

COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION – INTERNAL AUDITS UNIT

**INTERNAL AUDIT REPORT
TREASURY OVERSIGHT COMMITTEE
NON-POOLED INVESTMENTS
PERFORMANCE AUDIT REPORT
FOR THE QUARTER ENDED
JUNE 30, 2023**



Audit Committee Submittal Date:

SUMMARY

Background

As per Government Code Section 27131, the Sacramento County Treasury Oversight Committee (Committee) was established to oversee County of Sacramento (County) investments. As such, the Committee requests the Department of Finance to perform an audit on a quarterly basis to verify County non-pooled investments' compliance with the governing bond documents, and applicable laws and regulations.

Audit Objective

The audit was conducted to verify the County Non-Pooled Investment Fund's compliance and the internal control over compliance with the governing bond documents for the quarter ended June 30, 2023.

Summary

Based on the audit, the County's Non-Pooled Investment Fund complied with the governing bond documents and applicable laws and regulations for the quarter ended June 30, 2023. The internal control over compliance with the governing bond documents appears adequate.

Department of Finance

Chad Rinde
Director



County of Sacramento

Divisions

Auditor-Controller
Consolidated Utilities Billing &
Service
Investments
Revenue Recovery
Tax Collection & Licensing
Treasury

August 11, 2023

The Honorable Board of Supervisors and
The Sacramento County Treasury Oversight Committee
County of Sacramento, California

We have audited the Sacramento County Non-Pooled Investment Fund (Fund) for the quarter ended June 30, 2023.

Our audit was conducted to verify the Fund's compliance with the County of Sacramento, Non-Pooled Investment Funds as described below for the quarter ended June 30, 2023, and to verify whether the Department of Finance, Treasury Division (Treasury) and Investment Division (Investment) have adequate internal controls to ensure the Fund's compliance with their bond resolution, bond indenture, or by the bond insurer (governing bond documents).

Non-Pooled Investments primarily consist of investments purchased with proceeds from Mello Roos Bonds (MR), Revenue Bonds (REV), General Obligation Bonds (GO), Assessment District Bonds (AD), Community Facilities District Bonds (CFD), and Certificates of Participation Notes (COPs).

Most of the bond investments are limited to those authorized by California Government Code Section 53601 et seq. Any other authorized investments are indicated in the governing bond documents.

Management is responsible for the design, implementation, and maintenance of effective internal controls to ensure compliance with the bond documents.

The scope of our audit includes all non-pooled investments for the quarter ended June 30, 2023.

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The audit methodology utilized to conduct the performance audit included:

Interview:

- We interviewed various Treasury and Investment staff to gain an understanding of policies, procedures, and processes for ensuring the Fund's compliance with the governing bond documents.

Document Review:

- We reviewed the organizational chart and written documentation to understand the relevant policies, procedures, and processes and to identify any internal control weaknesses, conflicts of interest, or inadequate segregation of duties.

Process Walkthrough:

- We had Treasury and Investment staff walk us through step-by-step processes related to the daily activities of the Fund. We verified whether staff had followed the policies and procedures.

Testing:

- We verified the SymPro non-pooled investment balances agreed with the custodian statements.
- We selected 11 out of total 42 non-pooled bond proceed funds, which represents approximately 26% of the total non-pooled investments, including one (1) new issue during this quarter and an additional 10 out of the remaining 41 issues based on outstanding issues as of June 30, 2023, to test for compliance with the governing bond documents. See ATT 1 – *Schedule of Sample Non-Pooled Investments*.
- We inspected the portfolio monitoring reports for the 11 selected bonds' investments and tested them for accuracy.
- We verified investments were made in accordance with the governing bond documents.

We conducted this performance audit in accordance with *Government Auditing Standards (GAS)* issued by the Comptroller General of the United States of America except for paragraph 3.56 regarding our independence as described in the below paragraph. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the

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August 11, 2023

evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

As required by various statutes within the California Government Code, County Auditor-Controllers or Directors of Finance are mandated to perform certain accounting, auditing, and financial reporting functions. These activities, in themselves, necessarily impair GAS' independence standards. Specifically, auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant/material to the subject matter of the audit.

Although the Director of Finance is statutorily obligated to maintain the non-pooled investment in the County Treasury, we believe the following safeguard and division of responsibility exist. The staff that has the responsibility to perform audits within the Auditor-Controller Division has no other responsibility regarding the internal control or compliance of the Fund, the accounts or records being audited including the approval or posting of financial transactions that would therefore enable the reader of this report to rely on the information contained herein.

Based on our audit, the Fund complied with the governing bond documents for the quarter ended June 30, 2023. Also, Treasury and Investment have adequate internal controls to ensure the Fund's compliance with the governing bond documents.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, Sacramento County Treasury Oversight Committee, Sacramento County Audit Committee, and Sacramento County Executive, Treasury, and Investment's management, and should not be used for any other purpose. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

CHAD RINDE
DIRECTOR OF FINANCE


By: Tae-Young Kang, CPA
Audit Manager

ATT 1 – *Schedule of Sample Non-Pooled Investments*

COUNTY OF SACRAMENTO
 TREASURY OVERSIGHT COMMITTEE
 NON-POOLED INVESTMENTS
 SCHEDULE OF SAMPLE NON-POOLED INVESTMENTS
 FOR THE QUARTER ENDED JUNE 30, 2023

<u>Issue ⁽¹⁾</u>	<u>Book Value 6/30/2023</u>	<u>% of Portfolio</u>
Sac City USD, Series 2022 A (GO)	\$ 205,786,582.04	19.17
Elk Grove USD, Elec 16, Ser 23 (GO)	131,677,494.79	12.26
FCUSD SFID #3, Series D (GO)	62,134,380.31	5.79
FCUSD SFID #5 2018 (GO)	10,511,328.10	0.98
Fair Oaks Rec & Park Ser 2022 (GO)	9,103,710.86	0.85
Center USD, Series 2021B (GO)	9,055,299.81	0.84
2020 Refunding COP (COP)	2,776,258.10	0.26
McClellan Park CFD Ser. 2017A (MR)	2,634,593.66	0.25
Natomas USD, Elec 18, 2020A (GO)	2,628,969.71	0.24
SRCSD REF 2021 (REV)	828.38	0.00
SRCSD REF 2005 (REV)	24.31	0.00
Total Non-pooled Investments tested	<u>\$ 436,309,470.07</u>	<u>40.64</u>
Total Non-Pooled Investments	<u>\$ 1,073,683,235.87</u>	<u>100.00</u>

1 The sample of non-pooled investments was selected based upon outstanding issues on June 30, 2023 plus any untested new issues since quarter ended March 31, 2023.

Fund Type

(COP) - Certificates of Participation Notes
 (GO) - General Obligation Bonds
 (MR) - Mello Roos Bonds
 (REV) - Revenue Bonds

Indicates new issues