



Orange County Transportation Authority

Finance and Administration Committee Agenda

Wednesday, June 25, 2025 at 10:30 a.m.

Board Room, 550 South Main Street, Orange, California

Committee Members

Michael Hennessey, Chair
Patrick Harper, Vice Chair
Jamey M. Federico
William Go
Carlos A. Leon
Vicente Sarmiento
Mark Tettemer

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 access live streaming of the 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

Chair Hennessey

Closed Session

There are no Closed Session items scheduled.

Special Calendar

1. Taxable Sales Forecast - University of California, Los Angeles

Sam Kaur/Andrew Oftelie

Overview

Orange County Transportation Authority contracts with several economic specialists to provide an annual 30-year taxable sales forecast for Measure M2. The latest forecasts were received in Spring 2025. Jerry Nickelsburg, PhD, and William Yu, PhD, from University of California at Los Angeles Anderson Forecast will provide an update on the annual forecast and economic outlook for Orange County to the Finance and Administration Committee.

Attachments:

[Presentation](#)

Consent Calendar (Items 2 through 5)

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.

2. Approval of Minutes

Clerk of the Board

Recommendation(s)

Approve the minutes of the June 11, 2025 Finance and Administration Committee meeting.

Attachments:

[Minutes](#)

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

3. **Project Controls, Internal Audit Report 25-513**

Gabriel Tang/Janet Sutter

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of the Project Controls function within the Capital Programs Division. Based on the audit, project changes are properly documented and approved, invoices are properly reviewed and approved, and project master schedules, monthly progress reports, and capital action plans are timely prepared and distributed. One recommendation has been made to improve verification of consultant-billed labor hours.

Recommendation(s)

Direct staff to implement one recommendation provided in Project Controls, Internal Audit Report No. 25-513.

Attachments:

[Staff Report](#)

[Attachment A](#)

4. **Orange County Transportation Authority Internal Audit Department Fiscal Year 2025-26 Internal Audit Plan**

Janet Sutter

Overview

At the direction of the Orange County Transportation Authority Board of Directors, the Internal Audit Department develops and implements an annual risk-based internal audit plan. Implementation of an annual internal audit plan assists management in evaluating the effectiveness and efficiency of projects, programs, and operations, while ensuring that adequate controls and safeguards are in place to protect the Orange County Transportation Authority's assets and resources.

Recommendation(s)

- A. Approve the proposed Orange County Transportation Authority Internal Audit Department Fiscal Year 2025-26 Internal Audit Plan.
- B. Direct the Executive Director of the Internal Audit Department to provide quarterly updates on the Orange County Transportation Authority Internal Audit Department Fiscal Year 2025-26 Internal Audit Plan.

Attachments:

[Staff Report](#)

[Attachment A](#)

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

5. Fiscal Year 2024-25 Third Quarter Budget Status Report

Victor Velasquez/Andrew Oftelie

Overview

Orange County Transportation Authority staff have implemented the fiscal year 2024-25 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the third quarter of fiscal year 2024-25.

Recommendation(s)

Receive and file as an information item.

Attachments:

[Staff Report](#)

[Attachment A](#)

Regular Calendar

There are no Regular Calendar items scheduled.

Discussion Items

6. Public Comments

7. Chief Executive Officer's Report

8. Committee Members' Reports

9. Adjournment

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

10:30 a.m. on Wednesday, July 23, 2025

OCTA Headquarters

Board Room

550 South Main Street

Orange, California

The Economic Outlook and Orange County Taxable Sales

OCTA Briefing, June 25, 2025

Jerry Nickelsburg, Faculty Director
William Yu, Economist

UCLA Anderson Forecast

Trump Administration Economic Policy (Part 1)

❖ TARIFFS

❖ On who?

❖ Penalty & National Security Tariffs

- ❖ China
- ❖ EU



❖ Negotiating Tariffs

- ❖ Mexico
- ❖ Canada
- ❖ Denmark



❖ Price estimates of the 2018 tariffs & Smoot-Hawley Tariffs 1930

❖ Disruption estimates of negotiating tariffs

Trump Administration Economic Policy (Part 2)

❖ IMMIGRATION

❖ How fast?

- ❖ Logistics
- ❖ Legal challenges
- ❖ Diminishing returns

❖ What sectors

- ❖ Agriculture
- ❖ Non-durable goods manufacturing
- ❖ Health care and social services
- ❖ Leisure and hospitality
- ❖ Construction



THE FED QUANDRY

WILL THE FED LOWER RATES IN 2025, 2026, 2027?

We assume “no” because the uncertainties are too large

- Downside risk now due to weakening economy
- Upside risk from higher inflation & unanchoring of expectations

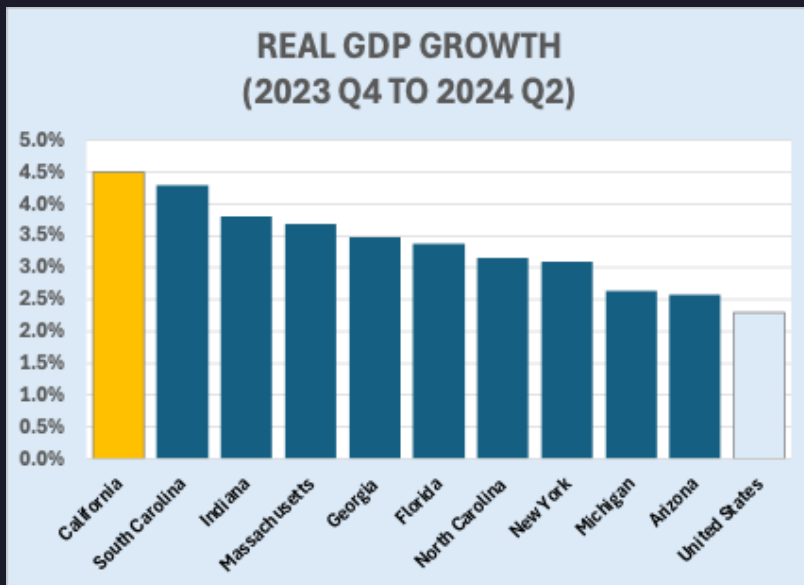


CALIFORNIA OUTLOOK

SOME WORRIESOME SIGNS



THE CALIFORNIA ECONOMY IS STILL GROWING BUT AT A SLOWER RATE

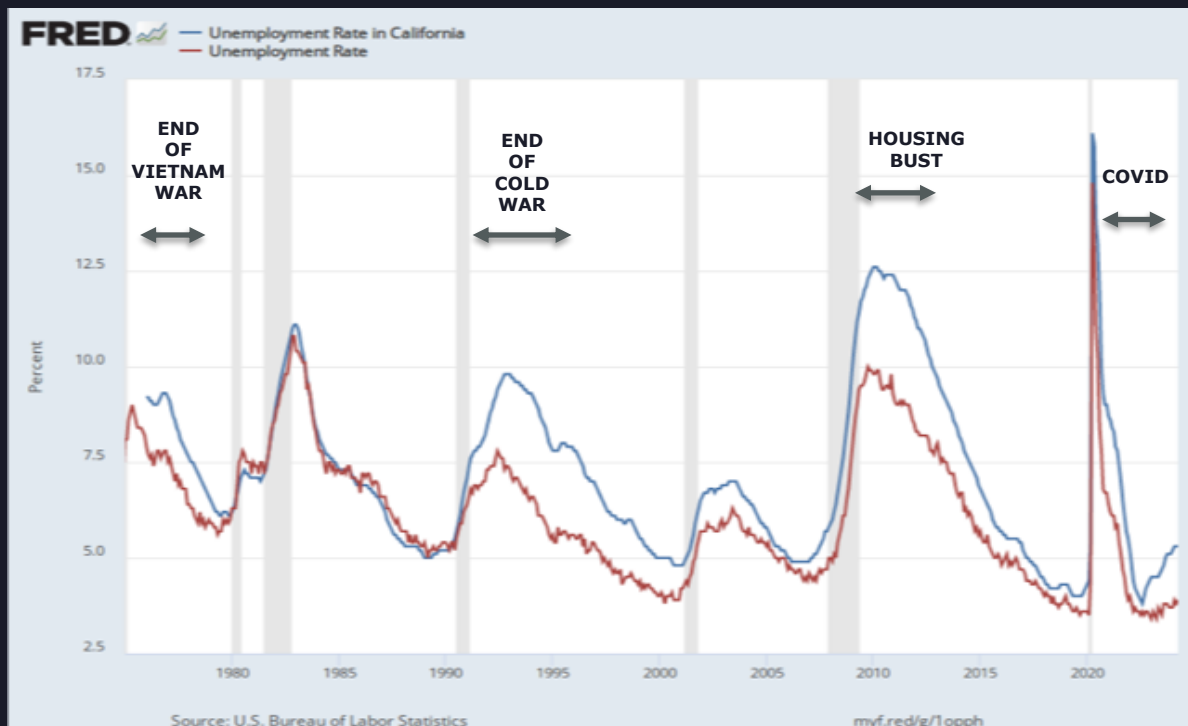


2024 Real GDP Growth

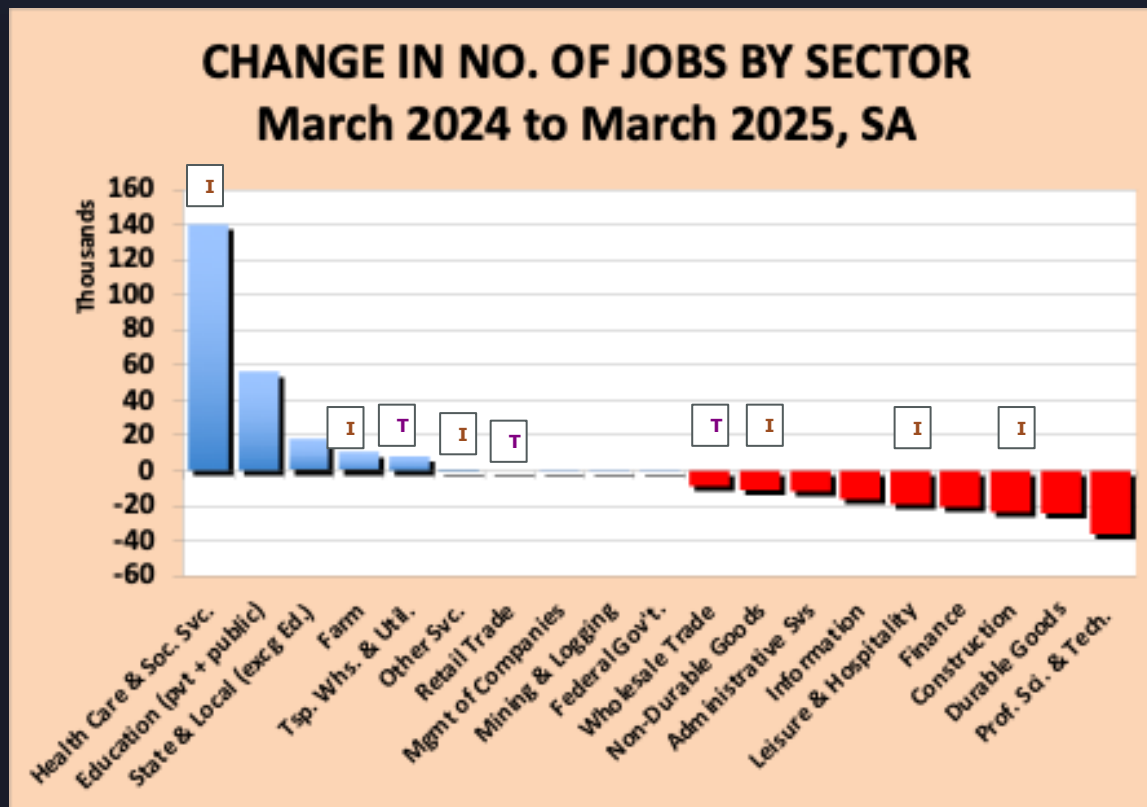
	CA	U.S.
Q1	6.3%	1.6%
Q2	2.8%	3.0%
Q3	3.1%	3.0%
Q4	1.4%	2.4%

April 2025 U-Rate
5.3% 4.2%

How unusual is the 1.1 differential?

