

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

342



FROM: EXECUTIVE OFFICE

SUBMITTAL DATE:
November 14, 2006

SUBJECT: Annual Investment Audit Report

RECOMMENDED MOTION: That the Board receive and file the FY 05-06 Annual Investment Audit Report.

BACKGROUND: State law requires each County to establish a County Treasury Oversight committee and perform an annual investment audit on the County Treasury. The investment audit is to include the verification of the identification, classification, market value and rating of each investment. The Board expanded this requirement to include County agency investment funds held outside the County Treasury.

The FY 05-06 Investment Audit, performed by Macias, Gini & O'Connell, LLP contains findings for Housing Authority investments. The findings were the result of an error that occurred during the preparation of the investment report.

The Investment Oversight Committee reviewed the audit report at its November 2, 2006 meeting.

Lani Sioson

Lani Sioson
Associate Management Analyst

FINANCIAL DATA	Current F.Y. Total Cost:	\$ N/A	In Current Year Budget: Budget Adjustment: For Fiscal Year:
	Current F.Y. Net County Cost:	\$ N/A	
	Annual Net County Cost:	\$ N/A	

SOURCE OF FUNDS:	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE

County Executive Office Signature *[Signature]*

- Policy
- Policy
- Consent
- Consent

Dep't Recomm.:
Per Exec. Ofc.:

NOV 14 2006
RECEIVED RIVERSIDE COUNTY

Prev. Agn. Ref.: | District: | Agenda Number:

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COUNTY OF RIVERSIDE

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Year Ended June 30, 2006



MACIAS GINI & O'CONNELL_{LLP}

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS



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The Honorable Board of Supervisors
County of Riverside, California

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

We have performed the procedures enumerated below, which were agreed to by the County of Riverside Board of Supervisors, solely to assist you in evaluating the County's compliance with the Treasurer's annual investment policy and the California Government Code for the Treasurer's investment portfolio and the investment portfolios of the other entities listed below for the fiscal year ended June 30, 2006. Management is responsible for the County's compliance with those requirements. These agreed-upon procedures were conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the County of Riverside Board of Supervisors. 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.

Scope of Procedures Performed and Resultant Findings

Our procedures and the results of those procedures are described below:

County Treasury:

- A. We read the Treasurer's annual investment policy for Fiscal Year 2005/2006 and determined that the policy included the following policies in accordance with California Government Code Section 27133:
1. A list of securities or other instruments in which the Treasurer may invest, according to law, including the maximum allowable percentage by type of security.

Finding: No exceptions were noted as a result of our procedures.
 2. The maximum term of all securities purchased by the treasury.

Finding: No exceptions were noted as a result of our procedures.
 3. The criteria for selecting security brokers and dealers from, to or through whom the treasury may purchase or sell securities or other instruments. The criteria shall prohibit the selection of any broker, brokerage, dealer or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities



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Rulemaking Board, to the County Treasurer, any member of the County Board of Supervisors, or any candidate for those offices.

Finding: No exceptions were noted as a result of our procedures.

4. Limits on receipt of honoraria, gifts and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the treasury conducts business by any member of the County Treasury Oversight Committee. These limits may be in addition to the limits set by a Committee member's own agency, by state law or by the Fair Political Practices Commission.

Finding: No exceptions were noted as a result of our procedures.

5. A requirement that the Treasurer provide the County Treasury Oversight Committee with an investment report as required by the Board of Supervisors.

Finding: No exceptions were noted as a result of our procedures.

6. The manner of calculating and apportioning the costs, authorized by Government Code Section 27013, of investing, depositing, banking, auditing, reporting or otherwise handling or managing funds.

Finding: No exceptions were noted as a result of our procedures.

7. The terms and conditions under which local agencies and other entities that are not required to deposit their funds in the County treasury may deposit funds for investment purposes.

Finding: No exceptions were noted as a result of our procedures.

8. Criteria for considering requests to withdraw funds from the treasury, pursuant to Government Code Section 27136. The criteria must include an assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the treasury.

Finding: No exceptions were noted as a result of our procedures.

- B. We read the Treasurer's annual investment policy and determined that the policy included the following policies in accordance with California Government Code Sections 27136 and 27137:

1. Requires any local agency, public agency, public entity or public official that has funds on deposit in the treasury pool and that seeks to withdraw funds for the purpose of investing or depositing those funds outside the treasury pool, to first submit a request for withdrawal to the Treasurer before withdrawing funds from the treasury pool.

Finding: No exceptions were noted as a result of our procedures.

2. Evaluates each proposed withdrawal for its consistency with the criteria adopted pursuant to A.8 above, and that prior to approving or disapproving a withdrawal, the Treasurer finds that the proposed withdrawal will not adversely affect the interests of the other depositors in the treasury pool.

