



PETER HUGHES, Ph.D., CPA, CIA, CFE, CITP
Director

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(714) 834-5475 (714) 834-2880

INTERNAL AUDIT DEPARTMENT

August 21, 2002

TO: John M. W. Moorlach
Treasurer-Tax Collector

SUBJECT: Management Letter on Audit of Statement of Assets
Held by County Treasury at March 31, 2002 (Audit Number 2205)

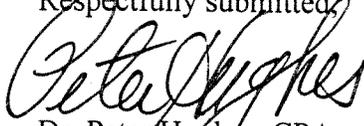
Attached is our Management Letter on Audit of Statement of Assets Held by County Treasury for the period as of March 31, 2002 (Audit No. 2205).

The management letter contains audit recommendations. Your responses to our recommendations have been included in the management letter and the complete text of the responses are attached as Appendix.

Should you have any questions or desire additional information, please contact Alan Marcum, Audit Manager, at 834-4119 or Pam Parisien, Senior Auditor, at 834-5298.

Thank you for your courtesy and cooperation.

Respectfully submitted,


Dr. Peter Hughes, CPA
Director, Internal Audit

/PH:plp
Attachment

Other recipients of this report:

Members, Board of Supervisors
Members, Audit Oversight Committee
Michael Schumacher, Ph.D., County Executive Officer
Foreman, Grand Jury
Darlene J. Bloom, Clerk of the Board
David Sundstrom, Auditor-Controller
Jim McConnell, Assistant Auditor-Controller, Central Operations
Richard G. Hilde, Assistant Treasurer
Gary Cowan, Assistant Tax Collector
Paul Gorman, Treasurer Accounting/Compliance Manager

**ORANGE COUNTY TREASURER
MANAGEMENT LETTER
ON AUDIT OF STATEMENT OF ASSETS
HELD BY COUNTY TREASURY
AS OF MARCH 31, 2002**

Issued: August 21, 2002

Audit Number 2205

Director:	Dr. Peter Hughes, CPA
Deputy Director:	Eli Littner, CPA
Audit Manager:	Alan Marcum, CPA
In-charge Auditor:	Pamela L. Parisien, CPA



**COUNTY OF ORANGE
INTERNAL AUDIT DEPARTMENT**

**ORANGE COUNTY TREASURER
MANAGEMENT LETTER
ON AUDIT OF
STATEMENT OF ASSETS HELD BY COUNTY TREASURY
AS OF MARCH 31, 2002**

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PETER HUGHES, Ph.D., CPA, CIA, CFE, CITP
Director

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Santa Ana, California 92701-4521

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INTERNAL AUDIT DEPARTMENT

File No. 2205

August 21, 2002

MANAGEMENT LETTER

John M. W. Moorlach
Treasurer-Tax Collector
12 Civic Center Plaza, Room G-76
Santa Ana, CA 92701-4521

Pursuant to Government Code Sections 26920(a) and 26921 through 26923, we have completed our quarterly agreed-upon procedures engagement for the Statement of Assets Held by the County Treasury as of March 31, 2002. In connection with the application of the agreed-upon procedures, we have a responsibility to communicate to the Board of Supervisors and Audit Oversight Committee any significant matters that come to our attention. During our engagement we found the following matter involving internal controls over the safeguarding of cash:

The Treasurer's office has not established procedures requiring cashiers to limit the amount of cash held in each cash drawer (register) during business hours. When observing the count of the treasury cash and receipts on 3/29/02, we noted that cash drawer #1 had in excess of \$20,000. Failure to limit the accumulation of cash in a cash drawer poses a physical threat to the cashier's and increases the County's exposure to loss.

Recommendation:

We recommend that the Treasurer's office develop procedures to limit the amount of cash held in the drawers of the Cash Cage during business hours and document the procedures in writing.

Treasurer Response:

Concur. We have added a section to our Cash Count Procedures that provide beginning of the day cash limits and cash pick up amounts, which recognize the potential of having additional cash on hand during the busy tax collection periods.

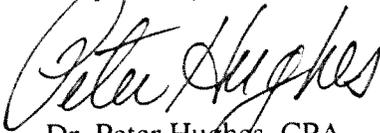
John M. W. Moorlach
August 21, 2002

Internal Audit Response:

We reviewed a draft of the Treasurer-Tax Collector Cash Count Procedures and noted that cash in and pick up limits for the cash drawers have been established. While we disagree with the limits established by the Treasurer, Treasurer management has determined that they are willing to accept the risks involved with utilizing these limits. No further work necessary.

We appreciate the cooperation and assistance extended to us by the personnel of the Treasury during our examination.

Respectfully submitted,



Dr. Peter Hughes, CPA
Director, Internal Audit

Distribution:

Members, Board of Supervisors
Members, Audit Oversight Committee
Michael Schumacher, Ph.D., Chief Executive Officer
Foreman, Grand Jury
Darlene J. Bloom, Clerk of the Board
David Sundstrom, Auditor-Controller
Richard G. Hilde, Assistant Treasurer
Gary Cowan, Assistant Tax Collector
Paul Gorman, Treasurer Accounting/Compliance Manager

**APPENDIX
TREASURER MANAGEMENT RESPONSE**



COUNTY OF ORANGE
OFFICE OF THE TREASURER-TAX COLLECTOR
HALL OF FINANCE & RECORDS
12 CIVIC CENTER PLAZA, ROOM G76
P. O. BOX 4515
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TREASURER-TAX COLLECTOR
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GARY J. COWAN
ASSISTANT TAX COLLECTOR
(714) 834-3545

RICHARD G. HILDE
ASSISTANT TREASURER
(714) 834-2918

FAX (714) 834-2912

August 12, 2002

Peter Hughes, Director
Internal Audit Department
12 Civic Center Plaza
Santa Ana, CA 92701

Subject: Draft Management Letter Reply

Dear Peter:

Pursuant to Audit Oversight Committee Administrative Procedure No. 1, we have prepared our response to the one audit recommendation noted in the Draft Management Letter on Audit of Statement of Assets Held by County Treasury at March 31, 2002 (Audit Number 2205).

Recommendation:

The Treasurer's office develop procedures to limit the amount of cash held in the drawers of the Cash Cage during business hours and document the procedures in writing.

Response:

Concur. We have added a section to our Cash Count Procedures that provide beginning of the day cash limits and cash pick up amounts, which recognize the potential of having additional cash on hand during the busy tax collection periods.

If you or your staff has any questions on the above response, please contact my Assistant Tax Collector, Gary Cowan at 834-3545.

Very truly yours,


John M. W. Moorlach, C.P.A., CFP
Treasurer-Tax Collector

Cc: Walter Daniels, Manager, and Remittance & Cashiering
Laurel Davies, Cashiering Supervisor

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