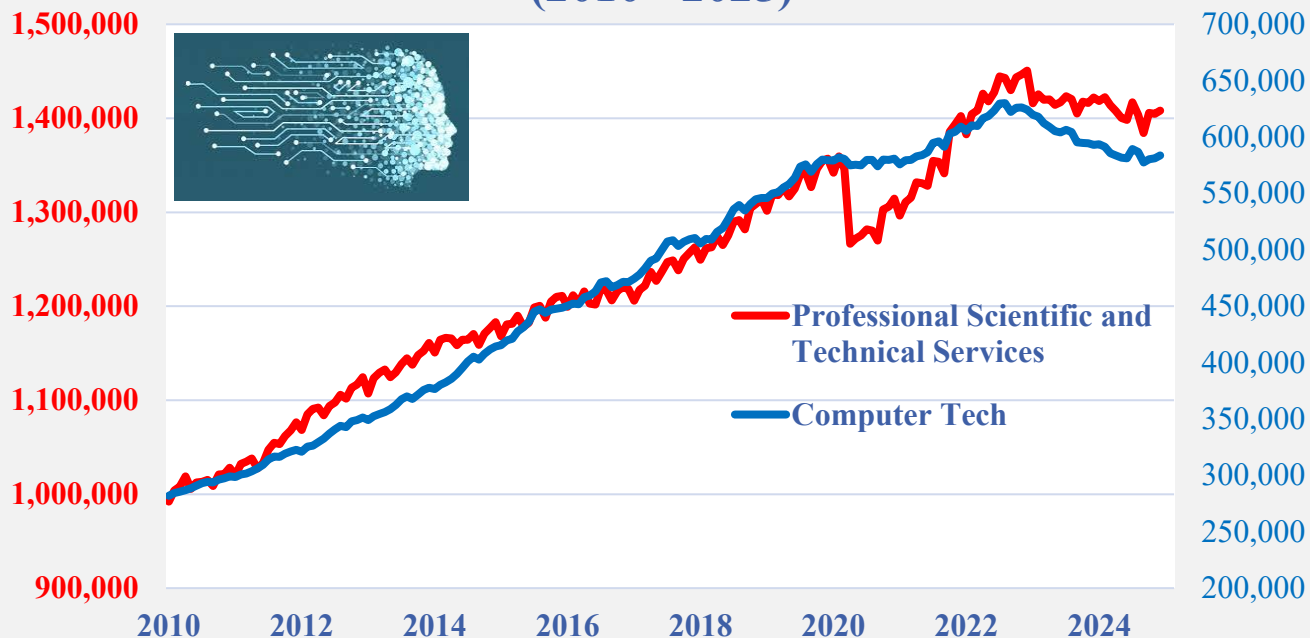


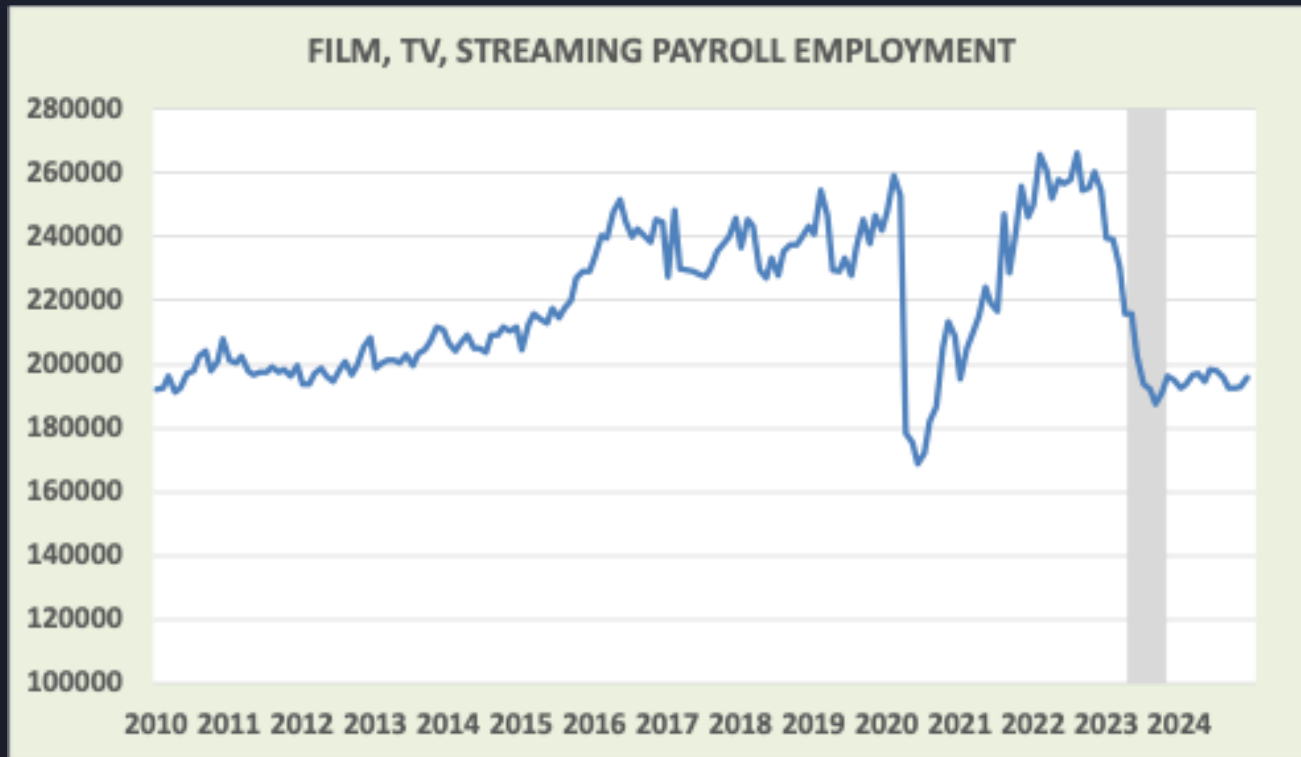
WHERE IS THE UNEMPLOYMENT? WHERE IS THE GROWTH?





TECHNOLOGY EMPLOYMENT IN CALIFORNIA (2010 - 2025)





Existing Single Family Home Sales
(Jan. 2016 to March 2025, SA)



**Limited inventory & high prices
should lead to a building boom**

California Housing Markets

CALIFORNIA MEDIAN SF HOME PRICE
(Jan. 2016 to March 2025, SA)

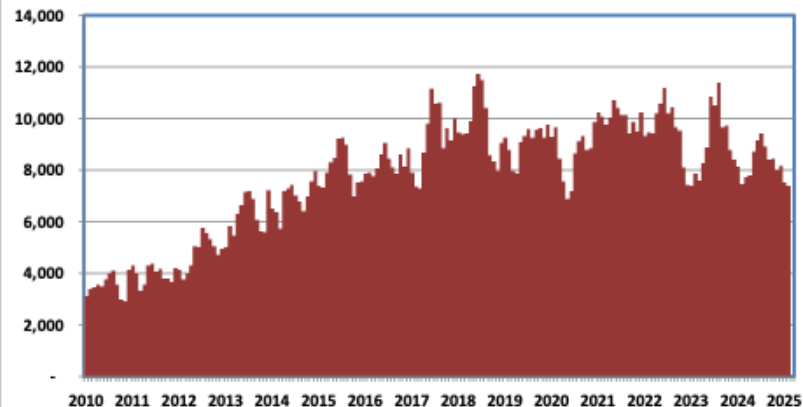


California Housing Markets: Labor Force Constraints

Residential Construction Payroll Jobs

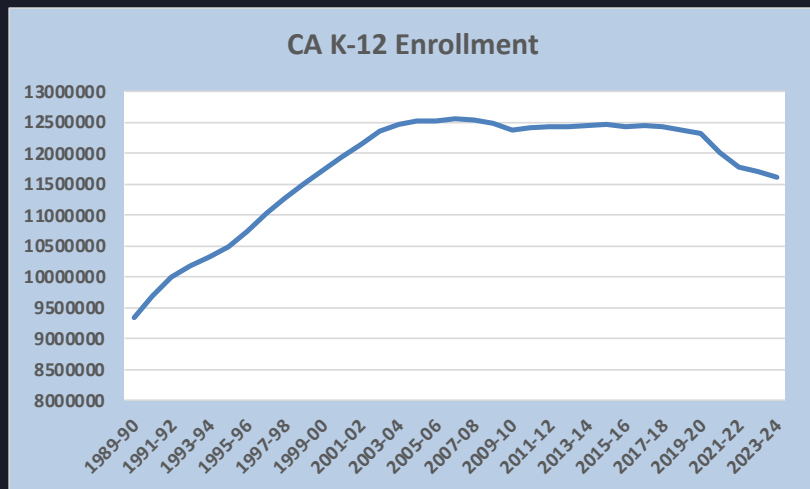


Monthly California New Residential Permits (3 Mo. Moving Average, No. of Units)



SECTORS OF CONCERN

EDUCATION



GIG WORK



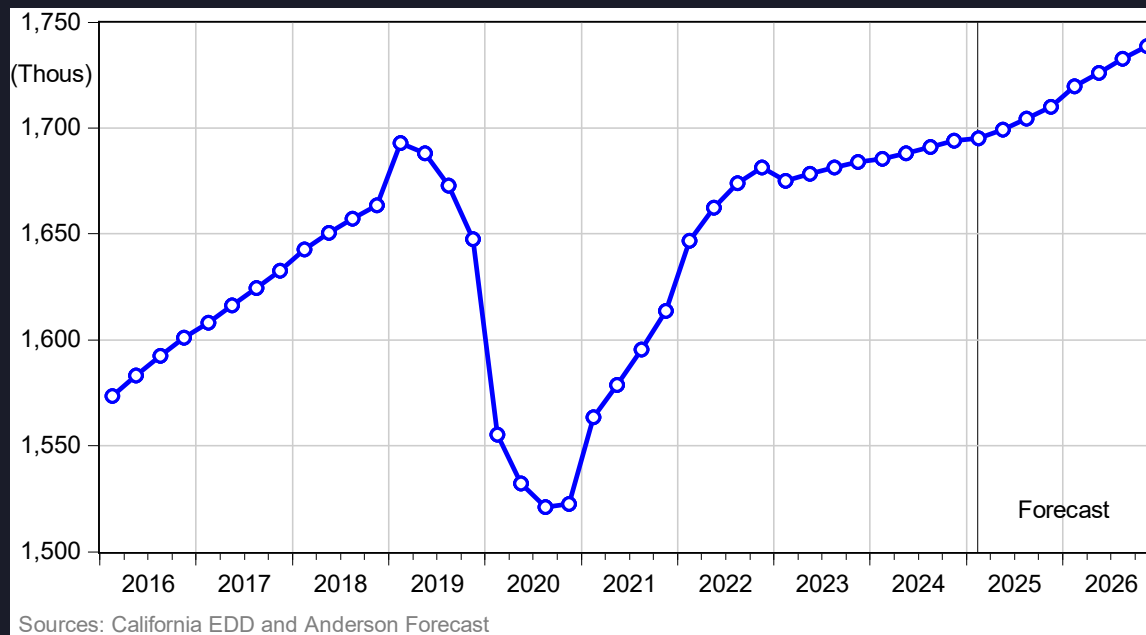
SUMMARY

- Manufacturing, Finance & Tech recovering in 2025/2026
- Agriculture & Construction ?
- Slower growth in 2025 & early 2026 accelerating thereafter

RISKS TO THE FORECAST

Size and Timing of Deportations
More Extensive Tariffs and Retaliation
Geopolitical
Disruption in the Federal Government

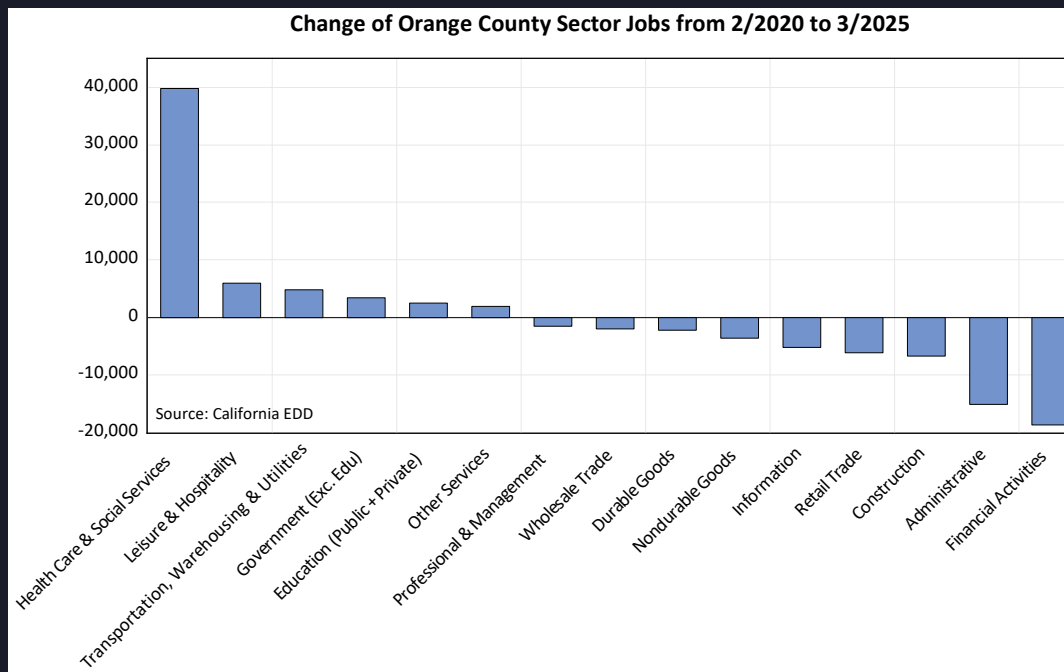
O.C. payroll job growth is forecast to slow in 2025 and accelerate in 2026



