

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, 2014

- For the quarter ended September 30, 2014, 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 February 25, 2015



Audit Manager: Kanchan K. Charan, CPA CGMA
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County of Sonoma Treasury
Treasurer Investment Pool
Audit No. 3575

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September 30, 2014

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Introduction and Background

Introduction

The Internal Audit Division (IA) of the Sonoma County Auditor-Controller-Treasurer-Tax Collector's Office (ACTTC) has completed a compliance audit of the County of Sonoma Treasury for the period July 1, 2014 to September 30, 2014. 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 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 of the Treasury 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 and is the paying agent for all debt and Special Assessments. All public financing as well as tax and revenue anticipation notes for the County and School Districts and General Obligation bonds for the School Districts are coordinated through the Treasury. The Treasury also manages an investment portfolio of over \$1.3 billion, allocating over \$8 million in interest earnings annually.

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 bank and other safekeeping agents' statements;
3. Internal controls over the preparation and review of quarterly bank reconciliations were adequate;
4. The records of the County Treasurer and Auditor were reconciled, per Government Code §26905;
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 with the Clerk of the Board pursuant to Government Code §26922.

Scope

The audit covered the period July 1, 2014 to September 30, 2014. 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. Counted cash in the Treasury vault and verified amounts to Treasury records.
2. Verified existence and proper valuation of Treasury cash and investments held in banks and other safekeeping agents through the agents' statements.
3. Reviewed bank reconciliations for mathematical accuracy, reasonableness, and authorization.
4. Reviewed the deferred compensation reconciliations for completeness and verified balances to Nationwide confirmations.
5. Verified that the 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 records of the County Treasurer and Auditor were reconciled, per Government Code §26905.

Results

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

Cash on hand in the Treasury as of September 30, 2014 agreed with Treasury records (Teller Cash Sheets).

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

The total of cash and investments on hand as of September 30, 2014 per Treasury records and per statements from the banks' and other safekeeping agents were in agreement.

Objective #3: **Internal controls over the preparation and review of quarterly bank reconciliations were adequate.**

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

Procedures and Results

Objective #4: The records of the County Treasurer and Auditor were reconciled, per Government Code §26905

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

Objective #5: Internal controls over 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 pursuant to Government Code §26922

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 bank and investment statements. We verified that a properly approved statement was filed with the Clerk of the Board.

Supplemental Statement

**Sonoma County Treasury
Statement of Assets
September 30, 2014**

	Investment Pool
Cash in Vault	\$ 137,695
Cash in Banks	19,627,531
Investments	
Securities	1,241,126,100
Local Agency	49,982,687
Mutual Funds	54,933,881
Checks and County Warrants	491,036
Total Assets	<u><u>\$ 1,366,298,931</u></u>

Note 1: Financial Statement Presentation

This special-purpose statement of net assets was prepared for the purpose of presenting the net 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 are unadjusted book value. Accordingly, note disclosures required by Governmental Accounting Standards Board Statement No. 40 deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 2, are not presented, since such disclosures are not required by the California Government Code Section 26920.