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January 10, 2012

To: The Honorable Paul L. Beeman
Presiding Judge

From: Chair, Board of Supervisors

Re: *Response to Grand Jury Report of December 14, 2011 – County Treasurer Functional Review*

The Honorable Judge Daniels:

The following, under Penal Code sections 933(c) and 933.05, the Solano County Board of Supervisors responds to the findings and recommendations contained in the 2011/12 Grand Jury Report of December 14, 2011 concerning the Solano County Treasurer Functional Review.

Finding 1. i-v

The Solano County Board of Supervisors established a Treasury Oversight Committee in 1997. In so doing, several requirements relating to compliance with the Brown Act, preparation of an investment policy, accomplishment of an annual audit, and establishment of a quorum to convene meetings were triggered. The following exceptions and/or weaknesses were noted:

- i. According to the County Treasurer, the Treasury Oversight Committee is required to meet quarterly; however, the Committee only met twice in each of the last two years: January 2010, August 2010, February 2011, and August 2011.
- ii. The Treasury Oversight Committee failed to attain a quorum at the four meetings referenced above. As a result, the Oversight Committee was unable to perform any formal business for at least two years.
- iii. None of the four meetings held by the Treasury Oversight Committee had posted agendas, as required by the Ralph M. Brown Act.
- iv. The Solano County Treasurer Investment Policy does not contain all the language required by California Government Code §27133 (d) and (e), and Board of Supervisors'

Resolution 2002-27. Both documents state that "The investment policy shall include all of the following:

1. Limits on the receipt of honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the county treasury conducts business by any member of the county treasury oversight committee.
 2. A requirement that the County Treasurer provide the Treasury Oversight Committee with an investment report as required by the Board of Supervisors."
- v. The Treasury Oversight Committee did not cause an annual audit in either 2009 or 2010 as required by Solano County Resolution 2002-27 and the Solano County Treasurer Investment Policy last updated March 8, 2011. The last audit, performed by the County Auditor-Controller's Office, was for the period 2008.

Response to Finding 1. i-v

Treasurer-Tax Collector-County Clerk (Treasurer) -

- i. [The Treasurer] disagrees partially with this finding. There is no requirement for the Committee to meet quarterly. It was the practice of the Treasurer to convene the committee quarterly to review quarterly reports submitted to the Board, and review the annual draft investment policy prior to Board submission.
- ii. [The Treasurer] agrees with the finding.
- iii. [The Treasurer] agrees with the finding.
- iv. [The Treasurer] disagrees partially with this finding for the following reasons:
 1. While the exact language of Government Code section 27133 (d) is not recited in the policy, the Standard of Care section of the Investment Policy, subdivision (f), Ethics and Conflicts of Interest, sets forth the required limits of subdivision (d) in terms approved by County Counsel.
 2. The Reporting section of the Investment Policy directs the Treasurer to publish reports in accordance with Government Code section 53646. In addition to the requirements of the section 53646, subdivision (a) of the Reporting section also directs the Treasurer to publish a monthly report, which is posted on the internet and available to the Committee members.
- v. [The Treasurer] disagrees with this finding. In the Auditing section of the Investment Policy, subdivision (f) the policy states "the County's Oversight Committee, if applicable, will cause an annual compliance audit to be conducted to insure compliance with the

investment policy". County Counsel advised in August 2009 that the compliance audit was no longer required.

Board of Supervisors – The Board of Supervisors agrees with the Treasurer's response to Finding 1 i-v.

Recommendation 1a

California Government Code §27131 stipulates that County Treasury Oversight Committees are optional. Under the code, treasury oversight committees provide a broad oversight of the treasury, with few specific responsibilities, and little or no authority. Our review determined that improved technology, engagement of an independent rating agency, and adequate audit coverage has collectively provided a comprehensive system of internal controls sufficient to protect the County's financial assets. Coupled with the inability of the established committee to meet regularly or obtain a quorum, the County Treasury Oversight Committee provides little or no added value for Solano County. As a result, the Grand Jury strongly recommends disestablishment of the Solano County Treasury Oversight Committee.

Response to Recommendation 1a

Treasurer – This recommendation has not yet been implemented, but will be implemented within the next 120 days.

Board of Supervisors – The Board of Supervisors concurs with the Treasurer's response to Recommendation 1a.

Recommendation 1b

In the absence of disestablishing the County Treasury Oversight Committee as expressed in Recommendation 1a, County officials should review applicable California Government Codes and County Ordinances/Resolutions/Policies to correct deficiencies related to the Brown Act, include missing language in the investment policy, conduct an annual audit, quarterly meetings, and obtain a quorum at all meetings.

Response to Recommendation 1b

Treasurer – This recommendation will not be implemented because it is unwarranted. Within the next 120 days, [The Treasurer] will recommend that the Board of Supervisors dissolve the County Treasury Oversight Committee.

Board of Supervisors – The Board of Supervisors concurs with the Treasurer's response to Recommendation 1b.

Respectfully submitted,

A handwritten signature in black ink, consisting of several loops and flourishes, positioned above the printed name.

Chair, Solano County Board of Supervisors