



Orange County Transportation Authority

Finance and Administration Committee Agenda

Wednesday, October 23, 2024 at 10:30 a.m.

Board Room, 550 South Main Street, Orange, California

Committee Members

Michael Hennessey, Chair
Patrick Harper, Vice Chair
Jamey Federico
Stephanie Klopfenstein
Tam T. Nguyen
Vicente Sarmiento

Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the Orange County Transportation Authority (OCTA) Clerk of the Board's office at (714) 560-5676, no less than two business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

Agenda Descriptions

Agenda descriptions are intended to give members of the public a general summary of items of business to be transacted or discussed. The posting of the recommended actions does not indicate what action will be taken. The Committee may take any action which it deems to be appropriate on the agenda item and is not limited in any way by the notice of the recommended action.

Public Availability of Agenda Materials

All documents relative to the items referenced in this agenda are available for public inspection at www.octa.net or through the Clerk of the Board's office at the OCTA Headquarters, 600 South Main Street, Orange, California.

Meeting Access and Public Comments on Agenda Items

Members of the public can either attend in-person or listen to audio live streaming of the Board and Committee meetings by clicking this link: <https://octa.legistar.com/Calendar.aspx>

In-Person Comment

Members of the public may attend in-person and address the Board regarding any item within the subject matter jurisdiction of the Orange County Transportation Authority. Please complete a speaker's card and submit it to the Clerk of the Board and notify the Clerk regarding the agenda item number on which you wish to speak. Speakers will be recognized by the Chair at the time of the agenda item is to be considered by the Board. Comments will be limited to three minutes. The Brown Act prohibits the Board from either discussing or taking action on any non-agendized items.

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

Written Comment

Written public comments may also be submitted by emailing them to ClerkOffice@octa.net, and must be sent by 5:00 p.m. the day prior to the meeting. If you wish to comment on a specific agenda item, please identify the item number in your email. All public comments that are timely received will be part of the public record and distributed to the Board. Public comments will be made available to the public upon request.

Call to Order

Pledge of Allegiance

Director Federico

Closed Session

There are no Closed Session items scheduled.

Special Calendar

There are no Special Calendar matters.

Consent Calendar (Items 1 through 9)

All items on the Consent Calendar are to be approved in one motion unless a Committee Member or a member of the public requests separate action or discussion on a specific item.

1. Approval of Minutes

Clerk of the Board

Recommendation(s)

Approve the minutes of the September 25, 2024 Finance and Administration Committee meeting.

Attachments:

[Minutes](#)

2. Fiscal Year 2024-25 Internal Audit Plan, First Quarter Update

Janet Sutter

Overview

The Orange County Transportation Authority Board of Directors adopted the Orange County Transportation Authority Internal Audit Department Fiscal Year 2024-25 Internal Audit Plan on July 22, 2024. This report provides an update of activities for the first quarter of the fiscal year.

Recommendation(s)

Receive and file the first quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2024-25 Internal Audit Plan as an information item.

Attachments:

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

[Staff Report](#)
[Attachment A](#)
[Attachment B](#)
[Attachment C](#)

3. Federal Transit Administration Drug and Alcohol Compliance Audit

Janet Sutter

Overview

The Federal Transit Administration has completed a Drug and Alcohol Compliance audit of the Orange County Transportation Authority and contractors Transdev, Keolis Transit America, and Cabco Yellow, Incorporated. Management has addressed all deficiencies, and the audit is now closed.

Recommendation(s)

Receive and file the Federal Transit Administration Drug and Alcohol Compliance Audit as an information item.

Attachments:

[Staff Report](#)
[Attachment A](#)
[Attachment B](#)

4. Interstate 5 Improvement Project: Oso Parkway to Alicia Parkway Design and Construction Management, Internal Audit Report No. 25-501

Serena Ng/Janet Sutter

Overview

The Internal Audit Department has completed an audit of the design and construction management contracts for the Oso Parkway to Alicia Parkway segment of the Interstate 5 Improvement Project. Based on the audit, oversight controls are in place and operating effectively and contract compliance and invoice review controls are generally adequate; however, one recommendation was made to enforce the pre-approval requirement for other direct costs not included in the contract schedule.

Recommendation(s)

Direct staff to implement the recommendation provided in Interstate 5 Improvement Project: Oso Parkway to Alicia Parkway Design and Construction Management, Internal Audit Report No. 25-501.

Attachments:

[Staff Report](#)
[Attachment A](#)

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

5. Investment Manager Contracts, Internal Audit Report No. 25-504

Gabriel Tang/Janet Sutter

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of investment manager contracts. Based on the audit, oversight, contract compliance, and invoice review controls are generally adequate; however, two recommendations have been made to improve compliance with contract terms related to replacing key personnel and to improve the timeliness of invoice processing.

Recommendation(s)

Direct staff to implement two recommendations provided in Investment Manager Contracts, Internal Audit Report No. 25-504.

Attachments:

[Staff Report](#)

[Attachment A](#)

6. SB 1 (Chapter 5, Statutes of 2017) State of Good Repair Claims for Fiscal Year 2024-25

Sam Kaur/Andrew Oftelie

Overview

The Orange County Transportation Authority is eligible to receive funding from the SB 1 State of Good Repair Program that is funded by the Transportation Improvement Fee on vehicle registrations. Funding recommendations for fiscal year 2024-25 were approved by the Board of Directors on August 12, 2024. Upon approval of the statewide list of fiscal year 2024-25 projects by the California Department of Transportation, the Orange County Transportation Authority must file claims on a quarterly basis to receive the funding.

Recommendation(s)

Authorize the filing of SB 1 State of Good Repair claims, in the amount of \$7.084 million, or up to the actual allocation published by the State Controller's Office, to fund capital projects approved by the Orange County Transportation Authority Board of Directors.

Attachments:

[Staff Report](#)

7. State Transit Assistance Fund Claims for Fiscal Year 2024-25

Sam Kaur/Andrew Oftelie

Overview

The Orange County Transit District is eligible to receive funding from the State Transit Assistance Fund for providing public transportation services throughout Orange County. To receive these funds, the Orange County Transit District, as the public transit and community transit services operator, must file claims with the Orange County Transportation Authority, the transportation planning agency for Orange County.

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

Recommendation(s)

Adopt Resolution No. 2024-080 to authorize the filing of State Transit Assistance Fund claims, in the amount of \$50,464,493, or up to the actual allocation published by the State Controller's Office, to support public transportation.

Attachments:

[Staff Report](#)

[Attachment A](#)

8. Orange County Transportation Authority Investment and Debt Programs Report - August 2024

Robert Davis/Andrew Oftelie

Overview

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending August 31, 2024. The report has been reviewed and is consistent with the investment practices contained in the investment policy.

Recommendation(s)

Receive and file as an information item.

Attachments:

[Staff Report](#)

[Attachment A](#)

[Attachment B](#)

9. Fiscal Year 2023-24 Fourth Quarter Budget Status Report

Victor Velasquez/Andrew Oftelie

Overview

Orange County Transportation Authority staff has implemented the fiscal year 2023-24 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the fourth quarter of fiscal year 2023-24.

Recommendation(s)

Receive and file as an information item.

Attachments:

[Staff Report](#)

[Attachment A](#)

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

Regular Calendar

10. Excess Liability Insurance Renewal

Greg Bych/Maggie McJilton

Overview

The Orange County Transportation Authority procured excess liability insurance continuously from 1991 through 2020. Beginning in December 2020, the Orange County Transportation Authority became fully self-insured and has maintained that self-insurance since then.

Recommendation(s)

- A. Authorize the Chief Executive Officer to establish a \$10 million self-insured retention for excess liability claims.

- B. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A59005, in the amount not to exceed \$960,000, to Marsh Risk and Insurance Services, Inc., to purchase a \$5 million excess liability insurance policy on behalf of the Orange County Transportation Authority for the policy period of November 1, 2024 to October 31, 2025.

Attachments:

[Staff Report](#)

[Presentation](#)

Discussion Items

11. Public Comments

12. Chief Executive Officer's Report

13. Committee Members' Reports

14. Adjournment

The next regularly scheduled meeting of this Committee will be held:

10:30 a.m. on Wednesday, November 13, 2024

OCTA Headquarters

Board Room

550 South Main Street

Orange, California



Committee Members Present

Michael Hennessey, Chair
Patrick Harper, Vice Chair
Jamey Federico
Stephanie Klopfenstein
Tam T. Nguyen

Staff Present

Darrell E. Johnson, Chief Executive Officer
Sahara Meisenheimer, Clerk of the Board Specialist
Gina Ramirez, Assistant Clerk of the Board
Andrea West, Clerk of the Board
James Donich, General Counsel
OCTA Staff

Committee Members Absent

Vicente Sarmiento

Call to Order

The September 25, 2024, regular meeting of the Finance and Administration Committee was called to order by Committee Chair Hennessey at 10:30 a.m.

Consent Calendar (Items 1 through 9)

1. Approval of Minutes

A motion was made by Director Klopfenstein, seconded by Director Nguyen, and declared passed by those present to approve the minutes of the August 14, 2024 Finance and Administration Committee meeting.

Director Federico was not present to vote on this item.

2. Agreement No. C-4-1816 with Woodruff & Smart for Legal Services, Internal Audit Report No. 25-503

A motion was made by Director Klopfenstein, seconded by Director Nguyen, and declared passed by those present to direct staff to implement one recommendation provided in Agreement No. C-4-1816 with Woodruff & Smart for Legal Services, Internal Audit Report No. 25-503.

Director Federico was not present to vote on this item.

3. Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2024, Internal Audit Report No. 25-502

A motion was made by Director Klopfenstein, seconded by Director Nguyen, and declared passed by those present to direct staff to implement two recommendations provided in Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2024, Internal Audit Report No. 25-502.

Director Federico was not present to vote on this item.



4. 91 Express Lanes Update for the Period Ending June 30, 2024

A motion was made by Director Klopfenstein, seconded by Director Nguelyn, and declared passed by those present to receive and file as an information item.

Director Federico was not present to vote on this item.

5. Amendments to the Cooperative User Fee Processing Agreement for Interoperable Toll Processing and Revenue Collection

A motion was made by Director Klopfenstein, seconded by Director Nguyen, and declared passed by those present to:

- A. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Cooperative Agreement No. C-6-1532 between the Orange County Transportation Authority and Bay Area Toll Authority to incorporate the 405 Express Lanes into the cooperative agreement.

- B. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 7 to Cooperative Agreement No. C-4-1113 between the Orange County Transportation Authority and San Diego Association of Governments to incorporate the 405 Express Lanes into the cooperative agreement.

Director Federico was not present to vote on this item.

6. Fiscal Year 2023-24 Fourth Quarter Grant Reimbursement Status Report

A motion was made by Director Klopfenstein, seconded by Director Nguelyn, and declared passed by those present to receive and file as an information item.

Director Federico was not present to vote on this item.

7. Orange County Transportation Authority Investment and Debt Programs Report – July 2024 Quarter Grant Reimbursement Status Report

A motion was made by Director Klopfenstein, seconded by Director Nguelyn, and declared passed by those present to receive and file as an information item.

Director Federico was not present to vote on this item.

8. Environmental Mitigation Program Endowment Fund Investment Report for June 30, 2024

A motion was made by Director Klopfenstein, seconded by Director Nguelyn, and declared passed by those present to receive and file as an information item.



Director Federico was not present to vote on this item.

9. Annual New York Credit Update – July 2024

Committee Chair Hennessey pulled this item and thanked staff for their hard work. Staff travels to New York regularly and they do an excellent job reporting financial activities and giving detailed explanations on how Orange County is doing economically.

No action was taken on this receive and file information item.

Regular Calendar

10. 2024 Measure M2 Sales Tax Forecast

Sam Kaur, Department Manager of Revenue Administration, provided a report on this item.

No action was taken on this receive and file information item.

11. Potential Refunding of the Measure M2 Sales Tax Revenue Bonds, Series 2010A (Taxable Build America Bonds)

Andy Oftelie, Chief Financial Officer, provided opening comments and introduced Robert Davis, Department Manager of Treasury & Public Finance, who provided a report on this item.

A motion was made by Director Federico, seconded by Director Nguyen, and declared passed by those present to:

- A. Direct staff to pursue the issuance and sale of bonds to refund the Measure M2 Sales Tax Revenue Bonds, Series 2010A (Taxable Build America Bonds).
- B. Authorize an exception to the three percent savings requirement, in accordance with the debt policy, and direct staff to proceed with the refunding if the savings are at least net neutral or greater.
- C. Direct staff to return to the Board of Directors for approval of the draft financing documents required to issue and close the transaction.

Discussion Items

12. Public Comments

There were no public comments received.



13. Chief Executive Officer's Report

Darrell E. Johnson, Chief Executive Officer (CEO), reported on the following:

- Headquarters Update
- The Orange County Transportation Authority (OCTA) will host the American Public Transportation Association TRANSform Conference in Anaheim from Sunday, September 29 through Wednesday, October 2, 2024.

14. Committee Members' Reports

Director Harper inquired about the recent bus hijack in Los Angeles and Mr. Johnson, Chief Executive Officer, responded that OCTA enables the same emergency actions to alert law enforcement.

15. Adjournment

The meeting adjourned at 11:13 a.m.

The next regularly scheduled meeting of this Committee will be held:

10:30 a.m. on Wednesday, October 23, 2024

OCTA Headquarters

Board Room

550 South Main Street

Orange, California

ATTEST:

Sahara Meisenheimer
Clerk of the Board Specialist



October 23, 2024

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Fiscal Year 2024-25 Internal Audit Plan, First Quarter Update

Overview

The Orange County Transportation Authority Board of Directors adopted the Orange County Transportation Authority Internal Audit Department Fiscal Year 2024-25 Internal Audit Plan on July 22, 2024. This report provides an update of activities for the first quarter of the fiscal year.

Recommendation

Receive and file the first quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2024-25 Internal Audit Plan as an information item.

Background

The Internal Audit Department (Internal Audit) is an independent appraisal function, the purpose of which is to examine and evaluate the Orange County Transportation Authority's (OCTA) operations and activities to assist management in the discharge of its duties and responsibilities.

Internal Audit performs a wide range of auditing services that include overseeing the annual financial and compliance audits, conducting operational and contract compliance reviews, investigations, pre-award price reviews, and Buy America reviews. In addition, audits initiated by entities outside of OCTA are coordinated through Internal Audit.

Discussion

The OCTA Internal Audit Department Fiscal Year (FY) 2024-25 Internal Audit Plan (Plan) (Attachment A) reflects the status of each project.

During the first quarter of the FY, Internal Audit issued results of an audit of OC ACCESS services provided by First Transit, Inc. Based on the audit, oversight, contract compliance, and invoice review controls are generally adequate; however, four recommendations were made to correct contract and policy language, improve enforcement of contract provisions, enhance review of accident logs, and improve regularity of inspections. Management agreed to implement all of the recommendations.

Also, during the quarter, an audit of revenue agreement identification, tracking, and reporting was finalized and found that controls are adequate and functioning.

An audit of Agreement No. C-4-1816 with Woodruff & Smart (WS), for legal services, concluded that WS complies with the terms of the agreement and invoice review controls are generally adequate but should be enhanced to include verification that pre-approval of legal subcontractors is obtained as required by the contract. Management agreed to revise invoice review procedures to include this verification prior to payment.

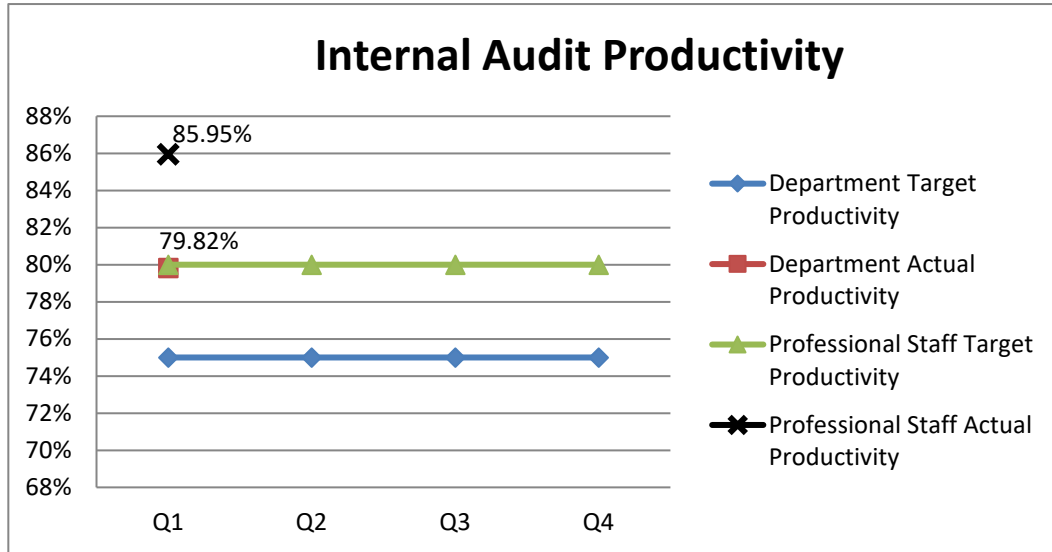
Finally, the semi-annual audit of investments for the period January 1 through June 30, 2024, was completed and found that OCTA complied with its debt, investment, and reporting policies and procedures; however, two recommendations were made to periodically update revenue estimates and to update the Treasury Department manual to reflect current practices. Management agreed and will implement these recommendations.

The primary focus of Internal Audit in the ensuing months will be to provide coordination of the annual financial audits and agreed-upon procedures reviews conducted by OCTA's independent auditor, Crowe LLP.

Internal Audit Productivity

Internal Audit measures the productivity of the department by calculating a productivity ratio. The ratio, used broadly throughout the audit industry, measures the amount of time auditors spend on audit projects versus time spent on administrative duties. Productivity goals are established for both the professional staff and for the department as a whole. Because the executive director regularly participates in non-audit management activities such as planning and committee meetings, the department-wide target is set at 75 percent. The target for internal audit professional staff, not including the executive director, is 80 percent.

For the first quarter ended September 30, 2024, Internal Audit achieved productivity of 80 percent, and the professional staff achieved productivity of 86 percent.



Price Reviews

At the request of the Contracts Administration and Materials Management (CAMM) Department, and consistent with OCTA’s procurement policy, Internal Audit applies agreed-upon procedures (AUP) to single-bid procurements to ensure that CAMM handled the procurement in a fair and competitive manner. Internal Audit also applies AUP’s to prices proposed by architectural and engineering firms, as well as sole source contractors, to ensure that the prices are fair and reasonable. During the first quarter, Internal Audit issued results of eight price reviews.

Buy America Reviews

At the request of CAMM, Internal Audit applies pre-award and post-delivery AUPs to revenue vehicle purchases to ensure compliance with Buy America regulations. During the first quarter, Internal Audit issued results of two Buy America reviews.

Fraud Hotline

During the quarter ended September 30, 2024, Internal Audit received three reports through OCTA’s Fraud Hotline, www.ethicspoint.com. Two complaints were referred to customer relations for follow-up and were resolved. Another complaint involved criminal allegations unrelated to OCTA and the reporter was

advised to contact the local police department. As part of the administration of the hotline, Internal Audit maintains documentation of each complaint and its disposition.

Internal Audit is committed to responding to all hotline complaints within eight business days. During the quarter ended September 30, 2024, Internal Audit made initial contact within two business days.

Findings and Recommendations Tracking

At the request of the Finance and Administration Committee, unresolved audit recommendations are included with the quarterly updates to the Plan (Attachment B). Internal Audit includes the findings and recommendations generated internally, as well as those provided by regulatory auditors and OCTA's independent financial statement auditors.

During the quarter ended September 30, 2024, Internal Audit completed follow-up reviews of 23 outstanding recommendations and closed 15. Four recommendations from the audit of cybersecurity, one from the audit of physical access security, two from the audit of transit police services, and one from the audit of agreements with the Regional Center of Orange County and My Day Counts, had not been fully implemented and will be reviewed again in six months. Follow-up reviews of another four recommendations were in progress as of the quarter-end. Seven recommendations were added to the listing as a result of audits issued during the first quarter, as summarized above.

Summary

Internal Audit will continue to implement the Plan, report on performance metrics, follow up on outstanding audit recommendations, and report progress on a quarterly basis.

Attachments

- A. Orange County Transportation Authority Internal Audit Department
Fiscal Year 2024-25 Internal Audit Plan, First Quarter Update
- B. Outstanding Audit Recommendations, Audit Reports Issued Through
September 30, 2024
- C. Audit Recommendations Closed During First Quarter, Fiscal Year 2024-25

Approved by:



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

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2024-25 Internal Audit Plan
First Quarter Update**

ATTACHMENT A

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Mandatory External Independent Audits							
Annual Financial Audits and Agreed-Upon Procedures (AUP) Reviews	FY25-001 through FY25-005	Coordinate and report on annual financial and compliance audits and AUP reviews for FY 2023-24.	Financial	425	73	352	
External Regulatory Audits	FY25-006	Coordinate and report on audits by regulatory or funding agencies.	Compliance	40	1	39	
State Triennial Review	FY24-007	Procure independent audit firm and coordinate and report on results of the required State Triennial Performance audits of the Orange County Transportation Authority (OCTA), Orange County Transit District, and Laguna Beach Municipal Transit Lines.	Compliance	220	48	172	
Internal Audit Department Projects							
Risk Assessment and Annual Audit Plan	FY25-100	Preparation of the annual audit plan, quarterly updates to the audit plan, and periodic assessment of risk throughout the year, including monitoring the audit results of related entities.	Audit Plan and Updates	180	14	166	
Quality Assurance and Self-Assessment	FY25-101	Update of Internal Audit Policies & Procedures to reflect Generally Accepted Government Auditing Standards (GAGAS). Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with GAGAS.	Quality Assurance	160	53	107	
Fraud Hotline Activities	FY25-102	Administrative duties related to maintenance of the OCTA Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	120	5	115	
Peer Review	FY25-103	Participate in peer reviews of other internal audit agencies in exchange for reciprocal credit towards required peer review of OCTA's Internal Audit Department for calendar years 2022, 2023, and 2024. Report results of peer review to the Finance and Administration Committee and the Board of Directors (Board).	Peer Review	160	1	159	
Automated Workpaper Solution	FY25-104	System updates/training related to automated workpaper solution.	Workpaper System	40	1	39	
Internal Audits							
Organization-Wide							
Legal Services	FY25-503	Assess and test contract compliance and invoice review controls related to the contract with Woodruff and Smart for legal services.	Compliance	200	140	60	Issued 9-9-24
Express Lanes Program							
Operations and Management	FY24-508	Assess and test selected oversight, contract compliance, and/or invoice review controls related to the provision of services by Cofiroute USA, LLP.	Operational/ Compliance	200	92	108	In Process

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2024-25 Internal Audit Plan
First Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Toll Integrator System	FY25-5XX	Assess and test oversight, contract compliance, and invoice review controls related to the contract with Kapsch Trafficom USA, Inc., for the design, implementation, installation, operation, and maintenance of a toll collection system for the existing 91 Express Lanes and 405 Express Lanes.	Internal Control/ Compliance	220		220	
People and Community Engagement							
Compensation	FY25-507	Assess and test policies, procedures, and controls over employee compensation actions.	Operational	320	40	280	In Process
Public Outreach - OC Streetcar	FY25-5XX	Assess and test oversight controls, contract compliance, and invoice review controls related to the agreement for public outreach for the OC Streetcar project.	Internal Control/ Compliance	180		180	
Capital Programs							
Interstate 5 (I-5) Improvement Project: Oso Parkway to Alicia Parkway	FY25-501	Assess and test oversight controls, contract compliance, and invoice review controls related to the I-5 Improvement Project: Segment 2 - Oso Parkway to Alicia Parkway.	Internal Control / Compliance	320	266	54	In Process
Project Controls	FY25-5XX	Assess and test operating controls of the project controls function within the Capital Programs Division.	Operational	240		240	
Real Estate Administration	FY25-506	Assess and test real estate administration and controls, including management of contracts.	Operational	240	10	230	In Process
Operations							
OC ACCESS Service	FY24-512	Assess adequacy of oversight controls and test oversight, contract compliance, and invoice review controls related to the agreement with First Transit/TransDev for OC ACCESS transportation services.	Operational / Compliance	24	15	9	Issued 8-1-24
OC Streetcar Vehicles	FY25-5XX	Assess and test procurement, oversight, contract, and/or invoice review controls related to the contract with Siemens for OC Streetcar vehicles.	Operational / Compliance	280		280	
Contracted Fixed Route	FY25-5XX	Assess adequacy of oversight controls and compliance with key provisions of the agreement with Keolis North America, performance standards measurement and reporting, and invoice review controls.	Operational / Compliance	320		320	
Field Supervision	FY25-5XX	Evaluate and test field supervision activities for compliance with policies and procedures.	Operational	240		240	

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2024-25 Internal Audit Plan
First Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Finance and Administration							
Treasury	FY25-502	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	250	190	60	1 Report Issued
Budget Development and Monitoring	FY25-5XX	Assess and test controls over budget development, monitoring and reporting.	Operational	240		240	
Revenue Agreements	FY24-513	Assess and test controls over identification, tracking, and reporting of external revenue agreements.	Operational	60	61	(1)	Issued 7-24-24
Investment Management Contracts	FY25-504	Assess and test oversight, contract compliance, and invoice review controls related to short-term investment management services provided by Chandler Asset Management, MetLife, Payden & Rygel, and PFM Asset Management, LLC.	Operational / Compliance	180	100	81	In Process
Purchasing Cards	FY25-505	Assess and test controls over purchasing card activities.	Operational / Compliance	240	117	123	In Process
Price Reviews	PR25-XXX	As requested by the Contracts Administration and Materials Management (CAMM) Department, apply AUP to sole source, single bid, and architectural and engineering firm proposals.	Price Review	700	93	607	
Buy America	FY25-5XX	As requested by the CAMM Department, apply AUP to determine compliance with Buy America requirements.	Buy America	320	150	170	2 Reports Issued

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2024-25 Internal Audit Plan
First Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Unscheduled Reviews and Special Requests							
Unscheduled Reviews and Special Requests	FY25-800	Time allowed for unplanned audits and requests from the Board or management.	Varies	180		180	
Monitoring Activities							
Measure M2 Taxpayer Oversight Committee (TOC)	FY25-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	50	5	45	
Metrolink Audit Activities	FY25-602	Review/monitor audit results of Metrolink activities.	Non-Audit Service	8		8	
Capital Asset Inventory Observation	FY24-604	At the request of the Finance and Administration Division, observe and apply limited procedures related to the bi-annual capital asset inventory counts.	Non-Audit Service	20	15	5	
Follow-Up Reviews							
Follow-Up Reviews and Reporting	FY25-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-Up	320	198	122	
Total Audit Project Planned Hours (A)				6,697	1688	5,010	

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2024-25 Internal Audit Plan
First Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Internal Audit Administration							
Board and Committee Meetings				180	34	147	
Executive Steering and Agenda Setting Meetings				170	31	139	
Internal Audit Staff Meetings				150	66	85	
Other Administration				1,500	308	1,192	
				Total Hours (B)	8,697	2,126	
				Department Target Efficiency (A/B)	75%	79.82%	
				Target Efficiency - Professional Staff	80%	85.95%	

Contingency Audits: Internal

Warranty Administration	FY25-5XX	Assess the adequacy and effectiveness of internal controls in place for identifying, tracking, and recording of warranty repairs and credits.					
Right-of-Way (ROW) Maintenance	FY25-5XX	Assess and test the adequacy and effectiveness of controls related to maintenance of the railroad ROW and the contract with Joshua Grading and Excavating Incorporated.					

**Outstanding Audit Recommendations
Audit Reports Issued Through
September 30, 2024**

ATTACHMENT B

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
1/26/22	21-511	Executive Office	Physical Access Security	Internal Audit recommends management develop and implement written policies, procedures, and protocols that address the timely issuance, termination, and use of badges. These procedures should be referenced in contracts with Contracted Transportation Services (CTS) providers and be communicated to Orange County Transportation Authority (OCTA) staff. Management should also ensure secondary controls are operating as intended.	Jan-25	Management is reviewing the issuance and termination of access badges in order to document processes. Management will work with other departments, including CTS, to advise of procedures for issuing and terminating access badges and encourage those departments to include procedures in their contracts, as appropriate. Additionally, management is currently reviewing and documenting procedures to ensure secondary controls are being utilized. Review and updating of procedures will conclude with the creation of a new Physical Access Policy to be completed by June 30, 2022.	<u>Update August 2022</u> : Management has not yet developed policies, procedures, and protocols to address timely issuance, termination, and use of access badges. An Access Control Policy (Policy) was originally expected to be completed by June 30, 2022, but has taken longer than expected. <u>Update March 2023</u> : Management expects an updated Policy to be completed soon, and updates to agreements with CTS providers are in process. <u>September 2023</u> : Significant progress has been made; however, monitoring controls outlined in the newly-developed Policy have not yet been implemented. <u>Update March 2024</u> : Monitoring controls related to access control have been implemented; however, further improvement is needed. <u>Update August 2024</u> : Management is updating distribution lists for the System Validation Report to ensure the appropriate managers receive the report and can validate access rights. Management expects improvements to be completed by October 2024.
2/9/22	21-507	Operations Division (Operations)	Facilities Maintenance (FM) Operations	Internal Audit recommends management implement a perpetual inventory system to track purchasing activity and maintain inventory of all parts and supplies. Purchasing, storage, issuance, and disposal activities should be centralized and include controls to ensure proper authorization for purchases, physical security of inventory items, and proper assignment of costs to work orders.	Aug-24	FM contracts for parts and supplies will be transferred to the Contracts Administration and Materials Management (CAMM) Department by July 2022. By February 2023, FM parts and supplies stored outside of CAMM's control will be brought into the inventory system for proper storage and issuance.	<u>Update September 2022</u> : Management has completed transferring contracts to CAMM and a process to bring FM parts inventory into CAMM for proper storage and issuance has been established and is on track to be completed by February 2023. <u>Update March 2023</u> : Management is still in the process of implementing a centralized inventory system and expects that physical transfer of all inventory may take up to two years. <u>Updated August 2023</u> : Management is still in the process of transferring parts inventory to centralized CAMM control. <u>Update March 2024</u> : FM inventory for three bases has been transferred to centralized inventory. Transfer of inventory from the remaining two bases is expected to take six months to a year. <u>Update September 2024</u> : Follow-up in process.

**Outstanding Audit Recommendations
Audit Reports Issued Through
September 30, 2024**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
2/9/22	21-507	Operations and Finance and Administration Division (F&A)	FM Operations	Management should enhance its invoice review process to ensure compliance with OCTA's Vendor Payment Policy and contract payment terms. Vendor mark-ups should be discontinued from time-and-expense contracts. For contracts related to the purchase of parts and materials only, any items not listed on the price summary sheet should include supporting cost documentation. If mark-ups are to be allowed on parts-and-materials contracts, the proposed mark-ups should be incorporated into the evaluation of costs during the vendor selection process.	Aug-24	Management will immediately begin working on enhancing the current invoice cover page to include a checklist that will require acknowledgement of review for sufficient detail as to quantity and rates of costs and justification. To address the issue of providing sufficient detail and complying with contract terms, the checklist being developed will improve oversight. In terms of discontinuing vendor mark-ups in time-and-expense contracts, management will work with CMM to develop a solution that will address the issue of vendor mark-ups as well as incorporating an evaluation of cost, if mark-ups are allowed, during the vendor selection process.	<p><u>Update September 2022</u>: Management has enhanced the invoice checklist to include review for sufficient detail as to quantity and rates. CMM has implemented an evaluation methodology to assign a percentage of the cost score for items not listed on the price summary sheet. Management and CMM continue to explore options including discounts from price sheets and using fair market values to justify and validate price mark-ups.</p> <p><u>Update March 2023</u>: FM has enhanced its invoice review; however, CMM staff needs to enhance its review of invoices for contracts that have been transferred to their control. <u>Update August 2023</u>: CMM staff has implemented an invoice review checklist; however, Internal Audit identified some payments that do not comply with contract terms and some vendors that do not have published list prices, required in order to validate discounts.</p> <p><u>Update March 2024</u>: CMM has hired a contract analyst to manage and review invoices and implement enhancements to invoice review.</p> <p><u>Update September 2024</u>: Follow-up in process.</p>
5/31/23	22-513	F&A	OCTA's Cybersecurity Program	Management should adopt and implement a policy that governs asset management and associated activities.	Jan-25	Management agreed to develop and implement a policy.	<p><u>Update February 2024</u>: Management has drafted requirements of an asset management system and plans to utilize a module of the FreshService system (system). Once implemented, an Asset Management Policy will be developed and implemented by October 2025. <u>Update August 2024</u>: Management has launched the system and is in the process of collecting data for all computing assets. Management expects full implementation, including a finalized policy, to be complete by October 31, 2025.</p>

**Outstanding Audit Recommendations
Audit Reports Issued Through
September 30, 2024**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
5/31/23	23-509	F&A	OCTA's Cybersecurity Program	Management should implement a comprehensive vulnerability management program that includes identifying, assessing, prioritizing, remediating, and/or documenting vulnerabilities as "accepted risks" in a timely manner.	Jan-25	Management agreed and indicated that the current Vulnerability Policy will be enhanced and all issues will be remediated or documented as "accepted risks" in a timely manner going forward.	<u>Update February 2024</u> : Management is working to build dashboards to identify vulnerabilities and a reporting system to monitor remediation efforts. Management estimates full implementation of this recommendation by June 2024. <u>Update August 2024</u> : The estimated completion date has been extended due to delays in procuring a consultant to conduct health check services. Dashboards to assist in prioritizing vulnerabilities will then be developed. The revised expected completion date is October 31, 2024.
5/31/23	23-509	F&A	OCTA's Cybersecurity Program	Management should update OCTA's Business Impact Analysis with direct input from the Cybersecurity Office and use results to inform the development, implementation, and maintenance of an updated Continuity of Operations Plan (COOP) and Disaster Recovery Plan (DRP), and test the DRP annually.	Jan-25	Management responded they are currently working with the SEP Department to review and update the COOP. Management plans to create playbooks to further improve the business continuity and disaster recovery processes to ensure business requirements are met.	<u>Update February 2024</u> : Management indicated that an initial portion of the disaster recovery runbook of core infrastructure applications has been completed and that a tabletop exercise of the incident response plan is planned for June 2024. Management will obtain an updated COOP and update its disaster systems recovery plans accordingly and implement annual testing of data and critical systems recovery by July 2024. <u>Update August 2024</u> : An updated COOP was delivered in May 2024 and management is updating the recovery runbook to restore applications. A tabletop exercise was completed in June 2024. Full implementation is expected by September 30, 2024.
5/31/23	23-509	F&A	OCTA's Cybersecurity Program	Management should strengthen the data protection and privacy program by adopting a comprehensive policy, designating an individual to define and communicate data and privacy requirements, and perform user access reviews at least every 90 days for all internal employees and third party contractors that have OCTA user accounts and/or access to internal resources.	Jan-25	Management committed to implementing a comprehensive data protection and privacy program for all protected data and to designate the cybersecurity manager as the individual responsible to define and communicate data and privacy requirements. In addition, management agreed to implement user access reviews at least every 90 days.	<u>Update February 2024</u> : Management indicated they have begun to meet with departments that handle protected data to identify where the data is stored and who has access. Once completed, management plans to develop policies and processes to properly secure such data. In addition, management is working with Microsoft to implement a governance platform to control user access during the entire employment life cycle. Management estimates full implementation by April 30, 2025. <u>Update August 2024</u> : Management continues to work on identifying protected data and the users that should have access to the data. Work on implementing a governance platform is in progress and full implementation is expected by April 2025.

Outstanding Audit Recommendations
Audit Reports Issued Through
September 30, 2024

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
11/14/23	24-502	Operations and F&A	Cooperative Agreements with Regional Center of Orange County (RCOC) and My Day Counts (MDC)	Management should implement procedures to investigate and take action to address RCOC disputed trips and ensure timely submission and receipt of payments and related credit memos. Accounts Receivable (AR) staff should communicate with RCOC to obtain sufficient information to ensure payments are accurately recorded, remaining errors are corrected, and input a due date on invoices. AR staff should also establish a process to monitor and collect overdue balances.	Nov-24	RCOC billing procedures have been improved and disputed trips are now investigated and reconciled. The new process includes a tracking log to ensure timely submission of invoice requests. The new process should eliminate the need for credit memos. AR staff will communicate directly with RCOC to correct remaining errors and ensure due dates are included on all future invoices. Staff has also established a process for monitoring overdue balances and notifying project managers accordingly.	<u>Update July 2024:</u> Management has improved billing procedures and invoice balances have been substantially cleared. Under a newly implemented process there will be no need for credits. Management implemented new procedures for collection; however, the procedures require improvement to include aging categories and outline, and communicate responsibilities of project managers for follow-up. As such, Internal Audit will follow-up again in six months.
12/5/23	24-503	Executive Office	Transit Police Services (TPS)	Management should implement a process to evaluate, estimate, and document the methodology of assigning TPS costs on an annual basis. Management should also consider implementing a process to accumulate and report all costs of providing transit security.	Dec-24	Management will collaborate with the Orange County Sheriffs-Coroner Department to estimate and document contract costs on an annual basis. In addition, management will work with the Financial Planning and Analysis (FP&A) Department to ensure the ability for each department responsible for an aspect of providing or supporting TPS, to accumulate and consolidate transit security costs for a better understanding of the overall cost of transit security. Management will work with Financial Planning and Analysis to consolidate TPS associated costs and reporting by July 2024.	<u>Update August 2024:</u> Management is coordinating with FP&A to implement a process to periodically review contract cost allocations for reasonableness and make adjustments as necessary. Management is also working with FP&A and Maintenance Resource Management to implement a process to accumulate all costs of providing transit security.
12/5/23	24-503	Executive Office	TPS	Management should implement procedures to document agreements for enhanced services, including the type, time, and place of services, and obtain a cost estimate for services. Management should reconcile invoices for special services to these documents and obtain support, or include in the contract, the rates to be charged prior to authorizing payment.	Dec-24	Management will establish procedures to better document the estimates, agreed cost, and occurrence of special services performed. Management will also seek rates for services to be documented in annual contract amendments moving forward with the 2024-2025 TPS contract amendment. Work should conclude by May 2024.	<u>Update August 2024:</u> Management has obtained annual cost estimate memos from TPS that document each type of enhanced service, the overtime billing rates by position, and the estimate of hours and positions required for each service; however, the contract requires documentation of the type, time, and place for each of these services, as scheduled, along with a cost estimate. Management should obtain a memo with all of the required information for each of the scheduled services.

**Outstanding Audit Recommendations
Audit Reports Issued Through
September 30, 2024**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
3/11/24	24-506	People and Community Engagement Division (PACE)	College Pass Program	Agreements should be amended to accurately reflect all responsibilities and requirements for program operation, and management should enforce agreement requirements. Management should also develop, document, and implement procedures for administration of the program, including procedures for verifying the reasonableness of enrollment data provided by colleges for invoicing purposes and timely preparation of invoices. Management should implement procedures developed in December 2023, to monitor and collect outstanding receivables.	Sep-24	Management agrees that the agreements need to be more specific to each college, and procedures need to be formalized to administer the program beyond the pilot phase. Management will review and enhance agreement language by August 31, 2024. In addition, management will ensure the documentation and implementation of specific procedures for each aspect of program administration and will outline specific responsibility area(s) for program implementation and oversight by September 30, 2024.	<u>Update September 2024</u> : Follow-up in process.
3/11/24	24-506	PACE	College Pass Program	Internal Audit recommends management update agreements to include requirements for security, inventory, distribution, and reporting of paper passes and implement monitoring controls to ensure colleges are complying with the requirements. Management should also strengthen controls to ensure all college bus passes are properly coded in the system.	Sep-24	Management will develop improved controls and a formal procedure for paper pass distribution to ensure proper security, accurate coding, reporting, and reconciliation, and amend agreements to include the procedures.	<u>Update September 2024</u> : Follow-up in process.
4/9/24	24-507	Capital Programs Division	Interstate 405 Improvement Project: Design-Build Contract	Internal Audit recommends that management file stop payment and release notices, daily extra work reports, and supporting tickets, and other supporting documentation with the invoice payment records. Also, management should ensure meeting minutes with sign-in sheets are consistently filed in the project files.	Oct-24	Management agrees and will work with F&A to include relevant supporting documents with invoice records going forward. Management will also ensure minutes and sign-in sheets are consistently filed with the project files.	
5/29/24	24-511	PACE	Flexible Spending Account Program	Management should implement a process for regular tracking of custodial account contributions, distributions, and running account balance and ensure the balance is updated for purposes of financial reporting.	Nov-24	Management will create a process to ensure the balance is updated and reported to accounting at the end of each fiscal year. In addition, a process will be established to regularly track account balance and activities.	