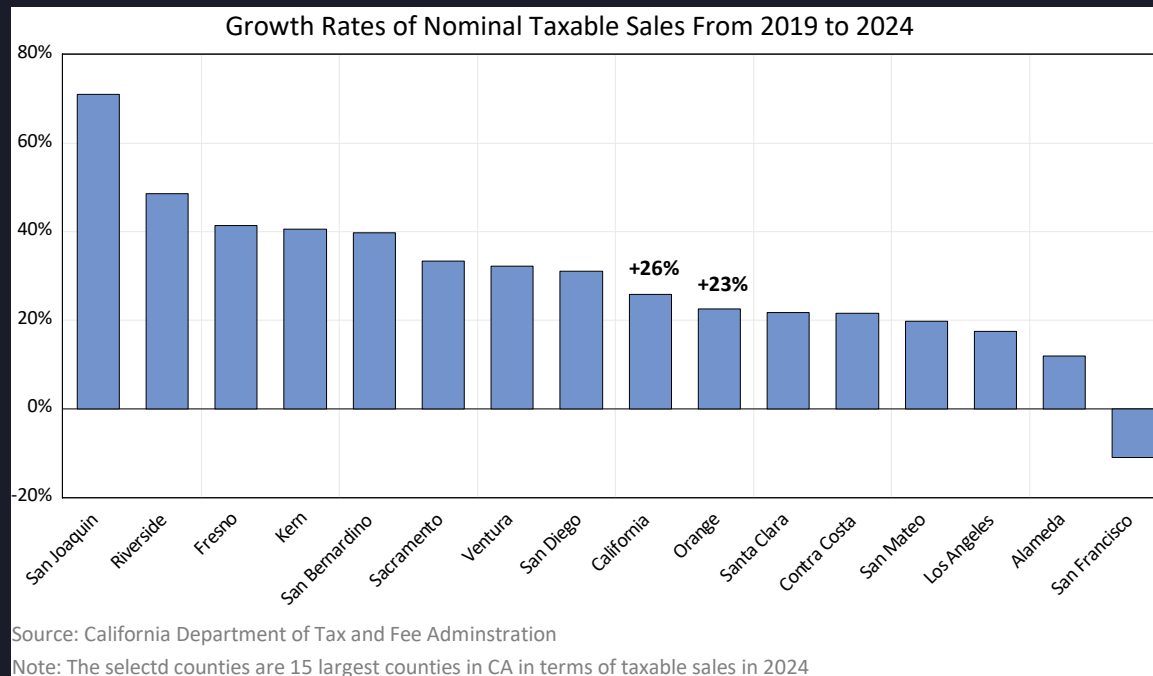
Payroll job growth:
2023: 0.8%
2024: 0.6%

Forecast:
2025: 0.7%
2026: 1.6%

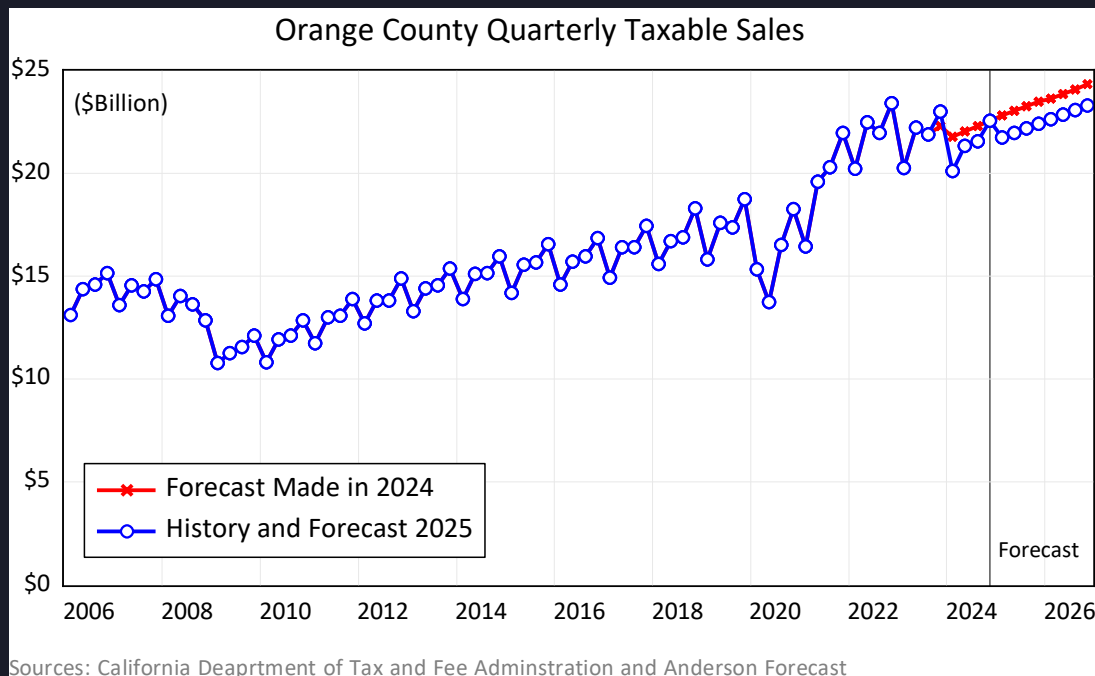
The job gains: health care, leisure & hospitality, transportation & warehousing
The job losses: construction, administrative services and financial activities



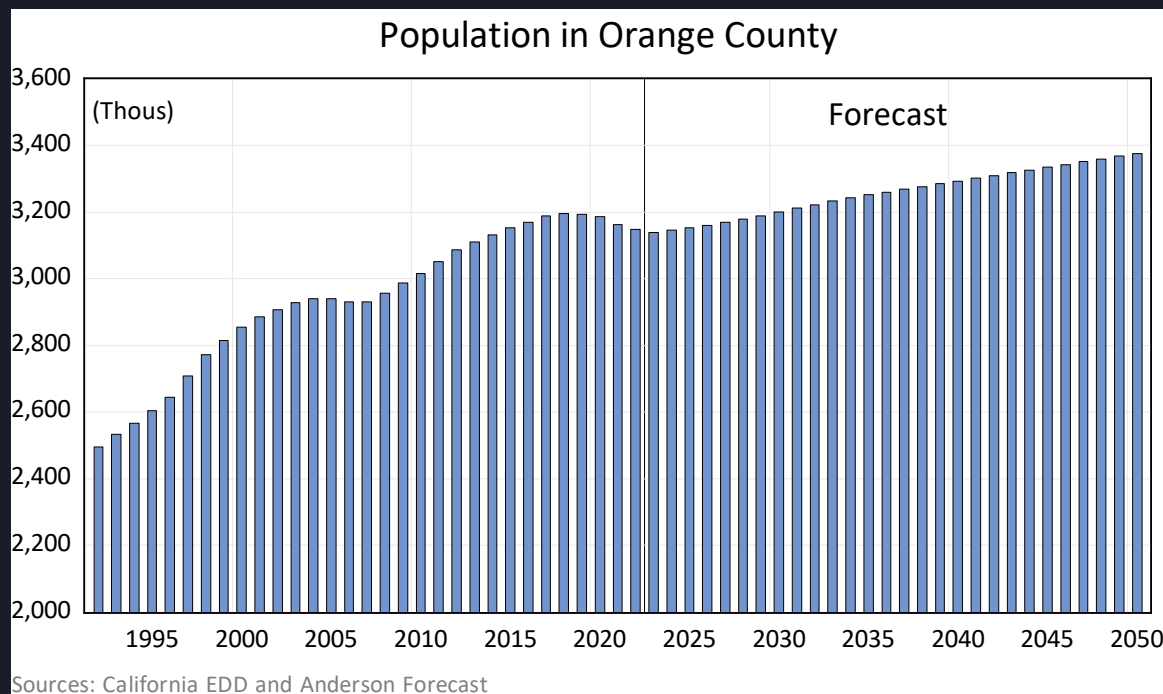
Inland counties had a higher growth of nominal taxable sales due to higher growths of jobs and population



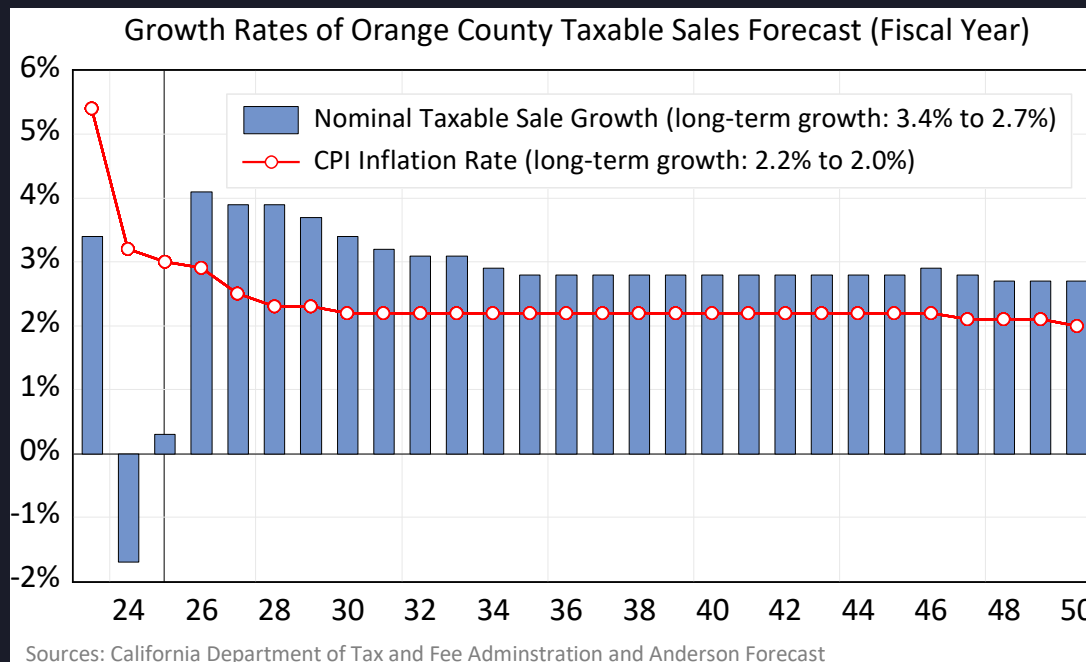
O.C. actual taxable sales in 2024 were lower than our forecast due to lower job growth and more out-migration



Population growth in O.C. is forecast to slow down to 0.15% in the next three decades



The long-term growth of O.C. taxable sales is forecast to slow to 2.8% in 2035 and to 2.7% by 2050



Orange County Summary

- Orange County's economy grew slightly slower than California's, reflecting weaker job and population growth.
- We forecast slower economic growth for Orange County in 2025 due to trade policy uncertainty, followed by a rebound in 2026.

**Committee Members Present**

Michael Hennessey, Chair
Patrick Harper, Vice Chair
Jamey M. Federico
William Go
Carlos A. Leon
Vicente Sarmiento
Mark Tettemer

Staff Present

Jennifer L. Bergener, Deputy Chief Executive Officer
Sahara Meisenheimer, Clerk of the Board Specialist
Gina Ramirez, Assistant Clerk of the Board
Andrea West, Clerk of the Board
Cassie Trapesonian, Assistant General Counsel
OCTA Staff

Committee Members Absent

None

Call to Order

The June 11, 2025 regular meeting of the Finance and Administration (F&A) Committee was called to order by Committee Chair Hennessey at 10:30 a.m.

Special Calendar**1. Taxable Sales Forecast – Chapman University**

Andy Oftellie, Chief Financial Officer, provided opening comments and introduced Raymond Sfeir, PhD, from Chapman University, who provided a PowerPoint presentation.

Following a discussion, no action was taken on this item.

Consent Calendar (Items 2 through 6)**2. Approval of Minutes**

A motion was made by Director Sarmiento, seconded by Director Leon, and declared passed by those present to approve the minutes of the May 28, 2025 Finance and Administration Committee meeting.

3. Declare Surplus Property for the Interstate 5 Improvement Project Between State Route 73 and Oso Parkway

A motion was made by Director Sarmiento, seconded by Director Leon, and declared passed by those present to:

- A. Declare a portion of the property located at the corner of Camino Capistrano and Avery Parkway in the City of Laguna Niguel, within the Interstate 5 Improvement Project between State Route 73 and Oso Parkway, Assessor Parcel No. 637-231-01, as surplus land pursuant to the Surplus Land Act (Government Code Section 54221 et seq.).



- B. Declare a portion of the property located at the corner of Marguerite Parkway and Avery Parkway in the City of Mission Viejo, within the Interstate 5 Improvement Project between State Route 73 and Oso Parkway, assessor parcel nos. 740-014-01 and 740-014-05, as surplus land pursuant to the Surplus Land Act (Government Code Section 54221 et seq.).
- C. Direct staff to seek potential buyers interested in the purchase of the surplus lands located within the Interstate 5 Improvement Project between State Route 73 and Oso Parkway in accordance with Surplus Land Act (Government Code Section 54221 et seq.) and the Real Property Policies and Procedure Manual, dated August 22, 2022.
- D. Direct staff to negotiate sales terms with potential buyers and return to the Board of Directors to recommend approval of the sale of the surplus land.

4. Orange County Transportation Authority Investment and Debt Programs Report – April 2025

A motion was made by Director Sarmiento, seconded by Director Leon to receive and file as an information item.

5. Environmental Mitigation Program Endowment Fund Investment Report for March 31, 2025

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

6. Third Quarter Fiscal Year 2024-25 Procurement Status Report

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

Regular Calendar

7. Reserve Policy Update

Sean Murdock, Director of Finance and Administration, provided a report on this item.

A motion was made by Director Federico, seconded by Committee Vice Chair Harper, and declared passed by those present to adopt the Proposed Reserve Policy dated June 23, 2025, and implement the policy in current and future financial plans.



Discussion Items

8. Public Comments

There were no public comments received.

9. Chief Executive Officer's Report

Jennifer L Bergener, Deputy Chief Executive Officer, reported that last night the Measure M Taxpayer Oversight Committee did find the Orange County Transportation Authority to be compliant with the Measure M transportation investment plan for the 34th consecutive year.

10. Committee Members' Reports

There were no Committee Members' Reports.

11. Adjournment

The meeting adjourned at 11:36 a.m.

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

10:30 a.m. on Wednesday, June 25, 2025

OCTA Headquarters

Board Room

550 South Main Street


Orange, California

ATTEST:


Sahara Meisenheimer
Clerk of the Board Specialist



June 25, 2025

To: Finance and Administration Committee  For

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director 
Internal Audit

Subject: Project Controls, Internal Audit Report 25-513

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of the Project Controls function within the Capital Programs Division. Based on the audit, project changes are properly documented and approved, invoices are properly reviewed and approved, and project master schedules, monthly progress reports, and capital action plans are timely prepared and distributed. One recommendation has been made to improve verification of consultant-billed labor hours.

Recommendation

Direct staff to implement one recommendation provided in Project Controls, Internal Audit Report No. 25-513.

