

**ORANGE COUNTY
TRANSPORTATION AUTHORITY**

**Independent Accountants' Report on
Agreed-Upon Procedures Performed
with Respect to the Treasury Department**

Year Ended June 30, 2018



**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES PERFORMED
WITH RESPECT TO THE TREASURY DEPARTMENT**

Board of Directors
Orange County Transportation Authority
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Orange County Transportation Authority (OCTA) (the specified party), to assist in the evaluation of selected internal controls within the Treasury Department for the year ended June 30, 2018. OCTA's management is responsible for the internal controls within the Treasury Department. The sufficiency of these procedures is solely the responsibility of OCTA. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures and associated findings are as follows:

1. Conduct inquiries of personnel involved in the Treasury Department operations, obtain the Debt and Investment Management Manual and observe the procedures performed to determine whether the procedures provide for:
 - a. Transactions that are clearly documented and readily available for examination;
 - b. Transactions that are promptly recorded and properly classified;
 - c. Transactions that are authorized and executed only by persons acting within the scope of their authority;
 - d. Segregation of key duties and responsibilities in authorizing, processing, recording and reviewing;
 - e. Supervision to ensure that internal control objectives are achieved;
 - f. Limiting access to resources and records to authorized individuals and ensuring accountability for custody of resources; and
 - g. Periodic reconciliation of investments between the custodian statements and the general ledger.

Result: We conducted inquiries of Finance and Administration Division personnel, reviewed the Debt and Investment Manual, and observed the procedures performed. No exceptions were found as a result of this procedure.

2. Review the Investment Policy to determine that it is in compliance with California Government Code Section 53601.

Result: No exceptions were found as a result of this procedure.

3. Observe system related controls to determine they are in place to appropriately limit access to cash and investment information.

Result: No exceptions were found as a result of this procedure.

4. Determine that the Investment Policy was provided to external investment managers on an annual basis. In addition, determine whether each investment manager certified receipt of the Investment Policy with a statement agreeing to abide by its terms.

Result: No exceptions were found as a result of this procedure.

5. Sample three monthly OCTA Investment and Debt Programs Reports presented to the Finance and Administration Committee to determine they are provided in accordance with the Debt and Investment Management Manual (Section 2, Part C, Treasury/Public Finance Department, and Investment Reporting).

Result: No exceptions were found as a result of this procedure.

6. Select a sample of four authorization letters (and changes to them) to investment managers, brokers, banks and custodians to determine that they were jointly authorized in writing by the Treasurer and another individual authorized by the Debt and Investment Management Manual. In addition, inspect the letters for existence of the following attributes:

- a. OCTA staff authorized to make investments;
- b. Custody instructions; and
- c. Instructions for money and security transfers.

Result: No exceptions were found as a result of this procedure.

7. Select a sample of sixty investment purchases during the fiscal year ended June 30, 2018 to determine that:

- a. The investments were in compliance with the Investment Policy;
- b. The Treasury Department's policies and procedures with respect to investment purchases were followed;
- c. The investments were properly recorded; and
- d. Any investment earnings on matured investments were calculated and recorded correctly.

Result: No exceptions were found as a result of this procedure.

8. Sample ten weekly holdings reports for each external investment manager during the fiscal year ended June 30, 2018 and determine that they were monitored by Treasury Department personnel and were in compliance with the Investment Policy. Specifically:

- a. Obtain the holdings report for each external manager for each week selected;
- b. Inspect that the Treasury Department's review was documented on the holdings report;
- c. Compare the holdings report to the Investment Policy limits and diversification guidelines to determine whether the external investment manager complied; and
- d. Determine that any instances of noncompliance are identified and corrected by the Treasury Department and that probationary and reporting procedures were followed.

Result: No exceptions were found as a result of this procedure.

9. Select a sample of three monthly bank reconciliations during the fiscal year ended June 30, 2018 and perform the following:
 - a. Trace general ledger balances and bank balances to supporting documentation;
 - b. Determine whether the reconciliations were completed within thirty days of month end;
 - c. Determine that any discrepancies were reported and resolved;
 - d. Determine that reconciliations and resolution of discrepancies were reviewed and approved by an official who was not responsible for recording receipts and disbursements; and
 - e. Determine that bank statements were mailed directly to the Accounting Department.

Result: No exceptions were found as a result of this procedure.

10. Select a sample of three monthly investment account reconciliations and inspect the supporting documentation to determine that:
 - a. Reconciliations were completed in a timely and thorough manner by someone who was not responsible for recording receipts and disbursements;
 - b. Discrepancies were identified and resolved;
 - c. Reconciliations and the resolution of discrepancies were reviewed by an official who was not responsible for recording investment transactions; and
 - d. Investment statements were mailed directly to the Accounting Department.

Result: No exceptions were found as a result of this procedure.

11. Inspect the Treasury Department's cash forecasting documentation to determine that the Treasury Department performed or prepared the following:
 - a. A day-to-day cash forecast for the current week;
 - b. Reviewed forecasts with the Funds Management Team;
 - c. Monitored actual cash flow activity versus forecast; and
 - d. Maintained regular communication with external investment managers regarding OCTA cash forecast and operational needs.

Result: No exceptions were found as a result of this procedure.

12. Observe and inspect the policies and procedures for reviewing corporate security ratings to determine that the procedures are adequate and provide timely identification and reporting of downgrades and credit watch placements.

Result: We noted that corporate security ratings are reviewed on a weekly basis for downgrades and credit watch placements as required by the Debt and Investment Management Manual. The results of the review are communicated to the Finance and Administration Committee on a monthly basis through the Treasury/Public Finance Department's Report on OCTA Investment and Debt Programs. No exceptions were found as a result of this procedure.

13. Inspect the minutes of both the Board of Directors and the Finance and Administration Committee, inquire with Treasury Department personnel, and inspect other supporting documentation to determine that the following required oversight activities took place:
- a. The Finance and Administration Committee reviewed investments on a monthly basis;
 - b. The Board of Directors reviewed investments on a quarterly basis;
 - c. The Board of Directors reviewed and approved the Investment Policy and amendments made during the fiscal year ended June 30, 2018;
 - d. The Internal Audit Department performs semi-annual reviews to determine if OCTA was in compliance with its debt, investment, and accounting policies and procedures; and
 - e. The funds management team met on a weekly basis.

Result: We inspected the Finance and Administration Committee meeting minutes, Board of Directors meeting minutes, semi-annual reviews performed by the Internal Audit Department, and informational packet for the funds management team meeting noting that the above oversight activities took place.

14. Inquire whether there have been any changes in Treasury policies and procedures, organization or function, as a result of any prior year audit findings or as a result of the Treasury Department Agreed Upon Procedures.

Result: Based upon our inquiry no changes in Treasury policies and procedures, organization or function, were noted as a result of prior year findings or as a result of the Treasury Department Agreed Upon Procedures.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on OCTA's Treasury Department or investments, related internal control, compliance with government code, or elements, accounts or items specified above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and management of OCTA and is not intended to be, and should not be, used by anyone other than those specified parties.



Laguna Hills, California
October 31, 2018