



October 22, 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, January 1 through June 30, 2025, Internal Audit Report No. 26-502

Overview

The Internal Audit Department has completed an audit of investments for the period January 1 through June 30, 2025. 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 one recommendation to strengthen controls to ensure all investments are reflected in monthly reports.

Recommendation

Direct staff to implement the one recommendation provided in Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2025, Internal Audit Report No. 26-502.

Background

The Treasury Department (Treasury) is responsible for the management of the Orange County Transportation Authority's (OCTA) Investment Portfolio (Portfolio). On June 30, 2025, the Portfolio's book value was approximately \$3.1 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

Treasury under-reported money market fund investments in the September, October, and November 2024 Investment and Debt Program Reports (reports). SB 125 (Chapter 54, Statutes of 2023) grant funds received in early September 2024 were deposited in a segregated account and immediately invested in money market funds; however, these money market fund investments, totaling \$183 million in September and October 2024 and \$154 million in November 2024, were not included in monthly reports to the Board of Directors. Treasury began reporting these investments in December 2024. Internal Audit recommended management strengthen controls to ensure all investments are reflected in monthly reports. Management agreed and indicated that a systematic process to ensure consistent reporting will be implemented going forward.

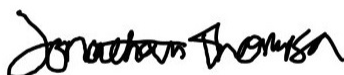
Summary

Internal Audit has completed an audit of investments for the period January 1 through June 30, 2025, and has offered one recommendation for improvement.

Attachment

- A. Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2025, Internal Audit Report No. 26-502

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Approved by:



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