
**TREASURER-
TAXCOLLECTOR**

GOVERNMENTAL CENTER
701 OCEAN STREET
P.O. BOX 1817
SANTA CRUZ, CALIFORNIA 95061



COUNTY OF SANTA CRUZ

RICHARD W. BEDAL
TREASURER AND TAX COLLECTOR

DEBORAH LAUCHNER
ASSISTANT
TREASURER AND TAX COLLECTOR

June 9, 1999

AGENDA: JUNE 22, 1999

Board of Supervisors
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

Re: TREASURY COMPL ANCE AUDIT

Dear Members of the Board,

Pursuant to Government Code §27134 the Treasury Oversight Commission directed the accounting firm of Bartig, Basler & Ray to conduct an audit to determine the Treasury's compliance with various state laws and the county's investment policy. The audit was completed for the year ended June 30, 1998 and is on file with the Clerk of the Board. Although the report concludes that the county is in compliance with the aforementioned requirements, it did offer some recommendations to improve our reporting and accounting procedures. The purpose of this letter is to submit the audit report and provide responses to the Auditor's recommendations.

Following the Orange County debacle the state legislature enacted a number of laws to hopefully prevent a reoccurrence. Some of those procedures include Board approval of an investment policy, establishment of a Treasury Oversight Commission and frequent, extensive reporting to the Commission and the Board. Each of those programs has been initiated in this county. The state law also directed the Oversight Commission to cause an annual audit to be conducted of the Treasury. The audit report on file with the Clerk of the Board is the first complete audit conducted for your review and concludes with the following:

"The treasury pool appears to be diversified. Since the portfolio is short term in nature, the market values and the cost are very nearly the same (only .3% difference). Investments in the portfolio appear to be prudent and are of the type common to investment pools of other counties."

To assist the county in refining the accounting and reporting and improve information which will assist the commission in fulfilling oversight responsibilities, the audit report includes some recommendations:

Discounted Instruments

Recommendation of Auditor

We recommend that the short term discounted type of investments including commercial paper, banker's acceptances and certain treasury and agency investments be valued at cost on the investment reports. Other discount investments that may not have short term maturities should not include the accrued interest in the value when computing a market value.

Response of Treasurer

In the future, the Treasurer's Office will report the market value of discounted instruments the same as the cost of the instrument.

Purchased Interest

Recommendation of Auditor

Interest on purchased investments that is carried in the book value should be added to the market values when preparing the investment reports.

Response of Treasurer

In the future the Treasurer will include purchased interest that has not yet been received as part of the market value. Therefore, until the purchased interest is received, that amount will be included in both the cost and the market value.

Specific Investments

Recommendation of Auditor

The Treasurer's Office should reconcile the specific investments that they are carrying each month to the amounts set aside from the pooled cash to insure that funds are properly receiving credit for the correct balances and are not also receiving pool interest.

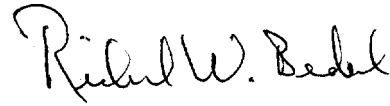
Response of Treasurer

The Treasurer's and the Auditor-Controller's Office have implemented additional procedures to ensure that interest on specific investments is apportioned correctly. The additional procedures include reconciling and monitoring the cash balances of specific investments and the interest apportioned on funds set aside from the pooled cash.

Under the laws of the State of California, it is the responsibility of the County Treasurer, at the direction of the Board of Supervisors, to secure and protect the public funds of the County and the participants of the Investment Pool, and to establish proper safeguards, controls, and procedures to maintain these funds in a lawful, rational and auspicious manner. This audit, that is being submitted for your approval, the established Oversight Commission and the Board approved Investment Policy, together provide adequate safeguards to assure your Board and other interested parties that the Investment Pool is being maintained in a safe and secure manner.

It is therefore RECOMMENDED that your board accept and file the Treasury Oversight Commission Compliance Audit, with the attached County Treasurer Responses, for the year ended June 30, 1998.

Sincerely,



Richard W. Bedal
Treasurer-Tax Collector

cc: Gary Knutson

RECOMMENDED:



SUSAN A. MAURIELLO
County Administrative Officer