



MINUTES

Finance and Administration Committee Meeting

Committee Members Present

*Todd Spitzer, Chairman
Andrew Do
Michael Hennessey
Steve Jones
Miguel Pulido
Michelle Steel*

Staff Present

*Darrell Johnson, Chief Executive Officer
Ken Phipps, Deputy Chief Executive Officer
Laurena Weinert, Clerk of the Board
Gina Claridge, Deputy Clerk of the Board
James Donich, General Counsel
Members of the Public*

Committee Members Absent

None

Call to Order

The January 11, 2017 regular meeting of the Finance and Administration Committee was called to order by Committee Chairman Spitzer at 10:35 a.m.

Pledge of Allegiance

Director Do led in the Pledge of Allegiance.

1. Public Comments

No public comments were received.

Special Calendar

There were no Special Calendar matters.

Consent Calendar (Items 2 through 14)

2. Approval of Minutes

A motion was made by Director Do, seconded by Director Steel, and declared passed by those present, to approve the minutes of the November 9, 2016 meeting.

Director Pulido was not present to vote on this item.



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3. Fiscal Year 2015-16 Annual Financial and Agreed-Upon Procedures Report

A motion was made by Director Do, seconded by Director Steel, and declared passed by those present, to receive and file the fiscal year 2015-16 annual financial and agreed-upon procedures reports as an information item.

Director Pulido was not present to vote on this item.

4. Fiscal Year 2015-16 Management Letter

This item was pulled by Committee Chairman Spitzer who asked for clarification on Orange County Transportation Authority's (OCTA) responses to the external auditor's management letter recommendations for improvement to internal controls related to cyber security. Chairman Spitzer was concerned that management's responses did not demonstrate a firm enough commitment to rectifying the three issues outlined in the report, especially in light of the cyber event that occurred at OCTA last year. Chairman Spitzer was satisfied with the verbal responses provided by staff and directed that those responses be memorialized in writing.

The first issue identified related to server and desktop patches to prevent the exploitation of information systems vulnerabilities. Staff reaffirmed its agreement with the auditor recommendation and explained that extra effort and resources have been assigned to the patching process. Staff also reaffirmed that patch management is one of the highest priorities in OCTA's cybersecurity program and provided a firm commitment to follow the auditor's recommendations.

The second issue related to management's frequency of penetration testing and the auditor's recommendation for social engineering testing. Staff also reaffirmed agreement with the auditor's recommendation and mentioned that social engineering (internal Phishing) will be performed when mandatory cybersecurity training is completed. Mandatory cybersecurity training has been rolled out to all OCTA administrative employees and will be complete by the end of the fiscal year. Staff stated that penetration tests are valuable but that the amount of resources required to perform these tests is considerable. Staff acknowledged that OCTA will perform more than one penetration test per year; however, the number of tests will be determined by need and available resources.



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4. (Continued)

The last recommendation related to the need for “disaster recovery laptops.” Staff noted that devices will be made available and that OCTA’s Continuity of Operations Plan (COOP) will dictate the quantity and location for the chosen devices. The COOP plan is scheduled for completion at the end of the fiscal year at which time the appropriate devices for disaster recovery will be identified.

Lastly, Committee Chairman Spitzer asked that a brief report on this item be provided to the full Board of Directors.

A motion was made by Director Spitzer, seconded by Director Do, and declared passed by those present, to:

- A. Receive and file the Orange County Transportation Authority Management Letter June 30, 2016.
- B. Direct staff to implement auditor recommendations related to the information technology environment.

5. **Fiscal Year 2015-16 Auditor’s Communication to Those Charged with Governance**

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

Director Pulido was not present to vote on this item.

6. **Laguna Beach Municipal Transit Lines, Annual Transportation Development Act Program Audit for Fiscal Year 2015-16**

A motion was made by Director Do, seconded by Director Steel, and declared passed by those present, to receive and file the Laguna Beach Municipal Transit Lines, Transportation Development Act Program audit for fiscal year 2015-16, as an information item.

Director Pulido was not present to vote on this item.



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7. Payment Card Industry Data Security Standard Compliance, Internal Audit Report No. 17-502

This item was pulled by Committee Chairman Spitzer who wanted clarification on the status of OCTA's Payment Card Industry (PCI) compliance level.