Outstanding Audit Recommendations
Audit Reports Issued Through
September 30, 2024

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
8/1/24	24-512	Operations	OC ACCESS Service	Management should revise the performance standards exhibit in the contract to reflect the correct 5,000-mile Preventative Maintenance Interval (PMI) and adjust the miles in the penalty column accordingly. Management should also enforce prior approval requirements for repair or replacement of major mechanical components.	Feb-25	Management will amend the contract as recommended and will reiterate the prior approval requirements with First Transit.	
8/1/24	24-512	Operations	OC ACCESS Service	Management should implement a secondary review of the accident log to ensure all accidents are correctly classified.	Feb-25	Management will create and implement a formal review report and confirm the receipt and classification of each incident.	
8/1/24	24-512	Operations	OC ACCESS Service	Management should perform inspections in accordance with the established frequency schedule.	Feb-25	Management will perform inspections in accordance with the established frequency schedule and will implement a review to confirm that inspections have taken place.	
8/1/24	24-512	F&A	OC ACCESS Service	Management should enforce the requirement to include "Approval to Pay Invoice" in the email subject line when forwarding an invoice for payment, or should revise the policy to remove this requirement.	Feb-25	Management will remove this requirement from the policy.	
9/9/24	25-503	F&A, PACE, and Executive Office	Agreement No. C-4-1816 with Woodruff & Smart for Legal Services	Management should enhance invoice review controls to include verification that pre-approval of legal subcontractors was obtained as required.	Mar-25	Management will update invoice review procedures to include the recommended verification.	
9/13/24	25-502	F&A	Investments: Compliance, Controls, and Reporting January 1 through June 30, 2024	Management should implement a process to periodically update revenue estimates.	Mar-25	Management will update the estimates based on the adopted budget each year.	
9/13/24	25-502	F&A	Investments: Compliance, Controls, and Reporting January 1 through June 30, 2024	Management should update the Treasury manual to reflect current practices.	Mar-25	Management will update the manual as recommended.	

**Audit Recommendations Closed During
First Quarter, Fiscal Year 2024-25**

ATTACHMENT C

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Internal Audit Status Comments
1/26/22	21-511	Executive Office	Physical Access Security	The Internal Audit Department (Internal Audit) recommends the Security and Emergency Preparedness (SEP) Department management develop, maintain, and test a comprehensive, appropriate, and up-to-date set of physical security plans, policies, and procedures. A written Access Control Policy and related procedures should be developed and published, and management should address requirements included in the Physical Security Policy for implementing gate controls at all facilities. Finally, management should implement a regular training program to inform employees as to security policies, procedures, and protocols.	<u>Update August 2022</u> : Updates to security plans, policies, and procedures have not yet been prepared and are expected to be completed between August and December 2022. <u>Update March 2023</u> : Certain policy updates are in process. Development of an updated Master Security Plan (MSP) has been delayed and is now expected to be complete by the end of 2023. <u>Update September 2023</u> : Significant progress has been made; however, development of a MSP and a physical security training program are not yet complete. The contractor has experienced delays in producing these deliverables. <u>Update March 2024</u> : A final draft of the MSP was delivered in November 2023 but has not been finalized, and signed/accepted by the Chief Executive Officer. A training program has been implemented starting in the first quarter of 2024. <u>Update August 2024</u> : The MSP was finalized and accepted by the Chief Executive Officer on July 27, 2024.
5/8/23	23-508	Planning Division (Planning)	Measure M2 Comprehensive Transportation Funding Programs (CTFP) Project Audits	Management should enforce timely use of funds requirements or obtain Board of Directors' (Board) approval for exceptions to CTFP guidelines.	<u>Update February 2024</u> : Management's response indicated that staff is currently conducting an off-cycle review to update timely use of funds requirements and contract award verbiage, and that presentation of the revisions to the Board has been delayed to spring 2024. <u>Update July 2024</u> : Management updated CTFP guidelines to revise timely use of funds requirements, allowing for encumbrance dates to be reset at each phase of a project. Board approval of the revised guidelines was obtained in May 2024.
5/8/23	23-508	Planning	Measure M2 CTFP Project Audits	Management should perform follow-up with the County of Orange (County) and the cities of Costa Mesa, Laguna Beach, and San Clemente on actions taken to address recommendations, including repayment of overcharges and duplicate charges by the City of Laguna Beach.	<u>Update February 2024</u> : Management response indicated staff was in communication with the City of Laguna Beach to recover amounts due related to overcharges and indirect cost charges and to recalculate indirect costs; however, no evidence of communication was provided and city staff indicated no communications have occurred. Follow-up with the County and other cities has been performed. <u>Update July 2024</u> : Management provided evidence of follow-up with cities and has obtained repayment of overcharges and duplicate charges from Laguna Beach.
5/31/23	23-509	Finance and Administration Division (F&A)	Orange County Transportation Authority (OCTA) Cybersecurity Program	Management should strengthen third-party security management by requiring third-party consultants working with OCTA data to be subject to the same training as OCTA employees and be required to acknowledge OCTA information technology and cybersecurity policies. In addition, access reviews of these third-party consultants should be conducted.	<u>Update February 2024</u> : Management has compiled a list of third-party vendors, along with contact information for each, and has developed a questionnaire for distribution to vendors. The Information Systems (IS) cybersecurity team will review responses and follow-up accordingly. This process will be repeated annually. In addition, IS has implemented a process to ensure all consultants/vendors receive and acknowledge cybersecurity training prior to being granted credentials in OCTA. Management estimates 75 percent progress to-date and full completion by March 2024. <u>Update August 2024</u> : Management provided evidence of communications with vendors and receipt and review of vendor responses.
8/7/23	23-505	People and Community Engagement Division (PACE)	Life Insurance Benefits	Management should develop procedures to ensure that benefit entries into the payroll system are reviewed for accuracy and the monthly invoice process be enhanced to include reconciliation of premiums collected versus premiums paid.	<u>Update February 2024</u> : Management responded that enhanced procedures have been implemented; however, since VOYA has not provided invoices for January and February 2024, Internal Audit was unable to confirm new procedures are being performed. <u>Update August 2024</u> : Management has implemented the new procedures for validating premium invoice payments and is reviewing system entries as recommended.

**Audit Recommendations Closed During
First Quarter, Fiscal Year 2024-25**

8/7/23	23-505	PACE	Life Insurance Benefits	Management should implement controls to properly coordinate the timing of annual premium updates and calculation and processing of invoices to ensure accuracy. Additionally, management should reconcile the employee payroll deductions for supplemental life insurance with the payroll system data detailing premiums paid to VOYA and investigate any variances	<u>Update February 2024</u> : Management responded that controls to ensure timely system updates have been implemented and will reconcile premiums to payroll deductions; however, since VOYA has not provided invoices for January and February 2024, Internal Audit was unable to confirm new control procedures are being performed. <u>Update August 2024</u> : Management has updated its invoice process to include a three-way reconciliation between the invoice template-calculated premiums, the Human Resources Information System-calculated premiums, and the Lawson system Paycheck Deduction Report.
8/31/23	23-516	PACE	Bus Advertising Revenue Program	Management should implement controls to verify accurate and complete reporting of revenues, enforce reporting requirements, monitor free advertisements, and require the contractor to certify statements and the project manager to document reviews.	<u>Update March 2024</u> : The project manager now verifies that remittances include required certification language and details as to bonuses. Also, management has documented procedures for a semi-annual verification of a sample of underlying advertising contracts. However, since these procedures have not yet been implemented, Internal Audit will follow-up again in six months to confirm procedures. <u>Update September 2024</u> : Management is enforcing requirements for contractor certification on invoices and reporting of bonuses. Management has also implemented a semi-annual verification process for advertising contracts to review advertising sales, insertion date, and quantity.
11/14/23	24-502	Operations Division (Operations)	Cooperative Agreements with Regional Center of Orange County (RCOC) and My Day Counts (MDC)	Management should reconsider the current arrangement with MDC and, if continued, should amend contracts with RCOC and MDC to obligate RCOC to pay OCTA for pass-through amounts and to ensure disputed amounts are charged to MDC. Evaluation of per-trip subsidy amounts should include consideration of the pass-through payments going forward. Also, pass-through payment arrangements should be approved by the Board going forward. Management should also consider recovering from MDC amounts paid by OCTA for which RCOC reimbursement was not obtained.	<u>Update September 2024</u> : The pass-through arrangement with MDC has been discontinued.
11/14/23	24-502	Operations and F&A	Cooperative Agreements with RCOC and MDC	Accounts Payable (AP) staff should ensure that invoices are properly authorized and verify that invoices are applied to the current agreement, and Accounts Receivable staff should ensure invoices are created against the current agreement. Operations should review invoices from MDC and reconcile trips before submitting invoices for payment.	<u>Update September 2024</u> : Refresher training on correct signature authority has been provided to AP staff, and a system control has been implemented to issue a warning when an invoice is posted to an expired agreement. In addition, Operations implemented new billing procedures to perform data reconciliation in advance of payment to MDC.
12/5/23	24-503	Executive Office	Transit Police Services (TPS)	Management should ensure annual work plans are developed and documented as required by the contract.	<u>Update August 2024</u> : An annual work plan for 2024 was developed and documented as outlined in the contract.
12/5/23	24-503	Executive Office	TPS	Management should strengthen controls over canine-related expense tracking and ensure all eligible costs are identified and submitted for grant reimbursement. Management should also review fiscal year (FY) 2022-23 eligible expenses that were not submitted and request reimbursement.	<u>Update August 2024</u> : Management claimed and received \$11,889.05, in grant reimbursement for costs not previously claimed. The recommendation to improve tracking of grant-reimbursable expenses is no longer applicable, as the Transportation Security Administration Canine Program was defunded by Congress as of April 30, 2024.

**Audit Recommendations Closed During
First Quarter, Fiscal Year 2024-25**

1/15/24	23-504	F&A	AP Operations	Management should separate the ability to create or edit vendors from the ability to process payments, require a Computer Access Request form for all user access requests, enhance the annual accounting system access review, and restrict the number of users granted administrative rights in the accounting system.	<u>Update August 2024</u> : Management has developed a policy to ensure access requests are reviewed by Accounting Department management for approval. The number of system administrators has been reduced and segregation of duties is now being enforced as recommended.
1/15/24	23-504	F&A	AP Operations	Management should review and update the Payment Request (PR) Policy, as necessary, and consider updating the PR form to include a checklist and details as to the types of allowable payments. Project managers should also be reminded of the proper use of PR's and staff should not process exceptions without approval.	<u>Update August 2024</u> : Management updated the PR Policy and the PR Form (PRF) to increase the PR threshold amount to \$5,000, and additional clarity was provided to the exception category descriptions. Further, the PRF has been enhanced to include a checklist for payment type and a drop-down box for exception categories when the payment request amount is over \$5,000. The PR Policy was distributed to all project managers.
3/13/24	24-509	F&A	Investments: Compliance, Controls, and Reporting: July 1 through December 31, 2023	Internal Audit recommends management utilize month-end bank statements when preparing monthly reports.	<u>Update August 2024</u> : Management is now reconciling the report amounts to the bank statements.
3/13/24	24-509	F&A	Investments: Compliance, Controls, and Reporting: July 1 through December 31, 2023	Internal Audit recommends OCTA discontinue paying fees associated with accounts whose portfolio values are not automatically updated in the Clearwater system.	<u>Update August 2024</u> : Beginning in March 2024, Clearwater excluded the portfolio values of these accounts from its calculation of fees.



October 23, 2024

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Federal Transit Administration Drug and Alcohol Compliance Audit

Overview

The Federal Transit Administration has completed a Drug and Alcohol Compliance audit of the Orange County Transportation Authority and contractors Transdev, Keolis Transit America, and Cabco Yellow, Inc. Management has addressed all deficiencies, and the audit is now closed.

Recommendation

Receive and file the Federal Transit Administration Drug and Alcohol Compliance Audit as an information item.

Background

In 1991, the Omnibus Transportation Employee Testing Act (Act) directed the Federal Transit Administration (FTA) to issue drug and alcohol testing regulations. These regulations are applicable to recipients of Sections 5309, 5307, and 5311 funds. The Act provides statutory authority for the FTA to require drug and alcohol testing of its grantees' safety-sensitive employees as a condition of FTA funding.

In order to assess compliance with these requirements, the FTA conducted a site visit from April 29, 2024 through May 2, 2024, of the Orange County Transportation Authority (OCTA) and contractors Transdev, Keolis Transit America (Keolis), and Cabco Yellow, Inc. (Cabco).

Discussion

Results of the FTA audit were discussed with management on May 3, 2024 (Attachment A). Responses to the 54 deficiencies identified, along with evidence of corrective actions, were submitted by OCTA staff by the due date of August 1, 2024. The FTA issued a compliance letter closing the audit on October 8, 2024, and finding OCTA fully compliant (Attachment B).

Summary

The FTA has completed a Drug and Alcohol Compliance audit of OCTA and contractors Transdev, Keolis, and Cabco. All deficiencies identified during the audit have been adequately addressed.

Attachments

- A. Final Audit Report FTA Drug and Alcohol Compliance Auditing Program
- B. Letter from Lyon Rosario, Sr. Drug and Alcohol Program Manager, Federal Transit Administration, to Darrell E. Johnson, Chief Executive Officer, Orange County Transportation Authority, re: FTA Drug and Alcohol Compliance Auditing Program, Dated October 8, 2024

Authorized by:



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



Federal Transit
Administration

FINAL AUDIT REPORT

FTA Drug and Alcohol Compliance Auditing Program

FTA Grantee
Orange County Transportation Authority

Contractors
Keolis Transit America
Transdev
Cabco Yellow, Inc.



IYON ROSARIO
SR. DRUG AND ALCOHOL PROGRAM MANAGER
OFFICE OF TRANSIT SAFETY AND OVERSIGHT



U.S. Department
of Transportation

Federal Transit
Administration

Headquarters

1200 New Jersey Ave., S.E.
Washington, D.C. 20590

5/3/2024

Provided Personally
& Electronically

Darrell E. Johnson
Chief Executive Officer
Orange County Transportation Authority
550 S Main St,
Orange, CA 92868

RE: FTA Drug and Alcohol Compliance Auditing Program

Dear Mr. Johnson,

As you know, during the period 4/29/2024 to 5/2/2024, the Federal Transit Administration (FTA) conducted an audit of the FTA-mandated drug and alcohol testing programs of the Orange County Transportation Authority (OCTA). Several items associated with OCTA's program were found that require attention. The attached Final Audit Report summarizes the findings of the audit team.

A 90-day period for corrective action commences as of the date of this letter. Therefore, the completion date for responses needed to bring your program into compliance is Thursday, August 1, 2024. Your staff has been provided access to FTA's secure Data Management System. Within this secure environment, you will find a download link for the software program you must use to respond to each audit finding, as well as a user manual for that software. When necessary, provide all supporting documentation that confirms the corrective actions taken.

For receipt on **8/1/2024**, please submit to FTA's secure Data Management System an electronic copy of the completed audit response, a copy of the electronic response file created by the software, and all supplemental materials.

Failure to fully resolve audit findings within 90 days may result in a formal finding of non-compliance by the FTA. Continued failure to fully implement FTA's drug and alcohol testing regulations may jeopardize OCTA's future funding from the FTA.

If you require assistance to resolve any of the deficiencies, please do not hesitate to contact Ms. Lori DeCoste or Mr. Sebastian Knott. If you have more general questions about the FTA's Drug and Alcohol Compliance Auditing Program or regulatory questions, please contact me, Lyon Rosario, FTA Senior Drug and Alcohol Program Manager, at (202) 366-2010, or via e-mail at iyon.rosario@dot.gov, or the FTA's Drug and Alcohol Program Hotline at (617) 494-6336 or email fta.damis@dot.gov.



U.S. Department
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FTA's tools and publications may be useful to you and your staff as you prepare your audit response, and in the ongoing maintenance of your testing programs. Resources are available at the FTA Drug and Alcohol Program website at <https://www.transit.dot.gov/drug-alcohol-program>.

We understand that our audit has placed an additional management effort that entailed a great deal of time and planning on your part. We greatly appreciate your cooperation, patience and hospitality during this review. Because of your efforts, we believe that the goal of improved safety for patrons and employees of OCTA will be more easily achieved.

Once again, thank you for your assistance. We look forward to working with you in the future.

Sincerely,

Lyon Rosario
Sr. Drug and Alcohol Program Manager
FTA Office of Transit Safety and Oversight

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Orange County Transportation Authority

Policy Manual Review Interview

Orange County Transportation Authority

Interview Date: 4/15/2024

Orange County Transportation Authority - Policy Manual Review Interview

Item	Action Date:	8/1/2024	Question #:	13
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1

Question: PROHIBITED BEHAVIOR: Does the policy indicate that covered employees are prohibited from using the following at all times: (1) Marijuana; (2) Cocaine; (3) Opioids; (4) Amphetamines; and (5) Phencyclidine?

Answer: No.

Supplemental Answer: In response to this and the following policy findings, submit to FTA a new or revised policy that is compliant with the listed FTA regulatory requirements. Note that FTA has a free policy builder that may be useful in this effort. The policy builder can be found at: transit-safety.fta.dot.gov/DrugAndAlcohol/Tools/PolicyBuilder/CreatePolicy.aspx

For this finding, ensure the revised policy states that use of these substances is prohibited at all times, as required by section 655.21(c).

FTA Rule Requirement: Section 655.15(c) states that the policy statement must include: "specific information concerning the behavior and conduct prohibited by this part."

Sections 655.21(b) and (c) state: "(b) When administering a drug test, an employer shall ensure that the following drugs are tested for: (1) Marijuana; (2) Cocaine; (3) Opioids; (4) Amphetamines; and (5) Phencyclidine. (c) Consumption of these products is prohibited at all times."

Orange County Transportation Authority - Policy Manual Review Interview

Item	Action Date:	8/1/2024	Question #:	14
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2

Question: PROHIBITED BEHAVIOR: Does the policy indicate that a covered employee may be tested for prohibited drugs any time while on duty?

Answer: No.

Supplemental Answer: Include this provision in the revised policy.

FTA Rule Requirement: Section 655.15(d) states that the policy statement must include: "the specific circumstances under which a covered employee will be tested for prohibited drugs or alcohol misuse under this part."

Section 655.45(i) states: "A covered employee may be randomly tested for prohibited drug use anytime while on duty."

Orange County Transportation Authority - Policy Manual Review Interview

Item	Action Date:	8/1/2024	Question #:	15
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3

Question: PROHIBITED BEHAVIOR: Does the policy indicate that covered employees are prohibited from performing safety-sensitive functions while having an alcohol

Orange County Transportation Authority

concentration of 0.04 or greater?

Answer: The policy lists this prohibition at 0.02 or greater, rather than at 0.04.

Supplemental Answer: The current policy lists this prohibition at the 0.02 alcohol concentration, rather than at 0.04. While the employer may set a lower prohibition, it must clearly do so under its own authority, while still stating the federal prohibition (0.04). Revise the policy accordingly.

FTA Rule Requirement: Section 655.15(c) states that the policy statement must include: "specific information concerning the behavior and conduct prohibited by this part."

Section 655.31(b) states: "Each employer shall prohibit a covered employee, while having an alcohol concentration of 0.04 or greater, from performing or continuing to perform a safety-sensitive function."

Orange County Transportation Authority - Policy Manual Review Interview

Item **Action Date:** 8/1/2024 **Question #:** 16

4

Question: PROHIBITED BEHAVIOR: Does the policy indicate that covered employees are prohibited from using alcohol within four hours prior to performing a safety-sensitive function, while on-call to perform a safety-sensitive function, and while performing a safety-sensitive function?

Answer: One or more elements is missing or incorrect.

Supplemental Answer: The policy states that, under OCTA's independent authority, safety-sensitive employees are prohibited from using alcohol for eight hours prior to the performance of a safety-sensitive function.

While policy may include this local provision, it must also state FTA's four-hour prohibition, as required by section 655.33(a). Revise the policy accordingly.

FTA Rule Requirement: Section 655.15(c) states that the policy statement must include: "specific information concerning the behavior and conduct prohibited by this part."

Section 655.32 states: "Each employer shall prohibit a covered employee from using alcohol while performing safety-sensitive functions. No employer having actual knowledge that a covered employee is using alcohol while performing safety-sensitive functions shall permit the employee to perform or continue to perform safety-sensitive functions."

Section 655.33 states: "(a) Each employer shall prohibit a covered employee from using alcohol within 4 hours prior to performing safety-sensitive functions. No employer having actual knowledge that a covered employee has used alcohol within four hours of performing a safety-sensitive function shall permit the employee to perform or continue to perform safety-sensitive functions. (b) An employer shall prohibit the consumption of alcohol for the specified on-call hours of each covered employee who is on-call. The procedure shall include: (1) The opportunity for the covered employee to acknowledge the use of alcohol at the time he or she is called to report to duty and the inability to perform his or her safety-sensitive function. (2) The requirement that the covered employee take an alcohol test, if the covered employee has acknowledged the use of alcohol, but claims ability to perform his or her safety-sensitive function."

Orange County Transportation Authority - Policy Manual Review Interview

Item **Action Date:** 8/1/2024 **Question #:** 18

5

Question: ALCOHOL TESTING: Does the policy indicate that random, reasonable suspicion, and follow-up alcohol testing are only permissible just before, during, and just after the

Orange County Transportation Authority

performance of a safety-sensitive function?

Answer: Other. This provision is only included for reasonable suspicion testing.

Supplemental Answer: Revise the policy to state that random and follow-up alcohol testing may only be conducted just before, during, and just after the performance of a safety-sensitive function.

FTA Rule Requirement: Section 655.15(d) states that the policy statement must include: "the specific circumstances under which a covered employee will be tested for prohibited drugs or alcohol misuse under this part."

Section 655.43(c) states: "An employer may direct a covered employee to undergo reasonable suspicion testing for alcohol only while the employee is performing safety-sensitive functions; just before the employee is to perform safety-sensitive functions; or just after the employee has ceased performing such functions."

Section 655.45(i) states: "A covered employee shall only be randomly tested for alcohol misuse while the employee is performing safety-sensitive functions; just before the employee is to perform safety-sensitive functions; or just after the employee has ceased performing such functions."

Orange County Transportation Authority - Policy Manual Review Interview

Item **Action Date:** 8/1/2024 **Question #:** 20

6

Question: PRE-EMPLOYMENT DRUG TESTING: Does the procedure for an applicant or transferee who has previously failed or refused a DOT test include requiring evidence that the individual has successfully completed a referral, evaluation and treatment plan meeting DOT requirements?

Answer: Other. The policy only discusses this requirement for individuals who previously failed a pre-employment test at OCTA.

Supplemental Answer: Revise the policy to state that any covered employee or applicant who previously failed or refused a DOT pre-employment for any employer must successfully complete the DOT return-to-duty process as required by section 655.41(a)(2).

FTA Rule Requirement: Section 655.41(a)(2) states: "When a covered employee or applicant has previously failed or refused a pre-employment drug test administered under this part, the employee must provide the employer proof of having successfully completed a referral, evaluation and treatment plan as described in 655.62."

Section 40.25(b) states: "You must request the information listed in this paragraph (b) from DOT-regulated employers who have employed the employee during any period during the two years before the date of the employee's application or transfer: (5) With respect to any employee who violated a DOT drug and alcohol regulation, documentation of the employee's successful completion of DOT return-to-duty requirements (including follow-up tests). If the previous employer does not have information about the return-do-duty process (e.g., an employer who did not hire an employee who tested positive on a pre-employment test), you must seek to obtain this information from the employee."

Orange County Transportation Authority - Policy Manual Review Interview

Item **Action Date:** 8/1/2024 **Question #:** 24

7

Question: PRE-EMPLOYMENT ALCOHOL TESTING: If the employer chooses to conduct

"Reasonable time means that employees are required to proceed to the clinic test site immediately upon notice of selection for a drug and/or alcohol test." Revise the policy to indicate that this is a federal requirement.

2. On page 52, the policy defines "Under the Influence" as: "When an employee is affected to any extent by alcohol or a drug, or metabolites of such, or the combination of alcohol and a drug, or has alcohol or a drug, or metabolites, of such, in the employees body in any detectable amount." This definition does not reflect any federal regulation. Revise the policy to clearly indicate that this definition is included under the employer's independent authority.

FTA Rule Requirement: Section 655.15(j) states: "The employer shall inform each covered employee if it implements elements of an anti-drug use or alcohol misuse program that are not required by this part. An employer may not impose requirements that are inconsistent with, contrary to, or frustrate the provisions of this part."

Orange County Transportation Authority - Policy Manual Review Interview

Item Action Date: 8/1/2024 Question #: 54

10

Question: PROVISIONS CONTRARY TO FTA or DOT REGULATIONS: Does the policy contain any provisions that are inconsistent with, contrary to, or that frustrate the requirements of Part 655 or Part 40?

Answer: Yes, the following items are not compliant with FTA and DOT regulations.

Supplemental Answer: 1. On page 9, the policy states: "The OCTA Drug and Alcohol Policy Manual has in some areas broadened the FTA and DOT requirements by including non-safety sensitive positions, as well as safety-sensitive positions, in some areas of testing." While this statement is bolded to indicate the employer's independent authority, it incorrectly suggests that the employer can broaden the scope of FTA and DOT requirements. Remove or revise this statement accordingly.

2. On page 21, the policy uses the term "opiates." For consistency with Part 40, change "opiates" to read "opioids."

3. On page 28, the policy states: "...a confirmation test is performed for each identified drug using state-of-the-art gas chromatography/mass spectrometry (GC/MS) analysis." Since all laboratories do not use GC/MS testing procedures, either remove this statement or verify the processes used by your primary laboratory and any laboratories that may be used to perform split specimen testing and ensure that your policy accurately reflect these processes.

4. On page 27, the policy states: "Any employee... who provides false information in connection with a test... will be considered to have a positive test and shall be subject to discharge proceedings." Providing false information with a test is not a DOT violation. Remove this statement from the revised policy.

5. On page 51, the definition for Substance Abuse Professional is missing "marriage counselor" as a qualification. Remove this definition or revise the policy to include this qualification.

6. The policy states or implies that urine specimen testing is the only type of drug testing permitted by DOT. For example, on page 5: "49 CFR Part 40 and Part 655 which regulates standards for the collection and mandated testing of breath and urine specimens". Revise these sections for compliance with the authorization of oral fluid drug testing in the currently adopted version of Part 40.

FTA Rule Requirement: Section 655.15(j) states: "The employer shall inform each covered employee if it implements elements of an anti-drug use or alcohol misuse program that are not required by this part. An employer may not impose requirements that are inconsistent with, contrary to, or frustrate the provisions of this part."

Drug and Alcohol Program Manager Interview

Orange County Transportation Authority

Interview Date: 4/29/2024

Orange County Transportation Authority - Drug and Alcohol Program Manager Interview

Item	Action Date:	8/1/2024	Question #:	25
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1

Question: Do you request information about prior DOT drug and alcohol test records from all DOT employers who employed an applicant within the previous two years?

Answer: No, we do not request this information.

Supplemental Answer: OCTA has not implemented a compliant procedure to request previous employer DOT drug and alcohol test records. In addition, OCTA currently uses the FMCSA Clearinghouse in an attempt to meet 40.25 regulatory requirements. However, use of the FMCSA Clearinghouse is allowed only for employers regulated by FMCSA. FTA regulated employers, who are also not regulated by FMCSA, are prohibited from using the FMCSA Clearinghouse to meet 40.25 requirements.

In response to this finding, submit to FTA a statement affirming you have reviewed and understand the requirements of sections 40.25(a) and 40.25(b). Should OCTA implement the use of any forms or other tools to assist in maintaining compliance with this requirement, submit samples of that material as well. In addition, provide to FTA a copy of any completed previous employer requests sent to any prior employers within the 90-day response period.

FTA Rule Requirement:

Sections 40.25(a) and (b) state: "(a) As an employer, you must, after obtaining an employee's written consent, request the information about the employee listed in paragraph (b) of this section. This requirement applies only to employees seeking to begin performing safety-sensitive duties for you for the first time (i.e., a new hire, an employee transfers into a safety-sensitive position). If the employee refuses to provide this written consent, you must not permit the employee to perform safety-sensitive functions. (b) You must request the information listed in this paragraph (b) from DOT-regulated employers who have employed the employee during any period during the two years before the date of the employee's application or transfer: (1) Alcohol tests with a result of 0.04 or higher alcohol concentration; (2) Verified positive drug tests; (3) Refusals to be tested (including verified adulterated or substituted drug test results); (4) Other violations of DOT agency drug and alcohol testing regulations; and (5) With respect to any employee who violated a DOT drug and alcohol regulation, documentation of the employee's successful completion of DOT return-to-duty requirements (including follow-up tests). If the previous employer does not have information about the return-to-duty process (e.g., an employer who did not hire an employee who tested positive on a pre-employment test), you must seek to obtain this information from the employee." 40.25(a)(3) states "If you are an employer regulated by FMCSA, with a prospective employee subject to drug and alcohol testing with a DOT agency other than FMCSA, you must continue to request the information about the employee listed in paragraphs (b)-(j) of this section."

Orange County Transportation Authority - Drug and Alcohol Program Manager Interview

Item	Action Date:	8/1/2024	Question #:	26
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2

Question: Do you ask an applicant whether or not they have failed or refused a DOT pre-employment test in the previous two years?

Answer: We do not ask this question.

Supplemental Answer: In response to this finding, submit to FTA a signed statement affirming an understanding of section 40.25(j) and describe the procedures implemented. If the procedures include

Orange County Transportation Authority

the use or revision of a form, include a copy of the form in your response.

FTA Rule Requirement: Section 40.25(j) states: "As the employer, you must also ask the employee whether he or she has tested positive, or refused to test, on any pre-employment drug or alcohol test administered by an employer to which the employee applied for, but did not obtain, safety-sensitive transportation work covered by DOT agency drug and alcohol testing rules during the past two years. If the employee admits that he or she had a positive test or a refusal to test, you must not use the employee to perform safety-sensitive functions for you, until and unless the employee documents successful completion of the return-to-duty process (see paragraphs (b)(5) and (e) of this section)."

Orange County Transportation Authority - Drug and Alcohol Program Manager Interview

Item	Action Date:	8/1/2024	Question #:	29
3	Question:	When a safety-sensitive employee is to be on extended leave (90 or more consecutive days) and will not be performing safety-sensitive functions, how do you handle their placement in the random pool? Do you conduct any testing upon their return and prior to their performance of safety-sensitive functions?		
	Answer:	Employees are maintained in the random pool and pre-employment testing is conducted upon their return.		

Supplemental Answer: In response to this finding, submit to FTA a signed statement affirming that the relevant staff has reviewed and understands section 655.41(d). In addition provide a detailed description of the process implemented to ensure employees maintained in the random pool are not pre-employment tested upon return.

FTA Rule Requirement: Section 655.41(d) states: "When a covered employee or applicant has not performed a safety-sensitive function for 90 consecutive calendar days regardless of the reason, and the employee has not been in the employer's random selection pool during that time, the employer shall ensure that the employee takes a pre-employment drug test with a verified negative result."

Orange County Transportation Authority - Drug and Alcohol Program Manager Interview

Item	Action Date:	8/1/2024	Question #:	35
4	Question:	Do you have a method to document the post-accident decision-making process?		
	Answer:	Other. OCTA uses multiple forms to document information related to post-accident decision-making and testing.		

Supplemental Answer: OCTA uses a testing authorization form and an accident report. In five of the twelve post-accident cases reviewed, times and/or dates differed between the two forms. In two cases, the requirement to document a delay in testing for a post-accident alcohol was called into question as the requirement differed depending on which form was used to make the determination.

In response to this finding, describe the process implemented to ensure consistency in reporting.

FTA Rule Requirement: Section 655.44(d) states: "The decision not to administer a drug and/or alcohol test under this section shall be based on the employer's determination, using the best available information at the time of the determination that the employee's performance could not have contributed to the accident. Such a decision must be documented in detail, including the decision-making process used to reach the decision not to test."

Orange County Transportation Authority

Section 655.71(c) states: "The following specific records must be maintained: (1) Records related to the collection process: (iv) Documents generated in connection with decisions on post-accident drug and alcohol testing."

Records Management Interview

Orange County Transportation Authority

Interview Date: 4/29/2024

Orange County Transportation Authority - Records Management Interview

Item	Action Date:	8/1/2024	Question #:	32
1	Question:	If a post-accident alcohol test is not administered within two hours following the accident, does the employer maintain a record stating the reason the alcohol test was not promptly administered?		
	Answer:	No.		
Supplemental Answer:	In four of the twelve post-accident cases reviewed, the post-accident alcohol tests were performed more than two hours after the accident without documentation explaining the reason for the delay.			
	In response to this finding, submit a statement affirming an understanding of the documentation requirements of section 655.44. Also, submit legible copies of all documentation related to any post-accident testing that may occur during the 90-day audit response period, to include accident reports, decision-making forms, ATFs, CCFs, and MRO-verified results.			
FTA Rule Requirement:	Section 655.44(a)(2)(ii) states: "If an alcohol test required by this section is not administered within two hours following the accident, the employer shall prepare and maintain on file a record stating the reasons the alcohol test was not promptly administered."			

Orange County Transportation Authority - Records Management Interview

Item	Action Date:	8/1/2024	Question #:	51
2	Question:	Does the employer ensure that, before an employee returns to safety-sensitive duties following a DOT drug and/or alcohol violation, the employee receives an evaluation by a qualified SAP and successfully complies with the SAP's recommendations?		
	Answer:	Other. Four employees without a DOT violation were incorrectly referred to a SAP.		
Supplemental Answer:	On four occasions, employees underwent DOT alcohol testing with results of 0.02 to less than 0.04. These tests occurred on 6/1/2022 (confirmed result of 0.038), 7/5/2022 (confirmed result of 0.021), 1/24/2023 (confirmed result of 0.030), and 9/6/2023 (confirmed result of 0.028). While none of these tests had a DOT violation, all four employees were incorrectly referred to a Substance Abuse Professional (SAP).			
	In response to this finding, submit a statement signed by all relevant OCTA staff affirming that SAP referrals will only be made after legitimate DOT testing violations (e.g., verified positive drug tests, confirmed alcohol results of 0.04 or greater, and refusals to test).			
FTA Rule Requirement:	Section 40.289 states: "(a) As an employer, you are not required to provide a SAP evaluation or any subsequent recommended education or treatment for an employee who has violated a DOT drug and alcohol regulation. (b) However, if you offer that employee an opportunity to return to a DOT safety-sensitive duty following a violation, you must, before the employee again performs that duty, ensure that the employee receives an evaluation by a SAP meeting the requirements of 40.281 and that the employee successfully complies with the SAP's evaluation recommendations."			

Orange County Transportation Authority - Records Management Interview

Item	Action Date:	8/1/2024	Question #:	52
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Orange County Transportation Authority

Date:

3

Question: Does the SAP's written report of the initial evaluation meet the requirements of Part 40?

Answer: No.

Supplemental Answer: In one case reviewed, an OCTA employee refused to test because they failed to provide a sufficient amount of urine without an adequate medical explanation. This employee was referred to a SAP and was eventually returned to the performance of safety-sensitive functions.

The SAP's written report (dated 4/18/2022) documenting their initial evaluation with this employee did not include the name and address of the employer (OCTA) where the violation occurred. This information is required to be included by section 40.311(c)(2).

In response to this finding, the SAP must revise their report to include the missing information and provide a copy of the updated report to OCTA. This corrected report must be submitted to FTA.

FTA Rule Requirement: Section 40.311(c) states: "The SAP's written report, following an initial evaluation that determines what level of assistance is needed to address the employee's drug and/or alcohol problems, must be on the SAP's own letterhead (and not the letterhead of another service agent) signed and dated by the SAP, and must contain the following delineated items: (1) Employee's name and SSN; (2) Employer's name and address; (3) Reason for the assessment (specific violation of DOT regulations and violation date); (4) Date(s) of the assessment; (5) SAP's education and/or treatment recommendation; and (6) SAP's telephone number."

Orange County Transportation Authority - Records Management Interview

Item Action Date: Question #: 53

4

Question: Does the SAP's written report of the follow-up evaluation meet the requirements of Part 40?

Answer: No.

Supplemental Answer: A SAP's written report (dated 4/22/2022) documenting their follow-up evaluation with an employee did not include the name and address of the employer (OCTA) where the violation occurred. This information is required to be included by section 40.311(d)(2).

In response to this finding, the SAP must revise their report to include the missing information and provide a copy of the updated report to OCTA. This corrected report must be submitted to FTA.

FTA Rule Requirement: Section 40.311(d) states: "The SAP's written report concerning a follow-up evaluation that determines the employee has demonstrated successful compliance must be on the SAP's own letterhead (and not the letterhead of another service agent), signed by the SAP and dated, and must contain the following items: (1) Employee's name and SSN; (2) Employer's name and address; (3) Reason for the initial assessment (specific violation of DOT regulations and violation date); (4) Date(s) of the initial assessment and synopsis of the treatment plan; (5) Name of practice(s) or service(s) providing the recommended education and/or treatment; (6) Inclusive dates of employee's program participation; (7) Clinical characterization of employee's program participation; (8) SAP's clinical determination as to whether the employee has demonstrated successful compliance; (9) Follow-up testing plan; (10) Employee's continuing care needs with specific treatment, aftercare, and/or support group services recommendations; and (11) SAP's telephone number."

Breath Alcohol Technician Interview

Akeso Occupational Health

Interview Date: 4/29/2024

Orange County Transportation Authority - Breath Alcohol Technician Interview

Item	Action Date:	8/1/2024	Question #:	44
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1

Question: Fatal or correctable flaw: The printer fails to print the confirmation test result?

Answer: That is a correctable flaw.

Supplemental Answer: In response to this finding, submit to FTA a statement signed by all DOT breath alcohol technicians (BATs) certifying an understanding that this is a fatal flaw, per section 40.267(c)(4), provided below.

FTA Rule Requirement: Section 40.267 states: "As an employer, a BAT, or an STT, you must cancel an alcohol test if any of the following problems occur. These are "fatal flaws." You must inform the DER that the test was cancelled and must be treated as if the test never occurred. These problems are: (c) In the case of a confirmation test: (4) The EBT does not print the result (see 40.253(f))."

