



Orange County Auditor-Controller Internal Audit



Compliance Monitoring of the
Treasurer's Investment Portfolio
for the Quarter Ended March 31, 2019

Audit Number 1883
Report Date: June 4, 2019



O R A N G E C O U N T Y
AUDITOR-CONTROLLER
I N T E R N A L A U D I T

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Audit No. 1883

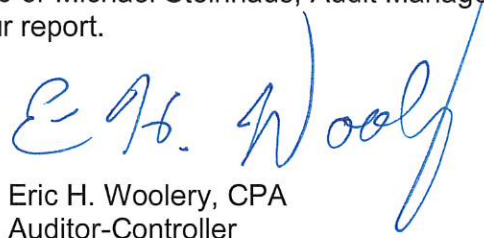
June 4, 2019

TO: Members, Treasury Oversight Committee

SUBJECT: Compliance Monitoring of the Treasurer's Investment Portfolio
for the Quarter Ended March 31, 2019

At the request of the Treasury Oversight Committee, we have completed our compliance monitoring of the Treasurer's investment portfolio for the quarter ended March 31, 2019.

Please feel free to call me at (714) 834-2456 or Michael Steinhaus, Audit Manager, at (714) 834-6106 should you wish to discuss any aspect of our report.

Handwritten signature of Eric H. Woolery in blue ink.

Eric H. Woolery, CPA
Auditor-Controller

Attachment

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Shari L. Freidenrich, Treasurer-Tax Collector
- Frank Kim, County Executive Officer
- Larry Walker, Assistant Treasurer-Tax Collector
- Gary Nguyen, Director of Investments, Treasurer-Tax Collector – Treasury
- Salvador Lopez, Interim Chief Deputy Auditor-Controller
- Robin Stieler, Clerk of the Board of Supervisors
- Foreperson, Grand Jury
- Vavrinek, Trine, Day & Co., LLP, County External Auditor



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Internal Auditor's Report

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June 4, 2019

Richard Rohm, CPA, Chair, Public Member
Treasury Oversight Committee

We have completed our compliance monitoring of the Treasurer's investment portfolio for the quarter ended March 31, 2019. The purpose of our engagement was to determine whether the Orange County Investment Pool (OCIP), Orange County Educational Investment Pool (OCEIP), and various other non-pooled investments managed by the Treasurer, such as John Wayne Airport (JWA) Investment Fund, were in compliance with the applicable provisions of its Investment Policy Statement (IPS) and that instances of noncompliance, including technical incidents, were properly reported in the Treasurer's Monthly Investment Report. It is important to note that the Treasurer further invests pooled funds from the OCIP and OCEIP into three funds: the Orange County Money Market Fund and the Orange County Educational Money Market Fund (collectively referred to as Money Market Funds), and the Extended Fund.

We perform our compliance monitoring of the Treasurer's investment portfolio at the request of the Treasury Oversight Committee. The monitoring is designed to provide limited assurance to the Treasury Oversight Committee and the Office of the Treasurer-Tax Collector that the Treasurer's investment portfolio complies with specific provisions of the IPS, and that instances of noncompliance are properly reported.

Our compliance procedures included judgmentally selecting five business days for testing from each month and importing the selected electronic downloads from the Treasurer's Quantum system into TeamMate Analytics, an Excel-based data analytics software, to perform calculations and determine whether investment purchases complied with the IPS.

Based on the procedures performed, **no instances of noncompliance were identified.**

The following lists the procedures performed and the results achieved:

1. **Authorized Investments (IPS Sections VI, VII, VIII, IX, and XI):** We judgmentally selected a sample of 15 investments purchased during the quarter (one investment for each of the 15 business days selected for testing). We confirmed that the investments conformed to the investment requirements at the time of purchase and were purchased from issuers or brokers on the Treasurer's authorized lists in accordance with the IPS.

Results: We found no exceptions.

2. **Diversification Limits (IPS Section VIII.1):** We confirmed that the investments did not exceed the diversification limits for investment types in accordance with the IPS.

Results: We found no exceptions.



Internal Auditor's Report

- 3. Weighted Average Maturity (WAM) Limits (IPS Section VIII.2):** We confirmed that WAM did not exceed 60 days for the Money Market Funds in accordance with the IPS, and that WAM did not exceed 90 days for the JWA Investment Fund.

Results: We found no exceptions.

- 4. Maximum Maturity Limits (IPS Section VIII.2):** We confirmed that the maximum maturity of any investment purchased did not exceed 397 days for the Money Market Funds and five years for the Extended Fund in accordance with the IPS, and that the maximum maturity did not exceed 15 months for the JWA Investment Fund.

Results: We found no exceptions.

- 5. Investment Type Maximum Maturity Limits (IPS Section VIII.1):** We confirmed that the maximum maturities of investment types purchased that have lower maturity limits than those covered by IPS Section VIII.2 were in accordance with the IPS. IPS maturity limits for the Money Market Funds are 180 days for bankers' acceptances, 270 days for commercial paper, and one year for repurchase agreements. IPS maturity limits for the Extended Fund are 180 days for repurchase agreements, 18 months for negotiable certificates of deposit, two years for medium-term notes, and three years for municipal debt.

Results: We found no exceptions.

- 6. Issuer Concentration Limits (IPS Section VIII.1):** We confirmed that the investments did not exceed the issuer concentration limits in accordance with the IPS.

Results: We found no exceptions.

- 7. Financial Reporting (IPS Section XXI):** We confirmed that any instances of non-compliance or technical incidents were properly reported in the Treasurer's Monthly Investment Report in accordance with the IPS.

Results: We found no exceptions.

This report is intended solely for the information and use of the Treasury Oversight Committee and the Office of the Treasurer-Tax Collector; however, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

Eric H. Woolery, CPA
Auditor-Controller