

# 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  
December 31, 2020

- For the quarter ended December 31, 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: 3580  
Report Date March 26, 2021



**Erick Roeser**

Auditor-Controller-Treasurer-Tax Collector

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County of Sonoma Treasury  
Treasurer Investment Pool  
Audit No. 3580

For the Quarter Ended  
December 31, 2020

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# Introduction and Background

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## 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 December 31, 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 December 31, 2020, an investment portfolio of over \$3 billion and allocated \$5.4 million in interest earnings.

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# Objectives and Scope

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## 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 October 1, 2020 to December 31, 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.

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# Procedures and Results

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## 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 December 31, 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 December 31, 2020 per Treasury records and per statements from the banks' and other safekeeping agents were in agreement, except for the item noted here (and reflected in the Statement of Assets on page 5). \$2.4 million in commercial bank balances reflected in financial institution statements as of December 31, 2020, comprised of transactions that had not finalized posting to the Treasury's system by December 31, 2020, and were not reflected in the Treasury Inventory Report filed with the Board of Supervisors for the quarter ending December 31, 2020.

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## Results

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**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 item 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  
December 31, 2020**

		<b>Investment Pool</b>
Cash in Treasury vault	\$	63,834
Cash held by commercial banks		76,619,345
<i>Cash not reported in Treasury book balance</i>		<i>2,419,051</i>
Investments		
Government debt securities		1,503,382,220
Negotiable certificates of deposit		374,000,000
Corporate notes and bonds		953,828,403
Mutual Funds		131,138,223
Checks and County Warrants		3,783,802
 Total Assets		 <u><u>\$ 3,045,234,878</u></u>

**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 reconciling item (Cash not reported in Treasury book balance) represents amounts reported in financial institution statements as of December 31, 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.