Background

Project Controls (PC) acts as an essential support function to the Capital Programs Division by developing and monitoring project schedules, budgets, and progress reports for the various capital improvement projects, and by performing detailed reviews of consultant invoices to support documentation prior to review and authorization for payment by management.

Program management procedures establish program control practices and outline key responsibilities of PC and project management staff. PC staff compiles and distributes project master schedules and monthly progress reports, reviews and approves project change requests, performs review of consultant invoices, and prepares capital action plan reports that are presented to the Board of Directors (Board) on a quarterly basis.

The Capital Action Plan (CAP) report presented to the Board on February 10, 2025, reflected 35 Measure M2-funded projects and four freeway projects, totaling approximately \$6.28 billion. The CAP also included the status of nine grade separation projects totaling \$0.73 billion, and 13 rail and station projects totaling \$1.17 billion.

Discussion

Staff should obtain timesheets to verify the accuracy of labor hours billed. Acceptance of manually prepared, summary-level labor hour reports increases the risk of overpayments and decreases the ability for project managers to assess the reasonableness of the hours being charged. PC management indicated they accept directions from individual project managers as to what is acceptable support for labor hours billed. Internal Audit recommended PC staff require timesheets to support labor hours billed and require Capital Programs Executive Director approval, rather than individual project manager approval, for exceptions to invoice review requirements. Management agreed and will implement the recommendation.

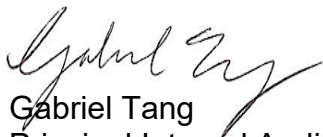
Summary

Internal Audit has completed an audit of the PC function within the Capital Programs Division and has offered one recommendation for improvement.

Attachment

- A. Project Controls, Internal Audit Report No. 25-513

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



Project Controls

Internal Audit Report No. 25-513

June 10, 2025



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

Janet Sutter for

Distributed to: Jim Beil, Executive Director, Capital Programs
Neepa Shah, Senior Manager, Project Controls

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Project Controls
June 10, 2025**

Table of Contents

Conclusion	1
Background	1
Objectives, Scope, and Methodology	2
Audit Comment, Recommendation, and Management Response.....	3
Labor Cost Support.....	3

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Project Controls
June 10, 2025

Conclusion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of Project Controls (PC). Based on the audit, project changes are properly documented and approved, invoices are properly reviewed and approved, and project master schedules, monthly progress reports, and capital action plans are timely prepared and distributed. One recommendation has been made to improve verification of consultant-billed labor hours.

Background

PC acts as an essential support function to the Capital Programs Division by developing and monitoring project schedules, budgets, and progress reports for the various capital improvement projects and by performing detailed reviews of consultant invoices to support documentation prior to review and authorization for payment by management.

Program management procedures establish program control practices and outline key responsibilities of PC and project management staff. Project master schedules are tracked and monitored within the Primavera system. PC staff compile project master schedules and prepare and distribute monthly progress reports for all active projects. The monthly progress reports provide summary data on the status of projects and highlight any changes made to project scope, budget, and/or schedule. Project managers request changes to the scope, budget, or schedule of a project using a Project Change Request form, which requires approval by the Capital Programs Director or Executive Director.

PC staff also perform reviews of invoices from highway project consultants and contractors, as well as invoices from OC Streetcar environmental and construction management consultants. Invoice reviews are documented using an Invoice Review Checklist which outlines items that are reviewed in accordance with the invoice review procedures, and includes the signatures of the staff involved, the appropriate account coding, and approval signatures as required by established payment authorization limits.

The Capital Action Plan (CAP) report is a summary of project master schedule information that is maintained and updated by the PC manager. The CAP is prepared and submitted quarterly to the Board of Directors (Board) at the first meeting in the second month following the status period cut-off.

The CAP presented to the Board on February 10, 2025, reflected 35 Measure M2 (M2) and four non-M2 freeway projects totaling approximately \$6.28 billion. The CAP also includes the status of nine grade separation projects totaling \$0.73 billion, and 13 rail and station projects totaling \$1.17 billion.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Project Controls
June 10, 2025

Objectives, Scope, and Methodology

The objectives were to assess and test operations of the PC function within the Capital Programs Division.

The methodology consisted of testing project change requests to determine proper documentation and approval in accordance with program management procedures, testing project master schedules and monthly progress reports to assess timeliness of preparation and distribution, testing quarterly CAP reports to the Board to assess timeliness and accuracy, and testing of payments to determine compliance with procedures, evidence of review, accuracy of review, and timeliness of payments.

The scope included all project change requests, monthly project master schedules, and monthly progress reports issued, and all quarterly CAP reports presented to the Board during the period July 1, 2022, through February 28, 2025. The scope also included verification of monthly report distribution emails during the period from March 1, 2023 through February 28, 2025. The scope also included a judgmental sample of invoices paid during the period from July 1, 2022 through March 31, 2025. The judgmental sample was selected to provide coverage of different types of projects. Since the sample was non-statistical, any conclusions are limited to the sample items tested. The scope did not include invoice reviews for OC Streetcar or rail/station projects that are performed by consultants reporting to the relevant project management group. The scope also did not include invoices from Mott MacDonald, LLP, as the contracts for their services are included in the audit plan as a separate audit.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe 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
Project Controls
June 10, 2025**

Audit Comment, Recommendation, and Management Response

Labor Cost Support

Staff should obtain time sheets to verify the accuracy of labor hours billed.

Testing identified two consultants that submit summary-level labor hour reports, rather than timesheets, to support labor hours billed. The summary-level payroll reports provided by one consultant are manually prepared, rather than system-generated. Acceptance of manually prepared, summary-level labor hour reports increases the risk of overpayments and decreases the ability for project managers to assess the reasonableness of the hours being charged.

Management stated that they accept directions from individual project managers as to what is acceptable support for labor hours billed.

Recommendation 1:

Internal Audit recommends staff obtain timesheets to support labor hours charged. Since PC functions as an independent control function, any exceptions to invoice review requirements should require approval of the Capital Programs Executive Director, rather than individual project managers.

Management Response:


Management agrees with the recommendation. While the current contract language for the two tested contracts does not explicitly mandate submission of timesheets with invoices, management recognizes the importance of this documentation for accountability and verification purposes. Under existing invoice review procedures for the Capital Programs Division, large consulting firms utilizing electronic timesheets and job-costing systems are allowed to submit automated payroll summary billing information. In alignment with the audit recommendation, PC staff will require vendors, consultants and their sub-consultants to submit timesheet backup with all future invoice submissions to support the accuracy of summary level labor hours invoiced.


Furthermore, PC serves as an independent control function and any exceptions to invoice review requirements will be elevated for approval by the Executive Director.



June 25, 2026

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer  For

Janet Sutter, Executive Director 
Internal Audit Department

Subject: Orange County Transportation Authority Internal Audit Department
Fiscal Year 2025-26 Internal Audit Plan

Overview

At the direction of the Orange County Transportation Authority Board of Directors, the Internal Audit Department develops and implements an annual risk-based internal audit plan. Implementation of an annual internal audit plan assists management in evaluating the effectiveness and efficiency of projects, programs, and operations, while ensuring that adequate controls and safeguards are in place to protect the Orange County Transportation Authority's assets and resources.

Recommendations

- A. Approve the proposed Orange County Transportation Authority Internal Audit Department Fiscal Year 2025-26 Internal Audit Plan.
- B. Direct the Executive Director of the Internal Audit Department to provide quarterly updates on the Orange County Transportation Authority Internal Audit Department Fiscal Year 2025-26 Internal Audit Plan.

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 and the Board of Directors (Board) in the discharge of their duties and responsibilities.

Discussion

Internal Audit is presenting the proposed Orange County Transportation Authority Internal Audit Department Fiscal Year 2025-26 Internal Audit Plan (Audit Plan) for Board approval. The Audit Plan was developed from an enterprise-wide risk assessment. The Audit Plan will be implemented using Internal Audit staff, on-call consultants, an independent financial audit firm, and other firms, as needed.

Fiscal Impact

The Audit Plan has been developed within the resources available in the adopted OCTA Fiscal Year 2025-26 Budget.

Summary

The Audit Plan has been developed to support the Board and OCTA management in the discharge of their duties and responsibilities to safeguard assets of OCTA, while ensuring those assets are used in an efficient and effective manner.

Attachment

- A. Orange County Transportation Authority Internal Audit Department Fiscal Year 2025-26 Internal Audit Plan

Authorized by:



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

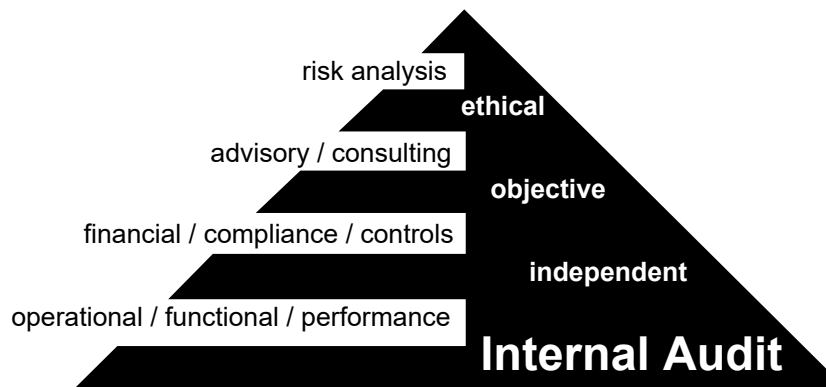
ORANGE COUNTY TRANSPORTATION AUTHORITY

Internal Audit Department



Fiscal Year 2025-26

Internal Audit Plan



Janet Sutter, CIA, CFE
Executive Director, Internal Audit
(714) 560-5591

550 South Main Street
P.O. Box 14184
Orange, CA 92863-1584

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2025-26
Internal Audit Plan

Table of Contents

Mission of the Internal Audit Department.....	1
Internal Audit Department Activities.....	1
Fiscal Year 2023-24 Accomplishments	3
Fiscal Year 2024-25 Goals.....	3
Internal Audit Organization.....	4
Internal Audit Plan Development	7
Conclusion	8
Risk Assessment by Program/Project/Contract/Function Fiscal Year 2025-26	Appendix A
Fiscal Year 2025-26 Internal Audit Plan	Appendix B

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2025-26
Internal Audit Plan

Mission of the Internal Audit Department

The mission of the Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) is to assist management and the Board of Directors (Board) in the effective discharge of their duties and responsibilities and to serve the public interest through the conduct of quality engagements. To this end, Internal Audit serves as an independent appraisal function to examine and evaluate OCTA's operations, activities, internal controls, compliance, opportunities, and risks.

Internal Audit Department Activities

Internal Audit is responsible for examining and evaluating the financial, administrative, and operational activities of OCTA, and supplying management with information to assist in its control of assets and operations for which it is responsible.

Internal Audit provides a wide range of auditing services, including annual financial and compliance audit oversight, operational reviews, compliance reviews, internal control assessments, investigations, pre-award and post-delivery Buy America reviews, and price reviews. In addition, all audits initiated by entities outside of OCTA are coordinated through Internal Audit.

Internal Audit measures the efficiency 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 the professional audit staff and for the department. The department-wide target includes all professional staff and the executive director. For fiscal year (FY) 2025-26, Internal Audit set a department-wide target productivity ratio of 75 percent and a professional audit staff productivity ratio of 80 percent. Because the executive director is required to regularly participate in non-audit management activities such as executive planning and committee meetings, the department ratio is set lower than that of the professional staff.

The Government Accountability Office (GAO) broadly defines audits as financial, attestation, or performance audits. Financial audits, including financial statement audits, are assessments of, and assurance about, an entity's financial condition, operating results, or other defined financial criteria. Attestation engagements are both financial and non-financial and result in varying degrees of assurances about specific subject matter. Agreed-upon procedures (AUP) engagements, performed by Internal Audit, are an example of attestation engagements, whereby Internal Audit applies procedures at the direction of the Contracts Administration and Materials Management (CAMM) Department related to contractor price proposals and procurements of federally funded revenue vehicles.

Internal Audit's efforts, however, are focused primarily on the third category of audits, performance audits, as defined by the GAO. Performance audit objectives vary widely and include review of internal controls, assessment of compliance with laws, regulations, contracts, policies and procedures, and assessment of program effectiveness, economy, and efficiency. To define the objectives of these performance audits more accurately, Internal Audit categorizes audit projects in a more descriptive manner as indicated below. It is

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2025-26
Internal Audit Plan

important to note, however, that most audit projects include objectives consistent with one or more of these audit types.

Compliance – Compliance audits are performed to ensure that the terms and conditions of contracts, grants, memorandums of understanding, or other agreements are being followed and that there is compliance with Board-adopted policies and procedures, management policies and procedures, and/or applicable regulatory requirements.

Price Review – Price reviews refer to the AUP reviews performed for architectural and engineering price proposals, or sole source proposals, to determine if proposed pricing is fair and reasonable. AUP reviews are also performed on single-bid procurements for the purpose of determining whether CAMM complied with policies and procedures to ensure a fair and competitive process. Procedures are performed based on a written agreement with CAMM.

Buy America Review – Buy America reviews refer to the pre-award and post-delivery AUP reviews of vehicle purchases in accordance with federal Buy America laws. The procedures are performed based on a written agreement with CAMM.

Financial - Financial audits focus on verification of financial transactions and balances. Financial audits include the financial statement audits of OCTA and related legal entities, as well as other attestation engagements performed by an independent certified public accounting firm, to ensure compliance with the Measure M2 (M2) Ordinance or other legally mandated requirements.

Internal Control – Internal control reviews are performed to assess whether controls in place are adequate to protect the assets and resources of OCTA and to ensure compliance with laws, regulations, and policies.

