



***April 24, 2012***

**To:** Finance and Administration Committee

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

**Subject:** Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2012

***Overview***

The Internal Audit Department has completed a review of investments for the period July 1 through December 31, 2012. Based on the review, it appears that the Orange County Transportation Authority complied with its debt, investment, and accounting policies and procedures.

***Recommendation***

Receive and file Investments: Compliance, Controls, and Reporting Review, January 1 through June 30, 2012, Internal Audit Report No. 13-523.

***Background***

The Treasury/Public Finance Department is responsible for management of the Orange County Transportation Authority's (OCTA) investment portfolio. On December 31, 2012, the investment portfolio's book value was approximately \$1.09 billion. The portfolio consists of three managed portfolios: liquid assets for OCTA's daily operations, bond proceeds portfolio to meet Measure M2 transportation program needs, and the short-term portfolio for future budgeted expenditures. External investment managers administer the short-term portfolio and bond proceeds portfolio, and OCTA's Treasurer manages the liquid assets portfolio. OCTA also has funds invested in debt service reserve funds for various outstanding debt obligations. OCTA's Accounting Department is responsible for recording all debt and investment transactions and reconciling all bank and custodial accounts monthly.

***Discussion***

OCTA's investment activities are reviewed on a periodic basis by the Internal Audit Department. The objective of the review is to determine if OCTA was in

---

compliance with its debt, investment, and accounting policies and procedures for the review period of July 1 through December 30, 2012.

***Summary***

Based on the review, it appears that OCTA complied with its debt, investment, and accounting policies and procedures.

***Attachment***

- A. Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2012, Internal Audit Report No. 13-523

**Prepared by:**



---

Gabriel Tang  
Principal Internal Auditor  
714-560-5746

**Approved by:**



---

Janet Sutter  
Executive Director, Internal Audit  
714-560-5591

# ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



## Investments: Compliance, Controls, and Reporting July 1 through December 31, 2012

### Internal Audit Report No. 13-523

April 10, 2013



**Internal Audit Team:** Janet Sutter, CIA, Executive Director  
Serena Ng, CPA, Principal Internal Auditor  
Gabriel Tang, CPA, Principal Internal Auditor

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT**

**Investments: Compliance, Controls, and Reporting  
July 1 through December 31, 2012  
April 10, 2013**

**Contents**

Conclusion ..... 1  
Background ..... 1  
Objectives, Scope and Methodology ..... 2

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT**

**Investments: Compliance, Controls, and Reporting  
July 1 through December 31, 2012  
April 10, 2013**

**Conclusion**

The Internal Audit Department (Internal Audit) has completed a review of compliance, controls and reporting of investments for the period July 1, 2012 through December 31, 2012. Based on the procedures performed, the Orange County Transportation Authority (OCTA) complied with its debt, investment, and accounting policies and procedures.

**Background**

The Treasury/Public Finance Department is responsible for management of OCTA's investment portfolio. On December 31, 2012, the investment portfolio's book value was approximately \$1.09 billion. The portfolio consists of three managed portfolios: liquid assets for OCTA's daily operations, a bond proceeds portfolio to meet Measure M2 transportation program needs, and a short term portfolio for future budgeted expenditures. External investment managers administer the short-term portfolio and bond proceeds portfolio, and OCTA's Treasurer manages the liquid assets portfolio. OCTA also has funds invested in debt service reserve funds for various outstanding debt obligations. OCTA's Accounting Department is responsible for recording all debt and investment transactions and reconciling all bank and custodial accounts monthly.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT**

**Investments: Compliance, Controls, and Reporting  
July 1 through December 31, 2012  
April 10, 2013**

**Objectives, Scope and Methodology**

The primary objective of the review was to determine if OCTA was in compliance with its debt, investment, and accounting policies and procedures.

Additional audit objectives included determining if:

- Internal controls over OCTA's investment activities were adequately designed;
- OCTA was in compliance with California Government Code;
- Investment transactions were adequately supported; and
- OCTA was in compliance with investment requirements of debt issuances.

The methodology consisted of reviewing a judgmental sample of daily cash worksheets prepared by the Accounting Department and the Treasury/Public Finance Department, verifying judgmental samples of investment transactions and wire transfers to source documents, reviewing judgmental samples of bank reconciliations and daily investment holding reports, and reviewing the quarterly debt and investment reports provided to OCTA's Board of Directors.

The scope of the review included investment transactions and investment-related controls during the period July 1 through December 31, 2012.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.