



HAYASHI | WAYLAND

June 28, 2019

**To the Administrative Committee
Monterey County Deferred Compensation Plan
Salinas, California**

Our audit was performed in accordance with auditing standards generally accepted in the United States of America. In planning and performing our audit of the financial statements of Monterey County Deferred Compensation Plan (the "Plan") as of and for the year ended December 31, 2017, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of Monterey County Deferred Compensation Plan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Plan's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Following is a description of an identified deficiency that we determined did not constitute a significant deficiency or material weakness:

Participant Contributions

At each bi-weekly payroll period the Plan Sponsor (in this case this process is performed by the County Auditor-Controller's Office Payroll Division) remits amounts withheld each pay-period for plan participants contributions to the Plan's custodian. In addition, at each bi-weekly cycle, the Payroll Division reconciles the amount withheld to the amount remitted and received by the custodian. This information and reconciliation records were provided to Hayashi and Wayland as part of the audit.



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However, we noted that there is not a process in place to reconcile the total annual plan contribution amounts with the Plan Custodian's records.

We recommend that the Plan Sponsor Committee appoint an individual or department within the County to be responsible on an annual basis for reconciling the participant contributions reflected in the County's records with the Plan Custodian's records.

This will ensure any differences that may arise can be identified timely and resolved with the Plan Custodian.

This communication is intended solely for the information and use of Plan Administrator, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Hayashi Wayland, LLP