Operational - An operational audit is performed to evaluate current operating procedures to determine if they provide for an adequate control environment and to assess whether processes are efficient and effective ways to accomplish the goals of the project, program, or activity. Operational audits generally include elements of both an internal control review and a compliance review.

Internal Audit also performs other activities outlined in the OCTA FY 2024-25 Internal Audit Plan (Audit Plan) as follows:

Monitoring – These activities include providing information to the Audit Subcommittee of the Taxpayer Oversight Committee (TOC) to assist in their duty to exercise oversight of the expenditure of M2 funds, and observation of biennial capital asset inventory counts, as requested by management.

Follow-Up Activities – These activities are undertaken to determine whether audit recommendations have been implemented or otherwise satisfactorily addressed.

Investigations – Investigative activities are performed in response to a complaint or allegation received through OCTA's Fraud Hotline.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2025-26
Internal Audit Plan

Fiscal Year 2024-25 Accomplishments

- Conducted the annual risk assessment of OCTA and obtained Board-approval to execute the FY 2023-24 Internal Audit Plan on July 22, 2024. Implemented the plan and provided timely quarterly updates of progress and activities.
- Exceeded the department-wide productivity goal of 75 percent and exceeded the professional audit staff productivity goal of 80 percent.
- Completed 43 projects (to date); including 14 audits, 27 price reviews, and two Buy America reviews.
- Obtained the required triennial external quality assurance, or peer review, of Internal Audit, receiving an unqualified opinion from the Association of Local Government Auditors.
- Coordinated and issued all required annual, independent financial and AUP reviews using the services of Crowe, LLP. All reports were presented to the Board and, as applicable, submitted to the State Controller's Office and the California Department of Transportation.
- Provided administration of OCTA's Fraud Hotline and reviewed complaints received during the FY. Referred complaints to management, as appropriate, or conducted investigations and provided reports of any substantiated claims or internal control weaknesses identified during investigations. An initial response was provided to reporters within two business days.
- Provided assistance to the Audit Subcommittee of the TOC by coordinating meetings, providing information for selection of agencies for annual review of M2 spending, and providing communication of results of all M2-related audits.
- Evaluated and concluded that Internal Audit's system of quality management provides reasonable assurance that the objective of the system of quality management is being achieved.
- Procured a firm to conduct, and provided coordination of, the required State Triennial Reviews of OCTA, the Orange County Transit District, and Long Beach Municipal Transit Lines.

Fiscal Year 2025-26 Goals

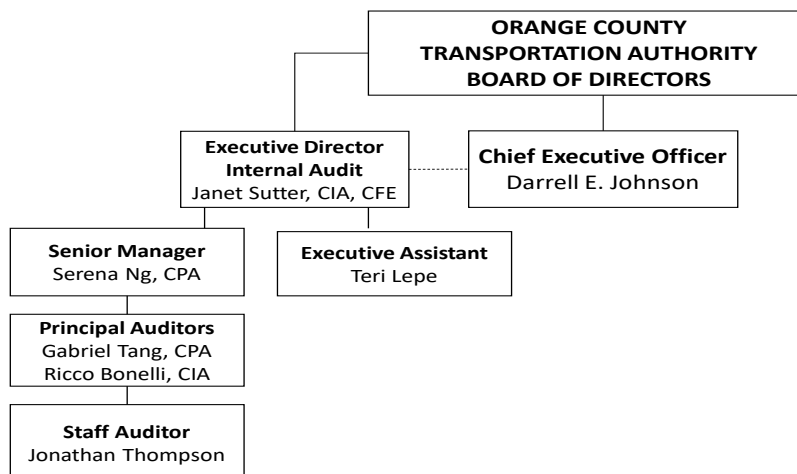
- Conduct the annual risk assessment of OCTA and obtain Board approval to execute the FY 2025-26 Internal Audit Plan by August 2025. Implement the plan and provide timely quarterly updates of progress and activities.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Fiscal Year 2025-26
Internal Audit Plan

- Achieve a department-wide productivity ratio of at least 75 percent and professional staff productivity ratio of at least 80 percent.
- Conduct AUP reviews, as requested by CAMM, of selected price proposals, single-bid proposals, and sole source proposals, and revenue vehicle purchases to determine compliance with Buy America laws.
- Provide administration of the OCTA Fraud Hotline, providing initial responses within two business days, and conducting investigations and/or referring matters, as appropriate.
- Assist the Audit Subcommittee of the TOC by coordinating meetings, providing information for selection of agencies for annual review of M2 spending, and providing communication of results of all M2-related audits.
- Evaluate and conclude whether the Internal Audit's system of quality management provides reasonable assurance that the objective of the system of quality management is being achieved.

Internal Audit Organization

Standards provide a framework for government auditors in the areas of transparency, independence, accountability, and quality. These standards require that auditors be independent in both mind and appearance with respect to the entities for which they perform audit services. Internal Audit has established policies and procedures to comply with the standards, and OCTA has established an internal audit function that is organizationally independent. As indicated below, Internal Audit reports functionally to the Board, and administratively to the Chief Executive Officer:



**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2025-26
Internal Audit Plan

Risk Assessment Process

It is the responsibility of OCTA management to identify, assess, and manage risk. It is Internal Audit's responsibility to facilitate the identification and assessment of risk, and to monitor and report on how well risks are being managed by OCTA. All organizations face risks, which are defined as those events, actions, or inactions that could cause key business objectives not to be achieved. To mitigate and manage these risks, an organization typically implements internal controls, anticipates and plans for disruptions, develops risk management programs, and engages in other risk mitigation activities.

The key business objective of OCTA is imbedded in its mission statement to "*Develop and deliver transportation solutions to enhance quality of life and keep Orange County moving.*" Developing and delivering these "*transportation solutions*" are several core business units of OCTA, including the Chief Executive Office, Operations, Finance and Administration, Planning, People and Community Engagement, Government Relations, and Capital Programs. These business units are supported by administrative functions, and all these services are delivered through a variety of projects, programs, and activities. With a budget exceeding \$1.73 billion, OCTA delivers transportation solutions through numerous channels with a variety of stakeholders, with the assistance of the private sector, and for the benefit of diverse customers.

Recognizing both the number and size of OCTA's projects, programs, and activities, as well as the constraints of Internal Audit resources, Internal Audit maximizes its effectiveness by engaging in an annual risk assessment process to establish the priorities of the department for the upcoming FY.

Risk Assessment Methodology

Internal Audit established the architecture of the risk assessment by first identifying all OCTA projects, programs, contracts, and functions (auditable entities). Internal Audit then identified six categories of risks and assigned weightings as follows:

Financial and Compliance Risks (20 percent) – The magnitude of financial exposure to OCTA and the degree of regulatory oversight and/or the volume of regulation with substantial fines, penalties, or other sanctions for noncompliance.

Security and Safety Risks (15 percent) – The impact of a security breach to OCTA customers, contractors, employees, or the public, and the degree of severity (catastrophic, significant, moderate, or minimal) resulting from incidents or accidents.

Operational and Strategic Risks (15 percent) – The impact of a disruption in the operation of this OCTA project or program on Orange County travelers, and the significance of this project or program to OCTA's strategic success.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Fiscal Year 2025-26
Internal Audit Plan

Image and Reputation Risks (15 percent) – The intensity of public interest and awareness, and the visibility of the project, program, or function to the media.

Complexity of Operations (15 percent) – The number of individuals, departments, contractors, information systems, and manual processes involved in the delivery of this project or program, and the degree to which transactions require professional judgment or technical expertise.

Time Since Last Audit (20 percent) – The length of time since the last audit or review was conducted and the results of that review.

Internal Audit then developed the following assigned ratings for each risk:

Risk Rating	Description
4.0 – 5.0	High Risk
3.0 – 3.9	Moderate to High Risk
2.1 – 2.9	Moderate Risk
1.6 – 2.0	Low to Moderate Risk
1.0 – 1.5	Low Risk

Following are examples of the risk assessment results for four different auditable entity types:

Auditable Entity	Risk Rating								Weighted Average Risk
	Audit History	Audit Requirement	Time Since & Results of Last Audit	Financial & Compliance Risk	Security & Safety Risk	Operational & Strategic Risk	Image & Reputation Risk	Complexity of Operations	
			20%	20%	15%	15%	15%	15%	
Project Controls	2025	No	1	5	1	4	2	4	3.2
Purchasing Cards	2024	No	1	1	1	2	4	1	1.6
ACCESS Eligibility	2023	No	1	4	3	4	5	3	3.3
Buy America Compliance		Yes	As Needed						N/A

Following the risk assessment of each of approximately 260 auditable entities within OCTA, Internal Audit summarized the results on the heat chart in Appendix A. The heat chart translates the numerical risk ratings of each auditable entity into a more visually appealing format. Auditable entities that require an audit, either by regulation, policy, or at the direction of the Audit Subcommittee of the TOC, are not risk-rated, and are reflected as “Required”.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2025-26
Internal Audit Plan

Internal Audit Plan Development

The Audit Plan, Appendix B, calls for approximately 8,700 Internal Audit hours, exclusive of vacation, sick, holiday, and continuing professional education hours. Of the 8,700 hours, approximately 2,000 relate to administrative activities, including Board and committee meeting attendance, Internal Audit staff meetings, and other administrative tasks. The purpose of including these hours is to monitor and measure Internal Audit's productivity.

The Audit Plan includes 500 hours for mandatory audit activities, including hours needed to coordinate, review, and report on the results of the required annual audits and AUP reviews, as well as any audits by external regulatory bodies. Approximately 540 hours are anticipated for internal audit projects and non-audit activities, such as the annual risk assessment and audit planning process, required quality assurance and self-assessment activities, administration and investigation of complaints received through OCTA's Fraud Hotline, and updates to audit policies, procedures, and workpaper templates.

The Audit Plan also includes 500 hours for price review services and 260 hours for Buy America review services. While requests for price reviews are unpredictable, this budget is based on both the extent of current procedures and the volume of requests in prior years. Hours for Buy America services assumes two requests for review will be received during the year.

The risk assessment developed by Internal Audit is the primary, but not absolute, means by which Internal Audit prioritizes and selects audit projects. There remain other factors that are not considered in the risk assessment. For example, some higher-risk auditable entities are not selected because the projects, systems, and/or contracts are in their infancy, and it would be more suitable to perform an audit after the project, system, and/or contract is better underway. Other higher-risk auditable entities are not selected due to Internal Audit's knowledge of related review activities, such as the Federal Triennial Review, the M2 Triennial Review, and the M2 Ten Year Review. Other subjective factors that affect the selection of audit projects include knowledge about external or regulatory auditor interest, project or program failures or successes, and consideration of the impact on individual departments and/or divisions.

The proposed Audit Plan includes audits to assess and test oversight, contract compliance, and invoice review controls related to contracts with Mott MacDonald LLP for highway project management and planning support services, Cabco Yellow Incorporated for provision of same-day taxi services, Trillium USA Company LLC for maintenance and operation of compressed natural gas facilities, and Mobility Management Partners for travel training services. An audit of oversight and contract compliance related to the State Route 55 Improvement Project is also included in the Audit Plan, as well as audits to assess compliance with the Brown Act and AB 1234 (Chapter 5, Statutes of 2017) provisions, and an audit of cost-sharing agreements with outside agencies for provision of transit services. Finally, operational audits of the construction safety program, bus marketing and promotions,

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2025-26
Internal Audit Plan

the Environmental Mitigation Program, warranty administration, the Commuter Club program, and the transit fluid management system have been included.

The Audit Plan also reflects audits of records management and the Enhanced Mobility for Seniors and Individuals with Disabilities program as contingency audits that will be initiated should there be available hours and/or resources prior to the preparation of the OCTA FY 2026-27 Audit Plan.

Each of the planned projects, along with projects carried over from the OCTA FY 2024-25 Audit Plan, is reflected at Appendix B, along with a brief description and the estimated staff hours required to perform the audit.

Conclusion

The OCTA FY 2025-26 Audit Plan seeks to align limited audit resources with risk throughout the organization while considering prior audit effort and other factors, as identified in Appendix A. Internal Audit will continue to refine the risk assessment to include emerging OCTA projects, programs, contracts, and functions. Internal Audit will also continue to assess the risk ratings and weightings to best reflect the risk profile of the organization and to allow the greatest coverage of that risk in the annual audit planning process.

