AGENDA

REGULAR MEETING OF THE INVESTMENT OVERSIGHT COMMITTEE (IOC)
AND
REGULAR MEETING OF THE AUDIT OVERSIGHT COMMITTEE (AOC)

Thursday, November 12, 2026 at 10:30 A.M.

County Administration North
First Floor Multi-Purpose Room
400 West Civic Center Drive, Santa Ana, CA 92701

Committee Members

Second District Representative, Chair	Tim Johnson, CPA
Third District Representative, Vice Chair	Mark Wille, CPA
First District Representative	Jason Schmitt
Fourth District Representative	Larry Himmel
Fifth District Representative	Yvonne Rowden
Board of Supervisors Representative (BOS Chair)	Supervisor Doug Chaffee
Board of Supervisors Representative (BOS Vice Chair)	Supervisor Katrina Foley
County Executive Officer (Interim)	KC Roestenberg
County Superintendent of Schools Representative (IOC Member Only)	Dr. Stefan Bean

Non-Voting Members

Auditor-Controller	Andrew Hamilton, CPA
Treasurer-Tax Collector	Shari Freidenrich, CPA
Internal Audit Director	Aggie Alonso, CPA

Staff

County Counsel	Ronnie Magsaysay
Clerk	Valerie Sanchez

This agenda contains a brief general description of each item to be considered. Except as otherwise provided by law, no action shall be taken on any item not appearing on the agenda. If you would like to speak during public comments, raise your hand when indicated by the Chair. When addressing the Committees, please state your name (or pseudonym) for the record. Public Comments may also be submitted electronically to comments@cob.oc.gov. All supporting documentation is available for public review 72 hours before the meeting. Documents are available online at https://iad.oc.gov/oversight-committees/agendas-and-minutes

In compliance with the Americans with Disabilities Act (ADA) and County Language Access Policy, those requiring ADA accommodation and/or interpreter services for this meeting should notify the Clerk of the Board 72 hours prior to the meeting at (714) 834-2206. Requests received less than 72 hours will still receive every effort to reasonably fulfill in the time provided.

Call to Order

Roll Call

Public Comments
At this time, members of the public may address the Committees on any matter appearing on the agenda or not on the agenda but within the subject matter jurisdiction of the Committees.

Committee Member Comments
At this time, Committee members may make comments, request information or suggest future agenda items, and ask questions of, or give direction to staff, provided that no action may be taken on off-agenda items unless authorized by law.

General Committee Matters	**Speaker**
1. Approve minutes of August 13, 2026 Regular Meeting	Tim Johnson, CPA Chair
2. Approve minutes of May 14, 2026 Regular Meeting (Continued from 8/13/26, Item 1)	Tim Johnson, CPA Chair
3. Approve 2027 IOC/AOC Meeting Schedule	Tim Johnson, CPA Chair
Investment Oversight Committee Matters	**Speaker**
4. Receive and File Orange County Investment Fund Quarterly Report for Quarter Ended September 30, 2026	Dana Schultz Chief Investment Officer

5.	Review 2027 Investment Policy	Dana Schultz Chief Investment Officer
6.	Receive Investment Updates	Kim Engelby Chief Financial Officer
7.	Receive Update on Incident Involving Un-Collateralized Deposit at Northern Trust	Shari Freidenrich Treasurer Tax Collector Kim Engelby Chief Financial Officer
	Audit Oversight Committee Matters	**Speaker**
8.	Election of Officers for 2027	Tim Johnson, CPA Chair
9.	Annual Orange County Employees Retirement System (OCERS) Pension Liability Presentation	Steven Delaney Chief Executive Officer OCERS
10.	Receive and File Report on Required Communication from External Auditors	Katherine V. Lai, CPA Partner Crowe LLP
11.	Approve Internal Audit Department Summary of Audit Reports for the Period July 1, 2026 through November 4, 2026	Aggie Alonso, CPA Director Internal Audit Department
12.	Approve External Audit Activity Quarterly Status Report for Quarter Ended September 30, 2026, and Receive Report on Status of External Audit Recommendations Implementation	Michael Mikaelyan, CIA Assistant Deputy Director Internal Audit Department

13. Receive Update on Internal Audit Staffing and Resources	Aggie Alonso, CPA Director Internal Audit Department
14. Receive and File Quarterly Status Report of Auditor-Controller Mandated Audits for Quarter Ended September 30, 2026	Rodrigo Martinez, CIA, CISA Audit Manager Auditor-Controller
15. Receive Update on OC Clarity (ERP) Project Implementation Schedule	Mai Le IT PMO Manager Auditor-Controller
16. Appoint Ad Hoc Committee to Discuss OC Clarity (ERP) Oversight Audit	Tim Johnson, CPA Chair
17. Receive and File County IT Projects Quarterly Progress Report	Ed Althof Interim Chief Information Officer

ADJOURNMENT

NEXT MEETING
Regular Meeting, Thursday, February 11, 2027, 10:30 A.M.

Agenda Item 1

SUMMARY ACTION MINUTES

REGULAR MEETING
INVESTMENT OVERSIGHT COMMITTEE (IOC)
AND
AUDIT OVERSIGHT COMMITTEE (AOC)

Thursday, August 13, 2026, 10:30 A.M.

County Administration South
County Conference Center
601 N. Ross St., Room 104/106
Santa Ana, CA 92701

Committee Members

Second District Representative, Chair	Tim Johnson, CPA
Third District Representative, Vice Chair	Mark Wille, CPA
First District Representative	Jason Schmitt
Fourth District Representative	Larry Himmel
Fifth District Representative,	Yvonne Rowden
Board of Supervisors Chair	Supervisor Doug Chaffee
Board of Supervisors Vice Chair	Supervisor Katrina Foley
County Executive Officer	KC Roestenberg
County Superintendent of Schools Representative	Dr. Stefan Bean (IOC Member Only)

Non-Voting Members

Auditor-Controller	Andrew Hamilton, CPA
Treasurer-Tax Collector	Shari Freidenrich, CPA
Internal Audit Director	Aggie Alonso, CPA

Staff

County Counsel	Ronnie Magsaysay
Clerk	Joanne Golden

ATTENDANCE: Johnson, Jabbar (Proxy for Chaffee), Foley, Roestenberg, Schmitt, Rowden, Himmel, West (Proxy for Bean)

ABSENT: Willie

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SUMMARY ACTION MINUTES

CALL TO ORDER
The Chair called the meeting to order at 10:36 a.m.

ROLL CALL
The Clerk called the roll and confirmed quorum

PUBLIC COMMENTS
None

COMMITTEE MEMBERS COMMENTS

Larry Himmel – Thought IOC was formed on the tail-end of the situation with Andrew Do but learned it is more about issues at Treasurer-Tax Collector and feels that the oversight committee has been kept in the dark on those matters and should be better informed; the IOC was formed without a lot of explanation or specific direction; also believes the investment functions should not be split long term, and current separation seems like a short term solution.

Jason Schmitt – Welcomed KC Roestenberg in his new position as Interim County CEO.

GENERAL COMMITTEE MATTERS

1. Approve Minutes of May 14, 2026, Regular Meeting

   On the motion of Supervisor Katrina Foley, seconded by Chair Tim Johnson, this item is continued until the November 12, 2026 regular meeting to determine whether Item 6 was recorded accurately

INVESTMENT OVERSIGHT COMMITTEE MATTERS

2. Receive and File Orange County Investment Fund Quarterly Report for Quarter Ended June 30, 2026

   Received and filed

3. Receive and File Compliance Monitoring Reports of Investment Portfolio for Quarters ended September 30, 2025 and December 31, 2025

   Received and filed

4. Receive and File Annual Compliance Audit for FY Ending June 30, 2024

   Received and filed

5. Direct an Annual Audit be Conducted to Determine the County's Compliance with the Orange County Investment Policy

   On the motion of Larry Himmel, seconded by Tim Johnson, the Committee approved as recommended

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6. Receive Update on Compliance Incident Involving Funds Held on Deposit Uncollateralized at Northern Trust Custodial Bank

   Received update

7. Investment Updates

   Received update

AUDIT OVERSIGHT COMMITTEE MATTERS

8. Receive and File Report on Required Communication from External Auditors

   Received and filed

9. Approve Internal Audit Department Quarterly Status Report (including Performance Audits) and Approve Executive Summary of Internal Audit Reports for Quarter Ended June 30, 2026

   On the motion of Supervisor Katrina Foley, seconded by Al Jabbar as proxy for Supervisor Doug Chaffee, the Committee approved as recommended

10. Approve External Audit Activity Quarterly Status Report for Quarter Ended June 30, 2026, and Receive Report on Status of External Audit Recommendations Implementation

    On the motion of Al Jabbar as proxy for Supervisor Doug Chaffee, seconded by Supervisor Katrina Foley, the Committee approved as recommended

11. Receive Update on Internal Audit Staffing and Resources

    Received update

12. Receive Report on Internal Audit Department's Independence

    Received report

13. Receive Update on Corrective Actions Taken on Single Audit Findings

    Received update

14. Receive and File Quarterly Status Report of Auditor-Controller Mandated Audits for Quarter Ended June 30, 2026

    Received and filed

15. Receive and File 2025 Orange County Fraud Hotline Annual Report

    Received and filed

16. Receive Update on County Performance Measures for Department and Contractors

    Received update

17. Receive Update on ERP Implementation

    Received update

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18. Receive and File County IT Projects Quarterly Progress Report

    Received and filed

19. Discuss Annual Comprehensive Financial Report (ACFR) Special Meeting/Training

    Discussed; Special Meeting/Training will be scheduled in the next few weeks

ADJOURNMENT 12:52 P.M.

NEXT REGULAR MEETING: Thursday, November 12, 2026, at 10:30 A.M.

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Agenda Item 2

SUMMARY ACTION MINUTES

REGULAR MEETING
INVESTMENT OVERSIGHT COMMITTEE (IOC)
AND
AUDIT OVERSIGHT COMMITTEE (AOC)

Thursday, May 14, 2026, 10:30 A.M.

County Administration South
County Conference Center
601 N. Ross St., Room 104/106
Santa Ana, CA 92701

Committee Members

Second District Representative, Chair	Tim Johnson, CPA
Third District Representative, Vice Chair	Mark Wille, CPA
First District Representative	Jason Schmitt
Fourth District Representative	Larry Himmel
Fifth District Representative,	Yvonne Rowden
Board of Supervisors Chair	Supervisor Doug Chaffee
Board of Supervisors Vice Chair	Supervisor Katrina Foley
County Executive Officer	Michelle Aguirre
County Superintendent of Schools Representative	Dr. Stefan Bean (IOC Member Only)

Non-Voting Members

Auditor-Controller	Andrew Hamilton, CPA
Treasurer-Tax Collector	Shari Freidenrich, CPA
Internal Audit Director	Aggie Alonso, CPA

Staff

County Counsel	Ronnie Magsaysay
Clerk	Valerie Sanchez

ATTENDANCE: Engelby (Proxy for Aguirre), Bean, Jabbar (Proxy for Chaffee), Foley, Himmel, Johnson, Rowden, Schmitt and Wille

ABSENT: Aguirre and Chaffee (represented by proxy)

DRAFT

SUMMARY ACTION MINUTES

CALL TO ORDER
The Chair called the meeting to order at 10:32 a.m.

ROLL CALL
The Clerk called the roll and confirmed quorum

PUBLIC COMMENTS
None

COMMITTEE MEMBERS COMMENTS

Andrew Hamilton, Auditor Controller – Thanked Eide Bailly for many years of partnership and introduced Crowe LLP under new contract for independent auditing services.

Shari Freidenrich, Treasurer-Tax Collector (TTC) – Provided a statement regarding the transfer of 9 positions from TTC to the CEO is unlawful and threatens the ability of TTC to carry out its fiduciary duties.

Kim Engleby, County Financial Officer (Proxy for Aguirre) – Clarified that the Board of Supervisors has investment authority over County investment funds and they elected not to delegate that authority to the TTC as they had in years past, and the positions transferred to CEO are those that support the County's investment activities.

GENERAL COMMITTEE MATTERS

1. New Committees Member welcome and introduction

   The Committees welcomed Jason Schmitt, the new First District Representative

2. Approve Minutes of February 5, 2026, Regular Meeting

   On the motion of Mark Wille, seconded by Dr. Stephen Bean, the Committees approved the minutes as recommended

INVESTMENT OVERSIGHT COMMITTEE MATTERS

3. Receive and File Quarterly Report on the County Treasury and Investments for Quarter Ended March 31, 2026

   Received and filed

4. Receive update on Schedule of Assets held by County Treasury for Quarter ended March 31, 2026

   Received update

AUDIT OVERSIGHT COMMITTEE MATTERS

5. Receive and File Report on Required Communication from External Auditors

   Received and filed

6. Approve Internal Audit Department Quarterly Status Report (including Performance Audits) and Approve Executive Summary of Internal Audit Reports for Quarter Ended March 31, 2026

   On the motion of Mark Wille, seconded by Yvonne Rowden, the Committee approved as recommended

7. Approve External Audit Activity Quarterly Status Report for Quarter Ended March 31, 2026, and Receive and File Report on Status of External Audit Recommendations Implementation

   On the motion of Mark Wille, seconded by Larry Himmel, the Committee approved as recommended

8. Receive Update on Internal Audit Staffing and Resources

   Received update

9. Receive and File Quarterly Status Report of Auditor-Controller Mandated Audits for Quarter Ended March 31, 2026

   Received and filed

10. Receive Update on ERP Implementation

    Received update

11. Receive and File County IT Projects Quarterly Progress Report

    Received and filed

ADJOURNMENT 12:47 P.M.

NEXT REGULAR MEETING: Thursday, August 13, 2026, at 10:30 A.M.

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Agenda Item 3

Investment Oversight Committee
And
Audit Oversight Committee
2027

Meetings are held
10:30 A.M. - 12:30 P.M.
at the County Conference Center
425 West Santa Ana Blvd, Santa Ana 92701

January

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November

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December

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County Holiday

Regular Meeting

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Agenda Item 4

Agenda Item 5

Orange County California

Investment Policy

Approved By the Board of Supervisors December ~~16, 2025~~15, 2026

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ORANGE COUNTY INVESTMENT POLICY

PURPOSE

The Orange County Investment Policy ("Policy") provides the structure for the prudent investment of the funds of the County of Orange ("County") and the funds of other depositors in the County treasury.

I. POLICY STATEMENT

The Policy provides framework for the Orange County Investment Program and is prepared in accordance with California State law and based on prudent money management practices. The primary goal is to invest public funds in a manner that will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to pool participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

~~The Orange County Investment Fund (OCIF), which includes all Ccash balances deposited into the Treasury, is are designed to meet both the investment and cash requirements of our participants.~~

II. SCOPE

This Policy governs the investment of funds deposited into the County treasury and is . ~~This Policy is~~ more restrictive than State law in certain areas. ~~Funds from bond proceeds may be invested in accordance with Government Code section 536031(m), which authorizes investment in accordance with the statutory provisions governing the issuance of the bonds, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the approved documents providing for the issuance.~~

1. Pooled Funds:

The County will maintain a pooled investment fund ~~nam~~titled ~~. The pooled fund's name is~~ the Orange County Treasury Pool (OCTP). Government Code Sections 53600 *et seq*., 53630 *et seq*. and 27000.1-27000.3 ~~guide~~ govern the investments ~~requirements~~ of the OCTP in addition to the requirements set forth in this policy. ~~, and, if applicable, the OCTP may be a permitted investment for bond proceeds.~~

2. Specific Investment Accounts:

The County or an eligible participant ~~that~~ with funds deposited ~~s funds~~ in the County treasury may request specific funds be ~~a specific~~ separately invested ~~investment account to invest funds~~ pursuant to an identified ~~specific~~ investment objective, cash flow requirement, or future liability.

Investments approved by the County Investment Manager for a specific investment account will be managed separately from the OCTP and structured, to the extent practicable, to correspond with the anticipated timing and purpose of the funds. ~~Such investments may include cash required for future long-term needs. All new specific investment accounts require the written approval of the County Investment Manager, as defined in Section IV (Investment Authority). If approved, the investments will be matched to the time horizon for their future use or to an identified liability.~~ Prior to the establishment of the account, ~~T~~the County or ~~the~~ governing body of ~~any~~ the participating agency~~ies~~ ~~will be required to sign~~ shall execute an ~~a written~~ agreement

establishing the investment parameters and acknowledging the potential for market fluctuations and that there may be risk to principal should they desire to ~~redeem funds early~~sell the securities prior to maturity.

~~In addition, n~~No investment will be made in any security that at the time of the investment has a term remaining to maturity in excess of five years measured from the settlement date, unless the appropriate legislative body has granted express authority either specifically or as part of an investment program approved by that legislative body no less than three months prior to the investment.

3. Bond Proceeds

Bond proceeds deposited in the County treasury and invested in the OCTP shall be governed by applicable law and this Policy. Pursuant to Education Code Section 15146(g), proceeds from the sale of school district and community college district general obligation bonds shall be deposited in the County treasury, subject to applicable law and statutory exceptions. Investments with maturities exceeding five years may be permitted pursuant to Government Code Section 53602(e)(2), where expressly authorized by the governing body of the applicable agency.

III. PRUDENT INVESTOR STANDARD

The Board of Supervisors, as a fiduciary of public funds adheres to the "prudent investor" standard as stated in Government Code sections 27000.3 and 53602(b)~~0.3~~. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the Board of Supervisors shall act with care, skill, prudence and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the County and other depositors that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County and the other depositors. Within the limitation of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law.

The Board of Supervisors and those delegated staff shall act in accordance with written procedures and the Policy, exercise due diligence, report in a timely fashion and implement appropriate controls to mitigate adverse developments.

IV. INVESTMENT AUTHORITY

The authority to invest the funds of the County and the funds of other depositors in the County Treasury rests with the Board of Supervisors. The Board may delegate its investment authority as it determines appropriate. Throughout this Policy, the "County Investment Manager" shall be defined as the County official or individual who is authorized by the Board to invest the funds of the County and the funds of other depositors in the County treasury.

V. OBJECTIVES

The primary investment objectives, presented in their absolute order of priority, are:

1. SAFETY

Safety of principal is the foremost investment objective. Investments shall be undertaken in a

manner that seeks to ensure the preservation of capital.

The County Investment Manager shall seek to preserve principal and minimize capital losses by mitigating credit risk and market risk as follows:

a) **Credit Risk:** Defined as the risk ~~that~~ an issuer~~'s~~ may fail to make timely payments of interest or principal or otherwise fail to meet its financial obligations.~~ability and willingness to repay interest and principal~~. Credit risk shall be mitigated by diversifying the fund among issues and issuers so that the failure of any one issue or issuer would not result in a significant loss of income or principal to participants.

b) **Market Risk:** Defined as the risk of market value fluctuations due to changes in the general level of interest rates. Because longer-term securities generally have greater market risk than shorter-term securities, market risk will be mitigated by establishing a maximum effective duration (also called option adjusted duration) for the OCTP. Occasional market losses on individual securities may occur with portfolio management and they must be considered within the context of the overall investment return.

2. **LIQUIDITY**

Liquidity refers to the ability to sell an investment at any moment with a minimal chance of principal loss. ~~OCIF~~ The Orange County Investment Program will maintain sufficient liquidity for the purpose of meeting all daily operating requirements based on reasonably anticipated cash flow needs.

3. **YIELD**

Yield refers to the objective of attaining a market rate of return commensurate with the risk profile and cash flow characteristics of the portfolio throughout budgetary and economic cycles. Although the County Investment Manager may employ certain indices to gauge the funds' rate of return, such indices shall be used solely for comparative purposes and do not constitute a warranty or guarantee of actual fund performance. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. As permitted by Government Code section 53602(i)(2) ~~noted in Government Code Section 53601.6~~, securities issued by, or backed by, the United States government can result in zero or negative interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates.

MARK-TO-MARKET

The OCTP and Specific Investment Accounts investments are marked to market daily using current market valuations. Mark-to-market valuations reflect the estimated fair value of investments based on prevailing market conditions, including interest rate changes, and may differ from book values.

The purpose of marking investments to market is to provide transparency, monitor changes in portfolio value, assess market risk and support the ongoing evaluation of portfolio liquidity and investment performance. Because the OCTP is managed with an emphasis on holding investments to maturity, fluctuations in market value do not necessarily represent realized gains or losses. ~~The OCTP will attempt to maintain a $1.00 net asset value (NAV) to the extent reasonably possible and consistent with the Board of Supervisors' trust and fiduciary duty. If the ratio of the market value of OCTP divided by the book value of OCTP is less than $.9975, then the variance will be~~

~~reported as well as any expected impact on the OCTP's ability to meet forecasted cash outflows. In addition, the County Investment Manager may decide to sell holdings as necessary to maintain the OCTP's NAV above $.9975. However, the OCTP $1.00 NAV is not guaranteed or insured by the Board of Supervisors nor is OCTP registered with the Securities Exchange Commission (SEC).~~

The County Investment Manager ~~will~~ shall report the market value and book value of the ~~provide the NAV of~~ OCTP and each Specific Investment Account in the investment report.

VI. AUTHORIZED INVESTMENTS

The County is authorized to invest in specific types of securities as provided in the Government Code. Investments not specifically listed below are prohibited. All securities must be United States dollar denominated. All investment transactions must be executed through broker-dealers, banks, or counterparties authorized by the County Investment Manager. In addition, comprehensive due diligence must be conducted on all securities prior to investment, followed by at least an annual review to ensure that the investment's outlook remains favorable and has not deteriorated.

The OCTP and Specific Investment Accounts may invest in the following areas to the extent they are consistent with the investment objectives, do not violate the investment restrictions, and adhere to limitations specified in this section, and Sections VII and VIII.

1. **U. S. TREASURY SECURITIES**
   United States Treasury bills, notes, bonds, or certificates of indebtedness, for which the full faith and credit of the United States are pledged for the payment of principal and interest.

2. **U. S. GOVERNMENT AGENCY SECURITIES**
   Obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise (GSE). ~~There is no limit on the percentage of OCTP that can be invested in this category including no issuer limit.~~

3. **COMMERCIAL PAPER**
   Commercial Paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a Nationally Recognized Statistical Rating Organization ("NRSRO"). The entity that issues the commercial paper shall meet either of the following conditions in paragraph (a) or paragraph (b):

   a) Has total assets in excess of ~~five hundred million dollars (~~$500,000,000~~)~~, is organized and operating within the United States as a general corporation and has debt other than commercial paper, if any, that is rated "A" or higher by a NRSRO.

   b) Is organized in the United States as a federally or state-chartered bank or a federally or state-licensed branch of a foreign bank, special purpose corporation, trust, or limited liability company, has program-wide credit enhancements including, but not limited to overcollateralization, letters of credit or a surety bond, and has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

4. **NEGOTIABLE CERTIFICATES OF DEPOSIT**
   Negotiable certificates of deposit are issued by a nationally or state-chartered bank, savings association, or a federal association ~~(as defined by Section 5102 of the California Financial Code),~~ or by a federally licensed or state-licensed branch of a foreign bank.

Commented [DS1]: County style standard?

Commented [MR2R1]: I'm not aware of a County-wide standard, but we should certainly be consistent throughout the document. My thought is that it makes sense to leave as "$500,000,000" because it is also spelled out as "five hundred million dollars".

5. REPURCHASE AGREEMENTS

Investments in repurchase agreements ~~for the purpose of this Policy means a~~ are purchases of securities authorized by this Policy ~~by the County Investment Manager~~ pursuant to an agreement by which the ~~seller~~ counterparty agrees to ~~will~~ repurchase the securities on or before a specified date and for a specified amount. The ~~and will deliver the~~ underlying securities shall be delivered to the County by book entry, physical delivery, or by third party custodial agreement. The term of a repurchase agreement with the County shall not exceed ~~one year~~the limits identified in Section VIII. Repurchase agreements counterparties shall ~~and~~ have capital of not less than $500,000,000. ~~The term "securities," for the purpose of repurchase agreements, means securities of the same issuer, description, issue date and maturity.~~

~~To participate in repurchase agreements, a~~A master repurchase agreement must be ~~completed~~ executed ~~and signed~~ by all parties ~~involved~~prior to entering into a repurchase agreement, and the ~~. The~~ County ~~will~~ shall maintain a signed copy ~~of the agreement~~. Repurchase agreements ~~are~~ shall be ~~required to be~~ collateralized by eligible securities or cash in accordance with applicable law and the terms of the master repurchase agreement.

Collateralization:

~~In order to anticipate market changes and provide a level of security for all repurchase agreement transactions, t~~The market value of collateral underlying a repurchase agreement ~~securities that underlie a repurchase agreement~~ shall be valued at 102% or greater of the funds ~~borrowed against those securities~~ provided by the County under the agreement. ~~and the value~~ Collateral shall be valued ~~adjusted~~ no less frequently than weekly. ~~Since the~~ If market ~~value~~ fluctuations cause the collateral value to fall below 102%, the collateral shall be restored to at least ~~of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall comply with the market value requirement if the value of the underlying securities is brought back up to~~ 102% no later than the next business day.

Collateral ~~will~~ shall be limited to cash, and U.S. Treasury and U.S. Government Agency securities. For ~~compliance~~ purposes of the investment limits in Section VIII.1, U.S. Treasury and U.S. Government Agency securities held as collateral ~~are exempt from the~~ shall not be included in the applicable issuer limits ~~as stated in Section VIII.1~~.

Collateral ~~will~~ shall be held by an independent third party with whom the County Investment Manager has a current custodial agreement. ~~A clearly marked e~~Evidence of the County's ownership, such as a ~~(~~safekeeping/custody receipt~~),~~ ~~must~~ shall be ~~supplied~~ provided to and retained by the County ~~and retained~~. ~~No c~~Collateral substitutions shall not be permitted without ~~may be made without~~ prior approval of the County Investment Manager.

Repurchase Agreements ~~are subject to~~ shall comply with Government Code Section 53603(j)~~1~~, including ~~and must comply with~~ applicable ~~the~~ collateral, delivery, and maturity requirements~~, and the maturity provision from Section 53603~~1~~.~~

6. BANKERS' ACCEPTANCES

Bankers' acceptances, also known as time drafts or bills of exchange that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days maturity.

7. MONEY MARKET MUTUAL FUNDS

Money Market Mutual Funds (MMMFs) are investment funds that issue shares of beneficial

Commented [DS3]: Clarified as we want all securities delivered to and held by our third-party custodian?

Commented [MR4R3]: Is it redundant to add "custodian" as the sentence already states: ... by book entry, physical delivery, or *by third party custodial agreement*"? It may make sense to leave as delivered to "the County", as it is qualified by the remainder of the sentence and allows for the greatest flexibility.

Commented [DS5]: What is County style standard?

Commented [MR6]: Was there a reason to change from "valued" to "maintained"? GC 53603(j)(2) uses the term "valued".

Commented [SD7R6]: Not sure, ok with leaving language consistent with the GC.

interest and are ~~Shares of beneficial interest issued by diversified management companies that are money market mutual funds~~ registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq~~).), which only invest in direct obligations in U.S. Treasury bills, notes, and bonds, U.S. Government Agencies, Municipal Debt, commercial papers, and repurchase agreements with a weighted average maturity of 60 days or less~~. ~~Money Market Mutual Funds~~ MMMFs that do not maintain a constant Net Asset Value (NAV) are prohibited. Approved ~~money market mutual funds~~ MMMFs shall meet either of the following criteria:

a) Attained the highest ranking or the highest letter and numerical rating provided by no less than two NRSROs.

b) Retained an investment ~~advisor~~ adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing ~~money market mutual funds~~ MMMFs with assets under management in excess of $500,000,000.

~~Money market mutual funds will not exceed 20 percent of the agency's moneys, with . Nno more than 10 20 percent of the agency's moneys may be invested in shares of beneficial interest of any one mutual fundMMMF.~~ For ~~s~~Specific ~~i~~Investment ~~a~~Accounts, ~~this constraint~~ these limits shall ~~will~~ apply to the agency's ~~total~~ combined balances in ~~both~~ the OCTP and ~~the~~ its ~~s~~Specific ~~i~~Investment ~~a~~Account~~-~~(s).

8. STATE POOL – LOCAL AGENCY INVESTMENT FUND

~~The County Investment Manager may invest in t~~The Local Agency Investment Fund (LAIF) is a pool administered by ~~established by~~ the State Treasurer, ~~under~~ pursuant to Government Code Section 16429.1, that allows for local government agencies to invest public funds collectively. LAIF provides participating agencies with a means of investing funds while maintaining liquidity and benefiting from the diversification and investment management of the State Treasurer's Pooled Money Investment Account. For purposes of portfolio maturity calculations, LAIF ~~has no final stated maturity and will~~ shall be reported as having a one-day maturity.

9. MUNICIPAL DEBT

Such instruments are defined as being issued by a local or state agency, including:

a) Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.

b) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the~~a~~ state.

c) Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

10. MEDIUM-TERM NOTES

Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years, as limited by this policy. Medium-term notes must

be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

11. ~~INVESTMENT POOLS~~JOINT POWERS AUTHORITIES

A Joint Powers Authority (JPA) investment pool combines funds from participating public agencies for collective investment purposes. The County may invest in s~~S~~hares of beneficial interest issued by a ~~j~~Joint ~~p~~Powers ~~a~~Authority (JPA) organized pursuant to Government Code Section 6509.7, which ~~, which~~ invests~~s~~ in ~~the~~ securities and obligations ~~as~~ authorized in subdivisions (a) to (r), inclusive, of Section 53603. ~~under 53603(a) (l), and (n) (p)) to (o), inclusive.~~Each share shall represent an equal proportional interest in the underlying pool of securities owned by the JPA~~joint powers authority~~. To be eligible under this section, the ~~joint powers authority~~JPA issuing the shares shall have retained an investment adviser that meets all of the following criteria:

a) The adviser is registered or exempt from registration with the United States Securities and Exchange Commission.

b) The adviser has not less than five years of experience investing in securities and obligations authorized in subdivisions (a) ~~to~~through (~~l~~q), inclusive~~, and subdivisions (n) to (p), inclusive,~~ of Government Code ~~S~~section 53603.

~~a)~~ The adviser has assets under management in excess of $500,000,000 ~~and that comply with the investment restrictions of Government Code Sections 536020 through 53610 and Section 53630.~~JPAs require the highest ranking or the highest letter and numerical rating provided by at least one NRSROs. ~~The County Investment Manager shall be required to investigate all local government investment pools prior to investing. The analysis shall include, but is not limited to, the following characteristics of a pool/fund as part of its investigation and review:~~

c)

~~Eligible securities~~

~~Maximum maturity~~

~~REPO collateral/counter party~~

~~Size of the pool/fund~~

~~Limits on withdrawal/deposit~~

~~Expense ratio~~

Commented [MR8]: See comment above. It seems redundant to write "five hundred million dollars" and also "$500 million"".

12. **SUPRANATIONAL SECURITIES**

Supranational securities are defined as United States dollar–denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, Inter-American Investment Corporation (IDB Invest) or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States.

VII. INVESTMENT CREDIT RATING RESTRICTIONS

For OCTP and Specific Investment Accounts, credit ratings will be applied at the time of purchase of a security and monitored for changes while ~~owned~~the security is held. A credit rating downgrade subsequent to purchase ~~in a security's credit rating will~~ shall not constitute a violation

of the Policy. ~~When~~ If a credit rating downgrade occurs which results in a rating below the minimum credit requirement, an analysis must be performed to evaluate the credit to determine whether to hold or sell the security.

For purposes of this Policy, ~~The~~ recognized credit ratings ~~referenced in this policy must~~ shall be those assigned by one of the following NRSROs: Standard & Poor's Corporation (S&P), Moody's Investors Service, Inc. (Moody's) and Fitch Ratings (Fitch).

Except for ~~All~~ investments expressly exempted from these requirements elsewhere in this Policy, ~~except those noted below in~~ investments shall meet the following requirements at the time of purchase:

a) ~~a) and b): 1) must h~~Have the minimum ratings required below by at least two NRSROs~~, and~~

~~a)~~b) ~~2)~~ Meet or exceed the ~~lowest~~ applicable minimum credit rating requirements ~~of any NRSRO must meet or exceed the minimum rating required in the table~~ shown below, based on the lowest applicable rating assigned by any of the identified NRSROs~~:~~.

~~NRSRO~~	~~Short-Term~~	~~Long-Term~~
~~S&P~~	~~A-1~~	~~AA-~~
~~Moody's~~	~~P-1/MIG-1/VMIG 1~~	~~Aa3~~
~~Fitch~~	~~F-1~~	~~AA-~~

Credit Quality	S&P	Moody's	Fitch
Short-Term Debt			
High	A-1	P-1	F1
Long-Term Debt			
Very High	AA+, AA, AA-	Aa1, Aa2, Aa3	AA+, AA, AA-

The applicable short-term and long-term rating requirement shall be determined based on the security's rating classification and the requirements governing the authorized investment type. Where a specific investment category is subject to a more restrictive statutory or Policy rating requirement, the more restrictive requirement shall apply.

~~If an issuer of Long-term debt has a Short-term debt rating, then the Long-Term rating may not be less than the minimum required Short-term debt ratings in the table above.~~

Credit Rating Monitoring and Restrictions

Any issuer, ~~and all~~ including its related entities, ~~that have been~~ is placed on ~~"Credit Watch Nn~~egative~~"~~ credit watch or downgraded by an NRSRO ~~will~~ shall be reviewed by the County Investment Manager. If the issuer:

a) No longer meets the applicable minimum credit rating requirements of this Policy, the issuer shall be placed on hold from additional purchases and existing ~~and current~~ holdings shall be reviewed to determine whether continued holding or ~~for possible~~ sale is appropriate.

~~a)~~b) Continues to meet the applicable minimum credit rating requirements of this Policy,

additional purchases may continue without separate written approval, unless the County Investment Manager identifies credit or other material concerns warrant a ~~An exception~~ purchases hold. The County Investment Manager may impose such a hold by providing written notification to the Investment T~~t~~eam. Existing holdings shall be reviewed as appropriate. ~~may be made only if both of the following~~unless the following criteria are ~~met and are also approved in writing by the County Investment Manager prior to purchase:~~

~~The issuer has:~~

~~an A-1+ or F1+ short-term rating; and~~

~~(a) at least an AA or Aa2 or higher long-term rating from each of the NRSROs that rate the issuer.~~

Exceptions to ~~the~~ Credit Rating ~~Policy~~ Requirements ~~above:~~

The following investments are exempt from the credit rating requirements above:

~~(a)~~ Municipal debt issued by the County of Orange, California (~~as defined in~~ Section VI.9),

~~(b)~~(a) U.S. Government obligations (~~as defined in~~ Section VI.1 and VI.2) and the State Pool (~~as defined in~~ Section VI.8)~~, are exempt from the credit rating requirements listed above~~.

