



**September 13, 2017**

**To:** Finance and Administration Committee

**From:** Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director  
Internal Audit

**Subject:** Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2017

### **Overview**

The Internal Audit Department has completed an audit of investments for the period January 1 through June 30, 2017. Based on the audit, the Orange County Transportation Authority complied with its debt, investment, and reporting policies and procedures; however, two minor reporting errors were identified in the first and second quarterly investment and debt reports. Internal Audit recommends management enhance review procedures to ensure line items are validated and schedules are reconciled before finalizing the report.

### **Recommendation**

Direct staff to implement one recommendation provided in Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2017, Internal Audit Report No. 18-501.

### **Background**

The Treasury Department (Treasury) is responsible for the management of the Orange County Transportation Authority's (OCTA's) investment portfolio (portfolio). On June 30, 2017, the investment portfolio's book value was approximately \$1.47 billion. The portfolio consists of two managed portfolios: liquid assets for OCTA's daily operations and a short term portfolio for future budgeted expenditures. External investment managers administer the short term portfolio, and OCTA's Treasurer manages the liquid assets portfolio.

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***

Internal Audit identified a discrepancy between the detailed investment portfolio listing (\$1,445,990,726) and the investment summary report (\$1,446,285,110) in the 2017 First Quarter Debt and Investment Report. Also, the Orange County Investment Pool balance reflected in the Second Quarter 2017 Debt and Investment Report was misstated by a minor amount (\$79). While the errors are not material, Internal Audit recommended management enhance review procedures to ensure line items are validated and schedules are reconciled before finalizing the report. Management agreed and indicated that reconciliation procedures would be developed.


***Summary***

Based on the audit, OCTA complied with its debt, investment, and reporting policies and procedures; however, two minor reporting errors were identified in the first and second quarterly debt and investment reports.

***Attachment***

- A. Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2017 Internal Audit Report No. 18-501

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