

**County of Orange Treasury Oversight Committee
Annual Report to the Board of Supervisors
For the Period January 1, 2013 to December 31, 2013**

Establishment of Board

The Treasury Oversight Committee (Committee) was established by the Board of Supervisors 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 Committee structure approved by the Board of Supervisors consists of five members, the County Auditor-Controller or designee, the County Executive Officer or designee, the County Superintendent of Schools or designee, and two members of the public. The current members of the Committee are as follows:

<u>Name</u>	<u>Member Type</u>
Jan Grimes	Auditor-Controller
Al Mijares	County Superintendent of Schools
Mike Giancola	County Executive Officer
William "Andy" Dunn (Chair)	Public Member
Laura Parisi (Vice Chair)	Public Member

Board Activities

During 2013, four Committee meetings were held. All meetings were open to the public as required by Government Code 54950 and held on the following dates:

January 23 April 23 July 24 October 30

As required under Article 6 and the Treasury Oversight Committee Bylaws and Rules of Procedures (Bylaws), the committee has:

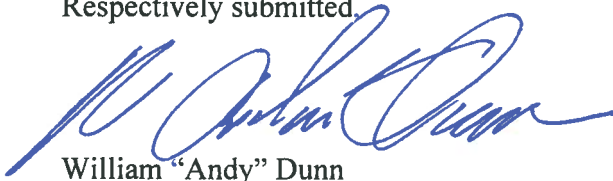
- Reviewed and monitored the annual Investment Policy Statement (IPS) ensuring that it included all items under Rule 27 (a) to (h) in the Bylaws
- Caused an annual audit of the Treasurer's compliance with Article 6
- Not directed individual investment decisions, selected advisors, brokers, dealers, or impinged on the day-to-day operations of the Treasurer
- Reviewed, discussed, and approved changes and amendments to the Bylaws by the last meeting of the calendar year for presentation to the Board of Supervisors
- 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 approving the 2012 Annual Report to the Board of Supervisors, reviewing changes to the IPS to allow for additional liquidity options and diversity of investments, and updating language relating to the Political Reform Act and the County's Gift Ban Ordinance. In addition, other major activities included reviewing and monitoring the 2013 Quarterly Compliance Summary which identifies each report issued by various entities and updating the Bylaws to add two more public members to the committee.

During 2013, the Internal Audit Department and the Auditor-Controller's Internal Audit unit issued nine audit reports and four follow-up audit reports that have been provided to the Board of Supervisors as part of the Treasurer's Monthly Investment Report. In the nine audit reports, the auditors made five recommendations categorized as a Control Deficiency, the lowest level of recommendation, where internal controls could be improved noting that two of the recommendations had already been implemented and the remaining three were in process as of the date of their reports. In addition, the Treasurer reported one instance of non-compliance with the IPS in December. The non-compliance occurred when the Treasurer purchased an overnight repurchase agreement from the County's depository bank, who was not an approved issuer, and the purchase did not meet all of the County IPS restrictions. The cash deposited with the depository bank exceeded a limit on the cash balance, and the sweep investment purchase was automatically activated. The Treasurer has reviewed the controls and plans to change the automated sweep investment from a repurchase agreement to a money market fund once a money market fund has been reviewed and approved by the Credit Investment Committee. Finally, the 2012-2013 Orange County Grand Jury released a report entitled, "An Investment Compliance Review of the Orange County Treasurer" with three findings regarding certifications of the investment staff. The Treasurer issued a response to the Grand Jury stating that the recommendations included two findings that cannot legally be implemented, and one finding that will be implemented in the future

It is the opinion of the Committee that during the year 2013 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,



William "Andy" Dunn
Chair – Treasury Oversight Committee

cc: Shari L. Freidenrich, County Treasurer