~~(c)~~(b) Money Market Mutual funds ~~satisfying the requirements of~~ (Section VI.7) and ~~Investment Pools~~ Joint Powers Authority (~~as defined in~~ Section VI.11) are subject to the rating requirements specified in their respective sections rather than the issuer rating requirements above~~require the highest ranking or the highest letter and numerical rating provided by at least one NRSRO~~.

VIII. INVESTMENT TYPE, DIVERSIFICATION, MATURITY AND DURATION RESTRICTIONS

It is best practice to diversify the OCTP and Specific Investment Accounts. Investments diversification is required to minimize the risk of loss resulting from assets of~~f~~ a specific maturity, issuer or a specific class of securities. The diversification strategies shall be established by the County Investment Manager and periodically reviewed.

1. ISSUER CONCENTRATION

Only debt of issuers listed on the Approved Issuer List may be purchased. The following diversification limits will also apply at the time ~~of~~ each security is purchase~~d of a security~~.

Investment Type	California Government Code			The Policy		
	Investment Limit	Issuer Limit	Max Maturity	Investment Limit	Issuer Limit	Max Maturity
U.S. Treasury Securities	100%	None	5 Years	100%	None	5 Years
U.S. Government Agency Securities (GSE's)	100%	None	5 Years	100%	None	5 Years
Municipal Debt	100%	None	5 Years	20%	5% ~~except OC at~~ 10%[1]	3 Years
Medium-Term Notes	30%	None	5 Years	20%	~~8~~5%	5 Years

Bankers Acceptances	40%~~,~~	30%	180 Days	40%	5%	180 Days
Commercial Paper	40%~~,~~	10%	397 Days	40%	5%	397 Days
Negotiable Certificates of Deposits	30%	None	5 Years	20%	5%	18 months
State of California Local Agency Investment Fund	$75 million per account	N/A	N/A	$75 million per account	N/A	N/A
Repurchase Agreements	100%	None	1 Year	20%	10%	180 Days
Money Market Mutual Funds (MMMF)	20% ~~of total agency funds~~	None~~2~~[1]~~10% of total agency funds~~	N/A	20% ~~(same)~~	~~1~~20% ~~(same)~~	N/A
Joint Powers Authority ~~Investment Pools~~ (JPA)	100%	None	N/A	20%	10%	N/A
Supranationals	30%	None	5 Years	30%	5%	5 Years

[1]The issuer concentration limit for municipal debt is 5% per issuer, except for debt issued by the County of Orange, which is subject to a 10% issuer limit.

2. MATURITY

a) The maximum maturity of any investment purchased will be five years with the exception of Specific Investment Accounts and any investment in the OCTP that is expressly authorized by the Board of Supervisors or the appropriate legislative body to be invested in longer than five-year maturities. The settlement date will be used as the date of purchase for measuring maturity limitations.

b) For calculating the weighted average maturity of the portfolio, ~~the maturity of~~ a variable-rate security may ~~will be considered~~ use its next interest rate reset date in place of its final maturity date, ~~if~~ provided there is a reasonable expectation that the security will maintain a~~n approximate~~ value approximating~~of~~ par upon each interest rate reset ~~adjustment of the security's interest rate at any time until~~ through final maturity.

3. DURATION

The OCTP shall have a maximum effective duration of ~~3~~2.5 years. There are no duration requirements for ~~the~~ Specific Investment Accounts.

IX. PROHIBITED TRANSACTIONS

All permitted investments shall conform in all respects with this Policy and applicable provisions of the Government Code, as may be amended from time to time. Investments prohibited by the Government Code are not permitted.

In the event that, subsequent to purchase, an investment is not in compliance with any limitations provided for in this Policy, t~~T~~he County Investment Manager must ~~approve~~ provide ~~in writing~~ written ~~as soon as possible~~ direction ~~any investment~~ on ~~transactions that violates a credit risk criterion or an allocation limitation. Thereafter,~~ action necessary to address ~~shall be taken by the County Investment Manager to correct such matter~~ the issue as soon as practical. ~~If an i~~Investments ~~is~~ in compliance at the time of purchase wherein ~~,~~ a subsequent ~~violation resulting from a~~ change in market values or portfolio composition results in an investment exceeding an applicable limit shall ~~will~~ not constitute ~~a a violation of that restriction~~compliance exception.

1. The following transactions are prohibited:

a) Borrowing for investment purposes ("Leverage").

b) Reverse Repurchase Agreements, as defined by Government Code Section 53603(j)(3) and 53603(j)(4)~~1(j)~~

b) ~~(3) and (j)(4).~~

c) Structured Notes (e.g. inverse floaters, leveraged floaters, structured certificates of deposit, equity-linked securities, event-linked securities). This includes all floating-rate, adjustable-rate or variable-rate securities in which a change in interest rates or other variables that can reasonably be foreseen to occur during their term would result in their market value not returning to par at the time of each interest rate adjustment.

Simple "floating rate notes," whose periodic coupon adjustment is based on a short-term (one-year or less) rate index (such as Treasury bills, federal funds, prime rate, or SOFR) and which have a reasonable expectation of maintaining a value of par at each interest rate adjustment through final maturity, are exempt from this definition. Additionally, U.S. Treasury and Agency zero coupon bonds or callable securities that otherwise meet the quality, maturity and percent limitations assigned to their respective security category, are exempt from this section.

d) Structured Investment Vehicles (SIV).

e) Derivatives (e.g., options, futures, swaps, swap options, spreads, straddles, caps, floors, collars).

f) Money Market Mutual Funds that do not maintain a constant Net Asset Value (NAV).

X. ETHICS AND CONFLICT OF INTEREST

The County Investment Manager and all persons involved in the investment process shall refrain from personal business activity, which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. The County Investment Manager and investment personnel shall disclose to the applicable oversight body any material financial interests in financial institutions, broker dealers, and vendors ("Outside Entities") that conduct business with the County of Orange and shall disclose any material financial investment positions in such Outside Entities.

a) STATEMENT OF ECONOMIC INTEREST FORM 700
County officers, public officials and all designated employees must annually file a Form 700 (Statement of Economic Interests) in accordance with the County's Conflict-of-Interest Code.

b) COUNTY'S GIFT BAN ORDINANCE – SEC. 1-3-22 THE CODIFIED ORDINANCES, ORANGE COUNTY, CALIF.
The County's Gift Ban Ordinance prohibits the receipt of specified gifts to the County officers, public officials and "designated employees" from business entities and individuals that "do business with the County" as that term is defined in the Ordinance. Under the Ordinance, the term "designated employee" includes every employee of the County who is designated in the County's Conflict-of-Interest Code to file a Form 700 and every member of a board or commission under the jurisdiction of the Board of Supervisors required to file such a form. The County Investment Manager will review this list of "designated employees" periodically and submit any proposed changes to the Board

of Supervisors for approval.

XI. AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS

The County Investment Manager will maintain a list of broker/dealers and financial institutions authorized to provide investment and/or depository services and products. Any permitted investment, not purchased directly from an approved issuer, shall be purchased either from a "primary" or regional securities broker/dealer qualifying under SEC Rule 15c3-1(uniform net capital rule) and licensed by the state as a broker/dealer as defined in Section 25004 of the Corporations Code or a "well capitalized" national bank or Federal savings association as defined in Title 12 of the Code of Federal Regulations (CFR) Part 6.4 or a savings association or Federal association as defined by Section 5102 of the California Financial Code. To be eligible to receive local agency money, a bank, savings association, federal association or federally insured industrial loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low-and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code. Government Code sections 53602~~3~~(h)~~1.5 and 53601.6~~ shall apply to all investments ~~that are~~ acquired pursuant to this section.

Broker/dealers must comply with the political contribution limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board. Any broker, brokerage, dealer, or securities firm that has made a political contribution exceeding the limitations in Rule G-37~~ed~~ to the County Investment Manager, Treasurer, any member of the Board of Supervisors, or any candidate for those offices, within any consecutive 48-month period, are prohibited from selection onto or continued participation on the list of authorized security broker/dealers.

The County Investment Manager shall conduct an annual review of each broker/dealer and financial institution's financial condition and registrations to determine whether it should remain on the approved broker/dealer list for investment and/or depository services and require annual audited financial statements to be on file for each firm. The County Investment Manager shall strive to open an application period every ~~two~~ three years to allow ~~for all new~~ broker/dealers and financial institutions seeking to provide investment services ~~submitting a questionnaire or being reviewed if an existing broker/dealer~~ to determine if they should remain on, be added to, ~~or~~ removed from, the approved broker/dealer list. ~~This detailed questionnaire is required to be completed by broker/dealers and financial institutions seeking to provide investment services.~~

The County Investment Manager shall annually send a copy of the current Policy to all broker/dealers and financial institutions approved to provide investment services to the County, and they shall notify the County Investment Manager in writing of receipt and that they have received it.

XII. PERFORMANCE EVALUATION

The County Investment Manager shall ~~either coordinate with the Treasurer, or~~ submit ~~its own~~ a quarterly investment report to the pool participants, the County Executive Officer, the Director of Internal Audit, the Auditor-Controller and the Board of Supervisors. The ~~investment~~ report~~s~~ shall be issued ~~no less frequently than~~ within 45 days of the end of the quarter.

The investment report shall contain sufficient information to permit an informed outside reader to evaluate the performance of the Orange County ~~i~~Investment ~~p~~Program and shall include the current market value of the portfolio, type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments ~~and moneys~~ held, and ~~shall additionally include a~~ description~~s~~ of any ~~of the funds,~~ investments ~~, or programs, that are under the management of contracted parties, including lending programs~~under the purview of the Orange County Investment Program. ~~With respect to securities held by the County Investment Manager, and under management any outside party that is not a local agency or LAIF, the report shall also include a current market value as of the date of the report and shall include the source of the valuation.~~ The report shall also state the compliance of the portfolio to the Policy, or the manner in which the portfolio is not in compliance. The investment report shall include a statement denoting the ability of the local agency to meet its pool expenditure requirements for the next six months, or an explanation as to why sufficient money shall, or may not be available.

~~The County Investment Manager shall provide financial information on investments for disclosure in the County's ACFR, in accordance with GASB Statements 31, 40, 72 and 84. In addition, the County Investment Manager~~ A monthly report shall be ~~either coordinate with the Treasurer, or~~ submitted ~~its own report on monthly~~ that includes at minimum, a list of investment transactions ~~to the Board of Supervisors~~.

XIII. SAFEKEEPING

All security transactions, including collateral for repurchase agreements, entered into by the County Investment Manager shall be conducted on a delivery-versus-payment (DVP) basis. All investments shall have the County of Orange and either the OCTP or the Specific Investment Account name as its registered owner except, if applicable, for municipal debt issued by the County of Orange through a private placement, in which case the name of the registered owner shall be determined by written agreement between the parties.

All securities shall be held by a third-party custodian designated by the Treasurer or applicable County officer (this does not apply to money market funds or investment pools). The third-party custodian shall be required to issue a safekeeping statement to the Treasurer or applicable County officer listing the specific instrument, rate, maturity, and other pertinent information.

XIV. MAINTAINING THE PUBLIC TRUST

All participants in the investment process shall act as custodians of ~~the~~ public trust. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

XV. INTERNAL CONTROLS

The County Investment Manager shall establish a system of written internal controls, which will be reviewed annually with the County's independent (external) auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, ~~and~~ misrepresentation by third parties, ~~unanticipated market changes,~~ or imprudent actions by employees of the County Investment Manager, and to mitigate exposure to market risk. All agreements, statements, and investment trade packets will be subject to review annually by auditors in conjunction with their audit. The County Investment Manager shall evaluate audit reports in a timely manner with any applicable oversight body.

-Daily compliance of the investment portfolio shall be performed by the applicable County department. Compliance with portfolio and issuer concentration limits shallwill be determined calculated on a fair market value basis. An investment that complied with applicable limits at the time of purchase shall not be considered in violation solely due to subsequent changes in market value or portfolio balances; however, any resulting limit exceedance shall be monitored and no additional investments shall be made that would increase the applicable concentration until the portfolio is again within the established limit in accordance with Section IX of this Policy.

Except for emergencies or previous authorization by the County Investment Manager, all investment transactions are to be entered daily into the appropriate Investment Accounting System.

1. INVESTMENT PROCEDURES

The County Investment Manager shall develop and maintain written administrative procedures for the operation of the investment program that are consistent with this Policy. Procedures will include references to safekeeping, Master Repurchase Agreements, wire transfer agreements, collateral and depository agreements, banking service contracts, and other investment and banking related activities. Such procedures shall include explicit delegation of authority to personnel responsible for investment transactions.

The County Investment Manager shall be responsible for all transactions undertaken and shall establish a system of controls to regulate investment- related activities. No investment personnel may engage in an investment transaction except as provided under terms of this Policy and the procedures established by the County Investment Manager.

XVI. EARNINGS AND COSTS APPORTIONMENT

The County Investment Manager determines the iInterest earnings for the OCTP and then are allocateds them to each individual pool participant based upon their average daily balance.

Pursuant to Government Code Section 27013, the County Investment Manager may deduct actual administrative costs ofAny authorized officer who investings, depositings or otherwise handlinges funds and distributing investment earnings. for public agencies for the purpose of earning interest or other income on such funds as permitted by law, may deduct from such interest or income, before distribution thereof, the actual administrative cost of such investing, depositing or handling of funds and of distribution of such interest or income, as authorized by Government Code Section 27013. Such cost reimbursement shall be paid into the county general fund. In addition, if applicable, the costs of compliance with Government Code section 27130, *et seq.* shall be included as an eligible administrative cost. The County Investment Manager shall annually prepare a proposed The estimated budget revenue estimate and estimatedbasis Investment Administrative Ffee (IAF) shall be charge of this investment administrative fee charged in accordance with Government Code Section 27013. calculated as a basis point charged monthly. Within 90 days of the close of the fiscal year, a reconciliation of actual costs The County Investment Manager must annually reconcile the estimated charges and actual costs incurred and adjust participant accounts shall be made and refunds or repayments shall be made accordingly.

Investment earnings shall , including any gains or losses, less the above estimated fee charge will be allocated to the pool participants on at least a quarterly basis. The applicable investment report will state tThe current estimated investment administrative fee charged to participants will be

included in the applicable investment report and published monthly on the County's website.

XVII. PERFORMANCE STANDARDS

The investment strategy is to manage the portfolios with less risk than a comparable benchmark index while using economies of scale to administer the program at a reasonable cost. The County Investment Manager shall determine whether market yields are achieved using the indices most comparable to the fund, such as money rate data published in Barron's, The Wall Street Journal, Bloomberg, the local government investment pool index or other bond fund indices. The standards enumerated herein do not constitute a guarantee of the fund's performance.

The County Investment Manager's investment strategy is to hold purchased securities until maturity. Changing economic conditions, interest rates, and credit quality may dictate a sale in advance to minimize market and credit risks or enhance yield. Such sales should consider the short- and long-term impact on the portfolio. The County Investment Manager must approve in advance of the sale of all securities prior to maturity.

XVIII. INVESTMENT POLICY REVIEW

This Policy shall be reviewed on an annual basis by the County Investment Manager and any applicable oversight body. The Policy shall be submitted annually to the Board as a receive and file item as part of the County's Strategic Financial Plan. However, any changes to the Policy shall be presented for review and approval by the Board of Supervisors.

XIX. ~~FINANCIAL~~ REPORTING REQUIREMENTS

All applicable ~~investment~~ reports ~~and all investment~~ related to investment compliance, auditing, agreed-upon-procedure engagements, or portfolio performance ~~Audit Reports~~ shall be provided to the Orange County Board of Supervisors, the County Executive Officer, the Chief Financial Officer, the Director of Internal Audit, the Auditor-Controller, any applicable oversight body, and the presiding judge of the Superior Court. ~~All reports filed by the County Investment Manager shall, among other matters, state compliance of the portfolio with the Policy, or the manner in which the portfolio is not in compliance. A statement will also be filed by the denoting the ability of OCTP to meet its expenditure requirements for the next six months or provide an explanation of why sufficient money may not be available.~~

The County Investment Manager shall provide financial information on investments for disclosure in the County's Annual Comprehensive Financial Report (ACFR), in accordance with Governmental Accounting Standards Board (GASB) Statements, including Statements 31, 40, 72, ~~and~~ 84 or any other applicable Statements.

XX. LEGISLATIVE CHANGES

Any State of California law that further restricts allowable maturities, investment type, percentage allocations, or any other provision of this Policy will, upon effectiveness, be incorporated into this Policy and supersede any and all previous applicable language.

XXI. DISASTER RECOVERY PROGRAM

The Disaster Plan shall include~~s~~ critical ~~phone numbers and addresses~~ contact information for ~~of~~ key treasury and investment personnel, ~~as well as~~ currently approved ~~bankers~~ financial institutions, and broker/dealers to be distributed to appropriate ~~. The Disaster Plan is distributed to key County and investment personnel~~parties. The plan shall provide~~s for an offsite location to~~

~~be communicated at the time of readiness if our offices are uninhabitable~~alternate work arrangements or locations if normal County offices are unavailable.

~~-~~In the event the County Investment Manager ~~or~~ and authorized investment staff ~~is~~ are unable to conduct investment ~~the portfolio~~activities, ~~the Treasurer, or applicable County officer, has an agreement with the custodian for a daily sweep of~~ uninvested cash may be invested through an established daily sweep arrangement with the ~~custody bank~~ County's authorized depository and/or custodial banks into ~~a~~approved money market mutual funds until normal investment operations resume.

During activation of the Disaster Plan, ~~Until normal operations of the County Investment Manager's office have been restored, the~~ issuer and investment-type concentration limits imposed by this Policy~~ations on the size of an individual issuer and the percentage restrictions by investment type would be allowed to~~ may be temporarily exceeded. Any such exception shall be ~~those approved in this Policy and would be required to be~~ reported to the Board of Supervisors and pool participants in a timely manner and corrected as soon as reasonably practicable following restoration of normal investment activities in accordance with Section IX of this Policy.

XXII. INVESTMENT POLICY GLOSSARY

This Glossary is for general reference and informational purposes only and does not constitute an exhaustive or exclusive list of terms and definitions applicable to this Investment Policy. The definitions included herein do not modify any of the terms of this Investment Policy or applicable law.

~~**ACCREDITED INVESTOR:** Defined in the Code of Federal Regulations (CFR) 230.501 (a)(9) as any entity, including a government body that owns "investments", as defined in the CFR 270.2A51 1(b)(7)(i), such as cash and cash equivalents, for investment purposes under the Investment Company Act in excess of $5 million.~~

~~**ACCRUED INTEREST:** The amount of interest that is earned but unpaid since the last interest payment date.~~

~~**ADJUSTABLE RATE NOTE:** (See Floating Rate Note)~~

~~**AGENCY SECURITIES:** (See U.S. Government Agency Securities)~~

AMORTIZATION: ~~The systematic~~ A gradual reduction of ~~the amount owed on a debt issue through periodic payments of principal~~a bond's purchase premium over its remaining life.

~~**AVERAGE LIFE:** The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.~~

~~**ASKED PRICE:** The price at which securities are offered from a seller.~~

~~**ASSET BACKED SECURITIES (ABS):** (See Receivable-Backed Securities)~~

BANKERS' ACCEPTANCE (BA): A short-term ~~Negotiable money market~~ financial instrument~~s~~ issued primarily to finance international trade. ~~These are time drafts in which a~~ A bank ~~"~~accepts~~"~~ ~~as its financial~~ responsibility ~~to pay~~ for paying a specified amount ~~the principal~~ at maturity, even if the ~~importer~~ original borrower ~~does not~~fails to pay. ~~In essence, these are bank~~

~~obligations collateralized by goods being shipped between an exporter and an importer.~~Banker's acceptances are generally associated with transactions involving the purchase, sale or shipment of goods.

~~**BASIS POINT:** When a yield is expressed as 7.32%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.~~

~~**BID PRICE:** The price at which a buyer offers to buy a security.~~

BOOK ENTRY: ~~The system, maintained by the Federal Reserve, by which most money market securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). The owners of these securities do not receive physical certificates.~~An electronic system for recording the ownership and transfer of securities without issuing physical certificates. Ownership records are maintained electronically by the Federal Reserve or other authorized securities depositories, and securities are transferred between accounts through electronic transactions.

BOOK VALUE: The original cost of the investment, ~~plus accrued interest and~~ adjusted for the amortization of any premium or accretion of any discount.

BROKER: An individual or firm that ~~broker brings~~ acts as an intermediary between buyers and sellers of securities, facilitating transactions in exchange for a commission or other compensation~~together and is compensated for his/her service~~.

CALLABLE ~~BONDS~~SECURITIES: ~~Bonds~~ Securities that allow the issuer to repay the principal before the stated maturity date, in accordance with the security's terms. Issuers may exercise this option when interest rates decline, allowing them to refinance at lower rates.~~may be redeemed by the issuing company prior to the maturity date.~~

~~**CALL PRICE:** The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.~~

~~**CALL RISK:** The risk to a bondholder that a bond may be redeemed prior to maturity.~~

~~**CAPITAL GAIN/LOSS:** The profit or loss realized from the sale of a capital asset.~~

COUNTY INVESTMENT MANAGER: The County official or individual authorized by the Board of Supervisors to invest the funds of the County and the funds of other depositors in the County treasury.

~~**CERTIFICATE OF DEPOSIT (CD or NCD):** A deposit of funds at a bank for a specified period of time that earns interest at a specified rate. Commonly known as "CDs" or "negotiable CDs."~~

COLLATERAL: Cash or ~~S~~securities ~~or cash~~ pledged ~~by a borrower~~ to secure repayment of a loan or performance of an obligation, including repurchase agreements. Collateral may also be ~~Also, securities~~ pledged by ~~a~~ financial institutions to secure deposits of public ~~moneys~~funds.

COMMERCIAL PAPER (CP): Short-term, unsecured promissory notes issued by corporations and other eligible entities to raise funds, typically for operating or other short-term financing needs. Commercial paper generally has ~~for~~ a maturity~~ities~~ of 397 days or less.

~~**CONSUMER RECEIVABLE-BACKED BONDS: (See Receivable-Backed Securities)**~~

~~**CONVEXITY: A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.**~~

~~**CREDIT OUTLOOK: (See Rating Outlook)**~~

CREDIT QUALITY: An assessment of ~~The measurement of~~ an issuer's ~~the~~ financial strength and ~~of a bond issuer. This measurement helps an investor to understand an issuer's~~ ability to make timely interest payments and repay ~~the loan~~ principal ~~upon maturity~~when due. Generally, ~~the~~ higher ~~the~~ credit quality ~~of a bond issuer,~~ indicates ~~the~~ lower risk of default and may result in ~~the~~ lower interest rates ~~paid by the~~ for the issuer ~~because the risk of default is lower~~. Credit quality ~~ratings~~ is commonly evaluated using credit ratings ~~are provided~~ assigned by ~~a~~Nationally ~~r~~Recognized ~~s~~Statistical ~~r~~Rating ~~o~~Organizations (NRSROs).

CREDIT RATING: An assessment of the creditworthiness of a debt security or its issuer, expressed through a standardized rating scale assigned by a credit rating agency. Credit ratings indicate the agency's opinion of the issuer's ability or security's ability to meet its financial obligations, with higher ratings generally indicating lower credit risk.

CREDIT RISK: The risk ~~to an investor that~~ an issuer of a security will ~~default~~ fail to make timely ~~in the~~ payments of interest ~~and/~~or principal or otherwise fail to meet its financial obligations ~~on a security~~.

CREDIT WATCH: ~~indicate~~A designation assigned by a credit rating agency indicating that an issuer or security is under review for a potential credit rating change. A positive (+) designation indicates a possible upgrade, a negative (-) designation indicates a possible downgrade, and a designation without a specified direction indicates that the outcome of the review is uncertain.~~s that a company's credit is under review and credit ratings are subject to change.~~

~~*+ (positive) Credit is under review for possible upgrade.~~

~~* (negative) Credit is under review for possible downgrade.~~

~~* Credit is under review, direction uncertain.~~

COUPON: The interest rate ~~at which a~~ paid on a bond or other fixed-income security, generally expressed as an annual percentage of its face value. ~~pays interest~~The coupon rate may be fixed or variable (floating).

~~**CURRENT YIELD:** The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.~~

CUSTODIAN: A bank or other financial institution that is responsible for ~~keeps~~ holding ~~custody of stock~~ and safeguarding securities and other financial assets on behalf of an investor. ~~certificates and other assets~~Custodians maintain records of ownership and facilitate the settlement of investment transactions.

DEALER: An individual or firm that buys and sells securities for its own account, acting ~~dealer, as opposed to a broker, acts~~ as a principal ~~in all~~ in t~~t~~ransactions~~, buying and selling for~~

~~his own account~~ rather than as an intermediary between buyers and sellers. ~~.~~A Primary Dealer is

a bank or securities dealer approved by the Federal Reserve Bank of New York to ~~**PRIMARY DEALER:** Banks and securities~~trade directly with the Federal Reserve, including purchases and sales of U.S. government securities~~brokerages authorized . to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York in its execution of Federal Open Market Operations.~~

DELIVERY VERSUS PAYMENT (DVP): A method of settling ~~Delivery of~~ securities transactions in which the delivery of securities and the corresponding payment ~~with a simultaneous exchange of money for the securities~~occur simultaneously, ensuring that securities are transferred only when payment is made.

DERIVATIVE: A ~~s~~financial ~~ecurity~~ instrument whose value is derived from the price or performance of an underlying asset, interest rate, market index, or other financial measure. Common examples include futures, options, swaps and forward contracts.~~interest rate of principal amount may vary and are determined by a market index or a combination of market indexes.~~

DISCOUNT: The amount by which ~~difference between~~ a security's purchase price is less than its face (~~the~~ par) value. ~~of a bond and the cost of the bond, when the cost is below par.~~ Some ~~short term~~ securities, such as Treasury bills and bankers' acceptances, are ~~known as~~ issued at a discount ~~securities~~and repay their full-face value at maturity, with the difference representing the investor's earnings. ~~They sell at a discount from par, and return the par value to the investor at maturity without additional interest.~~ Other securities that pay periodic interest may trade at a discount when their ~~, which have fixed~~ coupon rates are ~~s, trade at a discount when the coupon rate is~~ lower than the current market interest rates for ~~securities of that maturity and/or quality~~comparable securities.

DIVERSIFICATION: An investment principle designed to ~~spread~~ reduce ~~the~~ risk by spreading ~~in a portfolio by dividing~~ investments ~~among~~ across different issuers, types of securities, ~~sectors,~~ industries and ~~companies~~maturities to limit the impact of any single investment or market event on the overall portfolio.

~~**DURATION (DOLLAR WEIGHTED AVERAGE MATURITY:** A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size of that investment.~~

EFFECTIVE DURATION~~):~~ ~~Is a~~A measure of how much an investment's market value may change when interest rates change~~the price volatility of a portfolio and reflects an estimate of the projected increase or decrease in the value of that portfolio based upon a decrease or increase in the interest rate~~, expressed in years. Generally, the longer the duration, the greater the sensitivity to interest rate changes. For purposes of this Policy, duration refers to Effective Duration, which also considers the possibility that securities may be repaid before maturity, such as callable bonds. ~~A duration of 1.0 means that for every one percent increase in interest rates, the market value of the portfolio would decrease by 1.0 percent. It is~~ Effective Duration is also commonly referred to as ~~called~~ Option--Adjusted Duration (OAD). ~~A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.~~

~~**FEDERAL FUNDS RATE:** Interest rate charged by banks with excess reserves at a Federal~~

~~Reserve district bank to banks needing overnight loans to meet reserve requirements. A target rate is set by the FOMC.~~

FEDERAL OPEN MARKET COMMITTEE (FOMC): Th~~is~~e committee within the ~~sets~~ Federal Reserve System responsible for setting U.S. monetary policy, including establishing ~~guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money~~the target range for the federal funds rate and directing purchases and sales of securities to influence the interest rates and economic conditions.

~~**FEDERAL RESERVE SYSTEM:** A U.S. centralized banking system, which has supervisory powers over the 12 Federal Reserve banks and about 6,000 member banks.~~

~~**FITCH, INC:** (see Nationally Recognized Statistical Rating Organization)~~

~~**FIXED INCOME SECURITIES:** Securities that return a fixed income over a specified period.~~

FLOATING RATE NOTE: A debt security ~~whose~~ with an interest rate that adjusts ~~is reset~~ periodically, such as ~~(~~monthly, quarterly, or annually,~~)~~ ~~and is~~ based on a specified market index, such as ~~(e.g.~~ Treasury bill rates or the ~~s,~~ Secured Overnight Financing Rate (SOFR)~~, etc.)~~. Floating Rates Notes may also be referred to as Adjustable-Rate Notes or Variable Rate Notes.

GAIN: An increase in the value of an investment above its book value. Gains may be realized or unrealized. A realized gain occurs when an investment is sold for more than its book value. An unrealized gain occurs when the market value of an investment exceeds its book value, but the investment has not been sold; therefore, a gain is not realized.

INTEREST: The amount paid to an investor for lending money or holding a debt security, generally calculated as ~~earned while owning a debt security, generally calculated as a~~ percentage of the outstanding principal ~~amount~~over a specified period.

INTERNAL CONTROLS: Policies and procedures established to safeguard ~~An internal control structure designed to ensure that the~~ assets, prevent and detect ~~of the entity are protected from loss~~errors, ~~, theft,~~ fraud, or misuse of funds, ensure accurate financial records, and promote compliance with applicable laws and policies. ~~The I~~internal ~~c~~Controls ~~structure is~~ are designed to provide reasonable assurance that these objectives are met~~. The concept of reasonable assurance recognizes that 1)~~, considering the costs ~~of a control should not exceed~~ and the benefits ~~likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management~~of implementing the controls.

INVESTMENT ADMINISTRATIVE FEE (IAF): A fee charged to participants to recover the actual administrative costs associated with investing, managing, and accounting for pooled funds and distributing investment earnings. The fee is calculated in basis points, with estimated charges reconciled to actual costs annually.

INVESTMENT COMPANY ACT OF 1940: Federal ~~legislation~~ law which ~~sets~~ regulates ~~the standards by which~~ investment companies, including ~~such as~~ mutual funds and money market mutual funds. The Act establishes requirements for investment activities, management, disclosure and investor protections~~, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations~~.

ISSUER CONCENTRATION: The percentage of an investment portfolio held in securities issued by a single entity. Issuer concentration limits are established to reduce the risk of significant losses resulting from financial difficulties or default by any one issuer.

LIQUIDITY: The speed and ease with which an investment can be converted to cash. Liquidity is the second priority in public funds investing, following safety of principal and preceding yield, to ensure sufficient funds are available to meet financial obligations when due.

LOCAL AGENCY: County, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

LOSS: A decrease in the value of an investment below its book value. Losses may be realized or unrealized. A realized loss occurs when an investment is sold for less than its book value. An unrealized loss occurs when the market value of an investment is less than its book value, but the investment has not been sold; therefore, a loss is not realized.

MARK-TO-MARKET: The process for determining the current market valu~~cation~~ of an investment based on current market prices and conditions. Market values may fluctuate due to changes in interest rates, credit quality, and other market factors. Mark-to-market valuations are used to monitor the value of the portfolio. Changes in market value generally represent unrealized gains or losses unless a security is sold.~~for every security in a portfolio used in determining Net Asset Value (NAV).~~

MARKET RISK: The risk that changes in overall market conditions or interest rates may adversely affect current market prices.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

~~**MASTER REPURCHASE AGREEMENT:** A written contract between the parties of a repurchase agreement establishing each party's rights in all current and future transactions until termination of the contract by either party.~~

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM TERM NOTES (MTN): Debt securities issued by a corporation or depository institution with a maximum maturity ~~ranging from nine months to~~ of five years. The term "medium-term note" refers to the time it takes for an obligation to mature~~,~~ and includes other corporate debt securities originally issued for maturities longer than five years, but which have now fallen within the five- year maturity range. MTNs issued by banks are also called "bank notes."

~~**MONEY MARKET:** The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.~~

MONEY MARKET MUTUAL FUNDS: ~~An i~~Investment funds that ~~company that~~ pool~~s~~ money from investors and invests in ~~a variety of~~ short-term, high-quality debt securities, such as Treasury bills, commercial paper, and certificates of deposit. These funds are designed to provide liquidity, preserve capital, and generate income, and are regulated under Rule 2a-7 of the Investment Company Act of 1940. ~~money market instruments~~

~~**MOODY'S INVESTORS SERVICE, INC:** (See Nationally Recognized Rating Services)~~
MUNICIPAL DEBT: Bonds, notes and other securities issued by a state, municipality or county.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): A

credit rating agency registered with the Securities and Exchange Commission (SEC) that evaluates the ~~Firms~~

~~that review the~~ creditworthiness of the issuers ~~of~~ and debt securities~~,~~ and expresses ~~their~~ its opinion ~~in the form~~
~~of letter ratings~~ through credit ratings (e.g. AAA, AA, A, BBB, etc.). The ~~primary~~ three major rating agencies are ~~the following: S~~tandard ~~&~~ P~~oor's Corporation~~ Global Ratings, ~~,~~ Moody's ~~Investor Services~~Ratings~~, Inc.~~, and Fitch~~, Inc~~ Ratings.

NEGOTIABLE ~~CD:~~ CERTIFICATE OF DEPOSIT (~~CD or~~ NCD): A deposit of funds at a bank for a specified period of time that earns interest at a specified rate. Unlike traditional certificates of deposit (CDs), NCDs can be bought and sold in the secondary market before maturity, allowing investors to access their funds without waiting for the deposit to mature.~~Commonly known as "CDs" or "negotiable CDs."~~

~~(See Certificates of Deposit)~~

NET ASSET VALUE (NAV): The~~A~~ per-share valuation of a mutual fund, calculated by subtracting ~~based on~~ total ~~assets minus total~~ liabilities from total assets and dividing the result by the number of shares outstanding.

~~**NON-CALLABLE:** Bond that cannot be called at the option of the issuer.~~

~~**OFFER PRICE:** The price asked by a seller of securities.~~

PAR or PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a physical certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an individual or institutional investor.

