

Response to Grand Jury Report

Report Title: **5.1 County Treasury Investment Pool**

Report Date: **June 4, 2014**

Response by: **Shari Schapmire, Treasurer – Tax Collector, Mendocino County**

Findings

I (we) agree with the findings numbered: **F1, F2, F3, F4, F6, F8, F9**

I (we) disagree wholly or partially with the findings numbered: **F5, F7**

Attach a statement specifying the findings or portions of the findings that are disputed, and include an explanation of the reasons therefor.

Recommendations

Recommendations numbered **R2, R5** have been implemented.

Attach a statement describing the implemented actions.

Recommendations numbered **R4** have not yet been implemented, but will be implemented in the future.

Attach a statement with the schedule for implementation(s).

Recommendations numbered **R1, R3** will not be implemented because they are not warranted or are not reasonable.

Attach an explanation.

Signature: Shari Schapmire Date: July 23, 2014

Number of pages attached: 2

Findings

F5. The County Board of Supervisors is exercising proper responsibility in requiring periodic performance reports on the Investment Pool from the County Treasurer. The reports on the investments meet the County Investment Policy goals of security and liquidity. The reports do not provide information regarding whether a reasonable rate of return on the investments was obtained.

Treasurer-Tax Collector: Partially Disagree. Information regarding rate of return is not reported on the quarterly reports, but is reported on the annual reports.

F7. The investment of Investment Pool funds locally is not possible under current legislation.

Treasurer-Tax Collector: Disagree. Investments in local banks and credit unions are permissible under current legislation; however, due to the size of the portfolio, it may not always be practical. The mandated objectives of the investment program are safety of principal, liquidity, and attaining a rate of return commensurate with the market, in that order; unfortunately, it is difficult for privately held local entities to compete with these mandates in place.

Recommendations

R1. Additional resources for evaluating the social responsibility of the investment instruments in the portfolio be identified and applied. (F3)

Treasurer-Tax Collector: Recommendation will not be implemented because it is not warranted. As discovered during the last Treasury Pool Round Table Discussion Group Meeting held March 15, 2013, there are differing ideas on what constitutes “socially responsible investing.” At that time, after consultation with the county’s investment advisor, it was determined the utilization of the Calvert Social Index would meet best practices in defining socially responsible investing.

R2. Performance parameters be included in the Pooled Investment Reports that indicate what return on investments has been obtained. (F2, F5)

Treasurer-Tax Collector: Recommendation has been implemented on the annual report and will continue to be included in the future.

R3. An Oversight Committee of members of the participating agencies and representatives of the financial and interested community be organized and utilized. (F4)

Treasurer-Tax Collector: Recommendation will not be implemented as the state funding and mandate of the Treasury Investment Oversight Committee was suspended in the 2003-04 fiscal year and has never been reinstated. On December 19, 1995, per Government Code §27131, an oversight committee was created by the Board of Supervisors; this committee was disbanded on

January 8, 2008 after the Board agreed the committee was no longer beneficial in its current form. On February 13, 2008, the first Treasury Pool Roundtable Discussion Group Meeting took place, with five additional meetings taking place since that time.

Due to modern technological advances since 1995, treasury pool information is extremely accessible to the pool participants, as well as the general public. A report of investment holdings is emailed to all interested pool participants on a monthly basis. Monthly investment holdings reports and the annual investment policy are also available on the county's website. In addition, quarterly and annual reports are consistently provided to the Board of Supervisors.

R4. Out-reach be made to local banks to obtain dialogue concerning future participation among the banks and the County Treasury Investment Pool. (F7)

Treasurer-Tax Collector: Recommendation has not been implemented, but will be implemented by the end of the calendar year. Locally-owned financial institutions in the County of Mendocino will be reviewed for possible placement of funds. Like the City of Santa Rosa, the amount invested per selected financial institution will be \$250,000, the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) insured amount per account.

R5. The quarterly review of the County Treasury be performed and a report be provided to the Board of Supervisors as required by Government Code §26920(a). (F9)

Treasurer-Tax Collector: Recommendation of the county auditor to review the county treasury on a quarterly basis has been implemented; in fact, the review takes place on a monthly basis, which has been the case for decades. As mandated in Government Code §26920(a)(1) & (2), "counting cash in the county treasury and verifying that the records of the county treasurer and auditor are reconciled" is conducted on a monthly ongoing basis. As far as providing a quarterly report to the board of supervisors, per Government Code §26920(3), reports disseminated to the board of supervisors are determined by the county auditor.

The county auditor utilizes outside auditors "to perform an audit of the assets in the county treasury and express an opinion whether the treasurer's statement of assets is presented fairly and in accordance with generally accepted accounting principles," as mandated in Government Code §26920(3)(b). The audit report is provided to the board of supervisors on an annual basis.