

95-125

MARIPOSA COUNTY
BOARD OF SUPERVISORS

AGENDA
ACTION FORM

DATE: 3/28/95
AGENDA ITEM NO.: 13

DEPARTMENT: Administration BY: Mike Coffield PHONE: 966-3222

RECOMMENDED ACTION AND JUSTIFICATION: (Policy Item: Yes ___ No x)
Resolution Accepting Audit Report for the Period Ending June 1994 with Responses from Departments

BACKGROUND AND HISTORY OF BOARD ACTIONS:

The Audit Report for the Period Ending June 30, 1994 by the County's contract auditor, Willis & Walsh, has been received and distributed to the Board of Supervisors and other public agencies. Each department has responded to the recommendations by the Auditors in the Management Plan and those responses have been compiled in the attached report. All recommendations have been or will be implemented this fiscal year.

This action accepts the audit report for the period ending June 30, 1994.

LIST ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:

- 1. The Board may opt to not accept the audit report if it finds that it is not adequate as contracted.

COSTS: (x) Not Applicable
A. Budgeted current FY \$ _____
B. Total anticipated costs \$ _____
C. Required additional funding \$ _____
D. Internal transfers \$ _____

SOURCE: () 4/5ths Vote Required
A. Unanticipated revenues \$ _____
B. Reserve for contingencies \$ _____
C. Source description: _____
Balance in Reserve for Contingencies, _____
if approved: \$ _____

SPECIAL INSTRUCTIONS:
List the attachments and number the pages consecutively:
Responses to Audit Report

CLERK'S USE ONLY:
Res. No.: 95-125 Ord. No. _____
Vote - Ayes: 5 Noes: _____
Absent: _____ Abstained: _____
Approved _____ Denied _____
() Minute Order Attached () No Action Necessary

The foregoing instrument is a correct copy of the original on file in this office.

Date: _____
ATTEST: MARGIE WILLIAMS, Clerk of the Board
County of Mariposa, State of California
By: _____
Deputy

ADMINISTRATIVE OFFICER'S RECOMMENDATION:
This item on agenda as:

- Recommended
- Not Recommended
- For Policy Determination
- Submitted with Comment
- Returned for Further Action

Comment: _____

A.O. Initials: MC

RECOMMENDATIONS OF
WILLIS & WALSH, Certified Public Accountants
MARIPOSA COUNTY'S CONTRACT
and
RESPONSES TO THE
COUNTY OF MARIPOSA MANAGEMENT LETTER
JUNE 30, 1994

AGRICULTURAL COMMISSIONER

OBSERVATION: Collections from the sale of vertebrate pest control materials and various registration fees for pesticides, apiary, farm labor contractors, and pest control examinations totaled over \$7,350. Although collections in total were supported by official receipts and traced to the County Treasury on a test basis, the composition on six of seven deposits tested, as well as for the cash count performed, did not agree to accountability.

RECOMMENDATION: Receipts should not be prepared until the collection is made, and the composition should be properly indicated on the receipt.

RESPONSE: Many of the vertebrate pest control materials orders are placed by phone and picked up at the public's discretion. With only one permanent agriculture employee, no one is in the office all of the time to take orders and write receipts, so a receipt is written when the order is filled, attached to the order, and only given to the customer after payment. The Farm Advisor's secretary receives payment for the orders in my absence as a courtesy to our department, and it is desirable to minimize her workload for another office.

I do not know in advance how the orders will be paid for, only after the fact, however, in each case the composition of the payment will be recorded on the receipt, so this recommendation will be fully implemented.

AIRPORT

OBSERVATION: We did not note any evidence on the monthly cash statement that the County staff is reviewing the volume of fuel sold.

RECOMMENDATION: We believe it appropriate that the usage be verified by County staff on a regular basis and be so noted on the monthly cash statement.

RESPONSE: Pumps have just been checked, replaced and recalibrated. As of March 1, 1995, a daily reconciliation of volume used, as measured in the tank, versus the volume pumped, will be done and given to the Facilities Manager on a weekly basis. This will then be noted on the Monthly Cash Statement.

BUILDING DEPARTMENT

OBSERVATION: The building permits in use do not readily provide for numeric control.

RECOMMENDATION: We believe that it is imperative to establish a numeric file of building permits for audit purposes.

RESPONSE: A numeric file of building permits will be implemented with our new computer system.