PURCHASE PREMIUM: The amount by which the purchase price of a ~~difference between the par value of a~~ bond ~~and the market value of the bond, when the market value is above par~~exceeds its face (par) value.

~~**PRICE RISK:** The risk that the price of a bond sold prior to maturity will be less than the price at which the bond was originally purchased.~~

~~**PRIMARY DEALER:** Banks and securities brokerages authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York in its execution of Federal Open Market Operations.~~

PRIME RATE: The base rate that banks use in pricing commercial loans to their best and most creditworthy customers.

PRINCIPAL: The face value or par value of an investment. The principal of an investment is the amount originally invested, or the outstanding amount owed.

~~**PROSPECTUS:** A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information of the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain~~

~~certified financial statements.~~

~~**QUALIFIED INSTITUTIONAL BUYER (QIB):** Defined in CFR Section 230.144A as a class of investors that can be conclusively assumed to be sophisticated and in little need of the protection afforded by the Securities Act's registration provisions. They must own and invest on a discretionary basis at least~~
~~$100 million in securities of issuers that are not affiliated with the QIB to qualify for qualified institutional buyer status. This includes any institutional investors included in the accredited investor definition, provided they satisfy the $100 million threshold.~~

~~**RATING OUTLOOK:** The potential direction of the credit rating assigned by a NRSRO for a specific company.~~

~~**REINVESTMENT RISK:** The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.~~

~~**RECEIVABLE BACKED SECURITIES:** Securities collateralized with consumer receivables, such as automobile loans, credit card receivables, or home equity loans, which are owned by the issuer, but placed with a trustee for the benefit of the investor.~~

~~**RECEIVABLE PASS THROUGH CERTIFICATE:** A debt obligation that is backed by a portfolio of receivables, normally issued by a bank or financial institution. The interest and principal of the obligation is paid out of the cash flow generated by the receivables portfolio.~~

~~**REFUNDED BOND:** A bond secured by an escrow fund that is sufficient to pay off the entire issue of bonds at the next call date (pre-funded) or maturity (escrowed to maturity).~~

REGISTERED STATE WARRANT: A short-term obligation of a state governmental body issued in anticipation of revenue.

REPURCHASE AGREEMENT (REPO): A short-term investment transaction in which securities are ~~The~~ purchased with an agreement that the ~~of securities, on a temporary basis, with the~~ seller~~'s simultaneous agreement to~~ will repurchase the securities back at a later date at a specified price. The difference between the purchase and repurchase prices represents the interest earned by the buyer. These transactions are governed by a Master Repurchase Agreement, a written contract establishing the rights and obligations of both parties.~~that includes interest for the buyer's holding period.~~

~~UNIFORM NET CAPITAL RULE: SEC~~ RULE ~~ule~~ 15c~~C~~3-1 OF THE SECURITIES EXCHANGE ACT OF 1934 (UNIFORM NET CAPITAL RULE): A federal regulation established by the Securities and Exchange Commission that sets minimum ~~outlining~~ capital requirements for broker~~/~~-dealers to help ensure they maintain financial resources to meet their obligations and protect customers. ~~.~~

RULE 2a-7 OF THE INVESTMENT COMPANY ACT: A federal regulation governing ~~Applies to all~~ money market mutual funds that established requirements for investment quality, diversification, liquidity and portfolio maturity to help limit investment risk and support the funds' ability to meet investor withdrawals. ~~and mandates such funds to maintain certain standards.~~

RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD: A ~~F~~federal regulatory rule designed to prevent ~~to sever any connection between the making of~~ political contributions ~~and~~ from improperly influencing the awarding of municipal securities business.

SAFEKEEPING: ~~S~~The holding ~~torage~~ and protection of ~~a customer's financial assets, valuables, or documents~~securities or other financial assets by a bank or other financial institution acting as an ~~, provided as a service by an institution serving as A~~agent or ~~C~~custodian ~~and, where control is delegated by the customer~~on behalf of an investor.

SAFETY: The preservation of principal and protection of public funds from potential losses. Safety is the first and highest priority in public fund investing, preceding liquidity and yield. It is achieved through prudent investment practices, including investing in high-quality securities, diversification, monitoring credit and market risks, and compliance with applicable laws and investment policies.

SECURITIES AND~~&~~ EXCHANGE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

~~**SINKING FUND:** Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.~~

SPECIFIC INVESTMENT ACCOUNT: A separate investment account established for the County or an eligible pool participant to meet specific investment objectives, cash flow requirements, or future financial obligations. Investments in these accounts are managed separately from the OCTP and structured according to the needs of the account, subject to applicable laws, investment restrictions, and an agreement establishing the accounts investment parameters.

~~**STANDARD & POOR'S CORPORATION:** (See Nationally Recognized Rating Services)~~

STRUCTURED INVESTMENT VEHICLE (SIV): An investment entity that raises funds by issuing short-term debt, such as commercial paper, and invests the proceeds in longer-term, higher-yielding securities, including asset-backed securities. ~~pool of investment assets that attempts to profit from credit spreads between short term debt and long term structured finance products such as asset-backed securities (ABS). Funding for SIVs comes from the issuance of commercial paper that is continuously renewed or rolled over; the proceeds are then invested in longer maturity assets that have less liquidity but pay higher yields.~~ SIVs seek to earn a profit from the difference between their borrowing costs and investment returns. They often rely on ~~employ great amounts of leverage~~ borrowing and the continued renewal of short-term debt, exposing them to significant liquidity and credit risks.~~to generate returns.~~

SUPRANATIONAL SECURITIES: An entity that is formed by two or more central governments with the purpose of promoting economic development for the member countries. Approved investments are US Dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by ~~Examples include~~ the International Bank for Reconstruction and Development, International Finance Corporation, ~~and~~ the Inter-American Development Bank, or Inter-American Investment Corporation (IDB Invest), with a maximum maturity of five years or less.

~~**THIRD-PARTY CUSTODIAL AGREEMENT:** (See Custodian)~~

~~**TOTAL RETURN:** The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period.~~

~~(Price appreciation) + (Dividends paid) + (Capital gains) = Total Return~~

~~**TRADE DATE:** The date and time corresponding to an investor's commitment to buy or sell a security.~~

U.~~-~~S. GOVERNMENT AGENCY SECURITIES: Debt securities issued by U.S. Government agencies, including government-sponsored enterprises (GSEs), and federally related institutions. ~~These government agencies~~ Examples include~~:~~ the Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), Federal National Mortgage Association (FNMA or Fannie Mae), Federal Farm Credit Banks (FFCB) and Tennessee Valley Authority (TVA).

U.S. TREASURY SECURITIES: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have ~~no~~ minimal credit risk and serve as ~~, and are the~~a benchmark for interest rates on ~~all~~ other securities in the U.S. and ~~overseas~~international markets. The Treasury issues both discounted securities and ~~fixed coupon~~ interest-bearing notes and bonds.

TREASURY BILLS: ~~n~~Short-term securities ~~on interest bearing discount securities~~ with maturities ~~under~~ of one year or less. They are generally sold at a discount from face value and do not pay periodic interest.~~issued by the U.S. Treasury to finance the national debt.~~

TREASURY NOTES: ~~i~~Interest-bearing ~~obligations~~ securities of the U.S. Treasury with original maturities ranging from two to ~~ten~~ 10 years ~~from date of issue~~.

TREASURY BONDS: ~~i~~Interest-bearing ~~obligations~~ securities issued by the U.S. Treasury with original maturities ~~that range from~~ greater than ~~ten~~ 10 years, with current regular issuance at 20 and ~~to thirty~~ 30 years ~~from date of issue~~.

~~**UNIFORM NET CAPITAL RULE:** SEC Rule 15C3-1 outlining capital requirements for broker/dealers.~~

~~**VARIABLE RATE NOTE:** (See Floating Rate Note)~~

VOLATILITY: A degree of fluctuation in the price and valuation of securities.

WEIGHTED AVERAGE MATURITY (WAM): A measure of the average time remaining until the investments in a portfolio mature, calculated by weighting each investment's maturity according to its proportion of the total portfolio.

~~The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 60 days and no one security may have a maturity that exceeds 397 days.~~

~~**WHEN ISSUED (WI):** A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.~~

YIELD: The ~~annual rate of estimated~~ return earned on an ~~debt~~ investment, generally expressed as an annual percentage. Yield may be calculated using different methods, including current yield, yield to maturity, yield to call, and portfolio yield. Yield is the third priority in public funds investing, following safety of principal and liquidity, and should be maximized only within the constraints of those two higher priorities. ~~computed as though held to maturity expressed as a percentage.~~

~~**CURRENT YIELD:** The annual income from an investment divided by the current market value.~~

Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

YIELD TO CALL (YTC): The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

YIELD TO MATURITY (YTM): The rate of return earned on an investment considering all cash flows and timing factors: interest earnings, discounts, and premiums above par.

ZERO COUPON BONDS/U.S. TREASURY STRIPS: A bond which represents ownership of a single coupon or principal payment due on a U.S. Treasury bond. Zeros or strips mature at face value at a specified date in the future and make no payments until that date. They always sell at a discount from face value.

Orange County California

Investment Policy

2027

Approved By the Board of Supervisors

December 15, 2026

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ORANGE COUNTY INVESTMENT POLICY

PURPOSE

The Orange County Investment Policy ("Policy") provides the structure for the prudent investment of the funds of the County of Orange ("County") and the funds of other depositors in the County treasury.

A. POLICY STATEMENT

The Policy provides the framework for the Orange County Investment Program and is prepared in accordance with California State law and based on prudent money management practices. The primary goal is to invest public funds in a manner that will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to pool participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

B. SCOPE

This Policy governs the investment of funds deposited into the County treasury and is more restrictive than State law in certain areas.

B.1. POOLED FUNDS:

The County will maintain a pooled investment fund titled the Orange County Treasury Pool (OCTP). Government Code Sections 53600 *et seq*., 53630 *et seq*. and 27000.1-27000.3 govern the investments of the OCTP in addition to the requirements set forth in this policy.

B.2. SPECIFIC INVESTMENT ACCOUNTS:

The County or an eligible participant with funds deposited in the County treasury may request that specific funds be separately invested pursuant to an identified investment objective, cash flow requirement, or future liability.

Investments approved by the County Investment Manager for a specific investment account will be managed separately from the OCTP and structured, to the extent practicable, to correspond with the anticipated timing and purpose of the funds. Prior to the establishment of the account, the County or governing body of the participating agency shall execute an agreement establishing the investment parameters and acknowledging the potential for market fluctuations and that there may be risk to principal if the securities are sold prior to maturity.

No investment will be made in any security that at the time of the investment has a term remaining to maturity in excess of five years measured from the settlement date, unless the appropriate legislative body has granted express authority either specifically or as part of an investment program approved by that legislative body no less than three months prior to the investment.

B.3. BOND PROCEEDS

Bond proceeds deposited in the County treasury and invested in the OCTP shall be governed by applicable law and this Policy. Pursuant to Education Code Section 15146(g), proceeds from the sale of school district and community college district general obligation bonds shall be deposited in the County treasury, subject to applicable law and statutory exceptions.

Investments with maturities exceeding five years may be permitted pursuant to Government Code Section 53602(e)(2), where expressly authorized by the governing body of the applicable agency.

C. PRUDENT INVESTOR STANDARD

The Board of Supervisors, as a fiduciary of public funds, adheres to the "prudent investor" standard as stated in Government Code sections 27000.3 and 53602(b). When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the Board of Supervisors shall act with care, skill, prudence and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the County and other depositors that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County and the other depositors. Within the limitations of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law.

The Board of Supervisors and those delegated staff shall act in accordance with written procedures and the Policy, exercise due diligence, report in a timely fashion and implement appropriate controls to mitigate adverse developments.

D. INVESTMENT AUTHORITY

The authority to invest the funds of the County and the funds of other depositors in the County Treasury rests with the Board of Supervisors. The Board may delegate its investment authority as it determines appropriate. Throughout this Policy, the "County Investment Manager" shall be defined as the County official or individual who is authorized by the Board to invest the funds of the County and the funds of other depositors in the County treasury.

E. OBJECTIVES

The primary investment objectives, presented in their absolute order of priority, are:

E.1. **SAFETY:** Safety of principal is the foremost investment objective. Investments shall be undertaken in a manner that seeks to preserve capital and minimize the risk of loss by mitigating credit risk and market risk as follows:

E.1.1 **CREDIT RISK:** The risk an issuer may fail to make timely payments of interest or principal or otherwise fail to meet its financial obligations. Credit risk shall be mitigated by diversifying the fund among issues and issuers so that the failure of any one issue or issuer would not result in a significant loss of income or principal to participants.

E.1.2 **MARKET RISK:** The risk of fluctuations in the market value due to changes in interest rates. Because longer-term securities generally have greater sensitivity to interest rate changes than shorter-term securities, market risk shall be mitigated by establishing a maximum effective duration (also referred to as option-adjusted duration) for the OCTP. Market losses on individual securities may occur in the course of portfolio management and shall be evaluated in the context of the overall portfolio performance.

E.2. LIQUIDITY: Liquidity refers to the ability to sell an investment at any moment with a minimal chance of principal loss. The Orange County Investment Program will maintain sufficient liquidity for the purpose of meeting all daily operating requirements based on reasonably anticipated cash flow needs.

E.3. YIELD: Yield refers to the objective of attaining a market rate of return commensurate with the risk profile and cash flow characteristics of the portfolio throughout budgetary and economic cycles. Although the County Investment Manager may employ certain indices to gauge the funds' rate of return, such indices shall be used solely for comparative purposes and do not constitute a warranty or guarantee of actual fund performance. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. As permitted by Government Code section 53602(i)(2), securities issued by, or backed by, the United States government can result in zero or negative interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates.

F. AUTHORIZED INVESTMENTS

The County is authorized to invest in specific types of securities as provided in the Government Code. Investments not specifically listed below are prohibited. All securities must be United States dollar denominated. All investment transactions must be executed through broker/dealers, banks, or counterparties authorized by the County Investment Manager. In addition, comprehensive due diligence must be conducted on all securities prior to investment, followed by at least an annual review to ensure that the investment's outlook remains favorable and has not deteriorated.

The OCTP and Specific Investment Accounts may invest in the following areas to the extent they are consistent with the investment objectives, do not violate the investment restrictions, and adhere to limitations specified in this section, and Sections VII and VIII.

F.1. U. S. TREASURY SECURITIES

United States Treasury bills, notes, bonds, or certificates of indebtedness, for which the full faith and credit of the United States are pledged for the payment of principal and interest.

F.2. U. S. GOVERNMENT AGENCY SECURITIES

Obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise (GSE).

F.3. COMMERCIAL PAPER

Commercial paper is a short-term, unsecured debt instrument issued by corporations and other eligible entities to meet short-term financing needs. Commercial paper must be of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a Nationally Recognized Statistical Rating Organization ("NRSRO"). The entity that issues the commercial paper shall meet either of the following conditions:

a) Has total assets in excess of $500,000,000, is organized and operating within the United States as a general corporation, and has debt other than commercial paper, if any, that is rated 'A' or higher by a NRSRO.

b) Is organized in the United States as a federally or state-chartered bank or a federally or

state-licensed branch of a foreign bank, special purpose corporation, trust, or limited liability company; has program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond, and has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

F.4. NEGOTIABLE CERTIFICATES OF DEPOSIT

Negotiable certificates of deposit are issued by a nationally or state-chartered bank, savings association, or a federal association or by a federally licensed or state-licensed branch of a foreign bank.

F.5. REPURCHASE AGREEMENTS

Repurchase agreements are purchases of securities authorized by this Policy under an agreement requiring the counterparty to repurchase the securities by a specified date and for a specified amount. Securities shall be delivered to the County by book entry, physical delivery, or by third party custodial agreement. Repurchase agreements shall not exceed the limits identified in Section VIII. Counterparties shall have capital of not less than $500,000,000.

A master repurchase agreement shall be executed by all parties prior to entering into a transaction, with a signed copy retained by the County. Repurchase agreements shall be collateralized by eligible securities or cash in accordance with applicable law and the terms of the master repurchase agreement.

F.5.1 COLLATERALIZATION:

Collateral underlying a repurchase agreement shall have a market value of at least 102% of the funds provided by the County. Collateral shall be valued at least weekly. If its value falls below 102%, it shall be restored to at least 102% by the next business day.

Collateral shall be limited to cash, and U.S. Treasury and U.S. Government Agency securities. Securities held as collateral shall be excluded from the applicable issuer limits in Section VIII.1.

Collateral shall be held by an independent third party with whom the County has a current custodial agreement. Evidence of the County's ownership, such as a safekeeping or custody receipt, shall be retained by the County. Collateral substitutions require prior approval of the County Investment Manager.

Repurchase Agreements shall comply with Government Code Section 53603(j), including applicable collateral, delivery, and maturity requirements.

F.6. BANKERS' ACCEPTANCES

Bankers' acceptances are time drafts or bills of exchange drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days maturity.

F.7. MONEY MARKET MUTUAL FUNDS

Money Market Mutual Funds (MMMFs) are investment funds that issue shares of beneficial interest and are registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq) and invest only in securities and obligations authorized by this policy and maintain a weighted average maturity of 60 days or

less. MMMFs that do not maintain a constant Net Asset Value (NAV) are prohibited. Approved MMMFs shall meet either of the following criteria:

a) Attained the highest ranking or the highest letter and numerical rating provided by no less than two NRSROs.

b) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing MMMFs with assets under management in excess of $500,000,000.

For Specific Investment Accounts, limits identified in Section VIII.1 shall apply to the agency's combined balances in the OCTP and its Specific Investment Account(s).

F.8. STATE POOL – LOCAL AGENCY INVESTMENT FUND

The Local Agency Investment Fund (LAIF) is a pool administered by the State Treasurer, pursuant to Government Code Section 16429.1, that allows for local government agencies to invest public funds collectively. LAIF provides participating agencies with a means of investing funds while maintaining liquidity and benefiting from the diversification and investment management of the State Treasurer's Pooled Money Investment Account. For purposes of portfolio maturity calculations, LAIF shall be reported as having a one-day maturity.

F.9. MUNICIPAL DEBT

Such instruments are defined as being issued by a local or state agency, including:

a) Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.

b) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

c) Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

F.10. MEDIUM-TERM NOTES

Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years, as limited by this policy. Medium-term notes must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

F.11. JOINT POWERS AUTHORITIES

A Joint Powers Authority (JPA) investment pool combines funds from participating public agencies for collective investment purposes. The County may invest in shares of beneficial

interest issued by a JPA organized pursuant to Government Code Section 6509.7 that invests in securities and obligations authorized by this policy, consistent with Section 53603(m). Each share shall represent an equal proportional interest in the underlying pool of securities owned by the JPA.

To be eligible under this section, the JPA issuing the shares shall have retained an investment adviser that meets all the following criteria:

a) The adviser is registered or exempt from registration with the United States Securities and Exchange Commission.

b) The adviser has not less than five years of experience investing in securities and obligations authorized in subdivisions (a) through (q), inclusive, of Government Code section 53603.

c) The adviser has assets under management in excess of $500,000,000.

The JPAs shall have the highest ranking or the highest letter and numerical rating provided by at least one NRSRO.

F.12. SUPRANATIONAL SECURITIES

Supranational securities are defined as United States dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, Inter-American Investment Corporation (IDB Invest) or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States.

G. INVESTMENT CREDIT RATING RESTRICTIONS

For OCTP and Specific Investment Accounts, credit ratings will be applied at the time of purchase of a security and monitored for changes while the security is held. A credit rating downgrade after purchase shall not constitute a violation of the Policy. If a credit rating downgrade occurs which results in a rating below the minimum credit requirement, an analysis must be performed to evaluate the credit to determine whether to hold or sell the security.

For purposes of this Policy, recognized credit ratings shall be those assigned by one of the following NRSROs: Standard & Poor's Corporation (S&P), Moody's Investors Service, Inc. (Moody's) and Fitch Ratings (Fitch).

G.1. MINIMUM CREDIT RATINGS

Except for investments expressly exempted from these requirements elsewhere in this Policy, investments shall meet the following credit rating requirements at the time of purchase:

a) Have credit ratings from at least two NRSROs that meet or exceed the applicable minimum ratings specified below.

b) The lowest rating assigned by any of the NSRSOs recognized under this Policy shall meet or exceed the applicable minimum credit rating specified below.

Credit Quality	S&P	Moody's	Fitch
Short-Term Debt			
High	A-1	P-1	F1
Long-Term Debt			
Very High	AA+, AA, AA-	Aa1, Aa2, Aa3	AA+, AA, AA-

The applicable short-term or long-term rating requirement shall be determined based on the security's rating classification and the requirements governing the authorized investment type. Where a specific investment category is subject to a more restrictive statutory or Policy rating requirement, the more restrictive requirement shall apply.

G.2. CREDIT RATING MONITORING AND RESTRICTIONS

Any issuer, including its related entities, placed on negative credit watch or downgraded by an NRSRO shall be reviewed by the County Investment Manager. If the issuer:

a) No longer meets the applicable minimum credit rating requirements of this Policy, the issuer shall be placed on hold from additional purchases, and existing holdings shall be reviewed to determine whether continued holding or sale is appropriate.

b) Continues to meet the applicable minimum credit rating requirements of this Policy, additional purchases may continue unless the County Investment Manager identifies credit or other material concerns warranting a purchase hold. The County Investment Manager may impose such a hold by providing written notification to the Investment Team. Existing holdings shall be reviewed as appropriate.

G.3. EXCEPTIONS TO CREDIT RATING REQUIREMENTS

The following investments are exempt from the credit rating requirements above:

a) Municipal debt issued by the County of Orange, California (Section VI.9), U.S. Government obligations (Section VI.1 and VI.2) and the State Pool (Section VI.8).

b) Money Market Mutual Funds (Section VI.7) and Joint Powers Authority investments (Section VI.11) are subject to the rating requirements specified in their respective sections rather than the minimum credit rating requirements in Section G.1.

H. INVESTMENT ELIGIBILITY AND PORTFOLIO LIMITS

The OCTP and Specific Investment Accounts shall be diversified to minimize the risk of loss resulting from concentrations in specific maturities, issuers, or classes of securities. Diversification is intended to reduce exposure to individual investments and issuers while maintaining sufficient liquidity to meet anticipated cash flows. Diversification strategies shall be established by the County Investment Manager and periodically reviewed.

H.1. INVESTMENT AND ISSUER LIMITS

Investments subject to the Approved Issuer List requirements of this Policy may only be purchased from approved issuers. The following investment and issuer concentration limits shall apply at the time of purchase.

Investment Type	California Government Code			The Policy		
	Investment Limit	Issuer Limit	Max Maturity	Investment Limit	Issuer Limit	Max Maturity
U.S. Treasury Securities	100%	None	5 Years	100%	None	5 Years
U.S. Government Agency Securities (GSE's)	100%	None	5 Years	100%	None	5 Years
Municipal Debt	100%	None	5 Years	20%	5%/10%[1]	3 Years
Medium-Term Notes	30%	None	5 Years	20%	8%	5 Years
Bankers Acceptances	40%	30%	180 Days	40%	5%	180 Days
Commercial Paper	40%	10%	397 Days	40%	5%	397 Days
Negotiable Certificates of Deposits	30%	None	5 Years	20%	5%	18 months
State of California Local Agency Investment Fund	$75 million per account	N/A	N/A	$75 million per account	N/A	N/A
Repurchase Agreements	100%	None	1 Year	20%	10%	180 Days
Money Market Mutual Funds (MMMF)	20%	None	N/A	20%	None	N/A
Joint Powers Authority (JPA)	100%	None	N/A	20%	10%	N/A
Supranationals	30%	None	5 Years	30%	5%	5 Years

[1]The issuer concentration limit for municipal debt is 5% per issuer, except for debt issued by the County of Orange, which is subject to a 10% issuer limit.

H.2. MATURITY

The maximum maturity of any investment purchased shall not exceed five years unless a longer maturity is expressly authorized by the Board of Supervisors or the appropriate legislative body, including investment held in Specific Investment Accounts. Maturity limitations shall be measured from the settlement date of the investment.

For purposes of calculating the portfolio's weighted average maturity, a variable-rate security may use its next interest rate reset date in place of its final maturity date, provided there is a reasonable expectation that the security will maintain a value approximating par upon each interest rate reset through final maturity. The provision does not modify the maximum maturity requirements applicable to individual investments.

H.3. DURATION

The OCTP shall have a maximum effective duration of 2.5 years. There are no duration requirements for Specific Investment Accounts unless otherwise specified in the applicable agreement with the participant.

I. PROHIBITED TRANSACTIONS

All permitted investments shall comply with this Policy and applicable provisions of the Government Code, as amended from time to time. Investments prohibited by the Government Code are not permitted.

If an investment becomes noncompliant with applicable requirements after purchase, the County

Investment Manager shall provide written direction regarding the actions necessary to address the noncompliance as soon as practicable. However, an investment that complied with applicable limits at the time of purchase shall not be considered a compliance violation solely because subsequent changes in market value or portfolio composition result in an applicable concentration limit being exceeded. Such exceedances shall be monitored and managed in accordance with Section XV of this Policy.

I.1. SPECIFICALLY PROHIBITED TRANSACTIONS:

I.1.1 Borrowing for investment purposes ("Leverage").

I.1.2 Reverse Repurchase Agreements, as defined by Government Code Section 53603(j)(3) and 53603(j)(4).

I.1.3 Structured Notes (e.g. inverse floaters, leveraged floaters, structured certificates of deposit, equity-linked securities, event-linked securities). This includes all floating-rate, adjustable-rate or variable-rate securities in which reasonably foreseeable changes in interest rates or other variables would prevent their market value from returning to par at each interest rate adjustment.

Simple floating rate notes whose periodic coupon adjustments are based on a short-term (one-year or less) rate index, such as Treasury bills, federal funds, prime rate, or SOFR, and which are reasonably expected to maintain a value of par at each interest rate adjustment through final maturity, are exempt from this prohibition. U.S. Treasury and Agency zero-coupon bonds or callable securities that otherwise meet the quality, maturity and concentration limitations are also exempt.

I.1.4 Structured Investment Vehicles (SIV).

I.1.5 Derivatives (e.g., options, futures, swaps, swap options, spreads, straddles, caps, floors, collars).

I.1.6 Money Market Mutual Funds that do not maintain a constant Net Asset Value (NAV).

J. ETHICS AND CONFLICT OF INTEREST

The County Investment Manager and all personnel involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program or impair the ability to make impartial investment decisions. The County Investment Manager and investment personnel shall disclose to the applicable oversight body any material financial interests in financial institutions, broker/dealers, and vendors ("Outside Entities") that conduct business with the County of Orange.

J.1. STATEMENT OF ECONOMIC INTEREST (FORM 700)

County officers, public officials and designated employees require to file a Statement of Economic interest (Form 700) shall do so annually in accordance with applicable law and the County's Conflict-of-Interest Code.

J.2. COUNTY GIFT BAN ORDINANCE

The County's Gift Ban Ordinance, codified in section 1-3-22 of the Codified Ordinances of the County of Orange, California, prohibits County officers, public officials and "designated employees" from receiving gifts from business entities and individuals that "do business with the County," as defined in the Ordinance.

Under the Ordinance, the term "designated employees" includes employees members of boards or commissions under the jurisdiction of the Board of Supervisors who are required to file such a form under the County's Conflict-of-Interest Code.

The County Investment Manager will review this list of "designated employees" periodically and submit any proposed changes to the Board of Supervisors for approval.

K. AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS

The County Investment Manager shall maintain a list of broker/dealers and financial institutions authorized to provide investment and/or depository services and products.

K.1. BROKER/DEALER AND FINANCIAL INSTITUTION REQUIREMENTS

Any permitted investment not purchased directly from an approved issuer shall be purchased either from a "primary" or regional securities broker/dealer qualifying under SEC Rule 15c3-1 (Uniform Net Capital Rule) and licensed by the state as a broker/dealer, as defined in Section 25004 of the Corporations Code, or a "well-capitalized" national bank or federal savings association, as defined in Title 12 of the Code of Federal Regulations (CFR), Section 6.4, or a savings association or federal association, as defined by Section 5102 of the California Financial Code.

To be eligible to receive local agency money, a bank, savings association, federal association or federally insured industrial loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code.

Government Code section 53602(h) shall apply to all investments acquired pursuant to this section.

K.2. POLITICAL CONTRIBUTIONS RESTRICTIONS

Broker/dealers must comply with the political contribution limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board. Any broker, brokerage, dealer, or securities firm that has made a political contribution exceeding the limitations in Rule G-37 to the County Investment Manager, Treasurer, any member of the Board of Supervisors, or any candidate for those offices within any consecutive 48-month period shall be prohibited from selection onto, or continued participation on, the list of authorized security broker/dealers.

K.3. BROKER/DEALER AND FINANCIAL INSTITUTION REVIEW

The County Investment Manager shall conduct an annual review of each broker/dealer's and financial institution's financial condition and registrations to determine whether it should remain on the approved broker/dealer list for investment and/or depository services. Annual

audited financial statements shall be maintained on file for each firm.

The County Investment Manager shall strive to open an application period every three years to evaluate broker/dealers and financial institutions seeking to provide investment services and determine whether they should remain on, be added to, or removed from the approved broker/dealer list.

K.4. INVESTMENT POLICY ACKNOWLEDGEMENT

The County Investment Manager shall annually send a copy of the current Policy to all broker/dealers and financial institutions approved to provide investment services to the County. Each firm shall acknowledge in writing that it has received and reviewed the Policy, distributed it to personnel responsible for the County's account, and understands the investment objectives, permitted investments, limitations and other requirements applicable to transactions with the County.

L. PERFORMANCE EVALUATION

The County Investment Manager shall provide quarterly investment reports to the Board of Supervisors, County Executive Officer, Director of Internal Audit, Auditor-Controller and pool participants. Reports shall be provided in a timely manner following the end of each quarter, subject to any applicable statutory reporting deadlines.

The investment report shall provide sufficient information to evaluate the performance, composition, and overall condition of the Orange County Investment Program. Reports shall include information on investment holdings, portfolio market value, investment performance, compliance with this policy, and liquidity sufficient to assess anticipated cash flow requirements. Additional information may be included as determined appropriate by the County Investment Manager or as required by applicable law.

The County Investment Manager shall also provide a monthly investment report summarizing investment activity and other relevant portfolio information, including, at a minimum, a list of investment transactions.

L.1. PORTFOLIO EVALUATION AND REPORTING

Investments held in the OCTP and Specific Investment Accounts are marked to market daily using current market valuations. Mark-to-market valuations reflect the estimated fair value of investments based on prevailing market conditions, including interest rate changes, and may differ from book values.

The purpose of marking investments to market is to provide transparency, monitor changes in portfolio value, assess market risk and support the ongoing evaluation of portfolio liquidity and investment performance. Because the OCTP is managed with an emphasis on holding investments to maturity, fluctuations in market value do not necessarily represent realized gains or losses.

The County Investment Manager shall report on the market value and book value of the OCTP and each Specific Investment Account in the investment report.

M. SAFEKEEPING

All security transactions entered into by the County Investment Manager shall be conducted on a delivery-versus-payment (DVP) basis, including transactions for collateral for repurchase agreements, as applicable. All investments shall be registered in the name of the County of Orange, identifying the OCTP or applicable Specific Investment Account, except for municipal debt issued by the County of Orange through a private placement, for which registered ownership may be established by written agreement between the parties.

All securities shall be held by a third-party custodian designated by the appropriate County official, except for money market funds or JPAs. The third-party custodian shall be provide safekeeping statements to appropriate County official identifying the securities held, including the instrument, interest rate, maturity date, and other pertinent information.

N. MAINTAINING THE PUBLIC TRUST

All participants in the investment process shall act as custodians of public trust. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

O. INTERNAL CONTROLS

The County Investment Manager shall establish a system of written internal controls designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the County Investment Manager, and to mitigate exposure to market risk.

O.1. AUDIT OVERSIGHT

The County Investment Manager shall review the written internal controls annually with the County's independent (external) auditor. All agreements, statements, and investment trade packets will be subject to review annually by auditors in conjunction with their audit. The County Investment Manager shall evaluate audit reports in a timely manner with any applicable oversight body.

O.2. INVESTMENT COMPLIANCE AND MONITORING

Daily compliance of the investment portfolio shall be performed by the applicable County department. Compliance with portfolio and issuer concentration limits shall be calculated on a fair market value basis. An investment that complied with applicable limits at the time of purchase shall not be considered in violation solely due to subsequent changes in market value or portfolio balances; however, any resulting limit exceedance shall be monitored and no additional investments shall be made that would increase the applicable concentration until the portfolio is again within the established limit in accordance with Section IX of this Policy.

Except for emergencies or previous authorization by the County Investment Manager, all investment transactions shall be entered daily into the appropriate Investment Accounting System.

O.3. INVESTMENT PROCEDURES

The County Investment Manager shall develop and maintain written administrative procedures for the operation of the investment program that are consistent with this Policy. Procedures

will include references to safekeeping, Master Repurchase Agreements, wire transfer agreements, collateral and depository agreements, banking service contracts, and other investment- and banking- related activities. Such procedures shall include explicit delegation of authority to personnel responsible for investment transactions.

The County Investment Manager shall be responsible for all transactions undertaken and shall establish a system of controls to regulate investment-related activities. No investment personnel may engage in an investment transaction except as provided under terms the of this Policy and the procedures established by the County Investment Manager.

P. EARNINGS AND COSTS APPORTIONMENT

Interest earnings for the OCTP are allocated to each individual pool participant based upon their average daily balance.

Pursuant to Government Code Section 27013, the County Investment Manager may deduct actual administrative costs of investing, depositing or otherwise handling funds and distributing investment earnings. The estimated Investment Administrative Fee (IAF) shall be calculated as a basis-point rate and charged monthly. Within 90 days of the close of the fiscal year, a reconciliation of actual costs incurred shall be made and refunds or repayments shall be made accordingly.

Investment earnings shall be allocated to pool participants on at least a quarterly basis. The current estimated investment administrative fee charged to participants will be included in the applicable investment report and published monthly on the County's website.

Q. PERFORMANCE STANDARDS

The investment strategy is to manage the portfolios with less risk than a comparable benchmark index while using economies of scale to administer the program at a reasonable cost. The County Investment Manager shall determine whether market yields are achieved using the indices most comparable to the fund, such as money rate data published in Barron's, The Wall Street Journal, Bloomberg, the local government investment pool index or other bond fund indices. The standards enumerated herein do not constitute a guarantee of the fund's performance.

