

**Draft**



# **Audit of Investment Management**

**Report #15-17**

# Background

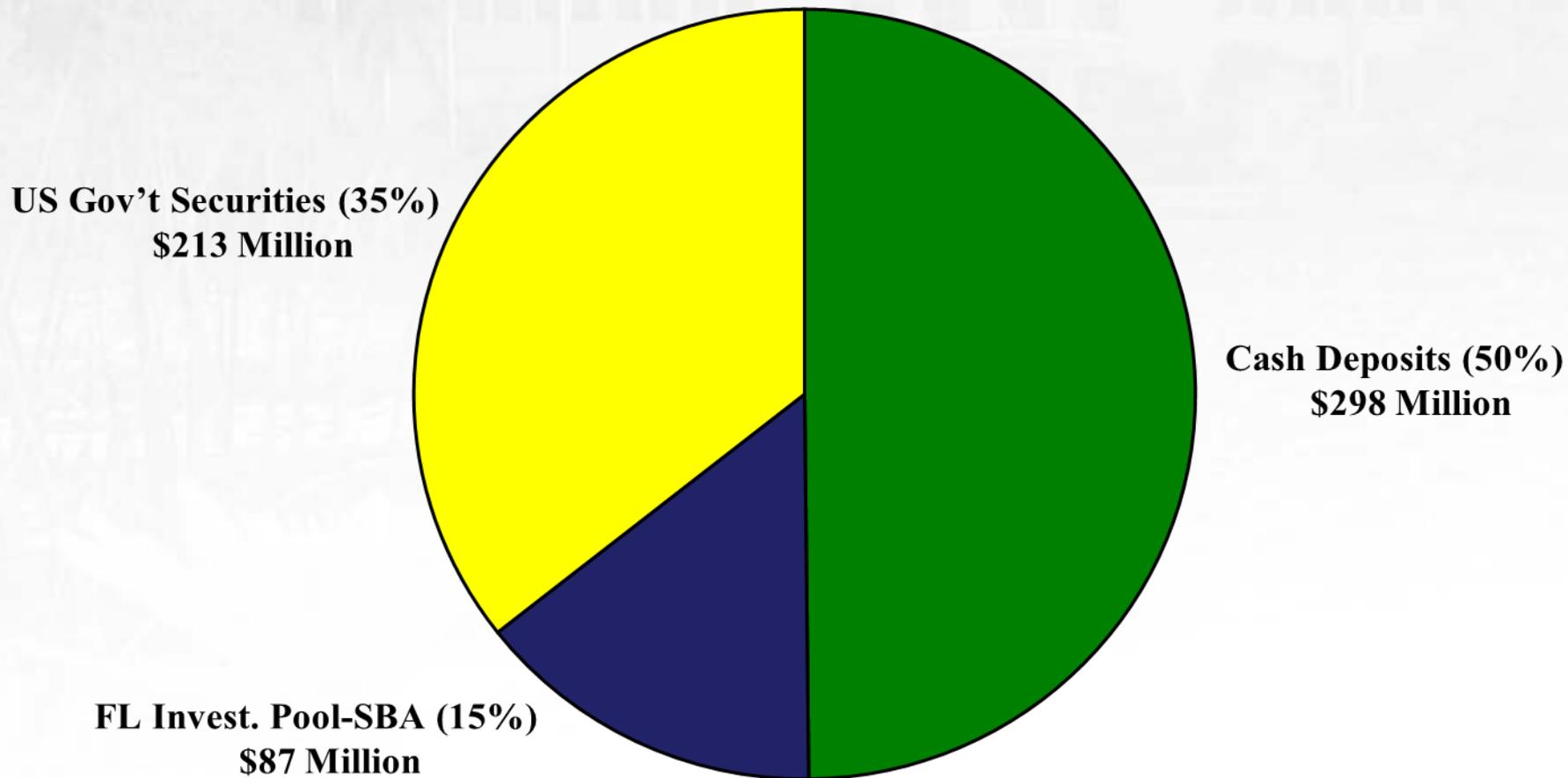
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- District Treasury Unit managed Cash and Investments of \$598 million at 6/30/2016.
- Treasury Unit consists of a Treasurer, who report to the Finance Bureau Chief.
- Investment Policy emphasizes safety of principal over income with public funds.
- District investment portfolio primarily consists of:
  - US Gov't Agencies
  - US Gov't Sponsored Agencies
  - Florida Local Gov't Investment Pools
- Challenging investment environment.
  - Low yields – 5 Yr. US Treasury 1.23% (As of 10/4/16)

