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**COUNTY OF SUTTER  
MANAGEMENT REPORT  
FOR THE YEAR ENDED JUNE 30, 2005**

RECEIVED  
SUTTER COUNTY  
AUDITOR  
OCT 2 10 51 AM '05

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**SMITH AND NEWELL  
CERTIFIED PUBLIC ACCOUNTANTS  
1425 BUTTE HOUSE ROAD, SUITE B  
YUBA CITY, CALIFORNIA 95993**

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# County of Sutter

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## Office of the County Administrator

October 19, 2006

TO: Robert Stark, CPA, Auditor/Controller

RE: Schedule of Amendments to the FY 2006-07 Budget

We received your memorandum to Mr. Combs, dated October 16, 2006, late yesterday afternoon, in which you indicate that it appears we will present the final schedule of amendments to the Board of Supervisors at their meeting next Tuesday. This is correct, the "Attachment C" amendments that are based on the information you provided us in the "Opening Fund Balances Report" will be placed on the Board's October 24<sup>th</sup> agenda.

You also suggest in your memorandum that we consider implementing management comment no. 05-08 from the most recent independent audit at the same time. We appreciate your bringing this to our attention, and I met with Marilee Smith this morning to explore the potential for following it up at this time. That meeting resulted in a better understanding of the comment, first, that there is no need for immediate action as it is not necessary for the budget to be modified in order to comply with the County Budget Act, and second that it is important to implement this comment during the current fiscal year to enhance the accuracy of future financial statements.

Proper implementation of the independent auditor's recommended action is not possible on such short notice, as it will require some research on the part of Barbara, who is not in the office this week, as well as coordination with your office on reassigning account numbers, and perhaps even some programming by the IT Department to reformat certain reports. After having conducted the necessary research and coordination we can amend the Final Budget later in the year and still provide the independent auditor with the information they need to prepare the financial statements.

We look forward to working with your office in the implementation of this comment, and agree that doing so will result in more accurate financial statements in the future.

LARRY T. COMBS  
County Administrative Officer



Richards L. Hall  
Assistant County Administrator

LTC/RLH/smm

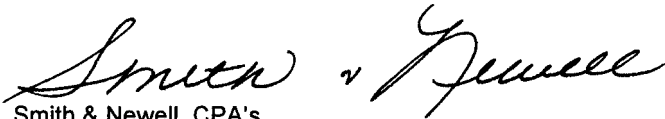
cc: Board of Supervisors  
Grand Jury  
Smith & Newell



## INTRODUCTION

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

In planning and performing our audit for the County of Sutter for the year ended June 30, 2005, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Smith & Newell, CPA's  
Yuba City, California  
February 17, 2006

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**COUNTY OF SUTTER**  
**SCHEDULE OF MANAGEMENT COMMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

05-01 POLICIES AND PROCEDURES

**Condition**

We noted that the County does not have updated written procedures for performing many of the current financial processes. Lack of written procedures has contributed to significant operating difficulties within the County.

A transfer from reserves was authorized by the Board of Supervisors however, the exact account number was not specified. The Auditor Controller's department incorrectly moved the money from the general reserve which was a violation of State Government Code. If written policy required identification of specific account number before transfer of reserves, this problem may have been avoided.

As has been the practice in previous years, in October 2005, the County Administrative Office requested that excess transfers from the General fund to Health, Welfare, Trial Court and Public Safety be returned to the General fund with an effective date of June 30, 2005. The Auditor Controller refused to make the adjustment with the requested effective date which resulted in errors in beginning fund balances for budget purposes. If written policy existed which stated that this was a standard year end adjustment this problem may also have been avoided.

**Criteria**

Good internal control requires that procedures be documented and performed in a consistent manner in accordance with approved County policy.

**Effect of Condition**

Without written procedures, tasks may not be performed in a consistent manner among employees and or departments which can result in significant operating difficulties.

**Recommendation**

We recommend that the County initiate a serious effort to develop and implement comprehensive policies and procedures for all current financial processes. We further recommend that the general reserve be restored to the correct balance and that adjustments be recorded in a timely manner in the appropriate year.

05-02 LOANS RECEIVABLE

**Condition**

During our audit we noted approximately \$230,000 in CDBG Loans receivable from prior years that were not recorded on the County's general ledger. We also noted that the County had not adjusted the various loans receivable balances to the actual amounts receivable at June 30, 2005.

