

OFFICE OF THE TREASURER-TAX COLLECTOR

August 23, 1993

NOT FOR BOARD AGENDA  
RESPONSE TO ACCOUNTANTS' REPORT

Honorable Board of Supervisors  
County of Orange  
10 Civic Center Plaza  
Santa Ana, CA 92701

Pursuant to Administrative Procedure 0012-03R, Section 2, we are responding to the Orange County Auditor-Controller's report on the examination of the Treasurer-Tax Collector - Treasurer Division for the year ended December 31, 1991.

Below we are setting forth our specific responses to each of the Auditor-Controller's recommendations:

I. Control Environment

Recommendation:

That management reassess its control environment to determine where changes in philosophy, style, and methods for performing the Treasurer's fiduciary responsibility may be appropriate.

Response:

Partially Concur. We acknowledge that improvements can and should be made to the review of staff work. We are continuing to evaluate our procedures to ensure that quality reviews are performed.

We do not agree that management philosophy or style should be changed at this time. The methods by which a department head manages his fiduciary responsibilities is determined by his own personality and abilities as well as his evaluation of the personalities and abilities of his subordinate managers and staff. For example, the present Auditor-Controller and County Administrative Officer manage their departments in a completely different style than their predecessors. This Office has a management style that reflects the skills and abilities of the management staff. We believe the current management style, although not the norm for County government, is the best one for the Treasurer-Tax Collector.

Honorable Board of Supervisors  
August 23, 1993

## II. Wire Transfers

### Recommendation:

That the Treasurer's Office pursue the development of procedures for wire transfers to new accounts that eliminate the use of faxes.

### Response:

Concur. We have given great consideration to wire transfer security systems and over the past five years have increased the security over these transfers. The improvements were made possible not because we our changing concerns about risk, but because changes in technology within the banking industry. We continue to evaluate wire transfer systems, but have not found any system superior to the one we have in use. We will continue to seek the best available security systems for our investment portfolio.

## III. Investments

### Recommendation:

That the Treasurer continue to decentralize investing, establishing a chain of command that helps to promote adequate review of decisions, that risky or unusual transactions be prudently entered into with documented decisions made by the investment committee and with advice from County Counsel, if appropriate, and that the Treasurer comply with government code requirements for investments.

### Response:

Partially concur. We have begun training management staff in the intricacies of managing a multi-billion dollar investment portfolio. This a long-term training program that we are carefully pursuing due to the effects that investment decisions have on the ongoing health of the County General Fund. As part of this training program, the Investment Officer now oversees nearly \$700 million in assets, and will soon be given responsibility for an additional \$500 million. Other subordinate staff are receiving similar responsibilities.

We always attempt to comply with government code requirements for investments. It is important to note that the determination of available cash for investment is an inexact art; sometimes we have over-estimated our projections of month end cash balances, and that has resulted in our holding more than legally allowed levels of certain securities. We continue to attempt to improve this system.

The words "risky", "unusual" and "prudent" as applied in the audit recommendation are difficult for us to objectively evaluate. Those are subjective terms that are subject to a wide range of opinion. We believe all our investment transactions have be prudently entered into, and we

Honorable Board of Supervisors  
August 23, 1993

believe none of the transactions to be risky or unusual. We are not as conservative in our investment strategies as some of our contemporaries, and because of that, some transactions that are usual for us may in fact be unusual for others. We also engage in many complex investments, some which are too complex for smaller governmental entities to utilize. That would not mean those investments are risky.

One of our primary functions is to evaluate investment options and make investment decisions, and we perform this function mindful of our fiduciary responsibilities. When appropriate, we have consulted with County Counsel.

#### IV. Supervisory Reviews

Recommendation:

That supervisors adequately review work performed to reasonably ensure its accuracy.

Response:

Concur. Review procedures need to be strengthened. We will continue to develop and improve those procedures.

#### V. Documentation

Recommendation:

That critical decisions made, information obtained from outside sources, and routine work performed be adequately documented.

Response:

Concur. We will document, to the extent we believe reasonable, decision processes and routine work.

Honorable Board of Supervisors  
August 23, 1993

VI. Policies and Procedures

Recommendation:

That the Treasurer review its policies and procedures to determine a timetable and priority order for ensuring all are adequately documented.

Response:

Concur. We will continue to develop policies and procedures manuals, and will increase the priority assigned to this task.

We appreciate the efforts put forth by the staff of the Auditor-Controller's Office, and we thank them for their assistance.

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Robert L. Citron  
Treasurer-Tax Collector

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