



OFFICE OF THE TREASURER-TAX COLLECTOR  
SHARI L. FREIDENRICH, CPA, CCMT, CPFA, ACPFIM

**TREASURY OVERSIGHT COMMITTEE MINUTES**

Wednesday, April 23, 2014 at 3:00 p.m.  
12 Civic Center Plaza, Conference Room 300, Santa Ana



**LAURA PARISI**  
Chair

**WILLIAM "ANDY" DUNN**  
Vice Chair

**MIKE GIANCOLA**  
Member

**DR. AL MIJARES**  
Member

**JAN GRIMES**  
Member

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**1. Call to Order**

- Chair Parisi called the meeting to order at 3:00 p.m.

**2. Welcome**

- Members Present: Andy Dunn, Laura Parisi, Wendy Benkert, Alternate Frank Kim, Jan Grimes (arrived at 3:05 pm)
- Members Absent: Mike Giancola, Dr. Al Mijares
- Liaison Present: Treasurer-Tax Collector Shari Freidenrich

**3. Public Comments**

- There were no public comments made.

**4. Minutes**

- Member Dunn moved to approve the Minutes of the January 22, 2014 Treasury Oversight Committee (TOC) meeting. Member Benkert seconded the motion. **Approved 4-0**

**5. New Business**

- **Receive and file Treasurer's Monthly Investment Report for January, February & March:** Treasurer Freidenrich presented the highlights of these reports. Member Benkert moved to receive and file these reports. Member Dunn seconded the motion. **Approved 5-0.**
- **Receive and file the Management Letter on Audit of the Statement of Assets Held by the County Treasury as of December 31, 2012:** Mr. Gorman, explained there were two findings identified, a significant deficiency and a controlled deficiency. The significant deficiency was related to \$35 million in educational investment pool temporary transfers that were incorrectly reported. The Treasury Accounting Staff utilized a deposit order to post those to individual school funds that were receiving loans from the educational investment pool, which resulted in overstating the cash in the treasury by the amount of those temporary transfers. This finding was originally identified in the January 2012 audit. Working with the Auditor Controller staff, we changed to a system that correctly reported those temporary transfers, both in the pool participant accounts, and in the County's books and records. The second finding identified was a controlled deficiency. A Northern Trust confirmation listed an investment that was not included in the Treasurer's investment inventory. This related to a security that was a structured investment vehicle that was sold and settled in October 2010. The A/C recommended staff track and monitor the Northern Trust account in a manner that will provide transparency and an audit trail. The recommendation was confirmed and implemented. Member Grimes moved to receive and file the Management letter. Member Benkert seconded the motion. **Approved 5-0.**

*Mission: Ensure safe and timely receipt, deposit, collection and investment of public funds.*

- **Receive and file the Report of the Schedule of Assets Held by the County Treasury as of June 30, 2013:** Mr. Gorman explained the purpose of the audit. The financial schedule presents fairly, in all material respects. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. Member Dunn moved to receive and file the report. Alternate Kim seconded the motion. **Approved 5-0.**
- **Receive and file Continuous Compliance Auditing of the Treasury Investment Portfolio for the Quarter ended September 2013:** Mr. Gorman explained the purpose of the audit and stated there were no compliance deficiencies identified. Member Benkert moved to receive and file the report. Member Grimes seconded the motion. **Approved 5-0.**
- **Receive and file March 2014 TOC Compliance Summary:** Treasurer Freidenrich explained the two-page report. The first page covers the Investment Compliance; the limitations on some of the investment types, and duration. The second page is the administrative side. Mr. Gorman reported there wasn't anything added to this quarter. The Annual Compliance Audit is in process, March and June have been completed and September is in process. Annual Broker-Dealer review is in process. We had one IPS compliance deficiency in December 2013. TOC Annual Report was presented on February 25, 2014. All TOC Members are in compliance. Member Dunn motioned to receive and file the report. Member Benkert seconded the motion. **Approved 5-0.**
- **Discussion of Process for Procuring the Required Annual Compliance Audit.** Chair Parisi explained the importance of this report. The options presented are sole sourcing (going back to Internal Audit who has the history and the experience) or going out to RFP to bid. This discussion is to make a recommendation to the Treasurer-Tax Collector on which direction to pursue. The current contract expires 12-31-2014. Chair Dunn mentioned in the last 5 years as a TOC Member, he not aware of any unhappiness with Internal Audit. Alan Marcum, Sr. Audit Manager, Internal Audit Dept. mentioned he has been the Sr. Audit Manager working on the audit for the past 5 years, with staff rotating every couple of years. If they continue with the audit they plan on bringing in another Sr. Auditor who will be in charge of the audit, and has not participated in the audit before. He has 26 years as a CPA with the County, and will be able to offer a separate point of view. They will also conduct the audit at no charge and go on a year-to-year basis. Dr. Hughes mentioned they spend 600-700 hours on this audit and take it very seriously. Chair Benkert and Alternate Kim are satisfied with the quality of work Internal Audit has shown in the process, and recommend moving forward with them. Chair Parisi, noted that the auditor rotation is one of the key elements in this whole process. The TOC directed Treasurer Freidenrich to assemble a packet, with a one to two year term, to be presented at the July meeting for review by the TOC.

**6. Chairman's Report:**

- There was no Chairman's Report made.

**7. Treasurer's Report:**

- Treasurer Freidenrich reported on the following topics:
  - a. The status on the Assistant TTC – Investments and Credit Analyst recruitments
  - b. The use of PFM for a one year contract
  - c. The New Finance Manager position
  - d. An update on managing liquidity in the Orange County Investment Fund
  - e. An update on the two vacant TOC positions
  - f. The 2014 TOC meeting calendar
  - g. An update on second installment collections
  - h. Information on Mello-Roos online data

**8. Public Comments:**

- There were no public comments made.

**9. Committee Member Comments:**

- Alternate Kim mentioned that the CEO's office is working on trying to notify parcel owners who are able to reduce Mello-Roos in some areas.

**10. Adjournment:**

- Chair Parisi adjourned the meeting at 4:45 p.m. to Wednesday, July 23, 2014, Auditor/Controller's Conference Room #300.