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2025-26**

Division	Department/Functional Area	RISK ASSESSMENT	7 Year Audit History
Project/Program/Contract/Function			
Executive			
	Clerk of the Board		
	Public Records Requests	Low to Moderate	2022
	Form 700 Disclosures	Moderate	2021
	Brown Act Compliance	Moderate	
	Services of Legal Process	Low to Moderate	
	Board of Directors (Board) Compensation and Training	Moderate	2019
	Legal Services		
	Woodruff & Smart	Moderate to High	2024
	Security and Emergency Preparedness		
	Continuity of Operations/Emergency Response	Moderate to High	
	Emergency Operation Plans	Moderate to High	
	Physical Access Security	Moderate to High	2021
	Transit Police Services	Moderate	2023
	Express Lanes and Motorist Services Programs		
	91 Express Lanes		
	Master Custodial Agreement	Moderate	2019
	Operations and Management	Moderate to High	2025
	California Highway Patrol Services	Moderate	
	Collections	Moderate	
	Building Lease	Low to Moderate	
	405 Express Lanes		
	Operations and Management	High	
	California Highway Patrol Services	Moderate	
	Collections	Moderate	
	Building Lease	Low to Moderate	
	Toll Lanes Integrator Services	Moderate to High	
	Motorist Services		
	Freeway Service Patrol	Moderate	2022
	Call Box Program	Low	
	511 Motorist Aid	Low to Moderate	
	Public Information Office		
	Crisis Communications Plan	Moderate	
Capital Programs			
Highway Projects			
Interstate 5 (I-5) Improvements			
	I-5 (between Interstate 405 (I-405) and State Route 55 (SR-55) - Measure M2 (M2) Project B		
	I-405 to Yale Avenue	Low to Moderate	
	Yale Avenue to SR-55	Low to Moderate	
	I-5 (South of El Toro Road) - M2 Project C		
	State Route 73 (SR-73) to El Toro Road Landscape	Low to Moderate	
	SR-73 to Oso Parkway	Moderate to High	2024
	Oso Parkway to Alicia Parkway	Moderate to High	
	Alicia Parkway to El Toro Road	Moderate to High	
	I-5 Interchange Projects - M2 Project D		
	El Toro Road Interchange	Low to Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2025-26**

Division			
Department/Functional Area			
Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History	
State Route 57 (SR-57) Improvements - M2 Project G			
Orangewood Avenue to Katella Avenue	Moderate		
Lambert Road to Tonner Canyon Road	Low to Moderate		
SR-55 Improvements - M2 Project F			
I-405 to I-5	Moderate to High		
I-5 to State Route 91 (SR-91)	Moderate		
SR-91 Improvements			
Improvements from SR-57 to SR-55 - M2 Project I			
SR-55 to Lakeview Avenue	Moderate		
La Palma Avenue to SR-55	Moderate		
Acacia Street to La Palma Avenue	Moderate		
91 Express Lanes to State Route 241 Toll Connector	Low		
Interstate 605 (I-605)			
Katella Ave Interchange	Moderate		
I-405 Improvements			
Improvements from I-605 and SR-55 - M2 Project K			
Design-Build Contract Management	Moderate to High	2024	
Right-of-Way (ROW) Activities and Reporting	Moderate	2022	
Program Management Activities	High		
Cooperative Agreements	Moderate		
I-405 Improvements between SR-55 and I-5 - M2 Project L	Low to Moderate		
Highway Project Management			
Highway Project Management Support	Moderate to High		
Project Controls	Moderate to High	2025	
Real Estate Administration	Moderate	2025	
Right-of-Way Operations			
On-Call ROW Services	Moderate to High	2022	
On-Call Real Property Appraisals	Moderate to High	2022	
Excess Land Sales	Moderate		
Utility Agreements	Moderate		
Facilities Engineering			
Facilities Project Management	Moderate		
Transit Security Operations Center	Moderate to High		
Transit Project Delivery			
Program Management Support: Rail Programs	Moderate to High		
Local Initiatives			
Project S: Go Local Fixed-Guideway Projects			
OC Streetcar Project Construction			
Design and Construction Management	High	2022	
Construction	High		
Cooperative Agreements	Moderate to High		
OC Streetcar Project Management	High	2021	
OC Streetcar Vehicles	Moderate to High		

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2025-26**

Division			
Department/Functional Area		RISK	7 Year
Project/Program/Contract/Function		ASSESSMENT	Audit History
Rail Project Delivery			
Placentia Metrolink Station Project		Moderate	
Anaheim Canyon Station Improvements		Low to Moderate	2023
Orange County Maintenance Facility		Moderate	
Irvine Station Expansion		Low	
Coastal Rail Projects		Moderate to High	
Planning			
M2 Program Management Office		Low to Moderate	
Strategic Planning			
Transportation Planning			
M2 Environmental Mitigation Program			
Program Administration		Moderate	
Land Security		Moderate	
Property Management		Moderate	
Mitigation Monitoring and Reporting		Moderate	
Transit and Non-Motorized Planning			
Bus Facilities Asset Management / Capital Plan		Moderate	
Fleet Outlook / Rollout Plan		Moderate	
Bikeway Master Plans		Low	
Transit Master Plan		Moderate	
Fullerton Park-and-Ride - Development Study		Low to Moderate	
Strategic Initiatives			
Board and Chief Executive Officer Initiatives		Low to Moderate	
Southern California Association of Governments Agreement / Workplan		Low to Moderate	
Geographic Information System Services		Low to Moderate	
Modeling and Traffic Operations		Low to Moderate	
State/Federal Programs			
State/Federal Improvement Program Funding Administration		Moderate	
Annual 5307 Program of Projects		Moderate	
Calls for Projects		Low to Moderate	
Local Programs			
Measure M Eligibility		Moderate to High	
Comprehensive Transportation Funding Programs - Agency Audits (CTFP)		Moderate to High	2023
M2 CTFP Program Eligibility / Call for Projects		Moderate	2021
Oversight and Reporting: CTFP		Moderate	2021
M2 Local Projects			
Project Q - Local Fair Share		Required	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2025-26**

Division			
Department/Functional Area		RISK	7 Year
Project/Program/Contract/Function		ASSESSMENT	Audit History
Operations			
Passenger Rail Operations & Metrolink			
ROW Maintenance - Joshua Grading & Excavating		Moderate	2025
Joint Powers Agreement Allocation Southern California Regional Rail Authority		Moderate to High	
Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency Managing Agency Contract		Moderate	
Transit Project Delivery			
OC Streetcar			
Operations and Maintenance Contract		Moderate to High	
Service Planning and Scheduling			
Coach Operator Scheduling		Moderate	
Stops and Zones		Moderate	
Service Change Implementation		Moderate	
Operations Training Program		Moderate	
Bus Operations			
Operator Bidding Process		Moderate to High	2019
Overtime: Scheduled and Unscheduled		Moderate to High	
Field Supervision		Moderate	2025
Central Communications		Moderate to High	
Timekeeping System		Moderate	
Uniform Allowance		Low	
Contracted Services			
Travel Training		Moderate	
OC ACCESS Eligibility		Moderate to High	2023
Regional Center Day Programs		Moderate to High	2023
Specialized Transit Services		Moderate	
Senior Mobility Program			
Locally-Funded		Low to Moderate	
M2-Funded		Required	Annual
Senior Non-Emergency Medical Transportation (M2 - Project U)		Required	
Contracted Fixed Route Operations		High	2025
OC ACCESS Service		High	2024
Same-Day Taxi Service - Yellow Cab of North Orange County		Moderate to High	2020
Vanpool Operations		Moderate	2024
OC Flex Operations		Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2025-26**

Division			
Department/Functional Area		RISK	7 Year
Project/Program/Contract/Function		ASSESSMENT	Audit History
Maintenance			
Rolling Stock and Inventory Contracts			
Bridgestone/Firestone Tire Lease		Moderate	2021
Trillium USA - Operate and Maintain Compressed Natural Gas Stations		Moderate	
Revenue Vehicle Maintenance		Moderate to High	2020
Specialty Shop Maintenance		Moderate	
Fuel Management System		Moderate	
Transit Technical Services		Moderate to High	
Revenue Vehicle Purchase / Acceptance		Moderate	2022
Non-Revenue Vehicle Purchase		Low to Moderate	2022
Maintenance Resource Management		Moderate to High	
Timekeeping		Low to Moderate	
Equipment Assignments and Tracking		Low	
Uniform Rental and Cleaning		Low to Moderate	
Facilities Maintenance		Moderate	2021
Maintenance Training		Low to Moderate	
Electric Vehicle Charging Stations		Moderate	
Finance and Administration			
Project U - Fare Stabilization		Low to Moderate	
Financial Planning and Analysis			
Budget Development and Monitoring		Moderate to High	2025
Comprehensive Business Plan		Moderate	
Transit Performance Metrics		Moderate	
Treasury and Public Finance			
Investments			
Investments: Compliance, Controls, and Reporting		Required	
Investment Management Service Contracts		Moderate to High	2024
Endowment Funds		Low	
Transportation Infrastructure Finance and Innovation Act Loan		Moderate	
Accounting and Financial Reporting			
General Accounting		Moderate	
Financial Reporting		Required	Annual
Cost Allocation Plan		Low to Moderate	
M2 Accounting and Reporting		Required	Annual
Accounts Payable		Moderate to High	2024
Purchasing Cards		Low to Moderate	2024
Corporate Credit Cards		Low	2019
Capital Assets		Moderate	
Pass Sales Program		Low to Moderate	
Payroll Operations		Moderate to High	
Administrative Employee Overtime		Moderate	
Payroll Garnishments		Low	
Petty Cash Funds Administration		Low	
Banking Services		Moderate	2020
National Transit Database		Required	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2025-26**

Division			
Department/Functional Area		RISK	7 Year
Project/Program/Contract/Function		ASSESSMENT	Audit History
General Services			
Printing and Reprographics		Low to Moderate	
Records Management		Moderate	
Lease Management		Low to Moderate	
Asset Management and Inventory		Moderate	
Orange County Transportation Authority (OCTA) Policies		Low	
OCTA Store		Moderate	2023
Parking Garage - ABM Parking Services		Low	
Lost and Found		Low to Moderate	2023
OCTA Headquarters		Moderate	
Revenue Administration			
Farebox Revenue Collections and Armored Car Services		Moderate	
Mobile Ticketing Operations		Moderate	2019
Revenue and Revenue Sharing Contracts		Moderate	2024
Grant Administration and Accounting		Moderate to High	
Transportation Development Act		Required	Annual
Federal Stimulus Funding		Moderate to High	
Contracts Administration and Materials Management			
Contract Amendments		Moderate	
Independent Cost Estimates		Moderate	2022
Proposal Evaluations		Low to Moderate	
Protests		Low to Moderate	
Small Purchases		Low to Moderate	
Buy America Compliance		As Required	
Purchase Order and Blanket Purchase Orders		Moderate	
Maintenance Inventory Management		Moderate	
Warranty Administration		Moderate	
Disadvantaged Business Enterprise Program		Moderate	
Inventory Contracts			
Unleaded Fuel		Moderate	
Renewable Natural Gas Credits Contract		Low to Moderate	2019
Information Systems			
Applications			
Integrated Transportation Management Systems Radio		Moderate to High	
OCTA.net Website		Moderate	
Application Infrastructure		Moderate to High	
Database Systems		Moderate	
Vendor Management		Moderate to High	
Information Technology (IT) Systems and Security (Cybersecurity)		Moderate to High	2023
System Development and Acquisition		Moderate	
Patch Management		Moderate to High	2020
IT Operations (User Management, Authentication, Access Controls)		Moderate to High	
Technology Project Management		Moderate	
Business Continuity/Disaster Recovery		Moderate to High	
Change Management		Moderate	
Payment Card Industry Compliance		Moderate	
Incident Response Program		Moderate	
Asset Management		Moderate	
Operating Systems		Moderate	
IT Contract Services		Moderate	
Switch Data Center		Moderate to High	
Enterprise Asset Management System		Moderate	
Telecommunications		Low to Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2025-26**

Division			
Department/Functional Area		RISK	7 Year
Project/Program/Contract/Function		ASSESSMENT	Audit History
People and Community Engagement			
Risk Management			
Insurance Program Administration		Moderate	
Liability Claims Management and Subrogation		Moderate to High	2024
Worker's Compensation and Subrogation		Moderate to High	2023
Health, Safety and Environmental Compliance			
Drug and Alcohol Program		Moderate	
Construction Safety / Safety Specifications		Moderate to High	2019
Employee Safety		Moderate to High	
Motor Vehicle and Traffic Safety			
Pull Notice Program		Moderate	2021
National Transit Database Accident Reporting		Low to Moderate	
Environmental Compliance Program			
Storm Water Pollution Prevention Program		Moderate	
Spill Prevention Countermeasure and Control Plan		Moderate	
Hazardous Waste Removal		Moderate	
Air Quality Management District Permitting and Compliance		Moderate	
Underground Storage Tank Removal Program		Moderate	
Safety Management Plan		Moderate	
Internal Communications		Low	
Employment & Compensation			
Separations		Low to Moderate	2020
Extra-Help and Interns		Low to Moderate	
Temporary Staffing		Low to Moderate	2022
Recruitment and Employment		Moderate	2019
Compensation		Moderate	2025
Performance Reviews		Low to Moderate	
Benefits			
Healthcare Plans		Moderate to High	
Coach Operator Healthcare		Moderate	
Maintenance Employee Healthcare		Moderate	
Protected Leave		Moderate to High	
Flexible Benefits		Low to Moderate	2024
Health Savings Account		Moderate	
Orange County Employees Retirement System		Moderate to High	
Teamsters Pension Fund Trust		Low to Moderate	
Employee Assistance Program		Low	
Deferred Compensation Plans		Moderate	
Wellness Program		Low	
Life Insurance Benefit		Low to Moderate	2023
Alternative/Remote Work Program		Low	
Benefit Program Incentives		Low to Moderate	2021
Commuter Club Program		Low to Moderate	
Employee and Labor Relations			
Labor Contracts		Moderate	
Unemployment Claims		Low	
Employee Grievances and Complaints		Low to Moderate	
Equal Employment Opportunity		Moderate	
Title VI Compliance		Moderate	
Medical Exams		Moderate	2020
Americans with Disabilities Act		Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2025-26**

Division			
Department/Functional Area		RISK	7 Year
Project/Program/Contract/Function		ASSESSMENT	Audit History
Training & Development			
Training (Learning Management System)		Low to Moderate	2023
Educational Reimbursements		Low to Moderate	2023
External Affairs			
Marketing and Customer Engagement			
Digital and Creative Services		Low to Moderate	
OCTA Bus Marketing and Promotional Items		Moderate	2019
Bus Advertising Revenue Contracts		Low to Moderate	2023
Rideshare and Vanpool Program		Moderate	
Customer Engagement and Data Analytics			
Data Analytics / Performance Management		Low to Moderate	
In-House Customer Relations		Moderate	
Customer Information Center		Moderate	2023
Reduced Fare Programs		Low to Moderate	
College Pass Program		Moderate	2024
Community Engagement		Low to Moderate	
Public Outreach			
Project Outreach Contract Management			
SR-91		Moderate	
I-5		Moderate	
SR-55		Moderate	
OC Streetcar Project		Moderate to High	2025
I-405 Improvement Project		Moderate to High	
I-5 - El Toro Road		Moderate	
I-5 Central (between SR-55 and SR-57)		Moderate	
Commuter Rail		Moderate	
Planning Studies Outreach		Low to Moderate	
Government Relations			
State and Federal Relations			
Lobbying Contracts		Low to Moderate	2023
Subrecipient Monitoring		Moderate	