**Criteria**

Good internal control requires that all loans owed the County be recorded on the County's general ledger and that the balances be adjusted to actual amounts receivable at June 30, 2005.

**Effect of Condition**

CDBG loans receivable were not accurately reflected on the County general ledger. In addition, when loans are not recorded on the general ledger there is no way to verify that proper monitoring of loan requirements has occurred.

**Recommendation**

We recommend that loan activity be correctly recorded during the year.

**COUNTY OF SUTTER**  
**SCHEDULE OF MANAGEMENT COMMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

05-03 CAPITALIZATION POLICY

**Condition**

At the time of our audit, we noted that the County did not have a capitalization schedule that addressed infrastructure assets or asset lives. We also noted that capital outlay per the individual funds was not reconciled to the additions to the capital asset depreciation schedules. We also noted that the life of structures was changed from 30 to 50 years during the fiscal year ended June 30, 2005, however, we noted no formal adoption of this change in policy. As a result of misunderstanding over capitalization of prior year construction in progress and the change in structure life for depreciation purposes, a prior period adjustment in the amount of \$7,306,776 was required to correct prior year balances.

**Criteria**

Generally accepted accounting principles require that capital assets, that generally constitute the single largest asset of the County, be accurately recorded.

**Effect of Condition**

Numerous adjustments were required to correct the capital asset balances. In addition, without a written capitalization policy which addresses infrastructure and asset lives, inconsistencies and misunderstandings regarding proper policy are very likely to occur.

**Recommendation**

We recommend that the County adopt an updated capitalization policy which includes all required capital asset accounting elements including infrastructure and asset life.

05-04 FUND BALANCE - CANCELLATION OF PRIOR YEAR RESERVES

**Condition**

During our audit, we noted the County is using accounts "cancellation of prior year reserves" and "increase in reserves" to account for changes in fund balance reserve accounts. We further noted the County has budgeted for cancellation of prior year reserves as an income item and change in reserves as an expenditure item. Changes in reserves in the County general ledger should be properly accounted for by debiting unreserved/undesignated fund balance and crediting the appropriate reserve account for an increase in reserves, and by crediting unreserved/undesignated fund balance and debiting the appropriate reserve account for a decrease in reserves.

**Criteria**

Accurate financial reporting requires that the appropriate reserve account be debited or credited for a decrease or increase in the reserve and unreserved/undesignated fund balance be credited or debited to account for the change. Using an account such as "cancellation of prior year reserves" or "increase in reserves" is not appropriate and in fact creates carryover balances in these fund equity accounts which are confusing and meaningless in subsequent years.

**Effect of Condition**

The County is incorrectly recording budgeted cancellation of reserves and increase in reserves in separate general ledger fund balance accounts.

**Recommendation**

We recommend that the County discontinue use of these accounts.

**COUNTY OF SUTTER**  
**SCHEDULE OF MANAGEMENT COMMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

05-05 TRUST FUND CONVERSION

**Condition**

At June 30, 2006, we noted that Welfare Advance fund 5211 was classified as an agency fund, although it did not meet the GASB 34 definition of an agency fund. We also noted that it had a deficit cash balance of \$1,313,983 with a corresponding due from other funds of \$1,313,983. For presentation purposes, this fund was combined with Welfare fund 13.

**Criteria**

GASB Statement Number 34 defines trust and agency funds as a fund used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

**Effect of Condition**

Fund 5211 is improperly classified as an agency fund and it is misleading to have cash in fund 13 overstated by the \$1,313,983 deficit carried in fund 5211.

**Recommendation**

We recommend that the County reclassify fund 5211 and combine it with fund 13.

05-06 PAYROLL TRUSTS

**Condition**

We noted that the personnel benefits revolving trust had not been reconciled in several years.

**Criteria**

Good internal control requires regular reconciliation of all trust funds.

**Effect of Condition**

Without monthly trust account reconciliations of all payroll trusts, errors and irregularities could occur and not be detected in a timely manner.

**Recommendation**

We recommend that the unresolved differences be resolved and any inactive accounts be closed.

**COUNTY OF SUTTER**  
**SCHEDULE OF MANAGEMENT COMMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

05-07 FLEET MANAGEMENT UNRESTRICTED NET ASSETS

**Condition**

We noted that the County Fleet Management fund had unrestricted net assets in excess of 60 days working capital.

