

R N A L A U D I H AUDITOR-CONTR C O U N Ξ 5 Ν NTE A X 0

# REPORT ON COMPLIANCE MONITORING OF THE TREASURER'S INVESTMENT PORTFOLIO

## For the Month of JUNE 2009



Job Number 1024 Report Date: October 19, 2009



### **Orange County Auditor-Controller David E. Sundstrom, CPA**



Nancy N. Ishida, CPA Dat Thomas Christine Young Staff Auditor

**Audit Manager Senior Auditor** 

Hall of Finance and Records 12 Civic Center Plaza, Room 200 Santa Ana, CA 92701

Web Site www.ac.ocgov.com/audits.asp



DAVID E. SUNDSTROM, CPA AUDITOR-CONTROLLER

#### AUDITOR-CONTROLLER COUNTY OF ORANGE

HALL OF FINANCE AND RECORDS 12 CIVIC CENTER PLAZA, ROOM 200 POST OFFICE BOX 567 SANTA ANA, CALIFORNIA 92702-0567

(714) 834-2450 FAX: (714) 834-2569

www.ac.ocgov.com

SHAUN M. SKELLY SENIOR DIRECTOR ACCOUNTING & TECHNOLOGY

JAN E. GRIMES DIRECTOR CENTRAL ACCOUNTING OPERATIONS

WILLIAM A. CASTRO DIRECTOR SATELLITE ACCOUNTING OPERATIONS

> PHILLIP T. DAIGNEAU DIRECTOR INFORMATION TECHNOLOGY

October 19, 2009

0001 19, 2009

Job No. 1024

TO: Members, Treasury Oversight Committee

SUBJECT: Report on Compliance Monitoring of the Treasurer's Investment Portfolio For the Month of June 2009

We have completed the compliance monitoring of the Treasurer's investment portfolio for the month of June 2009. The purpose of our monitoring was to determine whether the Orange County Money Market Fund, Educational Fund, and Extended Funds managed by the Orange County Treasurer's Office were in compliance with certain provisions specified in the Investment Policy Statement (IPS) and that all portfolio non-compliance including technical incidents and required diversification disclosures were properly reported in the June 30, 2009 Treasurer's Monthly Management Report.

We are continuing our portfolio compliance monitoring at the request of the Treasury Oversight Committee. Our monitoring is designed to provide assurance to the Board of Supervisors, the County Executive Officer, you and other stakeholders that the Treasurer's investment portfolio is in compliance with the IPS and that all non-compliance incidents and required disclosures are properly reported.

Our compliance procedures included obtaining a daily electronic download of the investment portfolio from the Treasurer's Quantum system; judgmentally selecting 10 business days for testing; importing the selected downloads into auditing software ACL for purposes of performing calculations; and validating that investment purchases were in compliance with the IPS by reviewing and testing supporting documentation. In conducting our procedures, we examined the following days in June: 1, 5, 9, 10, 17, 18, 22, 25, 26 and 30.

Based on our compliance monitoring for the selected dates, **no compliance issues were identified**. Our report also includes information regarding Treasury policy pertaining to the reporting of technical incidents in the monthly management report.

The following lists the procedures performed and results achieved from the compliance monitoring:

Members, Treasury Oversight Committee October 19, 2009 Page 2

1. Authorized Investments (IPS Section VI and VII): We judgmentally selected a sample of 17 investments representing each pool. The selected sample consists of investments purchased in the 10 business days selected for review in June 2009. For the sample selected, we independently confirmed that the investments conform to authorized investment requirements in accordance with the IPS.

**Results**: We found no exceptions.

2. **Diversification Compliance (IPS Section VIII):** We performed calculations to determine that the Money Market and Extended Funds portfolios have met the diversification limits for investment types in accordance with the IPS.

**Results**: We found no exceptions.

3. Weighted Average Maturity (WAM) Limitations (IPS Section VIII.3): We performed calculations to determine that WAM did not exceed 60 days for the Money Market Funds in accordance with the IPS.

**Results**: We found no exceptions.

4. **Maximum Maturity Limitations (IPS Section VIII.3):** We confirmed that the maximum maturity of any portfolio instrument purchased did not exceed 13 months (397 days) for the Money Market Fund and 5 years (1,826 days) for the Extended Fund in accordance with the IPS.

**Results**: We found no exceptions.

5. **Issuer Limitations (IPS Section VIII.2):** We performed calculations to determine that no more than 5% of the total market value of each Fund is invested in securities of any one issuer with the exception of government agencies. However, a Fund may invest up to 12.5% of the total market value in securities of any one issuer for up to 3 business days or up to 10% in money market mutual funds.

**Results**: We found no exceptions.

6. Authorized Financial Dealers (IPS Section XI): We confirmed that all investments were purchased from authorized issuers.

**Results**: We found no exceptions.

7. **Financial Reporting (IPS Section XXI):** We confirmed that the June 2009 Treasurer's monthly Management Report included all statements of portfolio non-compliance including technical incidents and diversification disclosures in accordance with the IPS.

Members, Treasury Oversight Committee October 19, 2009 Page 3

#### **Results:**

#### Review of "Non-Compliance Report Summary"

The Treasurer's Monthly Management Report includes a "Noncompliance Report Summary" to disclose non-compliance issues that occurred during the month. The Treasurer's June 2009 "Noncompliance Report Summary" reported no non-compliance issues.

#### Technical Incidents

Although the Treasurer's IPS does not require technical incidents that occurred during the month to be reported in the Treasurer's Monthly Management Report, it is Treasury policy to report the details of technical incidents outstanding at month end in the "Noncompliance Report Summary." We noted no technical incidents in our sample of ten June 2009 dates.

Please let me know if you have any questions regarding our monitoring procedures.

Manny 7- Ahil

Nancy N. Ishida, CPA Audit Manager

cc: Members, Board of Supervisors Members, Audit Oversight Committee Thomas G. Mauk, County Executive Officer Peter Hughes, Director, Internal Audit Department Chriss W. Street, Treasurer-Tax Collector Paul C. Gorman, Chief Assistant Treasurer-Tax Collector Ginika Echebiri, Accounting/Compliance Manager, Treasurer-Tax Collector Foreperson, Grand Jury