



**Treasurer-Tax Collector-County Clerk
CHARLES LOMELI**

December 15, 2011

Honorable D. Scott Daniels
Presiding Judge of the Superior Court
Solano County Superior Court
600 Union Avenue
Fairfield, CA 94533

RE: Solano County Treasurer-Tax Collector-County Clerk Response to 2011-12 Grand Jury Report: "County Treasurer Functional Review"

Presiding Judge D. Scott Daniels:

Pursuant to Penal Code sections 933 and 933.05, I am responding to the following findings and recommendations pertaining to the matters under my control as the Solano County Treasurer-Tax Collector-County Clerk.

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

- i. I disagree 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. I agree with the finding.
- iii. I agree with the finding, the agendas were not properly posted.
- iv. I disagree partially with this finding, as follows:
 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. I disagree 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.

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

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

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

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

Respectfully submitted,

Charles Lomeli
Treasurer – Tax Collector – County Clerk

cc: Birgitta Corsello, County Administrator
cc: Dennis Bunting, County Counsel
cc: Solano County Board of Supervisors
cc: Solano County Grand Jury