



PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

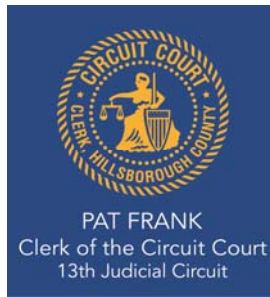
COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

ADMINISTRATION OF BOCC INVESTMENTS

REPORT # 270

NOVEMBER 13, 2014



November 13, 2014

Dear Ms. Frank, Clerk of the Circuit Court:

The Audit Team performed an audit of the control environment related to the investments owned by the Hillsborough County Board of County Commissioners (Audit Report # 270, dated November 13, 2014). The Audit Team did not identify any material concerns that require management's corrective action. Minor concerns not included in this report were communicated to management and/or corrected during fieldwork.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Director and personnel of County Finance during this audit.

Sincerely,

Peggy Caskey, CIA, CISA, CFE
Director of County Audit

CC: Dan Klein, Chief Deputy, Clerk to the Board
Tim Simon, County Finance Director

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

Hillsborough County investments under the Board of County Commissioners (BOCC) are administered by the Clerk of the Circuit Court. BOCC investments total over \$1.7 billion and are governed by County Ordinance 08-6 (adopted on March 19, 2008). Investments are divided into two main portfolios: a short-term portfolio and a long-term portfolio. The investments are primarily low risk, highly liquid debt instruments such as bonds and commercial paper. The Clerk of the Circuit Court does not invest in common or preferred stocks. The short-term portfolio is managed directly by the Clerk of the Circuit Court's County Finance Director. The long-term portfolio is managed by an external management company and is monitored by the County Finance Director.

OBJECTIVE

The objective of the audit was to determine whether or not there is an adequate control environment related to the investment function for BOCC investments.

SCOPE

The audit was conducted in accordance with the *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. County Audit believes that the evidence obtained provides a reasonable basis.

The audit scope covered the six-month period ending April 30, 2014, with the exception of compliance testing of the Investment Advisory Committee meetings which covered the 28 month period ending April 2014. The Audit Team identified the workflow, assessed the control environment, and compared investment practices for BOCC investments to applicable policies, procedures, County ordinances, laws, and regulations.

OVERALL EVALUATION

The County Finance Department was responsive to the Audit Team's inquiries and provided thorough information when requested. Data and other information were provided in a prompt and courteous manner. The Audit Team encountered knowledgeable and dedicated employees during the course of the audit. No material concerns were identified during testing.

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE
1	The County Finance Department has implemented procedures that support a sound control environment for administering the BOCC's investments.	3

OPINION

The County Finance Department has implemented procedures that support a sound control environment for administering the BOCC's investments. The investments workflow is well designed; authorization and decision points are at the appropriate level of management; the control environment is adequate; and the investment related policies and County Ordinance 08-6 align with Chapters 28.33 and 218.415 Florida Statutes.

The exit conference was held on October 14, 2014.

Minor concerns not included in this report were communicated to management and/or corrected during fieldwork.

AUDITED BY

Peggy Caskey, CIA, CISA, CFE, Director of County Audit
 Steve Hooper, CIA, CGAP, CCSA, CFE, Audit Manager
 Margaret Brown, CIA, Senior Auditor
 Ben Everett, CPA, CIA, Auditor II

AUDIT COMMENT & RECOMMENDATION

AUDIT COMMENT 1

The County Finance Department has implemented procedures that support a sound control environment for administering the BOCC's investments.

Guidance

There are four documents that provide guidance for administering Hillsborough County's investments for the BOCC:

1. Chapter 28.33, Florida Statutes, pertaining to investments of County funds by the Clerk of the Circuit Court.
2. Chapter 218.415, Florida Statutes, pertaining to local government investment policies,
3. County Ordinance 08-6 (the County's Investment Policy), and
4. Internal Controls and Operational Procedures Manual For Investments.

These documents are congruent. They provide a reasonable level of assurance that investment practices are consistently applied. The Audit Team compared investment practices to these requirements and did not identify any material concerns.

Workflow

The Audit Team flowcharted the investment process to identify control strengths and weaknesses and to verify whether or not internal controls specified in Section IV of the *Internal Controls and Operational Procedures Manual* were present. The Audit Team noted that the workflow contains these controls. There is a segregation of duties between the custody of securities through a third party service provider, a dual authorization control for all investments, and detailed records of the securities are maintained, including schedules showing the interest revenue earnings.

Responsible Parties' Qualifications

The Audit Team assessed the qualifications of the persons responsible for the investment process. The County Finance Director is responsible for the daily operations of the investment process. The Investment Advisory Committee serves in a consulting capacity. The Clerk of the Circuit Court has oversight and

governance responsibilities. The County Finance Director meets the minimum job description requirements (knowledge and skills). The County Finance Director and the Investment Advisory Committee members met their finance related continuous training requirements.

Wire Transfers

There are three accounts utilized for administering Hillsborough County's investments for the BOCC:

1. Wells Fargo concentration account
2. Salem Trust account
3. State Board of Administration (SBA) account

The Audit Team assessed the adequacy and effectiveness of controls over the investment fund wire transfer process between the Wells Fargo concentration account, Salem Trust account, and SBA account. The Audit Team concluded that the wire transfer process has an adequate control environment.

Reconciliation

The Audit Team assessed whether or not the County Finance Department reconciles the Salem Trust securities and cash withdrawal transactions to the County Finance Department's records. The Audit Team concluded that the reconciliation process is adequate.

RECOMMENDATION

No material concerns were identified that require management's corrective action.