



Internal Audit Department

O R A N G E C O U N T Y

AUDIT HIGHLIGHT

OCTOBER 31, 2011

Financial & Internal Control Audit:

AUDIT OF TREASURY COST ALLOCATIONS TO POOL PARTICIPANTS Audit No. 2915

WHY IS THIS AUDIT IMPORTANT?

During our audit period, the Treasurer-Tax Collector allocated (charged) **\$6.3 million** of administrative costs to pool participants for services. Over a decade, these charges total in excess of **\$60 million**.

The Orange County Board of Supervisors reviews and approves an annual County Investment Policy Statement (IPS). The IPS includes a section detailing how the costs of administering the investment pool are calculated and apportioned. County investment pools have many participants that share in the cost of administering the pools.

The IPS broadly prescribes how the costs of investing, depositing, banking, auditing, reporting, handling, or managing funds should be calculated and apportioned among the pool participants. In addition, California Government Code Section 27013 allows the Treasurer to deduct administrative costs before distributing interest or income dividends to shareholders in County Treasury pools. Such cost reimbursement is required to be paid into the County General Fund.

WHAT THE AUDITORS FOUND?

We found the internal controls were not adequate for reasons cited in our audit findings. We identified six (6) Critical Control Weaknesses, five (5) Significant Control Weaknesses, and two (2) Control Findings where controls and processes needed to be improved. Management agreed with all 13 recommendations and have already initiated corrective action on all recommendations.