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

RECOMMENDED ACTION AND JUSTIFICATION: (Policy Item: Yes   No) Resolution Accepting Audit Report for the Period Ending June 1995 with Responses from Departments

BACKGROUND AND HISTORY OF BOARD ACTIONS:
The Audit Report for the Period Ending June 30, 1995 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 Report 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, 1995.

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

SOURCE:                  List the attachments and number the pages consecutively:
( ) 4/5ths Vote Required  
A. Unanticipated revenues $  
B. Reserve for contingencies $  
C. Source description: 
Balance in Reserve for Contingencies, if approved: $

CLERK'S USE ONLY:
Res. No.: 6-15-7          Ord. No.  
Vote - Ayes: 5             Noes: 
Absented: 
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: 

Action Form Revised 5/92
RECOMMENDATIONS OF
WILLIS & WALSH, Certified Public Accountants
MARIPOSA COUNTY'S CONTRACT AUDITOR
and
RESPONSES TO THE
COUNTY OF MARIPOSA MANAGEMENT LETTER
JUNE 30, 1995

ADMINISTRATIVE OFFICE AND BOARD OF SUPERVISORS

OBSERVATION: The monthly cash statement for June 1995 had not been submitted to the auditor by the July 6, 1995 deadline.

RECOMMENDATION: We recommend that monthly cash statements be submitted to county auditor on a timely basis.

RESPONSE: Preparation of the budget books encompassed regular and overtime hours in Administration for regular and extra help employees during the last week of June and the first week of July. However, mechanisms are in place to correct the late filing of the monthly cash statement in the future regardless of the workload.

AGRICULTURAL COMMISSIONER

OBSERVATION: The composition (cash, check, money order, etc.) on one deposit did not agree to the accountability, and two deposits into the county treasury were not supported by receipts.

RECOMMENDATION: An official receipt should be issued for all department collections and submitted to the County with the deposit permit.

Use care to ensure that the composition indicated on receipts and deposit permits is correct.

RESPONSE: Due to the makeup of this office, it is not possible to prepare receipts for the sale of all vertebrate pest control materials at the time of sale. Many of the vertebrate pest control materials orders are placed by phone and picked up at the public's discretion. With only one permanent employee, no one is in the office all of the time to take orders and write receipts. 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.

As to the composition on the deposit receipts, an effort is made to note the check number on the yellow and pink copies of the receipt for those orders paid for by check. The office does not know in advance how the orders will be paid for; only after the fact. We have discussed these issues with the Auditor's office and these procedures are acceptable to them.
AIR POLLUTION

OBSERVATION: The checks deposited into the Treasury are endorsed with a typed endorsement.

RECOMMENDATION: We recommend that the department obtain a rubber endorsement stamp for the checks deposited into the Treasury.

RESPONSE: This has been accomplished.

ASSESSOR

OBSERVATION: We noted one parcel was double assessed for improvements totaling over $111,000. The net tax effect was over $1,100.

RECOMMENDATION: We recommend more careful controls to prevent incorrectly assessing property values.

RESPONSE: The Assessor would like to advise the Board that this is not what happened. This was an isolated incident on one parcel with the error made by a contract company doing computer input for the Assessor's office. When the Assessor's Office had the 1993 Tax Roll converted to the new computer system, the company that performed the conversion made an error on one business parcel by misclassifying the type of assessments. The improvements were classified as land and the business personal property was classified as improvements. The land and improvements fields are automatically factored each year, as per Prop 13, where the business personal property and fixtures fields have to be recalculated and re-inputted each year.

For 1994, the computer took the 1993 improvement value and factored it up by 2%, and because it was misclassified entered it as a land value of $3,657. The 1993 business personal property because it was misclassified, was factored up 2% and entered on the 1994 Roll as improvements of $107,836. The fixtures and business personal property values were calculated and entered on the roll and this caused the double assessment. The error was caused in inputting by the company doing the conversion and not the Assessor's Office.

COMMUNITY SERVICES

OBSERVATION: The bank account is routinely reconciled and is in agreement with the check book balance... but the account balances for the individual conservatee accounts do not reconcile to the check book balance.

RECOMMENDATION: The unreconciled difference between the individual conservatee account balances and the book balance should be resolved.

RESPONSE: The Public Guardian/Conservator program has been relocated from Community Services to the Department of Human Services. The Department of Human Services responds that they agree with the outside auditor's recommendation for this program and have initiated corrective action to ensure that all individual Conservator account balances reconcile with the checkbook balance.
CONSTABLE

OBSERVATION: $163.50 was collected by the constable or animal control officer during the year. . . There was no monthly cash statement on file for June 1995.

