

**CONTRA COSTA MOSQUITO  
AND VECTOR CONTROL DISTRICT**

**MEMORANDUM ON  
INTERNAL CONTROL STRUCTURE**

**YEAR ENDED JUNE 30, 2005**

October 6, 2005

To the Board of Trustees  
Contra Costa Mosquito and Vector Control District, California

Under generally accepted auditing standards in the United States of America, auditors are encouraged to report various matters concerning an entity's internal control structure noted during an audit, and are required to report certain of those matters. Matters that are required to be reported are significant deficiencies in the design or the operation of the internal control structure that, in the auditor's judgment, could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

As part of our audit of the financial statements of the Contra Costa Mosquito and Vector Control District for the year ended June 30, 2005, we considered the District's internal control structure in determining the scope of our audit procedures for the purpose of rendering an opinion on the financial statements. While our purpose was not to provide assurances on the internal control structure, certain matters came to our attention that we want to report to you. These matters, along with our recommendations, are described in the accompanying memorandum.

A material weakness is a significant deficiency in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses as defined above. However, none of the deficiencies described in the accompanying memorandum is believed to be a material weakness.

The accompanying memorandum on internal control structure is intended solely for the use of management and the Board of Trustees. This restriction is not intended to limit the distribution of this letter and the accompanying memorandum which, upon acceptance by the Board of Trustees, are a matter of public record. To the extent that the Board of Trustees intends to rely upon this letter and the accompanying memorandum, such reliance should take into account the limited basis on which our recommendations were developed, as described above, and the limitations inherent in the internal control structure. In addition, the Board of Trustees should understand that the criteria used by us in considering the internal control structure could differ significantly from the criteria the Board of Trustees may be using for its purpose.

We wish to express our appreciation for the courtesies and cooperation extended to our representatives during the course of their work. We would be pleased to discuss these recommendations in greater detail or otherwise assist in their implementation.

Very truly yours,

**Contra Costa Mosquito and Vector Control District  
Memorandum on Internal Control**

***Check Fraud Prevention***

During our inquiry of internal controls over cash disbursements we noted the District does not use positive pay with their checking account. The District's bank offers a "Positive Pay" service whereby the Bank only clears the District's checks that match both check number and amount. An electronic listing is provided to the Bank when checks are issued, the bank rejects checks presented for payment that do not agree with the listing. In addition, the Bank also offers a reconciliation service which could both provide for some segregation of duties and free up valuable District staff time. The District currently does not use these services, but should consider doing so to strengthen its internal controls and better use city staff resources.

We recommend adopting positive pay.

***District Reponse:***

District staff will investigate the cost and benefits of positive pay and whether or not information can be transmitted electronically from the District general ledger software to Bank of the West.

***Segregation of Duties***

The Accounting and Benefits Specialist processes disbursements and payroll. We understand that in her absence, the General Manager is responsible for assuming her duties, though there has never been an instance where he has had to cover her duties. The General Manager also reviews the check registers and is a check signer. We recommend another staff person, who is not a check signer, be cross-trained for both functions.

The Accounting and Benefits Specialist processes payroll checks, prints disbursement checks, and collects receipts; she is also the sole employee in reconciling bank statements. In order to strengthen internal controls, we recommend another staff person, independent of the disbursements, payroll and receipts functions, review the bank reconciliations.

***District Reponse:***

The District Administrative Secretary is already being cross trained in the role of Accounting & Benefits Specialist.

The District Administrative & Finance Manager will review the accuracy of the bank reconciliations.

***Authorization of Disbursements***

During our disbursements testing, we noted three disbursements, out of a total sample size of twenty-four, made to TD Waterhouse, Employment Development and Carmen Lau in the amounts, respectively, \$2,000, \$2,419, & \$100, that did not indicate whether proper authorization was made to disburse the specified amounts.

We recommend the Accounting and Benefits Specialist ensure all disbursements have proper authorization indicated on the check requests prior to processing the checks.

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***District Response:***

The Accounting & Benefits Specialist will ensure proper authorization procedures are followed for all disbursements prior to processing checks.