

**Office of  
COUNTY AUDITOR-CONTROLLER  
Contra Costa County  
Martinez, California**

April 12, 2004

TO: Alfred M. Granzella, Chairperson, Treasury Oversight Committee

FROM: Kenneth J. Corcoran, Auditor-Controller

Audit Staff: Joanne M. Bohren, CPA, Auditor III *OMB*  
Heike Siewell, Accounting Technician *HS*

SUBJECT: Examination of the Activities of the County Treasurer and the Treasury Oversight Committee as Required by Government Code Section 27134

**EXECUTIVE SUMMARY**

We have examined the accounts, records, and procedures of the County Treasurer (Treasurer) and the records and procedures of the Treasury Oversight Committee (Committee) for the period of January 1, 2003 through December 31, 2003.

We conducted the necessary audit tests and procedures to determine if, within our scope, the following conditions existed:

- There was compliance with Government Code Sections 27131 through 27132.4 that govern the establishment, membership and meetings of the Committee.
- There was compliance with Government Code Section 27133 that governs the establishment, review, and monitoring of investment policy.
- The quality of the Treasurer's investment portfolio complied with applicable laws and administrative requirements governing investments, including Government Code Sections 53601-53607 and 53646 governing authorized investments and the County's Investment Policy.
- Internal controls were adequate to ensure the safeguarding of the financial assets under the Treasurer's control.
- The Treasurer has contracted with financial entities for investment services and safekeeping and restricted investing transactions to brokers and issuers allowed by the County's Investment Policy.
- The Treasurer's Quarterly Investment Reports were accurate.

Examination of the Activities of the County Treasurer and the Treasury Oversight Committee as Required by Government Code Section 27134 (continued)

---

Based on the results of our audit tests and procedures, we concluded that, in all material respects, these conditions existed except for internal controls over Treasurer assets. The Treasurer should strengthen controls over Treasurer assets as follows:

Maintain sufficient staffing for segregation of duties or establish compensating internal controls to keep control risk minimized.

In the following section, we provide the full text of this recommendation to help management address this issue.

We appreciate the excellent cooperation and assistance of the Treasurer staff, especially Clarissa Javier, Beverly Rellar and Brice Bins during this audit.

Examination of the Activities of the County Treasurer and the Treasury Oversight Committee as Required by Government Code Section 27134 (continued)

**RECOMMENDATION**

**Recommendation: Maintain sufficient staffing for segregation of duties or establish compensating internal controls to keep control risk minimized.**

**Condition:** There was an increase in control risk when absent employees' duties were performed by available staff, and, consequently, segregation of duties was not always maintained. Personnel who normally performed the reviewing or reconciling functions were also performing the receiving function at times, as well.

**Criteria:** To ensure the safeguarding of the financial assets under the Treasurer's control, the segregation of certain duties should be maintained. The handling of assets should be separate from the establishing and maintaining of accountability.

**Effect:** Without segregation of duties, there is a possibility of undetected errors, omissions and misappropriation of monies.

**Cause:** Segregation of duties has historically been difficult due to the regular staff size being small.

Since October 2003, one cashier has been on a catastrophic medical leave, and other employees have also had personal emergencies and absences in the months since. Consequently, the Treasurer's office has been short staffed, sometimes severely, over this time.

**Possible solutions:** On days when there is a severe staffing shortage, temporary assistance might be obtained from the Tax Collector's Office. Also, supervisory review of work performed by an individual who has conflicting duties (see "Criteria") should be performed. If the supervisor is not available, a second employee should perform the review so that the first employee is not reviewing his own work.

Examination of the Activities of the County Treasurer and the Treasury Oversight Committee as Required by Government Code Section 27134 (continued)

**STATUS OF PRIOR AUDIT RECOMMENDATIONS**

There were no audit recommendations from the prior audit.

cc: William J. Pollacek, Treasurer-Tax Collector

**CONTRA COSTA COUNTY  
TREASURER-TAX COLLECTOR'S OFFICE  
625 COURT STREET, ROOM 100  
MARTINEZ, CA 94553  
(925) 957-2888**

April 23, 2004

To: Alfred M. Granzella, Chairperson  
Treasury Oversight Committee

From: William J. Pollacek, Treasurer-Tax Collector



Response to the Examination of the Activities of the County  
Treasurer for the Treasury Oversight Committee as Required by  
Government Code Section 27134

The following recommendation was made by the Internal Audit Group of the  
Contra Costa County Auditor-Controller Office:

Maintain sufficient staffing for segregation of duties or establish  
compensatory internal controls to keep risk minimized.

Since October 2003, one Accounting Technician has been on a catastrophic  
medical leave, and several other employees have had personal emergencies and  
absences. In order to maintain sufficient staffing for segregation of duties, the  
Treasurer's Office has used a retired employee on a temporary basis during peak  
periods such as December and April tax receipt periods, end of month, etc.

While the office strives to maintain segregation of duties to establish and  
maintain accountability, there are budgetary considerations. Currently, the  
Treasurer-Tax Collector Department has submitted its recommended FY 2004-  
2005 budget to the Chief Administrative Officer with a required 10% cut in its  
General Fund support. This will require not filling three vacant positions in the  
Tax Collector's Office.

The Treasurer's Office is staffed at 8 FTE. I recognize I can't reduce the staff of  
the Treasurer's Office and maintain proper segregation of duties, and have  
effective accounting and internal controls. We will continue to use experienced,  
seasonal, temporary staff during peak periods to cover for the Accounting  
Technician on catastrophic leave.

Cc: Russell V. Watts, Chief Deputy Treasurer-Tax Collector  
Clarissa Javier, Assistant Treasurer