

COUNTY OF SUTTER
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2001



COUNTY OF SUTTER

Management Report
June 30, 2001

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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, 2001, 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. This letter does not affect our report dated 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.

April 22, 2002



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AUDITOR-CONTROLLER

NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS

Condition

During our audit we noted the county has not prepared a written plan of action for the implementation of Government Auditing Standards Statement Number 33 (GASB 33), *Accounting and Financial Reporting for Non-Exchange Transactions* and Number 34 (GASB 34) *Basic Financial Statements and Management's Discussion and Analysis*. This condition was also noted during our audit of fiscal year 1999/2000.

Effect of Condition

The recently issued Statement 33, *Accounting and Financial Reporting for Non-Exchange Transactions* and Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* establish new financial reporting requirements for state and local governments throughout the United States.

Statement 33's main focus is to clarify revenue recognition timing for non-exchange transactions (for example most taxes, grants and private donations). In a non-exchange transaction, a government gives (or receives) value without directly receiving (or giving) equal value in return. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2001.

Statement 34 will require a restructuring of the information presented in the financial statements. The intent of the Statement is to make annual reports more comprehensive and easier to understand. The Statement will require governments to compare actual results against the original adopted budget and also with the final revised budget. In addition, the Statement requires an introduction to the statements with management's discussion and analysis (referred to as MD&A) to provide readers an objective and easily readable analysis of the government's financial performance for the period presented.

Statement 34 also requires that governments report the extent to which they have invested in capital assets, including roads, bridges, and other infrastructure assets. Obtaining the information necessary to comply with this requirement may prove to be a formidable task for most governments since this information may not be readily available. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2001.

In order to ensure compliance with the requirements of the above referenced Statements the County should establish a plan as soon as possible. The plan should include specific timelines to accomplish the many tasks that are required. Numerous training opportunities are available

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AUDITOR-CONTROLLER (continued)

Effect of Condition (continued)

through various organizations that may prove helpful in a successful implementation of the new reporting model for the County of Sutter.

Items to consider in planning for the implementation of the new reporting model include:

- review of all County trust funds to determine the operating fund that has oversight responsibility for each of the County trust funds. The activity in each of the County trust funds will be required to be reported as part of one of the County's operating funds.
- Compilation of historical cost for all infrastructure assets (i.e. roads and bridges).

Failure to report using the new reporting model will result in a qualified opinion on the financial statement.

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.

FIXED ASSETS

Condition

We noted that the general fixed asset records as of June 30, 2001 were not available for audit until May 2002.

Effect of Condition

The completion of the annual audit was delayed because of the lack of availability of general fixed asset records.

Recommendation

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

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PUBLIC GUARDIAN

Condition

During our audit of the Public Guardian's office we noticed the office relies exclusively on manual ledgers to account for the funds that are administered by the Public Guardian.

Effect of Condition

Due to the high volume of funds that are held by the public guardian's office in trust for their clients, the use of manual ledgers of accounting may result in errors. Manual accounting may also increase the risk that errors will occur and not be deleted in a timely manner in the normal course of business. The system in place, while for the most part accurate, is inefficient and time consuming.

Recommendation

We recommend that the Public Guardian's office consider the use of electronic spreadsheets or specialized software to track receipts and disbursements by clients and the use of a control account for all of the individual balances.

Management Response

Although the manual bookkeeping system is time consuming, it is technically efficient and accurate. The "Pegboard" system incorporates "a check as you go" feature that ensures accuracy. Sutter County Information Technology Department is in the process of designing a bookkeeping system for us using Microsoft Money. We now have upgraded computers that will handle this program as well as our word processing.

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Status of Prior Year Recommendations
June 30, 2001

<u>Recommendation</u>	<u>Status/Comment</u>
AUDITOR-CONTROLLER	
Because of the enormity of the GASB 34, 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.	Not implemented
<u>Fixed assets</u>	
We recommend that all fixed asset records be reconciled and recorded in a timely manner.	Partially Implemented
<u>Year end adjustments</u>	
We recommend that all adjusting entries be reviewed and recorded in the County general ledger. This was a prior year recommendation.	Implemented
SHERIFF – CORONER	
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.	Implemented