

**COUNTY OF PLUMAS,
CALIFORNIA**



**MANAGEMENT REPORT
FOR THE YEAR ENDED
JUNE 30, 2013**

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COUNTY OF PLUMAS
Management Report
For the Year Ended June 30, 2013

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To the Board of Supervisors and
the Grand Jury
County of Plumas
Quincy, California

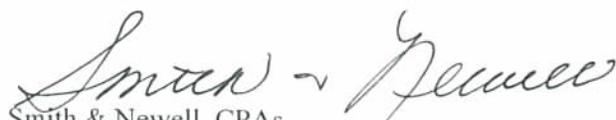
We have audited the financial statements of the County of Plumas, California, as of and for the year ended June 30, 2013, and have issued our report thereon dated February 21, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and our Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133. Disclosures in those reports, dated February 21, 2014, should be considered in conjunction with this management report.

During our audit we noted certain matters involving internal controls and other operational matters that are presented for your consideration in this report. Our comments and recommendations, all of which have been discussed with appropriate members of management, are not intended to be all-inclusive, but rather represent those matters that we considered worthy of your consideration. Our comments and recommendations are submitted as constructive suggestions to assist you in strengthening controls and procedures. We will review the status of these comments during our next audit engagement.

The County's written responses to the findings identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Board of Supervisors and others within the entity and is not intended to be, and should not be, used by anyone other than these specified parties.


Smith & Newell, CPAs
Yuba City, California
February 21, 2014

COUNTY OF PLUMAS
Schedule of Management Findings and Recommendations
For the Year Ended June 30, 2013

13-MC-01 Year End Closing Process

Condition

At the time of our audit we noted the financial statements as presented to us contained misstatements that required adjustments. Many of these adjustments were noted as a part of the audit process and certain adjustments regarding capital assets were not available until January 2014.

Cause

The process to close the County's accounting records and produce the annual financial report is labor intensive and the reports produced by the accounting system can require additional analysis and reconciliation.

Criteria

Government auditing standards require independent auditors to evaluate all unadjusted misstatements of financial statements. Also producing timely audited financial statements is more difficult when adjustments are not recorded prior to the start of the annual audit.

Effect of Condition

The financial statements as presented to us for audit contained misstatements and required adjustment.

Recommendation

We recommend that the County strive to record all adjustments in a timely manner so that required adjustments can be recorded prior to the start of the annual audit.

Corrective Action Plan

The year-end closing process for the County accounting system is a multi-step process that involves adjustments pertaining to all County departments. It involves verification of all bank accounts and other balance sheet accounts and making all required adjustments. The year-end closing also requires the proper recognition of revenues and expenditures (accrual of deposits and expenditures to the proper fiscal year, for example), fixed asset reconciliation and adjustments, and clearing out all transfers between departments. The current Auditor had not participated in the year-end process in prior years, so there was a lot of work to do and no clear procedure guidelines available.

Another factor that made the year-end closing process challenging was the resignation in August, 2013, of the Property Tax Manager. This is a key position within the Auditor's Department, and the timing was unfortunate because it happened just as the closing process was being implemented. All staff members within the department took on added responsibilities at a time when the workload was already heavy due to the fact that it was year-end. The Auditor is very grateful to her staff for the extra work and effort they put in to help the department through a difficult time.

With documented procedures and a fully-staffed department, the closing process in future years will be completed in a much more efficient and timely manner.

COUNTY OF PLUMAS
Schedule of Management Findings and Recommendations
For the Year Ended June 30, 2013

13-MC-02 EFT Deposits Lack of Timely Processing

Condition

During our audit we noted that EFT deposits to the County's bank account were not being processed in the County's general ledger on a timely basis.

Cause

When the County receives EFT deposits, the deposit to the County's general ledger is not processed until the department or agency prepares a deposit and takes it to the auditor's office. Therefore, EFT deposits recorded in the County's bank account may not be recorded on the general ledger for days.

Criteria

Good internal control requires that deposits to the County's bank account be processed in the County's general ledger on a timely basis.

Effect of Condition

There are monies received before fiscal year end that were not recorded in the general ledger for up to four days resulting in the monies being recorded in the general ledger after fiscal year end.

Recommendation

We recommend that the County record all deposits to the County's bank account in a timely manner.

Corrective Action Plan

The procedures for recording deposits have been reviewed by the Auditor and Treasurer/Tax Collector, and these procedures have been discussed with appropriate staff members to ensure that all deposits are recorded accurately and in a timely manner.

