussion and Analysis*.

Effect of Condition

GASB 34 is a new government accounting standard for state and local governments. GASB 34 will require the County to implement new reporting requirements for the period ending June 30, 2003. There are numerous elements to GASB 34 that should receive prompt attention and a plan should be developed to implement them. They will include the recording and reporting of the County's infrastructure (roads, bridges, sewer lines, etc.). GASB 34 also requires depreciating all County assets (including assets of the County's infrastructure) over their estimated useful life. This is significantly different from the current standards that only require depreciating assets used by proprietary funds. GASB 34 will also require examining all trust funds to determine which ones should be reclassified as special revenue funds and which funds should be "Permanent" or "Public Purpose" funds. Internal Service funds will need to be allocated among County operations rather than reported separately under current reporting standards. Since GASB 34 requires all government accounting to be on the accrual basis, all departments will need to be fully accountable for any receivables generated by the department and owed to the County.

Recommendation

Because of the enormity of the new reporting standards we recommend the Board of Supervisors begin with a plan of action to implement the new standards with a set of goals and a time table by which to implement the new standards. It is important that the goals be completed not later than the beginning of the fiscal year of adoption (i.e. July 1, 2002) because significant adjustments will need to be made at the beginning the fiscal year as a result of the comprehensive change in accounting principles.

Corrective Action Plan

"The Auditor-Controller is waiting for direction from the County Administrator's Office on GASB 34 since for years they have assumed the responsibility for hiring the independent auditor and managing the audit from which the financial statements are prepared. We will do our part to meet the requirements expected of us.

COUNTY OF SUTTER

Management Report
June 30, 2000

AUDITOR-CONTROLLER (continued)

Corrective Action Plan (continued)

We do agree with the independent auditor that this is a big project for Sutter County. Public Works will perform a key role inventorying the County infrastructure. We are also concerned with the GASB 34 requirement that Internal Service Funds will need to be allocated among County operations rather than reported separately under current reporting standards. Cost accounting for ISF's is a significant workload for those departments and additional requirements do not make it easier. However, we believe that the cost accounting procedures already in place to meet the A-87 Cost Plan requirements will be adequate to make these GASB 34 allocations if they are necessary.

The County Administrator may want to consider whether the resources available allow for realistically planning for a July 1, 2002 implementation. Although 2002-2003 is the preferred year for implementation it may not be crucial for the County to conform since we do not rely as much as other counties on bond financing for which conforming financial statements are vitally important. However, the County would have to bear the stigma of a qualified opinion on the financial statements.”

FIXED ASSETS

Condition

We noted that the general fixed asset records as of June 30, 2000 were not available for audit until February 2001. We also noted that the Fleet Management fixed asset adjustments and depreciation schedules were not reconciled to the general ledger activity for the year ended June 30, 2000.

Effect of Condition

The completion of the annual audit was delayed because of the lack of availability of general fixed asset records. Also, Fleet Management fund (#80) fixed assets were incorrect and had not been reconciled to the Fleet depreciation schedule.

Recommendation

We recommend that all fixed asset records be reconciled and recorded in a timely manner.

COUNTY OF SUTTER

Management Report
June 30, 2000

AUDITOR-CONTROLLER (continued)

Corrective Action Plan

“Fixed assets should be reconciled timely. We have not been able to do this because of workload. The additional accountant hired this year (January 2001) will enable this task to be completed during the 2001-2002 Fiscal Year, barring unforeseen difficulties with two anticipated retirements during the same period.”

YEAR END ADJUSTMENTS

Condition

During our audit, we noted that the prior year audit adjustments had not been recorded in the County general ledger.

Effect of Condition

The general ledger balances did not agree with the prior year adjusted balances as reflected in the annual audit report.

Recommendation

We recommend that all adjusting entries be reviewed and recorded in the County general ledger.

Corrective Action Plan

“We will record all adjustment journal entries when they are provided to us.”

PAYROLL REVOLVING FUND RECONCILIATION

Condition

During our audit, we noted that the Department's payroll revolving fund was not reconciled. There was a comment in last year's audit that this fund was not reconciled.

Effect of Condition

When the Payroll Revolving fund accounts are not reconciled monthly, the possibility of errors and/or irregularities occurring and not being detected timely is increased.

COUNTY OF SUTTER

Management Report
June 30, 2000

AUDITOR-CONTROLLER (continued)

Recommendation

We recommend that all of the Payroll Revolving fund accounts be reconciled monthly and that past discrepancies be resolved so the balance can be properly adjusted.

Corrective Action Plan

“Payroll trust fund accounts should be reconciled. Although this has not yet been completed in 2000-01 we are working on this as time allows. Procedures have been established to reconcile current transactions as an ongoing function. This is a coordinated effort with the Personnel Department.”

COUNTY OF SUTTER

Management Report
June 30, 2000

SHERIFF – CORONER

Condition

During our audit we noted an item in the evidence room lacked a tag to identify it to a particular case. The item in question was a rifle.

