



March 26, 2025

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit

Subject: Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2024, Internal Audit Report No. 25-511

Overview

The Internal Audit Department has completed an audit of investments for the period July 1 through December 31, 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 a recommendation to enhance the review of the monthly Investment and Debt Programs Reports.

Recommendation

Direct staff to implement a recommendation provided in Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2024, Internal Audit Report No. 25-511.

Background

The Treasury Department (Treasury) is responsible for the management of the Orange County Transportation Authority's (OCTA) Investment Portfolio (Portfolio). On December 31, 2024, the Portfolio's book value was approximately \$2.8 billion. The portfolio is divided into two portfolios: the liquid portfolio for immediate cash needs; and the managed portfolio for future budgeted expenditures. In addition to these portfolios, OCTA has funds invested in debt service reserve funds for the 91 Express Lanes Program. OCTA's Treasurer manages the liquid portfolio, and four external investment managers administer the managed 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

Multiple securities were not appropriately identified as variable and floating rate securities in the Portfolio Listing of the September and November 2024 Investment and Debt Programs Reports. Internal Audit recommended Treasury management confirm the presentation of variable and floating rate securities during its review of the monthly reports, and management agreed to enhance its review process to ensure consistency in future reports.

Summary

Internal Audit has completed an audit of investments for the period July 1 through December 31, 2024, and has offered a recommendation for improvement.

Attachment

- A. Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2024, Internal Audit Report No. 25-511

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