

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, 2022



Audit Committee Submittal Date: 09/15/2022

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 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 June 30, 2022.

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 June 30, 2022. The internal control over compliance with the governing policy document appears adequate.

COUNTY OF SACRAMENTO

Treasury Oversight Committee
Non-Pooled Investments
Performance Audit Report

For the Quarter Ended June 30, 2022

Audit Staff:

Hong Lun (Andy) Yu, CPA
Jennifer Cabrera

Chief of Audits
Auditor

**COUNTY OF SACRAMENTO
TREASURY OVERSIGHT COMMITTEE
NON-POOLED INVESTMENTS
PERFORMANCE AUDIT REPORT
FOR THE QUARTER ENDED JUNE 30, 2022**

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County of Sacramento

August 3, 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 June 30, 2022.

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 June 30, 2022, 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 June 30, 2022.

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 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 1 new issue out of total 38 issues during this quarter and we randomly selected an additional 9 out of the remaining 37 non-pooled investments based upon outstanding issues on June 30, 2022, 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 10, which represents approximately 26% of the total 38 internally managed non-pooled investments.
- We inspected the portfolio monitoring report for the 10 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 June 30, 2022. 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
Chief of Audits

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

COUNTY OF SACRAMENTO
TREASURY OVERSIGHT COMMITTEE
NON-POOLED INVESTMENTS
SAMPLE OF NON-POOLED INVESTMENTS
FOR THE QUARTER ENDED JUNE 30, 2022

<u>Issue ⁽¹⁾</u>	<u>Book Value 6/30/2022</u>	<u>% of Portfolio</u>
<u>Internally Managed Non-Pooled Investments</u>		
<i>San Juan USD, Elec 16, Ser 22 (GO)</i>	\$ 149,820,346.67	18
FCUSD SFID #3, Series D (GO)	86,720,932.65	10
SCWA, Series 2022A (REV)	81,222,394.43	10
SCWA, Series 2007 REV)	23,494,878.22	3
Airport System 2009 C&D (REV)	18,118,201.85	2
Fair Oaks Rec & Park Ser 2020 (GO)	9,015,908.43	1
Sac City USD Series 2018F (GO)	4,573,931.91	< 1
Fair Oaks Rec & Park Ser 2019 (GO)	3,225,389.80	< 1
Airport System Refund 2016B (REV)	2,386,715.26	< 1
Airport System Refund 2016A (REV)	2,294,177.56	< 1
Total internally managed Non-Pooled Investments tested	<u>\$ 380,872,876.78</u>	<u>45</u>
Total internally managed Non-Pooled Investments	<u>\$ 836,466,029.16</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 ⁽²⁾	<u>\$ 3,309,401.79</u>	<u>100</u>

(1) The sample of non-pooled investments was selected based upon outstanding issues on June 30, 2022 plus any untested new issues since quarter ended March 31, 2022. Issues selected were all internally managed non-pooled investments. The one externally managed fund was not selected for testing this quarter.

(2) The total amount of non-pooled investments for the quarter ended June 30, 2022 was \$839,775,430.95 (\$836,466,029.16 internally managed and \$3,309,401.79 externally managed by the Bank of New York Trust Company).

Fund Type

(GO) - General Obligation Bonds

(REV) - Revenue Bonds

Indicates new issues