ORANGE COUNTY

TREASURY OVERSIGHT COMMITTEE
COMPLIANCE AUDIT

FOR THE YEAR ENDED
JUNE 30, 2024

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BROWN ARMSTRONG
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH CALIFORNIA GOVERNMENT CODE SECTIONS 27130-27137

The Board of Supervisors
of Orange County
Orange County, California

Report on the Treasurer's Compliance with the California Government Code

Opinion

We have audited the Treasurer-Tax Collector's (the Treasurer) compliance with the Treasury Oversight Committee (the TOC) provisions contained in Sections 27130-27137 of the California Government Code (Government Code) that could have a direct and material effect on the Orange County (the County) Treasury for the year ended June 30, 2024. Compliance with the requirements referred to above is the responsibility of the Treasurer. Our responsibility is to express an opinion on the Treasurer's compliance based on our audit.

In our opinion, the Treasurer complied, in all material respects, with the provisions contained in Sections 27130-27137 of the Government Code referred to above that could have a direct and material effect on the County Treasury for the year ended June 30, 2024.

Basis for Opinion on Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Government Code. Our responsibilities under those standards and the Government Code are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Treasurer's compliance with provisions contained in Sections 27130-27137 of the Government Code. Our audit does not provide a legal determination of the Treasurer's compliance with those requirements referred to above.

Responsibilities of Management for Compliance

Treasurer management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to the County Treasury.

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Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Treasurer’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, *Government Auditing Standards*, and the Government Code will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Treasurer’s compliance with the requirements of Sections 27130-27137 of the Government Code as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Government Code, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Treasurer’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Treasurer’s 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, but not for the purpose of expressing an opinion on the effectiveness of the Treasurer’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Sections 27130-27137 of the Government Code. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
July 10, 2026

ORANGE COUNTY
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Committee Members

Member	Organization Appointed From
Francine Scinto, Chair	Public Member
David Carlson, Vice Chair	Public Member
Alisa Backstrom	Public Member
Salah Kureh	Public Member
Frank Kim	County Executive Officer
Al Mijares	County Superintendent of Schools
Andrew Hamilton	Orange County Auditor-Controller

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Background and General

In 1995, the California State Legislature (the Legislature) passed legislation effective January 1, 1996, requiring a county board of supervisors (the board) to establish a treasury oversight committee (the TOC) pursuant to California Government Code (the CGC) Article 6. County Treasury Oversight Committee Sections 27130-27137. The board, in consultation with the county treasurer (the treasurer), shall determine the exact size (3 to 11 members) and categories of membership. Members are nominated by the treasurer and confirmed by the board, and members must meet a variety of restrictions. Membership categories are the treasurer, county auditor-controller, a representative of the board, a representative of the school and community college districts, a representative from special districts required or authorized to deposit funds, and up to five public members. The TOC is subject to the Ralph M. Brown Act. The purpose of this TOC was to promote the public interest by involving depositors in the management of their funds and by enhancing the security and investment return on their funds by providing a more stable and predictable balance for investment by establishing criteria for the withdrawal of funds. When a county establishes a TOC, the treasurer was required to annually prepare a statement of investment policy (the IPS) as defined in CGC Section 53646 (a)(1) that will be reviewed and monitored by the TOC, and it must include specific criteria in the IPS. The TOC was not allowed to direct individual investment decisions; select individual investment advisors, brokers, or dealers; or impinge on the day-to-day operations of the county treasury.

Effective September 29, 2004, the Legislature made CGC Section 27131 optional, making the establishment of a TOC optional. In recognition of the state and local interests served by this action, the Legislature encourages the county to continue taking the formerly mandated action.

Additionally, the Legislature made CGC Section 53646 (a)(1) optional providing that the treasurer may render an IPS to the board and any oversight committee, which the board shall review and approve at a public meeting and any change in the policy shall be reviewed and approved by the board at a public meeting. CGC Section 53646(b)(1) was also made optional and the treasurer may render a quarterly report to the chief executive officer, the internal auditor, and the board. The Legislature encourages the county to continue taking the formerly mandated actions.

Compliance Audit Requirement

CGC Section 27134 requires the TOC to cause an annual audit of compliance to determine the treasurer’s compliance with CGC Article 6 and may include issues relating to the structure of the investment portfolio and risk. This audit serves to comply with that requirement.

