



Internal Audit Division

Auditor-Controller-Treasurer-Tax Collector

Compliance Audit Report

Treasurer Investment Pool

For the Quarter Ended December 31, 2024

Report Date: April 22, 2025
Engagement No: 3580

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Introduction

The Auditor-Controller-Treasurer-Tax Collector (ACTTC), Internal Audit division has completed a compliance audit of the County of Sonoma Treasury for the quarter ending December 31, 2024. Our audit is designed to identify, analyze, evaluate, and document sufficient information and evidence to achieve our audit objectives. We believe that the evidence obtained provides a reasonable basis for the results contained in our report.

The purpose of our engagement is to review the Treasurer's Statement of Assets as required by Government Code §26920(a). Our review included:

1. Counting cash in the County Treasury.
2. Verifying that the records of the County Treasury Division and the Auditor-Controller Division are reconciled pursuant to Section 26905.
3. Verifying the amount and type of assets in the County Treasury exist and are accurately reported.
4. Providing a report to the Board of Supervisors, which is also filed with the Clerk of the Board.

The Internal Audit Division, the Assistant ACTTC, who is responsible for the auditor-controller functions, as well as the Assistant ACTTC, who is responsible for the treasury and investment functions covered by this audit, report to the elected ACTTC. Except for conducting this review, the Internal Audit Division has no other responsibilities or involvement in the management or performance of the Treasury's investment functions.

Background

The County of Sonoma Treasury is responsible for the safekeeping and investment of funds for the County, School Districts and Special Districts. The Treasury oversees all banking operations for the County and its Departments. The Treasury also managed, for the quarter ending December 31, 2024, an investment portfolio of approximately \$3.6 billion and allocated \$33 million in interest earnings.

We would like to thank management and staff for their time, information, and cooperation throughout the engagement.

Objectives

The primary objectives of this audit were to determine if:

1. Cash in the Treasury vault agreed with amounts in the Treasury records;
2. The records of the County Treasurer and Auditor were reconciled;
3. The amount and type of assets in the County Treasury exist and are accurately reported in the Quarterly Report and Certification of the County Treasurer, and the Statement of Assets;
4. The Quarterly report and Certification of the County Treasurer was signed and timely submitted to the office of the Clerk of the Board.

Scope

The audit covered cash and investments reported in the Treasurer's Statement of Assets for the period October 1, 2024, to December 31, 2024.

Procedures

We performed the procedures enumerated below:

1. Observed cash drawer counts in the Treasury vault and verified amounts to Treasury records, per Government Code §26920.
2. Verified that records of the County Treasurer and Auditor have been reconciled, per Government Code §26905.
3. Verified existence and proper valuation of Treasury cash and investments held in banks and other safekeeping agents through the agents' statements, per Government Code §26920.
4. Verified a quarterly report of Treasury assets was properly reviewed, signed, and placed on file with the Clerk of the Board pursuant to Government Code §53646.

Results

Objective #1:

Cash on hand in the Treasury as of December 31, 2024, agrees with Treasury records (Teller Cash Sheets).

Objective #2:

The records of the County Treasurer and Auditor were reconciled for the quarter ended December 31, 2024.

Objective #3:

The amount and types of assets in the County Treasury exist and are accurately reported in the Quarterly Report and Certification of the County Treasurer and the Statement of Assets as of December 31, 2024. The cash and investment balances reported on the Treasurer's Statement of Assets are supported by the Treasurer's records and financial institution statements. The market value of investments reflects a snapshot of ongoing fluctuations in interest rates, par values of these investments are confirmed in our audit, and market values are not analyzed.

Objective #4:

The December 31, 2024, Quarterly Report and Certification of the County Treasurer was signed and timely submitted to the office of the Clerk of the Board.

**Sonoma County Treasury
Statement of Assets
December 31, 2024**

	Investment Pool
Cash in Treasury vault	\$ 55,410
Cash held by commercial banks	15,878,134
Investments	
US Treasury Securities	354,764,965
US Agency Bonds	1,154,782,289
Supranational Bonds	221,476,477
Corporate Notes and Bonds	950,687,863
Certificates of Deposits	209,000,000
Commercial Paper	136,776,421
Municipal Bonds	272,935,012
SCEIP	17,467,006
Mutual Funds	215,200,626
Sonoma County Water Agency Designated Investments	33,795,815
Total Assets	<u>\$ 3,582,820,018</u>

Note 1: Basis for Presentation

This special-purpose statement of assets was prepared for the purpose of presenting the assets of the Treasury pursuant to the California Code Section 26920 and is not intended to be a presentation in conformity with generally accepted accounting principles. The amounts presented for investments are book values carried at amortized cost. Note disclosures required by Governmental Accounting Standards Board Statement No. 40 deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3, are not presented, since such disclosures are not required by the California Government Code Section 26920.

Priority Ratings and Definitions

Priority Ratings	Definition of Priority Ratings and Suggested Implementation Timeframe
High / Priority One (1)	<p>Priority One recommendations are assigned to the highest assessed level of risk. For these recommendations, internal controls are considered poor or insufficient, which results in the likelihood of financial loss, waste, misappropriation of assets, or errors for the area(s) evaluated. Priority One recommendations also include issues related to non-compliance with laws, regulations or policies and procedures.</p> <p>Management should urgently implement these recommendations within one to three months after issuance of the final audit report to avoid risk exposure.</p>
Medium / Priority Two (2)	<p>Priority Two recommendations are assigned to the moderately assessed level of risk. For these recommendations, internal controls provide reasonable assurance that the County program(s) or area(s) evaluated are protected from potential financial loss, waste, misappropriation of assets, or errors; however, additional action is needed to strengthen current practices.</p> <p>Management should promptly implement these recommendations within three to six months after issuance of the final audit report to improve internal control processes.</p>
Low / Priority Three (3)	<p>Priority Three recommendations are assigned to the lowest assessed level of risk. For these recommendations, internal controls are operating as designed to ensure the County program(s) or area(s) evaluated are protected from potential financial loss, waste, misappropriation of assets, or errors. These recommendations are desired actions to enhance current practices.</p> <p>Management should consider implementing these recommendations within six to 12 months after issuance of the final audit report to provide additional confidence in the internal control system.</p>
Opportunity for improvement/ Priority Four (4)	<p>Priority Four recommendations are assigned to matters which do not involve internal controls, they typically involve opportunities for improvement or efficiency/effectiveness issues that require management's consideration to implement or enhance processes.</p>