



CDIAC

**CALIFORNIA
DEBT AND
INVESTMENT
ADVISORY
COMMISSION**

SESSION 5

USING THE CHECKLISTS:
WHY THIS IS AN IMPORTANT TOOL?



The Checklists

- Debt Issuance and Management Review Checklist
 - Agency's General Debt Profile
 - Use of Bond Proceeds
 - Covenants

- Internal Control Checklist for Bond Requirements
 - Control Environment
 - Risk Assessment
 - Control Activities
 - Information and Communications
 - Monitoring

The Debt Issuance and Management Review Checklist

- Agency's General Debt Profile
 - ▣ Maintain a complete inventory of outstanding debt
 - ▣ Identify and review bond covenants
 - ▣ Meeting the terms of underlying documents
 - ▣ Debt service payments have been incorporated into annual budget
- Use of Bond Proceeds
 - ▣ Describe proposed use of the bond proceeds
 - ▣ Identify source(s) of repayment
 - ▣ Confirm proposed uses of bond funds are included in budget
 - ▣ Confirm proposed uses of bond funds are in conformity with bond documents
 - ▣ Confirm agency follows GAAP/GASB
 - ▣ Maintain detail timelines

The Debt Issuance and Management Review Checklist

- Use of Bond Proceeds (Cont.)
 - ▣ Establish and maintain expenditure schedules
 - ▣ Establish a system to track expenditures
 - ▣ Establish and follow procedures for disbursements
 - ▣ Monitor expenditures for conformity/compliance with bond documents
 - ▣ Track progress of projects
 - ▣ Regularly review and validate trustee reports
 - ▣ If voter approved, certify that the project is in conformity with voter authorization
 - ▣ Complete and file tax certificate
 - ▣ Identify information to be reported
 - ▣ Confirm website contains current debt information

The Debt Issuance and Management Review Checklist

- Use of Bond Proceeds (Cont.)
 - Establish procedures to assure proper custody and security of investments/proceeds
 - Establish and maintain a record retention system for related bond documents
 - Regularly monitor the investment of bond proceeds in conformity with the bond documents and state law
 - Regularly schedule audits
 - Prepare reports for the governing board/oversight committee as required
 - Report to trustee, rating agency(ies), bond insurer, and/or credit enhancer

The Debt Issuance and Management Review Checklist

- Covenants
 - ▣ Complete and file tax certificate
 - ▣ Identify information required to comply with CDA
 - ▣ Review and update debt information on agency's website
 - ▣ If there is a safekeeping requirement in controlling bond documents, establish procedures to assure property custody and security
 - ▣ Establish record retention system for bond financing documents
 - ▣ Monitor investment of bond proceeds
 - ▣ Regularly schedule audits
 - ▣ Prepare reports for the governing board and/or oversight committee

The Internal Control System Checklist

- Control Environment
 - ▣ Is there a designated compliance officer
 - ▣ Has compliance officer and team participated in training
 - ▣ Do you have an inventory of outstanding bonds
 - ▣ Do you have written procedures for bond administration
 - ▣ Have you adopted a debt policy
 - ▣ Is there an audit committee to review compliance
- Risk Assessment
 - ▣ Clearly define objectives of the bond administration program
 - ▣ Include a summary of these objectives in your debt policy
 - ▣ Establish performance measurements to monitor how successfully the agency achieves its objectives
 - ▣ Establish risk tolerance relative to each of the objectives of the bond administration program
 - ▣ Identify and analyze risks (i.e., not all risks are equal)

The Internal Control System Checklist

- Control Activities
 - Same effort should be applied to bond expenditures as it is to other aspects of the organization
 - Regularly review and update inventory of outstanding bonds and related requirements
 - Review and update bond administration procedures
 - Review and update as appropriate your debt policy on an annual basis
 - Confirm compliance with policies, covenants and bond administration procedures
 - Confirm legal requirements of debt sales are met
 - Confirm compliance with financial covenants and other restrictions
 - Confirm compliance with oversight requirements for bond administration activities
 - Confirm compliance with agency records retention policy and procedures
 - Confirm compliance with tax certificate covenants
 - Confirm compliance with continuing disclosure agreement covenants

The Internal Control System Checklist

- Information and Communications
 - ▣ Establish process to alert personnel of changes in policies and procedures
 - ▣ Establish formal structure of communication within the organization based upon roles and responsibilities
 - ▣ Establish ongoing training
- Monitoring
 - ▣ Perform period review of bond activities and report results to the governing body
 - ▣ Complete Internal Control Checklist and report findings to management

QUESTIONS