RECOMMENDATION: We recommend that this department file a monthly cash statement for each month even when no cash is collected.

RESPONSE: The department concurs with this recommendation and will begin submitting a cash statement for each month even when no cash is collected.

COUNTY CLERK

OBSERVATION: Monthly cash statements were filed for each month, however the June monthly cash statement had not been received by the July 6th due date.

RECOMMENDATION: We recommend the department submit to the county auditor the monthly cash statements on a timely basis.

RESPONSE: We were in the process of converting the old "hand method" of reporting to using the "mainframe computer." It is our policy to have the cash statements to the auditor by the appropriate time and will continue to strive to fulfill that obligation.

DISTRICT ATTORNEY

Criminal Division

OBSERVATION: The petty cash fund balance of $56 was counted at the time of our audit. The cash plus paid vouchers for $46 were $2.00 over the authorized petty cash fund of $100. There were $3 collections on hand at the time of our audit. There were no receipts issued for this collection. Collections totaled over $132. Official receipts had not been issued from August 1994 through June 1995 to support these collections. These collections were traced to the County Treasury on a test basis. The monthly cash statement on file with the Auditor Controller did not agree to the monthly cash statement or the supporting documentation held by the department.

RECOMMENDATION: We recommend that receipts be issued for all collections.

We recommend that the department submit a monthly cash statement to the county auditor for all deposits made during the month.

The petty cash overage was due to minor clerical oversight which should be resolved with greater attention to detail.

RESPONSE: These recommendations have been reviewed and implemented by the Criminal Division of the District Attorney's Office. The referenced petty cash overage, in the amount of $2.00, was due to a minor clerical oversight which is being corrected by routine balancing verifications. In addition, all funds collected by the Criminal Division are currently being receipted and deposited with the Mariposa County
Auditor's Office. Balanced monthly cash statements are also being prepared and filed with the Auditor's office.

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: The recommendation will be implemented immediately even though the Victim/Witness Program does not take in cash or charge fees for services. The once or twice a year funds donated to the Victim/Witness Emergency Fund will be deposited by receipt to the Mariposa County Auditor's Office. A draft for those amounts will be issued back to the Victim/Witness Emergency Fund for deposit into the Emergency Fund's checking account in order that we may service victim needs in an expedient manner.

FIRE

OBSERVATION: The petty cash fund balance of $42 was counted at the time of our audit. The cash was short $8 from the authorized petty cash fund of $50. There were no collections on hand at the time of our audit.

The Collections reported for the year from donations exceeded $16,000. The collections were tested by vouching to official receipts. No monthly cash statement was filed for the month of June.

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

We believe the petty cash shortage was due to minor clerical oversight and should be resolved with greater attention to detail.

RESPONSE: In accordance with the Audit Report recommendation, a monthly cash statement will be done for County Fire each month. This will be done even if there are no collections during the month.

The department will also attempt to be more precise with the petty cash account.

LIBRARY

There were no recommendations for the Library in this year's report. However, the prior year's recommendation: "The department should use more care to ensure all collections are noted during the day," is listed as not implemented. That has been implemented and double checks are made against video and interlibrary loan counts, staff are given frequent verbal reminders, the collection sheet was reformatted. The staff is continually looking for ways to ensure the accuracy of the amount of collection recorded vs. collected.
MUNICIPAL COURT

OBSERVATION: The following observations were made in the audit of the prior year, indicating follow-up on the part of the Mariposa County Municipal Court System:

DELIQUENT FINE COLLECTIONS

Condition:

Many installment fine accounts were in excess of one year delinquent and no follow-up procedures had been carried out by the Court.

Current Year Follow-Up:

During the year under review, the above mentioned condition still existed. However, the Municipal Court is in the process of implementing a new computer software program for which one of the anticipated benefits will be to alleviate the aforementioned condition. A computer generated listing of delinquent accounts will be maintained and follow-up initiated. The Court has generated a listing of delinquent accounts and has been following up with notices.

RESPONSE: Each year for the past four years a yearly collection program has been conducted before April in order that delinquent fines may be cleared when income tax refunds are received by the Defendants. If the Defendants fail to respond, then a hold is placed on their driver's license and the Department of Motor Vehicles will notify them of license suspension. If we were on line with the Department of Motor Vehicles, they would collect some of the fines when people go to renew their licenses. In 1995, $20,993 was collected in delinquent fines, $16,904 was cleared through jail time and community service, and 74 account balances were cleared. Numerous delinquent people were put back on a monthly payment schedule and are current. When the new computer software program is implemented, then monthly notices will be generated but at this time we are using the above mentioned method. Now that the new jail is operating, the Court is able to send Defendants to jail in lieu of the fine if they are delinquent.

