

# 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  
DECEMBER 31, 2021**



**Audit Committee Submittal Date: 03/18/2022**

## **SUMMARY**

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### **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 investment policy document, 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 investment policy document for the quarter ended December 31, 2021.

### **Summary**

Based on the audit, the County's Non-Pooled Investment Fund complied with the governing investment policy document and applicable laws and regulations for the quarter ended December 31, 2021. The internal control over compliance with the governing policy document appeared adequate.

**COUNTY OF SACRAMENTO**

Treasury Oversight Committee  
Non-Pooled Investments  
Performance Audit Report

For the Quarter Ended December 31, 2021

Audit Staff:

Hong Lun (Andy) Yu, CPA  
Jennifer Cabrera

Audit Manager  
Auditor

**COUNTY OF SACRAMENTO  
TREASURY OVERSIGHT COMMITTEE  
NON-POOLED INVESTMENTS  
PERFORMANCE AUDIT REPORT  
FOR THE QUARTER ENDED DECEMBER 31, 2021**

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**Department of Finance**

Ben Lamera  
Director



**Auditor-Controller Division**

Joyce Renison  
Assistant Auditor-Controller

**County of Sacramento**

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February 1, 2022

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 December 31, 2021.

Our audit was conducted to verify the Fund's compliance with the County of Sacramento, Non-Pooled Investment Policy (Policy) as described below for the quarter ended December 31, 2021, 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 the policy.

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), Certificates of Participation Notes (COPs) and Tobacco Securitization Proceeds (TSP). The investment policy for the bonds is set forth in either the bond resolution, the bond indenture or by the bond insurer (governing investment policy document). The investment policy for the Tobacco Securitization Proceed is set forth in the Tobacco Securitization bond resolution and bond indenture.

The majority 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 investment policy document.

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

The scope of our audit includes all non-pooled investments for the quarter ended December 31, 2021.

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 Policy.

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

Testing:

- We verified the SunGard Financial Services, Inc., Advanced Portfolio System II non-pooled investment balances agreed with the custodian statements.
- We randomly selected 11 out of 45 non-pooled investments based upon outstanding issues at December 31, 2021 including both new issues for the period under audit, to test for compliance with the Policy. All non-pooled investments selected were internally managed funds. There was one externally managed fund but it was not selected for testing this quarter. See Schedule I, *Sample of Non-Pooled Investments*. The non-pooled investments selected for testing totaled 11, which represents approximately 25% of the total 44 internally managed non-pooled investments.
- We inspected the portfolio monitoring report for the 11 selected investments and tested for accuracy.
- We verified investments were made in accordance with the Policy.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* 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 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 *Generally Accepted Government Auditing Standards'* 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, 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 Policy for the quarter ended December 31, 2021. Also, Treasury and Investment have adequate internal controls to ensure the Fund's compliance with the Policy.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, those charged with governance, Sacramento County Treasury Oversight Committee, Sacramento County Audit Committee, and 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,

BEN LAMERA  
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu, CPA  
Audit Manager

Attachment:  
Schedule I, *Sample of Non-Pooled Investments*

COUNTY OF SACRAMENTO  
 TREASURY OVERSIGHT COMMITTEE  
 NON-POOLED INVESTMENTS  
 SAMPLE OF NON-POOLED INVESTMENTS  
 FOR QUARTER ENDED DECEMBER 31, 2021

<u>Issue</u> <sup>(1)</sup>	<u>Book Value</u> <u>12/31/2021</u>	<u>% of Portfolio</u>
<u>Internally Managed Non-Pooled Investments</u>		
Los Rios CCD Elec 08, Ser E (GO)	\$ 116,907,804.97	15
Elk Grove USD, Elec 16, Ser 21 (GO)	105,015,271.55	14
San Juan USD, Elec 16, Ser 20 (GO)	90,324,150.08	12
<b>Center USD, Series 2021B (GO)</b>	<b>42,799,037.00</b>	<b>6</b>
Natomas USD, Elec 18, 2020A (GO)	29,279,556.26	4
Airport System 2009 C&D (REV)	18,104,250.22	2
FCUSD SFID #5 2018 (GO)	10,135,788.83	1
Fair Oaks Rec & Park Ser 2020 (GO)	9,006,812.35	1
<b>Robla SD, Series 2021D (GO)</b>	<b>7,150,005.81</b>	<b>&lt;1</b>
Sac City USD Series 2017 E (GO)	5,799,152.19	<1
Fair Oaks Rec & Park Ser 2019 (GO)	3,222,932.85	<1
Total internally managed Non-Pooled Investments tested	<u>\$ 437,744,762.11</u>	<u>56</u>
Total internally managed Non-Pooled Investments	<u>\$ 775,487,342.17</u>	<u>100</u>
<u>Externally Managed Non-Pooled Investments</u>		
Total externally managed Non-Pooled Investments tested	<u>\$ 0</u>	<u>0</u>
Total externally managed Non-Pooled Investments <sup>(2)</sup>	<u>\$ 95,483.65</u>	<u>100</u>

(1) The sample of non-pooled investments was selected based upon outstanding issues on December 31, 2021 plus any untested new issues since quarter ended September 30, 2021. Issues selected were all internally managed non-pooled investments. The one externally managed fund this quarter was not selected for testing.

(2) The total amount of non-pooled investments for the quarter ended December 31, 2021 was \$775,582,825.82 (\$775,487,342.17 internally managed and \$95,483.65 externally managed).

Fund Type

(GO) - General Obligation Bonds

(REV) - Revenue Bonds

**Indicates new issues**