

misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below as 2016-1 through 2016-3 and 2016-6 through 2016-8 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below as 2016-4 and 2016-5 to be a significant deficiencies.

2016-1 Financial reporting process is inadequate for recording the activity in the County's agency funds and certain special revenue funds

The County has several agency funds and special revenue funds for which a trial balance summarizing the annual activity and year end balances is not maintained. Accurate trial balances are needed on these funds in order for them to be properly included in the County's financial statements. Also, the amounts due from agency funds need to be recorded properly in the general ledger of the general fund and other appropriate fund at year end.

County response: We concur with this finding, and we will consult with our auditors on developing the appropriate procedures to prepare accurate trial balances at year end for our agency funds and special revenue funds not maintained on our computerized accounting system.

2016-2 Recording of year end accruals for the financial statements

The County's procedures to make sure all year end accruals such as receivables, accounts payable, prepaid items and deferred revenue are included in the financial statements are inadequate. Many of the adjusting journal entries needed to record these accruals were material to the County's financial statements.

County response: We concur with these findings, and we will implement procedures to make sure all accruals are included in the year end financial statements.

2016-3 Recording the activity of cash accounts by other departments

County has some cash accounts that are reported in the general fund which are maintained by other departments. The activity for these accounts is not being properly recorded in the general fund. We recommend that the activity for the Sheriff's bond fee account, DARE account, and jail petty cash account be submitted to the County's accounting department on a monthly basis to be recorded in the general fund on a timely basis.

County response: We concur with this finding, and we will request that the activity for these cash accounts be submitted to the County's accounting department on a monthly basis to be recorded in the general fund.

2016-4 Accounting for capital leases

During our audit we noted new capital leases for \$100,000 for road equipment that were not recorded in the County's financial statements. Also, the budget was not amended to reflect the new capital leases entered into during the year. At the inception of capital leases at the governmental fund

reporting level, expenditures and an other financing source called “proceeds from capital leases” of an equal amount should be recorded at the net present value of the future minimum lease payments.

County response: We concur with this finding, and we will implement procedures to make sure that as new capital leases are entered into, a copy of the lease agreement is forwarded to the County Clerk who will be responsible for recording the capital lease in the County’s accounting records.

2016-5 Accounting for capital assets

We noted that the County does not have a process to accumulate information on additions and disposals to capital assets and has not designated a person to be responsible for maintaining capital asset records. The County should have procedures in place that require each department and/or accounts payable personnel to forward any information to the designated person responsible for maintaining capital assets records. The information accumulated on additions and disposals should be provided to the auditors after the County’s fiscal year end.

County response: We concur with this finding, and we will implement procedures requiring each department to forward any information on capital purchases and disposals to the person responsible for maintaining the capital assets records.

2016-6 Interfund balances and transfers

We noted that several interfund balances and transfers were not reconciled for the year ended September 30, 2016 resulting in adjusting journal entries that were material to the County’s financial statements. Interfund balances and transfers should be reconciled on a monthly basis.

County response: We concur with this finding, and we will begin reconciling interfund balances and transfers on a monthly basis.

2016-7 Bank reconciliations

During our audit, we noted that monthly bank reconciliations are not being properly reconciled to the general ledger. Listings of reconciling items such as deposits in transit and outstanding checks were not available with the monthly bank reconciliations. Adjusting journal entries were required to properly state cash balances at September 30, 2016. We recommend that the bank reconciliation process be improved and that the bank reconciliations be reviewed for accuracy and completeness on a monthly basis by a designated individual. This individual should review the bank statement and all related documents to ensure that the bank reconciliations are prepared properly, reconciled to the general ledger, and that all activity appears reasonable.

County response: We concur with this finding, and we will implement procedures to prepare accurate bank reconciliations on a monthly basis. We will also designate an appropriate individual to review and approve the monthly bank reconciliations.

2016-8 Tax Commissioner Office Accounting

In our audit of the Tax Commissioner office’s receipts and disbursements for the year ended September 30, 2016, we noted some unreconciled differences and a shortage in the amount of bank deposits compared to amounts receipted in the accounting records. The Tax Commissioner office should be able to provide a summary trial balance of cash on hand, amounts due to various entities,