



Agreed-Upon Procedures
Related to Investment Compliance
Fiscal Year Ended June 30, 2021
County of Orange, California

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Agreed Upon Procedures Related to Investment Compliance
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June 30, 2021

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Independent Accountant's Report

To the Treasury Oversight Committee
County of Orange, California

We have performed the procedures described in Attachment A, on whether the County of Orange, California (County) is in compliance with the provisions of Article 6, Sections 27130 through 27137 of the California Government Code (CGC) and the County Investment Policy Statements (IPS) for the fiscal year ended June 30, 2021. The County Treasurer-Tax Collector is responsible for the County's compliance with those provisions.

The County Treasurer-Tax Collector has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting the County in determining whether it has complied with the provisions above for the year ended June 30, 2021, and we will report on findings based on the procedures performed. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are listed in Attachment A.

We were engaged by the County Treasurer-Tax Collector to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the County's compliance with the provisions of Article 6, Sections 27130 through 27137 of the CGC and the IPS. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the County Treasurer-Tax Collector and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Treasury Oversight Committee, Audit Oversight Committee, and management of the County, and is not intended to be, and should not be, used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Laguna Hills, California
March 20, 2023

The procedures and associated findings are as follows:

Compliance with CGC Article 6, Sections 27130 through 27137:

1. Review Board of Supervisors (BOS) resolution establishing the Treasury Oversight Committee (TOC), review applicable BOS approved TOC Bylaws and TOC meeting minutes to determine that the local agencies, including school districts, participated in reviewing the policies that guide the pooled investments in accordance with CGC Section 27130, and that the TOC was established in accordance with the criteria stated in CGC Section 27131(a) and consists of members appointed from the following as specified in CGC Section 27132 a) - g) or as further defined in the TOC Bylaws for the fiscal year ended June 30, 2021:
 - (a) The County of Orange (County) Treasurer.
 - (b) The County Auditor-Controller.
 - (c) A representative appointed by the BOS.
 - (d) The County Superintendent of Schools or their designee.
 - (e) A representative selected by the majority of the presiding officers of the governing bodies of the school districts and community colleges in the County.
 - (f) A representative selected by the majority of the presiding officers of the legislative bodies of the special districts in the County that are required or authorized to deposit funds in the County Treasury.
 - (g) Up to five other members of the public.

Finding – No exceptions were found as a result of our procedures.

2. Review BOS resolutions, applicable BOS approved TOC Bylaws and applicable Agenda Staff Reports (ASR) nominating/appointing TOC members, job descriptions and background information of TOC members to determine that the TOC members meet the criteria specified in CGC Section 27132(1) and (2) or as alternatively defined in applicable TOC Bylaws and that they or their replacement was properly confirmed by the BOS for the fiscal year ended June 30, 2021.

Finding – No exceptions were found as a result of our procedures.

3. Obtain and review signed Certificate of Compliance statements from each TOC member stating the member has not been employed by an entity that has (a) contributed to the campaign of a candidate for the office of local treasurer, or (b) contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the County Treasury, in the previous three years or during the period that the employee is a member of the TOC, as specified in CGC Section 27132.1 for the fiscal year ended June 30, 2021.

Finding – No exceptions were found as a result of our procedures.

4. Obtain and review signed Certificate of Compliance statements from each TOC member stating the member has not directly or indirectly raised money for a candidate for local treasurer or a member of the governing board of any local agency that has deposited funds in the County Treasury while a TOC member as specified in CGC Section 27132.2 for the fiscal year ended June 30, 2021.

Finding – No exceptions were found as a result of our procedures.

5. Obtain and review signed Certificate of Compliance statements from each TOC member stating the member did not/will not secure employment with bond underwriters, bond counsel, security brokerages or dealers, or with financial services firms, with whom the Treasurer is doing business with, during the period the person was/is a member of the TOC or for one year after leaving the TOC as specified in CGC Section 27132.3 for the fiscal year ended June 30, 2021.

Finding – No exceptions were found as a result of our procedures.

6. Review TOC minutes for the fiscal year ended June 30, 2021, to ensure they are approved and the date, time and location of upcoming meetings are included. Review the TOC agenda to determine that public comments were posted prior to each meeting as required under the Brown Act to comply with CGC Section 27132.4 for the fiscal year ended June 30, 2021.