The County Investment Manager's investment strategy is to hold purchased securities until maturity. Changing economic conditions, interest rates, and credit quality may dictate a sale in advance to minimize market and credit risks or enhance yield. Such sales should consider the short- and long-term impact on the portfolio. The County Investment Manager must approve in all sales of all securities prior to maturity.

R. INVESTMENT POLICY REVIEW

This Policy shall be reviewed on an annual basis by the County Investment Manager and any applicable oversight body. The Policy shall be submitted annually to the Board as a receive and file item as part of the County's Strategic Financial Plan. However, any changes to the Policy shall be presented for review and approval by the Board of Supervisors.

S. REPORTING REQUIREMENTS

In addition to the investment reports required under Section XII, the County Investment Manager shall provide reports and information related to investment compliance, audits, agreed-upon procedures engagements, or portfolio performance shall be provided, as appropriate, to the Board of Supervisors, County Executive Officer, Chief Financial Officer, Director of Internal Audit, Auditor-Controller, pool participants, applicable oversight bodies, and the presiding judge of the Superior Court, a required by applicable law or established oversight responsibilities.

The County Investment Manager shall provide investment-related financial information necessary for disclosure in the County's Annual Comprehensive Financial Report (ACFR), in accordance with Governmental Accounting Standards Board (GASB) Statements, including Statements 31, 40, 72, 84 or any other applicable Statements.

T. LEGISLATIVE CHANGES

Any State of California law that further restricts allowable maturities, investment type, percentage allocations, or any other provision of this Policy will, upon effectiveness, be incorporated into this Policy and supersede any and all previous applicable language.

U. DISASTER RECOVERY PROGRAM

The Disaster Plan shall include critical contact information for key treasury and investment personnel, currently approved financial institutions, and broker/dealers to be distributed to appropriate parties. The plan shall provide alternate work arrangements or locations if normal County offices are unavailable.

In the event the County Investment Manager and authorized investment staff are unable to conduct investment activities, uninvested cash may be invested through an established daily sweep arrangement with the County's authorized depository and/or custodial banks into approved money market mutual funds until normal investment operations resume.

During activation of the Disaster Plan, issuer and investment-type concentration limits imposed by this Policy, to the extent more restrictive than applicable law, may be temporarily exceeded. Any such exception shall be reported to the Board of Supervisors and pool participants in a timely manner and corrected as soon as reasonably practicable following restoration of normal investment activities in accordance with Section IX of this Policy.

V. INVESTMENT POLICY GLOSSARY

This Glossary is for general reference and informational purposes only and does not constitute an exhaustive or exclusive list of terms and definitions applicable to this Investment Policy. The definitions included herein do not modify any of the terms of this Investment Policy or applicable law.

AMORTIZATION: A gradual reduction of a bond's purchase premium over its remaining life.

BANKERS' ACCEPTANCES (BA): A short-term financial instrument issued primarily to finance international trade. A bank accepts responsibility for paying a specified amount at maturity, even if the original borrower fails to pay. Bankers' acceptances are generally associated with transactions involving the purchase, sale or shipment of goods.

BOOK ENTRY: An electronic system for recording the ownership and transfer of securities without issuing physical certificates. Ownership records are maintained electronically by the Federal Reserve or other authorized securities depositories, and securities are transferred between accounts through electronic transactions.

BOOK VALUE: The original cost of the investment, adjusted for the amortization of any premium or accretion of any discount.

BROKER: An individual or firm that acts as an intermediary between buyers and sellers of securities, facilitating transactions in exchange for a commission or other compensation.

CALLABLE SECURITIES: Securities that allow the issuer to repay the principal before the stated maturity date, in accordance with the security's terms. Issuers may exercise this option when interest rates decline, allowing them to refinance at lower rates.

COUNTY INVESTMENT MANAGER: The County official or individual authorized by the Board of Supervisors to invest the funds of the County and the funds of other depositors in the County treasury.

COLLATERAL: Cash or securities pledged to secure repayment of a loan or performance of an obligation, including repurchase agreements. Collateral may also be pledged by financial institutions to secure deposits of public funds.

COMMERCIAL PAPER (CP): Short-term, unsecured promissory notes issued by corporations and other eligible entities to raise funds, typically for operating or other short-term financing needs. Commercial paper generally has a maturity of 397 days or less.

COUPON: The interest rate paid on a bond or other fixed-income security, generally expressed as an annual percentage of its face value. The coupon rate may be fixed or variable (floating).

CREDIT QUALITY: An assessment of an issuer's financial strength and ability to make timely interest payments and repay principal when due. Generally, higher credit quality indicates lower risk of default and may result in lower interest rates for the issuer. Credit quality is commonly evaluated using credit ratings assigned by Nationally Recognized Statistical Rating Organizations (NRSROs).

CREDIT RATING: An assessment of the creditworthiness of a debt security or its issuer, expressed through a standardized rating scale assigned by a credit rating agency. Credit ratings indicate the agency's opinion of the issuer's ability or security's ability to meet its financial obligations, with higher ratings generally indicating lower credit risk.

CREDIT RISK: The risk an issuer of a security will fail to make timely payments of interest or principal or otherwise fail to meet its financial obligations.

CREDIT WATCH: A designation assigned by a credit rating agency indicating that an issuer or security is under review for a potential credit rating change. A positive (+) designation indicates a possible upgrade, a negative (-) designation indicates a possible downgrade, and a designation without a specified direction indicates that the outcome of the review is uncertain.

CUSTODIAN: A bank or other financial institution that is responsible for holding and safeguarding securities and other financial assets on behalf of an investor. Custodians maintain records of ownership and facilitate the settlement of investment transactions.

DEALER: An individual or firm that buys and sells securities for its own account, acting as a principal in transactions rather than as an intermediary between buyers and sellers. A Primary Dealer is a bank or securities dealer approved by the Federal Reserve Bank of New York to trade directly with the Federal Reserve, including purchases and sales of U.S. government securities.

DELIVERY VERSUS PAYMENT (DVP): A method of settling securities transactions in which the delivery of securities and the corresponding payment occur simultaneously, ensuring that securities are transferred only when payment is made.

DERIVATIVE: A financial instrument whose value is derived from the price or performance of an underlying asset, interest rate, market index, or other financial measure. Common examples include futures, options, swaps and forward contracts.

DISCOUNT: The amount by which a security's purchase price is less than its face (par) value. Some securities, such as Treasury bills and bankers' acceptances, are issued at a discount and repay their full-face value at maturity, with the difference representing the investor's earnings. Other securities that pay periodic interest may trade at a discount when their coupon rates are lower than the current market interest rates for comparable securities.

DIVERSIFICATION: An investment principle designed to reduce risk by spreading investments across different issuers, types of securities, industries and maturities to limit the impact of any single investment or market event on the overall portfolio.

EFFECTIVE DURATION: A measure of how much an investment's market value may change when interest rates change, expressed in years. Generally, the longer the duration, the greater the sensitivity to interest rate changes. For purposes of this Policy, duration refers to Effective Duration, which also considers the possibility that securities may be repaid before maturity, such as callable bonds. Effective Duration is also commonly referred to as Option-Adjusted Duration (OAD).

FEDERAL OPEN MARKET COMMITTEE (FOMC): The committee within the Federal Reserve System responsible for setting U.S. monetary policy, including establishing the target range for the federal funds rate and directing purchases and sales of securities to influence the interest rates and economic conditions.

FLOATING RATE NOTES: A debt security with an interest rate that adjusts periodically, such as monthly, quarterly, or annually, based on a specified market index, such as Treasury bill rates or the Secured Overnight Financing Rate (SOFR). Floating Rates Notes may also be referred to as Adjustable-Rate Notes or Variable Rate Notes.

GAIN: An increase in the value of an investment above its book value. Gains may be realized or

unrealized. A realized gain occurs when an investment is sold for more than its book value. An unrealized gain occurs when the market value of an investment exceeds its book value, but the investment has not been sold; therefore, a gain is not realized.

INTEREST: The amount paid to an investor for lending money or holding a debt security, generally calculated as a percentage of the outstanding principal over a specified period.

INTERNAL CONTROLS: Policies and procedures established to_safeguard assets, prevent and detect errors, fraud, or misuse of funds, ensure accurate financial records, and promote compliance with applicable laws and policies. Internal Controls are designed to provide reasonable assurance that these objectives are met, considering the costs and benefits of implementing the controls.

INVESTMENT ADMINISTRATIVE FEE (IAF): A fee charged to participants to recover the actual administrative costs associated with investing, managing, and accounting for pooled funds and distributing investment earnings. The fee is calculated in basis points, with estimated charges reconciled to actual costs annually.

INVESTMENT COMPANY ACT OF 1940: Federal law which regulates investment companies, including mutual funds and money market mutual funds. The Act establishes requirements for investment activities, management, disclosure and investor protections.

ISSUER CONCENTRATION: The percentage of an investment portfolio held in securities issued by a single entity. Issuer concentration limits are established to reduce the risk of significant losses resulting from financial difficulties or default by any one issuer.

LIQUIDITY: The speed and ease with which an investment can be converted to cash. Liquidity is the second priority in public funds investing, following safety of principal and preceding yield, to ensure sufficient funds are available to meet financial obligations when due.

LOCAL AGENCY: County, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

LOSS: A decrease in the value of an investment below its book value. Losses may be realized or unrealized. A realized loss occurs when an investment is sold for less than its book value. An unrealized loss occurs when the market value of an investment is less than its book value, but the investment has not been sold; therefore, a loss is not realized.

MARK-TO-MARKET: The process for determining the current market value of an investment based on current market prices and conditions. Market values may fluctuate due to changes in interest rates, credit quality, and other market factors. Mark-to-market valuations are used to monitor the value of the portfolio. Changes in market value generally represent unrealized gains or losses unless a security is sold.

MARKET RISK: The risk that changes in overall market conditions or interest rates may adversely affect current market prices.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM TERM NOTES (MTN): Debt securities issued by a corporation or depository institution with a maximum maturity of five years. The term "medium-term note" refers to the time it takes for an obligation to mature and includes other corporate debt securities originally issued for maturities longer than five years, but which have now fallen within the five-year maturity range. MTNs issued by banks are also called "bank notes."

MONEY MARKET MUTUAL FUNDS: Investment funds that pool money from investors and invests in short-term, high-quality debt securities, such as Treasury bills, commercial paper, and certificates of deposit. These funds are designed to provide liquidity, preserve capital, and generate income, and are regulated under Rule 2a-7 of the Investment Company Act of 1940.

MUNICIPAL DEBT: Bonds, notes and other securities issued by a state, municipality or county.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): A credit rating agency registered with the Securities and Exchange Commission (SEC) that evaluates the creditworthiness of the issuers and debt securities and expresses its opinion through credit ratings (e.g. AAA, AA, A, BBB, etc.). The three major rating agencies are S&P Global Ratings, Moody's Ratings, and Fitch Ratings.

NEGOTIABLE CERTIFICATE OF DEPOSIT (NCD): A deposit of funds at a bank for a specified period of time that earns interest at a specified rate. Unlike traditional certificates of deposit (CDs), NCDs can be bought and sold in the secondary market before maturity, allowing investors to access their funds without waiting for the deposit to mature.

NET ASSET VALUE (NAV): The per-share valuation of a mutual fund, calculated by subtracting total liabilities from total assets and dividing the result by the number of shares outstanding.

PAR or PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a physical certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an individual or institutional investor.

PURCHASE PREMIUM: The amount by which the purchase price of a bond exceeds its face (par) value.

PRIME RATE: The base rate that banks use in pricing commercial loans to their best and most creditworthy customers.

PRINCIPAL: The face value or par value of an investment. The principal of an investment is the amount originally invested, or the outstanding amount owed.

REGISTERED STATE WARRANT: A short-term obligation of a state governmental body issued in anticipation of revenue.

REPURCHASE AGREEMENT (REPO): A short-term investment transaction in which securities are purchased with an agreement that the seller will repurchase the securities back at a later date at a specified price. The difference between the purchase and repurchase prices represents the interest earned by the buyer. These transactions are governed by a Master Repurchase Agreement, a written

contract establishing the rights and obligations of both parties.

RULE 15c3-1 OF THE SECURITIES EXCHANGE ACT OF 1934 (UNIFORM NET CAPITAL RULE): A federal regulation established by the Securities and Exchange Commission that sets minimum capital requirements for broker/dealers to help ensure they maintain financial resources to meet their obligations and protect customers.

RULE 2a-7 OF THE INVESTMENT COMPANY ACT: A federal regulation governing money market mutual funds that established requirements for investment quality, diversification, liquidity and portfolio maturity to help limit investment risk and support the funds' ability to meet investor withdrawals.

RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD: A federal regulatory rule designed to prevent political contributions from improperly influencing the awarding of municipal securities business.

SAFEKEEPING: The holding and protection of securities or other financial assets by a bank or other financial institution acting as an agent or custodian on behalf of an investor.

SAFETY: The preservation of principal and protection of public funds from potential losses. Safety is the first and highest priority in public fund investing, preceding liquidity and yield. It is achieved through prudent investment practices, including investing in high-quality securities, diversification, monitoring credit and market risks, and compliance with applicable laws and investment policies.

SECURITIES AND EXCHANGE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SPECIFIC INVESTMENT ACCOUNT: A separate investment account established for the County or an eligible pool participant to meet specific investment objectives, cash flow requirements, or future financial obligations. Investments in these accounts are managed separately from the OCTP and structured according to the needs of the account, subject to applicable laws, investment restrictions, and an agreement establishing the account's investment parameters.

STRUCTURED INVESTMENT VEHICLE (SIV): An investment entity that raises funds by issuing short-term debt, such as commercial paper, and invests the proceeds in longer-term, higher-yielding securities, including asset-backed securities. SIVs seek to earn a profit from the difference between their borrowing costs and investment returns. They often rely on borrowing and the continued renewal of short-term debt, exposing them to significant liquidity and credit risks.

SUPRANATIONAL SECURITIES: Debt obligations issued or guaranteed by international organizations established by two or more governments to promote economic development among member countries. Approved investments are U.S. dollar-denominated, senior unsecured and unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, the Inter-American Development Bank, or Inter-American Investment Corporation (IDB Invest), with a maximum maturity of five years or less.

U.S. GOVERNMENT AGENCY SECURITIES: Debt securities issued by U.S. Government agencies, including government-sponsored enterprises (GSEs), and federally related institutions. Examples include the Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), Federal National Mortgage Association (FNMA or Fannie Mae), Federal Farm Credit Banks (FFCB) and Tennessee Valley Authority (TVA).

U.S. TREASURY SECURITIES: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have minimal credit risk and serve as a benchmark for interest rates on other securities in the U.S. and international markets. The Treasury issues both discounted securities and interest-bearing notes and bonds.

TREASURY BILLS: Short-term securities with maturities of one year or less. They are generally sold at a discount from face value and do not pay periodic interest.

TREASURY NOTES: Interest-bearing securities of the U.S. Treasury with original maturities ranging from two to 10 years.

TREASURY BONDS: Interest-bearing securities issued by the U.S. Treasury with original maturities greater than 10 years, with current regular issuance at 20 and 30 years.

VOLATILITY: A degree of fluctuation in the price and valuation of securities.

WEIGHTED AVERAGE MATURITY (WAM): A measure of the average time remaining until the investments in a portfolio mature, calculated by weighting each investment's maturity according to its proportion of the total portfolio.

YIELD: The return earned on an investment, generally expressed as an annual percentage. Yield may be calculated using different methods, including current yield, yield to maturity, yield to call, and portfolio yield. Yield is the third priority in public funds investing, following safety of principal and liquidity, and should be maximized only within the constraints of those two higher priorities.

2027 Investment Policy Notable Changes Matrix

Section	Subject	Why Changes Needed?	Changes Made
B – Scope	Updated references to new GC and update bond language.	The section currently mixes bond proceeds language with the special trustee/fiscal-agent authority. Language related to bonds was scattered throughout Scope section and also referred to bond investment language not covered in the scope of the IP or the OC Investment Program.	Reorganized and created consolidated paragraph on bond proceeds, added applicable Education Code and Government Code references and structured to cover investments in the OC Investment Program.
E.1.1. – Credit Risk	Definition update	The current language defined creditworthiness, not credit risk.	Updated language to define credit risk.
E.1.2. – Market Risk	Duration reference.	There are various measurements of duration, the current IP is not specific, which needs definition to ensure we are measuring the correct metric to hold to.	Updated to effective duration, which reflects the probability of callable securities being called. This measurement is consistent with other peer IPs.
Mark-To-Market – Renamed to "Portfolio Evaluation and Reporting and moved to L.1.	Portfolio evaluation, reporting and targets.	1) Location of reference made more sense with performance evaluation section. 2) Reasoning for marking portfolio to market not explained. 3) NAV is a metric typically associated with funds where participants regularly withdraw funds and the withdrawal amounts are based on a calculated share amount (NAV). *This does not apply to OCTP and can inadvertently raise concerns during periods of market volatility and potentially encourage sales of otherwise sound investments solely to maintain a NAV target.*	1) Moves to appropriate section and renamed to subject. 2) Added language to explain what marked-to-market is and why we report on this. 3) Removed the NAV language**.** The NAV target requirement is not an appropriate measure of the OCTP's performance or participant balances. Unlike money market mutual funds, the OCTP follows a hold-to-maturity strategy, and participant balances are not adjusted for daily market fluctuations. Removing these requirements aligns the policy with the OCTP's investment structure and reporting practices of peer counties, including Los Angeles, San Bernardino, Riverside, and San Francisco. Transparency and oversight will be maintained through continued reporting of market and book values.
F.3 – Commercial Paper	Current subsection (b) still uses only special-purpose corporation/trust/LLC.	SB 1438 permits additional issuer structures, so updating to align with government code.	Updated language to align with updated language in the revised state law.

2027 Investment Policy Notable Changes Matrix

Section	Subject	Why Changes Needed?	Changes Made
F.4 – Negotiable Certificate of Deposit	Update language in new GC.	SB 1438 removed reference to definition of federal association.	Removed reference consistent with updated government code language.
F.5 – Repurchase Agreements	Definition and explanation of repurchase agreements and collateralization.	Current IP says the *term* has capital. The $500M requirement applies to the counterparty, not the agreement or term. Also, it set a limit here at one year, but per our limitations chart, OC's limit is 180 days.	Rewrote to separately state the repo maturity requirement and counterparty capital requirement and provide clarity and better understanding to this section. Corrected the language to reference the limit established in Section VIII, which will remove conflict of one-year vs. policy limits.
F.7 – MMMF	Update reference to new GC. Restrictions/definitions of traditional mutual funds and money market mutual funds.	GCs must be updated. Additionally, this section as currently written mixes two separate codes and mutual fund types. We apply a limit to our funds that is incorrect and references an incorrect state limit.	Updated the code references. Revised the language for clarity. Removed limitations language for consistency with other authorized investment sections and to reduce potential for conflicts within the policy as limits are addressed in Section VIII.
F.8 – State Pool (LAIF)	Maturity calculations	Current language does not clearly identify that the one-day maturity is used for OCTP reporting and portfolio maturity calculations, rather than representing LAIF's actual maturity.	Revised language to add explanation of LAIF and clarified one-day maturity reference.
F.11 – Investment Pools (JOINT POWERS AUTHORITIES – New Title)	Update reference to new GC and investment type.	GCs must be updated and reference to investment type is not consistent with how referenced in GC. Section is not clear on investment type, did not refence credit rating limit that differs from the rating table in H.1.	Updated language to align with the current GC and updated GC references; changed section to "Joint Powers Authorities". Aded credit rating restriction. Removed review criteria for investments, this due diligence is not specific to this investment type.
F.12 – Supranational Securities	SB 1438 adds Inter-American Investment Corporation.	This additional issuer was added by SB 1438.	Added "Inter-American Investment Corporation (IDB Invest" consistent with updated GC.
G – Investment Credit Rating Restrictions	Rating requirements, exceptions, exception to credit watch language, etc.	This section did not address all circumstances where direction regarding credit changes is needed. Language needed significant clarification and enhancement as it has always been an area of confusion for staff and can create issues for items that are not concerning or may cause unintentional compliance exceptions.	Revised language and structure for organization, clarity, etc. Provided clear direction on what actions were needed in the event of credit changes, etc. Updated table to accurately reflect the credit ratings associated with each rating category.

2027 Investment Policy Notable Changes Matrix

Section	Subject	Why Changes Needed?	Changes Made
H.1 – Diversification table	GC Limits on MMMFs, Issuer limits on Medium Term Notes, Municipal Debt Issuer Limit clarification.	**Municipal Debt –** Issuer limit needed additional clarification. **MTNs –** IP issuer limits restricts ability to 5%. **MMMFs –** State Individual Issuer Limit was incorrect and limited OC on individual issuer investments resulting in forced investment to MMMFs with lower investment rates.	**Municipal Debt -** Added clarification of limits in a footnote. **MTNs -** Increased the IPs individual issuer limit from 5% to 8%. **MMMF -** Corrected the GC individual issuer limit from 10% to 20% and increased the County's limit accordingly.
H.3 – Duration	Duration definition and maximum amount.	1) Because duration can be measured using different methodologies, the Policy should specify the applicable calculation. 2) Consistent with prior Chief Investment Officer recommendations, a lower duration limit is recommended to further mitigate interest rate risk.	1) Clarified duration is "effective" duration. 2) Reduced duration from 3 years to 2.5 years.
I – Prohibited Transactions	Clarification on investment violation language.	Language is not clear and appears to state violations can be approved retroactively, which cannot occur.	Revised language for clarity and added language on how to address if this situation occurs.
K – Broker/Dealers	Section structure, updated reference to new GC, Broker-Dealer Application frequency.	1) Organized structure, created subsections. 2) GCs must be updated. 3) Frequency of BDA process not consistent with Contract Policy Manual and impacts efficiencies of operations.	1) Added subsections to separate topics. 2) Updated from 53601.5 & 53601.6 to 53602(h). 3) Changed BDA frequency from 2 years to 3 years (align with CPM (3+2) & San Diego).
L – Performance Evaluation	Coordination with treasurer on report, report requirements, reference to GASB reports.	1) Original language was when CEO was potentially collaborating with TTC on a report. 2) Language needed clarification on reporting content, requirements and deadlines. 3) GASB reports are reporting requirements and should be included in that section.	1) The reference to the CIM was meant to be generic so IP applies regardless of where the investment authority lies, revised to more generic language. 2) Revised language for clarity and flexibility. 3) Moved GASB to Reporting Requirements Section. 4) Added "Portfolio Evaluation and Reporting" Section, previously Mark to Market in Objectives section.
O – Internal Controls	Section structure, compliance on fair value language and compliance on purchases.	To say compliance is done on fair value as a broad statement is inaccurate, as not all policy requirements are measured that way. Additionally, there was no language that protected the county	Enhanced section organization and compliance language to add clarity and address action to be taken in the event the referenced concentration compliance violation occurs.

2027 Investment Policy Notable Changes Matrix

Section	Subject	Why Changes Needed?	Changes Made
		from being forced into selling an investment if some unforeseen shift resulted in a policy limit violation.	
P – Earnings and Cost Apportionment	GC reference updates and Investment Administrative Fee (IAF) calculation and reconciliation.	1) GC 27130 became inoperative when the Treasury Oversight Committee (TOC) was dissolved and is no longer in effect. 2) Provided clarification on the Investment Administrative fee calculation and process and set requirements for finalization of the IAF settlement to pool participants.	1) Removed reference to the TOC provisions following the dissolution of the committee. 27130 et seq. 2) Clarified the IAF process, which has been compared with peers, reviewed with counsel and validated by the external auditors. Added the timing requirements for FY end settlement so the Investments Division can receive all necessary data to reconcile the IAF, report the percentage to TTC for mandated state requirements and issue refunds to pool participants on a timely basis.
S – Financial Reporting – NEW TITLE "REPORTING REQUIREMENTS"	Required reports	Revisions are necessary to consolidate reporting requirements in the appropriate section, address compliance reporting, and clarify ACFR & GASB definitions and associated reporting requirements.	Reorganized reporting requirements previously included under Performance Evaluation, added compliance reporting requirements, and clarified ACFR & GASB definitions and associated reporting requirements.
U – Disaster Recovery	Alternate work locations, depository bank funds, resolution of policy violations due to disaster, etc.	Language is outdated, doesn't cover funds at depository bank, doesn't cover resolution of policy violations due to disaster recovery implementation, etc.	Revised to reflect current technology and available resources, including telecommute capabilities. Expanded language to include both custodial and depository banks. Also clarified that any exceedances of investment limits resulting from disaster recovery operations would be addressed as soon as reasonably practicable following the restoration of normal operations.
XXII – Glossary	Various Updates	Needed appropriate terms, references and explanations *applicable to this IP*.	Removed definitions that were not referenced in IP, updated incorrect definitions, clarified definitions for better reader understanding, and added missing definitions.

Agenda Item 6

Agenda Item 7

Agenda Item 8

Agenda Item 9



ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Orange County Audit Committee Meeting

November 12, 2026

Steve Delaney

Chief Executive Officer

About OCERS

- Orange County Employees Retirement System Established as a defined benefit retirement program in 1945
  - 1937 Act
  - California Government Code
  - Regulates County Retirement Systems in CA
- 1 of 20 County Systems in California
- Separate from CalPERS



Who We Serve



- City Of San Juan Capistrano
- County Of Orange
- Orange County Cemetery District
- Orange County Children & Families Commission
- Orange County Department Of Education (Closed To New Members)
- Orange County Employees Retirement System
- Orange County Fire Authority
- Orange County In-home Supportive Services Public Authority
- Orange County Local Agency Formation Commission
- Orange County Public Law Library
- Orange County Sanitation District
- Orange County Transportation Authority
- Superior Court Of California, County Of Orange
- Transportation Corridor Agencies
- UCI Medical Center And Campus (Closed To New Members)

The Current State of OCERS

Total Membership

55,173 (as of Dec. 2025)

2025	55,173	1.0%
2024	54,485	3.5%
2023	52,644	3.9%
2022	50,633	3.1%
2021	49,075	2.6%
2020	47,796	1.3%
2019	47,196	3.4%
2018	45,629	2.6%
2017	44,471	2.6%
2016	43,485	2.3%
2015	42,427	2.4%

OCERS and the Pension Promise:
As of December 31, 2025:

- Present Value of Future Benefits $35,047,809,000
- OCERS Actuarial Accrued Liability $29,639,365,000
- OCERS Assets (Valuation) $25,652,999,000
  - Funded Ratio (Valuation): 86.55%
- OCERS Assets (Market) $27,478,757,000
  - Funded Ratio (Marke): 92.71%
- Unfunded Actuarial Accrued Liability (UAAL) $3,986,366,000

The Unfunded Actuarial Accrued Liability (UAAL)

as of December 31, 2025

Changes in UAAL since December 31, 2025 Valuation ($000)

	Line Description	Amount
1.	Unfunded actuarial accrued liability at beginning of year	$4,569,636,000
2.	Normal cost at middle of year	625,145,000
3.	Expected employer and member contributions	(1,201,683,000)
4.	Interest to end of year	298,523,000
5.	**Expected unfunded actuarial accrued liability at end of year**	**$4,291,621,000**
6.	**Changes due to:**	
a.	Investment return greater than expected, after asset smoothing	$(443,938,000)
b.	Actual contributions less than expected under funding policy	158,000
c.	Additional UAAL contributions from OCFA, and scheduled payments[23] from DOE and U.C.I.	(21,576,000)
d.	Individual salary increases greater than expected	191,395,000
e.	COLA increases greater than expected in 2026[24]	6,056,000
f.	Other net experience gain[25]	(37,350,000)
g.	**Total changes**	**$(305,255,000)**
7.	**Unfunded actuarial accrued liability at end of year: 5 + 6g**	**$3,986,366,000**

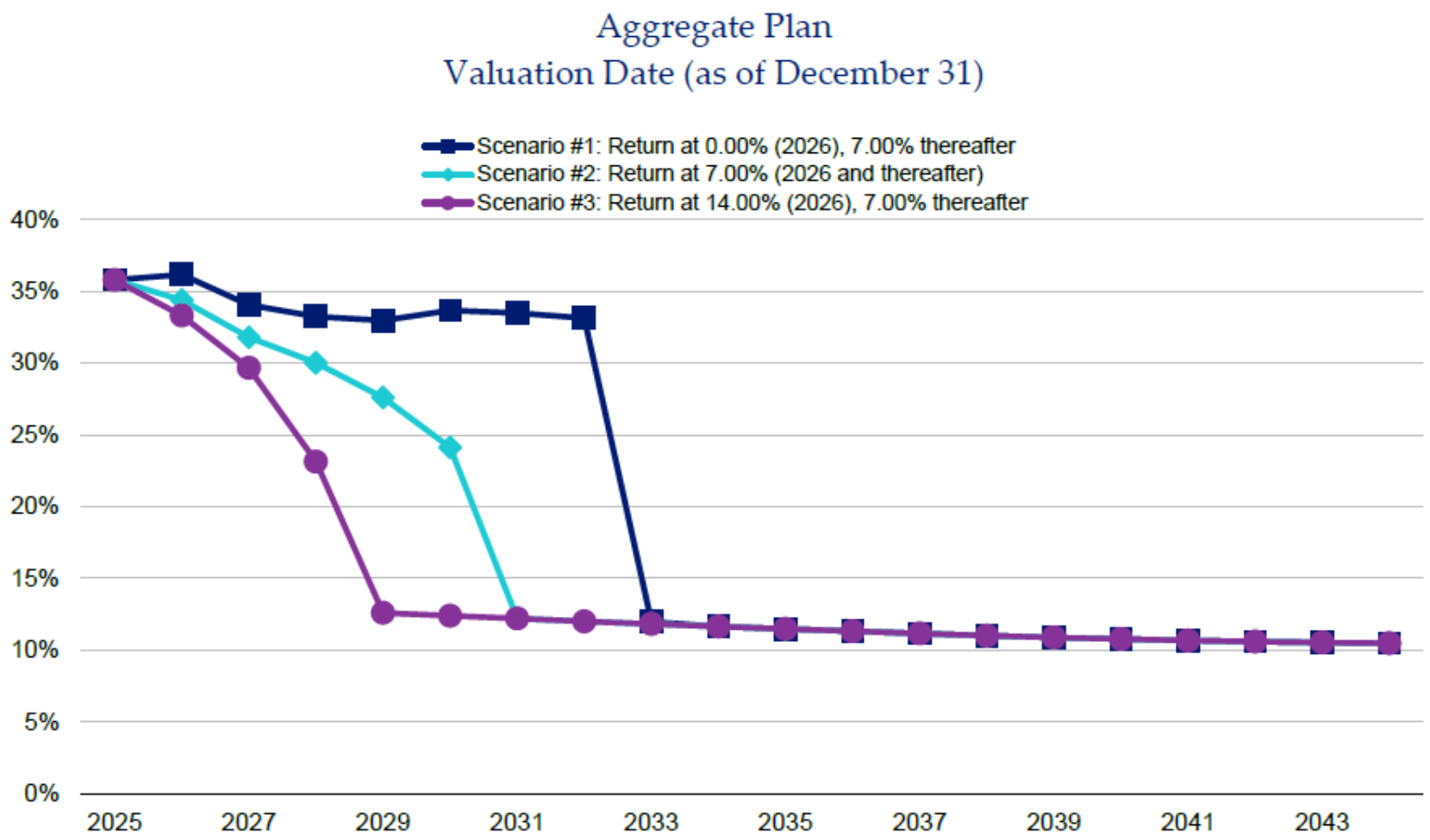
PROGRESS IN
20 YEAR AMORTIZATION OF UAAL

UAAL ($000) and Funded Ratio by Rate Group

Group	Category	12/31/25 UAAL	12/31/25 Funded Ratio
Rate Group #1	General Plans A,B and U (County and IHSS)	$22,215	96.40%
Rate Group #2	General Plans I, J, O, P, S, T, U and W (County et al.)	$2,865,262	82.47%
Rate Group #3	General Plans B, G, H and U (OCSD)	-$28,446	102.76%
Rate Group #5	General Plans A, B, and U (OCTA)	$137,100	89.53%
Rate Group #9	General Plans M, N and U (TCA)	-$3,690	105.07%
Rate Group #10	General Plans I, J, M, N and U (OCFA)	$11,579	96.88%
Rate Group #11	General Plans M and N, future service and U (Cemetery)	$139	99.22%
Rate Group #12	General Plans G, H and U (Law Library)	-$3,243	124.11%
Rate Group #6	Safety Plans E, F, and V (Probation)	$157,324	87.75%
Rate Group #7	Safety Plans E, F, Q, R and V (Law Enforcement)	$808,744	86.34%
Rate Group #8	Safety Plans E, F, Q, R and V (OCFA)	$19,382	99.27%
	Average Total	$3,986,366	86.55%

IMPACT ON EMPLOYER CONTRIBUTION RATES

Attachment A: Projected employer contribution rates



Employer Contribution Rates	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Scenario #1	35.8%	36.2%	34.0%	33.2%	33.0%	33.7%	33.5%	33.1%	12.0%	11.7%	11.5%	11.3%	11.2%	11.0%	10.9%	10.8%	10.7%	10.6%	10.5%	10.5%
Scenario #2	35.8%	34.4%	31.8%	30.0%	27.6%	24.1%	12.2%	12.0%	11.8%	11.7%	11.5%	11.3%	11.2%	11.0%	10.9%	10.8%	10.7%	10.6%	10.5%	10.5%
Scenario #3	35.8%	33.3%	29.7%	23.1%	12.6%	12.4%	12.2%	12.0%	11.8%	11.7%	11.5%	11.3%	11.2%	11.0%	10.9%	10.8%	10.7%	10.6%	10.5%	10.5%

PENSIONS March 4, 2026

Public Pension Funds Are Getting Healthier. Their New Problem: Paying the Bills

As funding levels rebound, retirement systems face an unexpected shift—one that could force them to rethink investment strategy, liquidity and long-term risk.