Finding: No exceptions were noted as a result of our procedures.

3. Does not allow the County Treasury Oversight Committee to direct individual investment decisions, select individual investment advisors, brokers or dealers, or impinge on the day-to-day operations of the treasury.

Finding: No exceptions were noted as a result of our procedures.

- C. We reviewed Board Resolution No. 767.9 and determined that the County Board of Supervisors has delegated, by ordinance pursuant to Government Code Sections 27000.1 and 53607, the authority to invest or reinvest the funds of the County and the funds of other depositors in the treasury pursuant to Government Code Section 53600.

Finding: No exceptions were noted as a result of our procedures.

- D. We read the Treasurer's Fiscal Year 2005/2006 investment policy and determined that it states, in accordance with California Government Code Section 53600.5, that the primary objective in investing and managing public funds is to safeguard the principal, with the secondary objective to meet the liquidity needs of the depositors, and the third objective to achieve a return on the funds under the Treasurer's control.

Finding: No exceptions were noted as a result of our procedures.

- E. Concerning the structure and risk of the Treasurer's investment portfolio at June 30, 2006, we:

1. Determined that all securities in the portfolio were legally authorized and met the credit quality and other purchase restrictions set forth in Government Code Sections 53601 and 53635 by comparing those securities listed in the Treasurer's investment portfolio at June 30, 2006 to the investment categories listed in the Government Code, as well as comparing minimum credit quality standards required by the Government Code with actual credit ratings of the investments in the portfolio.

Finding: No exceptions were noted as a result of our procedures.

2. Determined that all securities met the five-year maximum or earlier maturity restriction established by Government Code Sections 53601 and 53635 by ensuring that all maturity dates listed on the investment portfolio fell at or below the five-year threshold.

Finding: No exceptions were noted as a result of our procedures.

3. We reviewed the Treasurer's investment portfolio at June 30, 2006 to determine the extent to which the treasury is engaged in reverse repurchase agreements and whether or not the portfolio is in compliance with the restrictions noted in Government Code Section 53601(1) and whether the treasury is engaged in any forms of leverage (i.e., security lending agreements, taxable Tax and Revenue Anticipation Notes, etc.).

Finding: No exceptions were noted as a result of our procedures.

4. We reviewed the Treasurer's investment portfolio at June 30, 2006 and determined that the treasury is not engaged in any prohibited investments such as those noted in Government Code Section 53601.6, except for the legally authorized holding of prohibited investments purchased prior to January 1, 1996.

Finding: No exceptions were noted as a result of our procedures.

5. We obtained and read copies of the quarterly Compliance Analysis and Investment reports for fiscal year 2005/2006, and ensured that each provides a detailed market pricing of each security, which enables County officials and the County Treasury Oversight Committee to determine the current market value of the portfolio as compared to its present total book value.

Finding: No exceptions were noted as a result of our procedures.

6. Based on discussions with County Treasury management and inspection of custodial agreements, we confirmed that the security holdings are with a third party trustee, who provides the County a perfected interest and ownership in the securities in keeping with the Government Code Sections 53601 and 53635, first paragraph.

Finding: No exceptions were noted as a result of our procedures.

7. Based on discussions with County Treasury management, we confirmed that the County has not contracted with an agency or financial institution for investment management or advisory services that would lessen the Treasurer's control of the investment portfolio other than for money market funds authorized by Government Code Sections 53601 and 53635, paragraph (k).

Finding: No exceptions were noted as a result of our procedures.

8. Determined that investments or reinvestments of note proceeds are limited to and do not exceed the maturity date of the notes, in keeping with Government Code Sections 53821.5, 53841.5, 53852.5 and 53859.02.

Finding: No exceptions were noted as a result of our procedures.

Other Entities

Portfolio Report Date

County of Riverside Asset Leasing Corporation	June 30, 2006
Economic Development Agency	June 30, 2006
County Flood Control and Water Conservation District	June 30, 2006
County Housing Authority	June 30, 2006
County Executive Office for:	
Community Facility Districts/Assessment Districts	June 30, 2006
Desert Facilities Corporation	June 30, 2006
County of Riverside Court Financing Corporation	June 30, 2006
County of Riverside District Court Financing Corporation	June 30, 2006

For each entity listed above, we performed the following procedures on the investment portfolio reports as noted:

- A. Assured accurate identification and classification of all securities noted on investment portfolio reports by agreeing all securities listed on the investment portfolio reports to third-party investment statements.

County of Riverside Asset Leasing Corporation

Finding: No exceptions were noted as a result of our procedures.

Economic Development Agency

Finding: No exceptions were noted as a result of our procedures.

County Flood Control and Water Conservation District

Finding: No exceptions were noted as a result of our procedures.

County Housing Authority

Finding: No exceptions were noted as a result of our procedures.