Committee Formation and Operation

In 1995, the Orange County (the County) Board of Supervisors (the Board) approved Resolution 95-946, pursuant to CGC Section 27130, which established the TOC; appointed members; and established terms, membership requirements, organization, powers, and duties. As part of our audit, we reviewed the applicable Board resolutions, TOC bylaws, meeting minutes, and annual certificates of compliance executed by committee members noting no exceptions.

Four meetings were held during the fiscal year. We reviewed the minutes and believe they were properly conducted in order to provide oversight.

Investment Policy Statement

CGC Section 27133 requires the County Treasurer (the Treasurer) to annually prepare an IPS to be reviewed and monitored by the TOC, even if there were no policy changes. There is no requirement that the IPS be presented to the Board in this section. The IPS was reviewed by the TOC and submitted to the Board for approval. We noted that this was properly done, and an IPS updated as of December 19, 2023, was on hand, and was used for purposes of this audit. We noted that the TOC minutes included quarterly IPS compliance reports to the TOC from the Treasurer.

Subsequent Events

On December 17, 2024, as allowed by CGC Section 53646(a)(1), the Treasurer rendered a proposed Treasurer's IPS at a public meeting. The Board deleted the agenda item on December 17, 2024. The Treasurer's IPS expired on December 31, 2024, and effective January 1, 2025, the Board retained the authority to make investment decisions. The County Counsel submitted a County of Orange California Investment Policy that the Board approved at a public meeting on February 11, 2025. The Board rescinded Resolution No. 95-946 dissolving the TOC on March 11, 2025, inactivating CGC Section 27130 et seq. On March 11, 2025, the Board passed a Resolution establishing an Investment Oversight Committee (IOC) that differed from requirements defined in CGC Section Article 6. County Treasury Oversight Committee. The IOC was to assist the Board in fulfilling its responsibilities with respect to independent review and oversight of the County's treasury and investment activities. The membership of the IOC is comprised of the members of the Audit Oversight Committee, who are: the Board Chair, the Board Vice Chair, the Chief Executive Officer (CEO), and five public members each appointed by a Board member. The Board also added the County Superintendent of Schools, or his or her designee, as a member.

Investment Policy Review

	Requirement	Policy Section	Deemed Compliant
a)	Authorized securities	6	Yes
	Maximum percentage by type	8	Yes
b)	Maximum terms	8	Yes
c)	Criteria for selection of brokers	11	Yes
	Prohibition of political contribution	11	Yes
d)	Limits on gifts	10	Yes
e)	Reporting to Committee	21	Yes
f)	Calculation of Treasurer's costs (CGC Section 27013)	16	Yes
g)	Voluntary depositors	17	Yes
h)	Requests for withdrawal	18	Yes

As shown above, we believe the policy adopted contained all the provisions specified in the oversight legislation.

Compliance with Policy

We reviewed the Treasurer's actual practices during fiscal year 2023-2024 to determine compliance with the IPS. We verified the maximum percentages by category of investment. All categories of investment were within the maximum allowed percentages at year-end. We also verified that maximums for single issuers and maximum term limits specified in the policy were not exceeded. There were no exceptions noted.

We also reviewed the annual broker/dealer review process, a sample of voluntary participant withdrawal requests, and annual Form 700 filings for designated officials and TOC members. No exceptions were noted in those procedures, with the exception of one missing filing for a TOC member. The member is deceased and is therefore unable to execute the required filing. This matter does not impact our opinion on compliance with CGC Sections 27130-27137.

Reporting

We reviewed the monthly reports, which were submitted by the Treasurer to the Board and to the TOC, to verify that they contained the information specified in the law. They appeared to be complete with all the required information. In addition, we believe the graphs and additional information in the Treasurer's report beyond what is required assists the user's understanding of the investments in the County Treasury.

Interest Apportionments

Our procedure with respect to interest apportionment was to obtain the IPS for the fiscal year ended June 30, 2024, and verify that it contains each of the elements required by CGC Sections 27133(a)–(h), including item (f), the manner of calculating and apportioning the costs authorized by CGC Section 27013 (IPS Section 16). IPS Section 16 describes the methodology for allocating interest earnings to pool participants based on their average daily balances on at least a quarterly basis, and for deducting the Treasurer's investment administrative costs. No exceptions were noted. Our procedures did not include testing of individual fee or interest postings to participant accounts, and our audit does not provide a legal determination of the Treasurer's compliance with Section 27013.

Conclusion

The investments at June 30, 2024, appear to be in compliance with the Treasurer's IPS and state law with one exception; we noted one Form 700 not being filed. We believe the TOC functioned during fiscal year 2023-2024 as was intended by the oversight legislation. It is our opinion that oversight was properly provided.