



I n t e r n a l A u d i t D e p a r t m e n t

O R A N G E C O U N T Y

AUDIT HIGHLIGHT

APRIL 20, 2010

**Critical
Impact
Audit**

**INTERNAL CONTROL AUDIT:
CEO/PUBLIC FINANCE
CONTINUING BOND DISCLOSURE PROCESS
Audit No. 2814**

**14 Outstanding
Bonds Totalling
\$912 Million**

WHY IS THIS AUDIT CRITICALLY IMPORTANT?

The County's long-term obligations totaled **\$912 million** as of June 30, 2008. During fiscal year ending June 30, 2008, the County retired long-term obligations totaled **\$99 million**. Interest scheduled for long-term service requirements totaled **\$57 million**.

The Securities and Exchange Commission (SEC) requires issuers of municipal bonds to make regular continuing disclosures to the municipal bond market. Investors and other municipal market participants obtain current continuing disclosure information regarding bonds in order to make more knowledgeable investment decisions, effectively manage and monitor their investments, and better protect themselves from misrepresentations and fraudulent activities. Accordingly, municipal bond issuers are primarily responsible for the accuracy, completeness, and timeliness of their continuing disclosure documents and are subject to federal securities laws.

WHAT THE AUDITORS FOUND?

We identified four (4) **Significant Issues** and made four (4) recommendations to enhance existing controls and processes for continuing bond disclosures. We found that CEO/Public Finance disseminated continuing disclosure documents in a timely manner. However, disclosure policies and procedures need to be improved; disclosures had not been approved by supervisory management; some disclosures were not accurate or complete; and supporting evidence was not sufficient.