Finding – No exceptions were found as a result of our procedures.

7. Determine that the County Treasurer prepared an IPS for the fiscal year ended June 30, 2021, which is reviewed and monitored by the TOC as specified in CGC Section 27133. For each revision of the respective IPS, determine if the Treasurer properly presented the IPS changes to the TOC and the BOS and if all changes were approved by the TOC and the BOS.

Finding – No exceptions were found as a result of our procedures.

8. Obtain the respective Investment Policy Statement for the fiscal year ended June 30, 2021, and determine that it contains the following elements as specified in CGC Section 27133 (a)-(h):
 - (a) authorized investments;
 - (b) maximum security terms;
 - (c) selection criteria for brokers and dealers;
 - (d) limits on the receipt of gifts;
 - (e) investment reporting criteria;
 - (f) cost calculation and apportionment policy;
 - (g) deposit terms and conditions for voluntary participants;
 - (h) criteria for the withdrawal of funds.

Finding – No exceptions were found as a result of our procedures.

9. Obtain the annual audit for the previous year as specified by CGC Section 27134 to determine compliance with the compliance requirements specified in CGC Sections 27130-27137 for the fiscal year ended June 30, 2020.

Finding – We obtained and inspected the Agreed-Upon Procedures Report dated October 12, 2021, in which procedures were performed over compliance requirements specified in CGC Sections 27130-27137 for the fiscal year ended June 30, 2020. No exceptions were found as a result of our procedures.

10. Obtain and inspect the annual reconciliation summary analysis for the year ended June 30, 2021 (Annual Review of Investment Administrative Costs vs. Revenue) to see if the Annual compliance audit costs and direct charges related to the TOC are included in the analysis.

Finding – No exceptions were found as a result of our procedures.

11. Select a sample of five (5) withdrawals of voluntary participant funds for the purpose of investing or depositing these funds outside of the County Treasury during the fiscal year ended June 30, 2021, and determine compliance with CGC Section 27136 (a) and (b) and Section XVIII of the IPS and review for the following:

- (a) Withdrawals from pool participants shall require written approval (transaction request) from the pool participant.
- (b) Prior to approving or disapproving the withdrawal request, the County Treasurer or designee shall make a finding of the effect on the stability and predictability of the investments and on the interests of the other depositors in the County Treasury by completing a withdrawal analysis.

Finding – No exceptions were found as a result of our procedures.

12. Obtain and review signed Certificate of Compliance statements from each TOC member stating the member obtained a copy of the TOC Bylaws that state under Rule 30, that the TOC shall not direct individual investment decisions, select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the County Treasury to comply with CGC Section 27137 for the fiscal year ended June 30, 2021.

Finding – No exceptions were found as a result of our procedures.

Compliance with Orange County Investment Policy Statement (IPS)

1. Review BOS resolution approving the IPS applicable to the fiscal year ended June 30, 2021, per CGC Section 53646(a).

Finding – No exceptions were found as a result of our procedures.

2. Select one (1) day per month of transactions which include purchases and/or sales/maturities for the fiscal year ended June 30, 2021 and determine the County's compliance with Sections VI, VII, VIII, IX and XIII of the applicable approved IPS by performing the procedures outlined below:

Purchases

- a. Verify approval signatures on the trade packets.
- b. Verify information in the trade packets agrees with the information in the Daily Investment Worksheets.
- c. Verify approval signatures on the Daily Investment Worksheets.
- d. Verify the purchased investment issuer was listed on the Approved Issuer List and that the purchase complied with IPS restrictions.
- e. Verify the purchased investment was an authorized type of investment per the CGC Section 53601.
- f. Verify the maturity date of the purchased investment meets the required limit of the IPS.
- g. When a repurchase agreements is invested, verify the County is in compliance with the IPS collateralization requirement.
- h. Verify the purchased security agrees with the trade confirmation provided by the brokers/dealers.
- i. Confirm securities are held by third party custodian, and/or safekeeping statement containing pertinent information is issued to the Treasurer.

Sales/Maturities

- a. Verify approval signatures on the trade packets (sales only).
- b. Verify approval signature on the Daily Investment Worksheets (sales only).
- c. Verify the sale agrees with the trade confirmation provided by the brokers/dealers.
- d. Trace the proceeds to the custodian statement.