Community Facility Districts/Assessment Districts

Finding: No exceptions were noted as a result of our procedures.

Desert Facilities Corporation

Finding: No exceptions were noted as a result of our procedures.

County of Riverside Court Financing Corporation

Finding: No exceptions were noted as a result of our procedures.

County of Riverside District Court Financing Corporation

Finding: No exceptions were noted as a result of our procedures.

- B. Assured accurate market value pricing of all securities and identified the source of the pricing information by agreeing market values and pricing information for all securities listed on the investment portfolios to third-party investment statements.

County of Riverside Asset Leasing Corporation

Finding: No exceptions were noted as a result of our procedures.

Economic Development Agency

Finding: No exceptions were noted as a result of our procedures.

County Flood Control and Water Conservation District

Finding: No exceptions were noted as a result of our procedures.

County Housing Authority

Finding:

Except for the following, the market value and the pricing information for all securities noted on investment portfolio reports agree to the third-party investment statements:

- Bank of America (account # 05959-80140)

Per County management, an error occurred during the preparation of the investment portfolio report, whereby amounts from the County's reconciliation were used rather than amounts reported on the trustee statement. The error was not identified when the investment portfolio report was reviewed and approved.

Community Facility Districts/Assessment Districts

Finding: No exceptions were noted as a result of our procedures.

Desert Facilities Corporation

Finding: No exceptions were noted as a result of our procedures.

County of Riverside Court Financing Corporation

Finding: No exceptions were noted as a result of our procedures.

County of Riverside District Court Financing Corporation

Finding: No exceptions were noted as a result of our procedures.

- C. We confirmed present ratings assigned by New York Rating Agencies on all commercial paper, medium term notes, money market funds, municipal securities and investment agreement contracts, by agreeing all investments to either Moody's or Standard & Poor's ratings services. We confirmed other ratings assigned, if available, for any investments not rated by New York Rating Agencies.

County of Riverside Asset Leasing Corporation

Finding: No exceptions were noted as a result of our procedures.

Economic Development Agency

Finding: No exceptions were noted as a result of our procedures.

County Flood Control and Water Conservation District

Finding: No exceptions were noted as a result of our procedures.

County Housing Authority

Finding: No exceptions were noted as a result of our procedures.

Community Facility Districts/Assessment Districts

Finding: No exceptions were noted as a result of our procedures.

Desert Facilities Corporation

Finding: No exceptions were noted as a result of our procedures.

County of Riverside Court Financing Corporation

Finding: No exceptions were noted as a result of our procedures.

County of Riverside District Court Financing Corporation

Finding: No exceptions were noted as a result of our procedures.

For each entity listed above, we performed the following procedures on the investments:

- D. We confirmed that maturities on investments coincided with cash flow requirements (i.e., debt service requirements) by comparing the entity's semi-annual debt service requirements with cash inflows at maturity to ensure debt service requirements could be met.

County of Riverside Asset Leasing Corporation

Finding: No exceptions were noted as a result of our procedures.

Economic Development Agency

Finding: No exceptions were noted as a result of our procedures.

County Flood Control and Water Conservation District

Finding: No exceptions were noted as a result of our procedures.

County Housing Authority

Finding: No exceptions were noted as a result of our procedures.

Community Facility Districts/Assessment Districts

Finding: No exceptions were noted as a result of our procedures.

Desert Facilities Corporation

Finding: No exceptions were noted as a result of our procedures.

County of Riverside Court Financing Corporation

Finding: No exceptions were noted as a result of our procedures.

County of Riverside District Court Financing Corporation

Finding: No exceptions were noted as a result of our procedures.

- E. Determined that policies governing bond fund investments are current and internal control measures are deemed adequate by updating our understanding of control measures in place and performing internal control testwork over the Treasury function to ensure controls are operating as designed. In addition, for the entities listed below, we either obtained updated investment policies at the entity level or confirmed through inquiries with County management that such entities follow the updated policies established by the County Treasurer.

County of Riverside Asset Leasing Corporation

Finding: No exceptions were noted as a result of our procedures.

Economic Development Agency

Finding: No exceptions were noted as a result of our procedures.

County Flood Control and Water Conservation District

Finding: No exceptions were noted as a result of our procedures.

County Housing Authority

Finding: No exceptions were noted as a result of our procedures.

Community Facility Districts/Assessment Districts

Finding: No exceptions were noted as a result of our procedures.

Desert Facilities Corporation

Finding: No exceptions were noted as a result of our procedures.

County of Riverside Court Financing Corporation

Finding: No exceptions were noted as a result of our procedures.

County of Riverside District Court Financing Corporation

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on compliance. 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 information and use of the County of Riverside Board of Supervisors and is not intended to be and should not be used by anyone other than these specified parties.

Macias Jini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
September 15, 2006