



September 25, 2024

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit

Subject: Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2024, Internal Audit Report No. 25-502

Overview

The Internal Audit Department has completed an audit of investments for the period January 1 through June 30, 2024. Based on the audit, the Orange County Transportation Authority complied with its debt, investment, and reporting policies and procedures; however, the Internal Audit Department made two recommendations to periodically update daily revenue estimates and to update the Treasury/Public Finance Debt and Investment Management Manual to reflect changes in procedures.

Recommendation

Direct staff to implement two recommendations provided in Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2024, Internal Audit Report No. 25-502.

Background

The Treasury Department (Treasury) is responsible for the management of the Orange County Transportation Authority's (OCTA) Investment Portfolio (Portfolio). On June 30, 2024, the Portfolio's book value was approximately \$2.5 billion. The Portfolio consists of three managed portfolios: the liquid portfolio for immediate cash needs, a bond proceeds portfolio to meet Measure M2 transportation program needs, and the short-term portfolio for future budgeted expenditures. OCTA's Treasurer manages the liquid and bond proceeds portfolios, and four external investment managers administer the short-term portfolio. OCTA also has investments in debt service reserve funds for various outstanding debt obligations.

The Investment Policy sets forth guidelines for all OCTA investments to ensure conformance with the California Government Code. The Investment Policy outlines permitted investments, as well as diversification guidelines. The diversification limits ensure the Portfolio is not unduly concentrated in securities of one type, industry, or entity, thereby assuring adequate portfolio liquidity should one sector or company experience difficulties.

Discussion

Revenue projections included in the daily cash projection worksheets are not updated on a regular basis, with the estimates of fare revenue and 91 Express Lanes revenue last updated in September 2022. Internal Audit recommended Treasury implement a process to periodically update revenue estimates, and management agreed to update the revenue estimates based on the adopted budget each year.

Treasury maintains a Treasury/Public Finance Debt and Investment Management Manual outlining OCTA's investment approach, specific roles and responsibilities, and detailed procedures to direct staff in their daily debt management, cash management, and investment activities. The last update to the manual was in July 2022. Internal Audit recommended Treasury update the manual to align with current practices, including staffing, banking relationship, system administrator assignments, and frequency of treasury meetings. Management agreed to update the manual.

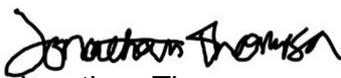
Summary

Internal Audit has completed an audit of investments for the period January 1 through June 30, 2024, and has offered two recommendations for improvement.

Attachment

- A. Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2024, Internal Audit Report No. 25-502

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