**Criteria**

Generally unrestricted net assets in excess of 60 days working capital is considered excessive. However, a provision is available for designating certain amounts in excess of the minimum 60 days working capital.

**Effect of Condition**

The County has excess unrestricted net assets or has not properly recorded reserves/designations for fleet replacement.

**Recommendation**

We recommend that the County analyze this fund and determine whether there are unrecorded reserves/designations for fleet replacement that should be recorded. If there are reserves/designations to be recorded, the entry would be to credit the reserve account within the Fleet Management fund and debit the undesignated retained earnings. If a policy change is to be implemented, it should be agreed upon between the interested parties and clearly described in a written policy statement. If the new Vehicle Replacement fund 4585 was intended to function as a reserve, fund procedures need to be developed to accomplish that purpose.

05-08 TRANSFERS

**Condition**

During our audit, we noted the County had classified fees for services in internal service funds as transfers in and the corresponding payment classified as transfers out. We also noted reimbursements for services rendered to trust and agency funds classified as transfers in and transfers out.

**Criteria**

Generally accepted accounting principles require that payments received by internal service funds for services be recorded as fee for service revenue in the internal service fund and an expenditure in the fund paying for the service. In addition, payments received from trust and agency funds for services rendered should be recorded as fee for service revenue.

**Effect of Condition**

The County is incorrectly recording fee for service revenue in internal service funds and expenditure reimbursements as transfers in and transfers out rather than fee for service revenue.

**Recommendation**

We recommend that fee for service revenue be recorded in accordance with generally accepted accounting principles.

**COUNTY OF SUTTER**  
**SCHEDULE OF MANAGEMENT COMMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

05-9 SHERIFF INMATE WELFARE FUND

**Condition**

We noted that Fund 15 (Public Safety) has \$55,181 in imprest/petty cash funds. The Sheriff inmate welfare outside bank account is a portion of this total and at June 30, 2005 had a balance of \$40,442.

**Criteria**

Good internal control requires adequate record keeping and review of all County revenues, including those held for inmate welfare.

**Effect of Condition**

Adequate accounting records were not available for the Inmate Welfare account.

**Recommendation**

We recommend that this account be analyzed to determine if it is properly classified in the Public Safety fund or rather it would be more appropriate in Fund 4922 (Inmate Welfare fund). In addition, we recommend that this account be brought into the County Treasury and, if necessary, establish a smaller balance as an imprest account for immediate needs.

05-10 FLEXIBLE SPENDING ACCOUNT

**Condition**

During our audit, we noted cash held by an outside agent for the flexible spending account not reflected on the County's financial statements.

**Criteria**

Good internal control requires that all cash be recorded on the County's general ledger and that each cash account be reconciled monthly.

**Effect of Condition**

The County's cash did not include the flexible spending account.

**Recommendation**

We recommend that the County reconcile and record the activity in the flexible spending account.

**COUNTY OF SUTTER**  
**SCHEDULE OF MANAGEMENT COMMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

05-11 STATE CONTROLLER'S REPORT

**Condition**

During our audit we noted that as of the last day of field work on February 17, 2006, the State Controller's Report had not been filed.

**Criteria**

Government Code Section 53891 requires completed financial reports to be submitted to the State Controller within 90 days after the close of the fiscal year. However, financial reports filed in the electronic file format prescribed by the State Controller may be submitted within 110 days after the close of the fiscal year. This year, failure to submit the financial report in electronic format by October 18, 2005, could result in a forfeiture of up to \$5,000.

**Effect of Condition**

The County is not in compliance with the State Controller's Office Counties Financial Transactions Report filing requirements.

**Recommendation**

We recommend that the Counties Financial Transactions Report be completed and filed in a timely manner as prescribed by Government Code Section 53891.

05-12 SCHEDULE OF FEDERAL EXPENDITURES

**Condition**

At the time of our audit, we noted that the County did not have a schedule of Federal awards received and expended.

**Criteria**

OMB Circular A-133 states that the auditee shall "Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity".

**Effect of Condition**

Program information required for the preparation of the Schedule of Federal Expenditures was not provided by the County. The independent auditor was required to compile as well as audit the Schedule of Federal Expenditures.