Urine Collections Interview

Akeso Occupational Health

Interview Date: 4/29/2024

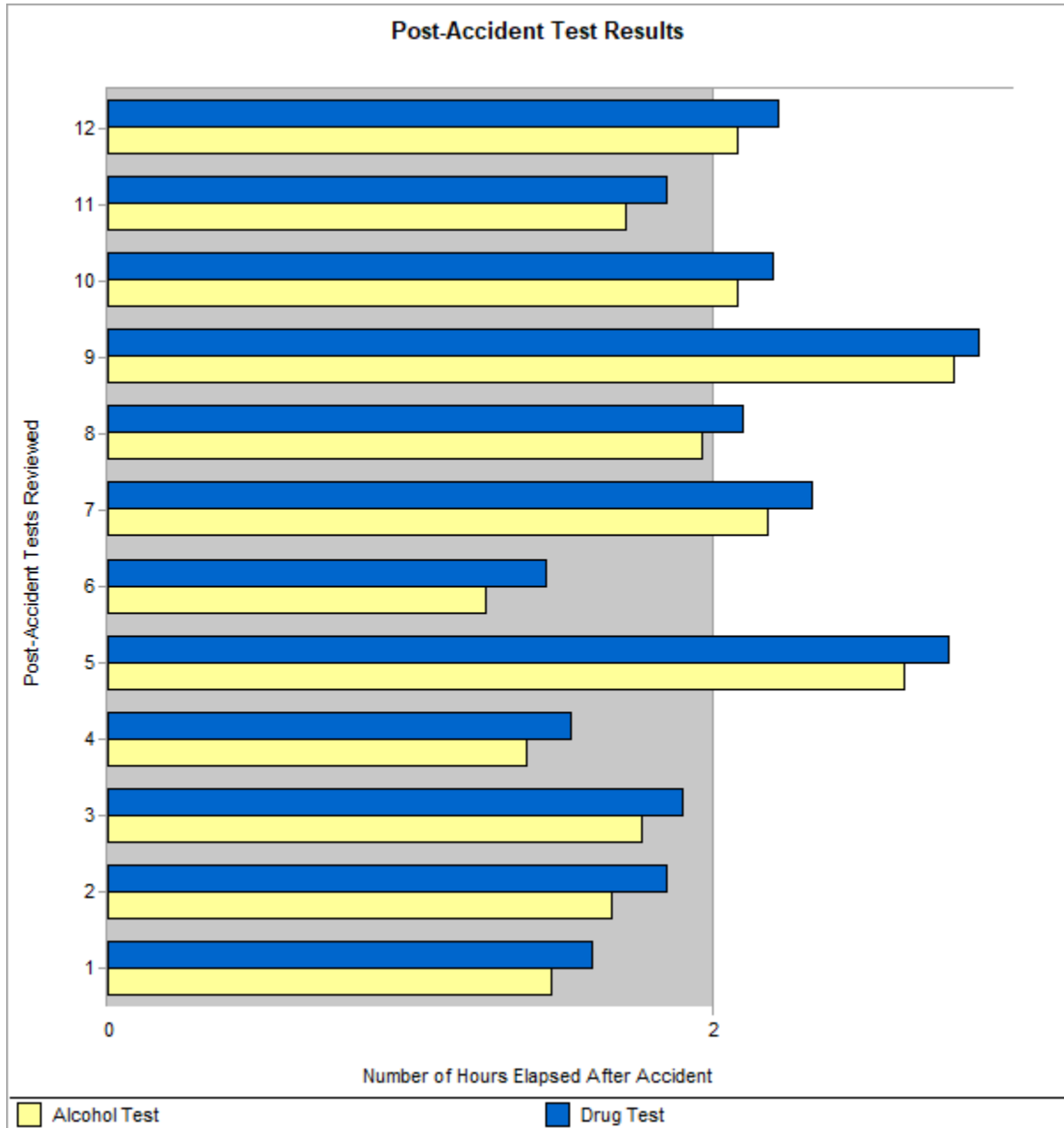
Orange County Transportation Authority - Urine Collections Interview

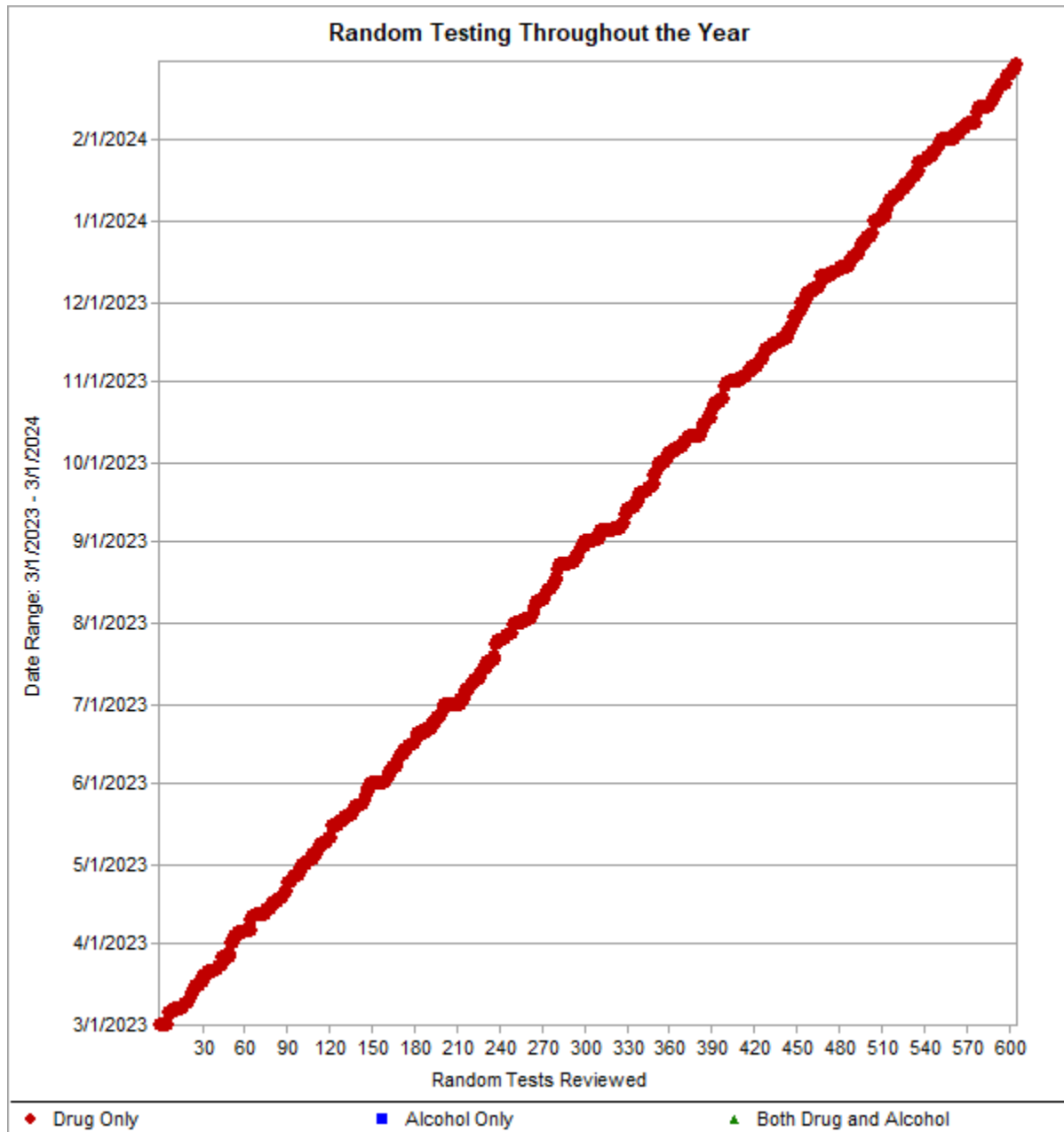
Item	Action Date:	8/1/2024	Question #:	64
1	Question:	What would you do if the employee admits to adulterating or substituting their specimen?		
	Answer:	Conduct a directly observed collection.		

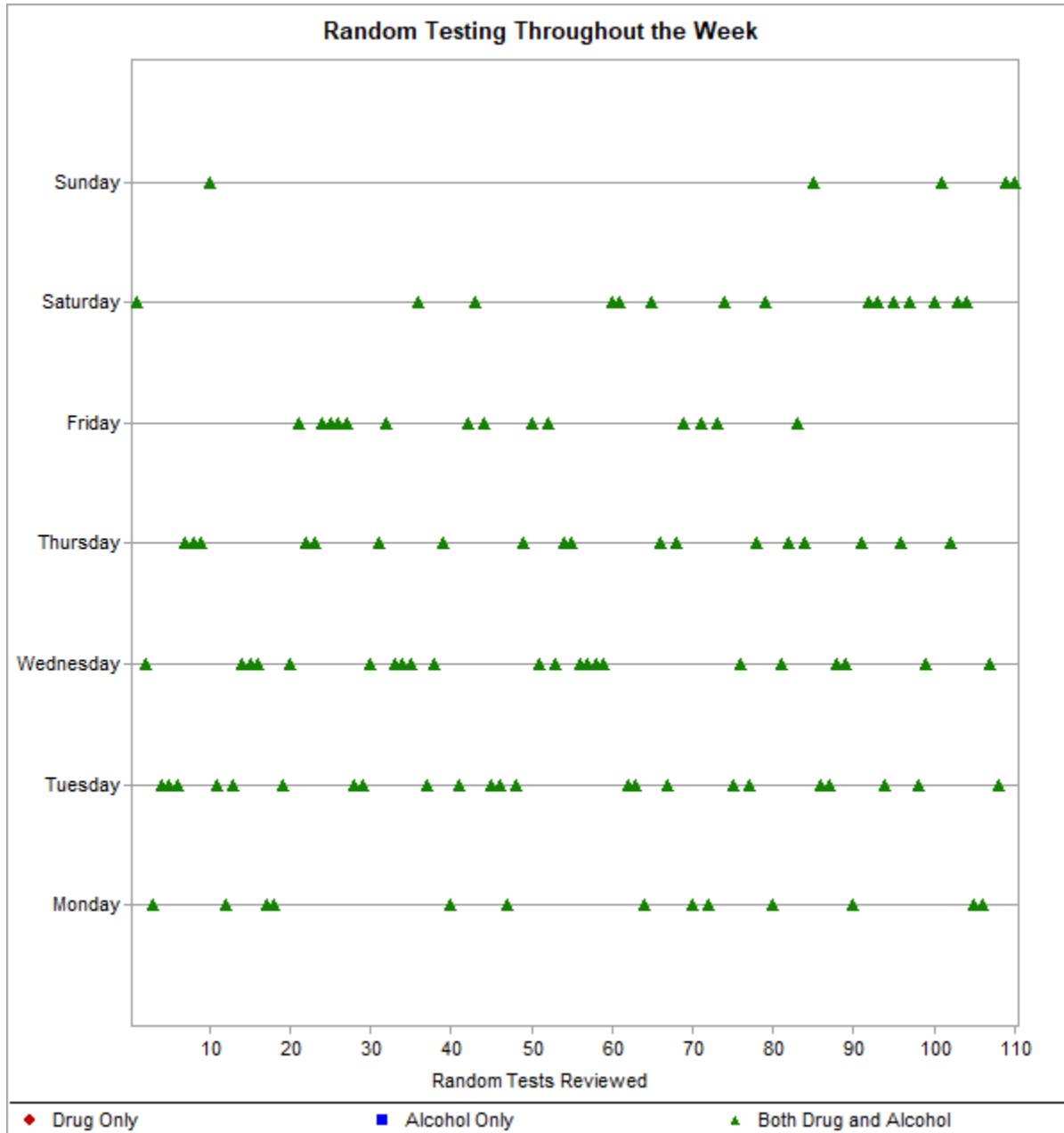
Supplemental Answer: In response to this finding, submit to FTA a statement signed by all DOT collectors certifying they have reviewed and will comply with the requirement to note this as a refusal in the "Remarks" line of the CCF (and then contact the DER), per section 40.191(d)(1).

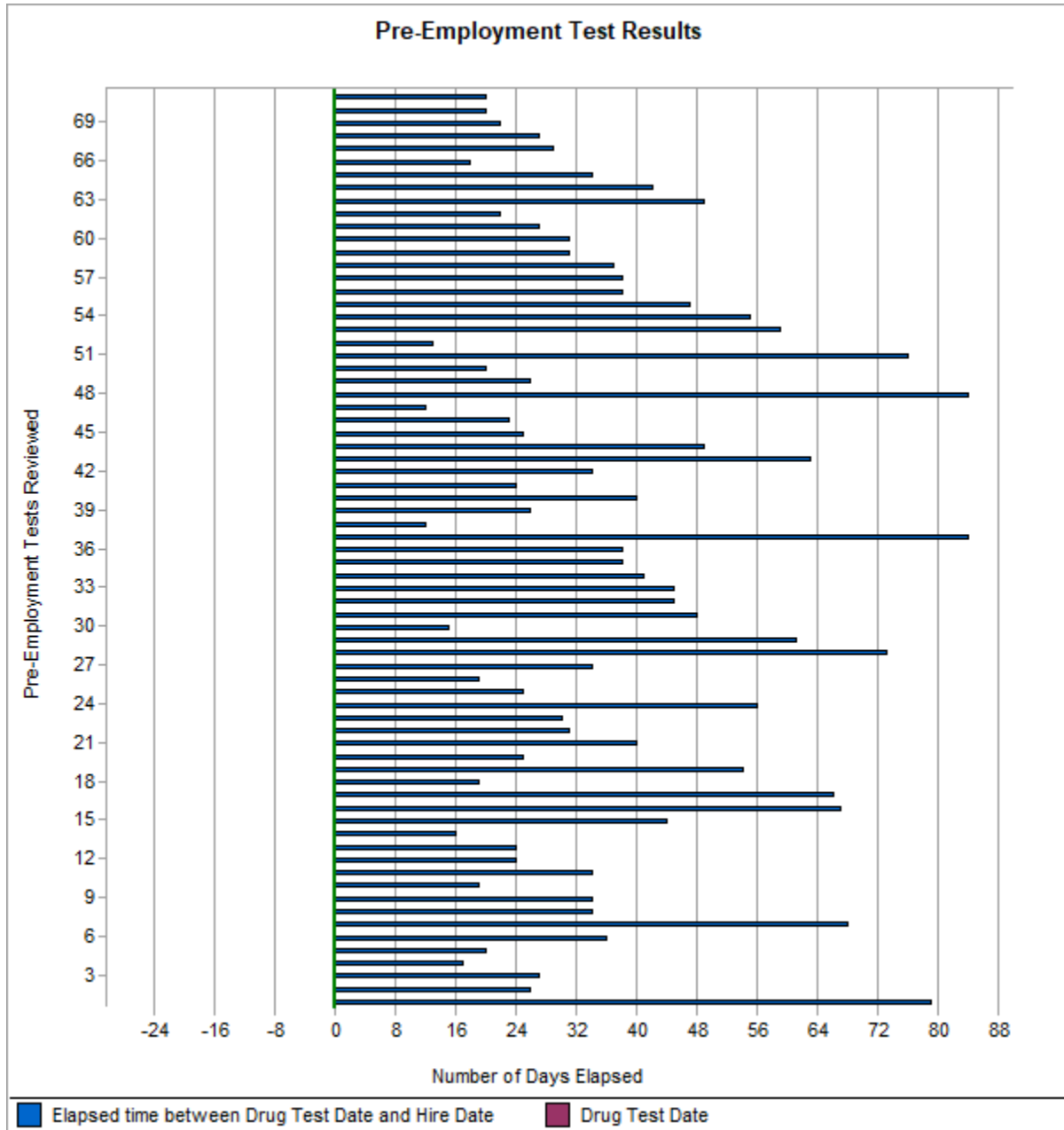
FTA Rule Requirement: Section 40.191(a) states: "As an employee, you have refused to take a drug test if you: (11) Admit to the collector or MRO that you adulterated or substituted the specimen."

Section 40.191(d)(1) states: "As the collector, you must note the refusal in the "Remarks" line (Step 2), and sign and date the CCF."









Cabco Yellow, Inc.

Policy Manual Review Interview

Cabco Yellow, Inc.

Interview Date: 4/15/2024

Cabco Yellow, Inc. - Policy Manual Review Interview

Item	Action Date:	8/1/2024	Question #:	15
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1

Question: PROHIBITED BEHAVIOR: Does the policy indicate that covered employees are prohibited from performing safety-sensitive functions while having an alcohol concentration of 0.04 or greater?

Answer: The policy lists this prohibition at 0.02 or greater, rather than at 0.04.

Supplemental Answer: The current policy lists this prohibition at the 0.02 alcohol concentration, rather than at 0.04. While the employer may set a lower prohibition, it must clearly do so under its own authority, while still stating the federal prohibition (0.04).

In response to this policy finding, submit a revised policy to FTA.

FTA Rule Requirement: Section 655.15(c) states that the policy statement must include: "specific information concerning the behavior and conduct prohibited by this part."

Section 655.31(b) states: "Each employer shall prohibit a covered employee, while having an alcohol concentration of 0.04 or greater, from performing or continuing to perform a safety-sensitive function."

Drug and Alcohol Program Manager Interview

Cabco Yellow, Inc.

Interview Date: 05/02/2024

Finding: Not deficient with FTA requirements.

Records Management Interview

Cabco Yellow, Inc.

Interview Date: 5/2/2024

Cabco Yellow, Inc. - Records Management Interview

Item	Action Date:	8/1/2024	Question #:	42
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1

Question: Do the records indicate that employees proceed immediately to the collection site upon notification for random testing?

Answer: Other. The notification form includes an expected arrival time at the collection site.

Supplemental Answer: This procedure negates the immediacy requirement of random testing.

In response to this finding, submit to FTA a statement signed by all pertinent staff (those who inform employees of random testing) confirming an understanding that once notified of random selection, employees are to proceed immediately as required by section 655.45(h). Furthermore, submit to FTA a new or updated notification form.

FTA Rule Requirement: Section 655.45(h) states: "Each employer shall require that each covered employee who is notified of selection for random drug or random alcohol testing proceed to the test site immediately. If the employee is performing a safety-sensitive function at the time of the notification, the employer shall instead ensure that the employee ceases to perform the safety-sensitive function and proceeds to the testing site immediately."

Cabco Yellow, Inc. - Records Management Interview

Item	Action Date:	8/1/2024	Question #:	48
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2

Question: Does the employer provide each employee (including an applicant) who violates a DOT drug and/or alcohol regulation a list of SAPs readily available to the employee, including names, addresses, and telephone numbers?

Answer: No.

Supplemental Answer: In one case reviewed, an applicant had a pre-employment drug test refusal and was not provided a SAP referral. This refusal occurred on 1/22/2024.

In response to this finding, provide the applicant with the required SAP referral, ensuring the referral provides the contact information for two or more SAPs. Submit a copy of this referral to FTA.

FTA Rule Requirement: Section 40.287 states: "As an employer, you must provide to each employee (including an applicant or new employee) who violates a DOT drug and alcohol regulation a listing of SAPs readily available to the employee and acceptable to you, with names, addresses, and telephone numbers. You cannot charge the employee any fee for compiling or providing this list. You may provide this list yourself or through a C/TPA or other service agent."

Breath Alcohol Technician Interview

Edinger Urgent Care

Interview Date: 5/2/2024

Cabco Yellow, Inc. - Breath Alcohol Technician Interview

Item	Action Date:	8/1/2024	Question #:	24
1	Question:	What do you do if the employee does not follow your instructions concerning the waiting period?		
	Answer:	Other. Give the employee an additional 15 minutes.		
	Supplemental Answer:	In response to this finding, submit to FTA a statement signed by all DOT breath alcohol technicians (BATs) affirming they understand and will comply with the requirements of sections 40.251(a)(2)(iv) and 40.251(a)(3).		
	FTA Rule Requirement:	Section 40.251(a)(2)(iv) states that the BAT must tell the employee: "That the confirmation test will be conducted at the end of the waiting period, even if the instructions have not been followed." Section 40.251(a)(3) states: "If you become aware that the employee has not followed the instructions, you must note this on the "Remarks" line of the ATF."		

Cabco Yellow, Inc. - Breath Alcohol Technician Interview

Item	Action Date:	8/1/2024	Question #:	40
2	Question:	Fatal or correctable flaw: You use a non-DOT ATF for a DOT test?		
	Answer:	That is a fatal flaw.		
	Supplemental Answer:	In response to this finding, submit to FTA a statement signed by all DOT BATs affirming they understand and will comply with the requirements of section 40.269(c).		
	FTA Rule Requirement:	Section 40.269 states: "As a BAT or STT, or employer, you must cancel an alcohol test if any of the following problems occur, unless they are corrected. These are "correctable flaws." These problems are: (c) The BAT or STT uses a non-DOT form for the test (see 40.225(a))."		

Cabco Yellow, Inc. - Breath Alcohol Technician Interview

Item	Action Date:	8/1/2024	Question #:	44
3	Question:	Fatal or correctable flaw: The printer fails to print the confirmation test result?		
	Answer:	I don't know.		
	Supplemental Answer:	In response to this finding, submit to FTA a statement signed by all DOT breath alcohol technicians (BATs) affirming they understand and will comply with the requirements of section 40.267(c)(4).		
	FTA Rule Requirement:	Section 40.267 states: "As an employer, a BAT, or an STT, you must cancel an alcohol test if any of the following problems occur. These are "fatal flaws." You must inform the DER that the test was cancelled and must be treated as if the test never occurred. These problems are: (c) In the case of a confirmation test: (4) The EBT does not print the result (see 40.253(f))."		

Urine Collections Interview

Edinger Urgent Care

Interview Date: 5/2/2024

Cabco Yellow, Inc. - Urine Collections Interview

Item Action Date: 8/1/2024 Question #: 53

1

Question: Can you explain your "shy bladder" procedures?

Answer: While the collector knows the requirements, there is no method in place to consistently and accurately provide 40 ounces of fluid to each donor requiring that amount.

Supplemental Answer: In response to this finding, describe the procedure implemented to consistently and accurately provide 40 ounces of fluid to each donor requiring that amount.

FTA Rule Requirement: Section 40.193(b)(2) states the collector must: "Urge the employee to drink up to 40 ounces of fluid, distributed reasonably through a period of up to three hours, or until the individual has provided a sufficient urine specimen, whichever occurs first. It is not a refusal to test if the employee declines to drink. Document on the Remarks line of the CCF (Step 2), and inform the employee of, the time at which the three-hour period begins and ends."

Cabco Yellow, Inc. - Urine Collections Interview

Item Action Date: 8/1/2024 Question #: 68

2

Question: If an initial specimen is out of the acceptable temperature range or appears to be tampered with, and the employee refuses to allow a second specimen to be collected under direct observation, what is done with the initial sample?

Answer: The initial specimen is sent to the laboratory.

Supplemental Answer: In response to this finding, submit to FTA a statement signed by all DOT collectors certifying they have reviewed and will comply with the requirements of section 40.65(b)(7).

FTA Rule Requirement: Section 40.65(b)(7) states: "In a case where the employee refuses to provide another specimen (see 40.191(a)(3)) or refuses to provide another specimen under direct observation (see 40.191(a)(4)), you must notify the DER. As soon as you have notified the DER, you must discard any specimen the employee has provided previously during the collection procedure."

Cabco Yellow, Inc. - Urine Collections Interview

Item Action Date: 8/1/2024 Question #: 74

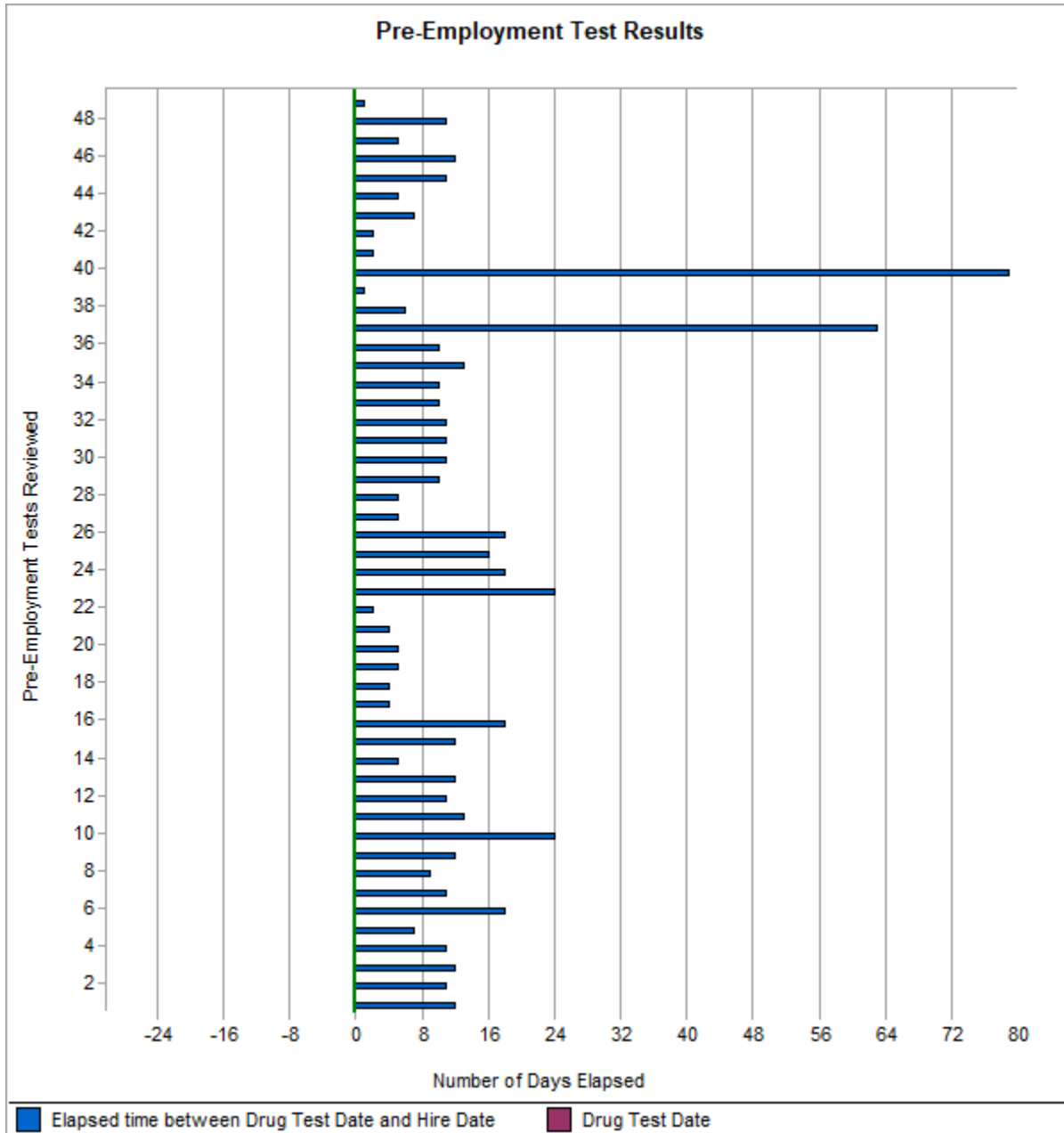
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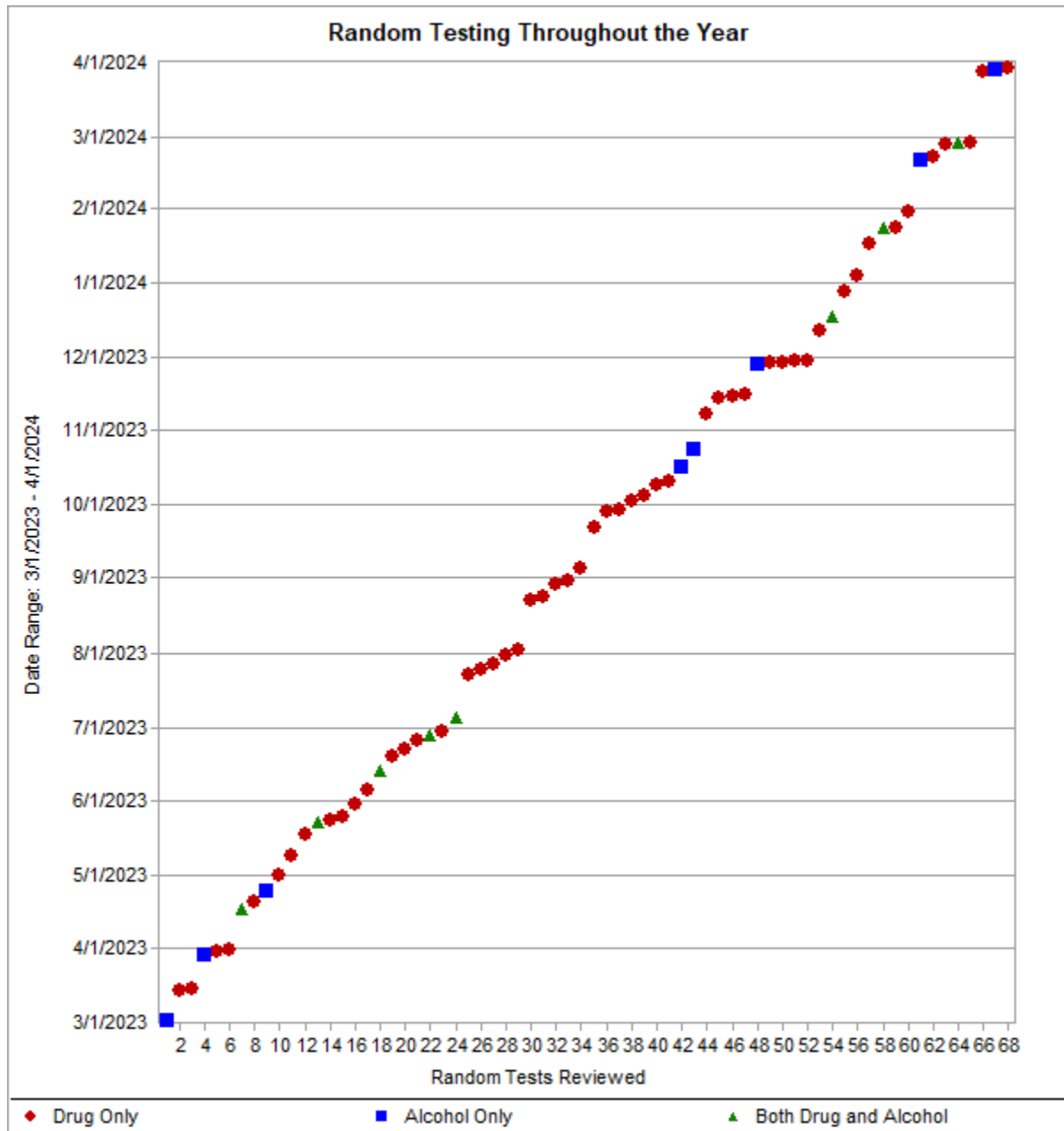
Question: Fatal flaw or correctable flaw: You do not sign AND print your name in Step 4 on the CCF?

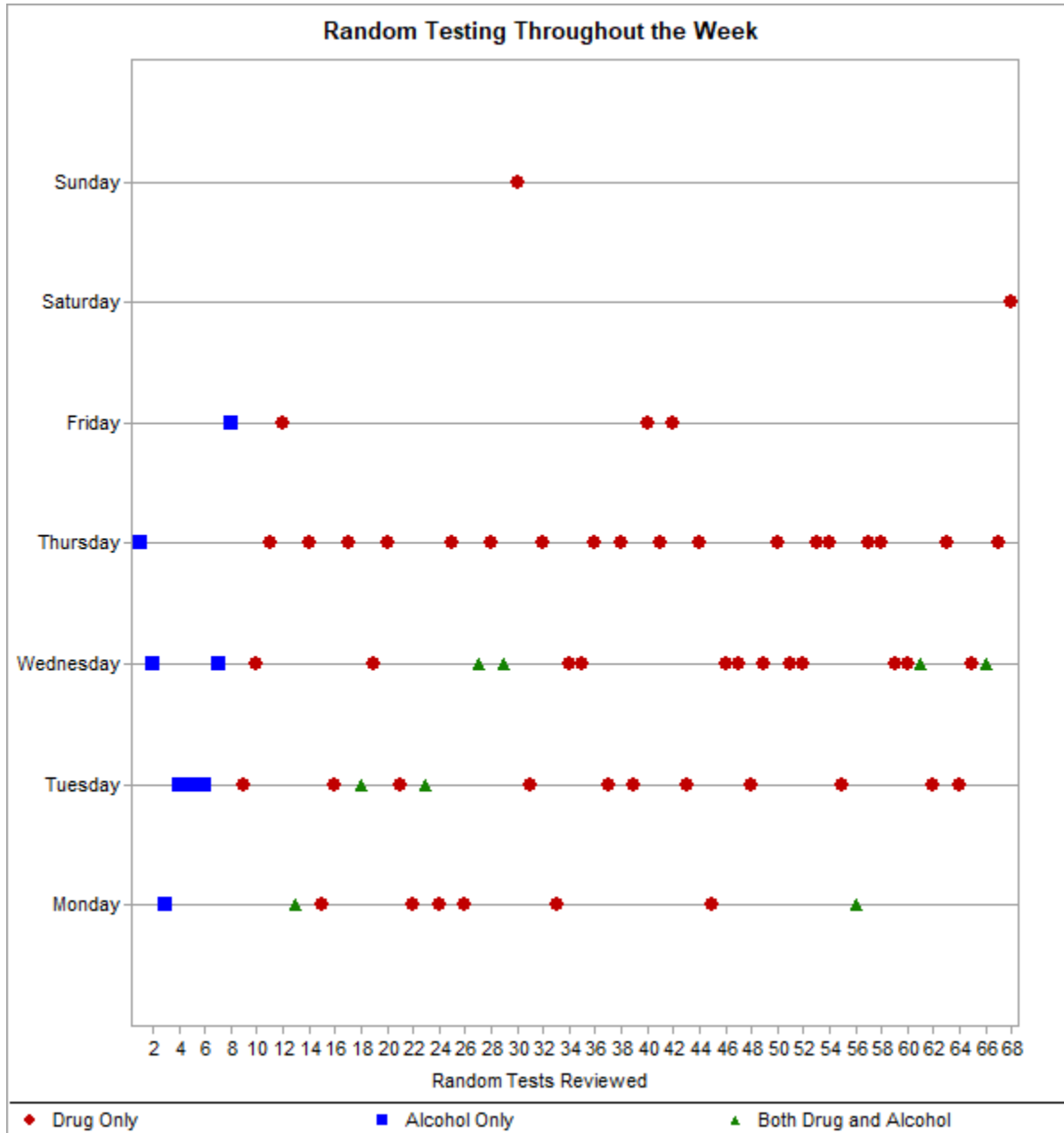
Answer: That is a correctable flaw.

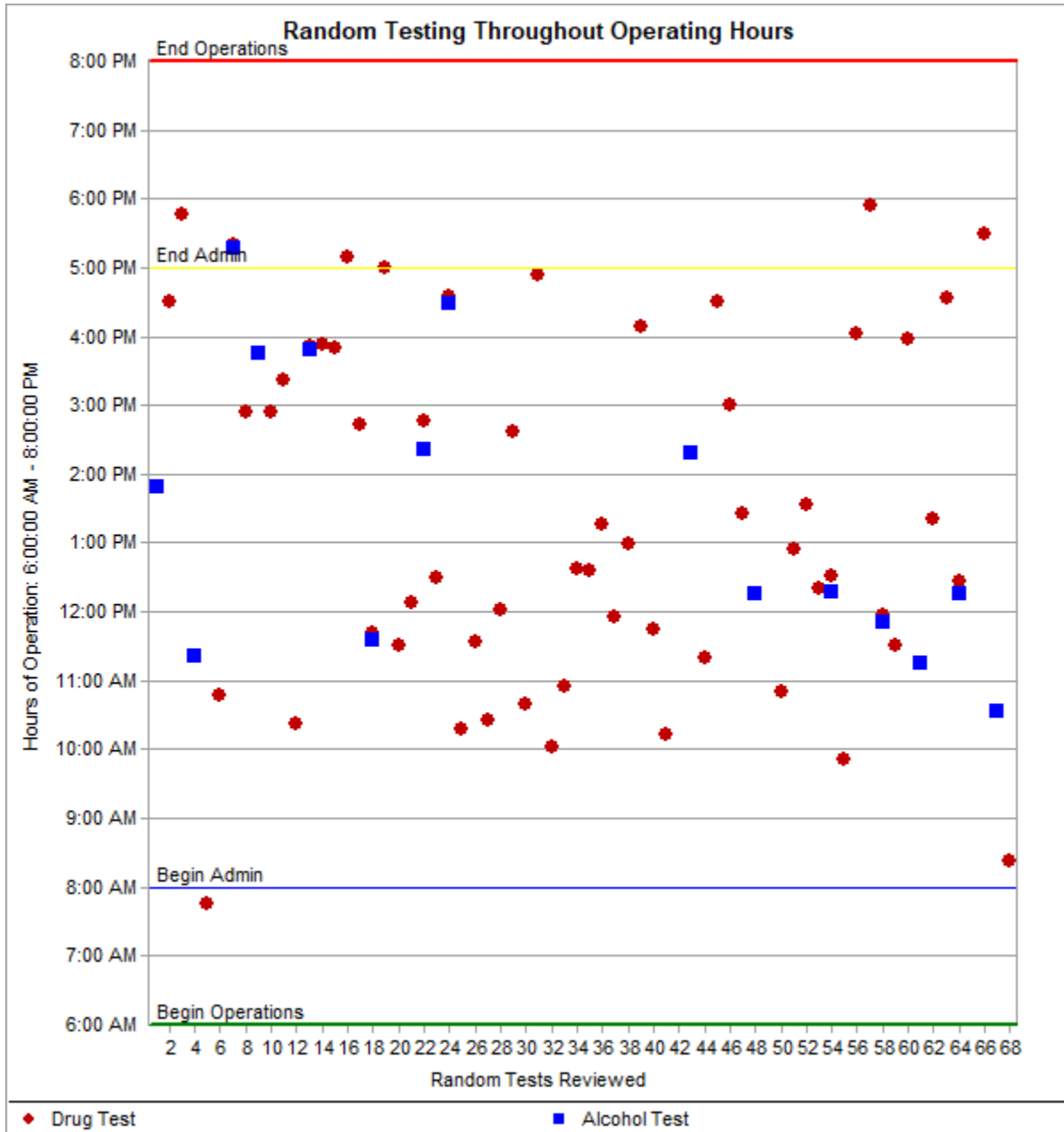
Supplemental Answer: In response to this finding, submit to FTA a statement signed by all DOT collectors certifying they have reviewed and will comply with the requirements of section 40.199(b).

FTA Rule Requirement: Section 40.199(b) states: "The following are "fatal flaws": (3) There is no printed collector's name and no collector's signature."









Keolis Transit America

Policy Manual Review Interview

Keolis Transit America
Interview Date: 4/15/2024

Keolis Transit America - Policy Manual Review Interview

Item	Action Date:	8/1/2024	Question #:	54
1	Question:	PROVISIONS CONTRARY TO FTA or DOT REGULATIONS: Does the policy contain any provisions that are inconsistent with, contrary to, or that frustrate the requirements of Part 655 or Part 40?		
	Answer:	Yes, the following items are not compliant with FTA and DOT regulations.		
	Supplemental Answer:	<p>The policy states or implies that urine specimen testing is the only type of drug testing permitted by DOT. For example, on page 5, the policy states: "...Part 655, "Prevention of Alcohol Misuse and Prohibited Drug Use in Transit Operations" mandates urine drug testing and breath alcohol testing."</p> <p>In response to this policy finding, revise these sections for compliance with the authorization of oral fluid drug testing in the currently adopted version of Part 40 and submit a revised policy to FTA.</p>		
	FTA Rule Requirement:	Section 655.15(j) states: "The employer shall inform each covered employee if it implements elements of an anti-drug use or alcohol misuse program that are not required by this part. An employer may not impose requirements that are inconsistent with, contrary to, or frustrate the provisions of this part."		

Drug and Alcohol Program Manager Interview

Keolis Transit America

Interview Date: 4/30/2024

Keolis Transit America - Drug and Alcohol Program Manager Interview

Item Action Date: 8/1/2024 Question #: 26

1

Question: Do you ask an applicant whether or not they have failed or refused a DOT pre-employment test in the previous two years?

Answer: Other. Keolis asks a similar question using the text 'tests administered', but does not specifically reference drug or alcohol pre-employment tests.