Reported by JAMES VAN BRAMER

HOW THE OCERS BOARD OF RETIREMENT HAS ACCOMPLISHED IMPROVEMENT IN FUNDING STATUS

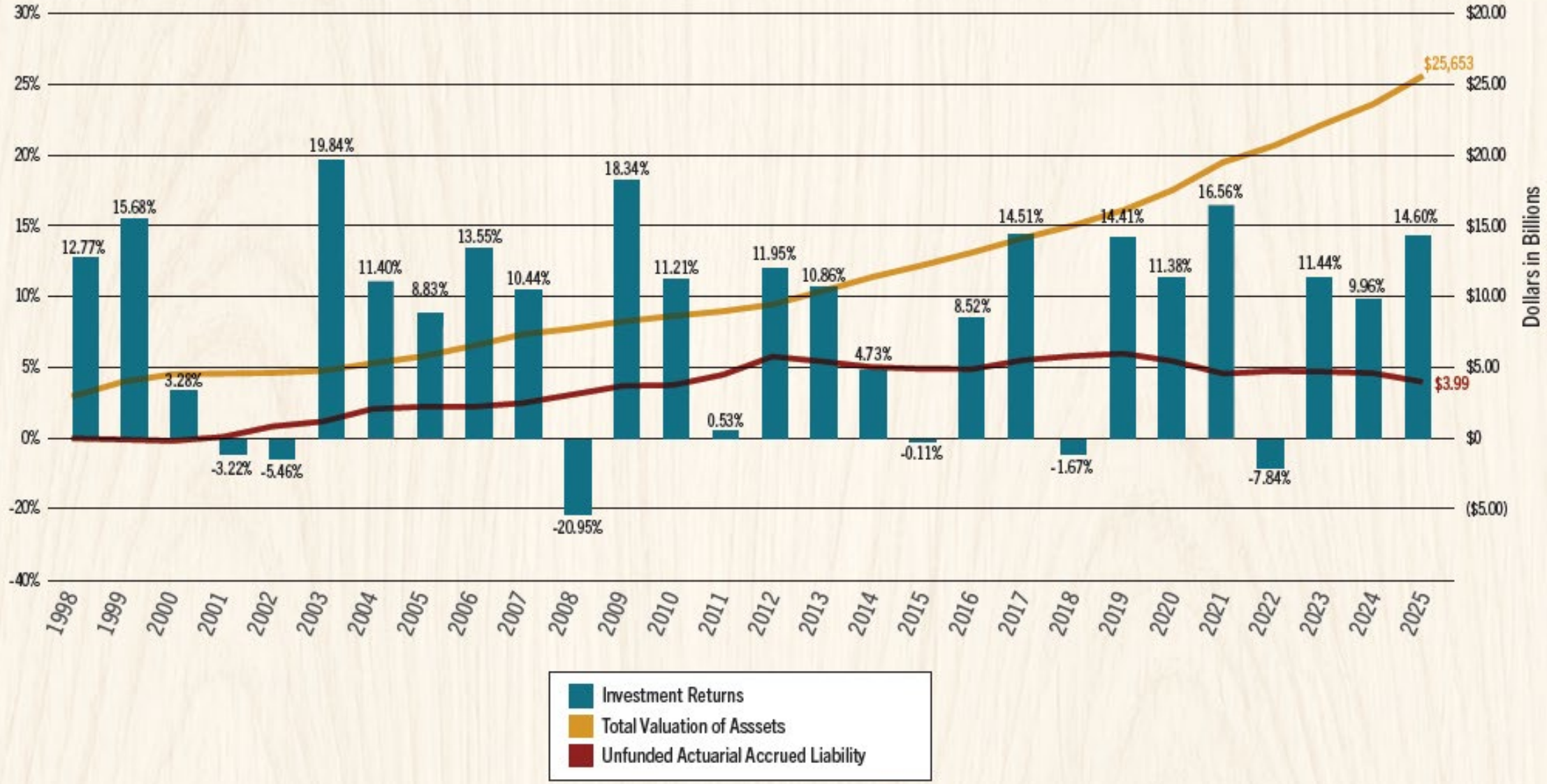
At-A-Glance

CURRENT PERFORMANCE	
YTD Return (Sep 2026)	**14.12%**
Total Market Value	**$31,608,964,716**
Data as of September 30, 2026	

TRAILING RETURNS (Current as of Sep 2026) Average Years of Service = 21.4 Assumed rate of return = 7%	
5 Years	9.11%
7 Years	10.34%
10 Years	9.62%
15 Years	8.94%
20 Years	7.47%

ANNUAL RETURNS (Year-End)		
Year	YTD Return	Fund Value
2016	8.52%	$13,240,659,792.00
2017	14.51%	$15,302,714,855.00
2018	-1.67%	$15,072,118,279.00
2019	14.41%	$17,321,248,659.00
2020	11.38%	$19,281,442,071.00
2021	16.56%	$22,435,571,984.00
2022	-7.84%	$20,496,083,760.00
2023	11.44%	$22,263,885,675.00
2024	9.96%	$24,303,566,366.00
2025	14.60%	$27,631,586,817.00

Annual Investment Returns (%) vs. Total Valuation of Assets (VVA) & Unfunded Actuarial Accrued Liability (UAAL)



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SpaceX: Starlink Brinkmanship | SpaceX-Tesla Merger | AI Revenue Jump | Mobile Phone Service | Jobs at SpaceX

Finance
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EXCLUSIVE

SpaceX Windfall Presents Dilemma for California Pension Fund



A SpaceX Falcon 9 reusable rocket booster on display outside the company's facilities in Hawthorne, California. *Photographer: Ethan Swope/Bloomberg*

Public Fund Universe Analysis

Orange County Employees' Retirement System

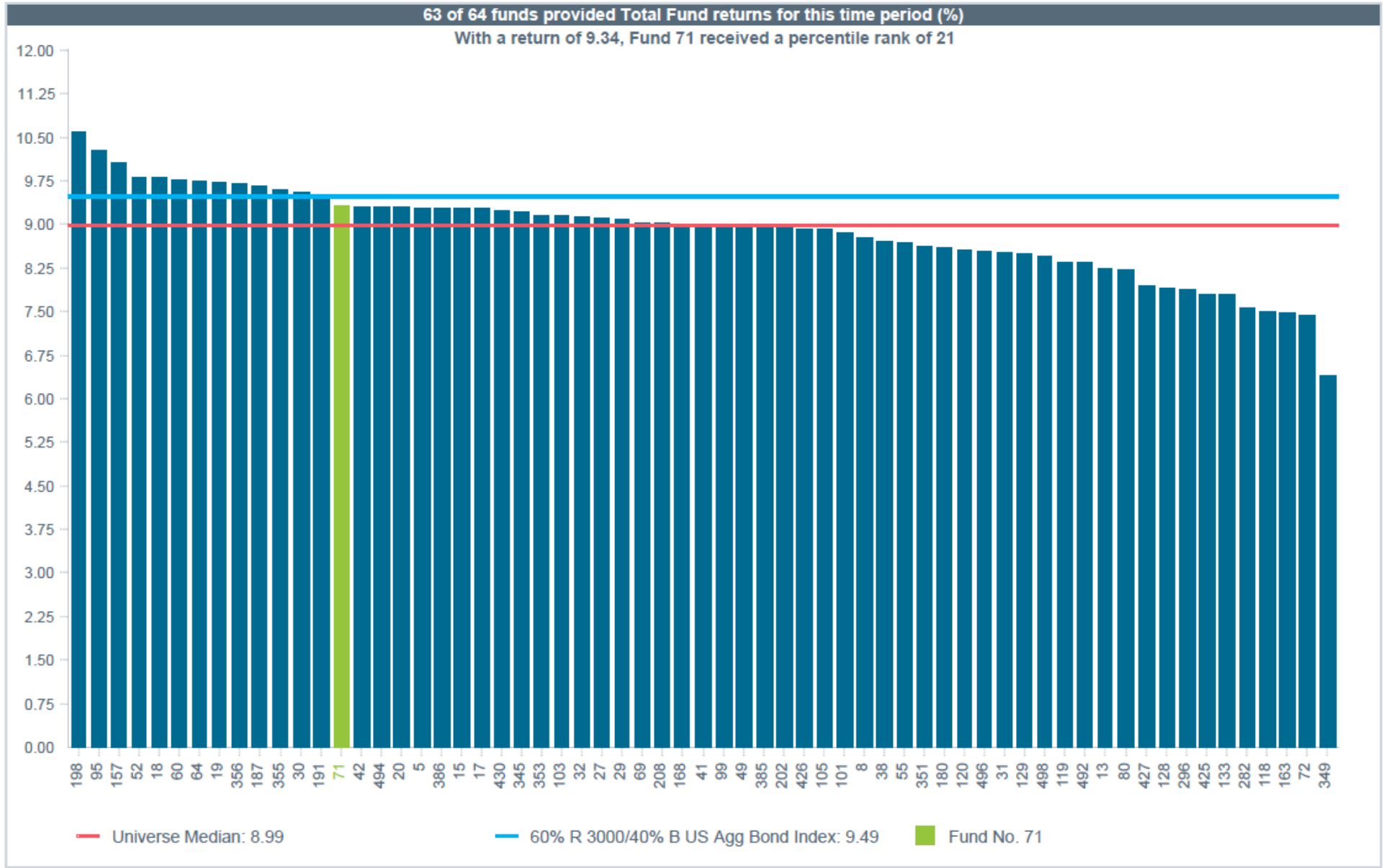
Period Ending December 31, 2025

Fund Number: 71



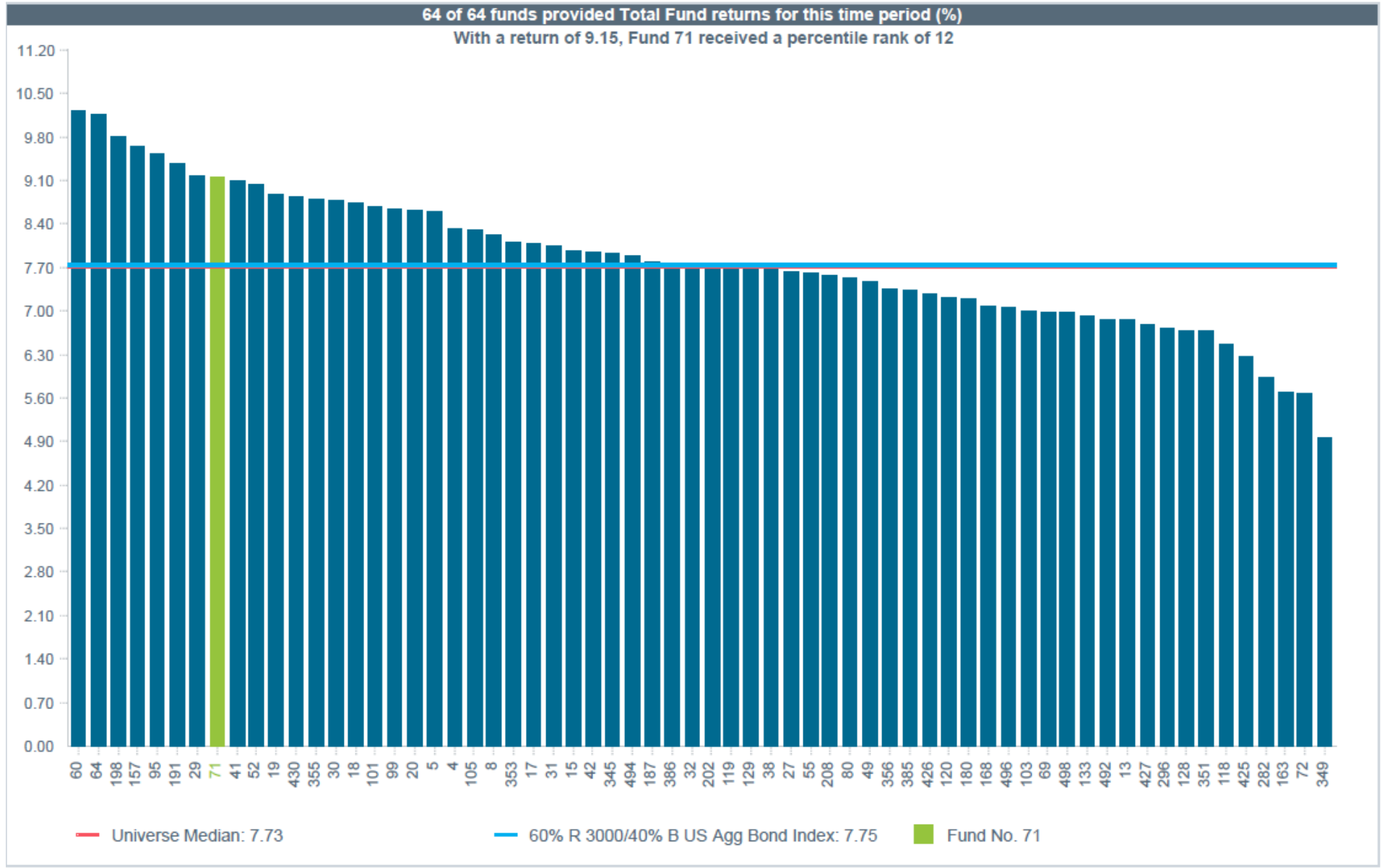
Alameda County Employees' Retirement Association
Anchorage Police & Fire Retirement System
Arlington County Employees' Retirement System
California State Teachers' Retirement System
Chicago Teachers' Pension Fund
City of Fresno Employees' Retirement System
City of Fresno Fire & Police Retirement System
City of Jacksonville Employees' Retirement System
City of Jacksonville Police and Fire Retirement Fund
City of Milwaukee Employes' Retirement System
City of Plano Retirement Security Plan
Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri
Confederated Tribes of the Warm Springs Tribal Council Pension Fund
Contra Costa County Employees' Retirement Association
Employees Retirement System of Texas
Fire and Police Pension Association of Colorado
Fresno County Employees' Retirement Association
Gila River Indian Community Retirement Plan
Imperial County Employees' Retirement System
Kansas City, Missouri Employees' Retirement System
Kansas Public Employees' Retirement System
Kern County Employees' Retirement Association
Los Angeles City Employees' Retirement System
Los Angeles County Employees Retirement Association
Los Angeles Fire and Police Pension System
Los Angeles Water & Power Employees Retirement Plan
Marin County Employees' Retirement Association
Merced County Employees' Retirement Association
Mississippi Public Employees Retirement System
Missouri Local Government Employees Retirement Systems
Montana Public Employees' Retirement System
Montana Teachers' Retirement System
Municipality of Anchorage Pre-Funding Program
Nebraska Investment Council
Nevada Public Employees' Retirement System
New York State Common Retirement Fund
North Carolina Retirement System
Ohio Public Employees' Retirement System
Oklahoma Firefighters Pension and Retirement System
Oklahoma Law Enforcement Retirement System
Oklahoma Police Pension and Retirement System
Oklahoma Public Employees Retirement System
Oklahoma Teachers' Retirement System
Oklahoma Uniform Retirement System for Justices and Judges
Oklahoma Wildlife Conservation Retirement System
Orange County Employees' Retirement System (Fund No. 71)
Pennsylvania Public School Employees' Retirement System
Pennsylvania State Employees' Retirement System
Police Retirement System of Kansas City, Missouri
San Bernardino County Employees' Retirement Association
San Diego City Employees' Retirement System
San Diego County Employees Retirement Association
San Diego Transit Corporation Employees Retirement
Santa Barbara County Employees' Retirement System
Sonoma County Employees' Retirement Association
South Dakota Retirement System
State of Michigan Retirement Systems

RVK



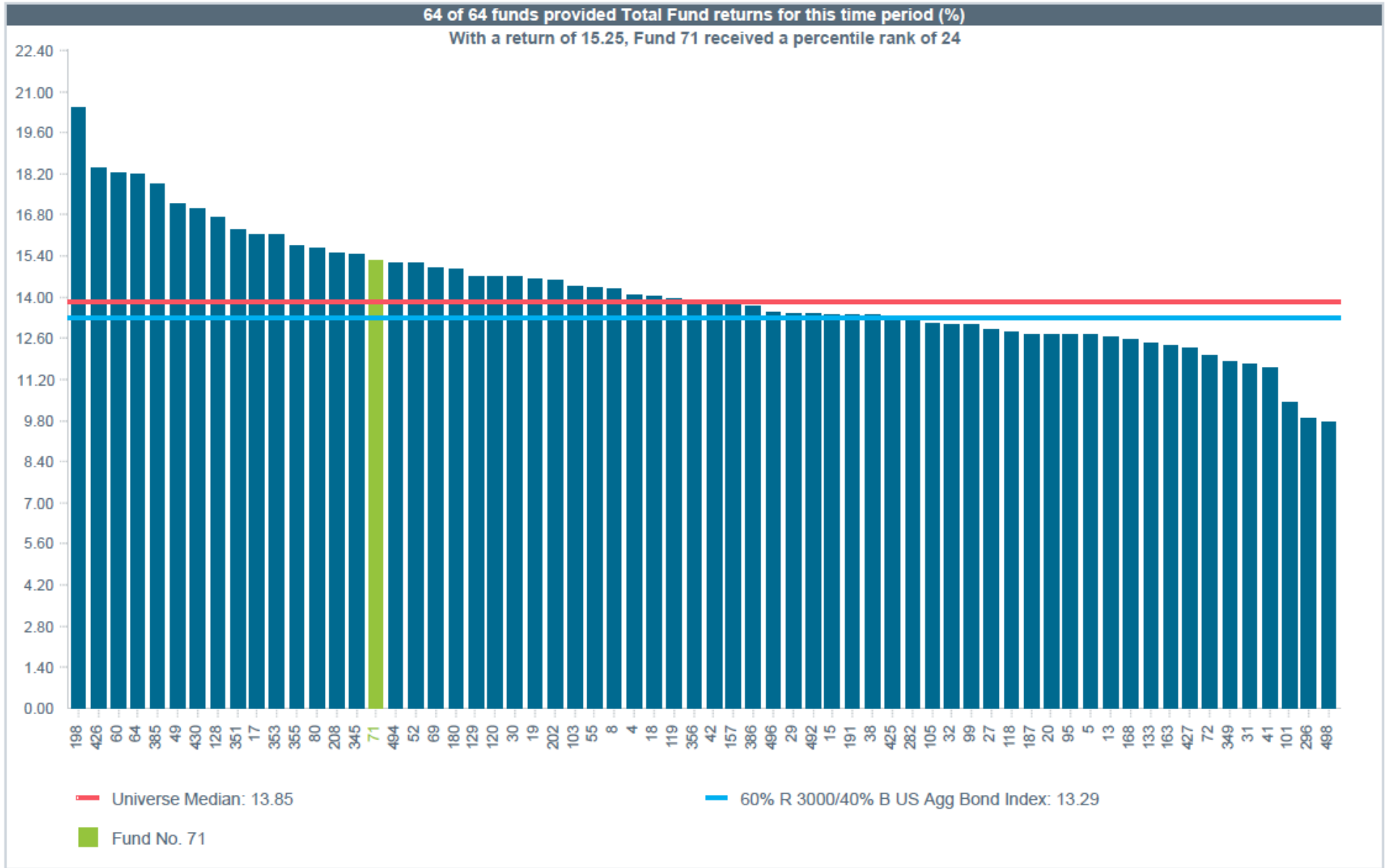
Funds with less history than the specified time period will not appear in the chart.

RVK



Funds with less history than the specified time period will not appear in the chart.

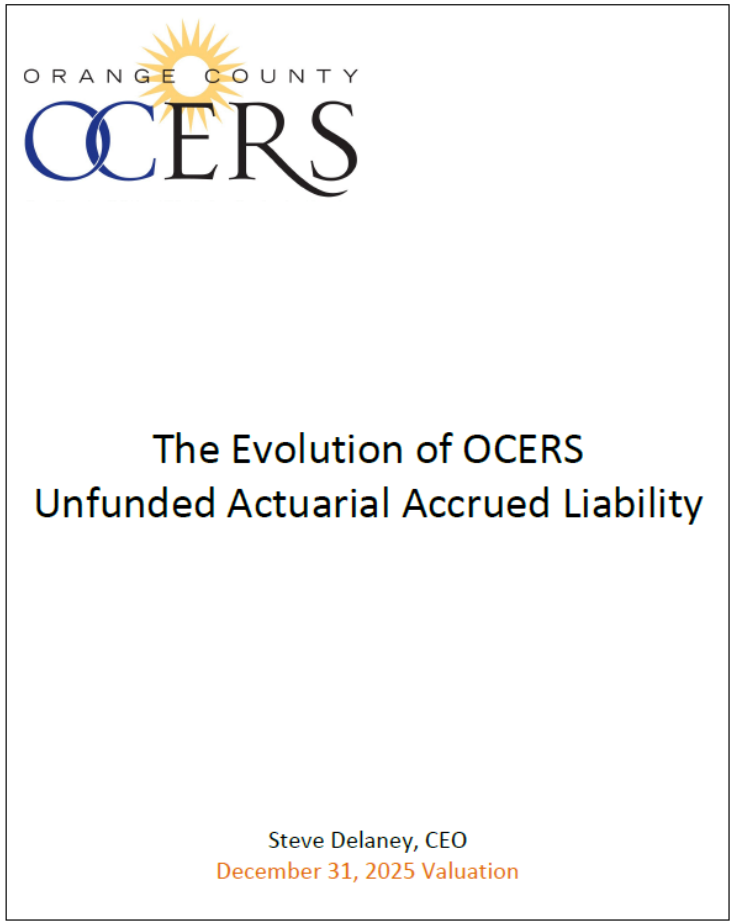
RVK



Funds with less history than the specified time period will not appear in the chart.

RVK

Additional Reading (www.OCERS.org)

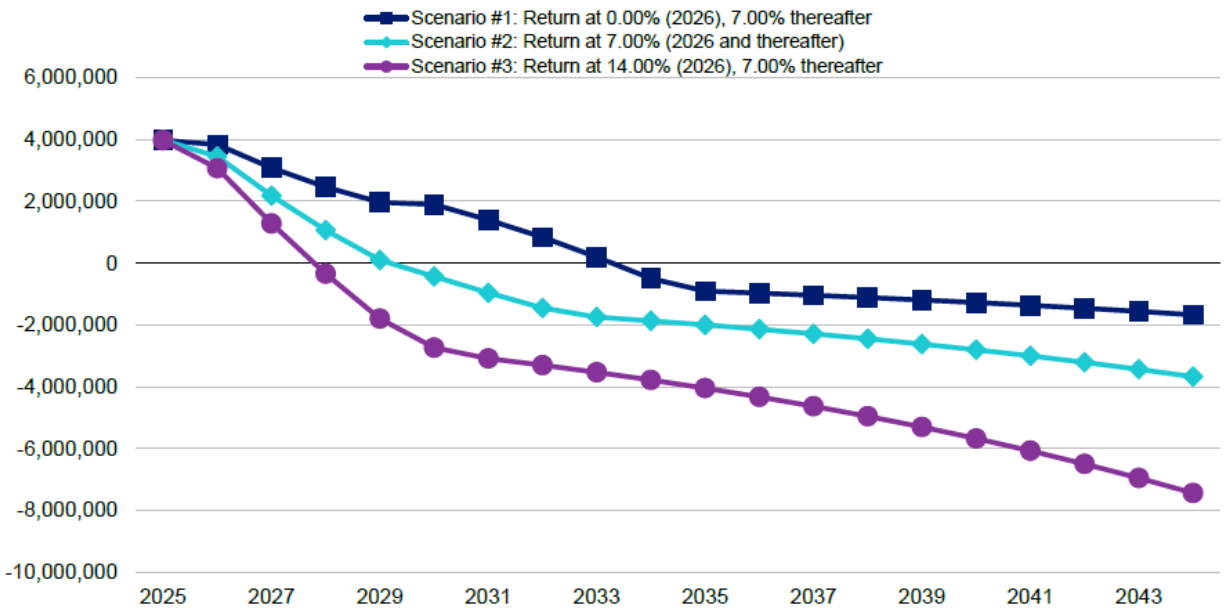


APPENDIX

Attachment C: Projected UAAL[9] and funded ratio for aggregate plan

Valuation Date (as of December 31)

($ in thousands)



UAAL ($000)	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Scenario #1	3,971,072	3,829,099	3,074,960	2,459,153	1,967,186	1,892,718	1,396,478	833,417	196,449	-503,345
Scenario #2	3,971,072	3,447,324	2,177,800	1,062,305	96,221	-435,298	-962,008	-1,453,132	-1,746,274	-1,868,514
Scenario #3	3,971,072	3,065,547	1,280,640	-344,303	-1,797,354	-2,735,728	-3,086,393	-3,302,441	-3,533,612	-3,780,965

UAAL ($000)	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Scenario #1	-907,376	-973,634	-1,041,790	-1,114,718	-1,192,750	-1,276,245	-1,365,584	-1,461,177	-1,563,462	-1,672,907
Scenario #2	-1,999,310	-2,139,262	-2,289,011	-2,449,241	-2,620,689	-2,804,137	-3,000,427	-3,210,457	-3,435,188	-3,675,652
Scenario #3	-4,045,633	-4,328,827	-4,631,845	-4,956,074	-5,302,999	-5,674,209	-6,071,404	-6,496,402	-6,951,150	-7,437,731

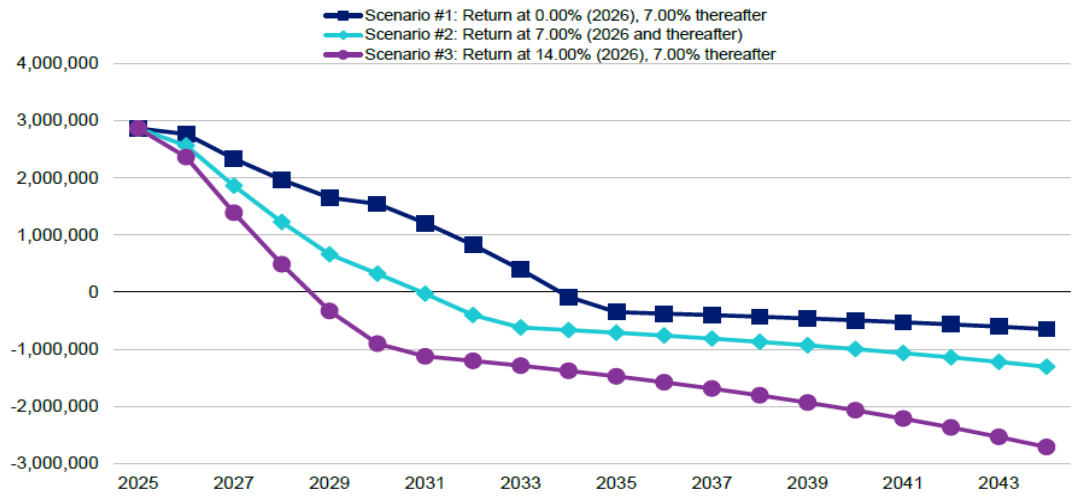
Funded Ratio	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Scenario #1	86.5%	87.5%	90.4%	92.6%	94.3%	94.7%	96.2%	97.8%	99.5%	101.2%
Scenario #2	86.5%	88.8%	93.2%	96.8%	99.7%	101.2%	102.6%	103.8%	104.4%	104.5%
Scenario #3	86.5%	90.0%	96.0%	101.0%	105.2%	107.6%	108.3%	108.6%	108.9%	109.2%

Funded Ratio	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Scenario #1	102.1%	102.2%	102.3%	102.4%	102.5%	102.6%	102.7%	102.8%	102.9%	103.1%
Scenario #2	104.7%	104.9%	105.1%	105.3%	105.5%	105.7%	105.9%	106.2%	106.5%	106.7%
Scenario #3	109.5%	109.9%	110.3%	110.7%	111.1%	111.6%	112.0%	112.5%	113.1%	113.6%

Attachment E: Projected UAAL and funded ratio for Rate Group #2

Valuation Date (as of December 31)

($ in thousands)



UAAL ($000)	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Scenario #1	2,865,262	2,765,480	2,333,860	1,966,432	1,652,568	1,545,007	1,207,842	825,289	392,590	-83,224
Scenario #2	2,865,262	2,564,151	1,861,088	1,226,247	660,830	321,164	-28,042	-401,889	-621,445	-664,946
Scenario #3	2,865,262	2,362,821	1,388,307	486,025	-331,079	-903,598	-1,126,014	-1,204,836	-1,289,174	-1,379,416

UAAL ($000)	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Scenario #1	-349,935	-377,171	-403,573	-431,823	-462,050	-494,394	-529,001	-566,031	-605,654	-648,050
Scenario #2	-711,492	-761,297	-814,588	-871,609	-932,622	-997,905	-1,067,759	-1,142,502	-1,222,477	-1,308,050
Scenario #3	-1,475,975	-1,579,294	-1,689,844	-1,808,133	-1,934,703	-2,070,132	-2,215,041	-2,370,094	-2,536,001	-2,713,521

Funded Ratio	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Scenario #1	82.5%	83.7%	86.7%	89.2%	91.2%	92.0%	93.9%	96.0%	98.1%	100.4%
Scenario #2	82.5%	84.9%	89.4%	93.2%	96.5%	98.3%	100.1%	102.0%	102.9%	103.1%
Scenario #3	82.5%	86.1%	92.1%	97.3%	101.8%	104.7%	105.6%	105.9%	106.1%	106.4%

Funded Ratio	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Scenario #1	101.6%	101.7%	101.7%	101.8%	101.9%	102.0%	102.1%	102.2%	102.4%	102.5%
Scenario #2	103.2%	103.4%	103.5%	103.7%	103.9%	104.1%	104.3%	104.5%	104.8%	105.0%
Scenario #3	106.7%	107.0%	107.3%	107.7%	108.0%	108.5%	108.9%	109.4%	109.9%	110.4%

Agenda Item 10

Agenda Item 11

Memorandum

November 12, 2026

AOC Agenda Item No. 11

TO: Audit Oversight Committee Members

Recommended Action:
Approve Internal Audit Department's Summary of Audit Reports for the Period July 1, 2026 through November 4, 2026

Approve Internal Audit Department's Summary of Audit Reports for the Period July 1, 2026 through November 4, 2026, as stated in recommended action.

ATTACHMENT(S):

Attachment A – Internal Audit Department Summary of Audit Reports Memo

1. Weaver Forensic Audit of County Contracts - Phase 2
2. OCIT Data Governance Selected Controls
3. OCCR Purchasing and Contracts
4. A-C Cash Disbursements and Claims
5. County of Orange Procurement Governance (First and Final Close-Out Follow-Up)
6. OCWR Selected Cybersecurity Controls (First Follow-Up)

Attachment B – Audit Plan Summary Report

Attachment A

INTERNAL AUDIT DEPARTMENT

November 10, 2026

To: Audit Oversight Committee Members

From: Aggie Alonso, CPA, CIA, CRMA
Internal Audit Department Director

Subject: Internal Audit Department Summary of Audit Reports for the Period July 1, 2026 through November 4, 2026

During this period, the Internal Audit Department issued six final reports (four original reports and two follow-up reports), as indicated in the tables below. Table 1 lists original audit reports issued with a breakdown of the finding category (e.g., critical, significant, control). Table 2 lists follow-up audit reports issued with a breakdown of recommendation status (e.g., implemented, in process, not implemented, closed). The audit highlights page or executive summaries of each original report are included in the Exhibits to provide an overview of audit results.

Table 1.

Dept	Original Audit	Finding Category		
		Critical	Significant	Control
Countywide	Weaver Forensic Audit of County Contracts - Phase 2 (1) *See Exhibit 1*	0	6	0
CEO	OCIT Data Governance Selected Controls *See Exhibit 2*	0	3	0
OCCR	Purchasing and Contracts *See Exhibit 3*	0	1	4
A-C	Cash Disbursements and Claims *See Exhibit 4*	0	0	3
	Total	0	10	7

1) Weaver and Tidwell, L.L.P. presented report to the Board at the August 25, 2026 meeting (Item S38H). Findings were not categorized in the report and are shown under Significant for tallying purposes.

Table 2.

Dept	Follow-Up Audit	Recommendation Status			
		Implemented	In Process	Not Implemented	Closed
CEO	County of Orange Procurement Governance (First and Final Close-Out Follow-Up)	26	0	0	0
OCWR	Selected Cybersecurity Controls (First Follow-Up)	3	1	0	0
	Total	29	1	0	0

In addition, Attachment B is our Audit Plan Summary Report indicating the status of all audits (e.g. completed, in process, not started, deferred) in our current audit plan.

If you have any questions, please contact me at (714) 834-5442 or Deputy Director Jose Olivo at (714) 834-5509.

Exhibit 1

Forensic Audit of County Contracts

Phase 2 Report

County of Orange

Prepared For:
Board of Supervisors
Internal Audit Department

August 12, 2026

weaver
Assurance • Tax • Advisory

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B. Contract with Bridgecreek Realty Investment Corp. 30

C. Contract with RX Consultants Group, Inc. (dba Mercy Pharmacy) 42

Appendices and Exhibits 48

Executive Summary

I. Introduction

This Executive Summary provides an overview of Weaver's findings and recommendations based on the work performed as part of Phase 2 of the Forensic Audit for County of Orange (the "County").[1] The Executive Summary is based on the set of facts and findings described in the Report and should be read with the Report itself, including the associated appendices and exhibits. Standing alone, it does not provide a full understanding of the facts and analysis underlying our findings and recommendations. Certain limitations on the information available to Weaver resulted in constraints on our forensic audit. We had no power to compel third parties to submit to interviews, produce documents, or otherwise provide information.[2] Weaver reserves the right to amend this Report should additional information be made available relevant to our review.

II. Scope of Work

a. Engagement Background

On December 3, 2024, the Board of Supervisors (the "Board") directed the Internal Audit Department to hire an independent external audit firm to conduct a forensic audit of County contracts established between January 2019 and August 2024. In July 2025, Weaver submitted a proposal to the County in response to the Request for Proposals (RFP) for Forensic Audit of County Contracts (RFP 017-2804501-RB). In November 2025, Weaver was engaged by the County to conduct a forensic audit of County contracts, including all contracts within the County Executive Office, Health Care Agency, OC Community Resources and the Social Services Agency. The scope of work also included the review of contracts for the fund accounts listed below:[3]

- American Rescue Plan Act ("ARPA")
- Coronavirus Aid, Relief, and Economic Security Act ("CARES")
- Mental Health Services Act ("MHSA")
- General Fund

[1] Weaver submitted the Phase 1 Forensic Audit Report to the County in March 2026.

[2] Weaver was unable to interview former District 1 Chief of Staff, Chris Wangsaporn, who did not respond to our interview request.

[3] The scope of work included the review for compliance with the County's Contract Policy Manual and all applicable procurement-related statutes, prioritizing the review of Human Services and Sole Source contracts funded by ARPA, CARES Act, MHSA and the General Fund.

b. Phases of the Forensic Audit

As outlined in the RFP and Weaver's contract with the County, the forensic audit was to be conducted in phases for purposes of completing and reporting the results of the forensic audit in a timely manner. Prior to the County's issuance of the RFP, the Internal Audit Department ("IAD") identified the County contracts to be included in the scope of work of the forensic audit, as well as the assignment of contracts across four (4) phases. Based on the contracts identified by IAD that met the criteria outlined in the scope of work, the forensic audit included the review of over 2,500 contracts totaling approximately $4.3 billion for all phases, as summarized in the table below.