13-MC-03 Lack of Timely Processing

Condition

At the time of our fieldwork, we noted three disbursements that were paid in excess of 30 days past the invoice date of the vendor billing. This is a repeat of a prior year finding.

Cause

The Auditor staff was not able to perform this function in a timely manner due to departments not submitting claims for payment to the Auditor's office in a timely manner.

Criteria

Invoices should be processed by both the receiving department and the Auditor in a timely manner.

COUNTY OF PLUMAS
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13-MC-03 Lack of Timely Processing (Continued)

Effect of Condition

Vendor invoices were not processed and paid within 30 days of the invoice date.

Recommendation

We recommend that procedures be modified to ensure that invoices are submitted by the County departments to the Auditor for processing and payment in a timely manner.

Corrective Action Plan

The Auditor has reviewed the procedures for processing of claims with the departments from which the claims originated, as well as Auditor Department staff members to ensure that all claims are processed accurately and in a timely manner.

13-MC-04 Sheriff Inmate Welfare Reconciliation

Condition

At the time of our fieldwork, we noted that although the Inmate Trust bank account was being reconciled to the accounting records on a monthly basis the balance held in the account did not appear to be reconciled to an open listing of balances held for each inmate. This is a repeat of a prior year finding.

Cause

The County could not provide a listing of balances held for inmates that reconciled to the bank balance.

Criteria

Good internal control over monies held for inmates requires that the account balance be reconciled to a listing of monies held for each inmate.

Effect of Condition

The risk of errors and/or irregularities occurring and not being detected is increased when monies held in the Inmate Trust bank account are not reconciled to a listing of monies held for each inmate.

Recommendation

We recommend that the Inmate Trust bank account be reconciled to an open listing of balances held for each inmate on a monthly basis. The detail listing of inmate balances should be printed and maintained as an audit trail that this procedure was performed.

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13-MC-04 Sheriff Inmate Welfare Reconciliation (Continued)

Corrective Action Plan

The Jail Commander has made significant progress in working with the Keefe system, the accounting software company used by the jail, to reconcile the inmate accounts and print reports that facilitate reconciliation to the monthly bank statement balance. The County Auditor has met with the Jail Commander on several occasions and is currently implementing the monthly balancing of the Inmate Bank Account.

13-MC-05 Risk Management - Landfill

Condition

During our audit we noted the County did not have insurance coverage for the landfill. This is a repeat of a prior year finding.

Cause

The County did not have adequate insurance coverage.

Criteria

Insurance coverage should be maintained in order to minimize the risk of loss.

Effect of Condition

The County is exposed to increased loss without insurance coverage of the landfill.

Recommendation

We recommend that the County maintain insurance coverage for the landfill to minimize the risk of loss.

Corrective Action Plan

The Auditor/Controller - Risk Manager is currently reviewing the cost of landfill pollution insurance with Trindel, the JPA which administers Plumas County's insurance policies. When the information is received it will be brought before the Board of Supervisors so that a decision can be made and the cost of the landfill policy can be budgeted in the appropriate budget unit.

COUNTY OF PLUMAS
Schedule of Management Findings and Recommendations
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13-MC-06 Outside Bank Accounts

Condition

During our fieldwork we noted that various departments of the County hold bank accounts outside the County Treasury for which the purpose for these accounts is to collect credit card payments. We noted that the County Auditor-Controller's office obtains monthly bank statements and reconciliations on a majority of these accounts, although the reconciled balance for two bank accounts had not been recorded on the general ledger of the County. This is a repeat of a prior year finding.

Cause

There is inadequate review of all outside bank accounts.

Criteria

All bank accounts in the County name and should be recorded on the County general ledger and all outside bank accounts should be reconciled monthly and the information provided to the Auditor-Controller.

Effect of Condition

The risk of errors or irregularities is increased when there are outside bank accounts for which bank statements have not been obtained, and which have not been properly recorded on the County's general ledger.

Recommendation

We recommend that all bank accounts be properly recorded on the general ledger and that all outside bank accounts be reconciled monthly and the information provided to the Auditor-Controller.