Supplemental Answer: In response to this finding, submit a revised question asked of applicants that specifically references 'pre-employment test'. Additionally, submit a statement affirming an understanding of section 40.25(j) and include a copy of the new or revised form.

FTA Rule Requirement: Section 40.25(j) states: "As the employer, you must also ask the employee whether he or she has tested positive, or refused to test, on any pre-employment drug or alcohol test administered by an employer to which the employee applied for, but did not obtain, safety-sensitive transportation work covered by DOT agency drug and alcohol testing rules during the past two years. If the employee admits that he or she had a positive test or a refusal to test, you must not use the employee to perform safety-sensitive functions for you, until and unless the employee documents successful completion of the return-to-duty process (see paragraphs (b)(5) and (e) of this section)."

Keolis Transit America - Drug and Alcohol Program Manager Interview

Item Action Date: 8/1/2024 Question #: 29

2

Question: When a safety-sensitive employee is to be on extended leave (90 or more consecutive days) and will not be performing safety-sensitive functions, how do you handle their placement in the random pool? Do you conduct any testing upon their return and prior to their performance of safety-sensitive functions?

Answer: Other. In three records reviewed, employees were tested after being out of the random pool for less than 90 days.

Supplemental Answer: Pre-employment testing is not authorized unless the employee has been removed from the random pool for a minimum of 90 days.

In response to this finding, submit to FTA a signed statement affirming that you have reviewed and understand section 655.41(d). Additionally, describe the procedure implemented to be in compliance with section 655.41(d).

FTA Rule Requirement: Section 655.41(d) states: "When a covered employee or applicant has not performed a safety-sensitive function for 90 consecutive calendar days regardless of the reason, and the employee has not been in the employer's random selection pool during that time, the employer shall ensure that the employee takes a pre-employment drug test with a verified negative result."

Keolis Transit America - Drug and Alcohol Program Manager Interview

Item Action Date: 8/1/2024 Question #: 33

3

Question: Can you explain the FTA post-accident testing thresholds?

Orange County Transportation Authority

Answer: Other. The DAPM / DER assists in making post-accident determination but did not have an understanding of 'disabling damage'.

Supplemental Answer: The DAPM was not aware that the 'exclusions' listed below must be accounted for post-accident determinations.

In response to this finding, submit a statement, signed by the DAPM and all supervisors who make post-accident testing determinations, affirming an understanding of the FTA post-accident testing thresholds set forth in section 655.4. and specifically of the definition of 'Disabling damage'. Also submit a statement affirming that FTA post-accident tests will only be conducted following events meeting an FTA accident threshold.

655.4 defines 'Disabling Damage' as follows:

Disabling damage means damage that precludes departure of a motor vehicle from the scene of the accident in its usual manner in daylight after simple repairs.

(1) Inclusion. Damage to a motor vehicle, where the vehicle could have been driven, but would have been further damaged if so driven.

(2) Exclusions. (i) Damage that can be remedied temporarily at the scene of the accident without special tools or parts. (ii) Tire disablement without other damage even if no spare tire is available. (iii) Headlamp or tail light damage. (iv) Damage to turn signals, horn, or windshield wipers, which makes the vehicle inoperable.

FTA Rule Requirement: Section 655.4 defines an "accident" as "an occurrence associated with the operation of a vehicle, if as a result: (1) An individual dies; or (2) An individual suffers bodily injury and immediately receives medical treatment away from the scene of the accident; or (3) With respect to an occurrence in which the public transportation vehicle involved is a bus, electric bus, van, or automobile, one or more vehicles (including non-FTA funded vehicles) incurs disabling damage as the result of the occurrence and such vehicle or vehicles are transported away from the scene by a tow truck or other vehicle; or (4) With respect to an occurrence in which the public transportation vehicle involved is a rail car, trolley car, trolley bus, or vessel, the public transportation vehicle is removed from operation."

Keolis Transit America - Drug and Alcohol Program Manager Interview

Item **Action Date:** 8/1/2024 **Question #:** 48

4

Question: How do you ensure that an employee is only subject to random alcohol testing just before, during, or just after the performance of safety-sensitive functions?

Answer: I don't know.

Supplemental Answer: In response to this finding, submit to FTA a description of the procedure that has been implemented to ensure compliance with section 655.45(i).

FTA Rule Requirement: Section 655.45(i) states: "A covered employee shall only be randomly tested for alcohol misuse while the employee is performing safety-sensitive functions; just before the employee is to perform safety sensitive functions; or just after the employee has ceased performing such functions. A covered employee may be randomly tested for prohibited drug use anytime while on duty."

Keolis Transit America - Drug and Alcohol Program Manager Interview

Item **Action Date:** 8/1/2024 **Question #:** 82

5

Question: Do you ensure the MIS report submitted to FTA only includes testing information for FTA-covered employees?

Orange County Transportation Authority

Answer: Other. The covered employees categorized as 'CDL/Non-Revenue' have been mis-categorized and misreported.

Supplemental Answer: Keolis revenue vehicle maintenance employees who hold a CDL and may test drive or move revenue vehicles have been reported on the 2023 Annual MIS in the incorrect category. These employees and their DOT test results must be reported in the Revenue Vehicle Maintenance employee category.

In response to this finding, revise the 2023 MIS submission at <https://damis.dot.gov>, ensuring the correct number of employees is reported for each employee category. Additionally, submit a statement to FTA affirming that you have done so.

FTA Rule Requirement: Section 655.72(e) states: "To calculate the total number of covered employees eligible for random testing throughout the year, as an employer, you must add the total number of covered employees eligible for testing during each random testing period for the year and divide that total by the number of random testing periods. Covered employees, and only covered employees, are to be in an employer's random testing pool, and all covered employees must be in the random pool."

Records Management Interview

Keolis Transit America

Interview Date: 4/30/2024

Keolis Transit America - Records Management Interview

Item	Action Date:	8/1/2024	Question #:	9
1	Question:	Do the records indicate that the employer requests information about an applicant's prior DOT drug and alcohol testing records in accordance with the requirements of section 40.25?		
	Answer:	No.		

Supplemental Answer: While Keolis uses a fully compliant form for this purpose, auditors noted that the forms frequently were not filled out completely and did not include an address for the previous employer. This hinders Keolis' ability to request records from previous employers, and fails to meet the "good faith effort" requirement of section 40.25(d).

In response to this finding, submit to FTA a description of the procedure implemented to maintain compliance with the requirements of section 40.25, specifically section 40.25(d).

FTA Rule Requirement: Section 40.25(a) states: "As an employer, you must, after obtaining an employee's written consent, request the information about the employee listed in paragraph (b) of this section. This requirement applies only to employees seeking to begin performing safety-sensitive duties for you for the first time (i.e., a new hire, an employee transfers into a safety-sensitive position). If the employee refuses to provide this written consent, you must not permit the employee to perform safety-sensitive functions."

Section 40.25(d) states: "If feasible, you must obtain and review this information before the employee first performs safety-sensitive functions. If this is not feasible, you must obtain and review the information as soon as possible. However, you must not permit the employee to perform safety-sensitive functions after 30 days from the date on which the employee first performed safety-sensitive functions, unless you have obtained or made and documented a good faith effort to obtain this information."

Keolis Transit America - Records Management Interview

Item	Action Date:	8/1/2024	Question #:	32
2	Question:	If a post-accident alcohol test is not administered within two hours following the accident, does the employer maintain a record stating the reason the alcohol test was not promptly administered?		
	Answer:	Other. In three cases reviewed, the alcohol test was not administered within two hours, but no record was maintained stating the reason for the delay.		

Supplemental Answer: In response to this finding, describe the procedure that has been implemented to ensure compliance with section 655.44(a)(2)(ii).

FTA Rule Requirement: Section 655.44(a)(2)(ii) states: "If an alcohol test required by this section is not administered within two hours following the accident, the employer shall prepare and maintain on file a record stating the reasons the alcohol test was not promptly administered."

Keolis Transit America - Records Management Interview

Item	Action Date:	5/10/2024	Question #:	66
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Date:

3

Question: After the MRO required an immediate observed collection, did the employer immediately direct the employee to submit to recollection under direct observation?

Answer: No.

Supplemental Answer: In one case reviewed, the MRO required an employee to submit to recollection under direct observation (see the MRO result from 6/5/2023 related to specimen ID 2082781520). This employee was retested, but the second test was not directly observed.

In response to this finding, the employee must immediately be sent for the required directly observed test. Submit copies of the CCF and MRO result for this retest to FTA by 5/10/2024.

FTA Rule Requirement: Section 40.67(a) states: "As an employer, you must direct an immediate collection under direct observation with no advance notice to the employee, if: (1) The laboratory reported to the MRO that a specimen is invalid, and the MRO reported to you that there was not an adequate medical explanation for the result; (2) The MRO reported to you that the original positive, adulterated, or substituted result had to be cancelled because the test of the split specimen could not be performed; or (3) The laboratory reported to the MRO that the specimen was negative-dilute with a creatinine concentration greater than or equal to 2 mg/dL but less than or equal to 5 mg/dL, and the MRO reported the specimen to you as negative-dilute and that a second collection must take place under direct observation (see 40.197(b)(1))."

Breath Alcohol Technician Interview

Concentra Anaheim

Interview Date: 4/30/2024

Keolis Transit America - Breath Alcohol Technician Interview

Item	Action Date:	8/1/2024	Question #:	14
1	Question:	After a screening test result less than 0.02, does the BAT complete Step 3 of the ATF by signing and dating the certification?		
	Answer:	Other. The technician marked the "15-minute Wait" box when no confirmation testing was required.		
	Supplemental Answer:	In response to this finding, submit to FTA a statement signed by all DOT breath alcohol technicians (BATs) affirming their understanding to mark Yes/No in this section only when a confirmation test is conducted which would require the observation of the 15-minute waiting period.		
	FTA Rule Requirement:	Section 40.247(a) states: "If the test result is an alcohol concentration of less than 0.02, as the BAT or STT, you must do the following: (1) Sign and date Step 3 of the ATF; and (2) Transmit the result to the DER in a confidential manner, as provided in 40.255."		

Keolis Transit America - Breath Alcohol Technician Interview

Item	Action Date:	8/1/2024	Question #:	40
2	Question:	Fatal or correctable flaw: You use a non-DOT ATF for a DOT test?		
	Answer:	That is a fatal flaw.		
	Supplemental Answer:	In response to this finding, submit to FTA a statement signed by all DOT BATs certifying they have reviewed and will comply with the requirements of section 40.269(c).		
	FTA Rule Requirement:	Section 40.269 states: "As a BAT or STT, or employer, you must cancel an alcohol test if any of the following problems occur, unless they are corrected. These are "correctable flaws." These problems are: (c) The BAT or STT uses a non-DOT form for the test (see 40.225(a))."		

Keolis Transit America - Breath Alcohol Technician Interview

Item	Action Date:	8/1/2024	Question #:	44
3	Question:	Fatal or correctable flaw: The printer fails to print the confirmation test result?		
	Answer:	That is a correctable flaw.		
	Supplemental Answer:	In response to this finding, submit to FTA a statement signed by all DOT BATs certifying they have reviewed and will comply with the requirements of section 40.267(c)(4).		
	FTA Rule Requirement:	Section 40.267 states: "As an employer, a BAT, or an STT, you must cancel an alcohol test if any of the following problems occur. These are "fatal flaws." You must inform the		

Urine Collections Interview

Concentra Anaheim

Interview Date: 4/30/2024

Keolis Transit America - Urine Collections Interview

Item **Action Date:** **8/1/2024** **Question #:** **4**

1

Question: Did the collector use the Federal Drug Testing Custody and Control Form?

Answer: Other. The collector used an expired Federal CCF.

Supplemental Answer: In response to this finding, submit a statement affirming that all expired Federal CCFs have been discarded.

FTA Rule Requirement: Section 40.45(a) states: "The Federal Drug Testing Custody and Control Form (CCF) must be used to document every urine collection required by the DOT drug testing program."

Keolis Transit America - Urine Collections Interview

Item **Action Date:** **8/1/2024** **Question #:** **64**

2

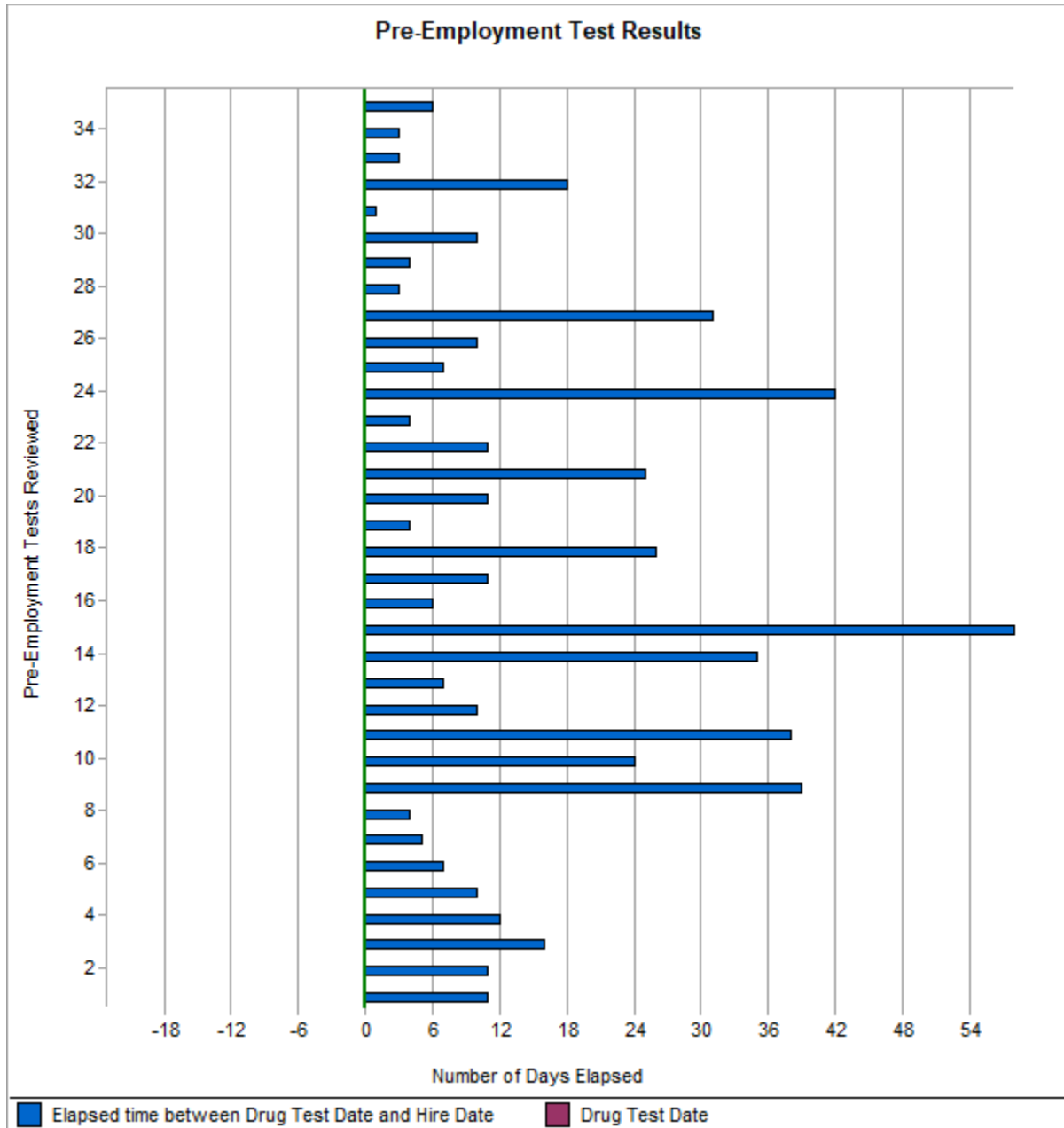
Question: What would you do if the employee admits to adulterating or substituting their specimen?

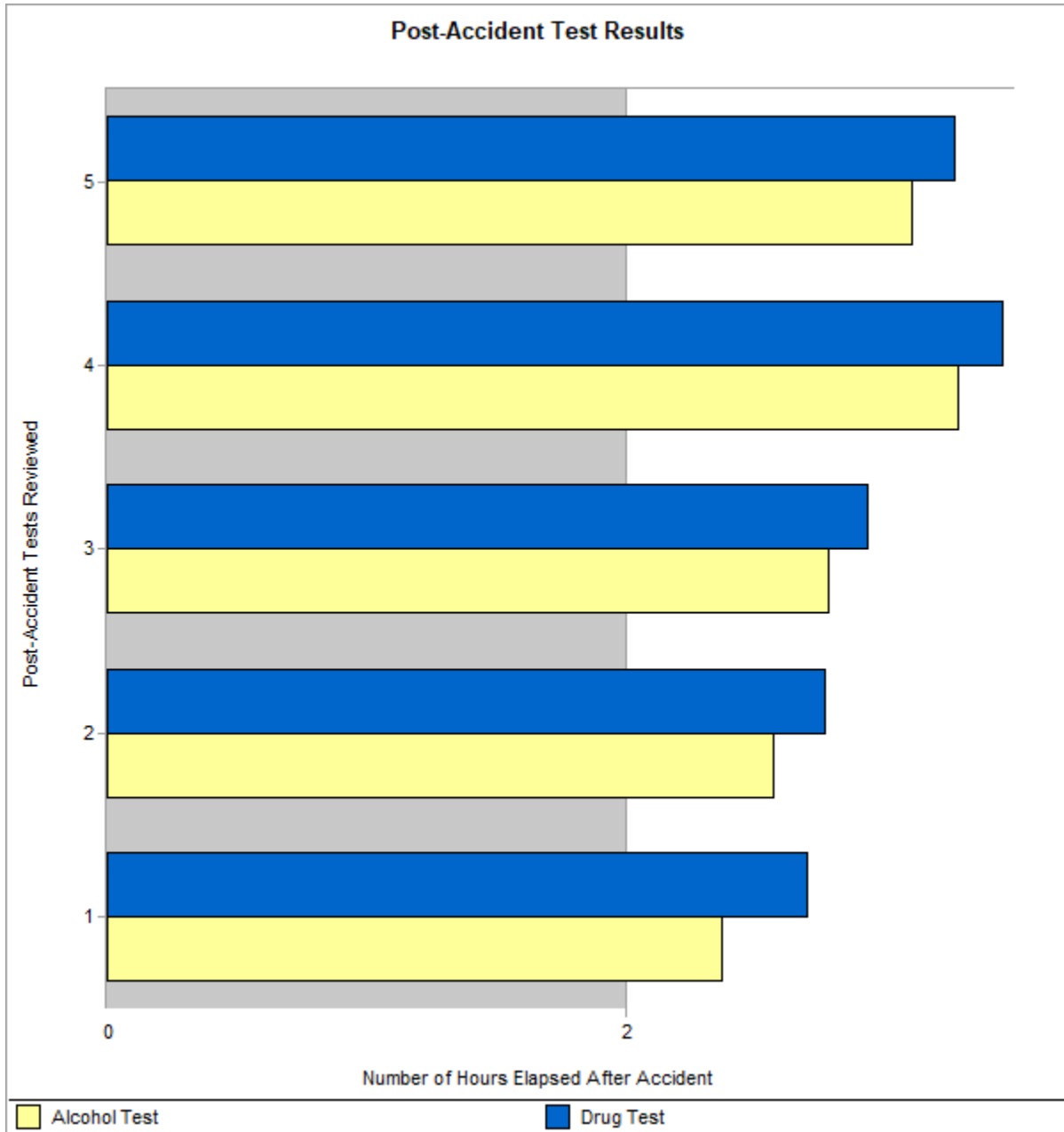
Answer: Conduct a directly observed collection.

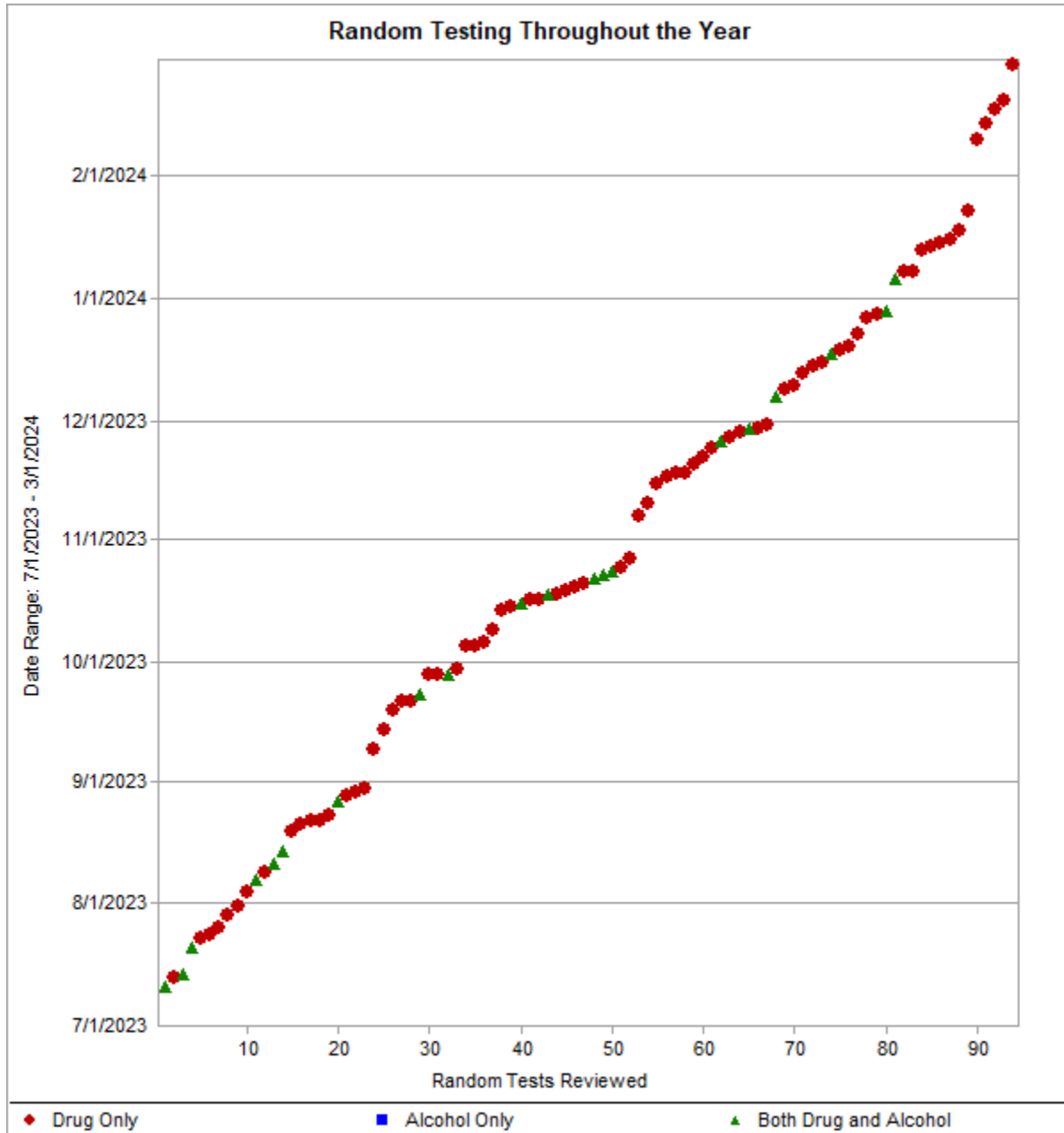
Supplemental Answer: In response to this finding, submit to FTA a statement signed by all DOT collectors certifying they have reviewed and will comply with the requirements of sections 40.191(a)(11) and 40.191(d)(1).

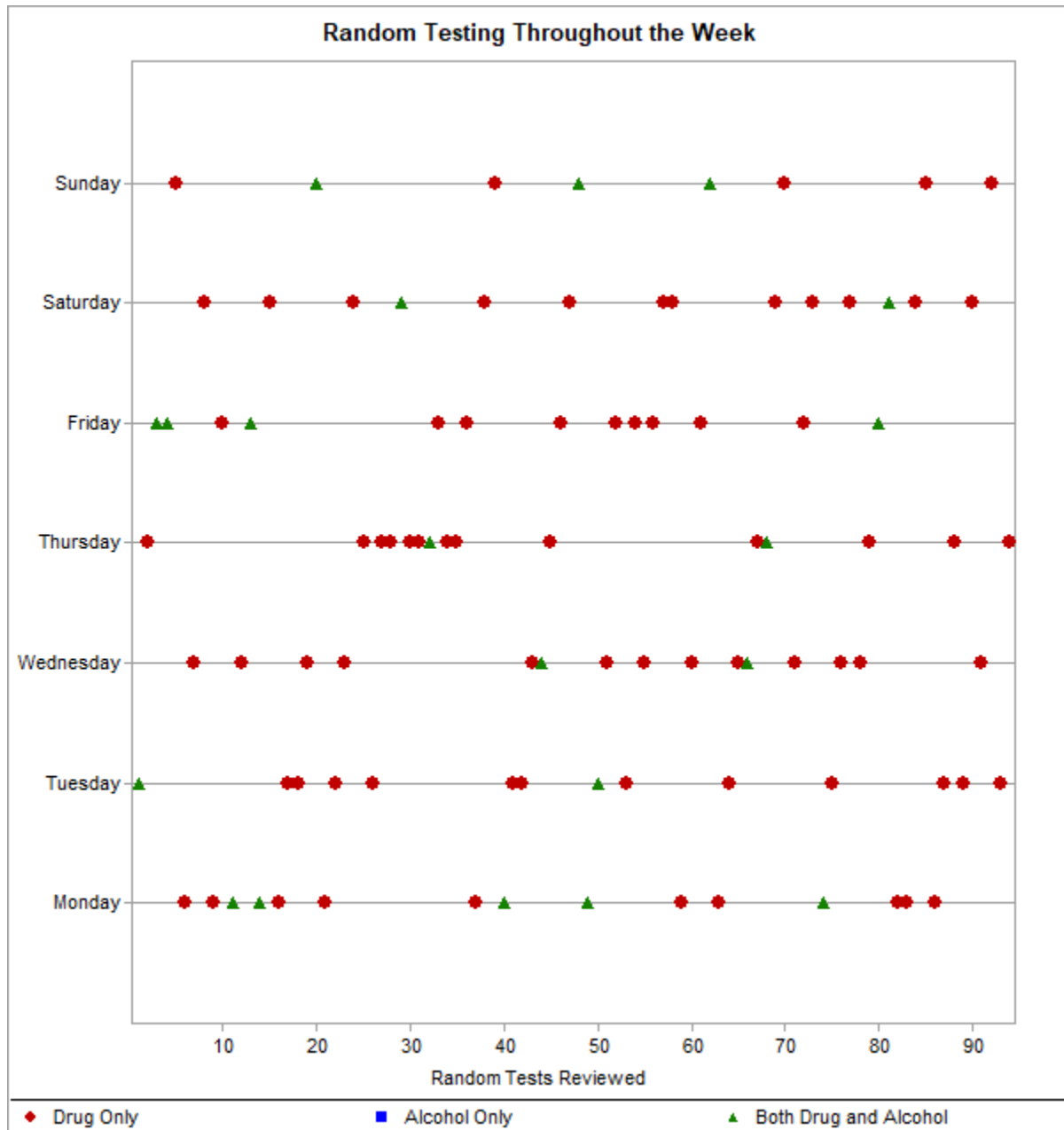
FTA Rule Requirement: Section 40.191(a) states: "As an employee, you have refused to take a drug test if you: (11) Admit to the collector or MRO that you adulterated or substituted the specimen."

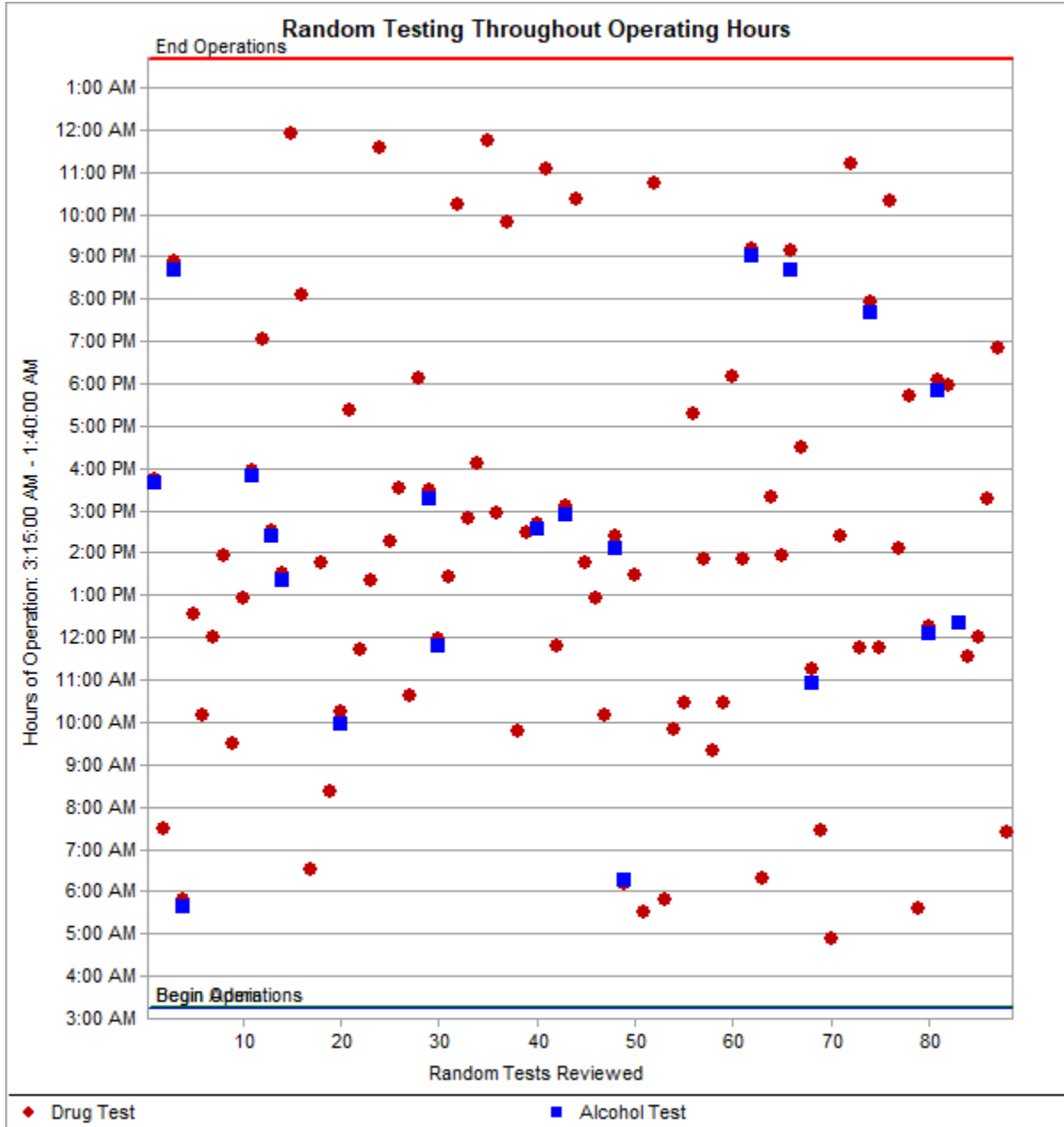
Section 40.191(d)(1) states: "As the collector, you must note the refusal in the "Remarks" line (Step 2), and sign and date the CCF."











Transdev

Policy Manual Review Interview

Transdev

Interview Date: 04/15/2024

Finding: Not deficient with FTA requirements.

Drug and Alcohol Program Manager Interview

Transdev

Interview Date: 5/1/2024

Transdev - Drug and Alcohol Program Manager Interview

Item	Action Date:	8/1/2024	Question #: 29
1	Question:	When a safety-sensitive employee is to be on extended leave (90 or more consecutive days) and will not be performing safety-sensitive functions, how do you handle their placement in the random pool? Do you conduct any testing upon their return and prior to their performance of safety-sensitive functions?	
	Answer:	Other. In eight records reviewed, employees were tested after being out of the random pool for less than 90 days.	
	Supplemental Answer:	Pre-employment testing is not authorized unless the employee has been removed from the random pool for a minimum of 90 days. In response to this finding, submit to FTA a signed statement affirming that you have reviewed and understand section 655.41(d). Additionally, describe the procedure implemented to be in compliance with section 655.41(d).	
	FTA Rule Requirement:	Section 655.41(d) states: "When a covered employee or applicant has not performed a safety-sensitive function for 90 consecutive calendar days regardless of the reason, and the employee has not been in the employer's random selection pool during that time, the employer shall ensure that the employee takes a pre-employment drug test with a verified negative result."	

Transdev - Drug and Alcohol Program Manager Interview

Item	Action Date:	8/1/2024	Question #: 64
2	Question:	What is the consequence when an employee has an alcohol test result greater than or equal to 0.02, but less than 0.04?	
	Answer:	Other. The DAPM was aware there are consequences but did not know the specifics of the consequences.	
	Supplemental Answer:	The DAPM stated the employee must be removed from safety-sensitive duties for 32 hours. Section 655.35(a) mandates removal for at least eight hours. In response to this finding, provide a statement affirming that the DAPM has reviewed and now fully understands the requirement to remove an employee from safety-sensitive functions for a minimum of eight hours following an alcohol confirmation test result of 0.02 or greater but less than 0.04.	
	FTA Rule Requirement:	Section 655.35(a) states: "No employer shall permit a covered employee tested under the provisions of subpart E of this part who is found to have an alcohol concentration of 0.02 or greater but less than 0.04 to perform or continue to perform safety-sensitive functions, until: (1) The employee's alcohol concentration measures less than 0.02; or (2) The start of the employee's next regularly scheduled duty period, but not less than eight hours following administration of the test." Section 655.62 states: "If a covered employee has a verified positive drug test result, or has a confirmed alcohol test of 0.04 or greater, or refuses to submit to a drug or alcohol test required by this part, the employer shall advise the employee of the resources available for evaluating and resolving problems associated with prohibited drug use and alcohol misuse, including the names, addresses, and telephone numbers of substance abuse professionals (SAPs) and counseling and treatment programs."	

Records Management Interview

Transdev

Interview Date: 5/1/2024

Transdev - Records Management Interview

Item	Action Date:	5/10/2024	Question #:	15
1	Question:	Do the records indicate that no more than 90 days elapse between the receipt of the negative pre-employment test result and the date the employee first performs a safety-sensitive function and is placed into the random testing pool?		
	Answer:	Other. In one case reviewed, 91 days elapsed between the receipt of the negative pre-employment test result and the employee's first performance of a safety-sensitive function.		
	Supplemental Answer:	In response to this finding, immediately send the employee for a pre-employment drug test. Submit to FTA a copy of the CCF and MRO-verified result for this test by 5/10/2024.		
	FTA Rule Requirement:	Section 655.41(d) states: "When a covered employee or applicant has not performed a safety-sensitive function for 90 consecutive calendar days regardless of the reason, and the employee has not been in the employer's random selection pool during that time, the employer shall ensure that the employee takes a pre-employment drug test with a verified negative result."		

Transdev - Records Management Interview

Item	Action Date:	8/1/2024	Question #:	41
2	Question:	Is random testing conducted at all times of the day when safety-sensitive functions are performed?		
	Answer:	Other. During the records-review period, no random testing was performed after 10 p.m. or before 6 a.m.		
	Supplemental Answer:	In response to this finding, submit to FTA documentation (notification form, ATF/CCF, MRO verification) of one random test during the response period where the notification takes place between 11 p.m. and 5 a.m. If no employees selected are scheduled for work during these hours, provide evidence in support of that circumstance.		
	FTA Rule Requirement:	Section 655.45(g) states: "Random testing must be conducted at all times of day when safety-sensitive functions are performed."		

Transdev - Records Management Interview

Item	Action Date:	8/1/2024	Question #:	42
3	Question:	Do the records indicate that employees proceed immediately to the collection site upon notification for random testing?		
	Answer:	Other. The notification form includes an expected time of arrival at the collection site.		
	Supplemental Answer:	This procedure negates the immediacy requirement of random testing.		
		In response to this finding, submit to FTA a statement signed by all pertinent staff (those who inform employees of random testing) affirming an understanding that, once notified of random selection, employees are to proceed immediately as required by section 655.45(h). Furthermore, submit to FTA a new or updated notification form.		
	FTA Rule	Section 655.45(h) states: "Each employer shall require that each covered employee who		

Breath Alcohol Technician Interview

Pacific Medical Clinic

Interview Date: 5/1/2024

Transdev - Breath Alcohol Technician Interview

Item	Action Date:	8/1/2024	Question #:	24
1	Question:	What do you do if the employee does not follow your instructions concerning the waiting period?		
	Answer:	Discontinue the test.		
	Supplemental Answer:	In response to this finding, submit to FTA a statement signed by all DOT BATs certifying they have reviewed and will comply with the requirements of sections 40.251(a)(2)(iv) and 40.251(a)(3).		
	FTA Rule Requirement:	Section 40.251(a)(2)(iv) states that the BAT must tell the employee: "That the confirmation test will be conducted at the end of the waiting period, even if the instructions have not been followed." Section 40.251(a)(3) states: "If you become aware that the employee has not followed the instructions, you must note this on the "Remarks" line of the ATF."		

Transdev - Breath Alcohol Technician Interview

Item	Action Date:	8/1/2024	Question #:	40
2	Question:	Fatal or correctable flaw: You use a non-DOT ATF for a DOT test?		
	Answer:	That is a fatal flaw.		
	Supplemental Answer:	In response to this finding, submit to FTA a statement signed by all DOT BATs certifying they have reviewed and will comply with the requirements of section 40.269(c).		
	FTA Rule Requirement:	Section 40.269 states: "As a BAT or STT, or employer, you must cancel an alcohol test if any of the following problems occur, unless they are corrected. These are "correctable flaws." These problems are: (c) The BAT or STT uses a non-DOT form for the test (see 40.225(a))."		