Summary of Contracts Included in Forensic Audit Scope (By Phase)

Phase	No. of Contracts	Contract Amount
Phase 1 (Top Priority Contracts)	145	$ 486,187,115
Phase 2 (High Priority Contracts)	681	1,712,996,693
Phase 3 (Medium Priority Contracts)	731	1,012,238,280
Phase 4 (Low Priority Contracts)	995	1,055,919,677
Total	**2,552**	**$ 4,267,341,766**

c. Overview of Phase 2 Contracts

The scope of work for Phase 2 of the forensic audit included the review of 681 contracts totaling approximately $1.7 billion, which were identified by IAD as the "high priority contracts." A summary of the contracts included in Phase 2 of the forensic audit is provided in the table below.

Summary of Phase 2 Contracts by Department / Agency

County Department / Agency	No. of Contracts	Contract Amount
HCA (Health Care Agency)	301	$ 1,506,298,656
CEO (County Executive Office)	223	108,791,987
OCCR (OC Community Resources)	127	41,376,320
SSA (Social Services Agency)	29	54,029,730
OCPW (Public Works)	1	2,500,000
Total	**681**	**$ 1,712,996,693**

III. Work Steps Performed

As outlined in the work plan included in Weaver's proposal to the County, Weaver's review of the contracts included in Phase 2 of the forensic audit was organized into eight (8) work steps, as summarized below.

Work Step	Description of Work Performed During Phase 2
Work Step 1: Planning/Kickoff Meetings	On March 25, 2026, Weaver met with the Internal Audit Department for the kickoff meeting for Phase 2 of the forensic audit. Following the Phase 2 kickoff meeting, Weaver submitted requests for supporting documents for the Phase 2 contracts to the relevant departments for the Phase 2 contracts, including the County Executive Office, Health Care Agency, OC Community Resources, Social Services Agency and Orange County Public Works.
Work Step 2: Research/Investigation of Vendors	Weaver conducted background research of each of the 364 vendors associated with the 681 contracts included in Phase 2, using public records databases such as LexisNexis, as well as other publicly available information.
Work Step 3: Review of Procurement Process and Competitive Bidding	For each of the 681 Phase 2 contracts, Weaver performed a review of the vendor selection process and evaluated the County's procurement / competitive bidding processes.
Work Step 4: Review of Payment Records	For each of the 681 Phase 2 contracts, Weaver performed a review of contract and payment records, including accounts payable data containing payment and invoicing details.
Work Step 5: Review of Emails / Other Communications	For certain Phase 2 contracts that required further review based on the findings from Work Steps 1-4, Weaver obtained and reviewed email communications related to those contracts, based on relevant email communications identified through searches of vendor names, contract numbers, and specific custodians involved in the contract procurement process.
Work Step 6: Evaluation of Compliance with Local/State/Federal Requirements	Weaver evaluated compliance with local, state and federal procurement requirements, including, but not limited to: • County Contract Policy Manual • California Government Code • CARES Act / ARPA / MHSA Requirements
Work Step 7: Written Draft Report of Findings	Weaver prepared a draft written report summarizing the observations, findings and recommendations for Phase 2 of the forensic audit.
Work Step 8: Presentation of Findings	Weaver plans to present the final report for Phase 2 to the Board during the Board meeting in July or August 2026.

IV. Summary of Findings

For each of the Work Steps 2-6 performed during Phase 2 of the forensic audit, Weaver prepared a summary of our observations and findings for the 681 contracts included in our review, as well as assigned a risk rating for each contract for each Work Step. A summary of risk ratings assigned by Weaver for each contract is provided in **Appendix A**, with detail of our observations and findings for each of the 681 contracts included in Phase 2 (by Work Step) provided in **Appendix B**.

For Phase 2 contracts identified by Weaver as higher risk based on the completion of Work Steps 2-6, Weaver performed additional work steps, such as conducting additional interviews with individuals from the County, and/or representatives for the vendor/contractor, as well as gathered additional data and documentation as needed. A summary of Weaver's observations and findings for the Phase 2 contracts where we identified higher risk and/or areas of concerns is provided below, with additional detail in support of our findings included in subsequent sections of this Report.[4]

[4] The observations and findings outlined in the body of the Report represent the contracts where we identified higher risks or concerns that required further review. A summary of our observations and findings for all 681 contracts included in Phase 2 is provided in **Appendix A** and **Appendix B** to this Report.

a. OCAPICA Subcontract with Warner Wellness

A summary of Weaver's observations and findings based on our review of the contract awarded to Orange County Asian and Pacific Islander Community Alliance, Inc. ("OCAPICA") and their subcontract with Warner Wellness as part of the Mental Health and Well-Being Promotion for Diverse Communities program is provided below, with additional detail included in **Section A** of this Report.

- **County Pushed for OCAPICA to Subcontract with Warner Wellness** - Weaver's review found that the former HCA Director, Dr. Clayton Chau, directed HCA staff to use certain subcontractors, including Warner Wellness, as a result of additional funding being made available by the Board of Supervisors' Behavioral Health Ad Hoc Committee (which included Former Supervisor Do and Former Supervisor Bartlett), to be set aside for subcontractors that focused on underserved communities and who had not had an opportunity to work with the County. At the direction of Dr. Chau, HCA strongly encouraged OCAPICA to subcontract with Warner Wellness as part of a mental health outreach initiative for underserved communities, even though OCAPICA had no prior relationship with the organization and OCAPICA raised concerns about its qualifications and organizational status. Throughout the performance of the subcontract, OCAPICA encountered ongoing compliance, staffing, and management issues with Warner Wellness, ultimately terminating the subcontract in April 2024 after multiple corrective action notices.
- **Dr**. **Chau Dismissed Concerns of a Conflict of Interest Involving Warner Wellness** - Weaver determined that in March 2023, Dr. Chau dismissed concerns from HCA leadership concerning a possible conflict of interest related to Rhiannon Do, who was the daughter of Former Supervisor Do and the President and Executive Director of Warner Wellness. Dr. Chau responded to concerns from HCA leadership and staff that he spoke with Former Supervisor Do and the information was not accurate, and in another instance he verbally reprimanded an HCA staff member for bring up the concern stating that "*Supervisor Do was an attorney and he would know if there was a conflict*."
- **Alleged Conflict of Interest Was Inadequately Investigated** - Following Dr. Chau's dismissal of the concerns related to a conflict of interest, HCA's Chief of Mental Health and Recovery Services at that time escalated the concern to the former County Executive Officer, Frank Kim. Mr. Kim did not notify County Counsel of the concern, and instead contacted Former Supervisor Do's Chief of Staff, Chris Wangsaporn, who informed Mr. Kim that Rhiannon Do was no longer affiliated with Warner Wellness and therefore there was no conflict of interest, which was inaccurate given that Rhiannon Do was still employed by Warner Wellness at that time. It wasn't until months later in November 2023 when public scrutiny emerged that County Counsel became aware of the alleged conflict of interest and was able to perform a more thorough review.

Recommendation:

Weaver recommends that the County establish a process that requires allegations of conflicts of interest to be formally documented, investigated and resolved by County Counsel or an independent ethics/compliance function.[5]

The alleged conflict of interest involving Former Supervisor Do and Warner Wellness was not reported through the County's fraud hotline. As discussed in the Phase 1 Forensic Audit Report, we recommend the County evaluate the current fraud hotline to ensure employees are sufficiently aware of how to report fraud, waste and abuse; there are clear protocols for information required from the whistleblower, as well as processes for review and investigation of allegations; and that employees have the ability to report information without fear of retaliation.

In April 2026, IAD engaged an independent firm to perform an audit of the County's Ethics Program, including an evaluation of governance and oversight, alignment with laws and best practices, as well as the effectiveness of communication, training, and reporting mechanisms (i.e., Fraud Hotline).

CEO Response:

Conflicts of Interest are currently addressed in the following areas of procurement and contracting:

- Annual form 700 filings
- AB2946 & 3130 requirements
- Conflict of interest attestations are required by all evaluation panel members
- Standard provisions regarding conflict of interest in our contracts
- Disclosure of conflict is also required per policy; Contract Policy Manual (CPM) Sections 1.4-105, 2.1, 2.2, 4.3-108, 4.3.1-105, Procurement Procedure Manual (PPM) Sections 1.5, 2.4, 3.4-104, 4.7, Glossary
- Biannual Ethics training is required by all Deputized Procurement Agents which includes comprehensive information covering Conflicts of Interest and additional training regarding conflict and AB2946 disclosures

[5] Both Dr. Chau and Mr. Kim performed very cursory reviews of the alleged conflict of interest, relying upon information provided by interested parties, including Former Supervisor Do and his Chief of Staff, Mr. Wangsaporn.

b. Contract with Bridgecreek Realty Investment Corp.

A summary of Weaver's observations and findings based on our review of the contract awarded to Bridgecreek Realty Investment Corp. ("Bridgecreek") as part of the Small Business Relief Grant Program is provided below, with additional detail included in **Section B** of this Report.[6]

- **Supporting Documentation Not Provided to County for 54% of Expenditures** - While the Final Performance and Financial Report submitted by Bridgecreek to OCCR included a summary spreadsheet of expenditures totaling $500,000, the report only included supporting documentation (e.g., invoices, receipts, and/or bank statements) for $231,404 of the expenditures, which represented approximately 46% of the total expenditures. Supporting documentation was not provided to the County for $268,596 of the total expenditures incurred, which represented 54% of total expenditures.[7]
- **Contract Extended After Expiration of the Original Contract -** The original contract term was May 10, 2021, through November 10, 2021, with eligible expenditures allowed through November 30, 2021. After the contract had expired, Bridgecreek requested a one-month extension to December 31, 2021, citing project delays and damage caused by high winds. Rather than requiring Bridgecreek to return approximately $225,000 in unspent funds and executing a new contract, OCCR made an exception by amending the expired contract and allowing Bridgecreek to retain the remaining funds. Internal emails indicated that the decision was made at the preference of District 1 to avoid administrative delays and enable Bridgecreek to spend the remaining funds quickly.[8]
- **Payments to HD Construction for the Benefit of Perfume River Restaurant** - We determined that the grant expenditures included a payment from Bridgecreek to HD Construction on December 14, 2021 for $35,222. The invoices submitted to the County by Bridgecreek as supporting documentation reflected that the payment was for equipment for the Perfume River Restaurant, including $15,000 for a folding gate, over $11,000 for a double gas grill, and approximately $9,000 for tables, chairs and artwork.[9] Based on our interview with Bridgecreek's CEO, Mr. Jao, Perfume

[6] According to Bridgecreek's CEO, Frank Jao, he was approached by Former Supervisor Do about the outdoor dining grant opportunity to help restaurants in the Little Saigon Business District that were negatively impacted during the pandemic. Ultimately, funds were utilized to install temporary outdoor dining structures at four (4) locations in the Little Saigon Business District, including the Dover Plaza II (3 restaurants), Asian Village (3 restaurants), Kim Ky Noodle House and the Asian Garden Mall (8-10 restaurants with Perfume River Restaurant being the largest restaurant in the Asian Garden Mall at that time). Weaver confirmed the installation of the outdoor dining structures at these locations, as detailed in **Appendix F**.

[7] It is important to note that the County's contract with Bridgecreek does not explicitly require supporting documentation to be provided by Bridgecreek for expenditures incurred. Section 28 of the contract required the submission of the Final Performance and Financial Report, which should (1) include the eligible expenditures paid from the grant amount; (2) identify the name and location of each small business receiving economic support funding by the grant amount and the amounts paid to each small business; and (3) demonstrate how the subrecipient used the grant amount consistent with the requirements in the contract. Additionally, the contract required the Final Performance and Financial Report to be certified by the CEO for Bridgecreek (i.e., Mr. Jao), that the expenditures were used as authorized in the contract, and Bridgecreek was required to maintain complete and accurate records and supporting documentation to facilitate financial and/or program audits by the County.

[8] Following the contract amendment, all of the remaining funds were expended between December 14 and December 30, 2021.

[9] Based on research performed during Phase 1 of the forensic audit, we determined that Peter Pham was the CEO for HD Construction, who performed a kitchen remodel of Former Supervisor Do's personal residence in March 2021. During Phase 1 of the forensic audit, we also determined that Peter Pham was affiliated with Aloha Financial Investment, which was the parent company of Perfume River Restaurant, and was the President of Viet America Society, where Former Supervisor Do's daughter (Rhiannon Do) was employed.

River Restaurant approached Bridgecreek requesting to use grant funds for these items that had been previously purchased by the restaurant. While the items purchased for the benefit of Perfume River Restaurant appeared to relate to outdoor dining, it is our understanding that these were the only equipment items that were not retained by Bridgecreek as part of the outdoor dining infrastructure, as these items were retained by Perfume River Restaurant.

Recommendation:

We recommend the County include contractual requirements for subrecipient grant recipients (i.e., Bridgecreek) to provide supporting documentation for expenditures, including invoices and receipts. The contract requirements should allow the County to sufficiently monitor subrecipient expenditures to track all grant expenditures and ensure that expenditures are allowable with program requirements.

The above recommendation has previously been submitted as part of IAD's review of ARPA-funded contracts and expenditures completed in February 2025. In response to the prior recommendations by IAD, CEO responded that certain corrective actions would be implemented, including updates to the Procurement Procedures Manual with new trainings to be developed, as well as revisions to the Contract Policy Manual to include additional monitoring, specifically for MOU, Beneficiary, and Subrecipient agreements. It is our understanding that IAD will review implementation of the above corrective actions as part of their upcoming follow-up audit of ARPA-funded contracts.

c. Contract with RX Consultants Group, Inc. (dba Mercy Pharmacy)

A summary of Weaver's observations and findings based on our review of the contract awarded to RX Consultants Group, Inc. (dba "Mercy Pharmacy") for COVID-19 vaccination services is provided below, with additional detail included in **Section C** of this Report.

- **Lack of Transparency in Vendor Selection Process** - Based on our review, we identified limited documentation supporting the process by which Mercy Pharmacy was selected to provide COVID-19 vaccination services. Email communications reflected that Mercy Pharmacy contacted HCA on December 29, 2020 without any solicitation from the County and began providing COVID-19 vaccination services for the County within a few days. While the contract was procured as an emergency purchase in response to the COVID-19 pandemic, we did not identify any documentation related to the vendor selection process, including whether other providers were considered, evaluation of Mercy Pharmacy's qualifications and experience, selection criteria or a formal sole source justification form. Based on information provided by HCA, it is our understanding that Dr. Chau was friends with Mercy Pharmacy and wanted to use them because they do good work.[10]
- **Contract Executed 4 Months After Start of Services Being Provided** - Mercy Pharmacy began providing COVID-19 vaccination services in early January 2021 prior to the execution of a formal agreement, which was subsequently executed on April 29, 2021 (almost 4 months later). When the contract was executed in April 2021, the term of the contract was backdated to reflect an effective date of January 6, 2021. The justification for why the contract was not executed prior to services being provided was due to the initial intent for Mercy Pharmacy to vaccinate employees that had insurance coverage, with Mercy Pharmacy being reimbursed through the health insurance provider. However, when HCA directed Mercy Pharmacy to provide vaccinations to vulnerable populations, Mercy Pharmacy was unable to receive payment through insurance for certain individuals and HCA requested for the contract to be executed in April 2021 for the County to reimburse Mercy Pharmacy as a Payer of Last Resort for uncompensated vaccinations.
- **Invoices Did Not Include Required Supporting Documentation** - Invoices submitted by Mercy Pharmacy totaling $748,720 for the January 2021 – June 2021 time period contained limited information, including the total number of vaccines administered each month and the number of mobile events held each month. While the contract required Mercy Pharmacy to provide a report of claim data to the County on a monthly basis, no supporting documentation was provided. Invoices did not include supporting details such as event-level data, breakdown of insured versus uninsured patients, documentation of denied claims.[11] While HCA required additional documentation for invoices submitted starting in July 2021, the invoices submitted for January 2021 – June 2021 were paid without supporting documentation.

[10] Email communications also reflected that Dr. Chau expanded the volume of vaccination sites and mobile events to be provided by Mercy Pharmacy in January 2021, focusing on the lower income underserved communities.

[11] Based on our review of email communications, it appeared that HCA requested additional supporting documentation, including details of unbillable claims, but a consistent validation mechanism was not in place at that time. Consequently, the County's ability to independently verify the accuracy, completeness, and eligibility of billed amounts was limited.

d. Retroactive Contracts Executed Subsequent to Services Being Provided

Based on our review of County contracts included in Phase 2 of the forensic audit, we identified 8 contracts (4 awarded by HCA and 4 awarded by OCCR) where services were provided prior to the execution of the contract, and the contract was executed more than 30 days after the contract start date. A summary of the contracts executed more than 30 days after the contract start date is provided in the table below.

Phase 2 Contracts Executed Over 30 Days After Contract Start Date

	Ref #	Dept.	Contract Description	Vendor	Contract Start Date	Contract Execution Date	Contract Amount
1	#236	HCA	MA04221011445 - MECCA Community Outreach Contract	Multi-Ethnic Collaborative of Community Agencies	4/13/2021	5/19/2021	$ 4,964,150
2	#269	OCCR	MA01222011189 - Community Seniorserv DBA Meals On Wheels - CDA ARPA Funds	Community Seniorserv Inc	10/1/2021	3/22/2022	2,725,272
3	#332	HCA	MA04221011499 - COVID-19 Community Outreach And Engagement Serv REQ-1470945	Asian American Senior Citizens Service Center	1/4/2021	5/12/2021	1,413,000
4	#391	HCA	MA04221011517 - Rx Consultants Group, Inc DBA Mercy Pharmacy	Rx Consultants Group Inc	1/6/2021	4/29/2021	748,720
5	#418	OCCR	MA01222011188 - Age Well Senior Services - CDA ARPA Funds	Age Well Senior Services Inc	10/1/2021	3/22/2022	577,584
6	#494	OCCR	MA01222011190 - St. Jude Hospital - Family Caregiver Support - CDA ARPA Fund	St Jude Hospital Inc	10/1/2021	3/22/2022	233,479
7	#680	OCCR	MA01221010458 - City of Fullerton Cares Act Community Services	City of Fullerton	8/1/2020	9/8/2020	43,255
8	#786	HCA	PO04219011543 - College Health Enterprises REQ # 1317119	College Health Enterprises Inc	10/24/2018	3/1/2019	9,999
							$ 10,715,458

It is our understanding that the County Procurement Office has a process for contracts approved retroactively, which includes the submission of a Retroactive Contract Approval Request Form detailing the justification for the retroactive contract approval, and requires approval from County Procurement Officer. Of the eight (8) contracts from our Phase 2 review listed above, we only identified a Retroactive Contract Approval Request Form for one (1) of the contracts (PO04219011543 for College Health Enterprises).

Recommendation:

The County should ensure that contracts are executed prior to services being performed by the contractor as the contract creates a legally enforceable agreement that clearly defines the scope of work, pricing, deliverables, performance expectations, and responsibilities of both parties, as well as preserves the County's legal recourse. Retroactive contract approvals should be limited and include formal authorization documenting the retroactive contract approval and justification for retroactive approval.

CEO Response:

A summary of existing policies and procedures in place regarding retroactive contract approvals is provided below:

- Various policies and procedures are in place addressing retroactive transactions, in Contract Policy Manual Sections 3.1-108, 3.2-108, 3.3-111, Procurement Procedures Manual Sections 2.2-103, 2.2-105, 3.2-103 of the PPM
- A biannual Ethics training is required of all Deputized Procurement Agents that includes comprehensive information covering the prohibition of retroactive transactions
- All retroactive transactions are required to be reported to the County Procurement Office and various thresholds are in place in the above-mentioned sections of the PPM requiring various levels of approvals required on retroactive transactions
- Two years ago, a new procedure was implemented requiring anyone responsible for a retroactive transaction to attend the Ethics training and take a quiz for first offenders, repeat offenders are reported to the Department Head and potentially Human Resources for disciplinary considerations. A record of all reported retroactive transactions and those responsible for them is maintained by the County Procurement Office

e. Contracts with RFP Procurement and Only 1 Respondent

During Phase 2 of the forensic audit, we identified 28 contracts procured through the Request for Proposal (RFP) process in which only one proposal was received, including 25 contracts awarded by HCA, two (2) contracts awarded by SSA, and one (1) contract awarded by OCCR, as summarized in the table below.

Phase 2 Contracts with RFP Procurement and Only 1 Respondent

	Ref #	Dept.	Source of Funds	Contract # / Description	Vendor	Amount
1	#151	HCA	MHSA	MA04221011456 - ASO For Specialty MH & Drug Medi-Cal Substance Abuse Svcs	Carelon Behavioral Health of California Inc	$ 42,071,807
2	#155	HCA	MHSA/GF	MA04221010167 - Housing Full Service Partnership Services	Telecare Corporation	27,894,956
3	#165	HCA	MHSA/GF	MA04222011474 - General Population FSP Services Region C	Telecare Corporation	17,903,039
4	#172	HCA	MHSA/GF	MA04222011470 - General Population FSP Services Region A	Telecare Corporation	16,064,465
5	#175	HCA	MHSA/GF	MA04221011285 - Assisted Outpatient Treatment FSP Services	Telecare Corporation	14,717,692
6	#181	HCA	MHSA	MA04222011477 - Older Adult Full Service Partnership Services	College Community Services	13,835,343
7	#188	HCA	CARESAct	MA04219010171 - Multi-Service Center Svcs For Homeless Mentally Ill Adults	Orange County Association For Mental Health	10,789,781
8	#189	HCA	MHSA/GF	MA04222011475 - Collaborative Court Full Service Partnership Services	Telecare Corporation	10,743,391
9	#193	HCA	CARESAct	MA04219010156 - Assisted Outpatient Treatment FSP Services	Telecare Corporation	9,870,612
10	#195	HCA	MHSA	MA04221011284 - Children's In-Home Crisis Stabilization Services	The Priority Center Ending The Generational Cycle of Trauma	9,782,511
11	#197	HCA	MHSA/GF	MA04222011473 - General Population FSP Services Region B	Telecare Corporation	9,561,049
12	#199	HCA	CARESAct	MA04219010155 - Enhanced Recovery Full Service Partnership Services	Telecare Corporation	9,480,820
13	#214	HCA	MHSA	MA04224010897 - Crisis Stabilization Services	CSU LLC	5,986,481
14	#219	HCA	MHSA	MA04223011037 - Adult Vietnamese Speaking Full-Service Partnership Services	Orange County Asian And Pacific Islander Community	5,851,307
15	#225	HCA	MHSA	MA04221011421 - Adult Crisis Residential Services North Region	Telecare Corporation	5,568,096
16	#229	HCA	MHSA	MA04221011417 - Crisis Residential Services For Adults - South Region	Telecare Corporation	5,359,717
17	#240	HCA	MHSA	MA04221011203 - Recovery Education Institute Services	Pacific Clinics	4,404,602
18	#247	HCA	MHSA	MA04223011706 - Adult In-Home Crisis Stabilization Services	The Priority Center Ending The Generational Cycle of Trauma	3,865,553
19	#260	SSA	MHSA	MA06323010064 - Mother And Child Residential Homes At Tustin Family Campus	Healthright 360	3,152,185
20	#265	SSA	ARPA	MA06321010499 - Refugee Social Services & Health Services, WGM0719	Access California Svcs	2,973,733
21	#277	HCA	MHSA	MA04223011036 - Multi-Svc Cntr Svcs For Homeless Adults w/ Mental Disorders	Orange County Association For Mental Health	2,462,342
22	#329	HCA	CARESAct	MA04219010176 - Children And Transitional Age Youth Mentoring Services	Orange County Association For Mental Health	1,453,314
23	#369	HCA	MHSA	MA04220010257 - Pharmacy Benefit Services	Procare Pharmacy Benefit Manager Inc	953,769
24	#378	HCA	MHSA	MA04224010889 - Behavioral Health Training Services	Western Youth Services	841,121
25	#417	HCA	MHSA	MA04219011530 - Priority Population-Based Community Engagement Program Svcs	Waymakers	577,906
26	#438	OCCR	ARPA	MA01223010013 - St. Jude Hospital - Family Caregiver Support - CDA ARPA Fund	St Jude Hospital Inc	466,958
27	#451	HCA	MHSA	MA04224011228 - Adult Mental Health Intensive Residential Services	Life Generations Healthcare LLC	412,500
28	#541	HCA	MHSA	MA04224011139 - Adult Mental Health Representative Payee Services	Resource Oversight & Guidance Services Inc	169,130
						$ 237,214,180

Under the County Contract Policy Manual, the RFP process is intended to allow the County to evaluate a respondent's qualifications, experience, and approach in order to identify the solution that best meets the

County's needs.[12] While receipt of a single proposal does not necessarily indicate a procurement deficiency or require cancellation of the solicitation, limited competition reduces the County's ability to compare alternative approaches, pricing structures, qualifications, and service delivery models. As a result, when only one proposal is received, it becomes increasingly important for the County to document the efforts undertaken to obtain competition and to demonstrate that the proposed pricing and contract terms are fair and reasonable and in the County's best interest. Generally, the County included information in the Agenda Staff Reports documenting the RFP solicitation efforts, which typically reflected that the proposal was still evaluated and due diligence was performed even when only a single proposal was received.

Recommendation:

We recommend that the County update the Contract Policy Manual to establish guidance for procurements in which only one proposal is received in response to an RFP.[13] Such guidance could include factors to consider when determining whether to proceed with an award, such as evaluating the adequacy of the solicitation effort, assessing whether the scope or specifications unnecessarily limited competition, documenting the reasonableness of pricing, performing market research or benchmarking, and determining whether re-solicitation may be warranted to encourage additional competition. This guidance would enhance transparency, consistency, and documentation of procurement decisions involving limited competition.

CEO Response:

Currently the CPM addresses the receipt of one (1) proposal in Section 4.3-108 and the PPM addresses this in Section 4.7-104. As mentioned in the procedures, currently the decision to move forward with one respondent or resolicit is a collaboration between department end users and leadership if appropriate as well as Board of Supervisors for Board level contracts.

[12] RFPs are generally used when requirements are not well-defined or when factors such as technical expertise, innovation, and quality are significant considerations in the award decision.

[13] We did not identify County guidance addressing the actions that should be considered when only one proposal is received in response to an RFP. Such guidance could help promote consistency in procurement practices and ensure that appropriate documentation is maintained to support award decisions in instances of limited competition.

f. Contract with 360 Clinic – Analysis of Uncollectible Claims Data

In response to the presentation of findings for Phase 1 related to the contract awarded to 360 Health Plan Inc. (dba "360 Clinic") in July 2020 by HCA for COVID-19 testing services, Board members requested for Weaver to perform further review of all uncollectible claims submitted to the County by 360 Clinic.

During Phase 1 of the forensic audit, Weaver determined that 360 Clinic invoiced the County for 68,935 COVID-19 tests totaling $3,446,750 ($50 per test), which represented the tests included in the Uncollectible Claims Reports where 360 Clinic was purportedly unable to collect payment through private insurance or HRSA (i.e., claims were purportedly denied). Weaver requested supporting documentation (i.e., explanation of benefit letters) through legal counsel for 360 Clinic for all 68,935 COVID-19 tests included in the Uncollectible Claims Reports, however, we were informed that 360 Clinic no longer has the operational staff to compile this information. As a result, we were unable to review supporting documentation associated with the 68,935 tests to determine whether 360 Clinic received payment through private insurance or HRSA, in addition to receiving payment from the County.

In lieu of receiving supporting documentation from 360 Clinic, Weaver requested from HCA the test kit data provided to the County by the lab that performed the testing (Fulgent Labs) to cross-reference patient names and dates of services with the Uncollectible Claims Reports submitted by 360 Clinic, for purposes of verifying whether the 68,935 COVID-19 tests were performed. Based on our review and analysis of the test kit data provided to HCA by Fulgent Labs, we were able to confirm that 66,289 of the 68,935 tests (96%) included in the Uncollectible Claims Reports were performed by 360 Clinic and provided to Fulgent Labs to perform laboratory testing of the test kit. We were unable to confirm that 2,646 of the 68,935 tests included in the Uncollectible Claims Reports were performed by 360 Clinic as we were unable to identify the test within the test kit data provided by Fulgent Labs, based on the patient name and date of service. **County payments to 360 Clinic associated with the 2,646 tests included on the Uncollectible Claims Reports that were unable to be verified totaled $132,300 ($50 per test), including 1,574 tests that appeared to be double-billed and 1,072 tests that did not have a record in the test kit data.**

Recommendation:

We recommend that this matter be referred to County Counsel for further review and investigation to determine whether any amounts paid by the County to 360 Clinic are able to be recouped for the 2,646 tests representing $132,300 in payments that appeared to be double-billed or could not be verified in the test kit data provided by Fulgent Labs.

PUBLIC INFORMATION

INTERNAL AUDIT DEPARTMENT

Information Technology Audit:
OCIT Data Governance Selected Controls
September 17, 2026

AUDIT HIGHLIGHTS

SCOPE OF WORK	Perform an audit of OC Information Technology (OCIT) to evaluate the effectiveness of the County's Data Governance Program, including policies, security controls, and compliance with Senate Bill (SB) 272 to provide reasonable assurance that data assets are managed effectively, securely, and ethically across departments for the year ended December 31, 2025.
RESULTS	Sensitive audit results have been removed from this report.
RISKS	Findings and related risks include: • The lack of a complete inventory of enterprise systems leads to visibility gaps, accountability failures, and elevated risk across the County. Also, failure to update the County's public enterprise systems catalog as required by SB 272, places the County in violation of state law, exposing it to potential legal and reputational risks. • Sensitive content for other findings has been removed from this report.
NUMBER OF RECOMMENDATIONS 0 CRITICAL CONTROL WEAKNESSES 3 SIGNIFICANT CONTROL WEAKNESSES 0 CONTROL FINDINGS	Opportunities for enhancing internal controls include: • OCIT implement formal processes and controls to regularly (e.g., annually) update their catalog of enterprise systems and the SB 272-mandated website. • Sensitive content for other findings has been removed from this report.

Report suspected fraud, or misuse of County resources by vendors, contractors, or County employees to (714) 834-3608

INTERNAL AUDIT DEPARTMENT

OC Community Resources Purchasing and Contracts
October 13, 2026

AUDIT HIGHLIGHTS

SCOPE OF WORK	Perform an internal control audit of the OC Community Resources' (OCCR) Purchasing and Contracts process for the period of April 1, 2023 through June 30, 2024, including OCCR's Workforce Innovation and Opportunity Act (WIOA) Program contracts.
RESULTS	Based on the information we obtained and testing of a judgmentally selected sample of 16 contracts, including seven human services (five related to the WIOA program), five services, and four commodities contracts, we concluded that OCCR's: • Internal control over the purchasing and contracts process is generally effective to ensure contracts are executed in accordance with County purchasing rules; adequately supported; and properly authorized and recorded. • Contract monitoring activities **could improve** to provide adequate oversight of contracted services. • Purchasing and contracts process is generally efficient. We noted one significant control weakness and four control findings and opportunities to enhance process controls.
RISKS	As a result of our findings, potential risks include: • Unsatisfactory service levels, untimely identification of compliance issues, and inappropriate use of public funds. • Contract award to the incorrect vendor and lack of transparency. • Difficulty performing oversight and ensuring staff adhere to County procurement rules, including retention of required documents and/or performance of important procurement steps. • Unauthorized access to and approvals of purchase requisitions and invoices that are routed for payment. • Negative impact on the ability to continue contract services operations in the event of an emergency or other disruption.
NUMBER OF RECOMMENDATIONS 0 CRITICAL CONTROL WEAKNESSES 1 SIGNIFICANT CONTROL WEAKNESS 4 CONTROL FINDINGS	Opportunities for enhancing internal control include: • Ensuring risk assessments are conducted to establish the level of monitoring required for each contract, and performing contract monitoring activities as determined or required by the contract. • Implementing a formal review process to ensure that final consensus scores are adequately supported. • Ensuring electronic procurement files are standardized and retaining the required documentation, in accordance with County Procurement Office requirements. • Periodically performing formal, documented user access certification reviews for appropriateness to ensure access is restricted to individuals with direct business need and disabled when no longer required. • Establishing a business continuity plan, updating outdated information in internal purchasing procedures, and establishing a documented process to periodically review and update these documents.

Report suspected fraud or misuse of County resources by vendors, contractors, or County employees to (714) 834-3608

INTERNAL AUDIT DEPARTMENT

Auditor-Controller Cash Disbursements and Claims
September 29, 2026

AUDIT HIGHLIGHTS

SCOPE OF WORK	Perform an audit of Auditor-Controller (A-C) cash disbursements and employee expense claims (claims) processes to determine whether the design of processes and controls ensures payments and claims are accurate, valid, and timely, and made in compliance with County and departmental requirements as well as contractual obligations for the period of May 1, 2024 through April 30, 2025.
RESULTS	Based on an analysis of vendor payment data and testing of a judgmentally selected sample of 15 vendor payments, 13 Orange County's Mileage, Education, Travel, Employee Reimbursement (OC METER) claims involving the Educational and Professional Reimbursement Program (EPRP), and two paper claims involving business travel and other related expenses, we concluded that A-C's: • Internal controls over the cash disbursements process are generally effective to ensure invoices and payments are properly reviewed, approved, and recorded to ensure they are valid, in compliance with County and departmental policies. • Internal controls over claims are generally effective to ensure claims are properly authorized and adequately supported, in compliance with County and departmental policies. However, we also noted three control findings and opportunities to enhance process controls.
RISKS	As a result of our findings, potential risks include: • Inaccurate and untimely payments can damage the County's reputation and negatively affect vendors' willingness to continue doing business with the County. • Weak controls to ensure claims are within the applicable limit per fiscal year, may allow employees to be reimbursed for amounts they are not entitled to under their labor agreements. • Policies and procedures that are outdated and/or missing document control elements could cause inconsistencies that lead to errors and ineffective disbursements and claims processes.
NUMBER OF RECOMMENDATIONS 0 CRITICAL CONTROL WEAKNESSES 0 SIGNIFICANT CONTROL WEAKNESSES 3 CONTROL FINDINGS	Opportunities for enhancing internal controls include: • Reminding staff and supervisors to process payments accurately. • Formalizing the 10-day payment processing requirement in policies and procedures and maintaining documentation to support management's ongoing monitoring of payment timeliness. • Strengthening claims processing controls (e.g., add a system alert, enhance the EPRP monitoring tool) to ensure employee EPRP claims are within the applicable fiscal year limit. • Updating internal disbursements and claims procedures to reflect current information and document control elements.