STATUS OF PRIOR YEAR RECOMMENDATIONS:

Corrections to some minor one-time errors were noted as being "not implemented", however these errors have not reoccurred.

COUNTY CLERK

OBSERVATION: A \$50 travelers check was accepted as a cash item and \$5 change given. This was not so noted on the receipt.

RECOMMENDATION: Travelers checks accepted, and the amount of change given, should all be noted on the receipt.

RESPONSE: Since I was not the County Clerk during the period of the audit, I am not sure exactly what transpired with the \$50 travelers check when accepted.

I have, however, discussed with the Clerk's staff that when taking in checks, etc. that require change, to be sure and note the amount of the check, and the amount of the change given. This should also be shown on our daily log.

I am also in the process of changing from the peg-board accounting system to a computerized accounting system on the PC. This should provide more detailed information, and eliminate any hand posting that can cause errors.

DISTRICT ATTORNEY

Family Support

OBSERVATION: In non-welfare cases the money totaling over \$485,000 was collected and deposited in a separate bank account. This amount was not reported on the monthly cash statement as it is not required.

RECOMMENDATION: While not required, the money handled for non-welfare cases should be noted on the monthly cash statement affidavit.

RESPONSE: The recommendation will be implemented commencing with the February, 1995 collection month.

Criminal Division

OBSERVATION: We did not find the required report on the special appropriation fund on file in the Auditor's office for the current or past several years.

RECOMMENDATION: The required report should be filed with the County Auditor annually.

RESPONSE: The required report will be filed annually with the County Auditor by June 30th.

Public Administrator

OBSERVATION: Only one case was open at June 30, 1994 and the money on deposit in a checking account and credit union account was in agreement with the controlling ledger account. However, the credit union account was in excess of the insured amount.

RECOMMENDATION: Account balances in financial institutions should not exceed the insured amount.

RESPONSE: We realized that the account for that case was at a credit union, and as soon as it was disclosed as to the amount, and balanced by this department, we quickly withdrew part of the funds, and deposited with another bank.

We are aware of the insured amounts, and have corrected the situation by transferring part of the funds to another bank.

Victim Witness

OBSERVATION: The required monthly cash statement had not been filed.

RECOMMENDATION: The required monthly cash statement should be filed with the County Auditor.

RESPONSE: Since the Government Code requirement for these reports has been lifted and they are now a local option, the Auditor will develop a list of departments who are exempted from this requirement, since they never collect cash. Other departments will still be required to file the report monthly irrespective of amounts collected.

FIRE

OBSERVATION: No monthly cash statement was filed for the month of July.

RECOMMENDATION: Each month a monthly cash statement should be filed even if collections total zero.

RESPONSE: A monthly cash statement will be filed in the future even if collection totals zero.

LIBRARY

OBSERVATION: The change fund of \$30 and the current collections totaling \$32 did not agree to the accountability of \$60.

RECOMMENDATION: The department should use more care to ensure all collections are noted during the day.

RESPONSE: We have revised our daily recording slip to make it easier to record collections during the day. A reminder slip has been placed in the collections box reminding staff to record the amount as they collect it. Video checkout slips are checked against the video amounts recorded. Interlibrary loan requests are checked against the interlibrary loan amounts recorded. Larger bills are folded and placed behind the ones so as not to give incorrect change. During staff meetings, staff are reminded of the need for care and accuracy in recording collections. As a result of these measures, the collections and amounts recorded do match.

PLANNING COMMISSION

OBSERVATION: We also counted \$7 in collections at the time of our audit which did not agree to the accountability of receipts.

RECOMMENDATION: All collections should be receipted.

RESPONSE: This has been implemented.

PROBATION

OBSERVATION: The petty cash fund of \$200 was found to be over by \$1.

The major source of collections were from fines and restitutions. The individual amounts were primarily determined by order of the Court. These orders are routinely picked up from the Court, but there is no log to sign acknowledging receipt of these orders.

An accounts receivable ledger is set up for each case for the fine or restitution, if any. Without the aforementioned log it is difficult to determine if all orders are recorded.

In tracing the amounts of fine and restitution from the files to the accounts one had to carefully search through the file. In fact, it was necessary to have assistance to determine the correct amounts. There was a summary sheet in some cases for each reference. The accounts receivable were not balanced from April to September 1994 due to turnover in the Department.