Transdev - Breath Alcohol Technician Interview

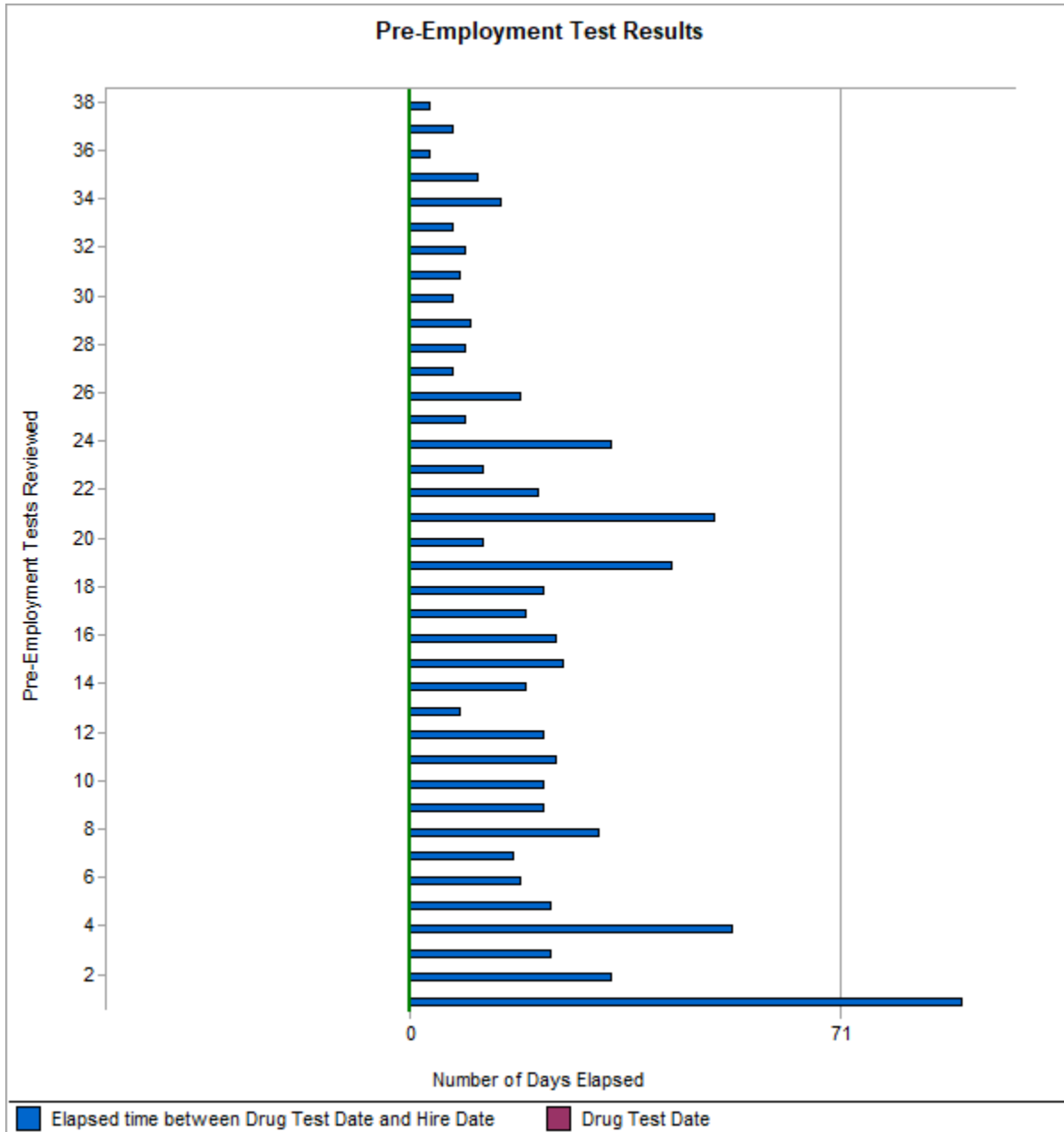
Item	Action Date:	8/1/2024	Question #:	41
3	Question:	Fatal or correctable flaw: You do not sign the ATF?		
	Answer:	That is a fatal flaw.		
	Supplemental Answer:	In response to this finding, submit to FTA a statement signed by all DOT BATs certifying they have reviewed and will comply with the requirements of section 40.269(a).		
	FTA Rule Requirement:	Section 40.269 states: "As a BAT or STT, or employer, you must cancel an alcohol test if any of the following problems occur, unless they are corrected. These are "correctable flaws." These problems are: (a) The BAT or STT does not sign the ATF (see 40.247(a)(1) and 40.255(a)(1))."		

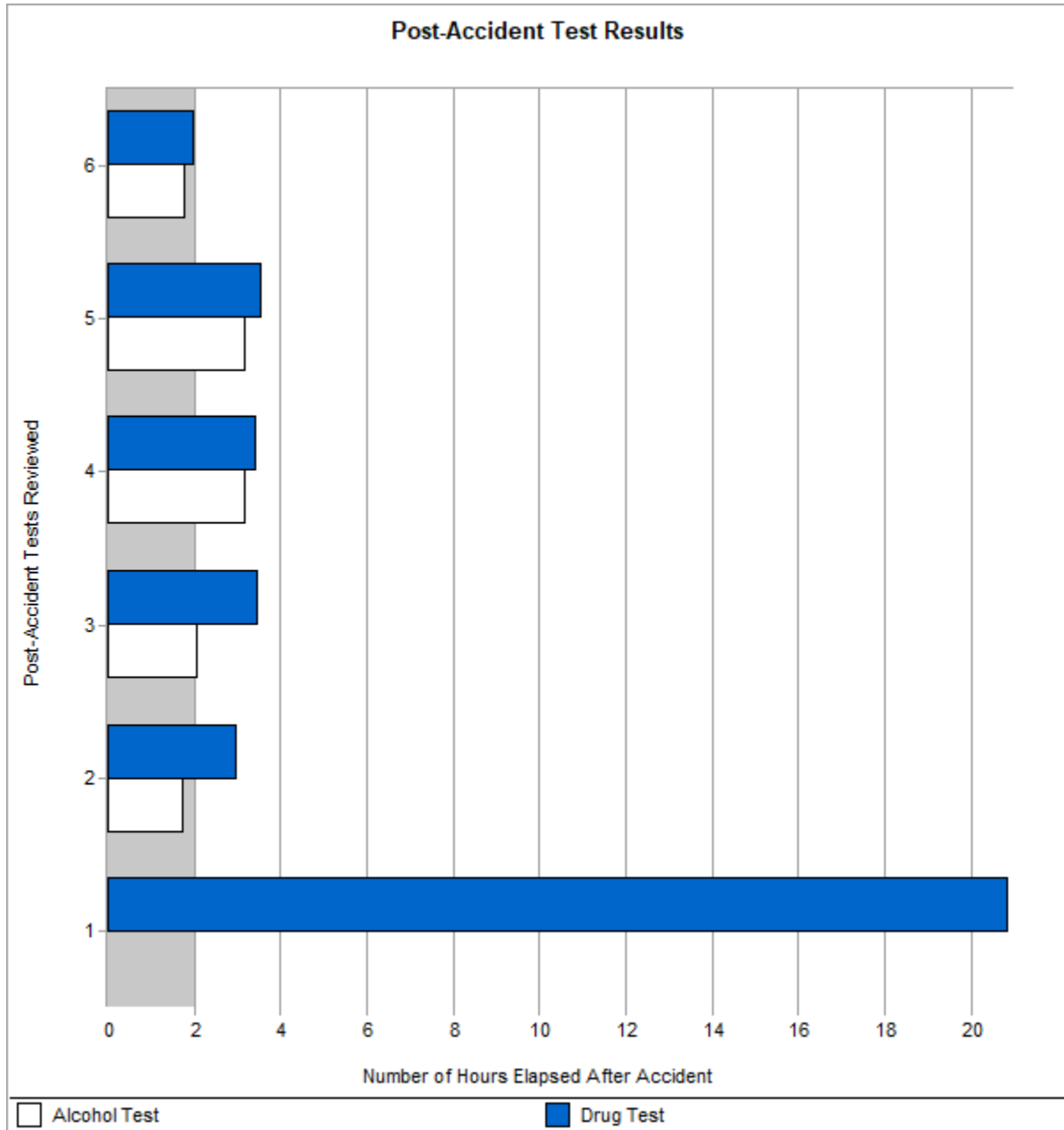
Urine Collections Interview

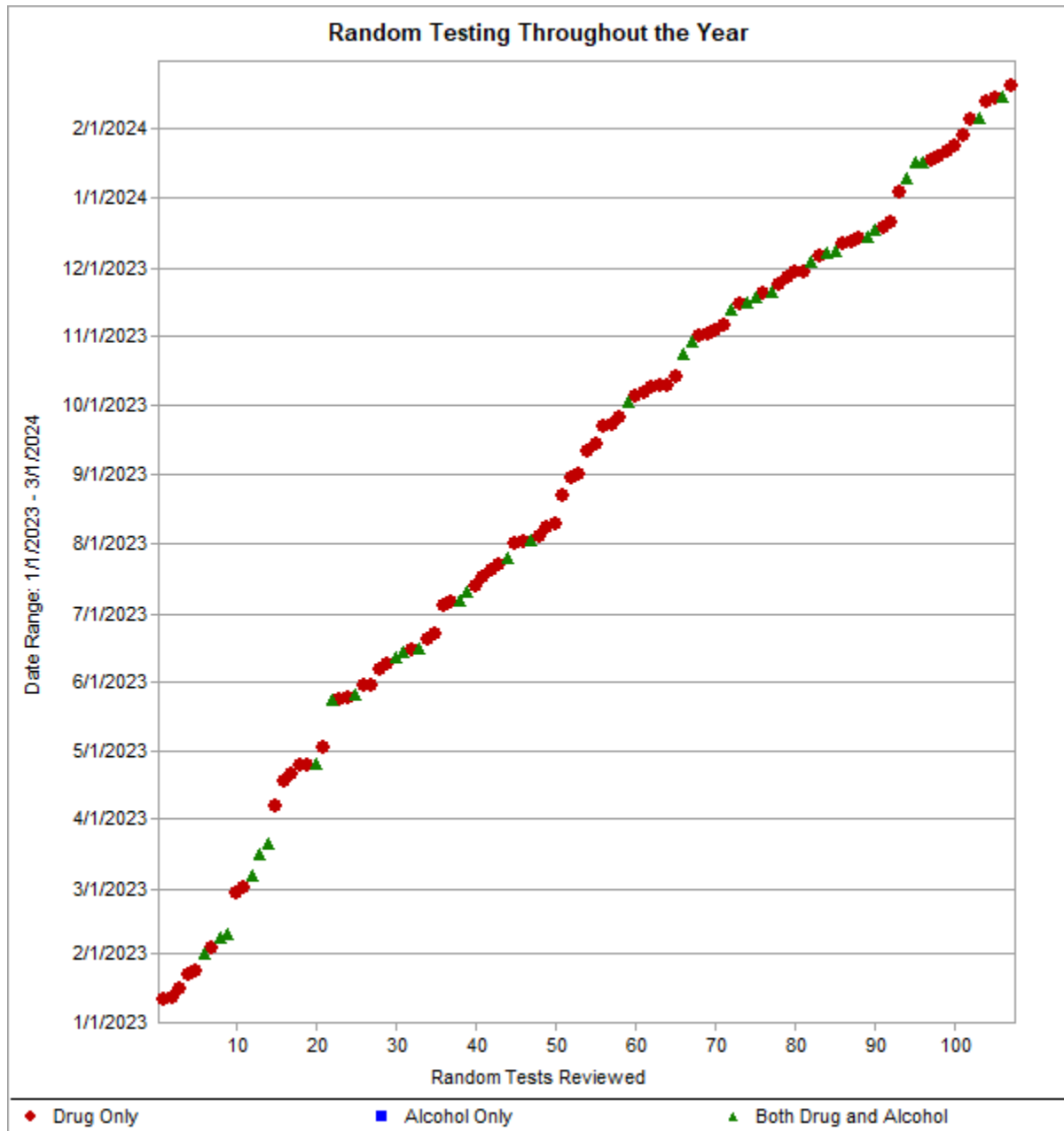
Pacific Medical Clinic

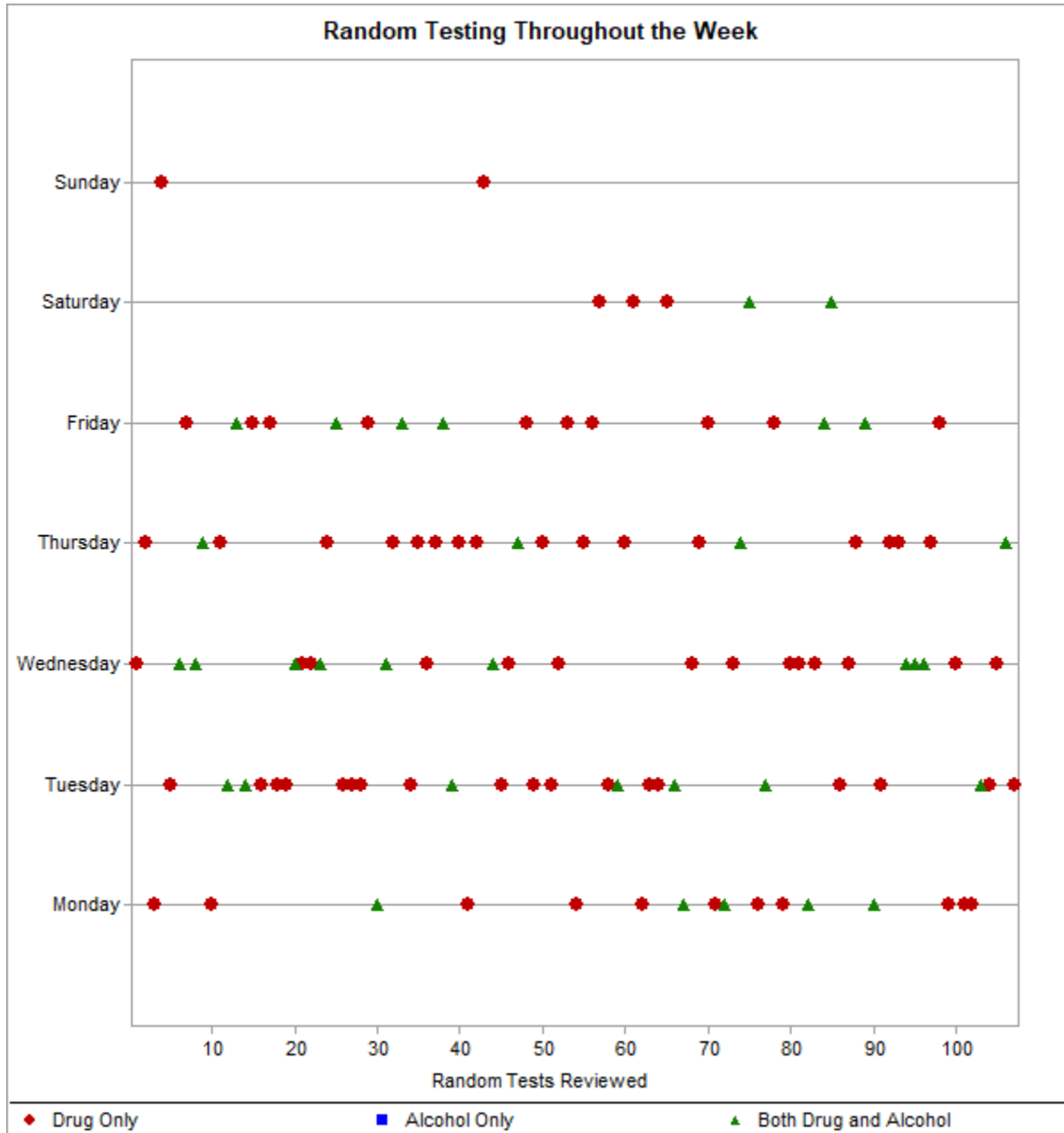
Interview Date: 05/01/2024

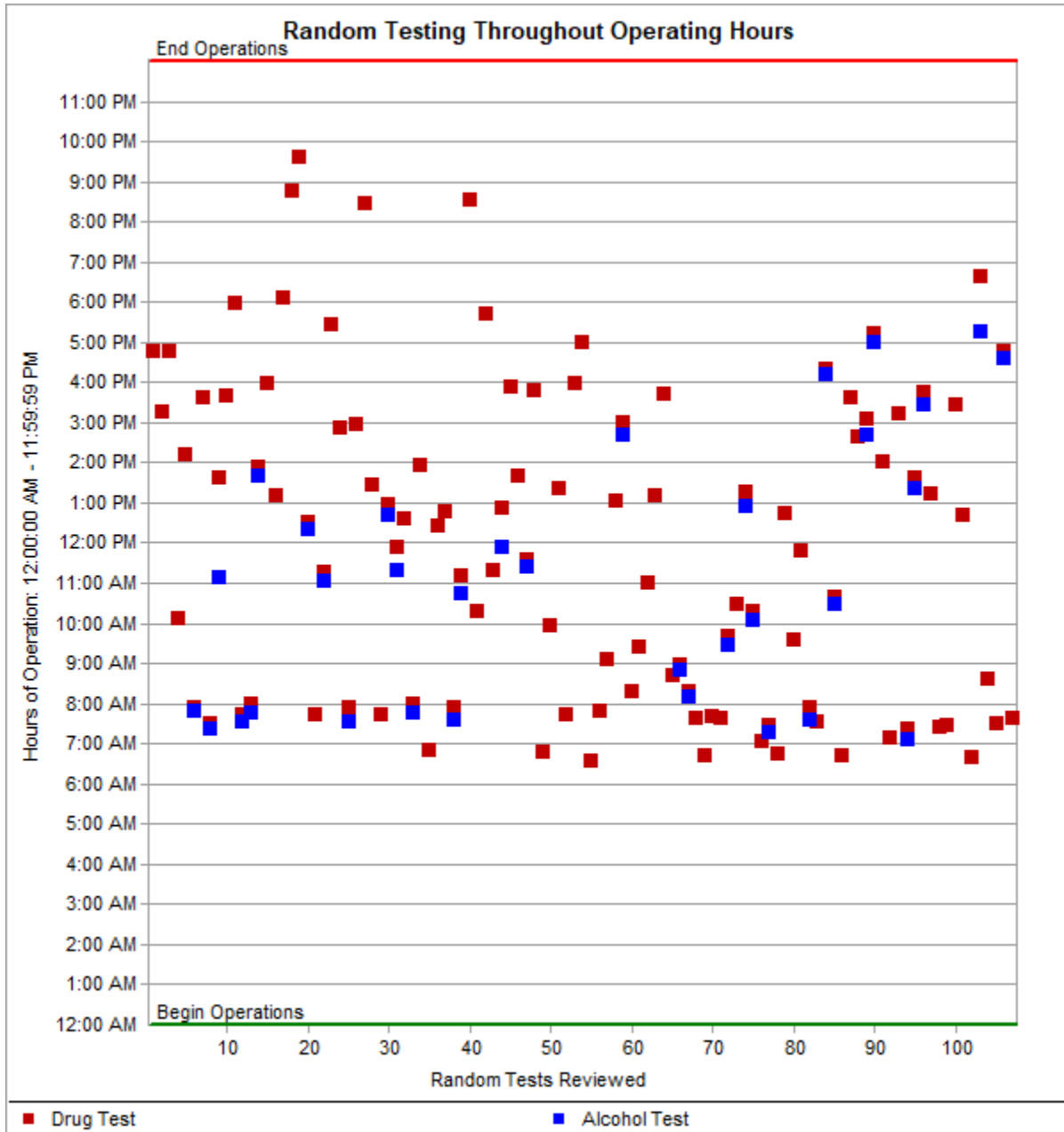
Finding: Not deficient with FTA requirements.













U.S. Department
of Transportation

Federal Transit
Administration

Headquarters

1200 New Jersey Ave., S.E.
Washington, D.C. 20590

10/8/2024

Presented Electronically

Darrell E. Johnson
Chief Executive Officer
Orange County Transportation Authority
550 S Main St
Orange, CA 92868

RE: FTA Drug and Alcohol Compliance Auditing Program

Dear Mr. Johnson,

The Federal Transit Administration has reviewed the responses of the Orange County Transportation Authority (OCTA) to the formally-submitted findings of the Drug and Alcohol Compliance Audit Team. Provided that all policies and procedures implemented in response to the audit are fully adopted, the Federal Transit Administration finds OCTA to currently be in compliance with the federally-mandated Drug and Alcohol Testing Program.

It is important for you and your organization to diligently maintain all aspects of the drug and alcohol testing program so all will remain in compliance in the future.

Thank you for your cooperation and for being prompt in your response. Please let me know at any time if I can be of further service to you.

Sincerely,

A handwritten signature in black ink that reads "Lyon Rosario".

Lyon Rosario
Sr. Drug and Alcohol Program Manager
FTA Office of Transit Safety and Oversight

Electronic cc:

Steve Elkins, Orange County Transportation Authority
Janet Sutter, Orange County Transportation Authority
Matthew DesRosier, Orange County Transportation Authority
Tinu Vu, Orange County Transportation Authority
Ray Tellis, FTA Region IX Administrator
Charlene Lee Lorenzo, FTA Region IX
Casey Goldin, FTA Office of Transit Safety & Oversight
Melonie Barrington, FTA Office of Transit Safety & Oversight
Mike Redington, USDOT/Volpe Center
Lori DeCoste, USDOT/Volpe Center
John Spelman, Cahill Swift, LLC



October 23, 2024

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit

Subject: Interstate 5 Improvement Project: Oso Parkway to Alicia Parkway Design and Construction Management, Internal Audit Report No. 25-501

Overview

The Internal Audit Department has completed an audit of the design and construction management contracts for the Oso Parkway to Alicia Parkway segment of the Interstate 5 Improvement Project. Based on the audit, oversight controls are in place and operating effectively and contract compliance and invoice review controls are generally adequate; however, one recommendation was made to enforce the pre-approval requirement for other direct costs not included in the contract schedule.

Recommendation

Direct staff to implement the recommendation provided in Interstate 5 Improvement Project: Oso Parkway to Alicia Parkway Design and Construction Management, Internal Audit Report No. 25-501.

Background

The Orange County Transportation Authority (OCTA), in cooperation with the California Department of Transportation, is implementing the Interstate 5 (I-5) Improvement Project between State Route 73 and El Toro Road. The I-5 Improvement Project will add one general purpose lane in each direction on I-5 between Avery Parkway and Alicia Parkway, extend the second high-occupancy vehicle lane from El Toro Road to Alicia Parkway, re-establish auxiliary lanes, and construct new auxiliary lanes at various locations. In addition, the I-5 Improvement Project will reconstruct the Avery Parkway and La Paz Road interchanges, improve several existing on- and off-ramps, and

convert existing and proposed carpool lanes for continuous access. Construction is underway in three segments, with Segment 2 extending from south of Oso Parkway to south of Alicia Parkway. The budget for the Oso Parkway to Alicia Parkway segment (project) is \$196,167,000, and the current forecast at completion is \$230,346,000. The project is in the construction phase, with current forecast estimating completion in October 2024.

OCTA entered into Agreement No. C-8-1418 with HDR Construction Control Corporation, effective March 1, 2019, for construction management (CM) support services for the project. The agreement is a time and expense contract with a maximum cumulative payment obligation of \$15,786,082. Effective November 7, 2014, OCTA entered into Agreement No. C-3-2091 with TranSystems Corporation for the preparation of plans, specifications, and estimates for the project. The agreement is a firm-fixed price contract for \$13,167,744.

Discussion

The CM contract requires consultants to obtain prior approval from the program manager for other direct costs that are not included in the contract schedule; however, program manager approval was consistently obtained after the cost had been incurred. Internal Audit recommended that management enforce the pre-approval requirement for other direct costs not included in the contract schedule. Management indicated that it would remind the consultant about the pre-approval requirement and make every effort to ensure inclusion of all potential other direct costs in the contract schedule.

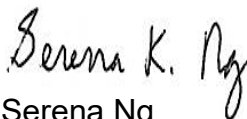
Summary

Internal Audit has completed an audit of the design and construction management of the Oso Parkway to Alicia Parkway segment of the Interstate 5 Improvement Project and offered one recommendation for improvement.

Attachment

- A. Interstate 5 Improvement Project: Oso Parkway to Alicia Parkway Design and Construction Management, Internal Audit Report No. 25-501

Prepared by:



Serena Ng
Senior Manager, Internal Audit
714-560-5938

Approved by:



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

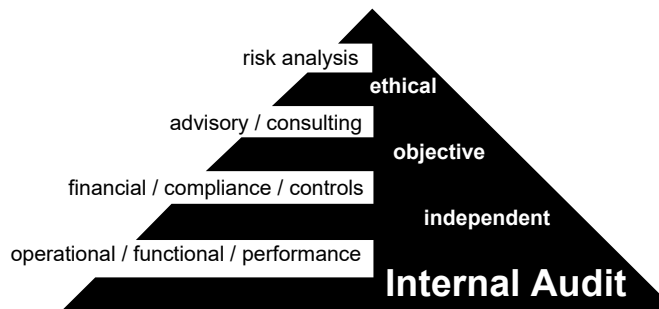
ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Interstate 5 Improvement Project: Oso Parkway to Alicia Parkway Design and Construction Management

Internal Audit Report No. 25-501

October 10, 2024



Audit Team: Serena Ng, CPA, Senior Manager
Janet Sutter, CIA, Executive Director

Distributed to: Jim Beil, Executive Director, Capital Programs
Andrew Oftelie, Chief Financial Officer
Jeff Mills, Niall Barrett, Neepa Shah, Pia Veesapen, Sean Murdock,
Rima Tan

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Interstate 5 Improvement Project: Oso Parkway to Alicia Parkway
Design and Construction Management
October 10, 2024**

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ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Interstate 5 Improvement Project: Oso Parkway to Alicia Parkway
Design and Construction Management
October 10, 2024

Conclusion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of the design and construction management contracts for the Oso Parkway to Alicia Parkway segment of the Interstate 5 Improvement Project. Based on the audit, oversight controls are in place and operating effectively and contract compliance and invoice review controls are generally adequate; however, one recommendation was made to enforce the pre-approval requirement for other direct costs not included in the contract schedule.

Background

Interstate 5 Improvement Project between State Route 73 and El Toro Road

OCTA, in cooperation with the California Department of Transportation (Caltrans), is implementing the Interstate 5 Improvement Project between State Route 73 and El Toro Road. The Interstate 5 Improvement Project will add one general purpose lane in each direction on Interstate 5 between Avery Parkway and Alicia Parkway, extend the second high-occupancy vehicle lane from El Toro Road to Alicia Parkway, re-establish auxiliary lanes, and construct new auxiliary lanes at various locations. In addition, the Interstate 5 Improvement Project will reconstruct the Avery Parkway and La Paz Road interchanges, improve several existing on- and off-ramps, and convert existing and proposed carpool lanes to continuous access. Construction is underway in three segments, with segment 2 extending from south of Oso Parkway to south of Alicia Parkway.

The budget for segment 2, the Oso Parkway to Alicia Parkway segment (project), is \$196,167,000, and the current forecast at completion is \$230,346,000. The project is in the construction phase, with the baseline plan estimating construction completion in November 2023 and the current forecast estimating completion in October 2024.

Contracts

OCTA entered into Agreement No. C-8-1418 with HDR Construction Control Corporation (HDR), effective March 1, 2019, for construction management (CM) support services for the project. The agreement is a time and expense contract with a maximum cumulative payment obligation of \$12,168,767, retention of ten percent, and term continuing through February 29, 2024. Subcontractors named are Jacobs Project Management Company, Coast Surveying, Inc., Ghiradelli Associates, Inc., and S2 Engineering, Inc. Eight amendments, including five letter amendments, have been executed to revise key personnel and the Schedule I - Hourly Rate Schedule, extend the term through December 31, 2024, and increase the maximum cumulative payment obligation to \$16,786,082.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Interstate 5 Improvement Project: Oso Parkway to Alicia Parkway
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October 10, 2024**

Effective November 7, 2014, OCTA entered into Agreement No. C-3-2091 with TranSystems Corporation (TranSystems) for the preparation of plans, specifications, and estimates (design) for the project. The agreement is a firm-fixed price contract for \$11,140,370, continuing through March 31, 2023. Subcontractors named are ACT Consulting Engineers, Inc., Earth Mechanics, Inc., Engineering Solutions Services, Kleinfelder, LSA Associates, Inc., and RBF Consulting. Key personnel were modified, subcontractors were updated, and services were added to the scope of work through 11 amendments, increasing the firm-fixed price payment to \$13,167,744. Letter Amendment No. 12 extended the term through March 31, 2024, and Letter Amendment No. 13 extended the term through March 31, 2025.

Project Status and Invoice Review Controls

During the construction phase, weekly construction meetings are held with representatives from OCTA, HDR, Caltrans, and the construction contractor. Monthly meetings are held with Caltrans to discuss all projects in construction.

Project Controls prepares internal monthly status reports reflecting budget and schedule information for all capital projects. Capital Programs prepares quarterly reports to the Board of Directors (Board) communicating the status of all capital projects. Such reporting includes the status of the project.

Project Controls reviews invoices based on a standard invoice review checklist. The project manager reviews the invoice for level of effort and for the nature of the work being performed. If invoices are over the project manager's signing authority, he routes the invoice for signature by management with sufficient signing authority. Accounts Payable reviews the invoices for proper approval prior to processing payment.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Interstate 5 Improvement Project: Oso Parkway to Alicia Parkway
Design and Construction Management
October 10, 2024

Objectives, Scope, and Methodology

The objectives were to assess and test oversight, contract compliance, and invoice review controls related to design and construction management of the project.

According to Generally Accepted Government Auditing Standards (GAGAS), internal control is the system of processes that an entity's oversight body, management, and other personnel implement to provide reasonable assurance that the organization will achieve its operational, reporting, and compliance objectives. The five components are control environment, risk assessment, control activities, information and communication, and monitoring.¹ The components and principles that were evaluated as part of this audit are:

- Control Environment
 - OCTA demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
- Risk Assessment
 - OCTA identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.
- Control Activities
 - OCTA selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- Information and Communication
 - OCTA obtains or generates and uses relevant, quality information to support the functioning of internal control.
- Monitoring
 - OCTA evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the Board, as appropriate.

The methodology consisted of confirming if a risk register was prepared for the project, confirming that weekly construction meetings were held through review of a judgmental sample of meeting minutes, assessing invoice review procedures and testing a judgmental sample of invoices for compliance with policies and contract provisions, testing a judgmental sample of monthly status reports, and testing a judgmental sample of the quarterly capital project reports to the Board. The judgmental samples were selected to provide coverage of more recent activity during the construction phase. Since the samples were non-statistical, any conclusions are limited to the sample items tested.

¹ See U.S. Government Accountability Office publication, "Standards for Internal Control in the Federal Government," available at <http://www.gao.gov/products/GAO-14-704G>, for more information.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
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Interstate 5 Improvement Project: Oso Parkway to Alicia Parkway
Design and Construction Management
October 10, 2024**

The scope is limited to the Oso Parkway to Alicia Parkway segment of the Interstate 5 Improvement Project between State Route 73 and El Toro Road and included the CM and design contracts, all amendments to the CM contracts executed through July 2024, and amendments to the design contract executed from beginning of construction in April 2019 through July 2024. The scope included all invoices paid on the CM contract from contract inception through July 2024, and invoices paid on the design contract from beginning of construction in April 2019 through July 2024. The scope also included two years of weekly construction meetings and status reporting.

We conducted this performance audit in accordance with GAGAS. 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Interstate 5 Improvement Project: Oso Parkway to Alicia Parkway
Design and Construction Management
October 10, 2024**

Audit Comment, Recommendation, and Management Response

Other Direct Costs Not Included the Contract Schedule

Two CM sub-consultants did not obtain OCTA prior approval for other direct costs not included in the contract schedule.

The contract requires consultants to obtain prior approval from the program manager for other direct costs that are billed but are not included in the contract schedule; however, program manager approval was consistently obtained after the cost had been incurred.

Recommendation 1:

Internal Audit recommends management enforce the contract requirement for prior approval of other direct costs not included in the contract schedule.

Management Response (Capital Programs):

Management agrees with the recommendation. OCTA's Project Manager will make every effort to ensure that all potential Other Direct Costs (ODC) that may potentially be used on a project are included in the contract, prior to executing the contract. In addition, OCTA's Project Manager will remind the consultant that all ODCs not listed in the contract require prior approval by OCTA's Project Manager prior to work being performed or costs incurred.

Schedule II of HDR contract C-8-1418, Other Direct Costs Schedule, includes the language "All other direct expenses, not listed above, will be paid at cost, with prior approval of the Program Manager..." This language will be revised to state: "All other direct expenses, not listed above, will be paid at cost, with prior approval of the Authority Project Manager..." to clarify whom provides the prior approval, and remove the reference to Program Manager approval in the contract.



October 23, 2024

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Investment Manager Contracts, Internal Audit Report No. 25-504

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of investment manager contracts. Based on the audit, oversight, contract compliance, and invoice review controls are generally adequate; however, two recommendations have been made to improve compliance with contract terms related to replacing key personnel and to improve the timeliness of invoice processing.

Recommendation

Direct staff to implement two recommendations provided in Investment Manager Contracts, Internal Audit Report No. 25-504.

Background

The Treasury/Public Finance Department (Treasury) is responsible for overall management of the Orange County Transportation Authority's (OCTA) investment portfolio. On June 30, 2024, OCTA's portfolio book value was approximately \$2.5 billion, of which approximately \$2.0 billion is in a short-term portfolio managed by four investment firms.

Treasury maintains contracts with external investment managers Chandler Asset Management, Inc. (CAM), MetLife Investment Advisors, LLC (MetLife), Payden & Rygel (P&R), and PFM Asset Management, LLC (PFM) under Agreement Nos. C-7-1813, C-7-2062, C-7-2063, and C-7-2064 (contracts), respectively. The firms are responsible for investing funds in compliance with the OCTA Investment Policy and the California Government Code. The firms serve as a general resource for OCTA staff for economic insight, investment advice,

and education regarding fixed-income securities and investments. Per the contracts, investment managers are required to provide monthly reports of investments, earnings, and the value of the portfolio. Invoices are submitted quarterly, and fees are calculated based on the value of assets under management. Treasury is responsible for oversight and contract compliance, as well as review and approval of invoices in accordance with the contract terms and OCTA policy.

Discussion

Changes to investment manager key personnel are not identified and approved timely. The agreement requires the resume and qualifications of proposed replacement key personnel be submitted to OCTA for approval seven calendar days prior to the departure of the incumbent, and that OCTA respond to these requests within seven calendar days. Internal Audit identified six instances in which an investment management firm replaced key personnel without notifying OCTA, and two instances in which the notification was not made within seven calendar days and the response from OCTA was not made within seven calendar days. Internal Audit recommended management remind investment managers of contract requirements for replacement of key personnel and implement a procedure to periodically validate key personnel. Management agreed and indicated that staff will remind investment managers of the contract requirement, will request that investment managers limit the designations of key personnel, and will implement a process to periodically validate key personnel.

Internal Audit identified delays in invoice review and processing. The agreement requires payment within 30 calendar days of receipt of an invoice. Internal Audit identified four invoices that were paid beyond 30 calendar days of receipt, with delays ranging from 44 to 101 days. Internal Audit recommended management improve the timeliness of invoice review, approval, and processing. Management agreed and indicated additional controls will be implemented to ensure timely payment.

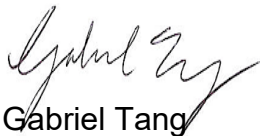
Summary

Internal Audit has completed an audit of investment manager contracts, and has offered two recommendations, which management has agreed to implement.

Attachment

- A. Investment Manager Contracts, Internal Audit Report No. 25-504

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



Investment Manager Contracts

Internal Audit Report No. 25-504

October 11, 2024



Audit Team:

Gabriel Tang, CPA, Principal Internal Auditor
Janet Sutter, CIA, Executive Director

Distributed to:

Andrew Oftelie, Chief Financial Officer, Finance and Administration
Sean Murdock, Robert Davis, Changsu Lee, Pia Veesapen

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investment Manager Contracts
October 11, 2024**

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**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investment Manager Contracts
October 11, 2024**

Conclusion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of investment manager contracts. Based on the audit, oversight, contract compliance, and invoice review controls are generally adequate; however, two recommendations have been made to improve compliance with contract terms related to replacing key personnel and to improve the timeliness of invoice processing.

Background

The Treasury/Public Finance Department (Treasury) is responsible for overall management of OCTA's investment portfolio. On June 30, 2024, OCTA's portfolio book value was approximately \$2.5 billion, of which approximately \$2.0 billion is in a short-term portfolio managed by four investment firms.

Treasury maintains contracts with external investment managers Chandler Asset Management, Inc. (CAM), MetLife Investment Advisors, LLC (MetLife), Payden & Rygel (P&R), and PFM Asset Management, LLC (PFM), under Agreement Nos. C-7-1813, C-7-2062, C-7-2063, and C-7-2064 (contracts), respectively. The contracts' initial term ran from April 2, 2018 to March 30, 2023, and the first option-term, extending the contracts through March 31, 2025, was approved by the Board of Directors on February 22, 2023. The firms are responsible for investing funds in compliance with the OCTA Investment Policy and the California Government Code. The firms serve as a general resource for OCTA staff for economic insight, investment advice, and education regarding fixed-income securities and investments. Per the contracts, investment managers are required to provide monthly reports of investments, earnings, and the value of the portfolio. Invoices are submitted quarterly, and fees are calculated based on the value of assets under management. Treasury is responsible for oversight and contract compliance, as well as review and approval of invoices in accordance with the contract terms and OCTA policy.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investment Manager Contracts
October 11, 2024**

Objectives, Scope, and Methodology

The objectives were to assess and test oversight, contract compliance, and invoice review controls related to short-term investment management services provided by CAM, MetLife, P&R, and PFM.

According to Generally Accepted Government Auditing Standards (GAGAS), internal control is the system of processes that an entity's oversight body, management, and other personnel implement to provide reasonable assurance that the organization will achieve its operational, reporting, and compliance objectives. The five components are control environment, risk assessment, control activities, information, communication, and monitoring.¹ The components and principles that were evaluated as part of this audit are:

- Control Environment
 - OCTA demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
- Control Activities
 - OCTA deploys control activities through policies that establish what is expected and procedures that put policies into action.

The scope was limited to Agreement Nos. C-7-1813, C-7-2062, C-7-2063, and C-7-2064, and the scope period is from July 1, 2022 through June 30, 2024.

The methodology consisted of testing evidence of compliance with key contract terms, including insurance requirements, pre-approval for use of subcontractors, and pre-approval for changes to key personnel. The methodology also included testing a judgmental sample of invoices paid for compliance with contract terms, and evidence of timely review, authorization, and payment, as well as a judgmental sample of investment manager monthly reports for accuracy and compliance with contract reporting requirements. The judgmental samples were selected to provide coverage throughout the scope period.

We conducted this performance audit in accordance with GAGAS. 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹ See U.S. Government Accountability Office publication, "Standards for Internal Control in the Federal Government," available at <http://www.gao.gov/products/GAO-14-704G>, for more information.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investment Manager Contracts
October 11, 2024**

Audit Comments, Recommendations, and Management Responses

Investment Manager Key Personnel Changes

Changes to investment manager key personnel are not identified and approved timely.

Per the contracts, “Should the services of any key person become no longer available to consultant, the resume and qualifications of the proposed replacement shall be submitted to OCTA for approval as soon as possible, but in no event later than seven (7) calendar days prior to the departure of the incumbent key person, unless consultant is not provided with such notice by the departing employee. OCTA shall respond to consultant within seven (7) calendar days following receipt of these qualifications concerning acceptance of the candidate for replacement.”

Internal Audit identified six instances in which an investment management firm replaced key personnel without notifying Treasury. In addition, Internal Audit identified two instances whereby investment managers notified Treasury of key personnel changes; however, the requests to replace key personnel were not made in accordance with agreement terms (within seven days prior to departure of incumbent staff) and review and approval of key personnel replacements was not provided in accordance with agreement terms (within seven days of the request).

Recommendation 1:

Internal Audit recommends management remind investment managers of contract requirements for replacement of key personnel and implement a procedure to periodically validate key personnel.

Management Response:

Management agrees with the recommendation. Staff will continue to remind investment managers of the contract requirements regarding the replacement of key personnel. Additionally, staff has requested that investment managers limit the designation of key personnel to those employees who directly work with OCTA staff. Furthermore, staff will implement a process to periodically validate key personnel.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investment Manager Contracts
October 11, 2024**

Delays in Invoice Processing

Internal Audit identified delays in invoice review and processing.

Per the contract, "OCTA shall remit payment within thirty (30) calendar days of the receipt and approval of each invoice."

Internal Audit noted four out of 16 invoices were paid beyond 30 calendar days of receipt. Delays in payment ranged from 44 to 101 days after invoice receipt.

Recommendation 2:

Internal Audit recommends management improve timeliness of invoice review, approval and processing.

Management Response:

Management agrees with the recommendation. Staff has implemented additional checks in the review process to ensure the timeliness of payments is carefully monitored.



October 23, 2024

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: SB 1 (Chapter 5, Statutes of 2017) State of Good Repair Claims for Fiscal Year 2024-25

Overview

The Orange County Transportation Authority is eligible to receive funding from the SB 1 State of Good Repair Program that is funded by the Transportation Improvement Fee on vehicle registrations. Funding recommendations for fiscal year 2024-25 were approved by the Board of Directors on August 12, 2024. Upon approval of the statewide list of fiscal year 2024-25 projects by the California Department of Transportation, the Orange County Transportation Authority must file claims on a quarterly basis to receive the funding.

Recommendation

Authorize the filing of SB 1 State of Good Repair claims, in the amount of \$7.084 million, or up to the actual allocation published by the State Controller's Office, to fund capital projects approved by the Orange County Transportation Authority Board of Directors.

