

**County of Orange Treasury Oversight Committee
Annual Report to the Board of Supervisors
For the Period January 1, 2015 to December 31, 2015**

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, 2015 are as follows:

<u>Name</u>	<u>Member Type</u>
Laura Parisi (Chair)	Public Member
William “Andy” Dunn (Vice Chair)	Public Member
Gary Capata	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 2015, five TOC meetings were held. All meetings were open to the public as required by Government Code 54950 and held on the following dates:

January 28 April 22 July 29 September 28 October 28

As required under Article 6 and Sections V and VI of the TOC Bylaws and Rules of Procedures (Bylaws), in 2015 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 2014 annual report to the BOS
- Rule 32: Reviewed and discussed the Irregularity Policy and made no changes
- Rule 33: Reviewed and discussed the Bylaws and recommended one change, which was adopted by the BOS
- Rule 34: Reviewed and discussed the Bylaws and recommended one change, which was adopted 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

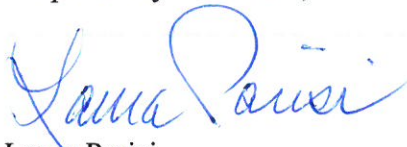
The major activities during the year consisted of presenting the oral and written 2014 Annual Report to the BOS, updating the Bylaws to require TOC public members to reside in the County of Orange and reviewing changes to the IPS. The major IPS changes were to exclude maturities of 30 days or less from the 33% limit for U.S. Government Agency Securities, prohibit money market mutual funds that do not maintain a constant net asset value (NAV), add the Local Agency Investment Fund (LAIF) as an authorized investment up to \$50 million, and clarify that when an issuer is placed on hold due to being on Credit Watch Negative, it applies to the parent and all subsidiaries. In addition, other major activities included reviewing and monitoring the 2015 Quarterly TOC Compliance Summary, which identifies each report issued by various entities, directing the Treasurer to benchmark the IPS to peer counties, reviewing PFM's recommendation to use a one-pool structure, among other recommendations, and reviewing the Treasurer's memo to the BOS regarding IPS due diligence.

The County Internal Audit Department (IAD) and the Auditor-Controller Internal Audit unit (ACIA) (these two Internal Audit groups were combined effective August 21, 2015) regularly audit compliance with the Investment Policy Statement (IPS) as required by Government Code 27134. During 2015, the Internal Audit Department and the Auditor-Controller's Internal Audit unit issued 11 audit reports and one follow-up audit report that were provided to the BOS as part of the Treasurer's Monthly Investment Report. In the 11 audit reports, the auditors identified one compliance incident, noting that the Treasurer self-reported this issue in the June 2015 Monthly Investment Report and had taken corrective action in 2015. On June 30, 2015, the County Treasurer purchased an investment for the John Wayne Investment Pool with a final maturity date in excess of the IPS maximum allowable maturity limit for a Money Market Fund. The County Treasurer sold the investment on July 2, 2015 to bring the portfolio back into compliance. To prevent this from occurring again, the County Treasurer is reviewing all IPS requirements and comparing them to the Bloomberg pre-trade rules to ensure that they match, including the final maturity rule. The one follow-up audit recognized that all outstanding recommendations had been implemented.

Committee Opinion

It is the opinion of the TOC that during the year 2015 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,



Laura Parisi

Chair – Treasury Oversight Committee

cc: Shari L. Freidenrich, County Treasurer