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October 31, 2007

TO: Board of Supervisors

FROM: Craig Hufford, Financial Management Supervisor
Pat Reynolds, Budget Coordinator
Wes Rostenbach, Accounting and Tax Manager
C. Ray Wierson, County Administrator

SUBJ: Quarterly Status Report from the Financial Review Committee on Various Financial Management Improvements – September 2007

The Financial Review Committee (FRC) consisting of Craig Hufford, Financial Management Supervisor in the Treasurer's Office, Pat Reynolds, Budget Coordinator, Wes Rostenbach, Accounting and Tax Manager in the Auditor's Office, and C. Ray Wierson, County Administrator reports quarterly to the Board on the status of various financial management improvements.

Attached to this memo are the following status reports:

- FY2005-06 Audit Management Letter Comments

Please contact us should you have any questions regarding this memo or the attached status report.

Attachment

cc: All County Departments and Offices
McGladrey & Pullen, LLP

**2005-06 MANAGEMENT LETTER COMMENTS
December 2006**

SUBJECT	RESPONSIBILITY	TIMEFRAME
<p>1. Comment: The purchasing card and accounts payable system are two separate systems for processing expenditures that are unable to communicate with each other. It is possible that a charge could be paid twice out of each system resulting in a duplicate expenditure. Currently, the County does not have a process in place to avoid double payments occurring but instead has to rely on the vendors notifying the County of the overpayment and/or the departmental claims clerks to catch the error.</p> <p>Recommendation: As each department prepared the accounts payable vouchers and the purchasing card reconciliations, we recommend the department develop a method for comparing these two items to avoid duplication. We would also recommend the County investigate the ability to have the two systems communicate with each other through a common identifier.</p> <p>Current Status: The testing between the Accounts Payable System and the Purchasing Card System has been completed. The training will start early December.</p>	Administration/FSS/IT	December 2007
<p>2. Comment: During our testing of major programs we noted the County did not remit interest earned on federal funds for the HAVA equipment grant to the necessary federal agency as required by the OMB Circular A-133. The interest that had been earned on these funds as of June 30, 2006 was less than \$10,000; however, as of the date of this report the County still held the federal funds which continued to earn interest.</p> <p>Recommendation: We recommend the County report and remit the interest earned on federal funds as required by OMB Circular A-133.</p> <p>Current Status: It has been determined by State officials that Scott County can keep the interest on the HAVA grant. Completed.</p>	Administration/FSS	August 2007
<p>3. Comment: The County is required to prepare a Schedule of Expenditures of Federal Awards (SEFA). This schedule should include the federal grantor agency, the pass-through entity if applicable, the name of the grant, the pass-through entity's identifying number, the CFDA number and the amount of federal expenditures. When testing the County's SEFA we noted several incorrect CFDA numbers. Incorrect CFDA numbers could result in the incorrect selection and testing of major programs.</p> <p>Recommendation: We recommend the County implement a procedure in their preparation of the SEFA that includes a review of current grant documentation to ensure the number is correct.</p>	Administration	August 2007

2005-06 MANAGEMENT LETTER COMMENTS
December 2006

SUBJECT	RESPONSIBILITY	TIMEFRAME
<p>In addition we also recommend the County designate an individual who will be responsible for the consolidation and review of the schedule.</p> <p>Current Status: Completed.</p> <p>4. Comment: American Institute of Certified Public Accountants has issued Statement on Auditing Standards (SAS) No 112, <i>Communicating Internal Control Related Matters Identified in an Audit</i>, which supersedes SAS No 60. This Statement will be applicable for the County's fiscal year ending June 30, 2007. This Statement establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting identified in an audit of financial statements. The Statement also defines the terms significant deficiency and material weakness. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America. The Statement gives examples of items that would be considered significant deficiencies; these examples include:</p> <ul style="list-style-type: none"> • Controls over the selection and application of accounting principles that are in conformity with accounting principles generally accepted in the United States of America. • Controls over the period-end financial reporting process, including controls over procedures used to enter transaction totals into the general ledger, initiate, authorize, record and process journal entries into the general ledger, and record recurring and nonrecurring adjustments to the financial statements. <p>Recommendation: We recommend the County post all adjustments prior to the audit to ensure those adjustments would not result in a significant deficiency and material weakness under the new standard.</p> <p>Current Status: Completed.</p>	<p>Administration/Auditor/ Treasurer</p>	<p>September 2007</p>