Background

The State of Good Repair (SGR) Program is funded by a portion of the Transportation Improvement Fee on vehicle registrations. The State Controller's Office (SCO) annually publishes estimates of SGR funding levels in January, with revised estimates provided in August of each year. SGR funds are expected to be allocated quarterly beginning November 2024, upon receipt of the approved recipients from the California Department of Transportation and filing of claims by the Orange County Transportation Authority (OCTA).

Discussion

In January 2024, the SCO estimated that OCTA would receive \$7.084 million of SGR funds for fiscal year (FY) 2024-25. On August 12, 2024, the OCTA Board

of Directors (Board) approved the FY 2024-25 SB 1 SGR Program recommendations, directing the funds for the following projects:

Project	Estimated SB 1 SGR (in millions)
San Juan Creek Bridge Replacement Mile Post 197.9	\$5.578
Security gates at Anaheim, Garden Grove, and Santa Ana bases	\$1.00
Heating, ventilation, and air conditioning, exhaust fan, and vacuum unit replacement at the Santa Ana Bus Base	\$0.506
Total	\$7.084

In August 2024, the SCO published a revised FY 2024-25 SGR estimate for OCTA in the amount of \$7.550 million. The SCO anticipates releasing FY 2024-25 funds to transit agencies beginning November 2024. OCTA will then be able to submit claims to receive these funds on a quarterly basis.

Summary

The SGR Program provides funding for transit capital projects or services to maintain or repair a transit operator’s existing transit vehicle fleet or transit facilities that improve existing transit services. Staff recommends the Board authorize filing of claims to receive the SGR funds.

Attachment

None.

Prepared by:



Sam Kaur
Department Manager,
Revenue Administration
(714) 560-5889

Approved by:



Andrew Oftelie
Chief Financial Officer,
Finance and Administration
(714) 560-5649



October 23, 2024

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: State Transit Assistance Fund Claims for Fiscal Year 2024-25

Overview

The Orange County Transit District is eligible to receive funding from the State Transit Assistance Fund for providing public transportation services throughout Orange County. To receive these funds, the Orange County Transit District, as the public transit and community transit services operator, must file claims with the Orange County Transportation Authority, the transportation planning agency for Orange County.

Recommendation

Adopt Resolution No. 2024-080 to authorize the filing of State Transit Assistance Fund claims, in the amount of \$50,464,493, or up to the actual allocation published by the State Controller's Office, to support public transportation.

Background

The Transportation Development Act (TDA) of 1971 established a funding source dedicated to transportation projects. The funding source consists of two parts: the Local Transportation Fund, which is derived from a quarter cent of the general sales tax collected statewide, and the State Transit Assistance Fund (STAF), which is generated from the statewide sales tax on diesel fuel.

STAF revenues are distributed by the State Controller's Office (SCO) on a quarterly basis based on the amount of the appropriation approved in the state budget. Estimates are typically provided in January, with revised estimates provided in August of each year. In Orange County, the STAF funds are administered by the Orange County Auditor-Controller.

Discussion

The Orange County Transit District (OCTD) is required to file a claim with the Orange County Transportation Authority (OCTA) to receive its STAF allocation for providing public transportation services. OCTD must meet the required finding as per California Code of Regulations 6754 to be eligible for STAF funding. AB 90 (Chapter 17, Statutes of 2019) amended the TDA, providing transit operators temporary exemption from meeting efficiency standards for fiscal year (FY) 2020-21 and FY 2021-22. AB 149 (Chapter 81, Statutes of 2021) extended the exemption of meeting the STA efficiency standard through FY 2022-23. SB 125 (Chapter 54, Statutes of 2023) extended this exemption through FY 2025-26.

In August 2024, the SCO estimated that OCTA would receive \$50,464,493 of STAF for FY 2024-25. OCTD will utilize the entire STAF revenues to fund ongoing capital requirements. These amounts may change based on actuals reported by the SCO.

Summary

The STAF provides funding to the OCTD for public transit services. To receive these funds, the OCTD must file the appropriate STAF claims with OCTA. Staff recommends the Board of Directors adopt Resolution No. 2024-080 to file these claims.

Attachment

- A. Resolution 2024-080 of the Orange County Transit District, Authorizing the Filing of State Transit Assistance Fund Claims

Prepared by:



Sam Kaur
Department Manager,
Revenue Administration
(714) 560-5889

Approved by:



Andrew Oftelie
Chief Financial Officer,
Finance and Administration
(714) 560-5649

**RESOLUTION 2024-080 OF THE
ORANGE COUNTY TRANSIT DISTRICT**

**AUTHORIZING THE FILING OF
STATE TRANSIT ASSISTANCE FUND CLAIMS**

WHEREAS, the Orange County Transportation Fund was created by the Transportation Development Act to aid in meeting the public transportation and community transit needs that exist in Orange County; and

WHEREAS, the Orange County Transit District is submitting transportation claims for funds from the Orange County Transportation Fund; and

WHEREAS, the Orange County Transportation Authority has the authority to review claims and allocate such funds in accordance with the California Code of Regulations and the California Transportation Development Act.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Orange County Transit District hereby requests the Orange County Transportation Authority, in connection to all findings in California Code of Regulations 6754, allocate funds to the Orange County Transit District for the purpose of providing the support of a public transportation system as described under Article 6.5 of the California Transportation Development Act.

BE IT FURTHER RESOLVED that the Orange County Transit District agrees to provide the Orange County Transportation Authority with such information as may be necessary to support these transportation claims.

ADOPTED, SIGNED AND APPROVED this 28th day of October 2024.

AYES:

NOES:

ABSENT:

ATTEST:

Andrea West
Clerk of the Board

Tam T. Nguyen, Chair
Orange County Transit District



October 23, 2024

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Orange County Transportation Authority Investment and Debt Programs Report – August 2024

Overview

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending August 31, 2024. The report has been reviewed and is consistent with the investment practices contained in the investment policy.

Recommendation

Receive and file as an information item.

Discussion

As of August 31, 2024, the Orange County Transportation Authority's (OCTA) outstanding investments totaled \$2.5 billion. The portfolio is divided into three managed portfolios: the liquid portfolio for immediate cash needs, the short-term portfolio for future budgeted expenditures, and the bond proceeds portfolio to meet Measure M2 (M2) transportation program needs. In addition to these portfolios, OCTA has funds invested in debt service reserve funds for the 91 Express Lanes Program.

Portfolio Compliance and Liquidity Requirements for the Next Six Months: The portfolio is in full compliance with OCTA's Investment Policy and the State of California Government Code. Additionally, OCTA has reviewed the liquidity requirements for the next six months and anticipates that OCTA's liquidity will be sufficient to meet projected expenditures during the next six months.

The weighted average book yield for the OCTA portfolio is 4.3 percent. The book yield measures the exact income, or interest, on a bond without regard to market price change. The yield is the income return on an investment, such as the interest received from holding a particular security. The yield is usually expressed as an annual percentage rate based on the investment's cost and market value.

OCTA's month-end balance in the Local Agency Investment Fund (LAIF), a pooled investment fund for California local agencies, was \$7,033,549, with an average monthly effective yield of 4.58 percent. LAIF offers local agencies an opportunity to invest funds in a diversified portfolio of high-quality, short-term securities managed by the State Treasurer's Office. OCTA's month-end balance in the Orange County Investment Pool (OCIP), a collective investment fund for local government entities in Orange County, was \$785,754. For the month of July, the monthly gross yield for the OCIP was 4.36 percent. The yield for the month of August will be received in September 2024. OCIP allows local government entities to invest funds in a diversified portfolio managed by the Orange County Treasurer-Tax Collector's Office, aiming for competitive returns while prioritizing safety and liquidity. Mandated by the Transportation Development Act (TDA), OCTA is obliged to participate in the OCIP. It serves as a temporary holding account for TDA funds until claimed by OCTA and then processed by the County of Orange. This framework ensures effective fund management and adherence to regulatory compliance.

During the month of August, no security held within OCTA's investment portfolio was downgraded and placed on negative credit watch. Please refer to A-8 (Rating Downgrades and Negative Credit Watch) of Attachment A for further details.

OCTA's debt program is separate from its investment program and is comprised of M2 Sales Tax Revenue Bonds, 91 Express Lanes Toll Road Revenue Bonds, and the 2021 Transportation Infrastructure Finance and Innovation Act Loan. The debt program currently has an outstanding principal balance of \$1.2 billion as of August 31, 2024. Approximately 46 percent of the outstanding balance is comprised of M2 debt, three percent is associated with the 91 Express Lanes Program, and 51 percent is associated with the 405 Express Lanes.

Summary

The Treasurer is submitting a copy of the Orange County Transportation Authority Investment and Debt Programs report to the Finance and Administration Committee. The report is for the month ending August 31, 2024.

Attachments

- A. Orange County Transportation Authority Investment and Debt Programs
– For the Period Ending August 31, 2024
- B. Orange County Transportation Authority Portfolio Listing as of
August 31, 2024

Prepared by:



Robert Davis
Department Manager
Treasury/Public Finance
(714) 560-5675

Approved by:



Andrew Oftelie
Chief Financial Officer
Finance and Administration
(714) 560-5649

**Treasury/Public Finance Department's
Report On**

**Orange County Transportation Authority
Investment and Debt Programs**



**Presented to the
Finance and Administration Committee**

**For The Period Ending
August 31, 2024**

INVESTMENT PROGRAM

OCTA Investment Dashboard

8/31/2024

Safety of Principal

Securities that fell below OCTA's minimum credit quality requirements during the month of August 2024:
N/A

Securities currently held within OCTA's portfolio that fell below OCTA's minimum credit quality requirements during prior reporting periods:

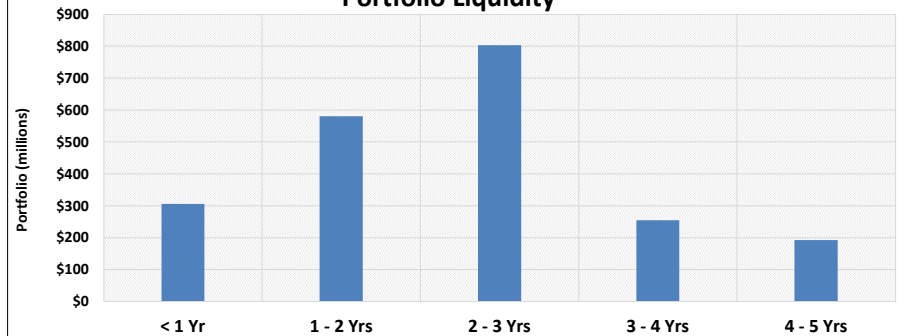
Two Keybank securities held within OCTA's investment portfolio were downgraded below minimum credit quality requirements for the month of October 2023

Securities downgraded or placed on Negative Credit Watch during the month of August 2024, but remain in compliance with OCTA's Investment Policy:

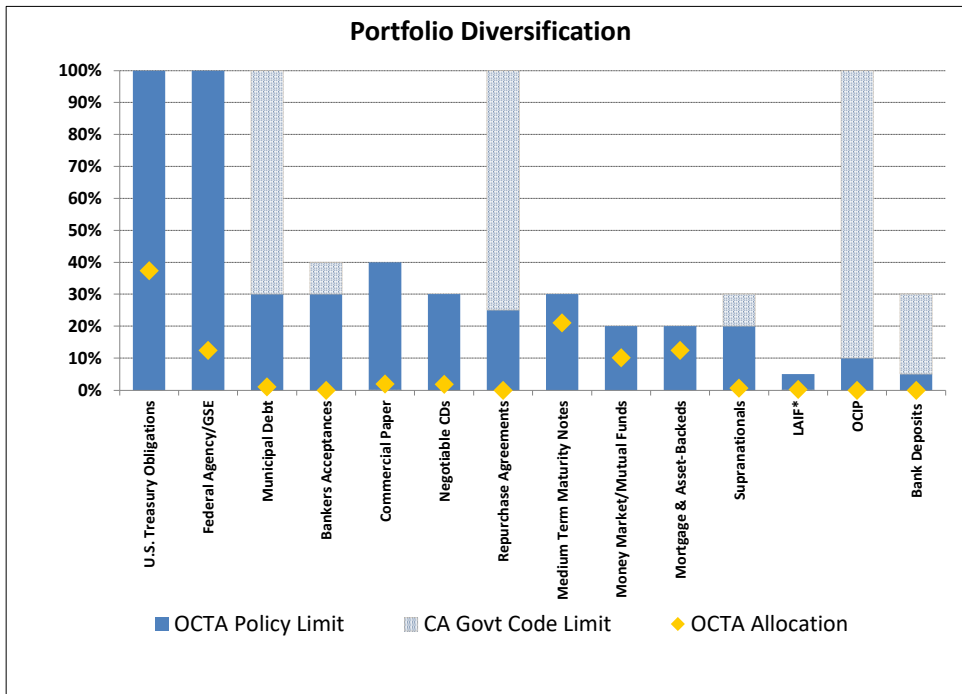
N/A

For further details please refer to A-8 of this report.

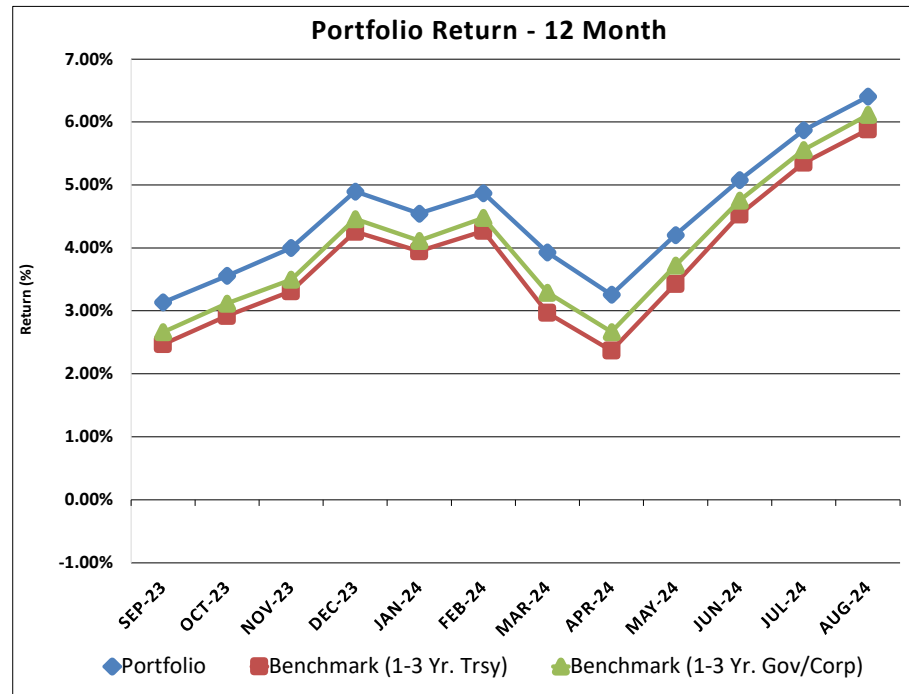
Portfolio Liquidity



Portfolio Diversification



Portfolio Return - 12 Month



* Per CA Government Code LAIF limit is \$75 million

** Per OCTA's Investment Policy the limit is 30% for variable and floating rate securities. As of August 31, 2024, 6.4% of the portfolio was invested in variable & floating rate securities.

Investment Compliance

8/31/2024

Portfolio Subject to Investment Policy			
	Dollar Amount	Percent Of	Investment Policy
Short-Term/Liquid Portfolio ¹	Invested	Portfolio	Max. Percentages
U.S. Treasury Obligations	\$ 897,509,635	37.5%	100%
Federal Agency/GSE	298,949,603	12.5%	100%
Municipal Debt	\$ 27,097,996	1.1%	30%
Commercial Paper	48,959,979	2.0%	40%
Negotiable Certificates of Deposit	\$ 45,250,000	1.9%	30%
Repurchase Agreements	-	0.0%	25%
Medium Term Maturity Notes/Corporates	\$ 505,115,662	21.1%	30%
Money Market/Mutual Funds	244,866,440	10.2%	20%
Mortgage & Asset-Backed	\$ 300,960,877	12.6%	20%
Supranationals	16,773,390	0.7%	20%
Local Agency Investment Fund	\$ 7,033,549	0.3%	\$ 75 Million
Orange County Investment Pool	785,754	0.0%	10%
Bank Deposits	\$ 250,000	0.0%	5%
Total Short-Term/Liquid Portfolio²	\$ 2,393,552,886		

1. Excludes portion of Liquid Portfolio subject to Indenture

2. Includes variable & floating rate securities invested in the amount of \$157,075,079 (6.6% of total Short-Term/Liquid portfolio) and subject to 30% limit per OCTA's Investment Policy.

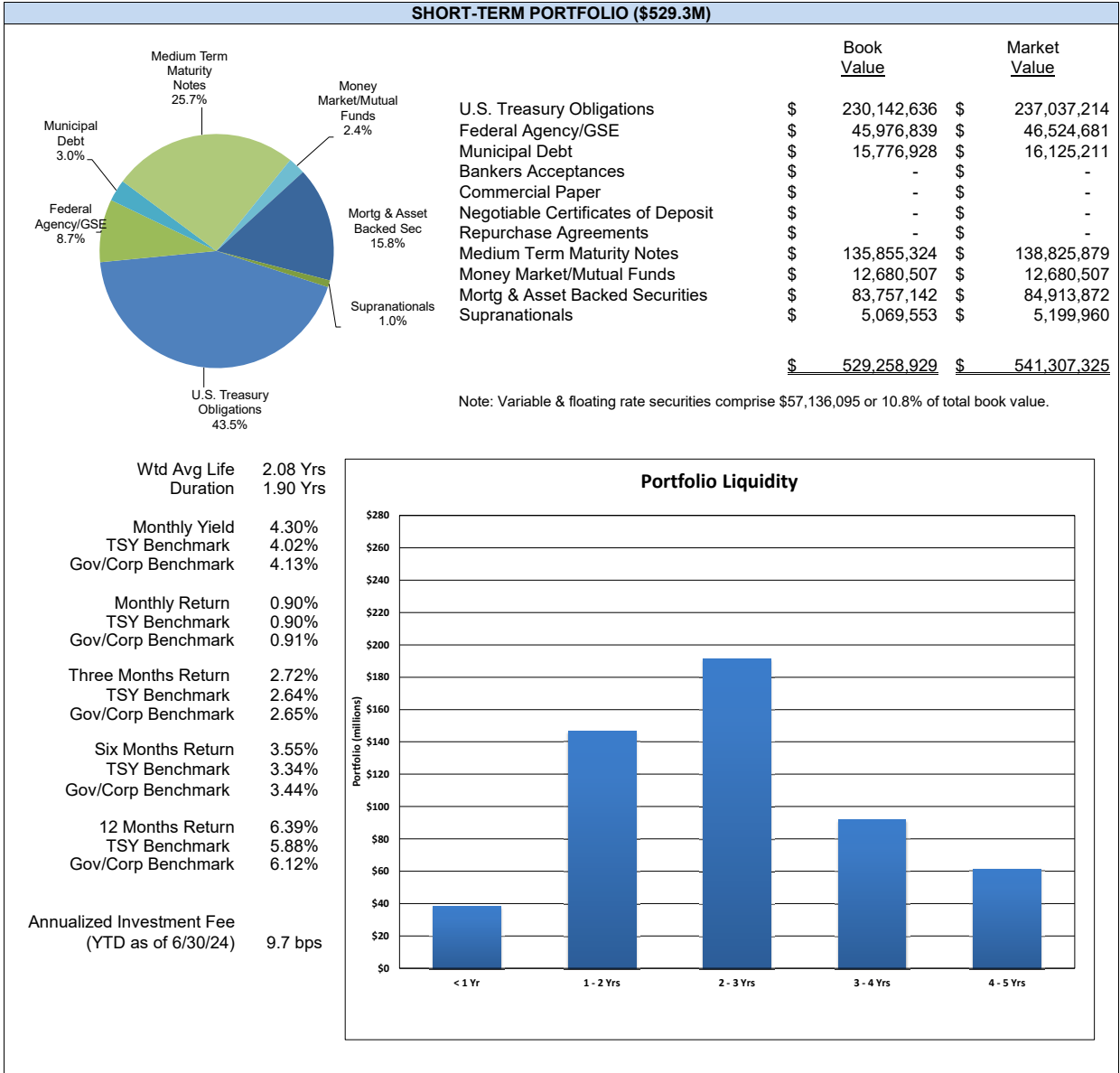
Portfolio Subject to Indenture					
Portfolio	Dollar Amount Invested	OCTA		Indenture Requirements	
		Credit Quality	Term	Min. Credit Quality	Max. Term
Liquid Portfolio*					
Government Obligations MMKT Fund	116,165,202	"AAAm"	N/A	AAA Category	N/A
Government Obligations MMKT Fund	20,822,757	"AAAm"/"Aammf"	N/A	AAA Category	N/A
Total Liquid Portfolio	\$ 136,987,959				
Bond Proceeds Portfolio					
2021 Bond Anticipation Notes (BANs):					
Government Obligations MMKT Fund	55,643	"AAAm"/ "Aaa-mf"/"AAAmmf"	N/A	"AAAm" or "AAAm-G"	N/A
91 Express Lanes 2023 Bonds:					
Government Obligations MMKT Fund	2,626	"AAAm"/ "Aaa-mf"/"AAAmmf"	N/A	N/A	N/A
Total Bond Proceeds Portfolio	\$ 58,270				
Reserve Funds Portfolio					
Bank Deposit	\$ 216,567	N/A	N/A	N/A	N/A
Government Obligations MMKT Fund	5,214,659	"AAAm"/ "Aaa-mf"/"AAAmmf"	N/A	N/A	N/A
Negotiable Certificates of Deposit	5,000,000	"A-1"/"P-1"/"F1+"	267 days	"A-1"/"P-1"/"F1"	270 days
Negotiable Certificates of Deposit	3,000,000	"A-1"/"P-1"/"F1+"	270 days	"A-1"/"P-1"/"F1"	270 days
Government Obligations MMKT Fund**	9	"AAAm"/ "Aaa-mf"/"AAAmmf"	N/A	N/A	N/A
Total Reserve Funds Portfolio	\$ 13,431,235				
Total Portfolio Subject to Indenture	\$ 13,489,504				
Portfolio Total	\$ 2,544,030,349				

*Reflects portion of Liquid Portfolio subject to Indenture (OCTA Sales Tax Revenue)

**91 EL Debt Service Fund

Investment Manager Diversification and Maturity Schedules

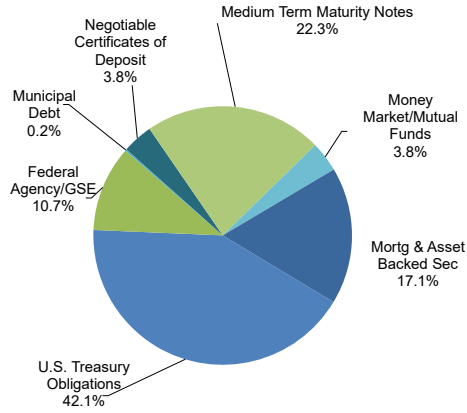
**MetLife Investment Management
8/31/2024**



Investment Manager Diversification and Maturity Schedules

**PFM
8/31/2024**

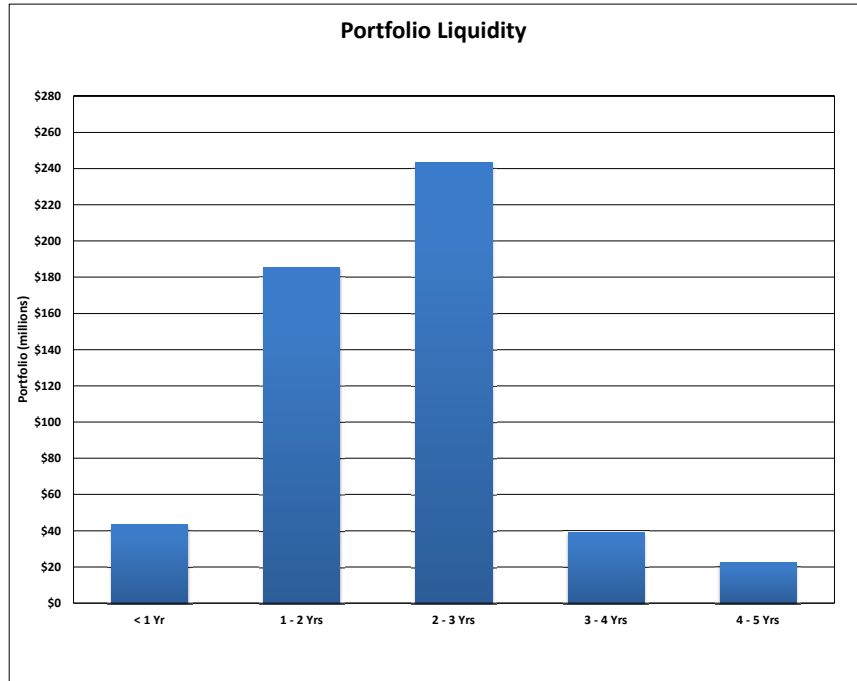
SHORT-TERM PORTFOLIO (\$533.3M)



	<u>Book Value</u>	<u>Market Value</u>
U.S. Treasury Obligations	\$ 224,391,588	\$ 229,257,234
Federal Agency/GSE	\$ 57,283,704	\$ 58,234,955
Municipal Debt	\$ 1,025,000	\$ 998,049
Bankers Acceptances	\$ -	\$ -
Commercial Paper	\$ -	\$ -
Negotiable Certificates of Deposit	\$ 20,250,000	\$ 21,220,653
Repurchase Agreements	\$ -	\$ -
Medium Term Maturity Notes	\$ 118,868,368	\$ 121,522,323
Money Market/Mutual Funds *	\$ 20,150,256	\$ 20,150,256
Mortg & Asset Backed Securities	\$ 91,354,590	\$ 91,706,296
Supranationals	\$ -	\$ -
	<u>\$ 533,323,507</u>	<u>\$ 543,089,767</u>

Note: Variable & floating rate securities comprise \$34,869,089 or 6.5% of total book value.

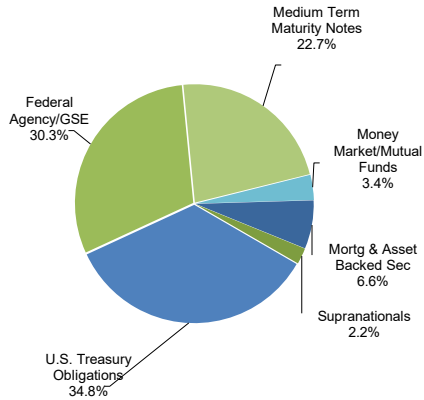
Wtd Avg Life	1.84 Yrs
Duration	1.70 Yrs
Monthly Yield	4.32%
TSY Benchmark	4.02%
Gov/Corp Benchmark	4.13%
Monthly Return	0.89%
TSY Benchmark	0.90%
Gov/Corp Benchmark	0.91%
Three Months Return	2.63%
TSY Benchmark	2.64%
Gov/Corp Benchmark	2.65%
Six Months Return	3.46%
TSY Benchmark	3.34%
Gov/Corp Benchmark	3.44%
12 Months Return	6.40%
TSY Benchmark	5.88%
Gov/Corp Benchmark	6.12%
Annualized Investment Fee (YTD as of 6/30/24)	5.8 bps



Investment Manager Diversification and Maturity Schedules

**Chandler Asset Management
8/31/2024**

SHORT-TERM PORTFOLIO (\$534.0M)

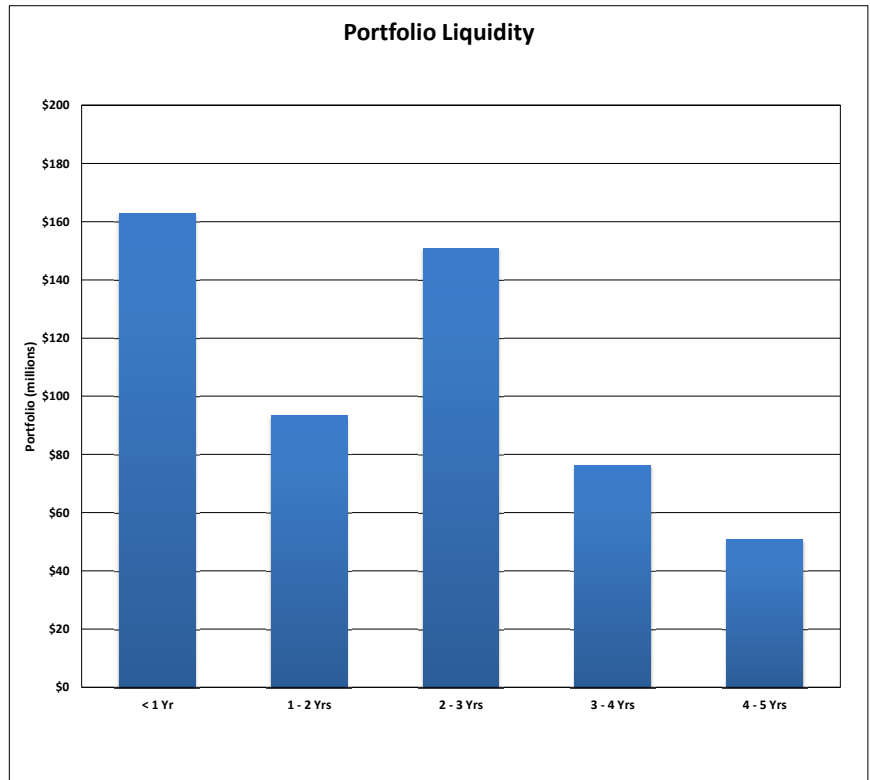


	Book Value	Market Value
U.S. Treasury Obligations	\$ 185,857,708	\$ 187,114,027
Federal Agency/GSE	\$ 161,858,735	\$ 165,081,463
Municipal Debt	\$ -	\$ -
Bankers Acceptances	\$ -	\$ -
Commercial Paper	\$ -	\$ -
Negotiable Certificates of Deposit	\$ -	\$ -
Repurchase Agreements	\$ -	\$ -
Medium Term Maturity Notes	\$ 120,993,934	\$ 123,097,640
Money Market/Mutual Funds	\$ 18,396,128	\$ 18,396,128
Mortg & Asset Backed Sec	\$ 35,202,148	\$ 35,529,131
Supranationals	\$ 11,703,837	\$ 11,795,946
	<u>\$ 534,012,489</u>	<u>\$ 541,014,335</u>

Note: Variable & floating rate securities comprise \$15,953,663 or 3.0% of total book value.

Wtd Avg Life	1.90 Yrs
Duration	1.76 Yrs
Monthly Yield	4.32%
TSY Benchmark	4.02%
Gov/Corp Benchmark	4.13%
Monthly Return	0.87%
TSY Benchmark	0.90%
Gov/Corp Benchmark	0.91%
Three Months Return	2.62%
TSY Benchmark	2.64%
Gov/Corp Benchmark	2.65%
Six Months Return	3.50%
TSY Benchmark	3.34%
Gov/Corp Benchmark	3.44%
12 Months Return	6.30%
TSY Benchmark	5.88%
Gov/Corp Benchmark	6.12%

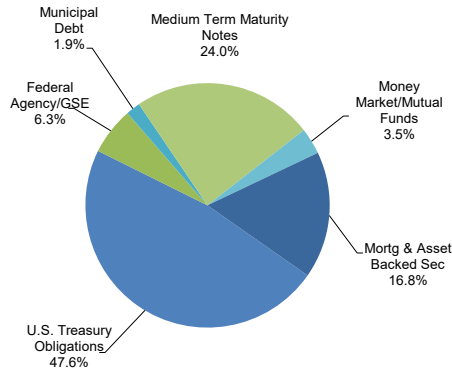
Annualized Investment Fee
(YTD as of 6/30/24) 5.1 bps



Investment Manager Diversification and Maturity Schedules

Payden & Rygel
8/31/2024

SHORT-TERM PORTFOLIO (\$540.1M)

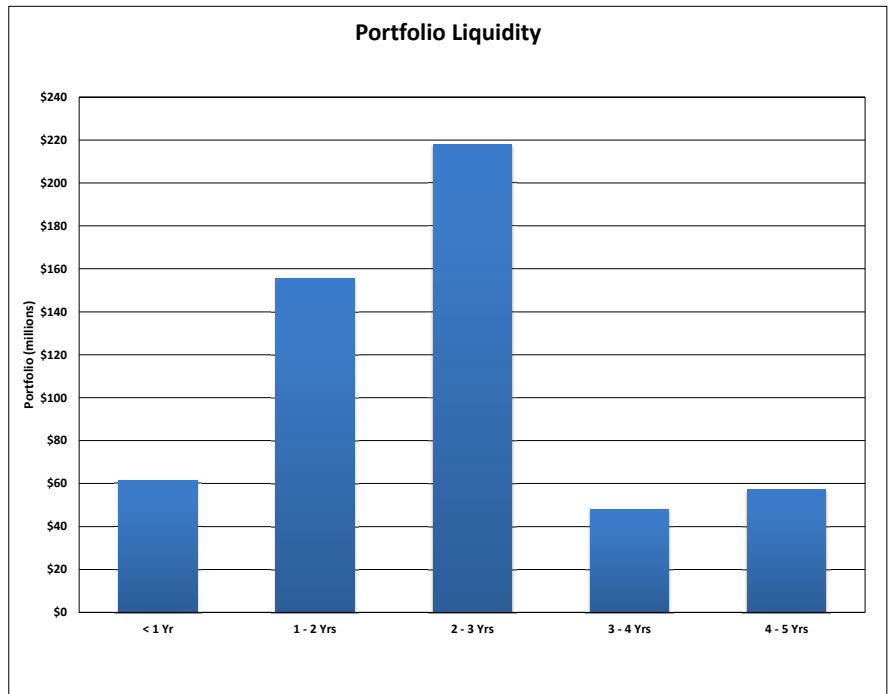


	Book Value	Market Value
U.S. Treasury Obligations	\$ 257,117,703	\$ 258,352,381
Federal Agency/GSE	\$ 33,830,326	\$ 34,326,816
Municipal Debt	\$ 10,296,068	\$ 10,216,103
Bankers Acceptances	\$ -	\$ -
Commercial Paper	\$ -	\$ -
Negotiable Certificates of Deposit	\$ -	\$ -
Repurchase Agreements	\$ -	\$ -
Medium Term Maturity Notes	\$ 129,398,037	\$ 131,220,221
Money Market/Mutual Funds	\$ 18,793,536	\$ 18,793,536
Mortg & Asset Backed Sec	\$ 90,646,997	\$ 91,585,999
Supranationals	\$ -	\$ -
	<u>\$ 540,082,666</u>	<u>\$ 544,495,055</u>

Note: Variable & floating rate securities comprise \$49,116,231 or 9.1% of total book value.

Wtd Avg Life	1.95 Yrs
Duration	1.76 Yrs
Monthly Yield	4.35%
TSY Benchmark	4.02%
Gov/Corp Benchmark	4.13%
Monthly Return	0.88%
TSY Benchmark	0.90%
Gov/Corp Benchmark	0.91%
Three Months Return	2.66%
TSY Benchmark	2.64%
Gov/Corp Benchmark	2.65%
Six Months Return	3.53%
TSY Benchmark	3.34%
Gov/Corp Benchmark	3.44%
12 Months Return	6.54%
TSY Benchmark	5.88%
Gov/Corp Benchmark	6.12%

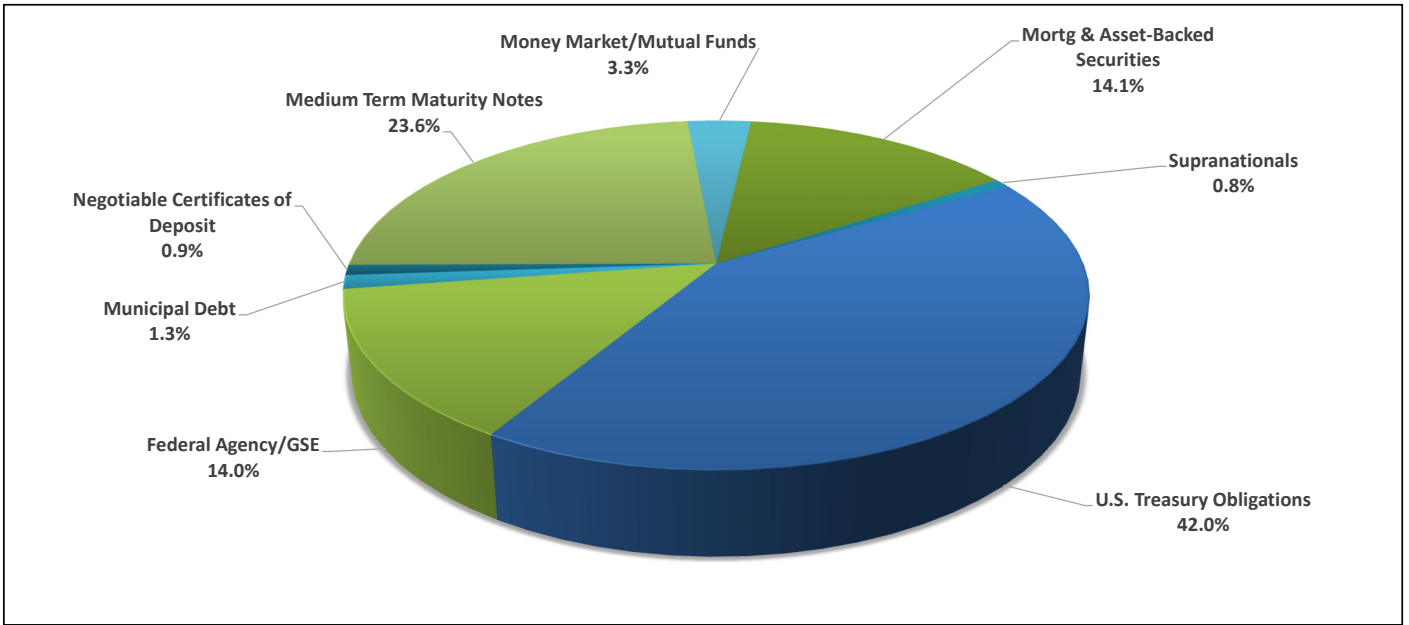
Annualized Investment Fee (YTD as of 6/30/24) 9.8 bps



Short-Term Portfolio

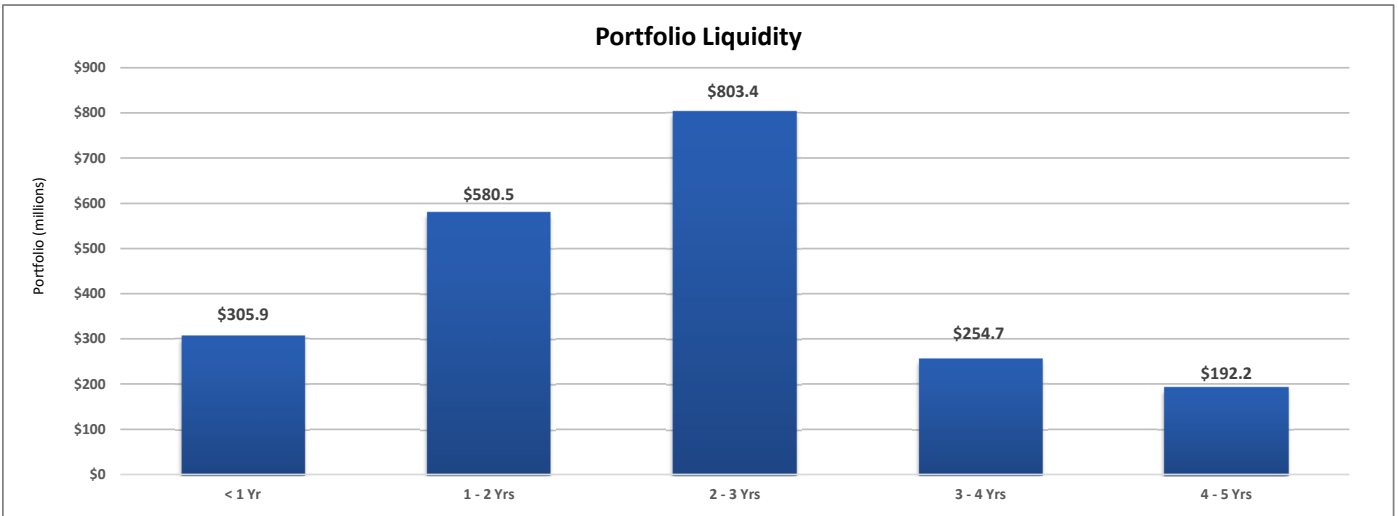
8/31/2024

Portfolio Composition



Note: Variable & floating rate securities comprise 7.4% of total book value.

