

**County of Orange Treasury Oversight Committee
Annual Report to the Board of Supervisors
For the Period January 1, 2021 to December 31, 2021**

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, 2021 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
Francine Scinto	Public Member
Frank Kim	County Executive Officer
Al Mijares	County Superintendent of Schools
Frank Davies	Auditor-Controller

Committee Objectives/Activities

During 2021, four TOC meetings were held. All meetings were open to the public and subject to the Ralph M. Brown Act, as required by Government Code section 27132.4, and held on the following dates:

January 27 April 30 July 22 October 28

As required under Article 6 and Sections V and VI of the TOC Bylaws and Rules of Procedures (Bylaws), in 2021 the TOC has performed the following:

- Rule 31:** Reviewed and monitored the annual Investment Policy Statement (IPS) ensuring that it included all items under Rule 31 (a) to (h) in the Bylaws
- Rule 32:** Caused an annual audit to determine the Treasurer’s compliance with Article 6
- Rule 33:** Not directed individual investment decisions, selected advisors, brokers, dealers, or impinged on the day-to-day operations of the Treasurer
- Rule 34:** Presented the oral and written calendar year 2020 annual report to the BOS
- Rule 35:** Reviewed, discussed and made no changes to the Irregularity Policy and had no irregularities to investigate
- Rule 40:** 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
- Rule 44:** Reviewed, discussed and made changes to the Bylaws to conform with the Bylaws Template for County Boards, Commissions, and Committees (Bylaws Template)

The major activities during the year included providing the required written calendar year 2020 Annual TOC Report to the BOS. Note that due to COVID-19 and the Governor’s Executive Stay-at-Home Order, the Board again approved the waiving of the oral report requirement. Major activities also included reviewing the 2022 IPS, drafted by the Treasurer, approving the revised Bylaws incorporating most of the required items from the Bylaws Template,

except provisions related to designees and length of term. Other significant activities included reviewing and monitoring the TOC Compliance Summary on a quarterly basis, which identifies each audit or review and their report status and the various audit related reports issued in 2021.

Audit/Review Reports: 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 2021, there were nine reports issued, three audit reports, three review reports and three compliance monitoring reports. The specific reports completed were the Annual Compliance Audit for the twelve-month periods ended June 30, 2019 and 2020, the Report of the Schedule of Assets Held by the County as of June 30, 2020 (performed by Eide Bailly), the Review of the Statement of Assets Held by the County Treasurer for the periods ended September 30, 2020, December 31, 2020 and March 31, 2021 and the Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarters Ended December 31, 2020, March 31, 2021, and June 30, 2021.

In the nine reports, the auditors only reported one compliance exception that occurred in 2019. 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, it was noted in two of the audit reports that the annual reconciliation of the investment administrative actual costs versus estimated costs had not been reviewed by the auditor as the annual reconciliation had not yet been completed and was expected to be completed by June 30, 2022. 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.

During 2021, the Treasurer self-reported three compliance exceptions, all related to the exceeding limits in the AAAm rated Government Money Market Mutual Funds:

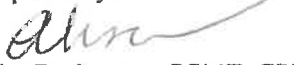
- In July, 2021, there was one IPS compliance exception. The OCIP (in its short-term pool OCMMF) had 21.33% invested in Money Market Mutual Funds (MMMF), exceeding the IPS limit of 20%. This compliance exception was cured the next day.
- In October, 2021, there were two IPS compliance exceptions. The John Wayne Airport Separate Investment Fund (JWA) had 18.74% invested in a single MMMF and 20.36% invested in all of the MMMFs exceeding the issuer limit of 10% and the total MMMF limit of 20% respectively. These compliance exceptions were cured the next business day.

Management Reports: The A-C IAD also issued two management follow-up reports in 2021 with two internal controls findings that the Treasurer had self-identified. They issued the First and Second Follow-Up Management Letter on the Review of the Schedule of Assets Held by the County Treasury as of September 30, 2019 and the Review of the Statement of Assets Held by the County Treasury as of December 31, 2020. In these management letters respectively, the auditors identified that the one Control Deficiency finding and the one Significant Deficiency finding relating to Treasury operations are still in process and are expected to be completed in February 2022. (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. A Significant Deficiency is a combination of control deficiencies that adversely affect the entity's ability to initiate, authorize, process or report financial data reliably in accordance with generally accepted accounting principles.)

Committee Opinion

It is the opinion of the TOC that during the calendar year 2021 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