

Management Letter  
For Fiscal Year Ended June 30, 2019  
**County of Solano, California**



To the Board of Supervisors  
County of Solano, California

In planning and performing our audit of the financial statements of the County of Solano, California (County), as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, 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.

During our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses that are opportunities for strengthening internal controls and operating efficiency. The observations and recommendations are summarized below. This letter does not affect our report dated December 18, 2019, on the financial statements of the County.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

## **CURRENT YEAR OBSERVATIONS AND RECOMMENDATIONS**

### **Purchase Authorization**

#### **OBSERVATION:**

During our testing of the internal controls related to procurement of goods and services, we identified one instance in which a purchase of materials and supplies exceeding \$7,501, requiring the County Administrator's approval was not approved by the appropriate level of authority in accordance with the County's purchasing policy. We also noted for this instance that the price comparison required by section 1.1.11(A)(4)(h)(1) of the County's purchasing policy was not documented.

#### **RECOMMENDATION:**

We recommend that the County strengthen its policies and procedures to ensure that procurements are performed and documented in accordance with the County's procurement policy. We also recommend that the County require departments to document price comparisons when required by the County's purchasing policy.

#### **MANAGEMENT'S RESPONSE:**

The Registrar of Voters has reviewed its procedures and discussed with the County Administrator's office as of August of 2019 to ensure the county purchasing policy is being followed including the allowances provided for election supplies and materials.

## **Solano County Fair**

### **OBSERVATION:**

During our audit of the Solano County Fair (Fair), we found that the Fair was unable make a required debt service payment to the County for its proportionate share of the pension obligation bond debt service for the fiscal year ended June 30, 2019. Based on our inquiries with management, this was due to insufficient cash held by the Fair in order to make the required payment.

### **RECOMMENDATION:**

We recommend that management conduct an analysis of the financial condition of the Fair to determine whether the Fair has sufficient resources to meet its obligations when they become due.

### **MANAGEMENT'S RESPONSE:**

The Solano County Fair Board and management have been reviewing the Fair's financial condition on a regular basis. It should be noted the Fair Board and County agreed on the rate for the pension bonds and the Fair has been paying the agreed-upon rate. We are reviewing the rate with the County and will address this in the new agreement with the County.

## **Journal Entry Review**

### **OBSERVATION:**

During our audit, we identified instances in which the entry of a journal entry did not have evidence of review by an individual other than the individual entering the journal entry into OneSolution. Proper segregation of duties provides for a system of checks and balances such that the function of one employee are subject to review through the performance of the interrelated functions of another employee with the appropriate skills, knowledge, and experience to identify errors or improper transactions.

### **RECOMMENDATION:**

We recommend that the County strengthen its policies and procedures related to the entry of journal entries to ensure that all entries are subject to review by an individual other than the individual entering the entry into OneSolution.

### **MANAGEMENT'S RESPONSE:**

The Auditor-Controller's Office believes the current process has a system in place for checks & balances and provides sufficient controls to identify errors and improper transactions such that all entries are subject to review by an individual other than the individual entering the transactions. In addition, the County departments perform a review of accounting transactions on a monthly basis. We will update our policy to reaffirm in our monthly communication to the departments to review the monthly reports and report any issues to us.

## **PRIOR YEAR MANAGEMENT LETTER COMMENTS**

### **Removing active directory accounts for terminated employees**

Status: Corrected.

### **Segregation of duties – cash receipts**

Status: Corrected.

### **Authorizing employee status changes/action**

Status: Corrected.

### **Authorizing timesheets**

Status: Corrected.

**NEW FINANCIAL REPORTING STANDARDS  
INFORMATIONAL ONLY**

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT No. 84**

**GASB Statement No. 84** – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2018.

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT No. 87**

**GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. This Statement is effective for reporting periods beginning after December 15, 2019.

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT No. 89**

**GASB Statement No. 89** – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement is effective for reporting periods beginning after December 15, 2019.

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT No. 90**

**GASB Statement No. 90** – In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is to improve the consistency and comparability of a reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for reporting periods beginning after December 15, 2018.

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT No. 91**

**GASB Statement No. 91** – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement is effective for reporting periods beginning after December 15, 2020.

\*\*\*\*\*

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore, may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the County gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sacramento, California  
December 18, 2019