

# County of Glenn

Willows, California

*Report to Board of Supervisors and Management*

*For the year ended June 30, 2007*

**C&L**  
Caporicci & Larson  
Certified Public Accountants



December 7, 2007

To the Honorable Board of Supervisors  
of the County of Glenn  
Willows, California

In planning and performing our audit of the financial statements of the County of Glenn (the County) as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. Control deficiencies in internal control identified in the audit are discussed on page 1-5 of this report.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

The County's written response to the deficiencies identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

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**CONTROL DEFICIENCIES**

**1. Single Audit Reporting**

**Observation**

The County used revenue reports to determine the amounts reported on the Schedule of Federal Expenditures. Although in some cases, Federal expenditures may equal Federal revenues, in other cases, this practice could result in understatement or overstatement of actual Federal expenditures.

**Recommendation**

We recommend the County prepare the Schedule of Federal Expenditures based on actual expenditures and reconcile those amounts to the total expenditures reported in the general ledger.

**Management Response**

We concur and will take the necessary action to insure that expenditures will be used to on the Schedule of Federal Expenditures.

**2. Cash Basis of Accounting vs. Modified Accrual Basis of Accounting**

**Observation**

We performed various procedures on accrued payroll and accounts payable and noted that the County maintains two departments on a cash basis (Social Services and Child Support Services). These two departments are grant subsidized and maintain their accounting records on a cash basis to assist in reporting to the State of California. However, the County does not convert the cash basis accounting to modified accrual basis of accounting at the end of the year for reporting purposes.

**Recommendations**

The County should consider establishing procedures to convert the cash basis accounting to modified accrual basis of accounting to be in compliance with Generally Accepted Accounting Principles.

**Management Response**

We concur and will take action to insure that all subsidized departments report activity on the modified accrual basis of accounting for reporting purposes.

**3. Access to Electronic Signature**

**Observation**

A/P checks are printed with an electronic signature. The electronic signature is accessible to each A/P accountant. Therefore, any A/P accountant can print out a check with signature without an approval from anyone.

**Recommendations**

We recommend that the County implement controls over the signature plate to prevent unauthorized check printing. A/P clerks preparing checks should not have access to the electronic signatures.

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**Report to Board of Supervisors and Management, Continued**  
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**CONTROL DEFICIENCIES, Continued**

**3. Access to Electronic Signature, Continued**

**Management Response**

We agree that there is some lack of segregation of duties within the Accounts Payable process. Fiscal constraints do not allow the number of employees needed to provide preventive controls. However, we rely on detective controls not only by supervisory staff in the Department of Finance, but also the fiscal staff in individual departments that review all expenditures charged to their departments and bring questionable payments to our attention.

**4. Lack of Segregation of Duties in Payroll**

**Observation**

There is no segregation of duties in the payroll process. The Payroll Coordinator enters employee times to the payroll system and processes the payroll checks. There is no independent review of the Payroll Coordinator's work.

**Recommendations**

We recommend that the County either segregate the duties of time entry and payroll processing or have an independent review of the payroll process.

**Management Response**

We agree and are pursuing a system that will allow the data entry to be performed at the initiating departments. However, on September 24, 2007, we initiated a detective payroll review process for all departments to insure that each payroll is reviewed by each individual department.

**5. Inventory Segregation of Duties**

**Observation**

There is no segregation of duties for the inventory management in the Community Action Division. The Housing Rehabilitation Manager is the custodian of the inventory for the weatherization program, and he also approves the job work orders.

**Recommendations**

We recommend the County separate the duties of approving the job work orders and being a custodian of the inventory.

**Management Response**

We concur and this recommendation was implemented in September 2007.

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**Report to Board of Supervisors and Management, Continued**  
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**CONTROL DEFICIENCIES, Continued**

**6. Computer Controls - Disaster Recovery Plan**

**Observation**

The County does not have a written disaster recovery plan documenting how the County would restore computer operations and data in the case the system is damaged.

**Recommendations**

We recommend that the County have a written disaster recovery plan to facilitate smooth and quick restoration of the County's data base system with minimal disruption. Having a document in writing assures that the County can restore the system without being dependent on specific personnel.

**Management Response**

The County Information Systems Committee, working with the County's Information Technology consultant, is currently creating a disaster recovery plan that will address this concern.

**7. Computer Controls - Remote Access**

**Observation**

The County does not restrict remote access to the system from by software vendors.

**Recommendations**

We recommend that the County require outside vendors to contact the County and request access to the system only when necessary. This access should be terminated when the task is completed.

**Management Response**

We concur and instructed our Information Technology consultant to develop a process that will restrict access to the system by our vendors.

**8. Computer Controls - Server Security**

**Observation**

The County does not keep their computer servers in a secure location. The servers are located in a room with unrestricted access next to the vault and visible to the public through windows.

**Recommendations**

We recommend that the County consider providing a separate room or area for the servers that permits the ability to restrict access and protect them from malicious acts.

**Management Response**

The server was moved to a separate secured room on December 21, 2007.

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**CONTROL DEFICIENCIES, Continued**

**9. Computer Controls - Intrusion Security**

**Observation**

The County's computer system uses a passive intrusion notification system. It does not send out notification of intrusion at the time the intrusion occurs. The administrator has to make inquiries into the system to obtain intrusion information.

**Recommendations**

We recommend that the County consider implementing a report feature that sends notification to the administrator of any unauthorized access attempts.

**Management Response**

The County began implementation of an active intrusion notification system using the MARS program approximately in October 2007, to address this issue. The County's Information Technology consultant is currently finalizing this application.

**10. Fraud Policies and Procedures**

**Observation**

The County does not have formal written fraud policies and procedures. The policies and procedures would identify fraud risk areas and provide guidelines for the County's staff on communicating, preventing and deterring fraud on all levels.

**Recommendation**

We recommend that the County adopt and implement formal written fraud policies and procedures to ensure the County personnel are aware of fraud risk areas.

**Management Response**

A fraud policy was adopted as an addition to the Glenn County Administrative Manual by the Board of Supervisors at their meeting on January 3, 2008.