Finding – We haphazardly selected twelve (12) days of transactions during the fiscal year ended June 30, 2021, as follows:

- | | |
|----------------------|----------------------|
| 1. July 20, 2020 | 7. January 31, 2021 |
| 2. August 12, 2020 | 8. February 10, 2021 |
| 3. September 1, 2020 | 9. March 3, 2021 |
| 4. October 9, 2020 | 10. April 20, 2021 |
| 5. November 16, 2020 | 11. May 6, 2021 |
| 6. December 2, 2020 | 12. June 25, 2021 |

No exceptions were found as a result of our procedures.

3. Obtain Form 700 Statement of Economic Interests for 2021 covering the period January 1, 2021 through December 31, 2021, filed annually by the Treasurer, Auditor Controller, TOC members and designated County Treasury employees to ensure compliance with Section X of the approved IPS in effect.

Finding – We identified the Form 700 Statement of Economic Interests for 2021 was not filed for one (1) out of twenty-two (22) designated County Treasury employees. The individual left the County in September 2021, and did not file a leaving office Form 700 for 2021.

4. Review the County's Annual Broker Dealer Review packets for the fiscal year ended June 30, 2021 to ensure that the County performed an evaluation of the brokers in accordance with the *Authorized Broker/Dealers and Financial Institutions* as specified in Section XI of the current IPS in effect.

Finding – No exceptions were found as a result of our procedures .

5. Determine that the County Treasurer submitted the monthly investment reports to the TOC, the pool participants, the County Executive Officer, the Director of Auditor-Controller Internal Audit, the Auditor Controller, and the BOS, as specified in Section XX.I of the current IPS in effect.

Finding – No exceptions were found as a result of our procedures.

6. Obtain and inspect the annual reconciliation summary analysis for the year ended June 30, 2021 (Annual Review of Investment Administrative Costs vs. Revenue) as evidence that 1) the Treasurer prepared a proposed budget revenue estimate based on estimated costs, 2) the Treasurer annually reconciled the estimated charges and actual costs and adjusted accounts for the year ended June 30, 2021 and the actual costs included the actual administrative costs of investing, depositing or handling of funds, and 3) the participant accounts were adjusted based on the reconciliation.

Finding – No exceptions were found as a result of our procedures

7. Select a sample of four (4) Treasurer's Monthly Investment Reports (reports) for the fiscal year ended June 30, 2021, and perform the following as specified in the IPS Section XXI:
 - a. Confirm that reports were provided to the BOS, the County Executive Officer, the Chief Financial Officer, the Director of Auditor-Controller Internal Audit, the Auditor Controller, the TOC, the presiding judge of the Superior Court, and Treasurer or other official responsible for the funds of any local agency who has investments in the County Treasury as allowed by CGC Sections 53607, 53646, and 53686.
 - b. Compare the investments listed to the types of investments authorized by CGC Section 53601.
 - c. Recalculate and verify the issuer concentration permitted in the respective IPS' in effect.
 - d. Determine the selected reports include the following information for each investment:
 - i. type of investment;
 - ii. name of issuer;
 - iii. maturity date;
 - iv. par value;
 - v. current market value; and
 - vi. securities' S&P/Moody's rating.

- e. The reports were provided within 30 days following the end of the period of the report.
- f. The reports state compliance of the portfolio with the respective IPS in effect or if not in compliance, states the manner in which the portfolio is not in compliance.
- g. The reports include a statement denoting the ability of the County to meet its pool's expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall or may not be available.

Finding – We haphazardly selected August 2020, December 2020, April 2021, and June 2021 reports for the fiscal year ended June 30, 2021.

We identified an exception for the December 2020 report related to procedure 7c as the issuer concentration for Money Market Mutual Funds in the Orange County Money Market Fund had 22.86% invested in Money Market Mutual Funds and 14.40% invested in a single Money Market Mutual Fund, exceeding the IPS Money Market Mutual Fund's 20% portfolio limit and 10% single issuer limit, respectively. The exception was self-reported by the Treasurer in the December 2020 Treasurer's Monthly Investment Report.

No exceptions were found for the December 2020 report as a result of our procedures for 7a, 7b, and 7d – 7g. No other exceptions were found as a result of our procedures.