



Agenda Date: 7/26/2005
Agenda Placement: 6K

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Pamela Kindig - Auditor-Controller
Auditor - Controller
REPORT BY: Karen Querin, Audit Manager, 253-4588
SUBJECT: Audit Reports - County of Napa Revolving Fund audits as listed in the Recommendation

RECOMMENDATION

Auditor-Controller requests the Board accept, and instruct the Clerk of the Board to file, the following County of Napa Audit Reports for the Fiscal Year ended June 30, 2004:

1. Treasurer-Tax Collector Department, Central Collections Revolving Fund;
2. Napa Special Investigation Bureau, Special Investigation Revolving Fund;
3. District Attorney's Office, Special Investigation Revolving Fund;
4. District Attorney's Office, Child Recovery Fund;
5. Health and Human Services Agency, Over the Counter Revolving Fund;
6. Napa City/County Library, Library Revolving Fund; and
7. County Executive Office, Insurance Revolving Fund.

EXECUTIVE SUMMARY

The Internal Audit Section of the Napa County Auditor-Controller's Office has audited the financial statements of the following funds for the fiscal year ended June 30, 2004. Acceptance of said audit reports is requested.

1. Treasurer-Tax Collector Department, Central Collections Revolving Fund ;
2. Napa Special Investigation Bureau, Special Investigation Revolving Fund;
3. District Attorney's Office, Special Investigation Revolving Fund;
4. District Attorney's Office, Child Recovery Fund;
5. Health and Human Services Agency, Over the Counter Revolving Fund;
6. Napa City/County Library, Library Revolving Fund; and
7. County Executive Office, Insurance Revolving Fund.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

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

Revolving Fund Audits

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

1. Audit Report - County of Napa, Treasurer-Tax Collector Department, Central Collections Revolving Fund for fiscal year ended June 30, 2004;
2. Audit Report - County of Napa, Napa Special Investigation Bureau, Special Investigation Revolving Fund for the fiscal year ended June 30, 2004;
3. Audit Report - County of Napa, District Attorney's Office, Special Investigation Revolving Fund for the fiscal year ended June 30, 2004;
4. Audit Report - County of Napa, District Attorney's Office, Child Recovery Fund for the fiscal year ended June 30, 2004;
5. Audit Report - County of Napa, Health and Human Services Agency, Over the Counter Revolving Fund for the fiscal year ended June 30, 2004;
6. Audit Report - County of Napa, Napa City/County Library, Library Revolving Fund for the fiscal year ended June 30, 2004; and
7. Audit Report - County of Napa, County Executive Office, Insurance Revolving Fund for the fiscal year ended June 30, 2004.

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 audits for Napa Special Investigation Bureau, District Attorney, and County Executive Office did not have findings noted during the examine of the fiscal year ending June 30, 2004. However, the Treasurer-Tax Collector, Health and Human Services Agency and Library had findings which have been summarized below:

Treasurer-Tax Collector Department, Central Collections Revolving Fund

Category 4: Immaterial Internal Control Weakness

Potential Lack of Separation of Duties - During the examination of the Treasurer – Tax Collector's Central Collection Revolving Fund documents for the fiscal year ended June 30, 2004, we noted that the Treasury

Manager reconciled the bank account. This is a concern, because the Treasury Manager is also listed as a signer on the bank signature card. During our testing, we found no instances of the Treasury Manager signing the checks, however we will need to increase our sample for future audits to ensure this.

In order for the bank to accept communications from the Treasury Manager regarding the account, the Treasury Manager is required by the bank to be a signer on the account. Currently, the informal policy of the Treasury Manager not being allowed to sign checks is being committed to writing.

Health and Human Services Agency - Over the Counter Revolving Fund

Category 4: Immaterial Internal Control Weakness

No Current Procedures - During our examination of the revolving fund, the available procedures were in draft form only. By keeping procedures current, the Department will provide for consistency in job performance. Subsequent to our audit the Department has approved and issued revised procedures for this fund.

Napa City/County Library

Category 1: Material Noncompliance

No Board Authorization - The Library's checking account was originally opened with Wells Fargo in August 1985. This account is charged a fee of \$10.00 every month. When checks were reordered in 2003, the fee was \$62.50. During our examination of the Library Revolving Fund, it was noted that the Library, the Clerk of the Board, nor the County Counsel representative for the Library, could locate a resolution authorizing the opening of the checking account.

Category 4: Immaterial Internal Control Weakness

Six (6) Month Outstanding Items - During our examination of the Library Revolving Fund for the fiscal year ended June 30, 2004, we noted that there were six (6) instances where a check had been outstanding for six (6) or more months for a total of \$47.65 out of the \$147.56 out-standing. The oldest check dates back to August 2001. All six (6) checks were refunds issued to those who returned lost books.

These reports are being presented to the Board of Supervisors for acceptance into public record to demonstrate compliance with 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. The status of findings have been updated within the recommendation contained in the reports.

SUPPORTING DOCUMENTS

None

CEO Recommendation: Approve

Reviewed By: Lorenzo Zíalcita