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2025-26 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Mandatory External Independent Audits				
Annual Financial Audits and Agreed-Upon Procedures (AUP) Reviews	FY26-001 through FY26-005	Coordinate and report on annual financial and compliance audits and AUP reviews for FY 2024-25.	Financial	420
External Regulatory Audits	FY26-006	Coordinate and report on audits by regulators or funding agencies.	Compliance	80
Internal Audit Department Projects				
Risk Assessment and Annual Audit Plan	FY26-100	Preparation of the annual audit plan, quarterly updates to the audit plan, and periodic assessment of risk throughout the year.	Audit Plan and Updates	180
Quality Assurance and Self-Assessment	FY26-101	Update of Internal Audit Policies & Procedures to reflect Generally Accepted Government Auditing Standards (GAGAS). Ongoing Quality Management activities required by GAGAS.	Quality Assurance	160
Fraud Hotline Activities	FY26-102	Administrative duties related to maintenance of the Orange County Transportation Authority (OCTA) Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	120
Peer Review	FY26-103	Participate in peer reviews of other internal audit agencies in exchange for reciprocal credit towards required peer reviews of OCTA's Internal Audit Department.	Peer Review	60
Automated Workpaper Solution	FY26-104	System updates/training related to automated workpaper solution.	Workpaper System	30
Internal Audits				
Organization-Wide				
Brown Act Compliance	FY26-5XX	Assess and test controls to ensure compliance with Brown Act requirements, including notice and agenda posting requirements, conduct of meetings, closed session, public participation, and recordkeeping requirements.	Compliance	220
Board of Directors (Board) Compensation, Mileage Reimbursement, and Training	FY26-5XX	Assess and test procedures and recordkeeping processes evidencing compliance with AB 1234 (Chapter 5, Statutes of 2017).	Compliance	220

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2025-26 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Express Lanes Program				
Toll Lanes Integrator System	FY26-5XX	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 maintainance of a toll collection system for the existing 91 Express Lanes and the 405 Express Lanes.	Internal Control / Compliance	280
People and Community Engagement				
Commuter Club	FY26-5XX	Assess and test controls in place to ensure compliance with policies and procedures related to this employee benefit program.	Operational	180
Construction Safety	FY26-5XX	Assess and test policies, procedures, and controls related to the Construction Safety Program function.	Operational	260
Public Outreach - OC Streetcar	FY25-512	Assess and test oversight controls, contract compliance, and invoice review controls related to agreements for public outreach for the OC Streetcar Project.	Internal Control / Compliance	8
OCTA Bus Marketing and Promotions	FY26-5XX	Assess and test controls over bus marketing and promotions operations, including procurement and oversight of firms providing services.	Operational	280
Capital Programs				
Project Management and Planning Support	FY26-5XX	Assess and test oversight controls, contract compliance, and invoice review controls related to contracts with Mott MacDonald, LLP for project management and planning support.	Internal Control / Compliance	240
State Route 55 Improvements: Interstate 405 to Interstate 5	FY26-5XX	Assess and test project administration, oversight controls, and contract compliance.	Internal Control / Compliance	300
Planning				
Environmental Mitigation Program		Assess and test controls and compliance with contract agreements for property management, monitoring, and/or reporting relating to the program.	Internal Control / Compliance	280

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2025-26 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Operations				
Right-of-Way (ROW) Maintenance	FY25-515	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.	Operational	160
Same-Day Taxi Services	FY26-5XX	Assess and test adequacy of oversight, compliance, and invoice review controls related to the agreement with Cabco Yellow, Incorporated for provision of same-day taxi services.	Internal Control / Compliance	240
Travel Training	FY26-5XX	Assess and test oversight, invoice review, and contract compliance controls related to the agreement with Mobility Management Partners for provision of travel training services.	Internal Control / Compliance	240
Special Transit Services	FY26-5XX	Assess and test controls related to cost-sharing agreements with agencies for provision of transit services to seniors/OC ACCESS-eligible individuals.	Internal Control / Compliance	320
Fluid Management System		Assess and test controls in place for the dispensing of fuel and other consumables, as well as mileage monitoring, utilizing the Fleetwatch Fluid Management System.	Operational	240
Compressed Natural Gas Station: Maintenance and Operations	FY26-5XX	Assess and test oversight, invoice review, and contract compliance controls related to the contract with Trillium USA Company, LLC for provision of operation and maintenance of fueling facilities.	Operational	240
Finance and Administration				
Budget Development and Monitoring	FY25-514	Assess and test controls over budget development, monitoring, and reporting.	Operational	8
Treasury	FY26-5XX	Semi-annual audit of investments: compliance, controls, and reporting.	Compliance	360
Warranty Administration	FY25-516	Assess and test controls in place for identifying, tracking, and recording of warranty repairs and credits.	Operational	220
Price Reviews	PR26-5XX	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	500
Buy America	FY26-5XX	As requested by the CAMM Department, apply AUP to determine compliance with Buy America requirements.	Buy America	260

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2025-26 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Unscheduled Reviews and Special Requests				
Unscheduled Reviews and Special Requests	FY26-800	Time allowed for unplanned audits and requests from the Board or management.	Varies	180
Monitoring Activities				
Measure M2 Taxpayer Oversight Committee (TOC)	FY26-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	50
Capital Asset Inventory Observation	FY26-602	At the request of the Finance and Administration Division, observe and apply limited procedures related to bi-annual capital asset inventory counts.	Non-Audit Service	80
Follow-Up Reviews				
Follow-Up Reviews and Reporting	FY26-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-Up	325
Total Audit Project Planned Hours (A)				6,741

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2025-26 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Internal Audit Administration				
Board and Committee Meetings				180
Executive Steering and Agenda Setting Meetings				170
Internal Audit Staff Meetings				150
Other Administration				1,500
			Total Hours (B)	8,741
			Department Target Efficiency (A/B)	75%
			Target Efficiency - Professional Staff	80%

Contingency Audits: Internal

Records Management	FY26-5XX	Assess and test the adequacy of recordkeeping practices.
Enhanced Mobility for Seniors and Individuals with Disabilities Program	FY26-5XX	Audit program design, award and execution of grants, as well as activities and reimbursements.



June 25, 2025

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

For

Subject: Fiscal Year 2024-25 Third Quarter Budget Status Report

Overview

Orange County Transportation Authority staff have implemented the fiscal year 2024-25 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the third quarter of fiscal year 2024-25.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2024-25 Budget on June 24, 2024. 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 \$1,756.6 million. Sources of funds were comprised of \$1,403.8 million in current FY revenues and \$352.8 million in use of prior year designations. Uses of funds were comprised of \$1,660.1 million of current FY expenditures and \$96.5 million of designations.

The Board has approved two amendments through the third quarter, increasing the expense budget by \$39.9 million. This increased the budget to \$1,796.5 million as summarized in Table 1 on the following page.

Table 1 - Working Budget

Date	Description	Amount*
7/1/2024	Adopted Budget	\$ 1,756,583
8/12/2024	New Administrative Headquarters	54,500
1/27/2025	405 Express Lanes Toll Revenue/Designations	(14,627)
	<i>Subtotal Amendments</i>	<i>39,873</i>
	Total Working Budget	\$ 1,796,456

*in thousands

Discussion

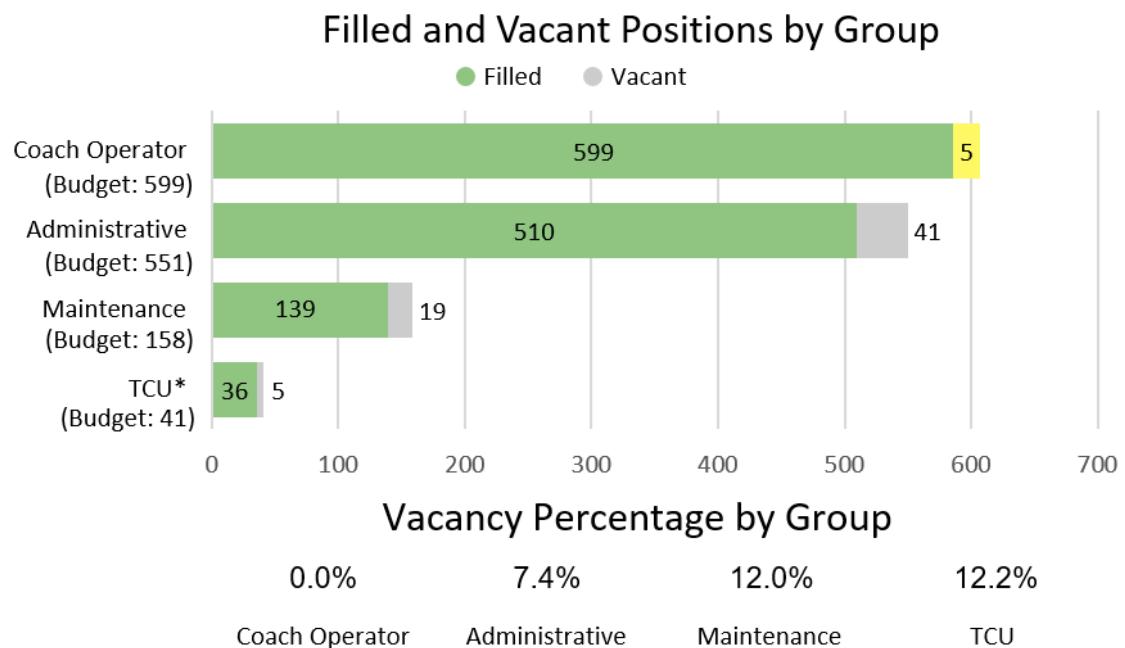
Staff monitors and analyzes revenues and expenditures versus the working budget. This report provides a summary level overview of staffing levels and explanations for material budget to actual variances within each pertinent OCTA program. The OCTA programs include Bus, Regional Rail, Express Lanes, Motorist 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

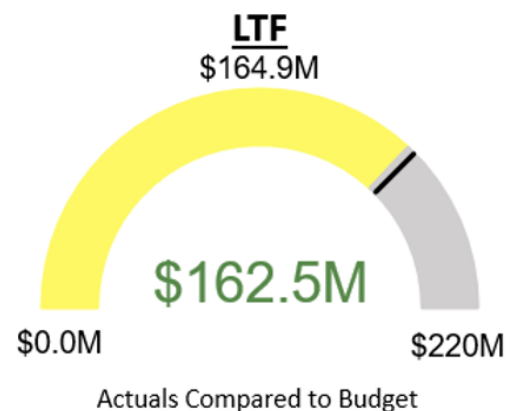
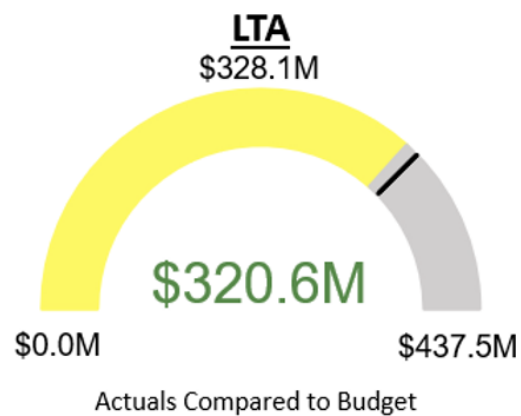
Total salaries and benefits were \$6.5 million under the budget of \$162 million. This is primarily due to staffing vacancies agency wide; vacancy details are provided in the graph below. Coach operator positions were slightly over the budgeted amount due to lower attrition than anticipated when the budget was developed.



*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 closely aligned to the budget through the third quarter. LTA sales tax receipts of \$320.6 million were \$7.5 million lower than the budget and LTF sales tax receipts of \$162.5 million were \$2.4 million lower than the budget.

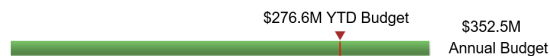


Major Programs

Bus Program



Operating Revenue



Operating Expense



Bus Program operating revenue of \$351.8 million was \$75.2 million above budget. This was due to the timing of federal operating assistance grant revenues anticipated in FY 2023-24 but received in FY 2024-25. Bus Program operating expenses of \$230.2 million were \$16.8 million under the budget. This is primarily due to lower than anticipated expenditures on recurring as-needed services and supplies, such as fuel, maintenance services, and professional services, which can vary based on need.

Capital Revenue



Capital Expense



Bus Program capital revenue and expenses of \$176.4 million were \$40.6 million lower than the budget. This was due to capital revenues that were anticipated to be reimbursed based on current year capital expenses. Capital expenses were lower than budgeted primarily due to the timing of the purchase of six new 60-foot articulated electric buses that are now anticipated in FY 2025-26. Additionally, expenses for the Transit Security and Operations Center have been less than anticipated due to timing of design and construction costs. Lastly, the fare collection replacement project contract which was originally anticipated to be executed in the third quarter will now take place in the fourth quarter.

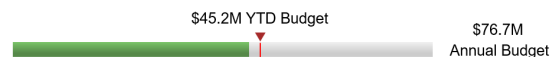
Regional Rail Program



Operating Revenue



Operating Expense



Regional Rail Program operating revenue of \$76.7 million was \$22.5 million higher than the budget. This was due to SB 125 (Chapter 54, Statutes of 2023) funds that were received in the second quarter but anticipated to be received in the fourth quarter. Rail operating expenses were \$2.1 million lower than budgeted. This was due to the timing of invoicing for the operating subsidy; expenses are anticipated to align to the budget by the end of the FY.

