

Office of the Auditor-Controller
Contra Costa County

Robert R. Campbell
Auditor-Controller


Harjit S. Nahal
Assistant Auditor-Controller

625 Court Street
Martinez, California 94553-1282
Phone (925) 335-8600
Fax (925) 646-2649



May 8, 2019

TO: Donald Bouchet, Chairperson, Treasury Oversight Committee

FROM: Robert R. Campbell, Auditor-Controller
By: Joanne Bohren, CPA, Auditor-Controller Division Manager 

SUBJECT: Examination of the Activities of the County Treasurer and the Treasury Oversight Committee as Required by Government Code Section 27134

EXECUTIVE SUMMARY

The accounts, records, and procedures of the County Treasurer (Treasurer) and the records and procedures of the Treasury Oversight Committee (Committee) were examined for the period of January 1, 2018, through December 31, 2018.

The necessary audit tests and procedures were conducted to determine if, within the scope, the following conditions existed:

- There was compliance with Government Code Sections 27131 through 27132.4 that govern the establishment, membership, and meetings of the Committee.
- There was compliance with Government Code Section 27133 that governs the establishment, review, and monitoring of investment policy.
- The quality of the Treasurer's investment portfolio complied with applicable laws and administrative requirements governing investments, including Government Code Sections 53601 through 53607 and 53646 governing authorized investments and the County's Investment Policy.
- Internal controls were adequate to ensure the safeguarding of the financial assets under the Treasurer's control.
- The Treasurer has contracted with financial entities for investment services and safekeeping, and restricted investing transactions to brokers and issuers allowed by the County's Investment Policy.
- The Treasurer's Quarterly Investment Reports were accurate.

cc: Russell V. Watts, Treasurer-Tax Collector

Examination of the Activities of the County Treasurer and the Treasury Oversight Committee as Required by Government Code Section 27134

Compliance with the bylaws and investment policy needs to be strengthened based on the results of the examination.

1. Comply with the Contra Costa County Treasury Oversight Committee Bylaws (Bylaws) to ensure Treasury Oversight Committee meeting agendas are posted appropriately.
2. Comply with the Contra Costa County Treasury Oversight Committee Investment Policy (Policy), Section 15.1, "Methodology," to ensure the Contra Costa County Investment Pool Summary is accurate.

The following section includes the full text of the recommendations to assist management in addressing them. The last section includes the status of the prior examination's recommendations.

In accordance with established policy, a written response to the examination's recommendations is required within 30 days of receipt of the report. A follow-up will be done in approximately six months after the release of the report.

The cooperation and assistance of the Treasurer staff during the course of the examination is appreciated. If you have any questions, please contact Henriette Browne, Accountant-Auditor III, at 925-335-8637.

Examination of the Activities of the County Treasurer and the Treasury Oversight Committee as Required by Government Code Section 27134

RECOMMENDATION

Recommendation #1: Comply with the Contra Costa County Treasury Oversight Committee Bylaws (Bylaws) to ensure Treasury Oversight Committee meeting agendas are posted appropriately.

Condition: The Committee's agenda was posted in the County Finance building's lobby and the County Administration building's entrance; however, the Treasury Oversight Committee meeting agendas were not posted on the Treasurer-Tax Collector's website 96 hours prior to the Treasury Oversight Committee meeting as required by the Bylaws.

Criteria: Section X.B.1 of the Bylaws states, "...At a minimum, the agenda must contain the date, time, and location of the meeting and the items of business to be considered. The agenda will be posted 96 hours in advance of each meeting at the County's Administration Building's entrance, the lobby of the County Finance Building, and on the Treasurer-Tax Collector's website at www.ccctax.us."

Effect: The Committee was not in compliance with the Bylaws when the Committee's meeting agenda was not posted 96 hours in advance on the Treasurer-Tax Collector's website.

Cause: The Treasury Oversight Committee's Agenda was not posted to the Treasurer-Tax Collector's website due to an oversight by the Chief Deputy Treasurer-Tax Collector.

Suggested Action: To comply with the Bylaws, the Chief Deputy Treasurer-Tax Collector must post the agenda on the Treasurer-Tax Collector's website 96 hours in advance of the Committee meeting. In addition, the staff of the Office of the Treasurer-Tax Collector should periodically review the Bylaws to ensure compliance.

Examination of the Activities of the County Treasurer and the Treasury Oversight Committee as Required by Government Code Section 27134

Recommendation #2: Comply with the Contra Costa County Treasury Oversight Committee Investment Policy (Policy), Section 15.1, “Methodology,” to ensure the Contra Costa County Investment Pool Summary is accurate.

Condition: The Contra Costa County Investment Pool Summary was inconsistent with the report to the Board of Supervisors. One asset back security investment was miscategorized as a Corporate Note causing the Corporate Notes to be overstated and the Asset Back Securities to be understated.

Criteria: Section 15.1, “Methodology” of the Investment Policy states, “The County Treasurer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner which will allow the County Treasurer to ascertain whether investment activities during the reporting period have conformed to the investment policy...”

Effect: Although the Contra Costa County Investment Pool Summary as a whole was reported accurately, the Contra Costa County Investment Pool Summary did not match the Appendix causing the Treasurer’s Quarterly Investment Report to be inconsistent.

Cause: Staff of the Office of the Treasurer-Tax Collector did not believe a note disclosure was necessary since the Office of the Auditor-Controller Internal Audit division performs an examination annually.

Suggested Action: To comply with the Policy, staff of the Office of the Treasurer-Tax Collector must add a disclosure note to the Contra Costa County Investment Pool Summary when there is a variance between the Pool Summary and the Appendix.

Examination of the Activities of the County Treasurer and the Treasury Oversight Committee as Required by Government Code Section 27134

STATUS OF PRIOR RECOMMENDATION

Recommendation:

Status

Comply with Government Code 27131 to ensure all members on the Committee nominated by the Treasurer are confirmed by the Board of Supervisors.

Implemented. Committee members were appointed in accordance with Government Code Section 27131.