



Agenda Date: 3/15/2005
Agenda Placement: 6D

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Pamela Kindig - Auditor-Controller
Auditor - Controller
REPORT BY: Stephen Owen, ACCOUNTANT-AUDITOR II , 253-4589
SUBJECT: Audit Reports - County of Napa Department of Corrections Inmate Welfare Trust for fiscal years ended June 30, 2003 and June 30, 2004; and County of Napa Fire Department for the Fiscal Year Ended June 30, 2003

RECOMMENDATION

Auditor-Controller requests the Board accept and instruct the Clerk of the Board to file:

1. Audit Report - County of Napa, Department of Corrections, Inmate Welfare Trust for Fiscal Years ended June 30, 2003 and June 30, 2004; and
2. Audit Report - County of Napa, Fire Department for the Fiscal Year ended June 30, 2003.

EXECUTIVE SUMMARY

The Internal Audit Section of the Napa County Auditor-Controller's Office has audited the financial statements of:

1. The Napa County Department of Corrections Inmate Welfare Trust Fund for the fiscal years ended June 30, 2003 and 2004; and
2. The County of Napa Fire Department for the fiscal year ended June 30, 2003.

Acceptance of both, the Napa County Department of Corrections Inmate Welfare Trust Fund and the County of Napa Fire Department audit reports, is requested.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

There is no Environmental Impact for this item.

BACKGROUND AND DISCUSSION**Inmate Welfare Trust Fund**

In accordance with California Penal Code Section 5006, the Auditor/Controller's Office "...shall conduct a biennial audit of the Inmate Welfare Fund to include an audit report which shall summarize expenditures from the fund by major categories." In addition, staff conducted the audit of the Napa County Department of Corrections Inmate Welfare Trust Fund in accordance with auditing standards generally accepted in the United States of America and as stipulated in the engagement letter with the Department of Corrections.

Fire Department

The Auditor-Controller's Office performs audits of the financial records of all County Departments. Staff conducted the audit of the County of Napa Fire Department in accordance with auditing standards generally accepted in the United States of America and as stipulated in the engagement letter with the Department.

Results of the Audits: An audit report may contain findings in any of the following four categories:

1. Material Noncompliance
2. Material Internal Control Weakness (Reportable Condition)
3. Immaterial Noncompliance
4. Immaterial Internal Control Weakness

The findings noted in both audits are summarized below:

Inmate Welfare Trust Fund**Category 1: Material Noncompliance**

Interest Income - Interest income has not been credited to the Inmate Welfare Fund during the 2003 and 2004 fiscal years as is required by the California Penal Code Section 4025(h). The Inmate Welfare Fund is invested or on deposit as part of the County's General Fund. Any excess funds in the General Fund, not required for immediate use, are invested in line with County Treasury policy. Interest earned from these investments are to be recorded in the Inmate Welfare Fund.

Category 3: Immaterial Noncompliance

Excess Revenue - The Fund had an ending cash balance of \$425,249 in fiscal year 2004. This balance is the result of cash surpluses accumulated over recent and earlier years. Some cash balance is necessary in order to manage cash flow within the Fund but the amount held is excessive. Fund earnings are required to be spent to the benefit, education and welfare of the inmates. Care should be taken by the Department to ensure they remain in compliance with the Penal Code.

Category 4: Immaterial Internal Control Weakness

Fund Reconciliation - The Department reconciles the Trust Account to the General Ledger balance on a monthly basis but the procedure followed does not ensure that adjustments and non-inmate

income/expenditure are clearly identified for reporting purposes. The Department has been provided a draft form which could be used for this purpose.

Cancellation of Invoices - One invoice in the audit sample was not cancelled after payment. The Department will be requesting the purchase of an invoice stamp for use when paying claims in order to minimize the risk of double payment.

County of Napa Fire Department

Category 2: Material Internal Control Weakness (Reportable Condition)

Fixed Assets - The Department had four (4) different fixed asset errors noted during the audit:

1. A fixed asset was noted as being received and placed into service as of June 30, 2003, when in actuality the asset had not been received until August 2003.
2. Two assets listed as "Air Mask" and "Ultralite II Breathing Machine" recorded as having values in excess of \$5,000 each were actually made up of several pieces with values of less than \$5,000 each.
3. Engine 27 was listed with a cost basis of \$5,430 when the actual cost basis is \$214,355.
4. The location of Fire Engine #2831 resided at a different location in comparison to what the fixed asset listing stipulated.

All errors for the County of Napa Fire Department have been corrected as of June 30, 2004.

These reports are being presented to the Board of Supervisors for acceptance into public record to demonstrate compliance with California Penal Code Section 5006 and the request for audits by the Grand Jury and the County Executive Office.

To understand the context of the above findings, it is important to refer to the signed copy of the reports, specifically the Department's responses, on file with the Clerk of the Board.

SUPPORTING DOCUMENTS

None

CEO Recommendation: Approve

Reviewed By: Lorenzo Ziálcita