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March 5, 2021

Compliance Audit of the
Sonoma County Treasurer
Investment Pool

Board of Supervisors
County of Sonoma, California

We have performed the procedures as stated in the attached audit report of the County of Sonoma Treasury Investment Pool, managed by the Treasury Division of the Sonoma County Auditor-Controller-Treasurer Tax Collector's Office (Treasury) for the quarter ending September 30, 2020. The Treasury is responsible for ensuring compliance with relevant laws applicable to the County's Treasury Investment Pool.

Our examination was conducted in accordance with International Standards for the professional Practice of Internal Auditing (Standards), and in accordance with California Government Code sections §26905, §26920 (a), and §26922.

This report is intended for the information and use of the Sonoma County Auditor-Controller-Treasurer-Tax Collector and the Sonoma County Board of Supervisors and is not intended to be and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully Submitted,

Sonoma County Auditor-Controller

Internal Audit

S o n o m a C o u n t y

Compliance Audit: County of Sonoma Treasury

Treasurer Investment Pool

For the Quarter Ended
September 30, 2020

- For the quarter ended September 30, 2020, the Treasury maintained an adequate system of controls for the purpose of complying with the applicable California Government Code sections.
- Cash and investments per the Auditor and the Treasurer's records were reconciled as required by Government Code §26905.
- A review was performed of the Treasurer's Statement of Assets by the County Auditor as required by Government Code §26920(a).
- A quarterly report was filed with the Clerk of the Board as required by Government Code §26922.

Audit No: 3575
Report Date March 5, 2021



Erick Roeser

Auditor-Controller-Treasurer-Tax Collector

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Treasurer Investment Pool
Audit No. 3575

For the Quarter Ended
September 30, 2020

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Introduction and Background

Introduction

The Auditor-Controller-Treasurer-Tax Collector, Internal Audit division has completed a compliance audit of the County of Sonoma Treasury for the quarter ending September 30, 2020. We conducted our audit in accordance with the *International Standards for the professional Practice of Internal Auditing (Standards)*, and in accordance with certain sections of the California Government Code. These standards require that we identify, analyze, evaluate, and document sufficient information and evidence to achieve our audit objectives. We believe that the evidence obtained provides a reasonable basis for the results, observations, and recommendations contained in our report.

The purpose of our engagement is to determine if 1) the Treasurer maintains an adequate system of controls for the purpose of complying with applicable California Government Code sections, 2) cash and investments per the Controller and Treasurer records were reconciled as required by Government Code §26905, 3) a review was performed of the Treasurer's Statement of Assets by the County Auditor as required by Government Code §26920(a), and 4) a quarterly report was filed with the Clerk of the Board as required by Government Code §26922.

We would like to thank management and staff for their time, information, and cooperation throughout the engagement.

Background

The County of Sonoma Treasury is responsible for the safekeeping and investment of funds for the County, School Districts and Special Districts. The Treasury oversees all banking operations for the County and its Departments. The Treasury also manages, for the quarter ending September 30, 2020, an investment portfolio of over \$2.7 billion and allocated \$7.9 million in interest earnings.

Objectives and Scope

Objectives

The primary objectives of this audit were to determine if:

1. Cash in the Treasury vault agreed with amounts in the Treasury records;
2. Treasury cash and investments existed and agreed with banks' and other safekeeping agents' statements;
3. Internal controls over the preparation and review of quarterly bank reconciliations were adequately designed and implemented;
4. The records of the County Treasurer and Auditor were reconciled;
5. Internal controls over the preparation of the quarterly report of the Treasurer's Statement of Assets were adequate to ensure that it was accurately prepared, approved and timely filed with the Clerk of the Board;
6. The previous quarterly report was submitted to the office of the Clerk of the Board.

Scope

The audit was for the period July 1, 2020 to September 30, 2020. The scope of our work included the following:

- A preliminary survey to update our knowledge of the operating environment; identify changes in laws and regulations, systems, personnel and organization structure.
- A risk analysis to identify significant risks of non-compliance with policies, procedures or laws.
- A review and evaluation of internal controls designed to ensure compliance with the above requirements and to adequately reduce the risk identified.
- Tests of compliance to gain assurance that the internal control system is functioning as intended and is achieving its design objectives.
- Follow up to determine the status of previous audit report findings and recommendations.

