



Larry D. Haugh
Auditor - Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
P O Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

July 13, 2009

MEMO TO: Clerk of the Board
Stanislaus County

FROM:  Larry Haugh, Auditor/Controller

SUBJECT: **TREASURER'S STATEMENT OF ASSETS**

2009 JUL 14 A 11:07
BOARD OF SUPERVISORS

Attached are two copies of the Treasurer's Statement of Assets for March 26, 2009. Per Government Code Section 26922, one copy of the statement shall be filed in the office of the Clerk of the Board of Supervisors and the Auditor-Controller shall post and maintain the other copy in his office. Pursuant to this code, please sign and date both copies; keep one copy for your file and send the other signed copy back to us.

BOARD OF SUPERVISORS

2009 JUL 14 A 11:09

STANISLAUS COUNTY
TREASURER'S STATEMENT OF ASSETS

AS OF MARCH 26, 2009

Signed Christine Ferrero
7/14/09



ACCOUNTANT'S REPORT

Board of Supervisors
County of Stanislaus
Modesto, CA

We have examined the Treasurer's Statement of Assets of the County of Stanislaus, California as of March 26, 2009, as required by California State Code Section 26922. The County Treasurer is responsible for the Statement of Assets. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Treasurer's Statement of Assets and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As described in the accompanying information, the Auditor-Controller is mandated by various statutes within the California Government Code to perform certain accounting, auditing, and financial reporting functions. These activities, in themselves, necessarily impair the auditor's independence. However, we believe adequate safeguards and divisions of responsibility exist.

In our opinion, except for the effects, if any, of the impairment to auditor independence, the statement referred to above presents, in all material respects, the Treasurer's Statement of Assets of the County of Stanislaus as of March 26, 2009.

Lauren Klein
Certified Public Accountant
Internal Audit Division Manager
Auditor-Controller's Department
County of Stanislaus

July 2, 2009

CORRESPONDENCE 2
Page 4 of 7

STANISLAUS COUNTY
TREASURER'S STATEMENT OF ASSETS
As of March 26, 2009

Cash and Investments per Auditor-Controller	\$	<u>1,097,021,168</u>
Cash in Treasury Per Cash Count:		
Cash on Hand:		
Currency and Coin	\$	84,637
Checks		3,203
Active Bank Deposits		94,739,801
Bankers Acceptances		56,736,576
Commercial Paper		14,951,700
Managed Pool Accounts		40,000,000
Medium Term Corporate Notes		95,211,861
U. S. Treasury and Federal Agency Securities		<u>795,293,389</u>
Total Cash and Investments in Treasury	\$	<u>1,097,021,167</u>



Management Comments

July 2, 2009

Board of Supervisors,
County of Stanislaus

In planning and performing our examination of the Treasurer's Statement of Assets of the County of Stanislaus for the quarter ending March 26, 2009, we considered the Department's internal control in order to determine our examination procedures for the purpose of expressing an opinion on the Treasurer's Statement of Assets and not to provide assurance on internal control.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions concerning that matter. This letter does not affect our report dated July 2, 2009, on the Treasurer's Statement of Assets of the County of Stanislaus.

Status of Prior Quarter Finding

Bank of America Account Reconciliation

We noted during the course of the examination that there are several electronic deposit transactions on the bank reconciliation listed as reconciling items between the bank balance and the financial records of the County. These amounts primarily consist of large payments received from the State of California through electronic wire transfers. These funds have been received by the bank and are in the custody of the County however, the receipt of these funds has not been recorded on the financial records of the County. During the current period, the Treasury Division began subscribing to a notification system where the bank notifies the County that wire transfer funds have been received. However, the Treasury Division discovered that the bank was not notifying the County of wire transfers belonging to two County departments.

Since the funds in question amounted to \$2,911,685 as of March 26 2009, the amount is significant. We recommend the Treasury Division continue to work with the Bank and have the Bank take the action necessary to notify the County when these and all other funds are received.

Status: The Treasury Division contacted the bank and the bank has agreed to notify the division whenever a wire for the two County Departments is deposited into the account. The Treasury Division now receives bank notification for all incoming wires of state payments.

CORRESPONDENCE 2

Page 6 of 7

The comments and recommendations are intended solely for the information and use of the Board of Supervisors, management, and others within the Treasury Division and should not be used by anyone other than these specified parties.

Last, we would like to thank management and staff at the Treasury Division for their cooperation and assistance during the engagement.

Sincerely,

A handwritten signature in cursive script that reads "Lauren Klein".

Lauren Klein,
Certified Public Accountant
County of Stanislaus
Internal Audit Manager



Gordon B. Ford
Treasurer/Tax Collector

PO Box 3052, Modesto, CA 95353-3052
Phone: 209.525.6524 Fax: 209.525.4333

Department Response

Re: Auditor/Controller's Management Comment dated March 3, 2009
Status of Prior Quarter Finding / Bank of America Reconciliation

Treasury's Bank of America account is a lock box account that receives payments made to Stanislaus County by the State of California. A Bank of America courier picks up the checks from the State on a daily basis and applies immediate credit to Treasury's account. This is a process that has been in place since 1997. Previously, Bank of America would provide an immediate fax notification to Treasury to identify the State payments deposited into this account. Treasury would then move the funds to the County's main account at Bank of the West and record the receipts.

In August of 2007, Bank of America notified Treasury that in order to continue the same level of service already in place, a "Specialized State Warrant Lockbox Service Agreement" would need to be signed by Treasury. The signed agreement would also trigger an increase in fees that Treasury deemed to be significant. Without a signed agreement in place, Bank of America began to mail the deposit notifications to Treasury instead of faxing. This delay in notification caused reconciling items at the end of the month for funds that had not yet been moved to Bank of the West. However, since this Bank of America account is on "Account Analysis", Stanislaus County received credit for funds left in the account on a daily basis. This credit is used to offset the monthly banking fees associated with the account.

After this change in service, Treasury pursued the alternative of moving this Lockbox service to Bank of the West, the County's primary bank. It took time for Bank of the West to prepare service and price comparisons. It was then determined that it would be more cost effective to sign the Specialized State Warrant Lockbox Service Agreement with Bank of America and absorb the additional fees associated with immediate notification through "Account Analysis".

On February 27, 2009, Treasury notified Bank of America that the agreement would be signed. The Specialized State Warrant Lockbox Service Agreement was fully executed by all parties on March 2, 2009. Since such time, Treasury has received timely notifications from Bank of America and transfers have been made to Bank of the West appropriately.