



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 3/19/2019

Agenda Placement: 6F

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Tracy Schulze - Auditor-Controller
Auditor - Controller
REPORT BY: Tracy Schulze, Auditor-Controller - 299-1733
SUBJECT: Agreed Upon Conditions Report for Fiscal Year Ended June 30, 2018

RECOMMENDATION

Auditor-Controller requests acceptance of the Agreed Upon Conditions Report designed to increase efficiency, internal controls, and/or financial reporting completed by the County's external auditors, Brown Armstrong, CPAs, for the fiscal year ended June 30, 2018.

EXECUTIVE SUMMARY

In addition to the County's Comprehensive Annual Financial Report (Audit), the External Auditors complete an Agreed Upon Conditions Report designed to increase efficiency, internal controls, and/or financial reporting. This is the third year under contract with our current external auditors, Brown Armstrong CPAs. This report has also been referred to in the past as a Management Report, which provides recommendations for improvement in areas where they identify potential weakness in internal controls. Although the report does not identify any material findings or deficiencies within our internal control and reporting structure, it does provide recommendations as of June 30, 2018 and progress made from the prior two year reports, covering fiscal year 2015-16 and 2016-17.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of

Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

Government Code Section 25250 addresses the requirements of the County to have an examination of the financial statements in accordance with generally accepted auditing standards. As part of the standards, internal controls are also evaluated and reported on. The attached letter is the result of an Agreed Upon Conditions report designed to increase efficiency, internal controls and/or financial reporting. This is the third year under contract with our current external auditors, Brown Armstrong CPAs. This report has also been referred to in the past as a Management Report, which provides recommendations for improvement in areas where they identify potential weaknesses in internal controls. Although the report does not identify any material findings or deficiencies within our internal control and reporting structure, it does provide recommendations as of June 30, 2018 and progress made on recommendations from the prior two year reports covering fiscal year 2015-16 and 2016-17. These recommendations are being considered and implemented if deemed reasonable and within the resources available. The full report, with management responses, is attached.

Recommendations for the reporting period ending June 30, 2018 include:

- | 2018-1: Periodic user access reviews in both PeopleSoft Financials and PeopleSoft Human Resource Management System applications (continued from 2016)
- | 2018-2: Establishing a process for requesting, tracking, and approving changes to the PeopleSoft systems (continued from 2016)
- | 2018-3: Conducting IT risk assessments on an annual basis (continued from 2016)
- | 2018-4: Conducting third-party internal vulnerability assessments on an annual basis (continued from 2016)
- | 2018-5: Documenting all IT policies and procedures; updating any existing outdated policies and procedures (continued from 2016)
- | 2018-6: Establishing a County Whistleblower Program (continued from 2017)

SUPPORTING DOCUMENTS

A . Agreed Upon Conditions Report

CEO Recommendation: Approve

Reviewed By: Helene Franchi