

**County of Orange Treasury Oversight Committee  
Annual Report to the Board of Supervisors  
For the Period January 1, 2016 to December 31, 2016**

**Establishment/Composition of Committee**

The Treasury Oversight Committee (TOC) was established by the Board of Supervisors (BOS) on December 19, 1995 by Resolution No. 95-946 in accordance with the California Government Code Article 6 of Division 2 of Title 3, Sections 27130-27137 (Article 6). The TOC structure approved by the BOS consists of seven members: the County Auditor-Controller or designee, the County Executive Officer or designee, the County Superintendent of Schools or designee, and four members of the public. The members of the TOC as of December 31, 2016 are as follows:

| <u>Name</u>               | <u>Member Type</u>               |
|---------------------------|----------------------------------|
| Gary Capata (Chair)       | Public Member                    |
| Laura Parisi (Vice Chair) | Public Member                    |
| William "Andy" Dunn       | Public Member                    |
| Frank Kim                 | County Executive Officer         |
| Al Mijares                | County Superintendent of Schools |
| Richard Rohm              | Public Member                    |
| Eric Woolery              | Auditor-Controller               |

**Committee Objectives/Activities**

During 2016, four TOC meetings were held. All meetings were open to the public as required by Government Code 54950 and held on the following dates:

January 27                      April 27                      July 27                      October 19

As required under Article 6 and Sections V and VI of the TOC Bylaws and Rules of Procedures (Bylaws), in 2016 the TOC has performed the following:

- Rule 28: Reviewed and monitored the annual Investment Policy Statement (IPS) ensuring that it included all items under Rule 28 (a) to (h) in the Bylaws
- Rule 29: Caused an annual audit of the Treasurer's compliance with Article 6
- Rule 30: Not directed individual investment decisions, selected advisors, brokers, dealers, or impinged on the day-to-day operations of the Treasurer
- Rule 31: Presented the oral and written calendar year 2015 annual report to the BOS
- Rule 32: Reviewed and discussed the Irregularity Policy and made no changes
- Rule 33: Received and filed the Bylaws after approval by the BOS
- Rule 34: Reviewed and discussed the Bylaws and recommended one change, which was approved by the BOS
- Rule 35: Ensured that each member has completed the state mandated conflict of interest form (Form 700), signed a Certificate of Compliance, and completed state mandated ethics training every two years

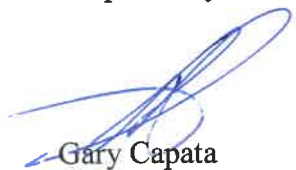
The major activities during the year consisted of presenting the oral and written calendar year 2015 Annual Report to the BOS, updating the Bylaws to allow members of the public to address the committee only once at the beginning of each meeting, changing the number of monthly audit compliance samples from 10 to 5 based on a recommendation from the Auditor-Controller Internal Audit Division (IA) and reviewing changes to the IPS. The major IPS changes were to increase the percentage of Government Sponsored Enterprise securities allowed to 50% and reduce Medium Term Notes and Negotiable Certificates of Deposit terms to three years from five years consistent with other large counties. Other TOC activities included reviewing and monitoring the 2016 Quarterly TOC Compliance Summary, which identifies each audit or review report and by whom it was issued. Finally, the Treasurer specifically identified in a meeting that the following investment types in the approved IPS being considered for investment were Commercial Paper, Investment Pools (JPA's), the Local Agency Investment Fund (LAIF), and Supranationals.

IA regularly audits compliance with the IPS as required by Government Code 27134 and a TOC directive respectively. In 2016, IA completed the Annual Audit of Treasurer's Investment Compliance for the year ended December 31, 2015 and the Annual Audit of Statement of Assets Held by Treasury for the year ended June 30, 2015. IA also completed the Quarterly Review of Statement of Assets Held by Treasury for the quarters ending March 31, 2016 and December 31, 2015. Finally, IA completed the Quarterly Review of Compliance for the quarters ending December 31, 2015, March 31, 2016, June 30, 2016, and September 30, 2016. During 2016, these eight reports were provided to the TOC as part of the Treasurer's Monthly Investment Report. In the eight reports completed in 2016, the auditors identified no compliance exceptions or deficiencies and only one control finding related to the absence of a management approval on one daily report out of 40 daily reports tested. A controlled finding is an internal control item that requires management corrective action.

**Committee Opinion**

It is the opinion of the TOC that during the calendar year 2016 the Treasurer maintained an acceptable level of compliance with the statutory requirements contained in Article 6 and as further required by County Resolution No. 95-946, clause 4(c).

Respectively submitted,



Gary Capata  
Chair – Treasury Oversight Committee

cc: Shari L. Freidenrich, County Treasurer