Report suspected fraud, or misuse of County resources by vendors, contractors, or County employees to (714) 834-3608

AUDIT NO. 2410

Internal Audit Department
FY 2026-27 Audit Plan Summary Report
As of November 4, 2026

Summary	
Completed	5
In Progress	16
Not Started	20
Deferred	0
	41

Department and Audit Name	Status	Actual or Estimated Completion Date (1)
Board-Directed		
ARPA Contracts & Expenditures Review First Follow-Up	In Progress	January 2027
Forensic Audit of County Contracts (2)	In Progress	December 2026
Countywide		
Human Resources Hiring and Personnel Practices	Not Started	
Fiscal Sustainability	Not Started	
Assessor		
Cybersecurity	Not Started	
Auditor-Controller		
Disbursements and Claims	Completed	September 29, 2026
ERP Governance and Risk Management Advisory	In Progress	January 2028
Central Payroll	Not Started	
County Executive Office		
OCIT Data Governance Selected Controls	Completed	September 17, 2026
CPO Procurement Governance First Follow-Up	Completed	July 16, 2026
OCIT Remote Access Security	In Progress	January 2027
County Ethics Program	In Progress	January 2027
OCC Homelessness Services Contractor Oversight and Performance Audit	Not Started	
OCIT Cloud and Third-Party Vendor Risks	Not Started	
OCIT Adoption and Use of Artificial Intelligence	Not Started	
County Budget Practices	Not Started	
SAIC Contract Compliance and Performance Audit	Not Started	
Mental Health Services Act (MHSA) Contractor Oversight and Performance Audit	Not Started	
Risk Management	Not Started	
Construction Audit	Not Started	
District Attorney-Public Administrator		
Selected Cybersecurity Controls First Follow-Up	Not Started	
Health Care Agency		
Purchasing & Contracts First Follow-Up	In Progress	December 2026
Cash Receipts Second Follow-Up	In Progress	January 2027
Selected Cybersecurity Controls Second Follow-Up	In Progress	January 2027
Cybersecurity	Not Started	
Claim Reimbursements	Not Started	

Internal Audit Department
FY 2026-27 Audit Plan Summary Report
As of November 4, 2026

Summary	
Completed	5
In Progress	16
Not Started	20
Deferred	0
	41

Department and Audit Name	Status	Actual or Estimated Completion Date (1)
OC Community Resources		
Purchasing and Contracts	Completed	October 13, 2026
Ocean Institute Third Follow-Up	Not Started	
OC Public Works		
Contract Procurement and Administration	In Progress	March 2027
Sheriff-Coroner		
Contract Procurement and Administration	In Progress	March 2027
Cybersecurity	In Progress	December 2026
Overtime	Not Started	
OC Waste & Recycling		
Selected Cybersecurity Controls First Follow-Up	Completed	September 10, 2026
Contract Procurement and Administration	In Progress	January 2027
Waste Management Contract Compliance First Follow-Up	Not Started	
Disbursements and Payables Second Follow-Up	Not Started	
Social Services Agency		
Contract Procurement and Administration	In Progress	March 2027
Program Eligibility	Not Started	
Treasurer-Tax Collector		
Cybersecurity	In Progress	March 2027
Cash Receipts Second Follow-Up	In Progress	January 2027
County Treasury Performance Audit	In Progress	June 2027

Footnotes

1) For completed audits, the actual completion date is the final report issuance date. For audits in progress, we provided estimated completion dates. For audits that have not started, we are not able to estimate completion dates because we regularly adjust priorities due to factors, such as shifts in the risk landscape, program/operational changes, staffing constraints, etc.
2) Forensic Audit Phase 1 and 2 were completed on March 9 and August 16, 2026, respectively. Phase 3 is in progress.

Agenda Item 12

Memorandum

November 12, 2026

AOC Agenda Item No. 12

TO: Audit Oversight Committee Members

Recommended Action:
Approve External Audit Activity Status Report Quarter Ended September 30, 2026, and Receive Report on Status of External Audit Recommendations Implementations

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Approve External Audit Activity Status Report Quarter Ended September 30, 2026, and Receive Report on Status of External Audit Recommendations Implementations, as stated in recommended action.

ATTACHMENT(S):

Attachment A – External Audit Activity Status Report Memo

Attachment B – Executive Summary External Audit Activity

Attachment C – External Audit Activity Quarterly Status Report

Attachment D – External Audit Report Implementation Status of Prior Quarter Significant & Material Issues

INTERNAL AUDIT DEPARTMENT

November 4, 2026

To: Audit Oversight Committee Members

From: Aggie Alonso, CPA, CIA, CRMA
Internal Audit Department Director

Digitally signed by Aggie Alonso
Date: 2026.11.04 10:45:18 -08'00'

Subject: External Audit Activity Status Report for the Quarter Ended September 30, 2026

Attached for your review and approval is our External Audit Activity Status Report for the Quarter Ended September 30, 2026. Pursuant to Audit Oversight Committee (AOC) Administrative Procedure Number 2, Reporting on External Audits, County departments are required to communicate the status of all third-party audits, including any significant or material audit findings identified, to Internal Audit on a quarterly basis. The procedure was established to keep the AOC informed of all third-party audits being performed and any significant or material findings identified. In addition, as requested by the AOC at its May 9, 2019 meeting, we have included County department reported corrective action taken to implement recommendations related to significant or material audit findings identified.

To facilitate the AOC's review, we are pleased to include an Executive Summary (Attachment B) that presents the total audit additions and deletions from the prior quarter, and the total current audits in progress. In addition, the Executive Summary references any new significant or material findings reported for the quarter. For individual report details, see Attachment C. Finally, for corrective action taken to implement recommendations, see Attachment D.

For the quarter ended September 30, 2026, departments reported four new significant issues. See Attachment B for additional information.

If you have any questions, please contact me at (714) 834-5442 or Deputy Director Jose Olivo at (714) 834-5509.

SUMMARY OF EXTERNAL AUDIT ACTIVITY
For the Quarter Ended 9/30/2026

Total Audits Quarter Ended 6/30/26		**54**
Additions:	In Progress	**14**
	Planned	**3**
	Started and Completed	**5**
Deletions (Completed, Canceled, and Removed in Prior Quarter)		**16**
Total Audits Quarter Ended 9/30/26 (In Progress, Planned, and/or Completed this Quarter)		**60**

Results for the Quarter Ended 9/30/26:

Completed	**21**
Canceled	**0**
Removed for Other Reasons	**1**

Significant and Material Findings **4**

The Department of Pesticide Regulation performed the Orange County Pesticide Use Enforcement Regulatory Program CY 2025 audit, which resulted in one significant finding. The Orange County Agricultural Commissioner (OC CAC) did not meet the annual inspection targets established in the work plan. Specifically in 2025, the Agency completed 679 out of 870 pesticide inspections in the work plan.

The California Department of Aging (CDA), Audits and Risk Management (ARM) Branch performed the audit of the Planning and Service Area 22 administered by County of Orange Office on Aging (Agency), for the audit period of July 1, 2022 through September 30, 2024, which resulted in the following three significant findings:

1. The Agency was out of compliance and lacked effective controls for fiscal reporting. Unsupported salary corrections, a noncompliant direct expenditure allocation, and an unallowable direct expenditure were reported on multiple Closeout Reports. The Agency's awards for HICAP and SNAP-Ed resulted in an overpayment and recoverable amount of $29,105 for FY 2023/24.
2. The Agency did not complete subrecipient contract resolution on a timely basis within the 15 months of the Closeout report as required by the Standard Agreement between the Agency and CDA.

3. The Agency was out of compliance and lacked effective controls for oversight of equipment. Instances included noncompliant equipment disposals, noncompliant equipment usage, and a missing Program Property Inventory Certification form (CDA 9024) for FY 2023/24 for Area Plan.

EXTERNAL AUDIT ACTIVITY
Quarterly Status Report
Quarter Ended 9/30/26

Department / Agency & Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Due Date	Audit Scope	Status as of September 30, 2026	Significant and Material Findings
Assessor	State Board of Equalization (BOE)	All Property Assessment and Valuation Practices	2024-25 Assessment Roll; Every 5 years	2020	8/31/2026 Estimated	The BOE's survey program is conducted on a five-year cycle. During a survey, BOE staff (staff) conducts an audit of the Assessor's procedures and practices. In addition, staff will perform an appraisal sample from the 2024-25 assessment roll of values. Staff audits and appraises each property in the sample and compares the results to the Assessor's values. The results are expanded to determine whether the total assessment roll complies with statutory standards. An assessment practices survey report is published that summarizes the findings and includes recommendations for improvement.	Completed.	None
Auditor-Controller; Financial Reporting	Crowe LLP	Annual Comprehensive Financial Report (ACFR)	7/01/2025 to 6/30/2026 Annual	12/18/2025	12/31/2026	Annual Financial GAAP Audit	In progress.	
	Crowe LLP	Agreed Upon Procedures (AUP) over GANN Limit calculations	As of 6/30/2026 Annual	9/19/2025	9/30/2026	GANN Limit Calculation -for County and OC Flood Control District	In progress.	
	Crowe LLP	Single Audit	7/01/2025 to 6/30/2026 Annual	9/19/2025	3/31/2027	Uniform Guidance Expenditures of Federal Assistance	In progress.	
Auditor-Controller; Cost, Revenue & Budget	Office of the State Controller, Division of Audits, Compliance Audits	Court revenues pursuant to the TC-31 process	Approximately once every 4–6 years	6/7/2022	NA	FY 2021-22 through 2024-25	In progress.	
Auditor-Controller; Property Tax	No audits in progress.							
Auditor-Controller; General Accounting	No audits in progress.							

Department / Agency & Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Due Date	Audit Scope	Status as of September 30, 2026	Significant and Material Findings
Auditor-Controller; Central Payroll & Employee Benefits Accounting	IRS	Payroll	CY 2023	NA	NA	1. Form W-2/Form 1099 matching 2. No Social Security Wages and form W-2: Box 13 not checked 3. Fringe Benefits 4. Vendor Payments Sent to AC Claims 5. Payroll 941	Completed.	None
Auditor-Controller; Central Payroll & Employee Benefits Accounting	Department of Labor	OCCR - Park Rangers	May 2023 to May 2026	NA	NA	Compliance with FLSA	In progress.	
Auditor-Controller; Central Payroll & Employee Benefits Accounting	OCEA	OCEA	CY 2025	4/25/2025	NA	Payroll records of contributing employees	In progress.	
Child Support Services; Program Support Services	No audits in progress.							
Clerk-Recorder; Information Systems	Larry Halme	ERDS Program	July to August weekly	6/24/2025	N/A	ERDS Modified System Audit	Completed. (Reported 9/30/25)	See Attachment D for status of corrective action implementation.
Clerk-Recorder; Information Systems	Larry Halme	ERDS Program	May - Jul weekly	6/16/2026	7/24/2026	ERDS Substantive Modification	Completed/Passed	No significant findings.
County Executive Office; Finance	No audits in progress.							
County Executive Office; Risk Management	Crowe LLP	Workers' Compensation Program and Liability Claims Program	Fiscal Year, Annually	6/30/2025	12/31/2026	FY 25-26 ACFR (Self-Insurance)	Removed	
County Executive Office; Information Technology	No audits in progress.							
County Executive Office; Corporate Real Estate	No audits in progress.							
County Executive Office; Human Resource Services	No audits in progress.							

Department / Agency & Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Due Date	Audit Scope	Status as of September 30, 2026	Significant and Material Findings
County Executive Office; Office of Care Coordination	No audits in progress.							
District Attorney-Public Administrator	CA Department of Insurance (CDI)	Insurance Fraud Programs for Workers' Compensation, Automobile, Disability & Healthcare, and Life & Annuity Consumer Protection	7/1/22 - 6/30/25 Bi-annual	6/30/2022	N/A	Grant Program Audit	In Progress	
	Crowe LLP	Insurance Fraud Programs for Workers' Compensation, Automobile, and Disability & Healthcare.	07/01/2025 - 06/30/2026 Annual	6/30/2025	N/A	Grant Program Audit	In Progress	
	Crowe LLP	Workers' Rights Enforcement Grant Program.	08/01/2025- 07/31/2026 Annual	7/31/2025	N/A	Grant Program Audit	In Progress	
Health Care Agency; Administrative Services	Department of Health Care Services	Targeted Case Management Cost Report Audit	FY 22/23 Annual	FY 21/22	N/A	Fiscal and program compliance review.	In progress.	
Health Care Agency; Administrative Services	Crowe LLP	Tobacco Settlement Revenue (TSR) Agreed Upon Procedure	FY 25/26 Annual	FY 24/25	3/31/2027	Fiscal compliance review.	In progress.	
Health Care Agency; Behavioral Health Services	Department of Health Care Services	Mental Health Cost Report Audit	FY 17-18 Annual	FY 16/17	N/A	Fiscal and program compliance review.	In progress.	
Health Care Agency; Behavioral Health Services	Department of Health Care Services	Mental Health Cost Report Audit	FY 18/19 Annual	FY 17/18	N/A	Fiscal and program compliance review.	In progress.	
Health Care Agency; Behavioral Health Services	Department of Health Care Services	Substance Abuse Block Grant (SABG) Audit and Drug Medi-Cal (DMC) Audit	FY 19/20 Biennial	FY 17/18	N/A	Fiscal and program compliance review.	In progress.	
Health Care Agency; Correctional Health Services	No audits in progress.							

Department / Agency & Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Due Date	Audit Scope	Status as of September 30, 2026	Significant and Material Findings
Health Care Agency; Public Health Services	California Department of Public Health (CDPH), Office of Aids (OA)	1. EHE CDC High Impact 2. HIV Prevention High Impact	N/A No documents requested	N/A (1st Time)	N/A	Informal site visit to encourage collaboration and provide support on the grants for both Core and EHE activities.	Completed on 9/10/2026. No final report issued.	N/A
Health Care Agency; Public Health Services	California Department of Public Health (CDPH)	California Hove Visiting Program (CHVP) State General (SGF) Funds Evidence Based Home Visiting (EBHV)	FY 2026	N/A (1st Time)	N/A	Site Visit program compliance review.	Completed on 9/21/2026. No final report issued.	N/A
Health Care Agency; Public Health Services	Office of Inspector General through Heluna Health California Department of Public Health (CDPH)	Epidemiology & Laboratory Capacity Enhancement (ELC1) and Epidemiology & Laboratory Capacity Expansion (ELC2)	1/15/21 - 10/31/21	N/A (1st Time)	N/A	Fiscal Compliance Review - 25% Advance Payment	In progress.	
Health Care Agency; Public Health Services	MGO CPA (Contracted through DOF and Ca State Auditors)	Epidemiology & Laboratory Capacity Enhancement (ELC1) and Epidemiology & Laboratory Capacity Expansion (ELC2)	FY 22/23	N/A (1st Time)	N/A	Fiscal compliance review.	In progress.	
Health Care Agency; Public Health Services	United States Environmental Protection Agency (USEPA)	State Review Framework (SRF) for California and OC Environmental Health RCRA Hazardous Waste Program	FY 2024	N/A (1st Time)	N/A	Program compliance review.	Completed, final report received 8/25/2026.	None, program recommendations.
Health Care Agency; Public Health Services	Health Resource & Administration (HRSA)/HIV/AIDS Bureau	Ending the HIV Epidemic (EHE) - HRSA Site Visit	GY 24/25 GY 25/26 Every 2 years	FY 23/24	N/A	Fiscal and program compliance review.	In progress.	
Health Care Agency; Public Health Services	Gilbey and Associates (First 5)	Community and Nursing Services Division	FY 24/25 Annual	FY 23/24	N/A	Fiscal and program compliance review.	Completed, final report received 8/24/2026.	None.

Department / Agency & Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Due Date	Audit Scope	Status as of September 30, 2026	Significant and Material Findings
Health Care Agency; Public Health Services	Health Resource & Services Administration (HRSA)/HIV/AIDS Bureau	Ryan White Parts C Site Visit	GY 24 and GY 25 Every 5 years	GY 2016	N/A	Fiscal and program compliance review.	Completed, final report received 7/7/2026.	None, clinical, fiscal and program recommendation.
Health Care Agency; Public Health Services	California State Controller's Office	WIC Program Financial Management Review (FMR)	FFY 24-25 Biennial	August 2024	N/A	Fiscal and program compliance review.	In progress.	
Health Care Agency; Specialized Medical Services	California Deparment of Public Health (CDPH)	Health Disaster Preparedness (HDP)	FY 24/25 FY 25/26 Annual	January 2025	N/A	Comprehensive jurisdictional overview.	In progress.	
John Wayne Airport; Finance & Administration	Crowe LLP	Financial Statements	6/30/2026 Annual	6/30/2025	Within 120 days of the end of the fiscal year	Audit of Financial Statements	In progress.	
John Wayne Airport; Finance & Administration	Crowe LLP	Passenger Facility Charge Revenue and Expenditures	6/30/2026 Annual	6/30/2025	Within 120 days of the end of the fiscal year	Audit of Financial Statements	In progress.	
John Wayne Airport; Finance & Administration	Crowe LLP	Internal Control over Financial Reporting for Federal Grant Award	6/30/2026	6/30/2025	30 calendar days after JWA receives the audit report, or nine months after the end of JWA's audit period		In progress.	
John Wayne Airport; Innovation & Technology	Tevora Business Solutions	Parking Access and Revenue Control System	2026 Annual	7/15/2026	Within 12 months following the prior assessment of compliance	Compliance with Payment Card Industry Data Security Standard	Completed on 7/15/2026.	None
John Wayne Airport; Operations	No audits in progress.							

Department / Agency & Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Due Date	Audit Scope	Status as of September 30, 2026	Significant and Material Findings
OC Community Resources; Office on Aging (OoA)	California Department of Aging	Office on Aging	FY 22-23 & 23-24	FY 20-21 & 21-22	8/28/2026	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	Completed	**Three (3) New Findings:** Significant Finding 1: Inaccurate Closeout – Noncompliance and Internal Control Weakness with a Fiscal Impact amount $29,105 FY23/24 Significant Finding 2: Contract Resolution – Noncompliance and Internal Control Weakness Significant Finding 3: Equipment – Noncompliance and Internal Control Weakness
OC Community Resources	Crowe LLP	Senior Non-Emergency Medical Transportation M2 & TSR (SNEMT)	FY 24-25	FY 15-16	TBD by the Auditor	Fiscal policies and procedures, accounting system, program income, interest, expenditures, internal control, procurement policies and procedures, etc.	In progress.	
OC Community Resources; Workforce & Economic Development	Employment Development Department (EDD)	Workforce Innovation & Opportunity Act (WIOA)	FY 25-26	FY 24-25	TBD by the Auditor	Fiscal policies and procedures, accounting system, program income, expenditures, internal control, procurement policies and procedures, property management, etc.	Planned. Fieldwork-Nov. 16th-20th, 2026	
OC Community Resources; OC Parks	Crowe LLP	Stormwater Runoff Quality & Quantity Control Project 14-ORCO-ECP-3740	FY 24-25	N/A	TBD by the Auditor	Fiscal policies and procedures, accounting system, expenditures, internal control, procurement policies and procedures, etc.	In progress.	
OC Community Resources; OC	No audits in progress.							
OC Community Resources; OC Animal Care	No audits in progress.							
Housing Community Development (HCD)	No audits in progress.							
OC Community Resources; Orange County Housing Authority (OCHA)	Office of Inspector General (OIG) US Dept of HUD	HUD's Tenant-Based Rental Assistance (TBRA) Program	March 2025	N/A	TBD by the Auditor	To determine HAP in the PIH-TBRA program are correctly calculated by OCHA and supported by all necessary documentation.	Completed	None
OC Community Resources; OC Housing Finance Trust (OCHFT)	No audits in progress.							
OC Public Works; Accounting & OC Construction	No audits in progress.							

Department / Agency & Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Due Date	Audit Scope	Status as of September 30, 2026	Significant and Material Findings
OC Public Works; Accounting & OC Fleet Services	Simpson & Simpson LLP	South Coast Air Quality Management District AB-2766 Fund (Fund 140)	FY 2023-2024 and FY 2024-2025, bi-annual	09/2025	N/A	A Financial and Compliance Audit to determine if recipient is in compliance with provisions of Assembly Bill 2766 Chapter 1705 [44220 through 44247].	Completed	None
OC Public Works; Accounting & OC Fleet Services	Simpson & Simpson LLP	South Coast Air Quality Management District AB-2766 Fund (Fund 140)	FY 2025-2026 and 2026-2027 bi-annual	2026	N/A	A Financial and Compliance Audit to determine if recipient is in compliance with provisions of Assembly Bill 2766 Chapter 1705 [44220 through 44247].	Planned	
OC Public Works; Accounting	Eide Bailly LLP	Santa Ana River Flood Protection Agency (SARFPA)	FY 2023-2024 and FY 2024-2025, every two years	09/2024	N/A	Bi-Annual Audits of the Santa Ana River Flood Protection Agency's Financials Statements	Completed on 4/2/2026.	See Attachment D for corrective actions taken related to the findings from this audit.
OC Public Works; Accounting	Crowe LLP	OCLTA Measure M Local Transportation Ordinance No. 3 Compliance Review, MM Senior Non-Emergency Medical Transportation (SNEMT) Program	FY 2024-25, Annual Audit	SNEMT was last audited in FY 2015-16	N/A	The Audit Subcommittee selects a sample of jurisdictions receiving the MM SNEMT program funding for review to determine the jurisdiction's level of compliance with the provisions of MM Local Transportation Ordinance No. 3	Completed	None
OC Public Works; Accounting	Crowe LLP	OCLTA Measure M Local Transportation Ordinance No. 3 Compliance Review, Environmental Cleanup Program (Water Quality)	FY 2024-25, Annual Audit	N/A	N/A	The Audit Subcommittee selects a sample of jurisdictions receiving the MM Environmental Cleanup program funding for review to determine the jurisdiction's level of compliance with the provisions of MM Local Transportation Ordinance No. 3	Completed	None
OC Public Works; Accounting & Infrastructure	No audits in progress.							
OC Public Works; Administrative Services / Revenue Streams	No audits in progress.							
OC Public Works; OC Agricultural Services	Department of Pesticide Regulation	OC AWM - Pesticide Use Enforcement program	Annual	1/1/2025 - 12/31/2025	3/1/2026	Program performance on Compliance Monitoring, Restricted Material Permitting, and Enforcement Response	Completed	**One (1) New Finding:** Significant Finding: Specifically DPR found that OC AWM did not meet the inspection goals outlined in their three year work plan.

Department / Agency & Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Due Date	Audit Scope	Status as of September 30, 2026	Significant and Material Findings
OC Public Works; OC Agricultural Services	Department of Pesticide Regulation	OC AWM - Pesticide Use Enforcement program	Annual	1/1/2026 - 12/31/2026	N/A	Program performance on Compliance Monitoring, Restricted Material Permitting, and Enforcement Response	Planned	
OC Waste & Recycling; Accounting	Crowe LLP	OCWR FY 2025-26 Annual Financial Report	Annual	6/30/2025	12/31/2026	Annual Financial GAAP Audit	In progress.	
Probation; Administrative and Fiscal	State of California Controller's Office (SCO)	TC-31 Disbursement Process	FY 2021-22 through FY 2024-25; Every four fiscal years	01/22/22	In progress	The audit scope includes, but will not be limited to, planning and performing the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on SCO's audit objective.	In progress.	
Probation; Administrative and Fiscal	Department of Justice (DOJ); Justice Data and Investigative Services Bureau; Kelsey Langford, AB1747 Section, Client Services Progam	AB 1747 Purpose Code Audit	FY 2025 - 2026	05/01/26	07/29/26	DOJ is inquiring to see which purpose codes we use when running record checks.	Completed on July 29, 2026.	None. DOJ was satisfied with the documentation that was provided to them.
Probation; Administrative and Fiscal	California Department of Education	School Food Authorities (SFA); School Nutrition Program	FY 2025 - 2026	NA	10/01/26	Fill out Procurement Table and Vendor Paid List, as it summarizes the total amount paid to each vendor during the school year under review.	In progress.	
Public Defender	No audits in progress.							
Registrar of Voters	No audits in progress.							

Department / Agency & Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Due Date	Audit Scope	Status as of September 30, 2026	Significant and Material Findings
Sheriff-Coroner; Custody Operations	Disability Rights California (DRC)	Theo Lacy, Central Men's Jail, Central Women's Jail, Intake Release Center, James A Musick Facility	Current	N/A	N/A	Disability Rights	In progress.	
Sheriff-Coroner; Custody Operations	Board of State and Community Corrections (BSCC)	Theo Lacy, Central Men's Jail, Central Women's Jail, Intake Release Center, James A Musick Facility	2026-2028	2024-2025	N/A	Jail Standards	In progress.	
Sheriff-Coroner; Orange County Crime Lab	ANSI National Accreditation Board	Testing and calibration - full program	March 2-6, 2026 Annual	3/1/2025	N/A	ISO/IEC 17025:2017, and AR 3125 requirements; FBI Quality Assurance Standards for DNA Bureau.	Completed	N/A
Sheriff-Coroner; Records	1413 Consulting - Joe Moralli	Property Section Audit for Records Division Property and Evidence Bureau	Annually (5 year contract) Audit is completed once per contract year	May 12-15, 2026	Department's descretion (once per contract year)	External audit from 1413 Consulting/Joe Moralli to review current OCSD processes, procedures, and security of Property & Evidence against best practices established by the International Association of Property and Evidence (IAPE)	Completed	None
Social Services Agency; Administrative Services	Californa Department of Education (CDE)	Procurement transactions related to the Orangewood kitchen for the School Year (SY) 2025-26.	Every 5 years	2021	N/A	CDE is required to monitor School Food Authorities (SFA) compliance with all program regulations including the procurement standards found in Title 7, Code of Federal Regulations, Section 210.21, and Title 2, Code of Federal Regulations, sections 200.317 to 200.327.	In progress. Requested documents provided by the initial deadline of 10/1/26.	
Social Services Agency; Assistance Programs	California Department of Social Services (CDSS)	CalFresh	Occurs yearly, usually in August	August 3-7, 2026	N/A	As mandated by the United States of Department of Agriculture (USDA) Food and Nutrition Service (FNS), CDSS conducts an evaluation of CalFresh Program access with an emphasis on the recertification process and timelines of application processing, payment accuracy, and assessment of corrective action.	In progress. Final report expected around October 6.	

Department / Agency & Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Due Date	Audit Scope	Status as of September 30, 2026	Significant and Material Findings
Social Services Agency; Family Self-Sufficiency & Adult Services	California Department of Social Services (CDSS)- Christy White & Associates	In-Home Supportive Services	Annually, 8/18-8/20/26	7/1/25-9/30/25	8/27/2026	Audit of County social services activities with a focus on a review of 30 cases, which include five denied cases, 14 randomly selected cases chosen by state QA, and 11 County QA reviewed cases, 5 of which included a home visit.	In progress. The Exit Conference was conducted on 8/27/26. Rebuttals were submitted on 9/3/26. The Final Summary Letter, Review Summary, and Rebuttal Outcome are expected to be received from CDSS by 10/15/26.	
Social Services Agency; Family Self-Sufficiency & Adult Services	California Department of Social Services (CDSS)	CalWORKs, Homeless Assistance and Domestic Abuse	Every 3 years	2023	8/28/2026	CDSS is reviewing CalWORKs eligibility (15 cases) and Homeless Assistance (3 cases). Also, CDSS is reviewing Homeless Assistance policies and Domestic Abuse policies.	In progress. Entrance, exit and 2-week post review meeting have been conducted. OPT is in the process of reviewing the finding and observations to provide rebuttal. OPT rebuttals due to CDSS by 9/30/26.	
Social Services Agency; Family Self-Sufficiency & Adult Services	Administration for Children and Families (ACF)	Title IV-E Foster Care	10/1/2024-3/31/2025 Every 3 years (COVID delayed this review)	2018	7/2025	The regulatory reviews of the title IV-E Foster Care program determine whether children in foster care meet the federal eligibility requirements for foster care maintenance payments claimed on their behalf. During these reviews, the Children's Bureau examines child and provider case records, as well as payment documentation, to validate the accuracy of Title IV-E agency's reimbursement claims of foster care payments.	Completed.	None
Social Services Agency; Family Self-Sufficiency & Adult Services	CDSS	Adoption Assistance Program	Every two years	November 2023	12/2025	Monitoring review to ensure the AAP program administration from eligibility determination to benefit issuance is in compliance with federal and state regulations, which includes the review of AAP eligibility and AAP service files to verify appropriateness and accuracy of forms being used.	Completed.	None

Department / Agency & Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Due Date	Audit Scope	Status as of September 30, 2026	Significant and Material Findings
Social Services Agency; Family Self-Sufficiency & Adult Services	California Department of Social Services (CDSS)- Christy White & Associates	Title IV-E Foster Care	10/1/2024-3/31/2025 Within 3-5 years period	2025	7/2026	The regulatory reviews of the title IV-E Foster Care program determine whether children in foster care meet the federal eligibility requirements for foster care maintenance payments claimed on their behalf. During these reviews, the Children's Bureau examines child and provider case records, as well as payment documentation, to validate the accuracy of a Title IV-E agency's reimbursement claims of foster care payments.	In Progress.	
Treasurer-Tax Collector; Treasury	Brown Armstrong Accountancy Corporation	Public Funds - CA GCS 27134 - County Treasurer Annual Audit of Treasurer's Compliance with Article 6.	FY 2023-24 Annual	June 30, 2023	Not specified in State law	Annual Audit, required by Government Code Section 27134, of County Treasurer's compliance with Article 6 entitled County Treasury Oversight Committee in Sections 27130-27137.	Completed. Annual Audit Report of the Treasurer's Compliance with the Treasury Oversight Committee Article 6 as of June 30, 2024 issued on July 10, 2026.	None
Treasurer-Tax Collector; Treasury	Brown Armstrong Accountancy Corporation (BA) contracted after direction of the TOC to cause an annual audit	Public Funds - CA GCS 27134 - County Treasurer Annual Audit of Treasurer's Compliance with Article 6.	FY 2024-25 Annual -July 1, 2024 to March 11, 2025 (TOC dissolution date)	June 30, 2024	Not specified in State law	Annual Audit, required by Government Code Section 27134, of County Treasurer's compliance with Article 6 entitled County Treasury Oversight Committee in Sections 27130-27137.	Planned. The external compliance audit of the Treasurer's compliance with Article 6 cannot currentlty be completed. Management's support of the compliance audit requires finance-level access to the Quantum Treasury Management System, the FAS fund accounting records and other books of records of the Treasurer. That access has been removed from the Treasurer's Office, which is currently limited to custodial bank records - insufficient to support the annual compliance audit. The Treasurer has requested restoration of access from OCIT (INC01323798; INC01344576) and will promptly work with auditor on the compliance audit upon restoration.	

Attachment C

Department / Agency & Division	Name of Third Party Auditor	Program, Process, or Area	Audit Period & Frequency	Date Last Audited	Audit Due Date	Audit Scope	Status as of September 30, 2026	Significant and Material Findings

Attachment D

EXTERNAL AUDIT REPORT
Implementation Status of Prior Quarter Significant & Material Issues
Quarter Ended September 30, 2026

No.	Department & Division	Audit Name	Finding	Recommendation	Material or Significant	Implementation Status* & Actions Taken or Planned
1	Clerk-Recorder	ERDS Program	Content has been removed due to the sensitive nature of the finding.	Content has been removed due to the sensitive nature of the finding.	Significant	**In Progress.** Content has been removed due to the sensitive nature of the finding. The recommendation is still in progress to be implemented with the new MOUs being executed in 2028. It will be fully executed in 2028.
2	OC Public Works; Accounting	Santa Ana River Flood Protection Agency (SARFPA)	#2025-001 - Accruals and Financial Statement Preparation: The Agency's year-end closing process did not include sufficient procedures to ensure that account balances were fully reviewed and reconciled prior to audit. While the Agency prepares and annual budget, it does not have a formal process to monitor budget-to-actual results throughout the year, which reduces management's ability to identify and correct errors in revenues and expenditures on a timely basis. Reference audit report for further details and recommendations.	We recommend the Agency review and strengthen its closing process to ensure balances are properly reconciled. This process should include procedures to ensure that the trial balance agrees to the financial statements and that all required accruals and reversals are recorded. We also recommend that management implement regular budget-to-actual monitoring to help identify unusual variances and support accurate financial reporting throughout the year.	Material	**Implemented** - OCPW Accounting has coordinated with OCPW Finance Services and A C Financial Reporting to implement enhanced controls addressing the audit finding. OCPW Finance will begin performing regular budget to actual monitoring to ensure all expected entries are properly recorded. In addition, OCPW Accounting has worked with A C Financial Reporting to confirm that all required accruals and reversals are recorded each period, regardless of dollar amount, as all amounts are considered material. Finally, OCPW Accounting has updated its year end checklist to include verification with each unit that the established controls were completed, ensuring comprehensive follow through and compliance moving forward.

*** Implementation status reported as (1) implemented, (2) in progress, or (3) not yet implemented.**

Agenda Item 13

Memorandum

November 12, 2026

AOC Agenda Item No. 13

TO: Audit Oversight Committee Members

Recommended Action:
Receive Update on Internal Audit Staffing and Resources

Receive Update on Internal Audit Staffing and Resources, as stated in recommended action.

Agenda Item 14

Auditor-Controller Internal Audit
Status of Mandated Audits
As of September 30, 2026
AOC Meeting Date: November 12, 2026

Attachment A

Audit Name	Audit No.	Budget Hours	Actual Hours	Variance	Draft Report	Final Report	Status
Cash Shortages FY 25-26	2502	120.0	115.0	5.0	N/A	N/A	0 in process, 14 completed
Cash Shortages FY 26-27	2602	120.0	12.0	108.0	N/A	N/A	0 in process, 2 completed
JPAs and Special Districts FY 24-25*	2510	120.0	115.0	5.0	N/A	N/A	Collection in process
JPAs and Special Districts FY 25-26*	2610	120.0	8.0	112.0	N/A	N/A	Collection in process
Review of Schedule of Assets as of 12/31/25	2508	300.0	280.0	20.0	9/10/2026	9/11/2026	Completed
Review of Schedule of Assets as of 3/31/26	2509	300.0	60.0	240.0			Fieldwork in process
	Total	**1080.0**	**590.0**	**490.0**			

RSA = Review of Schedule of Assets
*We collect copies and post them online.