RECOMMENDATION:

1. The Courts should maintain a log of accounts sent to the Probation Department. By signature the Department should acknowledge receipt of these cases. In turn, a copy of that log would serve as a chronological listing of cases received.
2. A cover sheet should be affixed to the front of all case files summarizing the amounts to be collected. Some of the cases had cover sheets, but the department needs to complete them for all the cases.
3. The accounts receivable control should be balanced monthly to the subsidiary ledger.
4. We attribute the petty cash overage to minor clerical oversight which should be resolved in the future with attention to detail.

RESPONSE:

1. Log of Accounts to Probation from Courts: The court has begun collecting hard copy records in a chronological fashion. We would anticipate complete implementation upon automation upgrade.
2. Cover Sheets: We responded to this recommendation last year and began attaching face sheets to each new file. Naturally, many older files were selected for audit. I have committed to placing face sheets in all files and have assigned clerical personnel to that task.
3. Accounts Receivable Balanced Monthly: Done presently and will continue.
4. Petty Cash: Availability has been controlled more strictly and we are balancing more frequently (weekly).

PUBLIC GUARDIAN

OBSERVATION: Collections are primarily for social security and other pensions collected on behalf of the department's charges. Disbursements are made from this account on behalf of the individuals. Disbursements are also made from this account for conservatorship fees which are deposited with the County Treasury. The department used unofficial receipts for this purpose.

Money from all of the department's conservatees are commingled in one bank account, but separate accounting records were maintained for each individual. The bank account is routinely reconciled and is in agreement with the check book balance. The reconciled balance on June 30, 1994 was over \$12,000. But the account balances for the individual conservatee accounts do not reconcile to the check book balance.

RECOMMENDATION:

1. Only official receipts should be used.
2. The unreconciled difference between the individual conservatee account balances and the book balance should be resolved.

RESPONSE: All applicable moneys are now receipted into the County Treasury using the official receipts. The discrepancy between the check book balance and the individual conservatee accounts has been an ongoing problem we have been working on for a number of months. The check book balance was more than the individual conservatee accounts total. This first occurred when the function was transferred from the District Attorney's Office and the County Treasurer who took over the Public Administrator function. We will do one more internal audit to assure ourselves that all of the conservatee funds are accounted for and transfer the balance into the County Treasury as conservatee fees.

PUBLIC WORKS

OBSERVATION: Petty cash funds of \$50 are maintained by each of the following three departments all within the accounting offices. Disbursements are made from each of these funds and accounted for separately, and separate claims are filed for reimbursement. This is inefficient.

RECOMMENDATION: For improved efficiency, the three petty cash funds should be replaced with one for \$150.

RESPONSE: A Board item will be prepared to eliminate the separate petty cash funds identified as: Engineer/Surveyor, Road and Special Districts each maintaining \$50.00. A separate fund will be established for Road which will only require \$50.00. The reason for the overall reduction is caused by the fact that we now have a postage meter; therefore, not requiring as much money because of postage.

Solid Waste Division

OBSERVATION: There was an increase of \$11,000 in the receivable balance between 6/30/93 and 6/30/94. There is \$2,900 in bad accounts which we were advised was due primarily to one bankrupt user.

RECOMMENDATION: With authority of the Board of Supervisors, bad accounts should be written off.

RESPONSE: There are a total of three accounts that make up the "bad accounts":

1.	Evergreen	\$2,915
2.	Atwood Construction	22
3.	Airport	<u>15</u>
		\$2,952

Of these accounts, Evergreen and Atwood Construction have filed bankruptcy. The airport charged \$15.00 and later bought an annual pass and never paid the previous charge. A Board item will be prepared to discuss the alternatives and to ask the Board's direction in this matter.

Non-Commercial Users

OBSERVATION: Gate fees (non-commercial users) are collected by the operator and deposited directly to the County Treasury. The audit control takes place as the user passes through the gate and the fee collected is rung on a cash register. Procedures are now in effect to balance or reconcile them with the deposit to the County Treasury as well as the receipts issued by the transfer stations. We observed that one transfer station did not deposit May and June receipts until July 15th.

RECOMMENDATION: The collection for the transfer stations should be deposited timely, at least weekly.

RESPONSE: Instructions will be given to the waste contractor to implement weekly collections from the four transfer stations.

STATUS OF PRIOR YEAR RECOMMENDATIONS

Airport

Being implemented under current recommendations.

Public Works

Being implemented under current recommendations.