OUTSTANDING WARRANTS

Condition:

A review of the warrants register indicated that there are numerous old outstanding warrants going back to 1978 still open.

Current Year Follow-up:

This condition was still in existence as of June 30, 1995. The Court has created a listing of old warrants and is in the process of obtaining additional information on each warrant to resolve this issue.

RESPONSE: The court has reviewed the list of warrants and has recalled all those warrants that are out of date.
CONTROL ACCOUNT - INSTALLMENT FINES

Condition:

During the prior year, the detailed balance of the accounts receivable had not been reconciled with a control account because no control account was maintained.

Current Year Follow-up:

This condition is still in existence as of June 30, 1995. The Court does not maintain its manual cards for individual accounts, and has established a subsidiary ledger on the computer, but does not maintain a control account.

RECOMMENDATION: Procedures should be implemented to develop a control account which should then be reconciled to the individual accounts on a regular basis.

RESPONSE: Since the accounts receivable is maintained on the computer system with back-up hard copies, the control account would be generated by the receipts and would be repetitive of the accounts. A total of accounts could be maintained but will require an extra cost for a programmer. It would seem more feasible to apply that cost toward a new computer system.

INTERNAL CONTROL STRUCTURE:

OBSERVATION:

The small size of Mariposa County Municipal Court System and the limited number of personnel involved in the accounting process does not enable the management to implement procedures which would create an adequate segregation of duties. Accordingly, no reliance is placed on the internal control structure in establishing audit procedures to be performed.

RESPONSE: In the Municipal Court, basically one clerk does most of the receipting and makes the daily deposits. At the end of the day, a daily report is generated by the computer. The collections for the day are counted and balanced to that report. The collections and the deposit slips are then taken to the County Treasurer who counts the deposit and signs the deposit slip. Each daily deposit is hand posted to a ledger. At the end of the month, the supervising clerk balances the ledger and checks that balance with the Auditor. Then a monthly statement is prepared which balances with the ledger balance and is submitted to the County Auditor. The statement will not balance unless every penny collected during the month is accounted for. Any errors during the month are found and corrected.

PROBATION

OBSERVATION: The petty cash fund of $200 was found to be over by $7. This fund consisted of cash of $130 and paid out vouchers of $77. The undeposited receipts totaled $415 at the time of our audit. Collections for the year totaling over $62,000 were supported by official receipts and traced to the County Treasury on a test basis.

An accounts receivable ledger is set up for each case for the fine or restitution, if any. In tracing the amounts of fine and restitution from the files to the accounts one had to carefully search through the
file. In some cases, it was necessary to determine the correct amounts. There was a summary sheet attached to some files for easy reference.

RECOMMENDATION: 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.

We attribute the petty cash overage to minor clerical oversight which should be resolved in the future with attention to detail.

RESPONSE: The recommendation of note concerning this report is a repeat of a recommendation last year. In response to that recommendation, we prepared cover sheets for our files which contain a financial summary and other identifying information.

Perhaps predictably, a few of the files reviewed in the most recent audit did not contain cover sheets. I can only attribute this to two causes: 1) the sheets had loosened themselves from the file, and/or 2) they may have been older files which somehow escaped our attention in the first round review.

We have again undertaken to review all files for summary sheets. Also, for the past several months, all new files have a cover sheet attached prior to caseload materials being inserted.

I would hope that next year's audit will find cover sheets in all case files.

PUBLIC WORKS

Solid Waste Division

OBSERVATION: There was an increase of $17,000 in the receivable balance between 6/30/94 and 6/30/95. 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: We have been carrying a $2,915 bad debt on the books for approximately three years. The account, Evergreen Disposal, went bankrupt subsequent to paying the invoice. The department will bring this delinquent account to the Board to be relieved of accountability to collect this "bad debt."

SHERIFF/CORONER

OBSERVATION: The petty cash fund count was $247 over by $47. The undeposited receipts were verified by count and vouched to the receipts. The special appropriation fund had a zero balance at the time of our audit. There was no log of disbursements from this fund.