# Background

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Cash and Investments at June 30, 2016



# Audit Objective

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- Whether the system of internal controls over investment management is adequate
- Purchases and sales complied with the Investment Policy and Florida Statutes
- Investments and earnings are properly recorded in the District's financial records

# Overall Audit Results

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- Investments comply with Investment Policy and Florida Statutes
- Financial records are properly stated
- Internal controls were generally adequate but opportunities for improvements

# Treasury Performance

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- District outperformed both Merrill Lynch 1-3 Year US Treasury Index and the State of Florida Board of Administration

## Comparison of District Investment Yield to Benchmarks

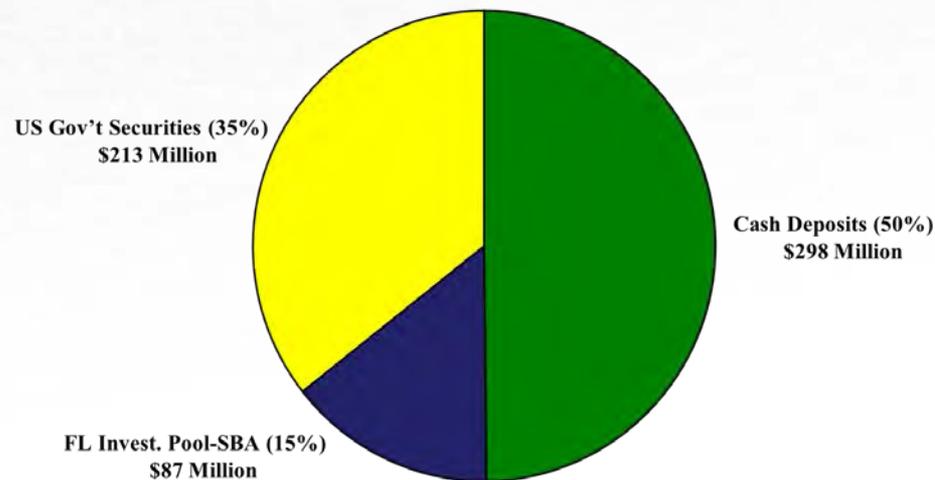
<b>Fiscal Year</b>	<b>Interest Earnings</b>	<b>District Portfolio Yield</b>	<b>Merrill Lynch 1-3 Year US Treasury Index Yield</b>	<b>State Board of Administration Yield</b>
<b>2012</b>	\$6,111,420	1.49%	0.28%	0.47%
<b>2013</b>	4,491,851	1.37%	0.29%	0.19%
<b>2014</b>	5,719,125	1.27%	0.41%	0.16%
<b>2015</b>	5,309,645	1.13%	0.59%	0.22%
<b>Through June 30, 2016</b>	3,428,356	1.00%	0.81%	0.33%

# Comparison to Other WMD **Draft**

Water Management District	Total Cash & Investments	Cash*	%	Investments**	%
South Florida	\$527,203,014	\$225,263,140	43.0	\$301,939,874	57.0
Southwest	473,462,449	2,823,012	0.5	470,639,437	99.5
St. John's	187,141,762	2,581,467	1.3	184,560,295	98.7
Northwest	53,331,695	555,101	1.0	52,776,594	99.0
Suwannee River	49,047,470	700,082	1.4	48,347,388	98.6

- Preparation of long and short term cash flow could create opportunity to invest the 50% cash balance in higher yielding investments.

Cash and Investments at June 30, 2016



# Recommendations

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- Internal Control improvements:
  - Prepare long and short term cash flow analysis
    - Better forecasting of cash available to invest
    - Selection of appropriate securities and maturity dates
    - Could improve earnings
  - Convene an investment committee to oversee Treasury function
  - Treasury will work with the financial advisor to create long and short term cash flow projections

# Recommendations

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- Investment Policy should be updated for ambiguities.
- Treasury and the financial advisor will review the Policy and communicate changes to the Audit and Finance Committee.

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**Questions?**