**Recommendation**

We recommend that the County compile the required single audit information prior to the audit. Typically, this information is requested from the departments by the Auditor-Controller so that a schedule can be prepared. When this information is not specifically requested from the responsible departments there is a risk that federal programs may inadvertently be omitted.

**COUNTY OF SUTTER**  
**SCHEDULE OF MANAGEMENT COMMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

05-13 COUNTY OPERATING FUNDS

**Condition**

During our audit, we noted that the County classified Sheriff Inmate Welfare fund 4922 and Mental Health Patient Government fund 4991 as trust funds.

**Criteria**

GASB Statement Number 34 defines trust and agency funds as a fund used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

**Effect of Condition**

It is difficult to identify County operating funds when the fund number assigned to the fund is not appropriate according to the chart of accounts.

**Recommendation**

We recommend that County operating funds be numbered in a sequence that is separate from the trust and agency funds and that any funds inappropriately numbered be re-numbered.

05-14 INVENTORY

**Condition**

At the time of our audit, we noted that there was no supporting documentation for the inventory recorded in the General fund. After inquiry, we noted that a physical count of the inventory in the purchasing department had not been taken.

**Criteria**

Good internal control over inventory requires that all supplies on hand be included on the inventory listing.

**Effect of Condition**

The risk of errors and irregularities occurring and not being detected in a timely manner is increased when a physical inventory count is not taken at least annually and all items are not included on the inventory count.

**Recommendation**

We recommend that all departments with inventory be included in the annual inventory count process and the general ledger accounts be adjusted accordingly.

**COUNTY OF SUTTER**  
**SCHEDULE OF MANAGEMENT COMMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

05-15 REVENUE RECOGNITION

**Condition**

During our audit we noted that in Fleet (Fund 4580) insurance proceeds and vehicle sale proceeds were recorded on the County general ledger as deposits payable rather than as income. At June 30, 2005, the balance in this account was \$69,353.

**Criteria**

Generally accepted accounting principles require that revenue be recognized when earned.

**Effect of Condition**

By recording revenue as a liability the County is overstating liabilities and understating revenues, and is not in compliance with GASB 33.

**Recommendation**

We recommend that the County review their accounting policies and procedures to ensure that all items of revenue are accounted for properly.

05-16 VEHICLE REPLACEMENT FUND

**Condition**

During our audit we noted that the Vehicle Replacement Fund, 4585, had been established during 2004/05. We further noted the fund had a net asset deficit at June 30, 2005 and that current year depreciation expense was recorded in excess of the capital asset balance in the fund.

**Criteria**

Generally accepted accounting principles require that capital assets be depreciated over their estimated useful life. However, the accumulated depreciation should never be in excess of the capital asset balance.

**Effect of Condition**

The County has recorded an incorrect amount of depreciation in fund 4585 in the current year.

**Recommendation**

We recommend that the County review fund 4585 to ensure that this fund is being used for the purpose for which it was established. In addition, we recommend that the capital assets and accumulated depreciation be transferred to Fleet Management fund 4580.

**COUNTY OF SUTTER**  
**SCHEDULE OF MANAGEMENT COMMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

05-17 DEFERRED REVENUE

**Condition**

At the time of our audit we noted deferred revenue of \$68,500 recorded in fund 255 with no supporting documentation. Neither the Auditor-Controller's office nor the Public Works Department was able to provide support for this balance.

**Criteria**

Good accounting control requires that proper supporting documentation be maintained for all balance sheet accounts.

**Effect of Condition**

We were unable to determine if the deferred revenue balance was correctly stated.

**Recommendation**

We recommend that proper supporting documentation be maintained and for all balance sheet accounts.

05-18 PROPERTY TAX RECONCILIATIONS AND RESERVES

**Condition**

At the time of our fieldwork on February 15, 2006, we noted that the property tax due at June 30, 2005 had not been reconciled to the County's general ledger and resulted in unresolved differences between the balances due on the tax rolls and the general ledger. Based on the balances on the general ledger, the cash held in the Tax Loss Reserve fund was approximately \$66,000 less than the reserve requirement.

**Criteria**

The property tax rolls should be reconciled to the County's general ledger and cash held in the tax loss reserve fund should be in accordance with R&T Section 4703.2.

**Effect of Condition**

The risk of errors in apportionments is increased when the tax rolls are not reconciled to the year-end general ledger. The net cash balance in the reserve was approximately \$66,000 less than the requirement in accordance with R&T Section 4703.2.

