

July 22, 2024

Shari Freidenrich,
Treasurer-Tax Collector
County of Orange
P.O. Box 4515
Santa Ana, California 92702

Dear Ms. Freidenrich:

We are pleased to confirm our understanding of the services we are to provide the County of Orange Treasury (County Treasury) for the year ended June 30, 2023.

Audit Scope and Objectives

We will audit the County Treasury's compliance with the Treasury Oversight Committee (the Committee) provisions contained in Sections 27130-27137 of the California Government Code (Government Code) that could have a direct and material effect on the County Treasury for the year ended June 30, 2023.

The objectives of our audit are to obtain reasonable assurance as to whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and issue an auditor's report that includes our opinion about the County Treasury's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS), *Government Auditing Standards*, and the Government Code will always detect a material noncompliance when it exists. Noncompliance can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user of the report on compliance about the County Treasury's compliance with the requirements of Sections 27130-27137 of the Government Code as a whole.

The objectives also include reporting on internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Sections 27130-27137 of the Government Code.

Auditor's Responsibilities for the Audit of Compliance

We will conduct our audit in accordance with GAAS and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Government Code, and will include tests of your accounting records of the County Treasury and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS, *Government Auditing Standards*, and the Government Code, we exercise professional judgment and maintain professional skepticism throughout the audit.

BAKERSFIELD
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95207
209-451-1833

We will plan and perform the audit to obtain reasonable assurance about whether the compliance requirements referred to above are free of material noncompliance, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the County Treasury or to acts by management or employees acting on behalf of the County Treasury. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material noncompliance may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS, *Government Auditing Standards*, and the Government Code. In addition, an audit is not designed to detect immaterial noncompliance or violations of laws or governmental regulations that do not have a direct and material effect on the compliance requirements referred to above. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or noncompliance that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the County Treasury's compliance with the compliance requirements referred to above.

According to GAAS, significant risks include management override of controls. Accordingly, we have considered this as a significant risk.

Our audit of the County Treasury's compliance does not relieve you of your responsibilities.

Audit Procedures—Internal Control

We will obtain an understanding of the County Treasury and its environment, including the system of internal control, sufficient to identify and assess the risks of material noncompliance with the compliance requirements referred to above occurred, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the County Treasury's compliance requirements referred to above and to preventing and detecting noncompliance resulting from illegal acts and other noncompliance matters that have a direct and material effect on the compliance requirements referred to above. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under American Institute of Certified Public Accountants (AICPA) professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the compliance requirements referred to above are free of material noncompliance, we will perform tests of the County Treasury's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall County Treasury's compliance and we will not express such an opinion in our report on the overall County Treasury's compliance issued pursuant to *Government Auditing Standards*.

Responsibilities of Management for Compliance

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, establishing, and maintaining effective internal controls relevant to compliance with the requirements referred to above that are free from material noncompliance, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and compliance information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and agreements. You are also responsible for the selection and application of accounting principles and for compliance with applicable laws and regulations and the provisions of contracts and agreements.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the compliance, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the County Treasury from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the compliance with the requirements referred to above; compliance with laws, regulations, contracts, and agreements; and other responsibilities required by GAAS, *Government Auditing Standards*, and the Government Code.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the County Treasury involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the compliance with the requirements referred to above. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the County Treasury received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the County Treasury complies with applicable laws, regulations, contracts, and agreements, and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, or contracts or agreements that we report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes

relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Engagement Administration, Fees, and Other

We understand that your employees will locate any documents selected by us for testing.

We will provide copies of our reports to the County Treasury; however, management is responsible for distribution of the reports. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Brown Armstrong Accountancy Corporation and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for the purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Brown Armstrong Accountancy Corporation personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the Cognizant Agency. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Lindsey Zimmerman is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. We began our audit on approximately July 1, 2024, and expect to issue our reports no later than September 30, 2024.

Our fee for services will be in accordance with Contract CT-074-24010832.

Reporting

We will issue a written report upon completion of our audit of the compliance with California Government Code Sections 27130-27137. Our report will be addressed to the Board of Supervisors of the County of Orange. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph

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to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the compliance with the provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a material effect on the compliance requirements referred to above as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will state (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the County Treasury's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County Treasury's internal control and compliance. The report will also state that the report is not suitable for any other purpose. If during our audit we become aware that the County Treasury is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with GAAS and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

We appreciate the opportunity to be of service to the County Treasury and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the attached copy and return it to us.

Sincerely,

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



By: Lindsey Zimmerman

LBZ:jav
Enclosure

Pfx Engagement\59423 Investment Compliance Audit 6/30/2023\PSR-02-2 Engagement Letter draft

RESPONSE:

This letter correctly sets forth the understanding of the County of Orange Treasury.

Management signature:



Title: Treasurer - Tax Collector

Date: 9-4-2024