SHERIFF/CORONER

OBSERVATION: The petty cash fund count was \$199, short by \$1. The special appropriation fund was counted but there was no record of the account to which we could balance. There was no log of disbursements from this fund.

Collections totaled over \$81,000 which were supported by official receipts. Of this amount, \$37,000 was deposited directly to the County Treasury. The remaining \$44,000 was deposited to a trust bank account. This money comes from wage garnishments, bank levies, and bail money. All of these amounts are to be disbursed to third parties. As of November 30, 1994 there was no money being held for third parties in the account, but it had a small balance of \$7.

We observed no financial transactions relative to the coroner cases. There was an outstanding check that was over 2 years old that is dormant.

RECOMMENDATIONS:

1. We believe there would be no breach of security if disbursements from the special fund were authorized by an appropriate signature.
2. The small balance in the bank accounts should be resolved. (It could be the float to keep the account active.)
3. All outstanding checks over 1 year old in the trust bank account are dormant and consideration should be given to writing these checks off.
4. We attribute the petty cash shortage to minor clerical oversight which should be resolved in the future with attention to detail.

RESPONSE:

1. The special appropriation funds are now being disbursed "by and appropriate signature."
2. The Auditor's suggestion as to "writing off dormant checks" should resolve both this item and recommendation number three.
3. The actual shortage in the petty cash fund was .90 cents. "Attention to detail" should resolve this oversight.

SUPERIOR COURT

OBSERVATION: It came to our attention that no log is maintained over cases sent to the Probation Office for the collection of fines or restitution. Finding such items currently would involve a tedious search of individual files.

RECOMMENDATION: This office should establish a system to log cases forwarded to the Probation Office. That office in turn should sign for acceptance of those cases. Then the entry of those cases in the Probation office system can be readily verified.

RESPONSE: Effective January 1995 the Superior Court has established a system for logging cases that are referred to the Probation Department.

TRANSPORTATION SERVICES

OBSERVATION: Donations are received by the driver of the vehicle used for medical transportation. We understand these collections are kept by the driver until taken to the office. A receipt

is issued to the driver as well as logged. Donations are received at the office by depositing into a locked box. Periodically the box is opened, the cash is counted, and a receipt is prepared.

RECOMMENDATION: The vehicle used for medical transportation should have a locked box.

RESPONSE: We have provided a locked box for the medical transportation car.

VETERANS' SERVICE OFFICER

OBSERVATION: There are no transactions involving money in Veterans' Services. We were advised that this office collects no money. A monthly cash statement has not been filed.

RECOMMENDATION: A monthly cash statement should be filed with the County Auditor.

RESPONSE: Since the Government Code requirement for these reports has been lifted and they are now a local option, the Auditor will develop a list of departments who are exempted from this requirement, since they never collect cash. Other departments will still be required to file the report monthly irrespective of amounts.

COUNTY AUDITOR

Classification and Number of Funds

OBSERVATION: The County's fund accounting groupings were not completely in accordance with generally accepted accounting guidelines or the groupings recommended by the State Controller's Office.

RECOMMENDATION:

1. All funds should be grouped and renumbered according to their proper fund classifications. Special revenue funds and trust funds may require significant changes from the current categorization.
2. Some funds should be consolidated, primarily due to the increased capabilities of the new computer system. This would simplify accounting procedures and provide for improved financial reporting capabilities.

RESPONSE: We believe our office can accomplish this task on our own, although as you know, Willis & Walsh have proposed to assist us in this task on a fee basis. It is a time consuming task and should be implemented in tandem with the extended reporting recommendation listed by Willis and Walsh under the observation of new computer system.

Accounting Method

OBSERVATION: The County uses the modified cash method for recording financial transactions. At year end all July disbursements are recorded as June activity. Selected July collections are identified for adjustment on the annual financial statements. This method of accounting has been used due to limitations of the computer system used through June 30, 1993.

RECOMMENDATION:

1. The County should consider converting to the modified accrual method of accounting. This is the recommended method under generally accepted accounting principles and by the State Controller's office. This means that revenue would be recorded at the time it becomes measurable and available. Expenditures would be accrued at the time a liability is incurred which is normally at the time services are provided or goods are received.
2. Department heads should be trained to provide appropriate information to the Auditor's office so that proper accruals can be accomplished.