**Recommendation**

We recommend that the property tax rolls be reconciled to the general ledger (fund 5218) and that the net cash reserve be adjusted in compliance with R&T 4703.2.

**COUNTY OF SUTTER**  
**SCHEDULE OF MANAGEMENT COMMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

05-19 RESERVES AND DESIGNATIONS OF FUND EQUITY

**Condition**

We noted numerous problem areas with reserves and designations. In some instances designations of fund equity established by the Board of Supervisors were misnamed reserves, accounts recording cancellation of prior year reserves were segregated from undesignated fund equity, accounts incorrectly recorded the investment in fixed assets as a reserve in the equity of special revenue funds, contributed capital, which is no longer required to be reported per GASB 34, was still reflected in the internal service funds equity, reserve for equipment was reflected in the Water Works District No. 1 fund equity when there is no legal requirement for such a reserve, the account reserve compensated absences recorded in the General fund had a debit balance of \$85,128, debt service reserves recorded in Boyd Ranch/Stone Improvement Reserve fund 388 and Highland Estate Improvement Reserve fund 391 appear to be in excess of the reserve amount specified by the bond document, accounts incorrectly recorded a reserve for vehicle replacement in the General, Health, Trial Court and Public Safety funds. In addition, we noted various reserves and designations for which we were unable to locate adequate documentation.

**Criteria**

In governmental fund accounting and reporting, use of the term reserve should be limited to indicating that a portion of the fund balance is not appropriate for expenditure or is legally segregated for a specific future use. An example of the former is the reserve for inventories, which indicates that the portion of fund balance represented by inventories is not available for appropriation and expenditure at a balance sheet date. An example of a reserve indicating that a portion of fund balance is legally segregated is the reserve for encumbrances, which indicates that a portion of the fund balance has been segregated for expenditure on vendor performance.

Governmental fund balance designations may be established to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or for equipment replacement. Such designations reflect tentative managerial plans or intent and should be clearly distinguished from reserves.

Net assets of proprietary funds should be displayed in three components (1) invested in capital assets, net of related debt (2) restricted (3) unrestricted. Capital contributions should not be displayed as a separate component of net assets.

**Effect of Condition**

Reserves and designations of governmental funds and net assets of proprietary funds were incorrectly classified. The misstatement of undesignated fund balance and unrestricted net assets can be misleading to users of the financial statements as well as create problems in calculating the total available financing for budget purposes.

**Recommendation**

We recommend that the County analyze all classifications of fund equity and ensure that they are properly named as a reserve or designation. We also recommend that the County analyze all accounts within the equity section of each fund and determine that there is proper authorization for the amounts recorded.

**Ronda Putman**

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**From:** Barbara Kinnison  
**Sent:** Thursday, October 12, 2006 3:33 PM  
**To:** Ronda Putman; Shawne Corley  
**Cc:** Robert Stark; Rich Hall  
**Subject:** Yesterdays meeting

Ronda, when I got back to the office I reviewed our worksheets and the four funds we questioned yesterday are the funds that I had questioned when originally reviewing your adjustments. I noted the differences between the BOS approved 05-06 budget and the Auditor revised 4-18-06 budget and I was unable to reconcile your adjustments to the BOS approved budget.

We still question these four funds:

- Fund 0001 Dept 1-209 General Revenues
- Fund 0290 Weight Truck Replacement/Mntn
- Fund 0311 Cnty Svc Area D-Pleasant Grov
- Fund 4400 Sutter county Waterworks Dist #1

After our meeting, we still question the reasoning behind your adjustments and just want to understand your thinking process. For each of the four funds, please put in writing and be specific in regards to your adjustment and why you felt that the BOS Approved budget numbers were not accurate and needed adjusting. Hopefully, we then can work through your adjustments and come to the same conclusion or be able to discuss with you why we believe your conclusion is not accurate.