Procedures and Results

Procedures

We performed the procedures enumerated below:

1. Observed cash drawer counts in the Treasury vault and verified amounts to Treasury records, per Government Code §26920.
2. Verified existence and proper valuation of Treasury cash and investments held in banks and other safekeeping agents through the agents' statements, per Government Code §26920.
3. Reviewed and traced amounts on bank reconciliations to bank confirmations, reviewed the reconciliation review process, and verified a sample of reconciling items to source documents.
4. Verified that records of the County Treasurer and Auditor have been reconciled, per Government Code §26905.
5. Verified a quarterly report of Treasury assets was properly reviewed, signed, and placed on file with the Clerk of the Board pursuant to Government Code §26922.
6. Verified that the previous quarterly report was submitted to the office of the Clerk of the Board, per Government Code §26922.

Results

Objective #1: **Cash in the Treasury vault agrees with amounts in the Treasury records**

Cash on hand in the Treasury as of September 30, 2020 agrees with Treasury records (Teller Cash Sheets).

Objective #2: **Treasury cash and investments exist and agree with banks' and other safekeeping agents' statements**

The total of cash and investments on hand as of September 30, 2020 per Treasury records and per statements from the banks' and other safekeeping agents were in agreement, except for the two items noted here (and reflected in the Statement of Assets on page 5). \$4.7 million in commercial bank balances reflected in financial institution statements as of September 30, 2020, comprised of transactions that had not finalized posting to the Treasury's system by September 30, 2020, and were not reflected in the Treasury Inventory

Results

Report filed with the Board of Supervisors for the quarter ending September 30, 2020. \$12.3 million in bond proceeds from a tobacco endowment refunding was deposited into a mutual fund account on September 30, 2020 and reflected on the September 30, 2020 financial institution statement, but was not posted to the Treasury's system until the following day. This \$12.3 million was not reflected in the Treasury Inventory Report filed with the Board of Supervisors for the quarter ending September 30, 2020.

Objective #3: Internal controls over the preparation and review of quarterly bank reconciliations are adequately designed and implemented

Internal controls over the preparation and review of quarterly bank reconciliations are found to be adequately designed and implemented.

Objective #4: The records of the County Treasurer and Auditor have been reconciled

The records of the County Treasurer and Auditor were reconciled during the audit period.

Objective #5: Internal controls over the preparation of the quarterly report of the Treasurer's Statement of Assets are adequate to ensure that it was accurately prepared, approved and timely filed with the Clerk of the Board

Except for the items discussed in Objective 2, proper reconciliation, reviews and balancing procedures were used to ensure the accuracy of the Treasurer's Statement of Assets. The amounts reported on the Treasurer's Statement of Assets are supported by the Treasurer's records and financial institution statements. We verified that a properly approved statement was filed with the Clerk of the Board.

Objective #6: The previous quarterly report was submitted to the office of the Clerk of the Board

The previous quarterly report was submitted to the office of the Clerk of the Board.

**Sonoma County Treasury
Statement of Assets
September 30, 2020**

	Investment Pool
Cash in Treasury vault	\$ 47,605
Cash held by commercial banks	11,049,186
<i>Cash not reported in Treasury book balance</i>	<i>4,693,518</i>
Investments	
Government debt securities	1,370,057,691
Negotiable certificates of deposit	364,000,000
Corporate notes and bonds	881,073,628
Mutual Funds	88,630,385
<i>Bond proceeds</i>	<i>12,263,042</i>
Checks and County Warrants	-
Total Assets	\$ 2,731,815,055

Note 1. Basis of Presentation

This special-purpose statement of assets was prepared for the purpose of presenting the assets of the Treasury pursuant to the California Code Section 26920 and is not intended to be a presentation in conformity with generally accepted accounting principles. The amounts presented for cash are the adjusted Treasury book balance. The amounts presented for investments are book values carried at amortized cost. The two reconciling items (Cash not reported in Treasury book balance, and bond proceeds) represent amounts reported in financial institution statements as of September 30, 2020 which include transactions not reflected in Treasury's book balance at quarter end. Note disclosures required by Governmental Accounting Standards Board Statement No. 40 deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3, are not presented, since such disclosures are not required by the California Government Code Section 26920.