

COUNTY OF VENTURA
MANAGEMENT LETTER
FOR THE YEAR ENDED JUNE 30, 2016



To the Board of Supervisors
County of Ventura, California

In planning and performing our audit of the basic financial statements of the County of Ventura (County) as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

We have previously reported on the County's internal control in our report dated February 13, 2017, in accordance with *Government Auditing Standards*. This letter does not affect our report dated February 13, 2017, on the financial statements of the County.

During our audit we noted certain matters involving internal control or operations 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 on the accompanying pages.

CURRENT YEAR MANAGEMENT LETTER OBSERVATIONS

YEAR-END CLOSING

Observation:

For certain governmental revenues, the County maintains a period of availability of six months. For amounts earned as of June 30 but not collected within six months, the County should defer revenue recognition until the subsequent fiscal year. During our testing of year-end receivables, we proposed adjustments to properly defer revenue recognition on amounts received after the County's six month period of availability in the General Fund, Roads Fund, and Fire Protection District. At the time of the County's year-end closing, these amounts had been accrued and collection was estimated to occur within 6 months.

Additionally, during our testing of year-end procedures over net position, we proposed an adjustment to properly reclassify the net investment in capital assets (component of net position) for governmental activities as of June 30.

Recommendation:

We recommend that the County review its year-end closing procedures over unavailable revenue/revenue recognition and consider implementing a "look back" procedure to compare prior estimates of certain governmental revenues, subject to the period of availability, to the timing of cash collections to determine the accuracy of the estimation process. Additionally, we recommend that the County strengthen its year-end closing procedures over net position classifications.

Management Response:

Auditor-Controller management has reviewed the County's year-end closing procedures. Additional training will be provided to County departments and Auditor-Controller staff regarding the proper reporting of governmental fund revenues received before and after the six month availability period. Auditor-Controller staff will also conduct additional monitoring and review of revenues, including a "look-back" procedure to compare prior estimates to the timing of cash collected to ensure the accuracy of the estimates for proper financial statement reporting.

Finally, the Auditor-Controller's Office will perform additional monitoring and review to ensure the proper classification of net investment of capital assets, thereby strengthening the year end close procedures over net position classifications.

CONTROLS OVER PAYROLL

Observation:

The County's policies and procedures require payroll hours incurred to be properly authorized by the employee's supervisor. If the employee's supervisor is unavailable to approve a timecard, the timecard is auto-locked by HR in order to process payroll. For those timecards that are auto-locked without the supervisor's approval, each decentralized department's payroll clerk sends out an email reminding the supervisor to approve the hours in order to evidence proper approval. The County Auditor-Controller's Office payroll team implemented additional procedures to ensure that payroll hours are properly authorized by the employee's supervisor including requiring departments to conduct subsequent reviews to ensure hours are recorded correctly. While most departments have been diligent in reviewing and approving entries, other departments are behind in conducting these reviews. Further, our payroll testing noted exceptions in which the evidence of the supervisor's approval of the employee's hours was not obtained.

Recommendation:

We recommend that the County continue to modify and/or strengthen its current policies and procedures to ensure that timecards consistently document evidence of supervisor approval in accordance with County policies and procedures. The procedures should also address the compensating controls for circumstances where obtaining the employee or supervisor signature is not possible.

Management Response:

To ensure the supervisor approval of employee timecard procedures are followed, the Auditor-Controller will produce a Countywide "Auto Lockdown by Budget Unit" audit report each bi-weekly pay period, notify the Payroll Supervisor when a violation of policy has occurred, and instruct the Payroll Supervisor on proper reporting and correction techniques. Items which remain uncleared after a reasonable period of time will be escalated to the manager and then the department head as determined necessary.

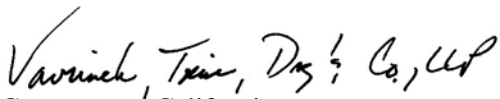
PRIOR YEAR MANAGEMENT LETTER OBSERVATIONS

Summarized below is the current status of observations reported in the management letter for the year ended June 30, 2015:

Topic	Current Status
1 Controls Over Payroll	Partially Implemented – See Management Letter Observation 2
2 Charge Master Update	Implemented

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 observations and suggestions that we hope will be useful to you.

We would be pleased to discuss these observations and recommendations with you at any time. This report is intended solely for the information and use of the County, management, and others within the County and is not intended to be and should not be used by anyone other than these specified parties.


Rancho Cucamonga, California
February 13, 2017