



May 21, 2026

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Investments: Monthly Reporting July 1 through December 31, 2025,
Internal Audit Report No. 26-510

Overview

The Internal Audit Department has completed an audit of investment reporting for the period July 1 through December 31, 2025. Based on the audit, the Orange County Transportation Authority complied with its investment reporting policies and procedures, and reported investments comply with the Investment Policy; however, the Internal Audit Department made two recommendations related to the timeliness of the Investment and Debt Programs Reports' review and the presentation of Investment and Debt Programs Reports' schedules.

Recommendation

Direct staff to implement two recommendations provided in Investments: Monthly Reporting, July 1 through December 31, 2025, Internal Audit Report No. 26-510.

Background

The Treasury Department (Treasury) is responsible for the management of the Orange County Transportation Authority's (OCTA) Investment Portfolio (Portfolio). On December 31, 2025, the Portfolio's book value was approximately \$3.2 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 (Policy) sets forth guidelines for all OCTA investments to ensure conformance with the California Government Code. The 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

The department manager reviews monthly Investment and Debt Programs Reports (Reports) to confirm accuracy and completeness and documents these reviews using a checklist that is electronically approved. The Internal Audit Department (Internal Audit) noted that three of six monthly Reports reflected review after upload of the reports for inclusion on Finance and Administration Committee (Committee) and Board of Directors (Board) agendas. Internal Audit recommended management ensure Reports are reviewed and approved prior to inclusion on Committee and Board agendas. Management agreed and will ensure documentation of the formal approval prior to inclusion on Committee and Board agendas.

Monthly Reports schedules would be improved with the inclusion of references and explanatory notes. While the investment compliance schedule includes a note about the total amount of variable and floating rate securities and its percentage of the portfolio in comparison to the 30 percent Policy limit, the detailed portfolio listing does not identify which securities are variable and floating rate securities. Also, a transaction activity schedule was added to present purchases, dispositions, and maturities/call redemptions; however, it excludes money market fund sweep transactions, paydowns, and coupon activity, without explanatory notes. Finally, investment of prepaid Express Lanes customer account balances has been added to the investment compliance schedule and the portfolio listing, but only the investment compliance schedule includes a note describing how these prepaid customer account balances represent customer liabilities. Internal Audit recommended management enhance the Reports with references and explanatory notes, and management agreed to include the recommended explanatory references and footnotes going forward.

Summary

Internal Audit has completed an audit of investments for the period July 1 through December 31, 2025, and has offered two recommendations for improvement.

Attachment

- A. Investments: Monthly Reporting, July 1 through December 31, 2025, Internal Audit Report No. 26-510

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Approved by:


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