INTERNAL AUDITOR'S REPORT ON AGREED-UPON PROCEDURES FOR PORTFOLIO COMPLIANCE MONITORING OF THE COUNTY TREASURY FOR QUARTER ENDED SEPTEMBER 30, 2004

REPORT DATE: November 1, 2004

File Number 2414

Audit Director:	Peter Hughes, Ph.D, CPA
Deputy Director:	Eli Littner, CPA, CIA
Audit Manager:	Alan Marcum, CPA, CIA
In-Charge Auditor:	Toni Smart, CPA

INTERNAL AUDIT DEPARTMENT

COUNTY OF ORANGE

INTERNAL AUDITOR'S REPORT
ON AGREED-UPON PROCEDURES
FOR PORTFOLIO COMPLIANCE MONITORING
OF THE COUNTY TREASURY
FOR QUARTER ENDED SEPTEMBER 30, 2004

TABLE OF CONTENTS

Transmittal Letter 1

INTERNAL AUDITOR'S REPORT 2

COUNTY OF ORANGE
INTERNAL AUDIT DEPARTMENT

OFFICE OF THE DIRECTOR

Integrity
Objectivity
Independence

PETER HUGHES
Ph.D. MBA, CPA, CIA, CFE, CITP
DIRECTOR

MAILING ADDRESS:
400 CIVIC CENTER DRIVE WEST
BUILDING 12, ROOM 232
SANTA ANA, CA 92701

TELEPHONE: (714) 834-5475
FAX: (714) 834-2880
EMAIL: peter.hughes@ocgov.com
WEBSITE: www.oc.ca.gov/audit/

Transmittal Letter

File No. 2414

November 8, 2004

TO: John M.W. Moorlach
Treasurer-Tax Collector

SUBJECT: Report on Agreed-upon Procedures for Portfolio Compliance Monitoring of the County Treasury for Quarter Ended September 30, 2004 (File No. 2414)

Attached is a copy of our Report on Agreed-upon Procedures for Portfolio Compliance Monitoring of the County Treasury for Quarter Ended September 30, 2004 (File No. 2414).

Respectfully submitted,

Peter Hughes, Ph.D., CPA
Director, Internal Audit

/PH:ts

Attachments

Other recipients of this audit report:
Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
Members, Treasury Oversight Committee
Paul Gorman, Treasurer Accounting/Compliance Manager
Darlene J. Bloom, Clerk of the Board of Supervisors
Foreman, Grand Jury

"The Internal Audit Department is an independent audit function reporting directly to the Orange County Board of Supervisors."

COUNTY OF ORANGE
INTERNAL AUDIT DEPARTMENT

OFFICE OF THE DIRECTOR

Integrity
Objectivity
Independence

PETER HUGHES
Ph.D. MBA, CPA, CIA, CFE, CITP
DIRECTOR

MAILING ADDRESS:
400 CIVIC CENTER DRIVE WEST
BUILDING 12, ROOM 232
SANTA ANA, CA 92701

TELEPHONE: (714) 834-5475
FAX: (714) 834-2880
EMAIL: peter.hughes@ocgov.com
WEBSITE: www.oc.ca.gov/audit/

File No. 2414

November 1, 2004

INTERNAL AUDITOR'S REPORT
ON AGREED-UPON PROCEDURES FOR PORTFOLIO COMPLIANCE MONITORING OF THE COUNTY TREASURY FOR QUARTER ENDED SEPTEMBER 30, 2004

John M. W. Moorlach, C.P.A., CFP®
Treasurer-Tax Collector:

We have performed the agreed-upon procedures enumerated below, which were agreed to by the Treasurer for the purpose of assisting in determining whether the County funds managed by the Orange County Treasurer's office, the Money Market Funds (Funds 283, 692 and 694) and the Extended Fund (Fund 699), are in compliance as of that date with certain provisions of the Treasurer's Investment Policy Statement (IPS). This engagement to apply agreed-upon procedures was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of Treasurer management. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We conducted our engagement in accordance with a series of agreed-upon procedures which required that we review, on a test basis, evidence of the portfolio holdings, perform certain mathematical calculations, and review the results with respect to the Treasurer's IPS. In conducting our review, the Internal Audit Department examined the portfolio holdings on the following dates: July 12, August 2, September 8 and September 30, 2004.

The agreed-upon procedures and the associated findings are as follows:

1. We will verify the completeness and accuracy of the portfolio downloads obtained from the Treasurer's office.

   Finding:
   We found no exceptions as a result of the procedure.

"The Internal Audit Department is an independent audit function reporting directly to the Orange County Board of Supervisors."

2. We will perform calculations to determine that the portfolio concentrations of the Money Market and Extended Funds have met the diversification limits for investment types and allowable issuer percentages in accordance with Sections V.2 and VI of the Treasurer's IPS.

   Finding:
   We found no exceptions as a result of the procedure.

3. We will perform calculations to determine that a Net Asset Value (NAV) of approximately $1 (within a range of .995 – 1.005) was maintained for the Money Market Funds in accordance with Section II.4 of the Treasurer's IPS.

   Finding:
   We found no exceptions as a result of the procedure.

4. We will perform calculations to determine that a weighted average maturity (WAM) of less than 90 days was maintained for the Money Market Funds and a WAM of less than 18 months was maintained for the Extended Fund in accordance with Section VI.1 of the Treasurer's IPS.

   Finding:
   We found no exceptions as a result of this procedure.

5. We will select a representative sample of investment purchases made during the quarter from each fund and will independently confirm that the investments conform with authorized investment requirements in accordance with Sections IV, V.3, V.7~V.9, VI.2 and XI of the Treasurer's IPS.

   Finding:
   We found no exceptions as a result of this procedure.

We were not engaged to and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, the report will be a matter of public record and its distribution is not limited.

The working papers for this engagement are the property of the County of Orange Internal Audit Department and constitute public information. If requested, access to such working papers will be provided under the supervision of the County of Orange Internal Audit Department personnel.

Sincerely,

Peter Hughes, Ph.D., CPA
Director, Internal Audit