RESPONSE: Our computer system allows the conversion to a modified accrual system to be relatively simple. However, it must be recognized that our current modified cash basis of accounting keeps the County in an extremely safe and conservative cash position. Conversion to the accrual basis, while technically a better accounting practice, will create a one-time large year-end fund balance. If that fund balance is appropriated to reserves, where it is still available for cash flow, the impact of this recommendation will be negligible. However, if most of this fund balance is spent, for example, on a library building, or other large one-time expense, the County's cash position will have been worsened by the amount of that expenditure, with its attendant losses from interest earnings, etc. In light of the Board's past reluctance to pursue a short-term cash borrowing program such as the TRANS program, any use of fund balance resulting from converting from our current accounting basis must be carefully considered.

Fixed Assets

OBSERVATION: Each department is required to provide an annual inventory of fixed assets to the County Auditor. At the time of our audit the current year additions had not been reconciled to the departmental fixed asset accounts in the accounting records.

RECOMMENDATION: We recommend that the department heads be trained to reconcile fixed asset expenditures in the general ledger to the departmental inventory lists. Each department should be required to correct any discrepancies.

RESPONSE: We feel that we will be able to emphasize the fixed asset reconciliation this year. Things are beginning to stabilize in the property tax area and the budgeting software in HTE should free up some time in budgeting to allow us a little more time to deal with fixed assets.

Computer System

OBSERVATION: The County has recently acquired a new computer system to handle its accounting activities and various departmental transactions. This system is very sophisticated, accordingly certain changes could be made to fully utilize the current system capabilities.

RECOMMENDATION:

1. The chart of accounts should be revised to make sure that it is compatible with the HTE extended reporting system. Our current review of the chart of accounts identified several items that will require change.
2. The balance sheet accounts will require substantial expansion to properly account for certain transactions such as deposits, accounts payable, accounts receivable, inventory, accrued expenses, etc.
3. A written summary of each available report should be prepared to determine which are of continuing value and with what frequency each report should be processed.

RESPONSE: We are hopeful our proposed training in Long Beach may aid us in understanding our HTE extended reporting module. So far, our office has received no training on extended reporting which logically makes it impossible for us to revise our chart of accounts to interact with the extended reporting system. However, the outside audit firm's experience with HTE is very valuable to us and we certainly concur that taking full advantage of HTE's ability is crucial. Recommendations 2. & 3. will be complied with.

Agency Funds

OBSERVATION: Upon examination of the activity of the agency funds, it was noted that substantial balances remained in the funds at June 30, 1994. This resulted in revenues in the funds receiving the amounts to be understated as of June 30, 1994.

RECOMMENDATION: Activity in the agency funds should be reviewed regularly and cleared to the appropriate revenue accounts on a timely basis.

RESPONSE: This was an oversight on our part, not a condition that exists on a year to year basis. This will be avoided at next year's closing.

Transfers

OBSERVATION: Upon examination of the transfer accounts, it was determined that transfers were not properly reflected. Some transfers were shown as revenues or expenditures whereas the other half of the journal entry was posted to a transfer account.

RECOMMENDATION: Transfers between funds should be posted only to the transfer account in each respective fund. No transfers should be recorded between agency funds and operating funds.

RESPONSE: We are making every effort to ensure that the proper transfer accounts are being used. This procedure will properly class transfers so that revenues and expenditures are not overstated.

Journal Entries

OBSERVATION: In order to facilitate research into activity posted in the computer system, each journal entry should be referenced numerically.

RECOMMENDATION: Journal entries should be posted in the computer in numerical sequence. The documentation to support the journal entry should also be kept in numeric order. The supporting documentation should include a brief description of the purpose of the journal entry.

RESPONSE: We are sequencing journal entries by numbers generated by the computer. The only weakness in this is that because the number is generated by the computer, there are numerical gaps in the numbers for journal entries because the computer sequentially uses its number system for all entries, not just journal entries. Since the numbers are in sequence, they can be readily accessed by number.

Manually Maintained Schedules

OBSERVATION: Many schedules are kept on a manual basis and are not reflected in the computer system resulting in incomplete computer generated reports.

RECOMMENDATION: Various items are kept on a manual basis which should be recorded in the computer system. Some of these items include: long-term debt, accounts and loans receivable, interfund activity, and depreciation expense.

RESPONSE: We plan on recording on the computer system items which we historically have recorded manually. One of the most notable is the outstanding loans the County has made to various County agencies.