Capital Revenue

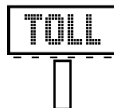


Capital Expense

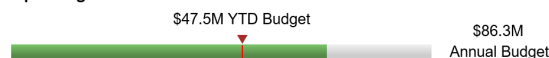


Regional Rail Program capital revenue of \$0.9 million was \$0.1 million under budget. This was due to less than anticipated revenue reimbursements based on lower capital expenses through the third quarter. Rail capital expenses came in \$0.2 million lower than budgeted. This was due to the timing of invoices for the Cyprus Shore Slope Rehabilitation Project; staff anticipates that the underrun will continue through the end of the FY.

91 Express Lanes Program



Operating Revenue

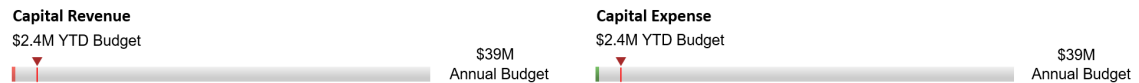


Operating Expense



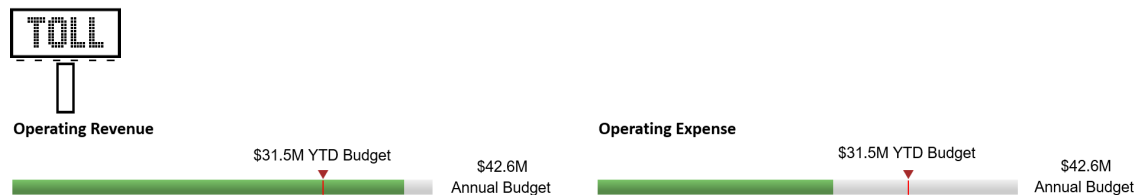
The 91 Express Lanes Program operating revenue of \$64.8 million exceeded the budget by \$17.3 million, primarily due to larger than anticipated revenue from toll violations, interest income, and higher trip volumes than anticipated during budget development. Operating expenses of \$11.4 million were \$3.9 million lower than the budget of \$15.3 million, primarily due to engineering and support services for the Toll Gantries Infrastructure Project, as well as the timing and

utilization of maintenance services and as-needed contracted professional services.



The 91 Express Lanes Program capital revenue and expenses of \$0.4 million came in \$2 million under budget. This was primarily due to the timing of invoicing for the Closed-Circuit Television Upgrade Project, which is anticipated to occur in the fourth quarter. Additionally, the Electronic Toll and Traffic Management System Project's final milestone payment is anticipated to be made at the beginning of FY 2025-26, so the underrun will continue through the end of FY 2024-25.

405 Express Lanes Program



The 405 Express Lanes Program operating revenue of \$39.7 million was \$8.2 million over budget, primarily due to higher than anticipated toll violation revenues. Operating expenses of \$23.9 million were \$7.6 million lower than the budget of \$31.5 million, primarily due to invoice timing differences for work on the back-office system. It is anticipated that expenditures will align with the budget this FY.

Motorist Services Program

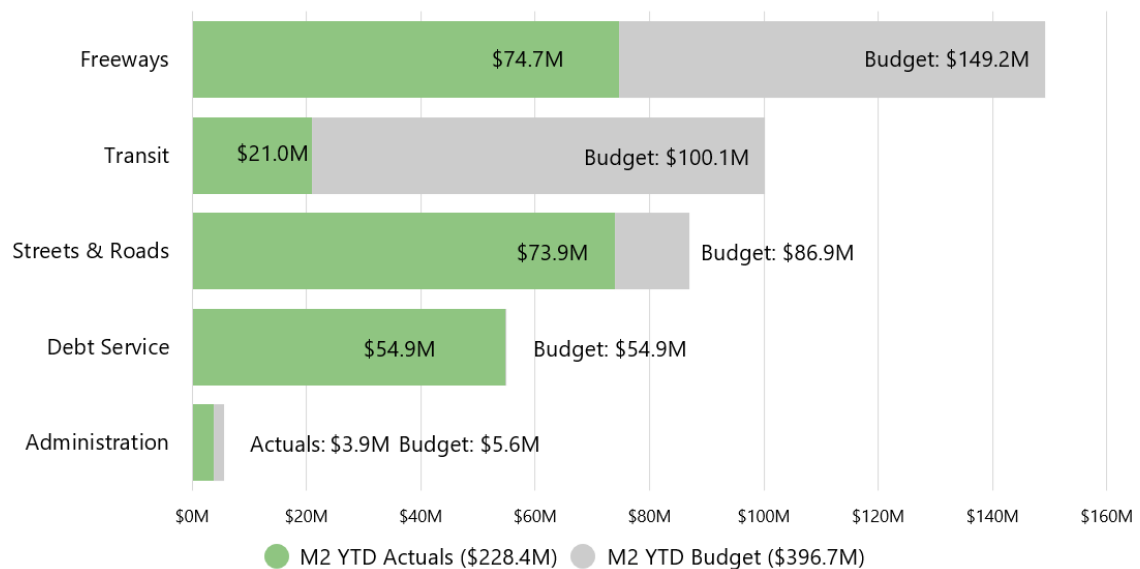


Motorist Services Program operating revenue and expenses of \$6.2 million were \$0.5 million lower than the budget. The underrun in expense is based on lower than budgeted contracted tow service costs for Freeway Service Patrol. The underrun in revenue is directly tied to the amount of revenue needed to fund expenditures.

M2 Program

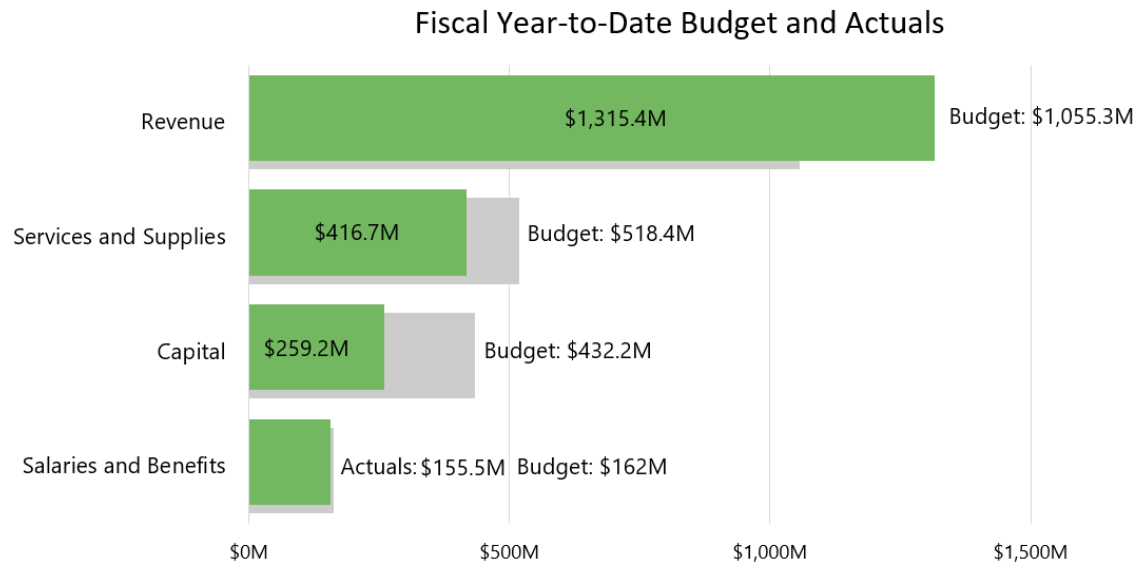


M2 Program Budget and Actuals by Mode



Total actual expenses of \$228.4 million for the M2 Program were \$168.3 million lower than the budget, primarily due to the timing of OC Streetcar construction expenses (\$73.1 million). Additionally, the timing of construction and right-of-way (ROW) payments for freeway projects including the Interstate 5 (I-5) to El Toro Road Freeway Project (\$61.4 million), State Route 57 (SR-57) Project (\$1.9 million), and Interstate 605 (I-605) to Katella Avenue (\$1.7M) contributed to the underrun. Also contributing to the variance are lower than anticipated expenses for the Local Fair Share programs (\$8.1 million).

Summary



Overall, revenue of \$1,315.4 million was \$260.1 million over budget. This was primarily due to reimbursement of Transit and Intercity Rail Capital Program funding related to construction expenses incurred in prior years for the OC Streetcar Project. Additionally, federal operating assistance grant revenues anticipated in FY 2023-24 but received in FY 2024-25 and higher than anticipated toll revenues contributed to the variance.

Operating expenses of \$416.7 million were \$101.7 million under budget, primarily due to the timing of expenses for freeway services, contributions to Orange County, cities, and local agencies for the Local Fair Share programs. Additionally, as-needed services and supplies as well as professional services contributed to the underrun.

Total OCTA capital expenses of \$259.2 million were \$173 million under budget, primarily due to the timing of OC Streetcar construction expenses and the timing of construction and ROW expenses for the I-5 to El Toro Road Freeway Project, State Route 91 freeway improvements, and SR-57 Project.

Salaries and benefits of \$155.5 million underran the budget by \$6.5 million. This was primarily due to staffing vacancies in the administrative group.

Attachment

A. Fiscal Year 2024-25 Third Quarter Budget Status Summary

Prepared by:



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

Approved by:

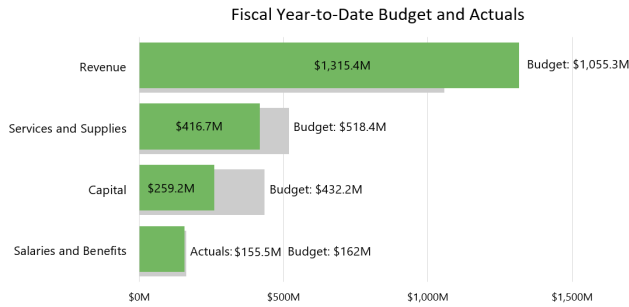
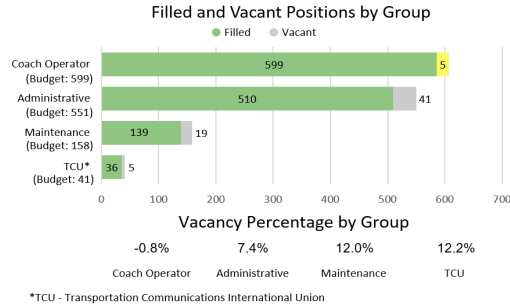
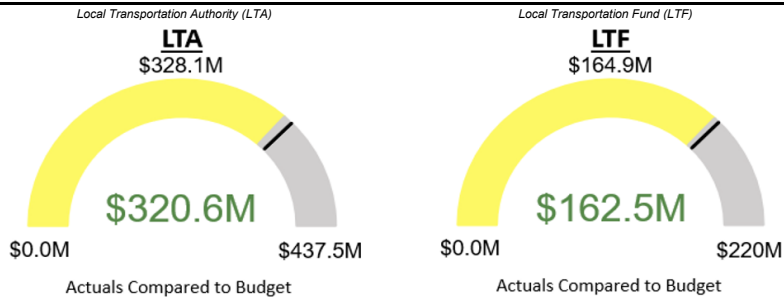


Andrew Oftelie
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Finance and Administration
(714) 560-5649

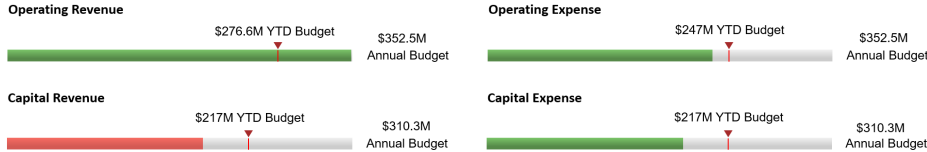
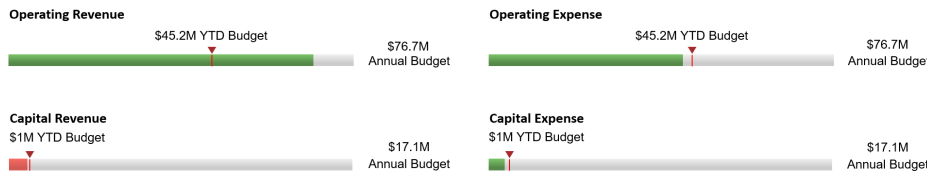
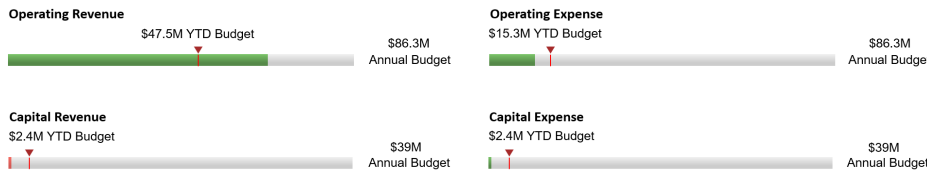
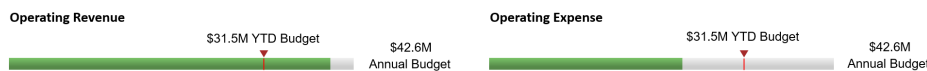


Fiscal Year 2024-25 Third Quarter Budget Status Summary

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

Total Authority**Staffing****Sales Tax Receipts****Major Operating Programs**

Year-to-Date (YTD)

Bus Program**Regional Rail Program****91 Express Lanes Program****405 Express Lanes Program****Motorist Services Program**