Please respond as soon as possible so we can all move forward, thank you, Barb

**Barbara A Kinnison, CPA**  
Deputy County Administrative Officer  
1160 Civic Center Blvd, Suite A  
Yuba City, CA 95993  
(530) 822-7100  
[bkinnison@co.sutter.ca.us](mailto:bkinnison@co.sutter.ca.us)



**COUNTY OF SUTTER  
STATUS OF PRIOR YEAR RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Recommendation</u>	<u>Status / Comment</u>
<b>INACCURACIES NOTED IN FINANCIAL RECORDS</b>	
We recommend that all proposed audit adjustments as agreed to by the Auditor-Controller be recorded in the primary accounting records of the County. We also recommend that the County review policies regarding adjustments or activity recorded direct to fund equity.	Implemented
<b>LOANS RECEIVABLE</b>	
We recommend that the County contact the service providers that have been used in the past for loan processing and obtain copies of the loan documentation so that all loans receivable can be identified and recorded on the County's general ledger. We further recommend that loan activity be correctly recorded during the year.	Not Implemented
<b>CAPITAL ASSETS - CURRENT YEAR ADDITIONS</b>	
We recommend that capital outlay expenditures be reconciled to capital asset additions at least annually to ensure that all capital assets are accounted for properly.	Not Implemented
<b>CAPITAL ASSETS - INFRASTRUCTURE</b>	
We recommend as part of the year-end closing procedures that the Public Works department submit infrastructure capital asset additions and deletions to the Auditor-Controller's office to be included with the total capital assets information and reconciliations.	Implemented
<b>CAPITAL ASSETS - CAPITALIZATION POLICY</b>	
We recommend that the County adopt a sound methodology for recording and recognizing projects so the expenses are recorded in the correct period. We further recommend that the County review its capitalization policy and ensure that it addresses all significant areas of accounting for capital assets, including infrastructure.	Partially Implemented
<b>FUND BALANCE - CLEAN SURPLUS THEORY</b>	
We recommend that the Auditor-Controller only report adjustments to fund equity in conformity with the clean surplus theory as described above.	Implemented
<b>FUND BALANCE - CANCELLATION OF PRIOR YEAR RESERVES</b>	
We recommend that the County discontinue use of these accounts.	Not Implemented
<b>FUND BALANCE - COUNTY GENERAL RESERVE</b>	
We recommend that the General Reserve be restored back to its original balance of \$1,088,000.	Implemented
<b>TRUST FUND CONVERSION</b>	
We recommend that the County review the account classifications and verify that appropriate accounting for revenues and expenditures of former trust funds are provided for budget and actual purposes.	Partially Implemented

**COUNTY OF SUTTER**  
**STATUS OF PRIOR YEAR RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

<u>Recommendation</u>	<u>Status / Comment</u>
<b>PAYROLL TRUSTS</b>	
We recommend that the unresolved differences in the personnel benefits revolving trust be resolved and any inactive accounts be closed.	Not Implemented
<b>INTERFUND TRANSFERS</b>	
We recommend that all interfund transfers be segregated from charges for services and expenditures.	Not Implemented
<b>POLICIES AND PROCEDURES</b>	
We recommend that the Auditor-Controller take the lead in developing updated written policies and procedures for all current financial processes.	Not Implemented
<b>FLEET MANAGEMENT UNRESTRICTED NET ASSETS</b>	
We recommend that the County analyze the Fleet Management internal service fund and determine whether there are unrecorded reserves/designations that should be recorded, the entry would be to credit the reserve account within Fleet Management fund and debit the undesignated fund equity. If a policy change is to be implemented, it should be agreed upon between the interested parties and clearly described in a written policy statement.	Not Implemented
<b>TRANSFERS</b>	
We recommend that the Auditor-Controller office review account coding for correctness prior to entry into the general ledger to minimize the misclassification of fee for service revenue as transfers in and out	In Progress
<b>CASH WITH FISCAL AGENT</b>	
We recommend that cash with fiscal agent be reconciled to the statements monthly and the activity be recorded in the general ledger in a timely manner.	Not Implemented
<b>SHERIFF INMATE WELFARE FUND</b>	
We recommend that this account be analyzed to determine if it is properly classified in the Public Safety fund or rather it would be more appropriate in Fund (4922) the Inmate Welfare fund. In addition we recommend that this account be brought into the County Treasury and if necessary establish a smaller balance as an imprest account for immediate needs.	Not Implemented
<b>INVENTORY</b>	
We recommend that procedures be developed to ensure inventory records are adjusted to reflect all items used from inventory, as well as all items added to inventory.	Not Implemented
<b>ACCOUNTS RECEIVABLE</b>	
We recommend that accounts receivable be recorded and adjusted on a monthly basis. We further recommend that the Waterworks District 1 use a billing system that will produce monthly receivable and aging reports.	Implemented