



**Investment Management Office  
Report of Findings and Recommendations  
#16-36**

**January 19, 2017**

TRAVIS COUNTY  
AUDITOR'S OFFICE

NICKI RILEY, CPA  
COUNTY AUDITOR



TRAVIS COUNTY  
700 LAVACA  
P.O. BOX 1748  
AUSTIN, TX 78767  
(512) 854-9125  
FAX: (512) 854-9164

---

To: Jessica Rio  
County Executive, Planning and Budget Office

From: Nicki Riley, CPA  
Travis County Auditor

Date: January 19, 2017

Subject: Investment Management Office Examination

Scheduled as part of our statutory requirements, the Risk Evaluation and Consulting Division (REC) of the Travis County Auditor's Office has completed an examination of Travis County Investment Management Office (IMO), a division of the Planning and Budget Office (PBO). We conducted our examination in accordance with the applicable statutes governing the County Auditor's Office and those relating to County financial and accounting protocols. As a result of our examination, we are providing this report on our findings and recommendations.

## **BACKGROUND**

---

This division of PBO monitors the County's operating funds on a daily basis and manages the County's investment portfolios in accordance with the Travis County Investment Policies and Procedures Manual and the State of Texas Public Funds Investment Act. IMO also coordinates the County's bank depository contract.

## **SCOPE OF EXAMINATION**

---

The scope of this examination included IMO's compliance with the applicable statutes and Commissioners Court-approved policies and procedures, as well as the adequacy and effectiveness of the overall system of internal controls in place for IMO during the period October 1, 2015 through September 30, 2016.

## EXAMINATION METHODOLOGY

---

Our work was based on applying sampling procedures to office records and on verbal and written representations from IMO. Sampling relates to examining, on a test basis, evidence supporting the amounts and disclosures in the financial records and statements. The use of sampling techniques would not necessarily disclose all matters in IMO's financial records and internal controls that might be material weaknesses or misstatements. In regard to the written and verbal representations made by this office, unless otherwise noted in this report, office management maintains that the assertions we relied upon in the examination were correct to the best of their knowledge.

## SUMMARY OF FINDINGS

---

No current significant findings.

## OPINION OF INTERNAL CONTROL SYSTEM

---

Based upon our examination, we gave the overall system of internal controls for this office a rating of "Adequate", indicating an overall solid system of internal controls outweighs the relative number of minor or more serious examination findings.

## ATTACHMENTS

---

**Attachment A:** This attachment contains descriptions for each of the ratings we use to describe the effectiveness of the internal controls environment for the functional area under review.

## EXAMINATION TEAM

---

Joanne Englund, CPA, Senior Auditor  
Travis Lee, Staff Auditor

## CLOSING

---

This report is intended solely for the information and use of management and Commissioners Court. We greatly appreciate the cooperation and assistance received from the management and

staff of IMO during this examination. Please contact our office if you have any questions or concerns regarding this report.



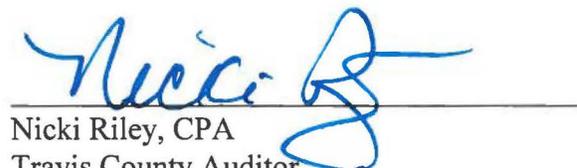
---

David Jungerman, CIA  
Chief Assistant County Auditor I - REC  
Division



---

Patti Smith, CPA  
First Assistant County Auditor



---

Nicki Riley, CPA  
Travis County Auditor

## **REPORT DISTRIBUTION**

---

Lora Livingston, Judge, 261st Judicial District  
Brenda Kennedy, Judge, 403rd Judicial District  
Sarah Eckhardt, Travis County Judge  
Jeff Travillion, Commissioner, Precinct 1  
Brigid Shea, Commissioner, Precinct 2  
Gerald Daugherty, Commissioner, Precinct 3  
Margaret Gomez, Commissioner, Precinct 4  
Deborah Laudermilk, Chief Investment Officer, Investment Management Office  
Frank Stover, Atchley & Associates, LLP  
Managers, Travis County Auditor's Office

## ATTACHMENT A – INTERNAL CONTROLS RATING KEY

---

A good internal control system reduces the risk of errors, defalcations, and misappropriations of funds. Weak internal control systems provide an environment in which errors, defalcations, and misappropriations of funds can go undetected. The following details the various grades we assign to internal control systems:

<b>RATING</b>	<b>RATING DESCRIPTION</b>
Good	Well-established internal controls with few, if any, minor weaknesses noted
Adequate	The overall solid system of internal controls is sufficient to outweigh noted weaknesses
Requires Improvement	Internal control weaknesses exist that moderately impact the overall system of internal controls
Requires Significant Improvement	Significant internal control weaknesses exist that negatively impact the overall system of internal controls
Inadequate	The existing system of internal controls is materially ineffective