

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
March 31, 2015

- For the quarter ended March 31, 2015, 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: 3585
Report Date June 9, 2015



Audit Manager: Kanchan K. Charan, CPA CGMA
Audit Supervisor: Damian Gonshorowski, CPA CGMA
Auditor: Scott Jann

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County of Sonoma Treasury
Treasurer Investment Pool
Audit No. 3585

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March 31, 2015

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Introduction and Background

Introduction

We have completed a compliance audit of the County of Sonoma Treasury for the period January 1, 2015 to March 31, 2015. 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 and is the paying agent for all debt and Special Assessments. All public financing is coordinated through the Treasury, as well as tax and revenue anticipation notes for the County and School Districts and General Obligation bonds for the School Districts. The Treasury also manages, as of March 31, 2015, an investment portfolio of over \$1.7 billion and allocates over \$8.7 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 was for the period January 1, 2015 to March 31, 2015. 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.
2. Verified existence and proper valuation of Treasury cash and investments held in banks and other safekeeping agents through the agents' statements.
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. Reviewed the deferred compensation reconciliation for completeness and verified balances to Nationwide confirmations.
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 records of the County Treasurer and Auditor have been reconciled, per Government Code §26905

Results

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

Cash on hand in the Treasury as of March 31, 2015 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 March 31, 2015 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 are adequately designed and implemented**

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 have been reconciled, per Government Code §26905

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

Objective #5: Internal controls over 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 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
March 31, 2015**

	Investment Pool
Cash in Vault	\$ 82,824
Cash in Banks	14,773,845
Investments	
Securities	1,584,929,693
Local Agency	49,945,138
Mutual Funds	74,798,513
Checks and County Warrants	3,848,894
Total Assets	<u>\$ 1,728,378,907</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.