

COUNTY OF SACRAMENTO

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

**INTERNAL AUDIT UNIT REPORT
TREASURY OVERSIGHT COMMITTEE
NON-POOLED INVESTMENTS
PERFORMANCE AUDIT REPORT
FOR THE QUARTER ENDED
SEPTEMBER 30, 2024**



Audit Committee Submittal Date: 12/19/2024

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, and applicable laws and regulations for the quarter ended September 30, 2024.

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 September 30, 2024. The internal control over compliance with the governing bond documents, and applicable laws and regulations appears adequate.

COUNTY OF SACRAMENTO

Treasury Oversight Committee
Non-Pooled Investments
Performance Audit Report

For the Quarter Ended September 30, 2024

Audit Staff:

Tae-Young Kang, CPA
Thomas Chung

Audit Manager
Auditor

**COUNTY OF SACRAMENTO
TREASURY OVERSIGHT COMMITTEE
NON-POOLED INVESTMENTS
PERFORMANCE AUDIT REPORT
FOR THE QUARTER ENDED SEPTEMBER 30, 2024**

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Department of Finance

Chad Rinde

Director

**Divisions**

Auditor-Controller

Consolidated Utilities Billing &
Service

Investments

Revenue Recovery

Tax Collection & Licensing

Treasury

County of Sacramento

November 4, 2024

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

We have audited the County of Sacramento (County) Non-Pooled Investment Funds (Fund) for the quarter ended September 30, 2024.

Our audit was conducted to verify the Fund's compliance with County's investment policy, bond resolutions, bond indentures, or by the bond insurers (governing bond documents), and applicable laws and regulations for the quarter ended September 30, 2024, and to verify whether the Department of Finance, Treasury Division (Treasury) and Investment Division (Investment) have adequate internal controls to meet the Fund's compliance requirements.

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 September 30, 2024.

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 verifying the Fund's compliance with the governing bond documents, and applicable laws and regulations.

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 10 out of total 38 non-pooled bond proceed funds based on outstanding issues on September 30, 2024, to test for compliance with the governing bond documents. There were no new bonds issued during the period under audit. See ATT 1 – *Schedule of Sample Non-Pooled Investments*.
- We inspected the portfolio monitoring reports for the 10 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 *Generally Accepted Government Auditing Standards* (GAGAS) 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 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 GAGAS' 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.

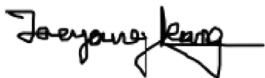
Although the Director of Finance is statutorily obligated to maintain the non-pooled investment in the County Treasury, we believe the following safeguard and division of responsibility exist. The staff that has the responsibility to perform audits within the Auditor-Controller Division has no other 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, and applicable laws and regulations for the quarter ended September 30, 2024. Also, it appears that Treasury and Investment have adequate internal controls to ensure the Fund's compliance with the governing bond documents, and applicable laws and regulations.

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, and the management of Treasury and Investment, 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

A handwritten signature in black ink, appearing to read 'Tae-Young Kang', with a stylized flourish at the end.

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 SEPTEMBER 30, 2024

Issue ⁽¹⁾	Book Value 9/30/2024	% of Portfolio
Florin Vineyard CFD No. 1 2018 (MR)	\$ 552,711.18	<1
Airport System Refund 2016A (REV)	1,335,807.17	<1
Natomas USD, Elec 18, 2020A (GO)	2,813,099.69	<1
Sac City USD, Series 2022 A (GO)	14,328,598.15	2
Twin Rivers USD SFID, 2022A (GO)	19,740,888.83	2
Airport System 2009 A&B (REV)	20,281,334.24	2
FCUSD SFID #3, Series D (GO)	24,551,140.81	3
San Juan USD, Elec 16, Ser 24 (GO)	56,194,522.61	7
Los Rios CCD Elec 08, Ser E (GO)	78,135,162.27	9
Elk Grove USD, Elec 16, Ser 23 (GO)	117,650,544.15	14
Total Non-pooled Investments tested	<u>\$ 335,583,809.10</u>	<u>40</u>
Total Non-Pooled Investments	<u>\$ 833,904,480.82</u>	<u>100</u>

⁽¹⁾ The sample of non-pooled investments was selected based upon outstanding issues on September 30, 2024. No new bonds were issued during this quarter.

Fund Type

(GO) - General Obligation Bonds

(MR) - Mello Roos Bonds

(REV) - Revenue Bonds