Portfolio Liquidity



Rating Downgrades & Negative Credit Watch

8/31/2024

Investment Manager / Security	Par Amount	Maturity	S&P	Moody's	Fitch Ratings
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Rating Downgrades:

- Rating below minimum requirements:

KEYBANK NATIONAL ASSOCIATION	\$ 1,675,000	08/08/2025 - 01/26/2026	BBB+	Baa1	BBB+
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During October 2023, Moody's and Fitch downgraded Keybank by one notch. The downgrade reflects the agencies' view that a higher-for-longer rate environment is likely to constrain profitability at Keybank more than for other banks of similar size. In addition, Keybank has a lower-than-average capital ratio on a proforma basis when adjusted for unrealized losses on available-for-sale securities. Due to the downgrade by both agencies, the three Keybank securities held within the portfolio fell below the minimum credit quality requirements of the Investment Policy. The Treasurer reviewed the position and recommended the securities be held for the short-term. The Treasurer presented his recommendation to the Chief Executive Officer who concurred. During June 2024, one of three Keybank securities was matured.

Negative Credit Watch:

N/A

DEBT PROGRAM

(M2 Sales Tax Revenue Bonds, 91 Express Lanes Toll Road Revenue Bonds, 2021 TIFIA Loan)

Outstanding Debt¹

As of 8/31/2024

Orange County Local Transportation Authority (OCLTA-M2)

2010 Series A Taxable Build America Bonds - Sales Tax Revenue Bonds

Issued:	\$	293,540,000
Outstanding:		250,000,000
Debt Service FY 2025:		21,790,000
All in True Interest Cost:		4.33%
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings (Fitch/ Moody's/ S&P):		AA+/Aa2/AA+
Final Maturity:		2041

2019 M2 Sales Tax Revenue Bonds

Issued:	\$	376,690,000
Outstanding:		319,315,000
Debt Service FY 2025:		33,065,900
All in True Interest Cost:		3.14%
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings (Fitch/ S&P):		AA+/AA+
Final Maturity:		2041

Sub-total M2 Outstanding Debt	\$	569,315,000
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91 Express Lanes

2023 OCTA 91 Express Lanes Refunding Bonds

Issued:	\$	47,545,000
Outstanding:		41,725,000
Debt Service FY 2025:		8,051,750
All in True Interest Cost:		2.80%
Pledged Revenue Source:	91 Toll Road Revenues	
Ratings (Fitch/ Moody's/ S&P):		AA-/Aa3/AA-
Final Maturity:		2030

Sub-total 91 Express Lanes Outstanding Debt	\$	41,725,000
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405 Express Lanes

2021 TIFIA Loan

Amount Available	\$	628,930,000
Outstanding:		631,379,860
Capitalized Interest:		17,668,565
Interest Rate:		1.95%
Pledged Revenue Source:	405 Toll Road Revenues	
Ratings (Moody's):		Baa2
Final Maturity:		2058

Sub-total 405 Express Lanes Outstanding Debt	\$	631,379,860
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TOTAL OUTSTANDING DEBT:	\$	1,242,419,860
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1. Comprises OCTA's debt obligations (M2 Sales Tax Revenue Bonds, 91 Express Lanes Toll Road Revenue Bonds, and 2021 TIFIA Loan) currently outstanding and irrespective of OCTA's investment program.

**Orange County Transportation Authority
Portfolio Listing
As of August 31, 2024**

LIQUID PORTFOLIO					
NOTE	DESCRIPTION	MATURITY DATE	BOOK VALUE	MARKET VALUE	YIELD
	<u>CASH EQUIVALENTS</u>				
	BANK DEPOSITS	N/A	250,000	250,000	0.00
	FEDERATED MONEY MARKET GOVERNMENT PORTFOLIO	N/A	47,544,755	47,544,755	5.15
	BMO HARRIS BANK NCD	12/16/2024	25,000,000	25,000,000	5.14
	BARCLAYS COMMERCIAL PAPER	9/10/2024	24,656,917	24,933,250	5.37
	NATIXIS COMMERCIAL PAPER	12/27/2024	24,303,063	24,582,453	5.31
	MONEY MARKET DEMAND ACCOUNT	N/A	512,621	512,621	3.71
	FIDELITY TREASURY OBLIGATIONS FUND	N/A	116,165,202	116,165,202	5.20
	INVESCO MONEY MARKET GOVERNMENT PORTFOLIO	N/A	126,788,637	126,788,637	5.20
	FEDERATED TREASURY OBLIGATIONS FUND	N/A	20,822,757	20,822,757	5.16
	SUB-TOTAL		386,043,951	386,599,675	
	<u>LOCAL AGENCY INVESTMENT FUND (LAIF)</u>				
		N/A	7,033,549	7,033,549	4.58
	<u>ORANGE COUNTY INVESTMENT POOL (OCIP)</u>				
		N/A	785,754	785,754	4.36
	LIQUID PORTFOLIO - TOTAL		\$ 393,863,254	\$ 394,418,978	

SHORT-TERM PORTFOLIO					
NOTE	DESCRIPTION	MATURITY DATE	BOOK VALUE	MARKET VALUE	YIELD
	<u>Money Market Funds</u>				
	FIRST AMER:GVT OBLG Z	8/31/2024	70,020,427	70,020,427	5.18
	SUB-TOTAL		70,020,427	70,020,427	
	<u>NEGOTIABLE CERTIFICATES OF DEPOSIT</u>				
	COOPERATIEVE RABOBANK U.A., NEW YORK BRANCH	7/17/2026	3,450,000	3,532,214	3.77
	CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK	2/1/2027	3,750,000	3,771,788	4.38
	NATIXIS, NEW YORK BRANCH	9/18/2026	3,575,000	3,686,218	3.77
	NORDEA ABP - NEW YORK BRANCH	11/3/2025	4,750,000	4,812,178	4.39
	TORONTO-DOMINION BANK - NEW YORK BRANCH	10/27/2025	4,725,000	4,789,969	4.33
	SUB-TOTAL		20,250,000	20,592,366	
	<u>U.S. TREASURY OBLIGATIONS</u>				
	UNITED STATES TREASURY	7/31/2029	2,018,750	2,023,600	3.74
	UNITED STATES TREASURY	6/30/2029	3,190,311	3,201,313	3.76
	UNITED STATES TREASURY	5/31/2029	1,398,852	1,446,214	3.73
	UNITED STATES TREASURY	2/28/2029	936,753	954,794	3.74
	UNITED STATES TREASURY	12/31/2028	11,160,625	11,198,250	3.75
	UNITED STATES TREASURY	11/30/2028	6,415,842	6,549,120	3.76
	UNITED STATES TREASURY	11/15/2028	4,757,617	4,875,200	3.77
	UNITED STATES TREASURY	9/30/2028	17,857,861	18,520,180	3.76
	UNITED STATES TREASURY	8/31/2028	1,555,425	1,590,174	3.76
	UNITED STATES TREASURY	8/15/2028	11,211,953	11,606,760	3.77
	UNITED STATES TREASURY	5/31/2028	4,115,146	4,129,250	3.77
	UNITED STATES TREASURY	4/15/2028	2,667,091	2,680,799	1.81
	UNITED STATES TREASURY	4/15/2028	7,475,009	7,514,616	1.80
	UNITED STATES TREASURY	2/29/2028	2,008,984	2,014,680	3.77
	UNITED STATES TREASURY	11/15/2027	3,778,750	3,815,160	3.79
	UNITED STATES TREASURY	10/31/2027	7,903,178	8,080,172	3.78
	UNITED STATES TREASURY	9/30/2027	6,517,012	6,566,040	3.77
	UNITED STATES TREASURY	8/31/2027	7,737,813	7,849,360	3.79
	UNITED STATES TREASURY	7/31/2027	3,865,469	3,884,080	3.81
	UNITED STATES TREASURY	7/15/2027	37,280,383	37,412,045	3.80
	UNITED STATES TREASURY	6/30/2027	18,162,972	18,454,867	3.80
	UNITED STATES TREASURY	6/15/2027	4,649,665	4,734,931	3.80
	UNITED STATES TREASURY	5/15/2027	45,439,353	46,388,174	3.83
	UNITED STATES TREASURY	4/30/2027	8,049,434	8,271,265	3.82
	UNITED STATES TREASURY	4/15/2027	14,424,970	14,744,623	3.83
	UNITED STATES TREASURY	3/31/2027	14,125,480	14,618,159	3.81
	UNITED STATES TREASURY	3/31/2027	6,941,010	7,090,371	3.81
	UNITED STATES TREASURY	3/15/2027	15,087,814	15,334,229	3.83
	UNITED STATES TREASURY	2/15/2027	46,810,573	47,535,143	3.86
	UNITED STATES TREASURY	1/15/2027	19,033,681	19,102,325	3.87
	UNITED STATES TREASURY	12/31/2026	10,403,754	10,694,435	3.84
	UNITED STATES TREASURY	12/31/2026	30,077,513	30,901,706	3.84
	UNITED STATES TREASURY	12/15/2026	27,992,163	28,059,253	3.88
	UNITED STATES TREASURY	11/15/2026	3,715,469	3,842,040	3.88
	UNITED STATES TREASURY	11/15/2026	24,377,150	24,669,360	3.90
	UNITED STATES TREASURY	10/15/2026	18,428,832	18,789,167	3.92
	UNITED STATES TREASURY	9/15/2026	6,204,346	6,333,750	3.94
	UNITED STATES TREASURY	8/31/2026	13,152,289	13,527,000	3.93
	UNITED STATES TREASURY	8/31/2026	33,552,012	34,479,283	3.92
	UNITED STATES TREASURY	8/15/2026	30,310,746	30,795,928	3.94
	UNITED STATES TREASURY	7/31/2026	36,429,810	36,456,388	3.96
	UNITED STATES TREASURY	7/15/2026	14,357,900	14,518,205	3.98
	UNITED STATES TREASURY	6/15/2026	10,406,719	10,521,735	4.00

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	UNITED STATES TREASURY	5/15/2026	34,792,727	34,966,272	4.03
	UNITED STATES TREASURY	4/15/2026	32,203,719	32,135,977	4.05
	UNITED STATES TREASURY	3/15/2026	7,783,474	7,724,864	4.10
	UNITED STATES TREASURY	2/28/2026	14,271,250	15,167,500	4.11
	UNITED STATES TREASURY	2/28/2026	10,889,492	11,039,083	4.10
	UNITED STATES TREASURY	2/28/2026	1,250,586	1,258,988	4.13
	UNITED STATES TREASURY	2/28/2026	31,820,822	33,836,517	4.09
	UNITED STATES TREASURY	2/15/2026	3,881,545	3,932,014	4.11
	UNITED STATES TREASURY	12/15/2025	2,788,644	2,846,970	4.22
	UNITED STATES TREASURY	12/15/2025	17,794,620	17,730,749	4.22
	UNITED STATES TREASURY	11/15/2025	14,569,102	14,649,000	4.25
	UNITED STATES TREASURY	10/31/2025	8,032,813	7,885,040	4.27
	UNITED STATES TREASURY	9/30/2025	9,515,918	9,367,570	4.33
(1)	UNITED STATES TREASURY	7/31/2025	11,582,531	11,579,569	5.30
	UNITED STATES TREASURY	7/31/2025	14,709,063	14,927,895	4.39
	UNITED STATES TREASURY	6/30/2025	6,811,055	6,762,140	4.44
	UNITED STATES TREASURY	5/31/2025	7,357,324	7,264,950	4.54
	UNITED STATES TREASURY	4/30/2025	7,440,527	7,293,900	4.60
	UNITED STATES TREASURY	3/31/2025	9,852,188	9,763,900	4.64
	UNITED STATES TREASURY	1/31/2025	8,313,750	7,885,280	4.87
	UNITED STATES TREASURY	12/17/2024	2,951,864	2,956,920	4.88
	UNITED STATES TREASURY	12/15/2024	8,000,000	7,913,440	4.74
	UNITED STATES TREASURY	11/15/2024	8,004,375	7,931,440	4.88
	UNITED STATES TREASURY	10/31/2024	7,758,691	7,455,000	5.07
	UNITED STATES TREASURY	9/30/2024	13,359,084	13,392,799	4.75
	UNITED STATES TREASURY	9/15/2024	5,787,992	5,790,662	4.08
	SUB-TOTAL		897,509,635	909,232,580	
	<u>FEDERAL AGENCY/GSE</u>				
	FEDERAL FARM CREDIT BANKS FUNDING CORP	4/30/2029	2,396,400	2,408,040	5.10
	FEDERAL FARM CREDIT BANKS FUNDING CORP	4/10/2029	4,942,000	5,126,150	3.77
	FEDERAL FARM CREDIT BANKS FUNDING CORP	11/15/2027	4,973,700	5,114,200	3.86
	FEDERAL FARM CREDIT BANKS FUNDING CORP	10/4/2027	4,012,000	4,073,080	3.87
	FEDERAL FARM CREDIT BANKS FUNDING CORP	8/16/2027	4,984,050	4,983,100	3.87
	FEDERAL FARM CREDIT BANKS FUNDING CORP	12/7/2026	7,968,800	8,070,960	3.96
	FEDERAL FARM CREDIT BANKS FUNDING CORP	9/1/2026	3,994,800	4,057,600	4.00
	FEDERAL FARM CREDIT BANKS FUNDING CORP	8/14/2026	14,828,188	15,040,708	3.90
	FEDERAL FARM CREDIT BANKS FUNDING CORP	7/30/2026	3,995,640	4,071,520	4.02
	FEDERAL FARM CREDIT BANKS FUNDING CORP	7/17/2026	4,003,400	4,042,040	4.04
	FEDERAL FARM CREDIT BANKS FUNDING CORP	6/23/2026	3,995,240	4,030,200	3.94
	FEDERAL FARM CREDIT BANKS FUNDING CORP	5/8/2026	7,957,920	8,085,760	4.08
	FEDERAL FARM CREDIT BANKS FUNDING CORP	2/25/2025	4,956,270	4,926,000	4.87
	FEDERAL HOME LOAN BANKS	9/8/2028	3,979,600	4,085,000	3.80
	FEDERAL HOME LOAN BANKS	6/30/2028	3,965,360	4,029,000	3.79
	FEDERAL HOME LOAN BANKS	6/9/2028	1,996,120	2,016,720	3.76
	FEDERAL HOME LOAN BANKS	3/10/2028	5,108,250	5,105,950	3.85
	FEDERAL HOME LOAN BANKS	12/10/2027	5,105,600	5,055,600	3.88
	FEDERAL HOME LOAN BANKS	4/9/2027	3,989,640	4,089,120	3.84
	FEDERAL HOME LOAN BANKS	3/25/2027	4,830,700	4,983,011	4.09
	FEDERAL HOME LOAN BANKS	11/17/2026	5,056,950	5,068,000	3.98
	FEDERAL HOME LOAN BANKS	9/11/2026	10,908,280	11,161,260	3.87
	FEDERAL HOME LOAN BANKS	8/26/2026	1,783,600	1,878,700	4.11
	FEDERAL HOME LOAN BANKS	6/12/2026	3,992,680	4,047,080	4.06
	FEDERAL HOME LOAN BANKS	12/20/2024	7,643,648	7,557,129	5.02
	FEDERAL HOME LOAN MORTGAGE CORP	1/27/2026	2,380,000	2,378,477	5.34
	FEDERAL HOME LOAN MORTGAGE CORP	10/20/2025	3,149,742	3,319,681	4.42
	FEDERAL HOME LOAN MORTGAGE CORP	9/30/2025	3,260,000	3,256,870	4.84
	FEDERAL HOME LOAN MORTGAGE CORP	8/28/2025	2,940,000	2,983,398	4.78
	FEDERAL HOME LOAN MORTGAGE CORP	7/21/2025	4,785,000	4,756,697	4.73
	FEDERAL HOME LOAN MORTGAGE CORP	1/27/2025	3,550,000	3,546,770	5.33
	FEDERAL HOME LOAN MORTGAGE CORP	1/24/2025	3,920,000	3,920,157	5.10
	FEDERAL NATIONAL MORTGAGE ASSOCIATION	7/24/2026	5,226,860	5,303,498	4.04
	FEDERAL NATIONAL MORTGAGE ASSOCIATION	8/25/2025	7,771,280	7,696,080	4.35
	FEDERAL NATIONAL MORTGAGE ASSOCIATION	7/30/2025	3,614,768	3,791,350	4.53
	FHMS K-040 A2	9/25/2024	228,493	226,552	5.51
	FHMS K-045 A2	1/25/2025	4,482,838	4,491,692	5.23
	FHMS K-046 A2	3/25/2025	2,656,272	2,645,570	5.11
	FHMS K-047 A2	5/25/2025	3,566,443	3,500,153	4.97
	FHMS K-049 A2	7/25/2025	4,668,560	4,659,097	4.87
	FHMS K-051 A2	9/25/2025	5,891,784	5,787,437	4.73
	FHMS K-053 A2	12/25/2025	3,360,820	3,332,884	4.60
	FHMS K-054 A2	1/25/2026	11,003,391	11,254,969	4.52
	FHMS K-057 A2	7/25/2026	4,025,143	4,143,458	4.38
	FHMS K-057 A2	7/25/2026	411,188	412,192	4.34
	FHMS K-058 A2	8/25/2026	2,290,781	2,325,024	4.27
	FHMS K-059 A2	9/25/2026	3,078,232	3,175,640	4.25
(1)	FHMS K-061 A2	11/25/2026	1,638,588	1,655,902	4.30
	FHMS K-062 A2	12/25/2026	1,178,766	1,178,063	4.19

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	CATERPILLAR FINANCIAL SERVICES CORP	5/14/2027	7,576,829	7,721,369	4.18
	CATERPILLAR FINANCIAL SERVICES CORP	10/16/2026	3,267,449	3,284,126	4.24
	CATERPILLAR FINANCIAL SERVICES CORP	5/15/2026	1,369,356	1,369,795	4.36
	CATERPILLAR FINANCIAL SERVICES CORP	2/27/2026	1,374,684	1,389,671	4.30
	CATERPILLAR FINANCIAL SERVICES CORP	1/6/2026	2,439,390	2,452,493	4.40
	CHUBB INA HOLDINGS LLC	5/3/2026	3,858,936	3,928,640	4.47
	CINTAS NO 2 CORP	5/1/2025	1,184,739	1,172,190	5.11
	CISCO SYSTEMS INC	2/26/2027	9,776,576	9,943,517	4.09
	CISCO SYSTEMS INC	2/26/2027	1,286,599	1,290,828	4.08
	CITIBANK NA	9/29/2028	722,692	724,127	4.44
	CITIBANK NA	12/4/2026	1,440,000	1,472,530	4.39
	CITIBANK NA	8/6/2026	4,310,000	4,346,506	4.45
	CITIBANK NA	8/6/2026	1,095,000	1,104,652	4.43
	CITIBANK NA	4/30/2026	1,370,000	1,389,865	4.48
	CITIBANK NA	9/29/2025	1,680,000	1,701,370	4.55
(1)	CITIGROUP INC	1/25/2026	1,435,000	1,415,326	5.48
(1)	CITIZENS BANK NA	10/24/2025	1,855,000	1,853,850	6.35
	CNO GLOBAL FUNDING	1/6/2025	694,555	685,256	5.72
	COMCAST CORP	11/7/2025	814,780	820,925	4.61
	COMMONWEALTH BANK OF AUSTRALIA (NEW YORK BRANCH)	3/13/2026	2,350,000	2,384,404	4.32
	COOPERATIVE RABOBANK UA (NEW YORK BRANCH)	1/9/2026	2,399,088	2,410,944	4.50
	COREBRIDGE GLOBAL FUNDING	8/20/2027	1,859,702	1,868,203	4.49
	DTE ELECTRIC CO	12/1/2026	1,411,252	1,414,218	4.20
	DTE ELECTRIC CO	12/1/2026	3,459,446	3,508,302	4.19
	DUKE ENERGY CAROLINAS LLC	11/15/2028	3,653,676	3,766,299	4.25
	ELI LILLY AND CO	8/14/2029	1,137,503	1,142,508	4.15
	ELI LILLY AND CO	2/9/2029	1,516,917	1,510,210	4.24
	ELI LILLY AND CO	2/9/2027	2,468,691	2,492,032	4.10
	ENTERPRISE PRODUCTS OPERATING LLC	1/11/2027	2,562,358	2,585,905	4.22
	EXXON MOBIL CORP	3/1/2026	3,559,696	3,634,140	4.28
(1)	FIFTH THIRD BANK NA	10/27/2025	950,000	949,953	5.77
	FLORIDA POWER & LIGHT CO	5/15/2028	3,935,680	4,023,160	4.22
(1)	GOLDMAN SACHS BANK USA	5/21/2027	1,265,000	1,279,269	4.72
(1)	GOLDMAN SACHS BANK USA	3/18/2027	738,800	740,286	4.79
(1)	GOLDMAN SACHS BANK USA	3/18/2027	7,793,403	7,874,238	4.77
	GOLDMAN SACHS GROUP INC	11/16/2026	1,937,324	2,028,997	4.56
(1)	GOLDMAN SACHS GROUP INC	8/10/2026	2,775,000	2,793,121	5.08
	HOME DEPOT INC	6/25/2029	352,328	352,725	4.22
	HOME DEPOT INC	6/25/2027	5,905,977	6,034,493	4.12
	HOME DEPOT INC	9/30/2026	1,017,766	1,034,790	4.19
	HOME DEPOT INC	6/25/2026	5,219,200	5,307,503	4.24
	HOME DEPOT INC	9/15/2025	1,699,388	1,692,367	4.44
	HONEYWELL INTERNATIONAL INC	8/15/2029	1,865,940	1,869,340	4.17
	HONEYWELL INTERNATIONAL INC	7/30/2027	4,984,850	5,051,101	4.15
	HORMEL FOODS CORP	3/30/2027	2,282,784	2,315,916	4.22
(1)	HUNTINGTON NATIONAL BANK	11/18/2025	2,415,000	2,414,493	5.71
	HYUNDAI CAPITAL AMERICA	1/8/2027	1,402,802	1,406,309	4.72
	HYUNDAI CAPITAL AMERICA	3/30/2026	4,817,909	4,860,841	4.84
	INTERCONTINENTAL EXCHANGE INC	5/23/2025	854,060	844,216	5.43
	INTERNATIONAL BUSINESS MACHINES CORP	7/27/2025	2,600,000	2,584,270	4.68
	JACKSON NATIONAL LIFE GLOBAL FUNDING	4/10/2026	4,276,833	4,323,784	4.93
	JACKSON NATIONAL LIFE GLOBAL FUNDING	1/9/2026	1,601,549	1,615,031	5.01
	JACKSON NATIONAL LIFE GLOBAL FUNDING	1/12/2025	669,886	661,230	5.38
	JOHN DEERE CAPITAL CORP	6/11/2029	2,398,796	2,401,069	4.29
	JOHN DEERE CAPITAL CORP	6/11/2027	2,172,303	2,214,215	4.20
	JOHN DEERE CAPITAL CORP	3/5/2027	1,348,745	1,370,493	4.21
	JOHN DEERE CAPITAL CORP	1/8/2027	6,844,677	6,910,965	4.10
	JOHN DEERE CAPITAL CORP	6/8/2026	1,294,249	1,304,661	4.31
	JOHN DEERE CAPITAL CORP	1/10/2025	774,636	764,313	5.13
(1)	JPMORGAN CHASE & CO	7/22/2028	950,000	962,141	4.50
(1)	JPMORGAN CHASE & CO	4/22/2028	240,000	246,043	4.55
(1)	JPMORGAN CHASE & CO	2/1/2028	2,898,373	2,894,229	4.76
(1)	JPMORGAN CHASE & CO	1/23/2028	5,424,033	5,500,274	4.50
(1)	JPMORGAN CHASE & CO	10/22/2027	1,205,000	1,244,247	4.46
(1)	JPMORGAN CHASE & CO	11/19/2026	2,211,269	2,350,210	4.86
(1)	JPMORGAN CHASE & CO	4/26/2026	1,000,000	993,210	5.14
(1)	JPMORGAN CHASE & CO	2/24/2026	2,570,000	2,537,464	5.28
	JPMORGAN CHASE BANK NA	12/8/2026	3,595,000	3,656,223	4.29
	KEYBANK NA	1/26/2026	354,705	353,498	5.01
	KEYBANK NA	8/8/2025	1,319,630	1,307,552	5.19
	MANUFACTURERS AND TRADERS TRUST CO	1/27/2028	340,111	342,758	4.91
	MANUFACTURERS AND TRADERS TRUST CO	1/27/2026	2,430,763	2,419,976	5.11
	MASSMUTUAL GLOBAL FUNDING II	5/30/2029	1,525,333	1,538,916	4.30
	MASSMUTUAL GLOBAL FUNDING II	4/9/2027	2,614,216	2,672,085	4.21
	MASSMUTUAL GLOBAL FUNDING II	8/26/2025	889,083	885,203	4.71
	MERCEDES-BENZ FINANCE NORTH AMERICA LLC	1/11/2027	1,698,266	1,717,085	4.35
	MERCEDES-BENZ FINANCE NORTH AMERICA LLC	8/3/2026	1,340,348	1,367,793	4.48
	MERCEDES-BENZ FINANCE NORTH AMERICA LLC	7/31/2026	4,244,193	4,275,989	4.47
	MET TOWER GLOBAL FUNDING	6/13/2025	1,973,065	1,957,028	4.89

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	META PLATFORMS INC	8/15/2029	1,595,750	1,606,380	4.14
	METROPOLITAN LIFE GLOBAL FUNDING I	1/8/2029	701,999	701,868	4.41
	METROPOLITAN LIFE GLOBAL FUNDING I	6/11/2027	1,732,849	1,772,250	4.22
	METROPOLITAN LIFE GLOBAL FUNDING I	1/6/2026	1,750,000	1,760,850	4.52
	METROPOLITAN LIFE GLOBAL FUNDING I	3/21/2025	579,484	572,878	5.06
	METROPOLITAN LIFE GLOBAL FUNDING I	9/27/2024	3,608,104	3,618,239	5.02
(1)	MORGAN STANLEY	2/1/2029	349,595	351,048	4.56
(1)	MORGAN STANLEY	4/13/2028	1,825,680	1,823,015	4.78
(1)	MORGAN STANLEY	4/13/2028	1,530,000	1,570,560	4.57
(1)	MORGAN STANLEY	7/20/2027	4,471,373	4,588,133	4.70
(1)	MORGAN STANLEY	1/28/2027	754,985	759,319	4.62
(1)	MORGAN STANLEY	10/16/2026	1,165,000	1,180,203	4.93
(1)	MORGAN STANLEY	2/18/2026	2,970,000	2,933,825	5.30
(1)	MORGAN STANLEY	10/21/2025	430,000	427,166	5.54
(1)	MORGAN STANLEY BANK NA	7/14/2028	1,060,000	1,073,197	4.50
(1)	MORGAN STANLEY BANK NA	5/26/2028	680,000	696,973	4.52
(1)	MORGAN STANLEY BANK NA	1/14/2028	1,250,000	1,259,675	4.60
	MORGAN STANLEY BANK NA	10/30/2026	2,340,000	2,411,230	4.34
	MORGAN STANLEY BANK NA	4/21/2026	3,470,000	3,483,845	4.49
	NATIONAL AUSTRALIA BANK LTD (NEW YORK BRANCH)	6/11/2027	1,335,000	1,363,622	4.26
	NATIONAL AUSTRALIA BANK LTD (NEW YORK BRANCH)	1/12/2026	2,960,000	2,979,654	4.46
	NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	5/6/2027	2,828,245	2,883,544	4.32
	NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	2/5/2027	1,070,070	1,069,540	4.39
	NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	2/5/2027	2,854,144	2,889,774	4.25
	NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	11/13/2026	1,734,393	1,775,616	4.43
	NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	3/13/2026	2,488,648	2,494,127	4.47
	NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	10/30/2025	444,404	449,036	4.64
	NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	6/15/2025	2,734,262	2,704,614	4.89
	NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	2/7/2025	1,754,947	1,730,342	5.16
	NATIONAL SECURITIES CLEARING CORP	5/30/2028	353,035	352,073	4.39
	NESTLE HOLDINGS INC	3/13/2026	819,729	831,759	4.27
	NEVADA POWER CO	5/1/2029	1,579,361	1,584,163	4.44
	NEW YORK LIFE GLOBAL FUNDING	9/18/2026	5,500,671	5,548,809	4.37
	NEW YORK LIFE GLOBAL FUNDING	4/2/2026	1,293,173	1,295,682	4.41
	NEW YORK LIFE GLOBAL FUNDING	1/14/2025	5,948,569	5,874,369	5.15
	NEW YORK LIFE GLOBAL FUNDING	10/29/2024	893,837	888,959	5.04
	NEWMONT CORPORATION	3/15/2026	929,842	938,575	4.67
	NEXTERA ENERGY CAPITAL HOLDINGS INC	1/29/2026	2,608,826	2,621,171	4.63
	NIKE INC	3/27/2025	44,939	44,435	4.63
	NORTHERN TRUST CORP	5/10/2027	3,930,215	3,983,680	4.16
	NORTHWESTERN MUTUAL GLOBAL FUNDING	6/12/2028	1,322,438	1,320,667	4.44
	NORTHWESTERN MUTUAL GLOBAL FUNDING	3/25/2027	1,476,492	1,480,631	4.19
	NORTHWESTERN MUTUAL GLOBAL FUNDING	3/25/2027	1,209,867	1,236,112	4.17
	NORTHWESTERN MUTUAL GLOBAL FUNDING	4/6/2026	2,236,430	2,243,158	4.46
	NORTHWESTERN MUTUAL GLOBAL FUNDING	7/1/2025	5,003,298	4,975,370	4.72
	PACCAR FINANCIAL CORP	8/6/2027	6,486,362	6,549,428	4.14
	PACCAR FINANCIAL CORP	5/13/2027	2,368,175	2,423,064	4.11
	PACCAR FINANCIAL CORP	8/10/2026	3,593,203	3,645,474	4.29
	PACCAR FINANCIAL CORP	4/7/2025	1,889,509	1,866,073	5.00
	PACCAR FINANCIAL CORP	11/8/2024	644,961	639,776	5.22
	PACIFIC LIFE GLOBAL FUNDING II	7/18/2028	1,001,564	1,003,514	4.52
	PACIFIC LIFE GLOBAL FUNDING II	7/18/2028	358,652	357,706	4.46
	PACIFIC LIFE GLOBAL FUNDING II	8/28/2026	794,722	809,763	4.52
	PFIZER INC	3/15/2029	1,969,982	1,970,077	4.23
(1)	PNC FINANCIAL SERVICES GROUP INC	1/21/2028	490,000	498,497	5.15
(1)	PNC FINANCIAL SERVICES GROUP INC	10/20/2027	3,808,843	3,843,170	4.62
(1)	PNC FINANCIAL SERVICES GROUP INC	1/26/2027	1,630,000	1,627,637	4.86
(1)	PNC FINANCIAL SERVICES GROUP INC	10/28/2025	1,570,000	1,570,188	5.49
	PRICOA GLOBAL FUNDING I	8/28/2026	809,182	827,132	4.43
	PRICOA GLOBAL FUNDING I	8/28/2025	354,783	353,232	4.72
	PRICOA GLOBAL FUNDING I	12/6/2024	4,115,756	4,076,122	5.19
	PRINCIPAL LIFE GLOBAL FUNDING II	1/25/2029	352,411	351,862	4.60
	PRINCIPAL LIFE GLOBAL FUNDING II	8/19/2027	789,384	793,784	4.43
	PRINCIPAL LIFE GLOBAL FUNDING II	1/16/2027	474,815	481,261	4.41
	PRINCIPAL LIFE GLOBAL FUNDING II	1/10/2025	922,003.00	912,891.75	5.06
	PUBLIC SERVICE ELECTRIC AND GAS CO	9/1/2028	2,539,641.65	2,570,676.29	4.36
	PUBLIC SERVICE ELECTRIC AND GAS CO	5/1/2028	1,929,761.61	1,983,753.30	4.36
	PUBLIC STORAGE OPERATING CO	11/9/2028	311,866.20	313,132.35	4.39
	ROCHE HOLDINGS INC	11/13/2026	2,775,000.00	2,832,803.25	4.23
	ROYAL BANK OF CANADA	4/14/2025	2,524,065.75	2,499,320.75	5.05
	ROYAL BANK OF CANADA	11/1/2024	4,205,160.00	3,979,120.00	5.32
	SOUTHERN CALIFORNIA EDISON CO	3/1/2026	3,530,000.00	3,572,112.90	4.52
	STATE STREET CORP	3/18/2027	5,775,000.00	5,867,111.25	4.31
	STATE STREET CORP	11/4/2026	685,000.00	692,336.35	4.80
	STATE STREET CORP	8/3/2026	3,235,000.00	3,285,530.70	4.38
	STATE STREET CORP	8/3/2026	1,169,633.85	1,170,132.81	4.52
	STATE STREET CORP	5/18/2026	1,225,000.00	1,226,751.75	4.89
	STATE STREET CORP	3/30/2026	2,045,440.00	1,973,220.00	5.26
	STATE STREET CORP	2/6/2026	3,765,000.00	3,707,207.25	5.36

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	STATE STREET CORP	1/26/2026	345,000.00	344,410.05	5.26
	TEXAS INSTRUMENTS INC	2/8/2027	2,198,592.00	2,223,430.00	4.12
	THERMO FISHER SCIENTIFIC INC	12/5/2026	1,873,706.25	1,905,206.25	4.22
	TORONTO-DOMINION BANK	4/5/2027	4,942,150.00	5,068,250.00	4.42
	TOYOTA MOTOR CREDIT CORP	8/9/2029	2,012,880.00	2,016,820.00	4.36
	TOYOTA MOTOR CREDIT CORP	3/19/2027	724,122.75	738,680.75	4.21
	TOYOTA MOTOR CREDIT CORP	5/18/2026	2,053,808.10	2,057,198.85	4.38
	TOYOTA MOTOR CREDIT CORP	5/15/2026	3,822,513.75	3,878,473.50	4.34
	TRUIST FINANCIAL CORP	10/28/2026	1,650,000.00	1,666,533.00	4.99
	TRUIST FINANCIAL CORP	7/28/2026	3,065,000.00	3,037,323.05	5.28
	UNILEVER CAPITAL CORP	8/12/2027	1,002,316.65	1,008,738.60	4.11
	UNITEDHEALTH GROUP INC	5/15/2029	3,411,485.00	3,463,880.00	4.24
	UNITEDHEALTH GROUP INC	5/15/2027	1,637,058.80	1,637,493.72	4.23
	UNITEDHEALTH GROUP INC	4/15/2027	2,085,363.00	2,124,633.00	4.11
	UNITEDHEALTH GROUP INC	7/15/2026	823,614.00	833,274.75	4.19
	US BANCORP	7/22/2028	1,501,755.40	1,508,334.47	4.59
	USAA CAPITAL CORP	6/1/2027	2,213,584.20	2,276,321.40	4.26
	VERIZON COMMUNICATIONS INC	8/15/2026	2,793,218.55	2,860,573.60	4.43
	VERIZON COMMUNICATIONS INC	3/20/2026	1,701,144.40	1,705,859.26	4.62
	VOLKSWAGEN GROUP OF AMERICA FINANCE LLC	8/14/2026	1,406,109.95	1,408,485.80	4.77
	VOLKSWAGEN GROUP OF AMERICA FINANCE LLC	8/14/2026	4,504,763.70	4,514,415.45	4.79
	WALMART INC	4/15/2026	734,676.60	732,986.10	4.17
	WALMART INC	9/9/2025	1,274,107.50	1,268,625.00	4.40
	WASTE MANAGEMENT INC	7/3/2027	2,561,896.35	2,614,914.90	4.20
	WELLS FARGO & CO	4/22/2028	995,000.00	1,021,974.45	4.60
	WELLS FARGO & CO	6/17/2027	1,323,053.55	1,331,048.35	4.65
	WELLS FARGO & CO	8/15/2026	1,360,000.00	1,353,934.40	5.02
(1)	WELLS FARGO & CO	4/25/2026	1,850,000.00	1,834,034.50	5.26
	WELLS FARGO & CO	4/22/2026	2,046,240.00	2,122,843.50	4.53
(1)	WELLS FARGO & CO	10/30/2025	2,182,028.50	2,064,106.25	5.54
	WELLS FARGO BANK NA	12/11/2026	4,100,000.00	4,179,417.00	4.32
	WELLS FARGO BANK NA	8/7/2026	534,957.20	544,870.75	4.40
	WELLS FARGO BANK NA	8/7/2026	946,572.60	944,510.79	4.56
	WISCONSIN ELECTRIC POWER CO	5/15/2029	709,057.80	708,912.90	4.34
	WISCONSIN PUBLIC SERVICE CORP	11/10/2025	504,888.90	508,565.30	4.69
	SUB-TOTAL		505,115,662	509,632,497	
	<u>MORTGAGE AND ASSET-BACK SECURITIES</u>				
	AESOP 212 A	2/20/2028	1,612,535	1,655,507	4.85
	AESOP 221 A	8/21/2028	3,813,055	3,877,970	4.82
	AESOP 221 A	8/21/2028	1,756,125	1,756,141	4.82
	AESOP 232 A	10/20/2027	746,338	755,048	4.88
	AESOP 242 A	10/20/2028	575,611	575,897	4.80
	ALLYA 2022-1 A3	11/16/2026	1,389,855	1,378,642	4.92
	ALLYA 2022-2 A3	5/17/2027	933,934	931,985	5.10
	ALLYA 2023-1 A3	5/15/2028	1,619,724	1,635,908	4.86
	AMCAR 2021-3 A3	8/18/2026	174,666	173,227	5.98
	AMCAR 2023-2 A3	5/18/2028	4,599,241	4,668,402	4.83
	AMCAR 2024-1 A3	1/18/2029	1,199,889	1,215,972	3.83
	AMXCA 2022-2 A	5/17/2027	6,908,472	6,833,023	5.05
	AMXCA 2023-1 A	5/15/2028	5,092,811	5,123,696	4.51
	AMXCA 2023-1 A	5/15/2028	1,007,031	1,006,486	4.52
	AMXCA 2023-3 A	9/15/2028	1,831,131	1,859,474	4.30
	AMXCA 2024-1 A	4/16/2029	5,218,930	5,344,915	4.30
	BAAT 231 A3	2/15/2028	1,079,959	1,091,027	4.87
	BAAT 232 A3	6/15/2028	1,299,976	1,322,126	4.82
	BAAT 241 A3	11/15/2028	549,910	558,960	4.62
	BACCT 2023-1 A	5/15/2028	2,423,816	2,429,170	4.47
	BACCT 2023-2 A	11/15/2028	3,130,400	3,180,120	4.30
	BACCT 2024-1 A	5/15/2029	2,944,717	2,998,628	4.25
	BMWOT 2022-A A3	8/25/2026	1,582,219	1,567,538	5.04
	BMWOT 2023-A A3	2/25/2028	779,862	787,753	4.79
	BMWOT 2024-A A3	2/26/2029	3,864,413	3,930,087	4.48
	CARMX 2021-1 A3	12/15/2025	11,256	11,234	5.25
	CARMX 2021-2 A3	2/17/2026	129,654	128,889	5.34
	CARMX 2021-3 A3	6/15/2026	700,458	688,243	5.46
	CARMX 2022-2 A3	2/16/2027	1,136,728	1,125,498	5.22
	CARMX 2022-3 A3	4/15/2027	2,058,702	2,043,639	5.03
	CARMX 2022-4 A3	8/16/2027	2,878,411	2,888,904	4.98
	CARMX 2023-3 A3	5/15/2028	3,199,963	3,231,328	4.71
	CARMX 2023-4 A3	7/17/2028	599,882	613,158	4.81
	CARMX 2024-1 A3	10/16/2028	8,234,370	8,296,186	4.60
	CARMX 2024-2 A3	1/16/2029	2,367,596	2,413,601	4.63
	CARMX 2024-3 A3	7/16/2029	5,699,743	5,762,244	4.52
	CARMX 2032-2 A3	1/18/2028	6,029,359	6,053,336	4.81
	CARMX 2032-2 A3	1/18/2028	1,606,875	1,606,370	4.80
	CCCIT 2023-A1 A1	12/8/2027	584,927	589,101	4.65
	CHAIT 2023-1 A	9/15/2028	1,627,938	1,625,658	4.38
	CHAIT 2023-1 A	9/15/2028	11,146,566	11,352,014	4.34
	CHAIT 241 A	1/16/2029	3,259,504	3,283,994	4.31
	CITZN 2023-1 A3	1/18/2028	2,299,620	2,326,358	5.06