Corrective Action Plan

The accounts referred to in this finding are the GovPay flow-through accounts that zero out each month. GovPay is the credit card company that processes credit card payments received by the County. When credit card payments are accepted by a County department, the credit card receipts are deposited by GovPay into a flow-through bank account set up for that specific department. The departments review the bank account periodically and prepare an EFT transfer request that is delivered to the Treasurer for processing. The departments also send a deposit report to the Auditor's Department to record the revenue and deposits in the General Ledger system. Occasionally, transfers received near month-end in the GovPay account are not transferred to the County bank account until the following month, which creates a positive balance in the GovPay pass-through account.

The Auditor has discussed with staff and instructed them to verify the balances in the GovPay account at the end of each month. The Auditor will encourage the departments to transfer deposits from the GovPay pass-through bank account before month-end so no GovPay accounts have balances remaining.

COUNTY OF PLUMAS
Schedule of Management Findings and Recommendations
For the Year Ended June 30, 2013

13-MC-07 Budget

Condition

We noted that for the year ended June 30, 2013, the County did not adopt a budget for the Local Revenue 2011 Fund. This fund had revenue but did not have any expenditures for the year ended June 30, 2013.

Cause

The County did not adopt a budget for one major special revenue fund.

Criteria

Generally accepted accounting principles require that all special revenue funds have legally adopted budgets.

Effect of Condition

One major special revenue fund did not have a legally adopted budget.

Recommendation

We recommend that all special revenue funds have legally adopted budgets.

Corrective Action Plan

The AB109 revenue and expenditures were budgeted at the individual department level and approved by the Board of Supervisors as part of the County-wide budget.

The Local Revenue 2011 Fund was designed by the previous Auditor/Controller as a pass-through fund. Revenue has been recorded in the Local Revenue 2011 Fund and then transferred out to the departments per the budget. The transfer was posted back against revenue in the Local Revenue 2011 Fund. The amount transferred was then recorded as revenue in the department receiving the transfer.

The AB 109 revenue is managed by the Community Corrections Partnership (CCP). The CCP Board (by statute) is chaired by the Chief of Probation, and is made up of the Sheriff, District Attorney, Public Defender, a Court Representative, and an alternate from a relevant department such as Mental Health or Social Services. The purpose of the CCP Board is to develop an overall plan for the AB109 money and create a budget for proper use of the funds. The CCP budget, as approved by the CCP Board, was then incorporated into the County-wide budget and approved by the Board of Supervisors as part of the larger County-wide budget.

COUNTY OF PLUMAS
Schedule of Prior Year Management Findings and Recommendations
For the Year Ended June 30 2013

<u>Audit Reference</u>	<u>Status of Prior Year Recommendations</u>
12-MC-01	<p>Lack of Timely Processing</p> <p>Recommendation</p> <p>We recommend that procedures be modified to ensure that invoices are submitted by the County departments to the Auditor for processing and payment in a timely manner.</p> <p>Status</p> <p>Not Implemented</p>
12-MC-02	<p>Sheriff Inmate Welfare Reconciliation</p> <p>Recommendation</p> <p>We recommend that the Inmate Trust bank account be reconciled to an open listing of balances held for each inmate on a monthly basis. The detail listing of inmate balances should be printed and maintained as an audit trail that this procedure was performed.</p> <p>Status</p> <p>Not Implemented</p>
12-MC-03	<p>Compensated Absences</p> <p>Recommendation</p> <p>We recommend that the County review balances on a regular basis to determine that employees are not using more time than what is accrued.</p> <p>Status</p> <p>Implemented</p>
12-MC-04	<p>Risk Management - Landfill</p> <p>Recommendation</p> <p>We recommend that the County maintain insurance coverage for the landfill to minimize the risk of loss.</p> <p>Status</p> <p>Not Implemented</p>

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<u>Audit Reference</u>	<u>Status of Prior Year Recommendations</u>
12-MC-05	<p>Outside Bank Accounts</p> <p>Recommendation</p> <p>We recommend that all bank accounts be properly recorded on the general ledger and that all outside bank accounts be reconciled monthly and the information provided to the Auditor-Controller.</p> <p>Status</p> <p>Not Implemented</p>
12-MC-06	<p>Tax Sales Trust Reconciliation</p> <p>Recommendation</p> <p>We recommend that the Tax Sales Trust, fund number 5078-10157, be reconciled to a detail listing of open trust items at the end of each month.</p> <p>Status</p> <p>Implemented</p>
12-MC-07	<p>Animal Control</p> <p>Recommendation</p> <p>We recommend that policies and procedures of the County be followed by all department employees.</p> <p>Status</p> <p>Implemented</p>

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