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September 11, 2012

To: The Honorable Paul L. Beeman  
Presiding Judge

From: Supervisor Linda J. Seifert  
Chair, Board of Supervisors

Re: Responses to FY2011/2012 Solano County Grand Jury Report titled, "Petty Cash Funds"

The Honorable Judge Beeman:

Pursuant to Penal Code sections 933(c) and 933.05, the Solano County Board of Supervisors responds to the findings and recommendations contained in the FY2011/12 Grand Jury Report released on July 12, 2012 concerning Petty Cash Fund accounts managed by Solano County departments.

**Finding 1**

*County petty cash records were not accurate. Specifically, County records showed petty cash valued at \$11,320, whereas the Grand Jury identified \$9,870. In addition, the Grand Jury identified several petty cash custodians who differed from the custodian of record.*

**Response to Finding 1**

**Auditor-Controller:** The Auditor's Office agrees with the finding.

**Board of Supervisors:** The Board agrees with the finding.

**Recommendation 1**

*Auditor-Controller identify and correct errors or discrepancies within County petty cash records.*

**Response to Recommendation 1**

**Auditor-Controller:** The recommendation has been implemented. Four departments reported to the Grand Jury amounts that differed from the amounts reported in the County's Financial Accounting System (IFAS). The total variance was \$1,450 from District Attorney, Health and Social Services, Information Technology, and the Sheriff. We have worked with the four departments to ensure the amounts on hand are reconciled to the amounts reported in IFAS.

**Board of Supervisors:** The recommendation has been implemented as set forth in the response by the Auditor-Controller.

**Finding 2**

*Petty cash funds within the Department of Health and Social Services exceeded \$3000 without the required approval by the Board of Supervisors.*

### **Response to Finding 2**

**County Administrator:** The County Administrator's Office disagrees wholly with the finding. On May 6, 2003 the Board of Supervisors approved the transfer of the Public Administrator function from the Sheriff/Coroner to the Department of Health and Social Services. Therefore, the Petty Cash/Revolving fund was part of the Board approved operational transfer of the Public Administrator.

**Board of Supervisors:** The Board disagrees wholly with the finding as set forth in the response by the County Administrator.

### **Recommendation 2**

*County Administrator either obtain approval by the Board of Supervisors for the petty cash funds in the Department of Health and Social Services or direct the department head to reduce the value of the funds to bring them in compliance with County Policy.*

### **Response to Recommendation 2**

**County Administrator:** This recommendation will not be implemented because it is not warranted, as described in the response to Finding 2.

**Board of Supervisors:** The recommendation will not be implemented because it is not warranted, as set forth by the County Administrator in the response to Finding 2.

### **Finding 3**

*The County had approximately \$10,000 in petty cash funds that, in large part, was not used and was sitting idle.*

### **Response to Finding 3**

**County Administrator:** The County Administrator agrees with the finding in that it is appropriate to conduct a review of the petty cash funds to ensure the amounts are adequate and necessary.

**Board of Supervisors:** The Board partially agrees with the finding as set forth in the response by the County Administrator.

### **Recommendation 3**

*County Administrator direct heads of departments and offices with little or no petty cash activity to coordinate with the Auditor-Controller to reduce or abolish the fund(s) and return the cash to the Treasury.*

### **Response to Recommendation 3**

**County Administrator:** The recommendation is being implemented and will be complete by December 2012. The Auditor's Office has begun working to confirm the need for the petty cash with each of the County Departments. Some departments have already closed or reduced their petty cash amounts.

**Board of Supervisors:** The recommendation will be implemented as set forth in the response by the County Administrator.

### **Finding 4**

*Not all petty cash custodians had completed the Auditor's self-assessment for cash controls. Specifically, 6 of 12 department/office heads reported that the self-assessment had not been accomplished.*

### **Response to Finding 4**

**Auditor-Controller:** The Auditor's Office agrees with the finding.

**Board of Supervisors:** The Board agrees with the finding.

**Recommendation 4**

*Auditor-Controller require that the self-assessment for cash controls be completed by all departments/offices with petty cash funds.*

**Response to Recommendation 4**

**Auditor-Controller:** This recommendation requires further analysis. The control self-assessment program is in its infancy and is not yet required. We are currently evaluating the program and how best to roll it out countywide to all departments. It is anticipated that the control self-assessment will be required in the near future.

**Board of Supervisors:** The recommendation requires further analysis as set forth in the response by the Auditor-Controller. The Board encourages the Auditor-Controller to implement programs that assist departments in maintaining internal controls over processes.

**Finding 5**

*Petty Cash funds had not been audited in at least three years.*

**Response to Finding 5**

**Auditor Controller:** The Auditor's Office agrees with the finding. However, it should be noted that the accounting standard for determining the frequency of audits is based on an overall risk assessment. Due to limited audit resources, an overall countywide risk assessment and the total amount of the countywide petty cash of \$11,320 reported in the County's Financial Information System, an annual audit is not cost effective.

**Board of Supervisors:** The Board agrees with the finding, but concurs with the prudent use of staffing resources as articulated by the Auditor-Controller.

**Recommendation 5**

*Auditor-Controller develop and apply an audit program designed to oversee all County petty cash funds.*

**Response to Finding/Recommendation 5**

**Auditor-Controller:** This recommendation will not be implemented because it is not warranted. In place of an audit program, the Auditor's Office has created and implemented the submission of an annual verification form for the imprest petty cash funds. This form will annually validate and reconcile the amount of the petty cash fund and the custodian of record.

**Board of Supervisors:** This recommendation will not be implemented because it is not warranted, as set forth in the response by the Auditor-Controller. The Board commends the Auditor-Controller for addressing the concerns of the Grand Jury with a measured response commensurate with the risk assessment.

Respectfully submitted,



Linda J. Seifert, Chair  
Solano County Board of Supervisors