Auditor-Controller Internal Audit
Status of Mandated Audits
As of September 30, 2026
AOC Meeting Date: November 12, 2026

Attachment A

Cash Shortages FY 25-26

Objective	Status/Results	Denied Total Cash Shortages	Approved Total Cash Shortages
To perform an investigation to determine whether to approve replenishment of cash shortages.	We have completed 14 out of 14 investigations, for a total of $4,156.94 *Three shortage requests exceeded $500 and involved multiple incidents; however, none of the individual incidents exceeded $1,000.	0	14

Cash Shortages FY 26-27

Objective	Status/Results	Denied Total Cash Shortages	Approved Total Cash Shortages
To perform an investigation to determine whether to approve replenishment of cash shortages.	We have completed 2 out of 2 investigations, for a total of $129.00	0	2

JPAs and Special Districts FY 24-25

Objective	Status/Results	Modified Reports Received/Reviewed	Total Reports Reviewed
To ensure all JPAs and Special District within the County file their annual audits within 12 months of their fiscal year end.	We are collecting audited financial statements. JPAs remaining: 1 of 68. Special Districts remaining: 0 of 34. Total reports received: 101 of 102.	0/0	101

JPAs and Special Districts FY 25-26

Objective	Status/Results	Modified Reports Received/Reviewed	Total Reports Reviewed
To ensure all JPAs and Special District within the County file their annual audits within 12 months of their fiscal year end.	We are collecting audited financial statements. JPAs remaining: 64 of 68. Special Districts remaining: 34 of 34. Total reports received: 4 of 102.	0/0	4

Auditor-Controller Internal Audit
Status of Mandated Audits
As of September 30, 2026
AOC Meeting Date: November 12, 2026

Attachment A

Review of Schedule of Assets as of 12/31/25

Objective	Status/Results	Material Weaknesses or Significant Deficiencies	Control Deficiencies
To perform a quarterly review to express a conclusion on whether we are aware of any material modifications that should be made to the Schedule of Assets for it to be in accordance with the modified accrual basis of accounting.	We issued the report on September 11, 2026. There were no findings.	0	0

Review of Schedule of Assets as of 03/31/26

Objective	Status/Results	or Significant Deficiencies	Control Deficiencies
To perform a quarterly review to express a conclusion on whether we are aware of any material modifications that should be made to the Schedule of Assets for it to be in accordance with the modified accrual basis of accounting.	Field Work in Process	0	0

Auditor-Controller Internal Audit
Status of Mandated Audits
As of September 30, 2026
AOC Meeting Date: November 12, 2026

Attachment A

Past-Due Submissions of Audited Financial Statements				
Entity Type	**Entity Name**	**FYE Date**	**Follow-up Date**	**Rectified Date**
JPA	Public Cable Television Authority (PCTA)* *The Report is targeted for completion in Q1 2027.	6/30/2025	10/23/25, 12/3/25, 12/18/25, 1/28/26, 4/7/26, 5/1/26, 5/27/26, 6/16/26, 9/15/26	

Agenda Item 15

Agenda Item 16

Agenda Item 17

County IT Projects

Quarterly Progress Report

4th Quarter, FY 25-26
Apr 1 – Jun 30, 2026

Summary

The Quarterly OC Information Technology (OCIT) Project Progress Report provides the status of all County IT projects with a budget of $150,000 or more and/or that have been identified as meriting the Board of Supervisors' attention.

The IT projects included in this report reflect the County's ongoing commitment to align IT with the County's business values. Projects included in the portfolio cover the upgrade or replacement of aging infrastructure and end-of-life systems and investment in new, innovative, and reliable technology and platforms. These projects also enhance the County's ability to maintain critical business operations, improve productivity, and deliver more and better services to constituents.

In addition to project status updates, this report also describes the County's IT overall project performance trends over the last 12 quarters.

Highlights



At a Glance

The number of projects in this reporting period is nine, one less than the number of projects reported in the previous quarter. One project was completed last quarter: Orangewood Children's Information System 2.0 (OCIS 2.0) for the Social Services Agency (SSA). No new projects were added this quarter. The total budget decreased from $111,826,363 to $110,946,199.

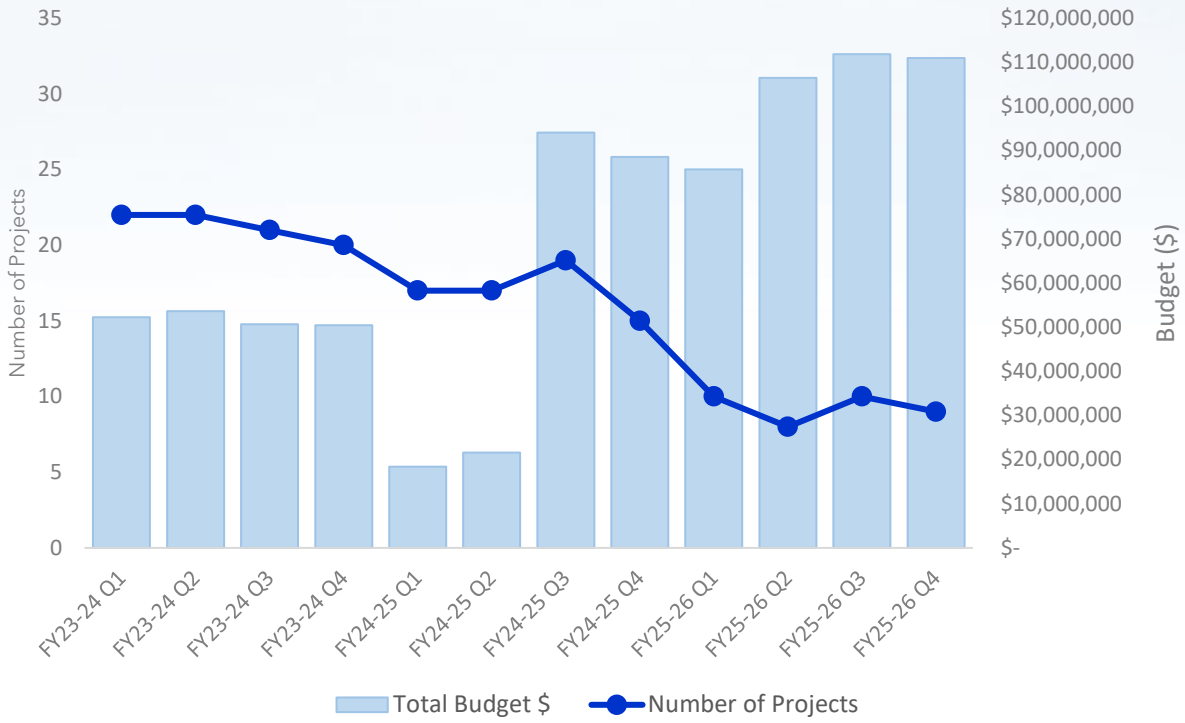


Key Accomplishments

OCIT, in partnership with its Managed Services provider (SAIC), completed and deployed the County Enterprise Network Redundancy project.

IT Portfolio Size and Budget

This chart depicts the County's IT project portfolio size and budget trends over the last 12 quarters.



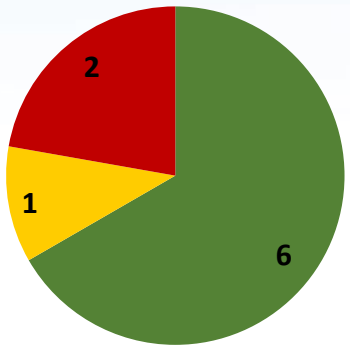
- The number of active projects is nine, one less project than reported in the previous quarter.
- Project data from the last 12 quarters show an average of 15.8 and a median of 17 projects.
- The total portfolio budget decreased by $880,164.

The chart above reflects projects that were active or completed during each quarter.

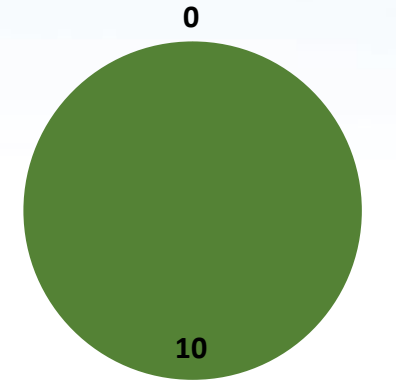
Portfolio Performance

The charts below depict the County's IT project portfolio schedule and budget performance of the active and completed projects during the reporting period.

Schedule



Budget



During this reporting period, three projects experienced schedule delays of more than 10%, and no projects exceeded their original or rebaselined budget by more than 10%. Details concerning schedule delays are available in the IT Project Dashboard included with this report.

Scope changes and project dependencies are the primary contributors to project schedule delays.

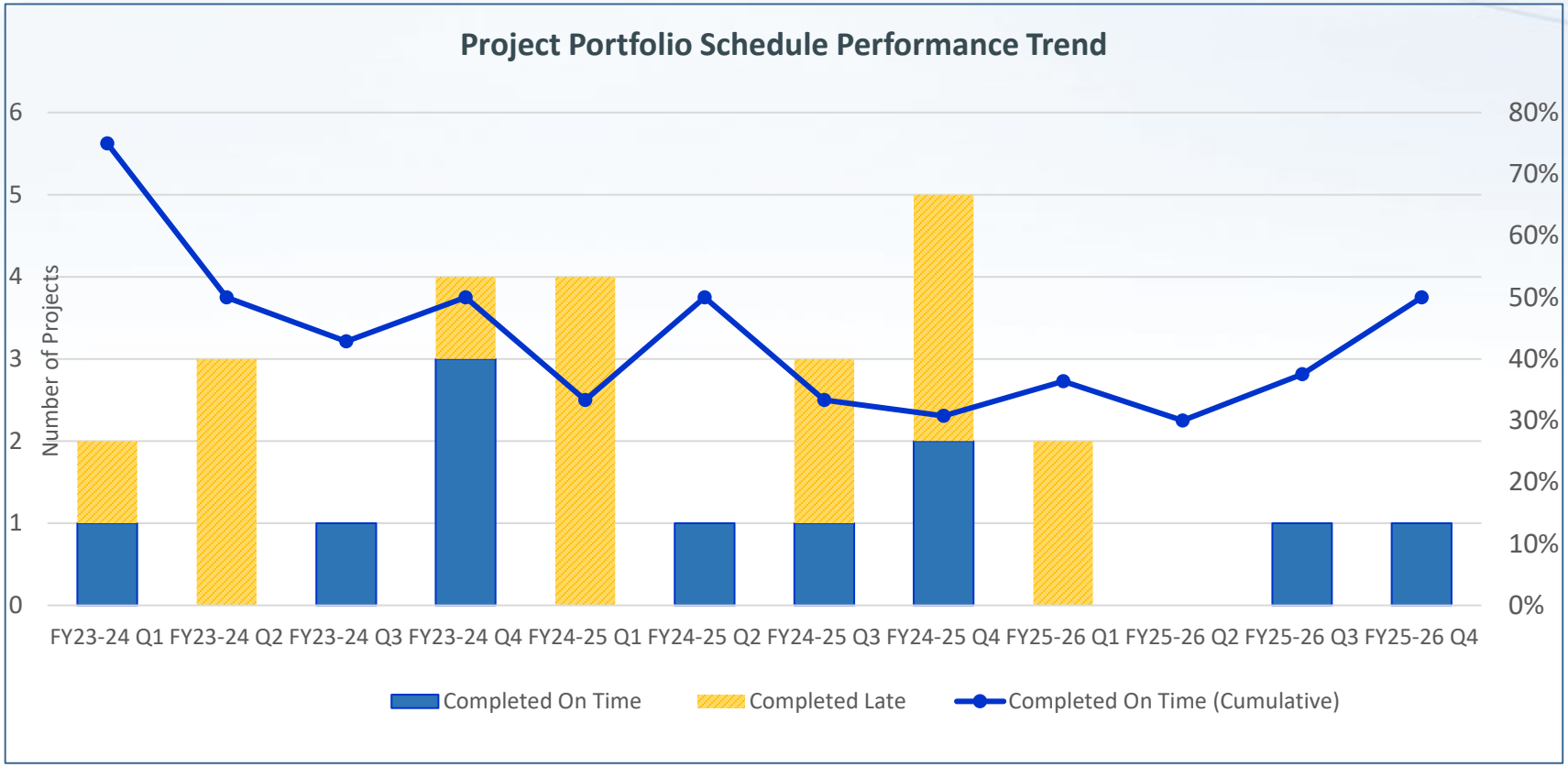
Portfolio Performance Trend

Attachment A

The chart below depicts the County's IT project schedule performance trend for the projects that were completed over the last 12 quarters.

The bars reflect the total number of projects completed in each quarter and the number completed on schedule.

The line reflects the percentage of projects completed on schedule over four consecutive quarters.

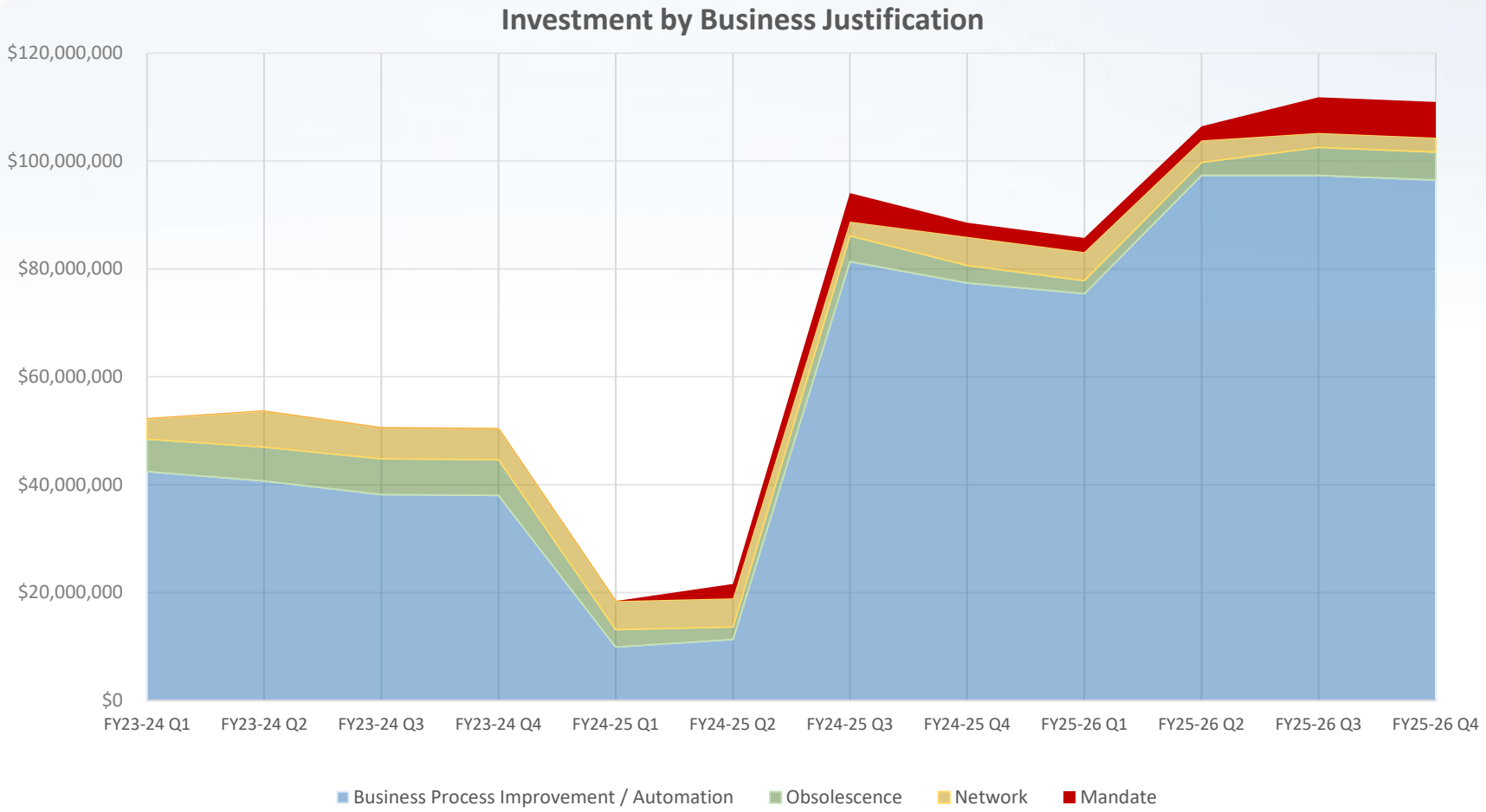


This portfolio budget performance trend may reflect the County's cost-schedule tradeoff decisions to stay within resource and budget constraints at the expense of schedule.

Project Investment Trends

Attachment A

Projects intended to improve or automate business processes account for 86.96% of the County's IT budget this quarter. Projects for replacing end-of-life or obsolete systems account for 4.69% of the budget. Network projects account for 5.97% of the budget. Mandated systems account for 2.38% of the budget.



The chart above reflects projects that were active or completed during each quarter.

Investment by Service Area

Attachment A

Countywide projects, which include ERP, account for the largest share of the County's IT project investments this quarter. Enterprise Cybersecurity, Department Specific, and Public Protection projects show significantly less investment as compared with countywide projects.



The chart above reflects projects that were active or completed during this reporting period.

IT Project Dashboard

Attachment A

Managing Dept.	Business Owner	Project Description	Budget	Schedule	Schedule / Budget	Project Phase - Status as of End of Reporting Period Key Highlights Since End of Reporting Period	% Completed
A-C	Multi	**ERP Transformation and Modernization** - Project will implement an integrated cloud-based ERP System, increase operational automation and efficiency throughout the County, improve collaboration, streamline business processes, strengthen security and workflow, enhance internal controls, and maximize the latest technological innovations. The project includes multiple releases for the business components stated in the key milestones.			Planned Start: 03/11/25 Planned End: 07/31/28 Budget: $ 93,685,000 Expended: $ 19,277,194 Encumbered: $ 6,084,160 Balance: $ 68,323,646 Source: General Fund	**Execution** - Execution - Several releases of the new ERP system are progressing through various phases: Release 1B is live and in the support phase after being re-baselined; Release 1C is in testing and data conversion; Releases 1D and 2A are in the build phase with ongoing system integrations and data conversion; Release 1E has completed its design phase. Organizational Change Management efforts include stakeholder information sessions, establishing a Change Agent Network, developing training materials and user guides for Release 1C, and completing training and OCM plans for earlier releases. The new ERP system has been officially named Clarity OC. In next period, continue progressing on multiple releases: Release 1B continues in the support phase; Release 1C advances through testing and go-live while starting support; Release 1D focuses on testing, system integrations, and data conversion; Release 1E remains in the build phase with ongoing integrations; and Release 2A is also in the build phase with integrations and data conversion. Organizational Change Management efforts include regular information sessions, executing the Change Agent Network, validating change impacts for Release 2A, and completing training materials and user guides for Release 1C. **Risk Mitigation** - Release 1C implementation schedule has been adjusted from July to August 2026 to ensure all critical implementation readiness activities are completed before Go-Live. Project team is executing revised 1C implementation plan and completing remaining readiness activities. - Additional reports and system integrations as well as the County's complex business requirements introduced schedule risks to Releases 1D and 2A. Team is mitigating schedule risks to Releases 1D and 2A by prioritizing the additional reports and integrations. - Project continues to experience unfilled vacated positions and several unanticipated extended absences. These gaps may increase risk of reduced project quality, timeline delays, and increased workload pressure or turnover among remaining staff. Team approved to fill one vacated position and to explore options for additional resources.	**39%**

List is ordered by Managing Dept., then by Business Owner.
** Project has been rebaselined.*
*** Project will be baselined after initiation or procurement activities are complete.*

On track; within 10% of budget/schedule | At risk; 10% - 20% over budget/schedule | Critical: >20% over budget/schedule

IT Project Dashboard

Attachment A

Managing Dept.	Business Owner	Project Description	Budget	Schedule	Schedule / Budget	Project Phase - Status as of End of Reporting Period Key Highlights Since End of Reporting Period	% Completed
OCIT	COB	**OC Agenda Rewrite** - In-house development of Agenda Management solution to include all stages of the agenda process lifecycle (creation of ASRs, compiling ASRs/publishing agendas, post meeting minutes processes, archiving and search).			Planned Start: 06/01/24 Planned End: ~~05/15/26~~ 07/31/26 Budget: $ 2,400,935 Expended: $ 1,964,591 Encumbered: $ 0 Balance: $ 436,344 Source: General Fund	**Execution** – Conducted files management training; began publishing agendas for meetings starting on April 28, 2026; transitioned support to Help Desk / COB IT Support Team; continued work on search and archive; and progressed on remaining reports. In next period, complete search and public archive; complete remaining reports; complete prioritization of remaining post go-live requirements and enhancement requests; transition remaining BA tasks to COB IT Support; submit Project Change Request to include additional enhancements. **Risk Mitigation** N/A	**92%**

List is ordered by Managing Dept., then by Business Owner.
** Project has been rebaselined.*
*** Project will be baselined after initiation or procurement activities are complete.*

On track; within 10% of budget/schedule | At risk; 10% - 20% over budget/schedule | Critical: >20% over budget/schedule

IT Project Dashboard

Attachment A

Managing Dept.	Business Owner	Project Description	Budget	Schedule	Schedule / Budget	Project Phase - Status as of End of Reporting Period Key Highlights Since End of Reporting Period	% Completed
DA	DA	**Case Management System (CMS) Replacement -** To design and implement a secure, efficient, and user-friendly Case Management System (CMS) that empowers the District Attorney's Office and law enforcement agencies to streamline case workflows, enhance collaboration, and ensure the integrity and confidentiality of sensitive data. This project aims to improve operational efficiency, support timely decision-making, and strengthen public trust through modern technology solutions that uphold the highest standards of security and compliance.			Planned Start: 01/06/26 Planned End: 03/31/28 Budget: $ 2,801,580 Expended: $ 417,900 Encumbered: $ 0 Balance: $ 2,383,680 Source: General Fund	**Execution** - Coordinating teams to complete Stages 1 and 2; advancing planning for Stage 3; managing tasks between milestones; leading CMS Governance Committee process to narrow down and select document templates for submission to Journal Tech for office use. In next period, collect, consolidate, and build a cross-office workflow matrix based on processes gathered from all units. **Risk Mitigation** - RMS may need to be integrated into CMS in lieu of an interface; may require change to the scope and require additional time. OCDA is providing demos to JTI to ensure alignment on functionality. As project progresses, OCDA will need to decide whether RMS is in scope. JTI does not anticipate a financial impact; any change order would be limited in scope. - Data Conversion - EDC may not have existing data to convert; the functional requirements would flow into the portal and business process. OCDA will need to determine whether DNA Database is to be included within scope of new functionality. JTI anticipates that, if included, this can be accommodated through configuration.	**7%**

List is ordered by Managing Dept., then by Business Owner.
** Project has been rebaselined.*
*** Project will be baselined after initiation or procurement activities are complete.*

On track; within 10% of budget/schedule | At risk; 10% - 20% over budget/schedule | Critical: >20% over budget/schedule

IT Project Dashboard

Attachment A

Managing Dept.	Business Owner	Project Description	Budget	Schedule	Schedule / Budget	Project Phase - Status as of End of Reporting Period Key Highlights Since End of Reporting Period	% Completed
OCIT	Multi	**County Enterprise Network Redundancy** - The purpose of this project is to upgrade and enhance the County network infrastructure in the County Administration South (CAS) building to build additional redundancy in case of network or internet service failure at the Orange County Data Center (OCDC).		*	Planned Start: 10/10/22 Planned End: 05/02/23 ~~10/15/23~~ ~~06/30/24~~ ~~11/04/24~~ ~~05/30/25~~ ~~11/30/25~~ ~~02/28/26~~ 06/30/26 Budget: $ 2,517,647 Expended: $ 2,159,094 Encumbered: $ 0 Balance: $ 358,553 Source: General Fund, OCIT	**Execution** - All phases complete. Solution is in production. **Risk Mitigation** N/A	**100%**

List is ordered by Managing Dept., then by Business Owner.
** Project has been rebaselined.*
*** Project will be baselined after initiation or procurement activities are complete.*

On track; within 10% of budget/schedule | At risk; 10% - 20% over budget/schedule | Critical: >20% over budget/schedule

IT Project Dashboard

Attachment A

Managing Dept.	Business Owner	Project Description	Budget	Schedule	Schedule / Budget	Project Phase - Status as of End of Reporting Period Key Highlights Since End of Reporting Period	% Completed
OCIT	Multi	**County Phone System Migration** - This project transitions the County's on-premises phone system to a cloud-based platform, modernizing communications in alignment with the County's cloud-first strategy. The migration also delivers significant long-term cost savings by avoiding roughly $2.8 million in handset replacements and over $1.4 million in voice-core upgrades.			Planned Start: 02/11/26 Planned End: 02/05/27 Budget: $ 2,572,342 Expended: $ 272,553 Encumbered: $ 0 Balance: $ 2,299,788 Source: General Fund	**Execution** – Completed development of low-level design document; completed associated discovery and planning activities; initiated pilot for OC Data Center. In next period, will conduct pilot rollout (OCIT) at Parker location to validate core functionality, RedSky 911, and Microsoft Teams integration; begin rollout to identified Phase 1 agencies. **Risk Mitigation** More time required to revise the low-level design documentation after the initial version was rejected for being too high-level. Work Order amended to incorporate additional time needed for Planning services. Overall project completion date remains unchanged.	**32%**
OCIT	Multi	**Multi-Factor Authentication (MFA) System** - This project expands the County's current Multi-Factor Authentication (MFA) with an enterprise level solution, to includes badge readers and hardware tokens, to significantly improve security and user experience.			Planned Start: 11/01/24 Planned End: ~~06/30/25~~ ~~03/31/26~~ ~~05/31/26~~ 09/30/26 Budget: $ 930,000 Expended: $ 871,963 Encumbered: $ 0 Balance: $ 58,037 Source: General Fund	**Execution** - Completed rollout at OC Community Resources (OCCR); department has elected to delay enforcement to a future date to avoid issues with ongoing projects. Completed pilot group testing at OC Waste and Recycling (OCWR). In next period, to complete rollout for OCWR. Timing has required extension of project completion date to September 2026. **Risk Mitigation** OCWR's timeline has shifted as they balanced MFA rollout with other high-priority initiatives. After identifying complex use cases, their executive team requested additional testing to ensure smooth deployment. OCIT has developed a revised implementation plan to ensure the rollout is completed by 9/30/26.	**95%**

List is ordered by Managing Dept., then by Business Owner.
** Project has been rebaselined.*
*** Project will be baselined after initiation or procurement activities are complete.*

On track; within 10% of budget/schedule | At risk; 10% - 20% over budget/schedule | Critical: >20% over budget/schedule

IT Project Dashboard

Attachment A

Managing Dept.	Business Owner	Project Description	Budget	Schedule	Schedule / Budget	Project Phase - Status as of End of Reporting Period Key Highlights Since End of Reporting Period	% Completed
OCIT	Multi	**OC.GOV Migration** - The State of California passed a new law, AB1637, that requires all California cities, counties, and local agencies that maintain an internet website for use by the public or maintains public email addresses to utilize a ".gov" top-level domain for their websites and email addresses by January 1, 2029. During this project, all County agencies' external facing websites and email addresses will be migrated from the OCGOV.COM domain to the OC.GOV domain.			Planned Start: 07/15/24 Planned End: 12/29/28 Budget: $ 1,710,125 Expended: $ 561,399 Encumbered: $ 0 Balance: $ 1,148,726 Source: Participating Departments	**Execution** - Completed email migrations for District Attorney (DA) and OC Community Resources (OCCR) pilot and Wave 1 users. In next period, to complete email migrations for Waves 2 - 5 at OCCR; conduct Probation pilot and Waves 1 - 3 email migrations. **Risk Mitigation** N/A	**57%**
OCIT	PROB	**Juvenile Hall Switch Migration** - The purpose of this project is to provide an assessment of the current switch Network design and configuration at the Orange County Probation Department Juvenile Hall, upgrading the video network systems, and migrating the existing services to ongoing managed support.	*	*	Planned Start: 09/09/24 Planned End: ~~01/17/25~~ ~~01/19/26~~ 12/28/26 Budget: $ 1,536,570 Expended: $ 1,595,388 Encumbered $ 0 Balance: $ (58,818) Source: Probation	**Execution** - Completed reviews and assessments for existing switch network, UPS vs. new requirements, copper/fiber, power and cooling; developed rack diagrams per network room; supported OCIT infrastructure/cabling construction. In next period, to update documentation pending completion of network assessment, discovery, and planning; equipment delivery; and migration activities. **Risk Mitigation** - A&E Design from OCPW has been re-assigned to new A&E contractor and is in progress. - An AM3 will be required to extend end date further and remove Juvenile Hall Master Plan Phase 2 buildings from this project to achieve equipment and other cost savings. - OCPW has established that requirements may take until Q3 2027 to complete. - Project on hold pending further instructions from OCPW Operations.	**18%**

List is ordered by Managing Dept., then by Business Owner.
** Project has been rebaselined.*
*** Project will be baselined after initiation or procurement activities are complete.*

On track; within 10% of budget/schedule | At risk; 10% - 20% over budget/schedule | Critical: >20% over budget/schedule

IT Project Dashboard

Attachment A

Managing Dept.	Business Owner	Project Description	Budget	Schedule	Schedule / Budget	Project Phase - Status as of End of Reporting Period Key Highlights Since End of Reporting Period	% Completed
OCSD	OCSD	**Automated Jail System** - Sheriff AJS is a highly customized Jail System that was originally developed in 1990 on a mainframe utilizing Assembly/COBOL programming languages. The new IJMS will be built on current programming languages on commercially available and supported platforms. It will include all of the functional and technical requirements compiled by the IJMS team including Intake/Booking, Inmate Property Management, Inmate Classification, Sentence Calculation, Housing, Visits, Mail, Transitional Services, Inmate Accounts, Incidents, Investigations, Transportation, Movement, Count/Census, Medical/Mental Health, Release, Searches, Grievances, Unit Management, Scheduling, Reporting, Callouts, Food Services, and Inmate Requests.			Planned Start: ~~10/31/17~~ 12/14/21 Planned End: ~~12/16/22~~ ~~12/31/24~~ ~~06/30/25~~ ~~10/31/25~~ ~~12/01/25~~ ~~06/01/26~~ 12/01/26 Budget: $ 2,792,000 Expended: $ 633,750 Encumbered: $ 0 Balance: $ 2,158,750 Source: General Fund	**Execution** - Developed Jail Core and Inmate Core modules; conducted client review and acceptance testing sessions; completed deployment on 22 modules; worked with Custody Operations and JCATT to finalize structured implementation and validation plan, including completion of test cases and user personas. In next period, conduct one-on-one module review sessions with JCATT to validate workflows and confirm operational readiness prior to full UAT; prepare and configure the formal UAT environment, including test data setup, integration validation, and coordinating scheduling with County Operations; begin structured UAT with business owners, validating end-to-end custody workflows, module functionality, and integration behavior in preparation for three-month training period. **Risk Mitigation** - Vacant positions. - Scope expansion due to stakeholder input or custom feature requests; define minimum viable project (MVP), manage change requests formally, and enforce sprint discipline. - Resistance to change, operational slows downs, or user errors; deliver targeted training, use simulation environments, and implement change management strategies. - Tight project deadline; tripled project resources to accelerate development and meet schedule. Extended project deadline by six months. - Interface dependencies.	**93%**

List is ordered by Managing Dept., then by Business Owner.
** Project has been rebaselined.*
*** Project will be baselined after initiation or procurement activities are complete.*

On track; within 10% of budget/schedule

At risk; 10% - 20% over budget/schedule

Critical: >20% over budget/schedule

Project Landing Map

Attachment A

The map below depicts when project benefits have been or are expected to be realized.

Q1 FY25-26 Jul – Sep 2025	Q2 FY25-26 Oct – Dec 2025	Q3 FY25-26 Jan – Mar 2026	Q4 FY25-26 Apr – Jun 2026
✓ Access Control Conversion ✓ VPN Solution Expansion		✓ Orangewood Children's Information System 2.0	✓ County Enterprise Network Redundancy
Q1 FY26-27 **Jul – Sep 2026**	**Q2 FY26-27** **Oct – Dec 2026**	**Q3 FY26-27** **Jan – Mar 2027**	**Q4 FY26-27** **Apr – Jun 2027**
■ Multi-Factor Authentication (MFA) System ■ OC Agenda Rewrite	■ Automated Jail System (AJS) ■ Juvenile Hall Switch Migration	■ County Phone System Migration	
Q1 FY27-28 **Jul – Sep 2027**	**Q2 FY27-28** **Oct – Dec 2027**	**Q3 FY27-28** **Jan – Mar 2028**	**Q4 FY27-28** **Apr – Jun 2028 →**
		■ Case Management System (CMS) Replacement	■ ERP Transformation and Modernization (July 2028) ■ OC.GOV Migration (Dec 2028)

■ *On schedule*
■ *10% - 20% over schedule*
■ *>20% over schedule*
✓ *Project has been completed*

Status Update of OCIT Projects Identified as At Risk or Critical in Fourth Quarter FY 25-26 Quarterly IT Project Progress Report

This update to the Q4 FY 2025-26 IT Projects Progress Report (Attachment A) provides status updates as of July 20, 2026, for OCIT-managed IT projects with budgets of $150,000+ that were flagged as at risk or critical as of June 30, 2026. It does not cover IT projects managed by other departments.

Project Detail

PROJECT:	**Multi-Factor Authentication (MFA) System**		
See Attachment A, p. 11			
☒ **Budget**:	☐ At Risk	☐ Critical	☒ N/A
☒ **Schedule**:	☐ At Risk	☒ Critical	☐ N/A
The Multi-Factor Authentication (MFA) System project now has a revised estimated completion date of September 30, 2026. Deployment activities are ongoing for OC Waste & Recycling (OCWR), but progress was delayed due to shifting department priorities. OCWR requested additional time to allow supervisors to participate in testing alongside the pilot group. At the same time, OCWR was working to resolve audit findings related to the use of generic Active Directory logins on shared machines – such as fee booth and conference room PCs – that needed remediation before MFA enforcement could move forward. These combined factors have extended the overall project timeline.			