

County of Orange Treasury Oversight Committee
Annual Report to the Board of Supervisors
For the Period January 1, 2017 to December 31, 2017

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, 2017 are as follows:

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

Committee Objectives/Activities

During 2017, 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 25 April 19 July 19 October 18

As required under Article 6 and Sections V and VI of the TOC Bylaws and Rules of Procedures (Bylaws), in 2017 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 2016 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 2016 Annual Report to the BOS and updating the Bylaws to require Public Members to be registered voters. The only major IPS change made was to increase the dollar limit of the State Pool (LAIF) from \$50 million to \$65 million. Other TOC activities included reviewing and monitoring the 2017 Quarterly TOC Compliance Summary, which identifies each audit or review report and by whom it was issued. The Treasurer-Tax Collector (Treasurer) did not bring any new investment types to the TOC for review.

The Auditor-Controller Internal Audit (ACIA) regularly audits compliance with the IPS as required by Government Code 27134 and a TOC directive, respectively. The BOS, as recommended by the TOC, approved on January 23, 2018 for MGO to conduct an annual compliance audit for the calendar year 2016 and for the six-month period ended June 30, 2017. The TOC also discussed that the annual compliance audit would be added to the County Annual Financial Audit Request for Proposals beginning in Fiscal Year (FY) 2017-18. In 2017, there were eight audit reports, three management letters and one report on internal controls issued, and the auditors identified no compliance exceptions. In addition, the Treasurer self-reported two compliance exceptions in 2017. All of these reports were provided to the TOC and the BOS as part of the Treasurer's Monthly Investment Report and discussed at the quarterly TOC meetings.

ACIA completed the Audit of the Schedule of Assets Held by the County Treasury as of June 30, 2016, the Quarterly Review of the Schedule of Assets Held by the Treasury for the Quarters ended September 30, 2016, December 31, 2016 and March 31, 2017 and the Quarterly Review of Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarters Ended December 31, 2016, March 31, 2017, June 30, 2017 and September 30, 2017. The ACIA issued Management Letters on the Audit of the Schedule of Assets Held by the County Treasury as of June 30, 2016 and on the Review of the Schedule of Assets Held by the County Treasury as of September 30, 2016. These reports identified four Control Deficiencies (the lowest level of finding) relating to non-pooled bank demand accounts, bank account reconciliations and audit trail documentation for accounting entries and software changes. MGO also issued the County Management Letter for FY 2015-16 that included one item related to the Treasurer that duplicated a finding in a prior year ACIA Management Letter. Finally, the ACIA performed an Electronic Funds Transfer (EFT) Process review at the request of the Treasurer and issued their report on June 13, 2017. The report concluded that internal controls for processing EFTs were in effect and operating as intended. However, they did identify two Critical Control Weaknesses, one Significant Control Weakness and six Control Findings relating to the processing of EFT transactions.

The Treasurer self-reported two compliance incidents in 2017. The first compliance exception occurred when a designated employee submitted an Assuming Office Statement (Form 700) late and was corrected as soon as it was identified. The second occurred when newly-hired investment staff initiated trades that were properly approved by the supervisor, but before the Treasurer had provided the new staff the explicit delegation of trading authority. The written delegation was provided as soon as it was identified.

Committee Opinion

It is the opinion of the TOC that during the calendar year 2017 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, CPA
Chair – Treasury Oversight Committee

cc: Shari L. Freidenrich, Treasurer-Tax Collector