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	CMXS 2024-A A3	11/15/2028	2,279,966	2,311,966	4.75
	COMET 2022-2 A	5/17/2027	1,454,767	1,439,650	5.06
	COMET 2022-3 A	10/15/2027	795,469	801,944	4.77
	COMET 2022-3 A	10/15/2027	701,641	701,133	4.85
	COMET 2023-1 A	5/15/2028	3,470,195	3,498,495	4.49
	COPAR 2021-1 A3	9/15/2026	455,031	446,708	4.78
	COPAR 2022-1 A3	4/15/2027	1,069,532	1,055,976	4.95
	COPAR 2022-2 A3	5/17/2027	1,321,121	1,308,307	4.89
	CRVNA 23P2 A3	4/10/2028	2,181,939	2,210,318	4.96
	DCENT 2022-2 A	5/17/2027	2,674,783	2,643,569	5.06
	DCENT 2022-3 A	7/15/2027	3,029,624	2,996,973	4.88
	DCENT 2022-4 A	10/15/2027	1,605,000	1,604,915	4.80
	DROCK 2023-1 A	2/15/2029	75,234	74,957	4.80
	FITAT 2023-1 A3	8/15/2028	2,649,836	2,678,276	4.93
	FORDF 2024-1 A1	4/15/2029	2,599,488	2,650,440	4.55
	FORDF 231 B	5/15/2028	568,621	579,152	4.92
	FORDO 2022-A A3	6/15/2026	279,911	275,865	5.06
	FORDO 2022-B A3	9/15/2026	491,502	488,216	5.18
	FORDO 2023-B A3	5/15/2028	1,434,981	1,448,102	4.67
	FORDO 2024-B A3	4/15/2029	3,264,970	3,320,244	4.41
	GALC 2022-1 A3	9/15/2026	3,699,362	3,702,849	5.02
	GALC 241 A3	1/18/2028	2,799,516	2,826,824	4.47
	GFORT 231 A1	6/15/2028	3,275,385	3,344,418	4.60
	GMALT 2024-1 A3	3/22/2027	1,714,786	1,724,724	4.68
	GMCAR 2021-4 A3	9/16/2026	765,761	751,775	4.95
	GMCAR 2022-1 A3	11/16/2026	945,034	929,134	5.03
	GMCAR 2022-2 A3	2/16/2027	785,706	776,244	5.15
	GMCAR 2022-3 A3	4/16/2027	1,303,571	1,292,265	5.05
	GMCAR 2023-2 A3	2/16/2028	664,982	663,111	4.74
	GMCAR 2023-4 A3	8/16/2028	939,807	959,364	4.68
	GMCAR 2024-1 A3	12/18/2028	2,964,404	2,989,017	4.49
	GMCAR 2024-2 A3	3/16/2029	1,269,754	1,287,348	4.51
	GMCAR 243 A3	4/16/2029	1,894,708	1,925,699	4.49
	GTE 2023-1 A3	3/15/2028	2,199,815	2,198,284	4.86
	HALST 24A A3	3/15/2027	1,794,660	1,803,831	4.79
	HALST 24B A3	5/17/2027	1,964,945	1,992,019	4.53
	HAROT 2021-4 A3	1/21/2026	885,326	871,265	5.32
	HAROT 2022-1 A3	5/15/2026	555,215	546,652	5.28
	HAROT 2022-2 A3	7/20/2026	1,231,594	1,221,863	5.18
	HAROT 2023-4 A3	6/21/2028	599,894	611,580	4.62
	HAROT 2024-3 A3	3/21/2029	5,224,179	5,248,774	4.42
	HART 2021-B A3	1/15/2026	349,818	348,128	5.34
	HART 2021-C A3	5/15/2026	270,324	267,142	5.10
	HART 2022-A A3	10/15/2026	1,414,075	1,393,002	5.43
	HART 2022-B A3	11/16/2026	1,143,594	1,133,999	5.27
	HART 2022-C A3	6/15/2027	6,804,967	6,831,880	4.95
	HDMOT 2022-A A3	2/16/2027	1,161,857	1,150,860	5.14
	HDMOT 2023-A A3	12/15/2027	1,639,835	1,642,214	4.97
	HUNT 241 A3	1/16/2029	4,224,843	4,294,332	4.61
	JDOT 2021 A3	9/15/2025	88,951	88,776	3.96
	JDOT 2022 A3	9/15/2026	926,264	913,007	5.36
	JDOT 2022-C A3	6/15/2027	3,712,339	3,716,117	5.03
	JDOT 2024 A3	11/15/2028	1,254,930	1,270,336	4.41
	KCOT 2021-1 A3	8/15/2025	51,998	51,863	5.32
	KCOT 2022-1 A3	10/15/2026	1,828,005	1,801,592	5.12
	KCOT 2023-1 A3	6/15/2027	6,743,944	6,769,349	4.78
	KCOT 2024-2 A2	4/15/2027	899,898	907,434	4.55
	KCOT 212 A3	11/17/2025	352,087	348,456	5.64
	KCOT 222 A3	12/15/2026	2,166,002	2,151,300	5.18
	KCOT 232 A3	1/18/2028	3,029,235	3,062,300	4.76
	KCOT 241 A3	7/17/2028	4,039,842	4,103,186	4.60
	MBALT 2024-A A3	1/18/2028	1,319,846	1,343,773	4.36
	MBART 2022-1 A3	8/16/2027	3,582,115	3,590,204	5.02
	MBART 2023-1 A3	11/15/2027	729,912	727,744	4.88
	NAROT 2022-B A3	5/17/2027	1,466,743	1,461,031	4.98
	NAROT 2023-A A3	11/15/2027	3,299,417	3,307,260	4.78
	NAROT 2023-B A3	3/15/2028	2,799,432	2,849,280	4.85
	NART-24A-A3	12/15/2028	2,629,754	2,674,552	4.17
	NAVMT 231 A	8/25/2028	3,035,968	3,068,810	5.07
	NAVMT 241 A	4/25/2029	2,514,663	2,545,935	4.86
	NMOTR 24B A	2/15/2029	1,699,887	1,721,284	4.55
	ODART 2021-1 B	7/14/2028	798,188	854,523	4.39
	PFSFC 24B A	2/15/2029	616,797	631,438	4.55
	PILOT 241 A3	11/22/2027	749,918	750,848	4.75
	SBALT 23A A3	4/20/2027	3,309,545	3,363,556	4.91
	SBALT 23A A4	4/20/2028	2,044,375	2,055,960	4.80
	SBAT 24A A3	12/15/2028	4,199,391	4,226,502	4.96
	SDART 2023-3 A3	10/15/2027	1,399,842	1,403,178	5.33
	TAOT 2021-D A3	4/15/2026	417,181	410,803	5.25
	TAOT 2022-B A3	9/15/2026	835,452	825,203	5.25

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	TAOT 2022-C A3	4/15/2027	2,813,414	2,850,580	4.91
	TAOT 2022-D A3	9/15/2027	4,799,526	4,827,216	4.78
	TAOT 2023-A A3	9/15/2027	775,000	773,814	4.83
	TAOT 2023-B A3	2/15/2028	1,894,894	1,895,246	4.75
	TAOT 2023-D A3	8/15/2028	2,385,301	2,428,290	4.52
	TEVT 2023-1 A3	6/20/2028	1,005,625	1,011,970	4.80
	TEVT 2023-1 A3	6/20/2028	671,650	672,283	4.86
	TLOT 2024-A A3	4/20/2027	999,958	1,009,440	4.53
	USAOT 24A A3	3/15/2029	814,847	824,438	4.97
	VALET 2021-1 A3	6/22/2026	390,507	385,277	5.53
	VWALT 2022-A A3	7/21/2025	69,538	69,433	6.40
	VWALT 2024-A A3	6/21/2027	4,799,598	4,863,072	4.42
	VZMT 2024-4 B	6/20/2029	779,875	788,291	4.83
	WFCIT 2024-1 A	2/15/2029	2,680,915	2,683,490	4.39
	WFCIT 2024-1 A	2/15/2029	6,946,823	7,071,290	4.29
	WFLOOR 241 A1	2/15/2028	999,872	1,009,040	5.26
	WLAKE 2023-1 A3	1/18/2028	1,599,921	1,598,432	5.46
	WLAKE 2023-2 A3	2/16/2027	3,799,858	3,810,640	5.34
	WLAKE 223 A3	7/15/2026	2,287,524	2,287,231	5.65
	WOART 2021-D A3	10/15/2026	506,882	498,657	5.21
	WOLS 2024-A A3	10/15/2027	799,932	812,360	4.41
	SUB-TOTAL		300,960,877	303,127,348	
	<u>Municipal Debt</u>				
	ALABAMA FED AID HWY FIN AUTH SPL OBLIG REV	9/1/2027	1,349,172	1,401,366	4.00
	BURBANK GLENDALE PASADENA ARPT AUTH CALIF ARPT REV	7/1/2028	1,500,000	1,540,935	4.34
	CALIFORNIA ST PUB WKS BRD LEASE REV	4/1/2027	1,510,000	1,527,788	4.43
	CALIFORNIA ST PUB WKS BRD LEASE REV	11/1/2026	1,600,000	1,634,704	4.48
	CALIFORNIA ST PUB WKS BRD LEASE REV	4/1/2026	1,135,000	1,140,562	4.67
	FLORIDA ST BRD ADMIN FIN CORP REV	7/1/2025	1,025,000	995,900	4.76
	GOLDEN ST TOB SECURITIZATION CORP CALIF TOB SETTLE	6/1/2025	2,120,000	2,066,131	4.88
	LOS ANGELES CALIF CMNTY COLLEGE DIST	8/1/2026	2,170,000	2,193,718	4.38
	LOS ANGELES CALIF MUN IMPT CORP LEASE REV	1/1/2025	1,600,000	1,532,480	4.70
	MASSACHUSETTS (COMMONWEALTH OF)	7/15/2027	764,544	788,091	4.00
	MASSACHUSETTS (COMMONWEALTH OF)	11/1/2026	431,068	454,353	4.06
	REDONDO BEACH CALIF CMNTY FING AUTH LEASE REV	5/1/2026	1,495,000	1,415,571	4.67
	RIVERSIDE CNTY CALIF INFRASTRUCTURE FING AUTH LEAS	11/1/2024	1,810,000	1,798,253	4.72
	SAN FRANCISCO (CITY & COUNTY) PUBLIC UTILITIES COM	10/1/2027	4,230,000	4,269,551	4.32
	WISCONSIN ST GEN FD ANNUAL APPROPRIATION REV	5/1/2027	2,276,950	2,267,029	4.20
	WISCONSIN ST GEN FD ANNUAL APPROPRIATION REV	5/1/2027	841,263	839,826	4.10
	WISCONSIN ST GEN FD ANNUAL APPROPRIATION REV	5/1/2026	1,240,000	1,241,116	4.30
	SUB-TOTAL		27,097,996	27,107,373	
	<u>Supranationals</u>				
	INTER-AMERICAN DEVELOPMENT BANK	5/15/2026	5,069,553	5,132,385	4.11
	INTER-AMERICAN DEVELOPMENT BANK	9/23/2024	6,764,990	6,751,856	4.70
	INTERNATIONAL FINANCE CORP	1/15/2027	4,938,847	5,001,527	3.96
	SUB-TOTAL		16,773,390	16,885,769	
	SHORT-TERM PORTFOLIO - TOTAL		\$ 2,136,677,591	\$ 2,158,788,332	
BOND PROCEEDS PORTFOLIO					
<u>NOTE</u>	<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>	<u>YIELD</u>
	<u>2021 Bond Anticipation Notes (BANs) - US Bank</u>				
	FIRST AMERICAN GOVERNMENT OBLIGATIONS FUND	N/A	55,643	55,643	4.91
	<u>91 EXPRESS LANES 2023 BONDS (US Bank COI)</u>				
	FIRST AMERICAN GOVERNMENT OBLIGATIONS FUND	N/A	2,626	2,626	4.91
	BOND PROCEEDS PORTFOLIO-TOTAL		\$ 58,270	\$ 58,270	
DEBT SERVICE RESERVE FUNDS					
<u>NOTE</u>	<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>	<u>YIELD</u>
	<u>91 EXPRESS LANES 2023 BONDS (US Bank DSF/DSRF)</u>				
	FIRST AMERICAN GOVERNMENT OBLIGATIONS FUND	N/A	5,214,668	5,214,668	4.91
	<u>91 EXPRESS LANES 2023 BONDS - OPERATING & MAINTENANCE RESERVES</u>				
	BANK DEPOSITS	N/A	216,567	216,567	0.00
	BMO HARRIS BANK NCD	4/4/2025	5,000,000	5,000,000	5.26
	BMO HARRIS BANK NCD	10/8/2024	3,000,000	3,000,000	5.16
	DEBT SERVICE RESERVE FUNDS - TOTAL		\$ 13,431,235	\$ 13,431,235	
TOTAL PORTFOLIO			Book Value	Market Value	
			\$ 2,544,030,349	\$ 2,566,696,815	

NOTE: 1. Variable or floating rate securities.



October 23, 2024

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Fiscal Year 2023-24 Fourth Quarter Budget Status Report

A handwritten signature in blue ink, appearing to read "Darrell E. Johnson", is written over the "From:" line and extends into the "Subject:" line.

Overview

Orange County Transportation Authority staff has implemented the fiscal year 2023-24 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the fourth quarter of fiscal year 2023-24.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2023-24 Budget on June 12, 2023. The approved budget itemized the anticipated revenues and expenses necessary to deliver OCTA's transportation programs and projects.

The balanced budget as approved by the Board in June was \$1.69 billion. Sources of funds were comprised of \$1.304 billion in current FY revenues and \$395 million in use of prior year designations. Uses of funds were comprised of \$1.651 billion of current FY expenditures and \$48 million of designations.

The Board has approved two amendments through the fourth quarter, increasing the expense budget by \$23.5 million. This increased the budget to \$1.722 billion as summarized in Table 1 on the following page.

Table 1 - Working Budget

Date	Description	Amount*
7/1/2023	Adopted Budget	\$ 1,698,470
10/9/2023	Independent Financial Audits of OCTA	965
11/27/2023	San Juan Creek Bridge Replacement Project	22,578
	<i>Subtotal Amendments</i>	23,543
	Total Working Budget	\$ 1,722,013

*in thousands

Discussion

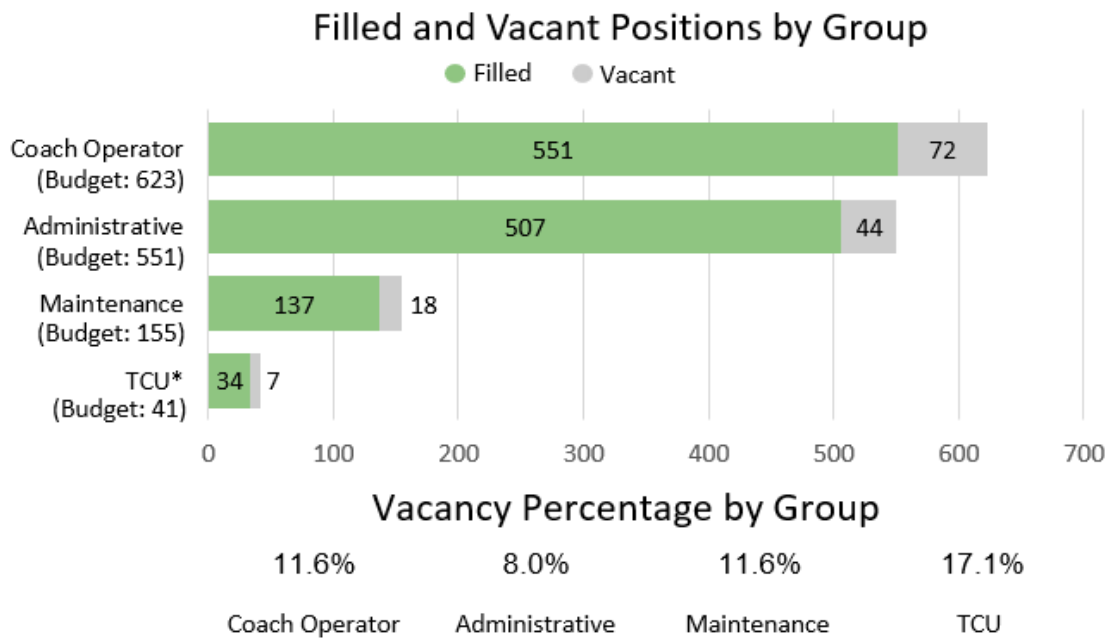
Staff monitors and analyzes revenues and expenditures versus the working budget. This report provides a summary level overview of staffing levels and explanations for material budget to actual variances within each pertinent OCTA program. The OCTA programs include Bus, Regional Rail, Express Lanes, Motorist Services, and Measure M2 (M2). A visual dashboard summary of this report is provided in Attachment A.

Unless indicated on an individual chart, the general color pattern used is outlined below:

- Gray – Budget
- Green – Within budget
- Yellow – Within five percent variance of budget
- Red – Over five percent variance of budget

Staffing

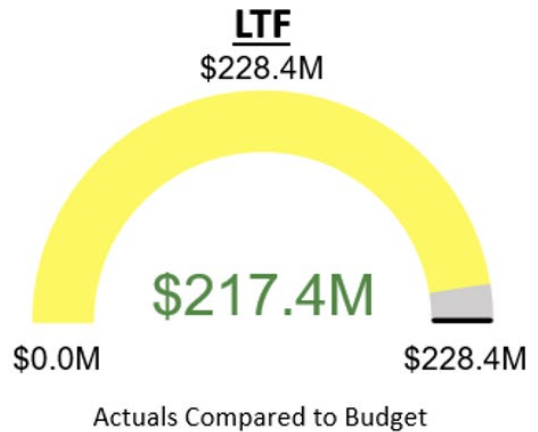
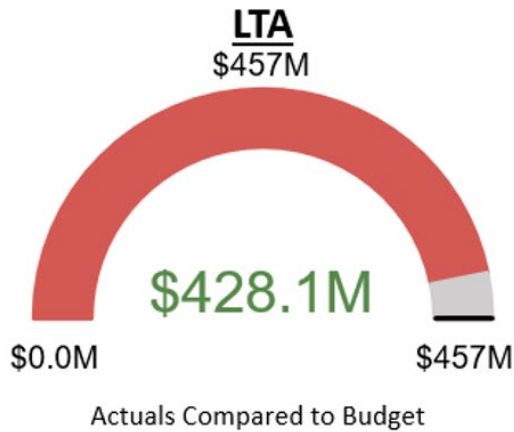
Total salaries and benefits were \$29.2 million under the budget of \$212.6 million. This is primarily due to staffing vacancies agency-wide and a one-time deferred compensation reconciliation payment, in the amount of \$8 million, that was budgeted for in FY 2023-24 but was expensed in FY 2022-23.



*TCU - Transportation Communications International Union

Sales Tax Receipts

The charts below provide a FY snapshot for both the Local Transportation Authority (LTA) M2 Program and Local Transportation Fund (LTF) Bus Program sales tax revenues against the budget. Sales tax receipts underperformed the budget through the fourth quarter. LTA sales tax receipts of \$428.1 million were \$28.9 million lower than the budget and LTF sales tax receipts of \$217.4 million were \$11 million lower than the budget.



Major Programs

Bus Program



Bus Program operating revenue of \$407.1 million was \$13.8 million above budget. This was primarily due to prior year revenues received in the current year for federal operating assistance and state assistance, in addition to OCTA receiving larger than anticipated interest income. However, that was offset by sales tax coming in lower than anticipated. Bus Program operating expenses of \$345.8 million were \$47.5 million under the budget. Staffing vacancies in the coach operator and administrative groups as well as the deferred compensation reconciliation payment contributed \$21.9 million to the underrun. In addition, there was an underrun of \$23.1 million primarily due to lower than anticipated expenditures on contracted services as well as recurring as-needed services and supplies, such as fuel, maintenance parts, and marketing efforts, which can vary based on need.



Bus Program capital revenue of \$156 million was \$74.4 million lower than budget. This is due to capital revenues associated to capital expenses which

came in lower than anticipated due to the timing of bus procurements and the Transit Security and Operations Center (TSOC) expenses, which have both been rebudgeted in FY 2024-25. Bus Program capital expenses were \$166.9 million lower than the budget of \$230.4 million primarily due to the timing of the procurement of fixed-route and paratransit vehicles, in the amount of \$79.9 million, which have been postponed until FY 2024-25. In addition, the TSOC project, budgeted for \$53.9 million, is in the process of procurement with expenditures anticipated to begin in FY 2024-25. Additionally, building improvements such as the metered electric switch gear, battery charging system, and others in the amount of \$14.6 million have been rebudgeted for the next FY.

Rail Program

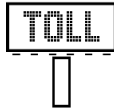


Rail Program operating revenue of \$80.7 million was \$8.6 million higher than the budget. This was primarily due to higher than anticipated interest earnings. Rail operating expenses came in \$18.5 million lower than budgeted. This was primarily due to costs for the Placentia Metrolink Station that did not occur due to ongoing negotiations with BNSF Railway. The remaining variance was due to a reduction in the Metrolink operating subsidy, due to the availability of federal operating revenues directly drawn by Metrolink.



Rail Program capital revenue of \$0.8 million was \$4.4 million lower than budgeted. This was primarily due to less than anticipated revenue reimbursements based on lower capital expenses through the fourth quarter. Rail capital expenses came in \$4.4 million lower than budgeted. This was primarily due to Metrolink drawing down additional external funds which lowered the contribution amount needed from OCTA to complete the design phase of the slope and drainage improvements for the Mission Viejo/Laguna Niguel project.

91 Express Lanes Program

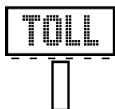


The 91 Express Lanes Program operating revenue of \$88.9 million exceeded the budget by \$22.3 million, primarily due to higher trip volumes than anticipated during budget development. Operating expenses of \$49.5 million were \$17.1 million lower than the budget of \$66.6 million, primarily due to the lower than anticipated expenses due to the timing and utilization of professional services.



The 91 Express Lanes Program capital revenue and expenses of \$27.2 million was \$3.1 million under budget. This was primarily due to the Electronic Toll and Traffic Management system, system maintenance and support, and the back-office system work not occurring at the time originally anticipated. These items have been rebudgeted in FY 2024-25.

405 Express Lanes Program



The 405 Express Lanes Program operating revenue of \$36.5 million under the budget by \$3.4 million, primarily due to lower than anticipated toll revenue due to a later start date than budgeted. Similarly, operating expenses of \$9.4 million were \$30.5 million lower than the budget of \$39.9 million, primarily due to the refinancing of the Transportation Infrastructure Finance and Innovation Act loan and Express Lanes service beginning later than budgeted.

Motorist Services Program

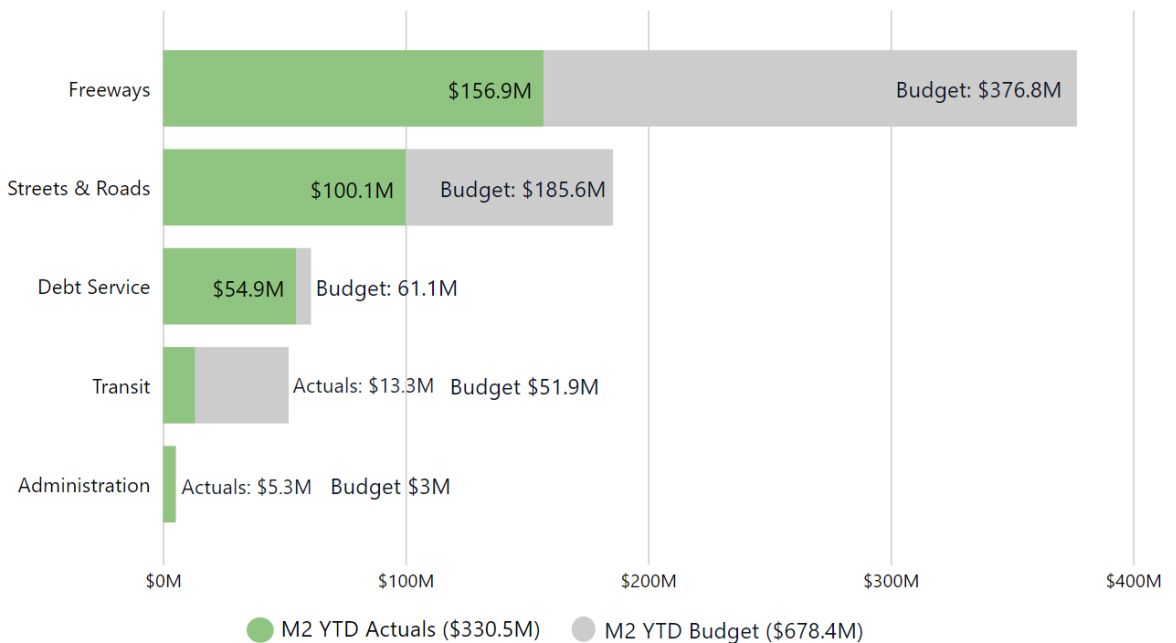


Motorist services operating revenue of \$13.4 million was \$1.2 million over budget. This was primarily due to OCTA receiving prior year SB 1 (Chapter 5, Statutes of 2017) revenues in the current FY. Operating expenses were \$0.6 million under the budget of \$12.2 million. This was primarily due to lower than budgeted contracted tow service costs for Freeway Service Patrol.

M2 Program



M2 Program Budget and Actuals by Mode



Total actual expenses of \$330.5 million for the M2 Program were \$347.9 million lower than the budget, primarily due to the timing of construction and right-of-way (ROW) payments for freeway projects including the State Route 55 (SR-55) freeway improvements (\$127.9 million), Interstate 405 (I-405) freeway project (\$49.5 million), and Interstate 5 (I-5) to El Toro freeway project (\$37.9 million). Additionally, the San Juan Creek Bridge replacement also contributed to the underrun (\$26.6 million) due to Metrolink awarding the contract later than anticipated. Lastly, lower than anticipated contributions to the county and cities for the Regional Capacity Program (\$47.7 million), Regional Traffic Signal Synchronization (\$33.3 million), and Community-Based Transit Circulators (\$8.6 million) contributed to the underrun.

Summary

Overall, revenue of \$1,660.6 million was \$61.4 million under budget. This was primarily due to lowered than anticipated sales tax receipts and capital revenue being tied to capital expenses which came in lower than anticipated for the timing of the procurement of fixed-route and paratransit vehicles, as well as the design and construction of the TSOC, which have been rebudgeted in FY 2024-25.

Operating expenses of \$509.2 million were \$305.2 million under budget, primarily due to the timing of expenses for freeway services, contributions to the county, cities, and local agencies for the Regional Capacity Program, San Juan Creek Bridge, and Regional Traffic Signal Synchronization. Additionally, contracted services, as-needed services and supplies, and paratransit services contributed to the underrun.

Capital expenses of \$252.2 million were \$442.8 million under budget, primarily due to the timing of construction and ROW expenses for the SR-55 Improvements, I-5 Santa Ana Project, and I-405 to El Toro Road improvements. In addition, the timing of procurement of revenue vehicles and the design and construction of the TSOC also contributed to the underrun.

Salaries and benefits of \$183.4 million underran the budget by \$29.2 million. This was primarily due to staffing vacancies in the coach operator and administrative groups as well as a one-time deferred compensation reconciliation payment, in the amount of \$8 million, that was budgeted in FY 2023-24 but was expensed in FY 2022-23.

Attachment

- A. FY 2023-24 Fourth Quarter Budget Status Summary

Prepared by:



Victor Velasquez
Department Manager,
Financial Planning and Analysis
(714) 560-5592

Approved by:



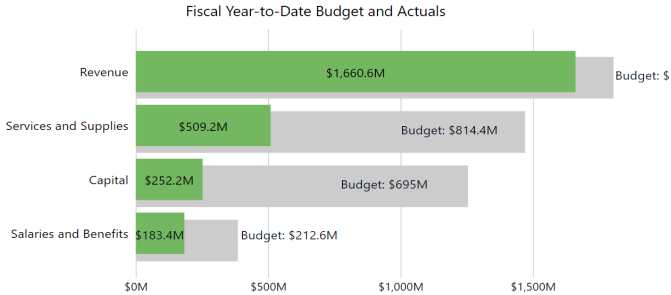
Andrew Oftelie
Chief Financial Officer,
Finance and Administration
(714) 560-5649



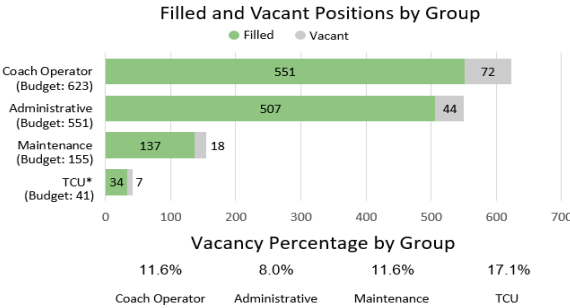
FY 2023-24 Fourth Quarter Budget Status Summary

● Budget ● Within Budget ● Within 5% Variance ● Over 5% Variance

Total Authority

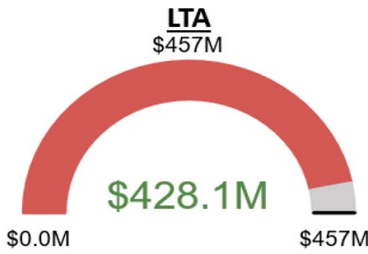


Staffing

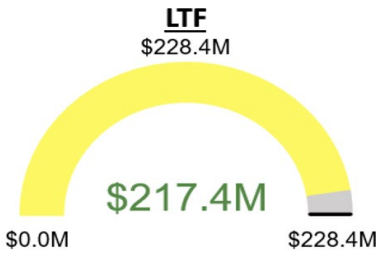


Sales Tax Receipts

Local Transportation Authority (LTA)



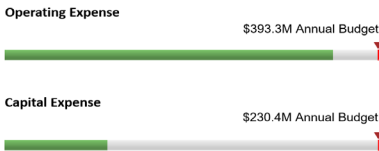
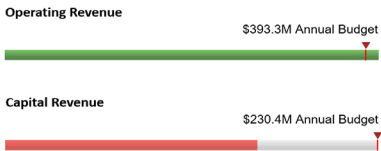
Local Transportation Fund (LTF)



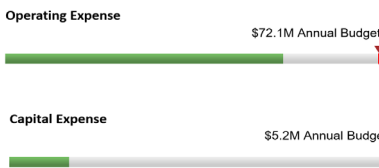
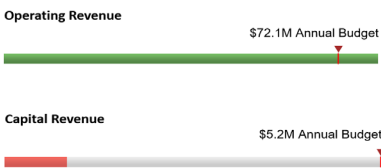
Major Operating Programs

Year-to-Date (YTD)

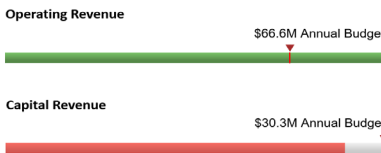
Bus Program



Rail Program



91 Express Lanes Program



405 Express Lanes Program



Motorist Services Program





October 23, 2024

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Excess Liability Insurance Renewal

A handwritten signature in blue ink, appearing to read "Darrell E. Johnson", is written over the "From:" line of the header.

Overview

The Orange County Transportation Authority procured excess liability insurance continuously from 1991 through 2020. Beginning in December 2020, the Orange County Transportation Authority became fully self-insured and has maintained that self-insurance since then.

Recommendations

- A. Authorize the Chief Executive Officer to establish a \$10 million self-insured retention for excess liability claims.
- B. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A59005, in the amount not to exceed \$960,000, to Marsh Risk and Insurance Services, Inc., to purchase a \$5 million excess liability insurance policy on behalf of the Orange County Transportation Authority for the policy period of November 1, 2024 to October 31, 2025.

Background

The Orange County Transportation Authority (OCTA) has been primarily self-insured for general liability claims since 1977 and had historically (1991 to 2020) purchased excess liability insurance above its self-insured retention (SIR) to provide financial protection against claim losses in excess of the SIR. Excess liability insurance protects against claim losses in excess of the primary layer of insurance coverage. In OCTA's case, the primary layer is OCTA's SIR, which has varied between \$4 and \$5 million between 2001 to 2019 and was \$7 million in 2020.

On November 23, 2020, when OCTA's excess liability policy came up for renewal, the Board of Directors (Board) declined to renew the policy due to the excess liability market conditions significantly increasing premium costs. OCTA

has been fully self-insured for liability since that date. Staff was directed to continue monitoring the excess liability insurance market to reconsider obtaining excess liability insurance at a future date. Due to continued unfavorable market conditions, the Board approved OCTA maintaining its self-insured status on November 21, 2021, and again on November 14, 2022.

Discussion

Staff has continued to monitor the excess liability market. In the fall 2023, OCTA staff requested its broker, Marsh, to initiate conversations with the excess liability market to gauge interest in providing OCTA excess liability insurance. The initial market response was very limited. As a result, OCTA and Marsh developed a strategic promotional effort to explain OCTA's operational model, risk profile, and loss history to distinguish OCTA from other public entity liability risks, including transit agencies. This effort lasted throughout the spring and summer of 2024 with OCTA receiving coverage and pricing proposals in September 2024.

While the excess liability market has not declined, it has stabilized, and OCTA faces greater operational risk with the post-pandemic combination of expanded services and increased ridership. To more effectively manage these risks, staff is recommending a two-layer approach to OCTA's liability insurance that includes both a self-insured retention component and a purchased insurance policy.

OCTA has an admirable safety record with only one loss in excess of \$4.5 million in the past ten years. However, with significant post-pandemic increases to both services and ridership, OCTA's risk profile has increased and one loss with circumstances adverse to OCTA could easily deplete OCTA's liability reserves. Staff is recommending that OCTA establish a \$10 million SIR. Retaining this level of SIR for day-to-day exposures with an excess insurance layer enables OCTA to reasonably protect itself from a catastrophic event while not putting its reserves at risk. Staff is also recommending OCTA purchase a \$5 million excess liability insurance policy.

The excess liability market has stabilized over recent years and while premiums have not returned to pre-2019 levels, market conditions, in combination with OCTA's high SIR and favorable loss record, make this an opportune time for OCTA to re-enter the excess liability market.

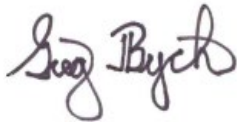
Summary

Staff has reassessed the excess liability market conditions, OCTA's retention, reserves, and risk profile and recommends OCTA establish a \$10 million self-insured retention and purchase a \$5 million excess liability insurance policy layer. The annual premium for this coverage is not to exceed \$960,000.

Attachment

None.

Prepared by:



Greg Bych
Risk Manager
714-560-5817

Approved by:



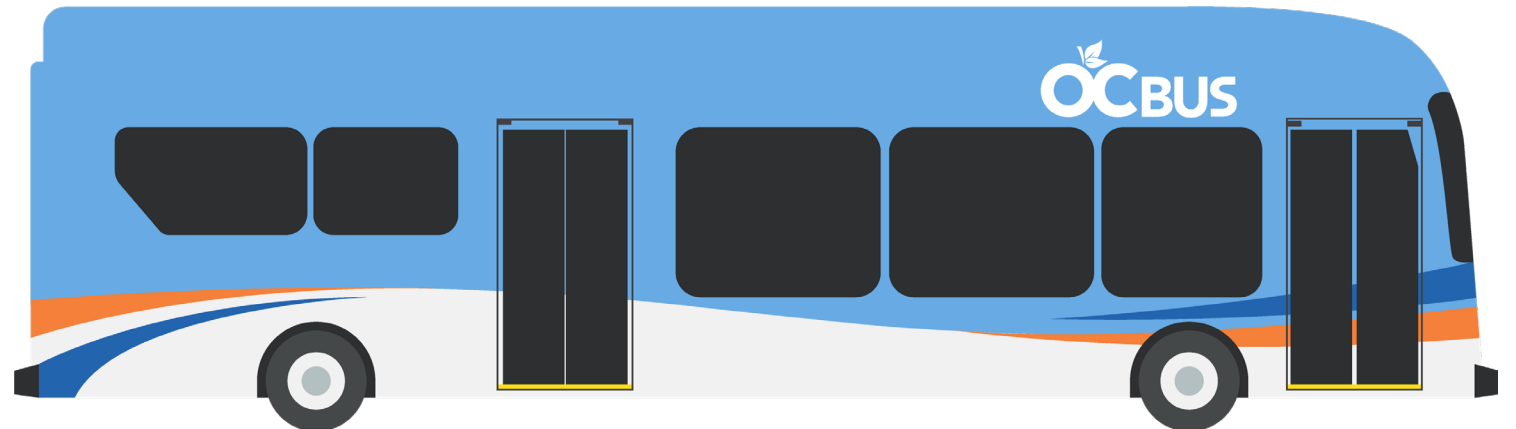
Maggie McJilton
Executive Director, People and
Community Engagement
714-560-5824



Pia Veesapen
Director Contracts Administration and
Materials Management
714-560-5619

Orange County Transportation Authority

Excess Liability Insurance Renewal





The Orange County Transportation Authority (OCTA) has historically purchased excess liability insurance above its self-insured retention (SIR) to provide financial protection against severe losses.



In November 2020, excess liability coverage was dropped due to high premium costs. Since then, OCTA has been fully self-insured for all general liability.



OCTA has a favorable loss history and has established fiscal policies to ensure funding of liability claims based on historical losses. Post-pandemic increases to services and ridership in conjunction with a litigious environment pose an increased risk to OCTA's ability to fund a catastrophic loss.

Proposed Excess Liability Structure



Establish a high SIR. Establishing a high SIR enables OCTA to effectively budget for and financially manage day-to-day operational exposures based on historical losses.



Procure an excess layer of liability insurance. Procuring an excess layer of insurance above the SIR reduces financial risk exposure to OCTA by protecting OCTA reserves in the event of a catastrophic event.



The excess liability insurance market has stabilized. With a high SIR and positive loss history, it's an opportune time for OCTA to re-enter the market.



Move away from a fully self-insured model for coverage of general liability exposures.



Establish a \$10 million self-insured retention for general liability.



Procure a \$5 million excess liability insurance policy to protect OCTA assets / reserves in the event of a catastrophic loss.