

**INDEPENDENT AUDITOR'S MANAGEMENT LETTER**

The Board of Supervisors and  
the Grand Jury  
County of Sierra  
Downieville, California

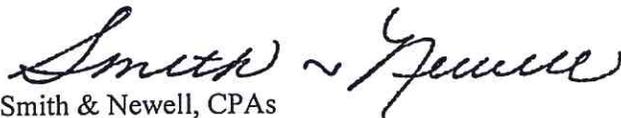
In planning and performing our audit of the financial statements of the County of Sierra, (County) as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, 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 an 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 noted certain matters involving internal control and other operational matters that are presented for your consideration. These management letter findings 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 described in the attached Appendix A. The attached Appendix B contains the status of prior year findings. The attached Appendix C contains management's corrective action plan for the current year findings and recommendations.

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. It is our intention to use our knowledge of the County gained during our work to make comments and suggestions that will be useful to you.

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

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



Smith & Newell, CPAs  
Yuba City, California  
January 4, 2017

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**COUNTY OF SIERRA**  
**Appendix A: Management Letter Findings and Recommendations**  
**For the Fiscal Year Ended June 30, 2016**

**CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

**Inventory**

**Condition**

At the time of our fieldwork we noted that the quantity listed on the inventory count sheet for four out of twenty five inventory items selected for testing did not agree to the actual amount on hand.

**Cause**

Inventory items on hand at June 30 are not correctly recorded on the inventory count sheet.

**Criteria**

Good internal control requires that inventory items on hand be counted and correctly recorded on the inventory count sheet and the general ledger.

**Effect of Condition**

Even though the projected misstatement is immaterial, 16 percent of items selected to test did not agree at June 30, 2016.

**Recommendation**

We recommend that the County ensure that actual inventory items on hand at June 30 agree to the inventory count sheet.

**COUNTY OF SIERRA**  
**Appendix B: Status of Prior Year Recommendations**  
**For the Fiscal Year Ended June 30, 2016**

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**Reconciliation of Payroll Liabilities**

**Prior Year Recommendation**

We recommend that the County ensure that actual inventory items on hand at June 30 agree to the inventory count sheet.

**Status**

Not Implemented

**COUNTY OF SIERRA**  
**Appendix C: Management's Corrective Action Plan**  
**For the Fiscal Year Ended June 30, 2016**

**Inventory**

We recommend that the County ensure that actual inventory items on hand at June 30 agree to the inventory count sheet.

Responsible Individual:           Tim Beals

Corrective Action Plan:           The Department has implemented a procedure that every June 30<sup>th</sup>, the inventory in the Road Shop will be counted and properly adjusted to the written records. Any adjustment will be conveyed immediately to the Auditors office.

Anticipated Completion Date:   October 3, 2016

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