



Ben Lamera, Director of Finance  
County of Sacramento,  
Sacramento, California

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Sacramento, California (County), as of and for the fiscal year ended June 30, 2020, 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 our auditing procedures for the purpose of expressing our opinions 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 County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated November 24, 2020 on the financial statements of the County. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Our comments are summarized as follows:

## **COMPASS**

Comment: The County's general ledger system (COMPASS) contains several accounts where transactional detail for the current year includes activity dating to the system's implementation (1998/99). Additionally, departments use general ledger accounts inconsistently, which results in the Department of Finance preparing numerous manual journal entries in the Caseware system for financial statement presentation. This was noted in the intergovernmental receivables account, where substantially all of the due from other governments balance was manually reclassified in Caseware.

Recommendation: The County should consider developing a process to close out transactional detail that is outdated and develop processes for use of general ledger accounts and recording of transactions for the County departments to consistently follow.

Management Response: The Department of Finance sent out a correspondence to County departments regarding the importance of clearing open items in COMPASS. Departments have started the process of cleaning up the clearing of GL accounts. Also, the Department of Finance submitted a request with the Department of Technology to see if there is a way to streamline this process and improve the Countywide auto-clearing process. This request is still pending.

## **Solid Waste Accounts Receivable Write-off and Allowance**

Comment: The Solid Waste Department's accounts receivable aging for the commercial disposal account includes many small receivable balances, which are older than a year. The Solid Waste Department's allowance criteria are not documented, are very subjective to management's assessment of customers' accounts, and not applied consistently.

Recommendation: The Solid Waste Department should develop a formal policy for establishing an allowance and periodically review and write-off the past due receivables, which are not expected to be collected.

Management Response: The Solid Waste Department acknowledges the need for a formal policy outlining criteria for establishing an allowance as well as the need to periodically review and write off past due receivables, which are not expected to be collected. Management is committed to devoting the resources to develop the necessary policy and procedures to standardize our processes in this area.

## **Airports' Cash Flow Statement**

Comment: During the review of the workbook supporting the Airports' cash flows statement, it was noted that many amounts were hardcoded without explanations instead of being linked to changes in the statement of net position reported amounts, resulting in a tedious review process and significant review time. One such hardcoded amount was communicated as being a plug in order to get the cash flows statement to balance. Furthermore, several rounding errors were noted due to Airports not using the reported rounded amounts in its workbook.

Recommendation: Airports should support the underlying cash flows statement amounts by linking them to changes in the reported rounded statement of net position amounts from the prior year including the current year operating statement. If prepared correctly, there should be no plugs or rounding errors.

Management Response: We agree with the auditors' comment regarding the hardcoded amounts, however we also believe all these amounts were adequately supported during the course of the audit. We also agree with the rounding issues when preparing the cash flows for CAFR purposes.

In the future, to streamline the audit process, we will create reports for each of the balance sheet items we include in the cash flows report. To eliminate the rounding issues, we will prepare two sets of financial reports, one expressed in dollars for internal use and one expressed in thousands for the County CAFR and audit purpose.

We believe that the implementation of these recommendations will provide the County with a stronger system of internal control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you at your convenience.

This communication is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this specified party.

*Macias Gini & O'Connell LLP*

Sacramento, California  
November 24, 2020