

COUNTY OF SUTTER



September 8, 2016

NATHAN M. BLACK, CPA

AUDITOR-CONTROLLER

Anita Dagan, Manager
Local Government Policy Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

Re: County of Sutter County Cost Allocation Plan Field Review Report for Fiscal Year Ended June 30, 2017

Dear Ms. Dagan,

I submit this letter in response to the findings and recommendations outlined in the County of Sutter County Cost Allocation Plan Field Review Report for Fiscal Year Ended June 30, 2017 issued on June 30, 2016.

Finding 1: Self-Insurance Program General Liability

The County agrees with the finding that the excess funds held at Trindel should be returned to the County and reimbursed to the County departments.

Corrective Action Plan:

My office was already aware of this issue and took proactive measures to address with county staff and Trindel. Since the county was already well into the next fiscal year at the time of the State Controller's audit, the excess cash had already been applied to next year premium estimate bringing the working capital balance back below the threshold.

Finding 2: Internal Service Funds (ISFs): Fleet and Information Technology Management

With all due respect, the County does not agree with the finding that only a portion of the depreciation charged to County departments by the ISFs is set aside for the replacement of assets. Upon further review of the financials it was determined that no depreciation has been set aside for future replacement of assets.

Corrective Action Plan:

My office will work with the County Administrator's Office, Fleet and Information Technology to verify that asset depreciation charged to County departments is properly set aside for future replacement of assets.

Finding 3: Internal Service Funds (ISFs) continued: Fleet and Information Technology Management

The County agrees with the finding that "Contributions from County" for Information Technology and Fleet are insufficiently supported. The County also agrees with the finding that the account "Designations for Future Appropriations" for the Fleet department are insufficiently supported.

Corrective Action Plan:

The County no longer has the journal entries that were recorded to set up the ISFs; Information Technology was formed as an ISF in fiscal year 2001/2002 and Fleet was formed as an ISF prior to fiscal year 1993/1994. From discussions with current management of both ISFs and further research, we believe the "Contributions from County" represented the net fixed asset adjusted basis at the time of the ISF/s formations, which transferred from the county to the newly formed ISFs. These equity accounts within each of the two ISFs have not had any activity since their inception year. Our office will prepare adjusting journal entries to transfer the equity balance from account "Contributions from County" to net assets during this fiscal year.

The "Designations for Future Appropriations" account for Fleet has been zeroed in fiscal year 2015/2016 and transferred back into the net asset equity account.

Please do not hesitate to contact our office if you have any questions or concerns. We look forward to working with you in the future and appreciate the time and effort expended in auditing our county.

Sincerely,



Nathan M. Black, CPA
Auditor-Controller

CC: Steve Smith, County Administrative Office
Megan Greve, General Services
Ken Sra, Information Technology Department

NMB:bb