



Management Letter
For the Year Ended June 30, 2019
County of Sonoma, California



CPAs & BUSINESS ADVISORS

To the Board of Supervisors
County of Sonoma, California

We have audited the basic financial statements of the County of Sonoma (the County) for the year ended June 30, 2019 and have issued our report thereon dated December 10, 2019. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These observations and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

PRIOR YEAR MANAGEMENT LETTER COMMENTS

FRAUD HOTLINE

OBSERVATION:

It was noted that the County does not maintain a formalized fraud prevention program. Further, based on inquiry of personnel, there is no formalized mechanism to report suspected incidents or allegations of improper acts.

RECOMMENDATION:

Given the size of the County and complexity of its operations, we recommend that the County develop and appropriately staff a formalized fraud prevention program. This program could include formal procedures/policies for the reporting of allegations, a fraud hotline and/or contracted assistance for the intake of information.

MANAGEMENT'S RESPONSE:

Management has established a formal committee to implement the Sonoma County Fraud Hotline. The committee has reviewed hotline best practices including processing protocol, confidentiality, and the use of an independent provider. The Sonoma County Fraud Hotline implementation originally scheduled for June 2020 is delayed due to the current COVID-19 emergency. Management believes the Sonoma County Fraud hotline will provide an appropriate mechanism for reporting suspected incidents or allegations of improper acts. The County's Administrative Policy (8-1) for Investigations of Alleged Inappropriate Activities by Employees including Fraud, Theft, and Misuse of County Property will also be updated as necessary in conjunction with decisions reached by the committee.

CURRENT YEAR MANAGEMENT LETTER COMMENTS

FAIR MARKET CALCULATION

OBSERVATION:

It was noted that the fair market adjustment recorded at year end to present the balance of cash and investments in the financial statements at fair market value was inaccurately calculated. This caused an immaterial overstatement of cash and investments at June 30, 2019 in the financial statements.

RECOMMENDATION:

We recommend that management implement policies and procedures to ensure that the fair market value calculations are properly calculated and recorded.

MANAGEMENT'S RESPONSE:

Management is in the process of improving documented procedures for the calculation of unrealized fair market value gains and losses as reported in the County's investment software. Additionally, an analytical review step will be implemented to identify and examine unexpected variances. Fair value adjustments will not be posted unless variances are within expectations or explained through follow up procedures. Management believes these additional measures will ensure that the fair market value calculations are properly calculated and recorded.

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 organization and should not be used by anyone other than these specified parties.



Rancho Cucamonga, California
December 10, 2019