



PETER HUGHES, Ph.D., CPA, CIA, CFE, CITP
Director

400 Civic Center Drive West
Building 12, Room 232
Santa Ana, California 92701-4521

(714) 834-5475 Fax: (714) 834-2880

INTERNAL AUDIT DEPARTMENT

File No. 2314

January 27, 2004

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

SUBJECT: Report on Agreed-upon Procedures for Portfolio Compliance Monitoring
of the County Treasury for Quarter Ended September 30, 2003

Attached is a copy of our Report on Agreed-upon Procedures for Portfolio Compliance
Monitoring of the County Treasury for Quarter Ended September 30, 2003 (File No. 2314).

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Peter Hughes".

Dr. Peter Hughes, CPA
Director, Internal Audit

/PH:plp

Attachment

Other recipients of this audit report:

Members, Board of Supervisors
Members, Audit Oversight Committee
James Ruth, County Executive Officer
Foreman, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors
Paul Gorman, Treasurer Accounting/Compliance Manager



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INTERNAL AUDIT DEPARTMENT

File No. 2314

January 27, 2004

INTERNAL AUDITOR'S REPORT ON AGREED-UPON PROCEDURES FOR PORTFOLIO COMPLIANCE MONITORING OF THE COUNTY TREASURY FOR QUARTER ENDED SEPTEMBER 30, 2003

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 21, August 6, September 18 and September 30, 2003.

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.

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.

John M. W. Moorlach, C.P.A., CFP®
January 27, 2004

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,

A handwritten signature in cursive script that reads "Peter Hughes". The signature is written in black ink and is positioned above the printed name.

Dr. Peter Hughes, CPA
Director, Internal Audit