

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Honorable Steven Hintz, Treasurer-Tax Collector **Date:** March 26, 2013
From: Christine L. Cohen *CLC*
Subject: **FOLLOW-UP OF DEFICIENCY IN INTERNAL CONTROL DETECTED DURING THE
AUDIT OF THE STATEMENT OF MONEY IN COUNTY TREASURY AS OF JUNE 30, 2011**

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 29, 2012, and has issued our report thereon dated February 12, 2013.

During our previous audit of the Statement as of June 30, 2011, we issued a separate report to Treasury management dated February 7, 2012. This report identified improvements needed to Treasury's controls over bank accounts. The results of our follow-up audit procedures are summarized below.

BACKGROUND

The County Treasury is the depository for the County, school district, and special district funds. The Treasury holds the assets of the school and special districts in a fiduciary capacity and as such these assets are not available for the general use of the County. The assets in County Treasury are generally comprised of change funds, deposits on demand, and balances of the various investment instruments held in custody of the bank. The Treasury handles all banking functions, including processing of deposits, payment of County checks, and investment of funds.

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 February 12, 2013, on the Statement.

In addition, we performed follow-up audit procedures to determine whether corrective action was taken to address an issue noted in our prior report addressed to Treasury management dated February 7, 2012.

Except as discussed in this paragraph, 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*. As required by various statutes within the California Government Code,

county auditor-controllers are mandated to perform certain accounting, auditing, and financial reporting functions. These activities, in themselves, necessarily impair *Government Auditing Standards'* independence standards. Specifically, "audit organizations must not audit their own work or provide nonaudit services in situations in which the nonaudit services are significant or material to the subject matter of the audits." Although the Office of Auditor-Controller is statutorily obligated to maintain the accounts of departments, districts, or funds that are contained within the County Treasury, we believe that the following safeguards and division of responsibility exist. The Ventura County Auditor-Controller is an elected official and, as such, is independent from the County's management structure. Also, 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 found that sufficient corrective action had not been taken to address concerns related to authorization of new users for bank accounts noted in our prior report dated February 7, 2012. Following are details of the area where improvement was needed. Treasury management initiated corrective action as noted.

Improper Authorization of Bank Signature Cards. The Treasurer-Tax Collector did not implement corrective action to ensure authorization procedures were sufficient for addition of new Treasury signatories to bank accounts. Specifically, we had previously found that the Treasurer authorized new bank signature cards although proper authority to do so had not been formally established with the bank. In response to our finding, Treasury management had planned to prepare a "change-in-leadership" file consisting of a series of checklist items, one of which to address bank signature card authorizations, to be completed during a change in management. Although Treasury planned to have addressed the issue by June 2012, as of January 2013 no new "change-in-leadership" file had been created. While we noted no changes in Treasury management during the fiscal year under review, we are aware of the retirement of two significant Treasury management personnel as of Treasury's management representation letter dated February 12, 2013. Therefore, Treasury management needed to ensure sufficient procedures were in place to mitigate the County's exposure to risk.

Management Action. Treasury management stated: "Since I mistakenly added myself as a signatory to the bank accounts when I took office in 2011, no new signatories have been added. None will be added until I hire an assistant treasurer-tax collector sometime this summer. One of the first duties of the new assistant will be to prepare a comprehensive 3P (Policies, Procedures and Practices) Manual which will contain a specific admonition that T-TC staff shall not add themselves to any account. I am hopeful that the assistant will be in place by 1 July and that the Treasury part of the 3P Manual will be completed by 1 October."

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 October 1, 2013.

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

cc: Honorable Peter C. Foy, Chair, Board of Supervisors
Honorable Steve Bennett, Vice Chair, Board of Supervisors
Honorable Linda Parks, Board of Supervisors
Honorable Kathy Long, Board of Supervisors
Honorable John C. Zaragoza, Board of Supervisors
Michael Powers, County Executive Officer