Effect of Condition

Failure to properly account for items in evidence may prevent the prosecution or acquittal of persons before a jury.

Recommendation

Items in evidence pertaining to a particular case should be identified and tagged as evidence with the appropriate case. We recommend periodically identifying items in the evidence room and verifying that all items are appropriately tagged. We also recommend that tags used to identify evidence be of such material as to not fall off with time.

Corrective Action Plan

“The item in question was county owned property belonging to the Sheriff’s Department. The item was not evidence. The item has since been removed from the evidence room and placed in the department armory. Periodic audits of the evidence room are continuing to be done on a quarterly basis.”

COUNTY OF SUTTER

Status of Prior Year Recommendations
June 30, 2000

<u>Recommendation</u>	<u>Status/Comment</u>
ANIMAL CONTROL	
<u>Restrictive Endorsements</u>	
A recommendation that all checks be restrictively endorsed when received.	Not Implemented
ASSESSOR	
<u>Policies and Procedures</u>	
A recommendation that written policies and procedures be adopted and implemented.	Partially Implemented
AUDITOR-CONTROLLER	
<u>Tax Losses Reserve Fund</u>	
A recommendation that the County fund the tax losses reserve requirement in accordance with Government Code.	Implemented
<u>Fixed Assets</u>	
A recommendation that all fixed asset records be reconciled and recorded in a timely manner.	Not Implemented
<u>Accruals</u>	
A recommendation that proposed accruals that are not in compliance with generally accepted accounting principles should not be recorded in the general ledger.	Implemented
<u>Year End Adjustments</u>	
A recommendation that all adjusting entries be reviewed and recorded in the County general ledger.	Not Implemented
<u>Payroll Revolving Fund Reconciliation</u>	
A recommendation that all of the Payroll Revolving fund accounts be reconciled monthly and that past discrepancies be resolved so the balance can be property adjusted.	Not Implemented

COUNTY OF SUTTER

Status of Prior Year Recommendations
June 30, 2000

<u>Recommendation</u>	<u>Status/Comment</u>
AUDITOR-CONTROLLER (continued)	
<u>Printing Costs Allocations</u>	
A recommendation that the agreements reached concerning the recommendations of this separate audit be implemented. These agreements between the Central Services Division, the County Administrator's office and the Auditor-Controller's office involved refinement of the print rate schedule to include photocopy rates; correction of implementation problems with the rate schedule; adequate record keeping for all photocopies made; and correction during the fiscal year ended June 30, 2000 of the reversal of all printing charges at June 30, 1999.	Implemented
CENTRAL SERVICES	
<u>Endorsements</u>	
A recommendation that the Department obtain a restrictive endorsement stamp and begin immediately to restrictively endorse all checks received.	Implemented
<u>Fee Collections</u>	
A recommendation that the Department use an approved fee schedule for all collections.	Implemented
<u>Printing Costs Allocation</u>	
A recommendation that the agreements reached concerning the recommendations of this separate audit be implemented. These agreements between the Central Services Division, the County Administrator's office and the Auditor-Controller's office involved refinement of the print rate schedule to include photocopy rates; correction of implementation problems with the rate schedule; adequate record keeping for all photocopies made; and correction during the fiscal year ended June 30, 2000 of the reversal of all printing charges at June 30, 1999.	Implemented

COUNTY OF SUTTER

Status of Prior Year Recommendations
June 30, 2000

<u>Recommendation</u>	<u>Status/Comment</u>
LIBRARY	
<u>Trust Reconciliation</u>	
A recommendation that trust funds be reconciled monthly and any discrepancies be researched and resolved in a timely manner.	Implemented
MUSEUM	
<u>Cash Receipts</u>	
A recommendation that all receipts indicate composition (cash, checks, etc.)	Implemented
PROBATION	
<u>Cash Receipts</u>	
A recommendation that receipts be issued for all cash collected.	Implemented
<u>Endorsements</u>	
A recommendation that all checks be restrictively endorsed when received.	Implemented
REVENUE SERVICES	
<u>Reconciliation of Installment Collections</u>	
A recommendation that the Department continue to obtain the necessary software updates to perform a reconciliation of all account balances or devise an alternate reconciliation process.	Compensating controls in place – Recommendation rescinded
SHERIFF – CORONER	
<u>Personal Property</u>	
A recommendation that all personal property taken by the Coroner be properly accounted for until it is released.	Partially Implemented

COUNTY OF SUTTER

Status of Prior Year Recommendations
June 30, 2000

<u>Recommendation</u>	<u>Status/Comment</u>
SHERIFF – JAIL	
<u>Bank Reconciliations</u>	
A recommendation that the Department either continue its efforts to determine the remaining unresolved differences in regard to the inmate trust and bank account or obtain permission to write this amount off.	Implemented
SOCIAL SERVICES	
<u>Bank Reconciliations</u>	
A recommendation that the bank account be reconciled on a monthly basis.	Implemented