

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Joanne McDonald, Deputy Director Auditor-Controller **Date:** March 15, 2011
From: Barbara Beatty
Subject: **NON-INVESTMENT WIRE TRANSFER CONTROL ISSUE ARISING FROM AUDIT OF THE STATEMENT OF MONEY IN COUNTY TREASURY AS OF JUNE 30, 2010**

The Auditor-Controller's Office, in accordance with Government Code Section 26920, has audited the Statement of Money in County Treasury ("Statement"), as of June 30, 2010, and has issued our report thereon dated January 28, 2011. During our audit, we noted certain matters involving the Auditor-Controller's non-investment wire transfer controls that are presented for your consideration.

BACKGROUND

The Auditor-Controller's Financial Reporting Division provides general accounting functions to all departments and agencies whose funds are maintained in the County Treasury. The Financial Reporting Division's Trust Section ("Trust Section" or "Trust") performs daily, monthly, and year-end reconciliations of Auditor-Controller to Treasury records. Further, in accordance with Government Code Section 27005, all non-investment wire transfers are approved by the Auditor-Controller's Financial Reporting Division prior to being forwarded to Treasury for processing.

Trust uses the "Authorized Signatures for Wire Transfers" ("ASWT") form to verify information on the "Wire Transfer Request" form, such as authorized signatures and receiving bank information. The ASWT form is completed by the requesting departments/entities, approved by the department/entity head, and filed with the Auditor-Controller. The ASWT form lists the bank accounts permitted to receive wired money, department personnel authorized to request wire transfers, and required number of authorized signatures on the Wire Transfer Request form.

SCOPE

Our overall objective was to determine whether the Statement presented fairly the cash and investments deposited with the Treasurer. In planning and performing our audit, we considered internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. We have not considered internal control since the date of our report. This letter does not affect our report, dated January 28, 2011, on the Statement.

Our audit was conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. In connection with the audit, certain disclosures are necessary pursuant to *Government Auditing Standards*. During our audit of the Statement, we evaluated the Trust Section's internal controls over wire transfers. These activities, in themselves, necessarily impair *Government Auditing Standards'* independence standards. Specifically, "audit

organizations must not audit their own work” and must be “located organizationally outside the staff or line-management function of the unit under audit.” Although the Internal Audit Division and Trust Section reside in the Auditor-Controller’s Office, we believe that the following safeguards and division of responsibility exist. The Internal Audit staff, having the responsibility to perform audits, resides in a stand-alone division of the Auditor-Controller’s Office and has no other responsibility of the accounts and records being audited. Therefore, the reader of this report can rely on the information contained herein.

FINDINGS

During our audit, we identified an opportunity to strengthen internal controls over authorization of non-investment wire transfers. Following are details of the area where improvement was needed. Trust management initiated corrective action during the audit as noted.

Completion of ASWT Forms. ASWT forms on file with Trust were not always fully completed. The Auditor-Controller’s Desk Procedure on *Wire Transfers* states: “Incomplete or improperly completed ASWT forms will be returned and may result in delay or non-approval of wire transfer requests.” However, two (22%) of the nine ASWT forms reviewed did not indicate the number of authorized signatures required for wire transfer requests. Consequently, the Trust Section assumed that only one authorized signature was required for the wire transfer based on past experience when that may not have been the case. Four (13%) of the 30 wire transfers tested were processed based on this assumption. Missing or incomplete information on ASWT forms prevents consistent application of verification procedures and may allow individuals to circumvent internal controls.

Management Action. Trust management stated:

“It should be noted that the block in question on the ASWT is not qualified by verbiage noting a value of ‘1 or more’ must be present and that the authorizing entity’s signature denotes reasonable presumption as to the validity of one signor on the Wire Transfer Request.

“However, we agree that all sections on the ASWT should be completed. Wire transfer procedures clearly state that all fields on the ASWT form must be completed and that incomplete forms will be returned. The ASWT will be modified to include a check box or verbiage denoting ‘1 or more’ must be entered in the space provided for the box in question. Trust Section staff has been instructed to review for the completion of all fields.”

AUDITOR’S EVALUATION OF MANAGEMENT ACTION

We believe that management’s planned corrective action was responsive to the audit finding. Corrective action is planned to be completed by April 29, 2011.

We appreciate the cooperation and assistance extended by you and your staff during this audit.

cc: Honorable Linda Parks, Chair, Board of Supervisors
Honorable John C. Zaragoza, Vice Chair, Board of Supervisors
Honorable Steve Bennett, Board of Supervisors
Honorable Kathy Long, Board of Supervisors
Honorable Peter C. Foy, Board of Supervisors
Honorable Steven Hintz, Treasurer-Tax Collector
Honorable Christine L. Cohen, Auditor-Controller
Marty Robinson, County Executive Officer