Collections totaled over $66,000 which were supported by official receipts. Of this amount, $35,000 was deposited directly to the County Treasury. The remaining $31,000 was deposited to a trust bank account. This money comes from wage garnishments, bank levies, and bail money. All of these
Response to Audit Report  
for the Period Ending June 30, 1995  
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amounts are to be disbursed to third parties. As of June 30, 1995, there was $188 being held for third parties in the account.

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:

We believe there would be no breach of security if disbursements from the special fund were authorized by an appropriate signature.

All outstanding checks over 1 year old in the trust bank account are dormant and consideration should be given to writing these checks off.

We attribute the petty cash shortage to minor clerical oversight which should be resolved in the future with attention to detail.

RESPONSE: A system is in place where disbursements from the special fund are authorized by a supervisor's signature. All outstanding checks in the trust fund will be considered dormant and in accordance with the auditor's recommendation shall be written off. More attention to detail has been implemented for the petty cash account.

COUNTY AUDITOR

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 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: Our standard procedure regarding fixed assets is that at the end of the fiscal year the Auditor's Office sends out a detailed listing of fixed assets to all departments for them to verify and amend for any changes in the fixed asset listing. This is done to ascertain what fixed assets have been purchased, transferred-in, destroyed, lost, stolen, worn out, or transferred to other departments. If the department has added assets, the listing of fixed assets requires that a fixed asset number be attached to the new assets. Upon receiving the fixed asset reports from the departments, the Auditor's Office ascertains that all new fixed assets are included on the individual listings. It is for this reason we assign an individual number to all fixed assets during the fiscal year. With each new fixed asset individually listed in the budget for the current year, the Auditor's Office can readily identify any asset that may have been left off a department listing.

Another area of concern Willis & Walsh had with fixed assets was in the transfer/purchase of fixed assets from the road fund. As you are aware, during the last three years the County General Fund has purchased road department equipment in order to transfer all vehicles into an internal service fund called Vehicle Maintenance. The net effect of this purchase of fixed assets was to transfer funding to the road fund while transferring the book value of their fixed assets to a separate internal service fund. The
transfer of these fixed assets amounted to $1,830,910 and there were some discrepancies among values recorded on the books and the value imputed when the assets were transferred to the Internal Service Fund. The 1995-96 fiscal year we transferred $333,398 which represents the final payment for the fixed asset transfer. Now that the assets have all been transferred and the values recorded, most of the concerns Willis & Walsh have regarding fixed assets at Public Works will be alleviated.

**OBSERVATION:** Upon examination of the transfers between funds or 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:** Mariposa County is in the unique situation where it has many projects in progress which have funding coming from other funds within the County. One good example are the capital improvement projects. The County sets up these separate funds in order to keep track of individual projects, but the funding, in most situations, comes from the general fund or from another fund such as the Water Agency. When we transfer funding to these separate capital project funds, it is misleading and incorrect to show this money coming into the fund as revenue, but must be shown as a transfer-in, otherwise we would be inflating the figures we report as revenue.

During the summer of 1995, the Auditor's Office went through a complete revamping of fund and account number sequencing in order to fully avail ourselves of the capabilities of our AS400 system. However, Willis & Walsh were obligated to report our transfer accounting problems in their audit for the 1994-95 year, because it was not until July and August of the 1995-96 year that we were able to completely sort out what revenues belonged in what category. Willis & Walsh provided assistance in this effort and are fully aware that we are in agreement and compliance with their audit recommendation.

**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 depreciated expenses.

**RESPONSE:** Our reply to this exception is related to our previous response to Observation #2. When we converted and revamped many of our fund and account numbers last summer, we were able to set up accounts to accurately reflect what we previously had been doing manually. In fact, it is gratifying to me that most of our general ledger information on the computer now matches the figures found in our audit report by Willis & Walsh. The fact that the County's financial reports, up until this year, differed from the financial statements prepared by the CPA firm was and is not an unusual situation in small counties. The situations are gradually changing in these smaller counties, but in general, these counties did not have the sophisticated computer systems to properly record transactions the way audit firms preferred. So the CPA firms prepared their own financial statements to properly reflect generally accepted accounting principles rather than doing an audit on the County's financial statements which for the most part did not exist or were very incomplete. In actuality, when a CPA firm submits its proposal to do an audit, the CPA proposes to audit the financial statements as prepared by the County, however, what they ended up doing historically was to prepare the County's financial statements as a favor to the County.
Thanks to the County's investment in new automated accounting systems and our staff's investment in overcoming the hurdles in implementing them, next year, Willis & Walsh will be able to come to Mariposa County and audit our financial statements rather than prepare them.