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**County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM**

To: Honorable Lawrence Matheney, Treasurer-Tax Collector **Date:** February 10, 2009
From: Christine L. Cohen 
Subject: **REPORT TO MANAGEMENT**

In accordance with Government Code Section 26920, we have audited the Statement of Money in County Treasury (Statement), as of June 30, 2008, and have issued our report thereon dated December 30, 2008.

During previous audits of the Treasury's Statement as of June 30, 2006, and June 29, 2007, we issued Reports to Management dated June 19, 2007, and March 18, 2008, respectively. These Reports to Management identified certain matters involving Treasury's operations and internal controls that needed management's attention.

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. All banking functions, including processing of deposits, payment of County checks, and investment of funds, are handled by the Treasury.

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 Treasury's 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 the Treasury's 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 December 30, 2008, on the Statement.

In addition, we performed follow-up audit procedures to determine whether corrective action was taken to address issues noted in our prior Reports to Management dated June 19, 2007, and March 18, 2008.

Our audit was conducted 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.

In connection with the report contained herein, there are certain disclosures that are necessary pursuant to *Government Auditing Standards*. As required by various statutes within the California Government Code,

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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 should not audit their own work or provide nonaudit services in situations where the nonaudit services are significant/material to the subject matter of 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:

Overall, we found that proper corrective action was taken to address the issues in our prior Reports to Management dated June 19, 2007, and March 18, 2008, regarding documenting investment compliance and processing cash deposits under dual custody, respectively. Specifically, our audit tests verified that Treasury maintained support to confirm the review of investment compliance with Government Code regulations at the time securities were purchased. In addition, Treasury properly documented that cash deposits delivered by armored transport were counted and verified by two staff members.

This report does not contain findings requiring corrective action by Treasury management.

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

cc: Honorable Steve Bennett, Chair, Board of Supervisors
Honorable Kathy Long, Vice Chair, Board of Supervisors
Honorable Linda Parks, Board of Supervisors
Honorable Peter C. Foy, Board of Supervisors
Honorable John C. Zaragoza, Board of Supervisors
Marty Robinson, County Executive Officer
Depositors in County Treasury