

County of Orange Treasury Oversight Committee
Annual Report to the Board of Supervisors
For the Period January 1, 2020 to December 31, 2020

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, 2020 are as follows:

<u>Name</u>	<u>Member Type</u>
Alisa Backstrom (Chair)	Public Member
Richard Rohm (Vice Chair)	Public Member
Gary Capata	Public Member
Laura Parisi	Public Member
Frank Kim	County Executive Officer
Al Mijares	County Superintendent of Schools
Frank Davies	Auditor-Controller

Committee Objectives/Activities

During 2020, 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 29 April 29 July 29 October 28

As required under Article 6 and Sections V and VI of the TOC Bylaws and Rules of Procedures (Bylaws), in 2020 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 to determine 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 2019 annual report to the BOS
- Rule 32: Reviewed, discussed and made no changes to the Irregularity Policy and had no irregularities to investigate
- Rule 34: Reviewed, discussed and no changes to the Bylaws made by the Board of Supervisors
- Rule 35: Received a report from the Treasurer 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 providing the required written calendar year 2019 Annual TOC Report to the BOS. Note that due to COVID-19 and the Governor's Executive Stay-at-Home Order, the Board approved the waiving of the oral report requirement. Activities also included reviewing the 2021 IPS drafted by the Treasurer, and the TOC did not recommend any additional changes. Other significant activities included reviewing

and monitoring the 2020 Quarterly TOC Compliance Summary, which identifies each audit or review and its report status.

The County's Auditor-Controller Internal Audit Division (A-C IAD) regularly audits compliance with the IPS as required by Government Code 27134 and a TOC directive, respectively. In 2020, there were twelve reports issued, three audit reports, three review reports, five compliance monitoring reports, and one management letter. In the reports, the auditors only reported one compliance exception where they identified that a Voluntary Pool Participant withdrawal had not been approved in writing by the Treasurer prior to the processing of the withdrawal as required by the IPS. In addition, in the management letter, the auditors identified one control deficiency recommendation, which was a duplicate of a recommendation from a prior management letter, related to the accounting treatment of several County bank accounts that is still open. This deficiency, identified again in this year's report, is still in process as it is related to the upgrade of the Treasurer's Treasury management and investment accounting software that is expected to be completed in 2021. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatement on a timely basis. 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.

AC-IAD completed the annual compliance report for the twelve-month period ended June 30, 2018, the Report of the Schedule of Assets Held by the County Treasurer as of June 30, 2018 and the Report of the Schedule of Assets Held by the County as of June 30, 2019 (all performed by Eide Bailly). They also completed the reports on the Review of the Statement of Assets Held by the County Treasurer for the periods ended September 30, 2019, December 31, 2019 and March 31, 2020. Next, they completed the reports on Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended September 30, 2019, December 31, 2019, March 31, 2020, June 30, 2020 and September 30, 2020. Finally, they issued the Management Letter on Review of the Schedule of Assets Held by the County Treasury as of September 30, 2019.

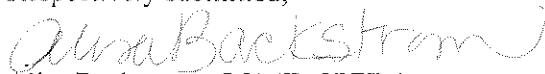
The Treasurer self-reported five compliance exceptions in 2020, all related to the exceeding limits in the AAAM rated Government Only Money Market Mutual Funds:

- In August, 2020, there were two IPS compliance exceptions. The OCIP (in its short-term pool OCMMF) had 10.75% and OCEIP (in its short-term pool OCEMMF) had 10.08% invested in a Money Market Mutual Fund (MMMF), exceeding the per issuer limit of 10%. On the next business day, these two compliance exceptions were cured, and both OCIP and OCEIP were back in compliance.
- In December, 2020, there were three IPS compliance exceptions. The OCIP and OCEIP (in the long-term Extended Fund) had 20.13% on one day and 23.27% on the next business day invested in the MMMFs exceeding the limit of 20%. This compliance exception was cured in two business days, and both OCIP and OCEIP were back in compliance. In addition, the OCIP (in its short-term pool OCMMF) had 14.4% invested in a single MMMF, exceeding the per issuer limit of 10%. Finally, on the same day, the OCIP (in its short-term pool OCMMF) also had 22.86% invested in MMMFs, exceeding the limit of 20%. These two compliance exceptions were cured on the next business day, and OCIP was back in compliance.

Committee Opinion

It is the opinion of the TOC that during the calendar year 2020 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,


Alisa Backstrom, CCMT, CPFIM
Chair – Treasury Oversight Committee

cc: Shari L. Freidenrich, Treasurer-Tax Collector