Staff asserted that protection of OCTA's customer's credit card information is of utmost importance. Staff stated that Cofiroute is fully PCI compliant and agreed with the auditor's recommendation that OCTA perform yearly reviews to ensure its continued compliance. Staff stated that compliance is necessary due to the number of transactions (approximately 780,000) processed yearly and because Cofiroute stores credit card information on their systems. Staff then explained that OCTA processes only about 10,000 credit card transactions yearly. Staff recently implemented a significant upgrade to its point of sale system. As a result of the upgrade no credit card information is stored at OCTA. Staff stated that future PCI compliance assessments should be much less complex and rigorous since credit card information is no longer stored at OCTA.

A motion was made by Director Spitzer, seconded by Director Pulido, and declared passed by those present, to direct staff to implement two recommendations provided in Payment Card Industry Data Security Standard Compliance, Internal Audit Report No. 17-502.

8. Fiscal Year 2016-17 First Quarter Grant Reimbursement Status Report

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

Director Pulido was not present to vote on this item.

9. Orange County Treasurer's Management Report - October 2016

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

Director Pulido was not present to vote on this item.



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10. Orange County Transportation Authority Investment and Debt Programs - October 2016

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

Director Pulido was not present to vote on this item.

11. Local Agency Investment Fund - October 2016

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

Director Pulido was not present to vote on this item.

12. Local Agency Investment Fund - November 2016

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

Director Pulido was not present to vote on this item.

13. Orange County Treasurer's Management Report - November 2016

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

Director Pulido was not present to vote on this item.

14. Orange County Transportation Authority Investment and Debt Programs Report - November 2016

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

Director Pulido was not present to vote on this item.



Regular Calendar

15. Fiscal Year 2016-17 First Quarter Budget Status Report

Andrew Oftelie, Executive Director of Finance and Administration, presented the fiscal year 2016-17 budget status report.

Darrell Johnson, Chief Executive Officer (CEO), stated that staff is working on a series of scenarios for the bus and capital programs. In addition, staff is reviewing other sources of revenue as well as regulatory and statutory options in Sacramento.

Following the discussion on this item, no action was taken on this receive and file information item.

Discussion Items

16. Bristol Street Widening Project Audit Update

Rose Casey, Director of Highway Programs, reported that at the Finance and Administration Committee's direction on November 9, 2016, staff is returning with an update. Ms. Casey provided an update on the audit findings regarding charges and rates related to the City of Santa Ana's (City) audit of the Bristol Street Widening Project, led by the City.

Janet Sutter, Executive Director of Internal Audit, reported that the City has recently provided written documentation to OCTA on the additional hours. Additionally, the higher overhead amount will be included on the amended cooperative agreement submitted to the California Department of Transportation (Caltrans).

William Galvez, City Engineer, City of Santa Ana, reported that there is a cap for design services and construction management. The City has submitted five cost allocation plans to Caltrans for review and they are awaiting a response.

Mr. Johnson, CEO, stated the process of submitting the cooperative agreement is timely. Staff can define a close out date if the City chooses not to seek out a new Caltrans approved rate.



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16. (Continued)

Director Pulido inquired on the City of Santa Ana's cost allocation rates.

Mr. Galvez stated that Caltrans has cost allocation plans online with rates from 50 to 350 percent overhead. The City of Santa Ana hovers at 80 to 160 percent. In addition, the reason for this delta is there are certain groups that bill directly to projects and the City does not bill directly which becomes an overhead rate.

17. Chief Executive Officer's Report

- On January 10th, staff presented a budget update to the Finance and Administration Committee which included a discussion on the state budget.
- Staff continues to follow activities related to the transportation components of the state budget and will keep the Board up-to-date on any developments in this area including cap-and-trade, high-speed rail and State Transit Assistance (STA) funding.
- Mr. Johnson stated that he is focused on is workforce development and succession planning. Earlier this week, staff kicked off OCTA's 2017 Leadership Development Academy (Academy). This is the third cohort to go through the program and there are 16 participants.
- The Academy is designed to help grow and support OCTA's senior managers and develop their skills in order to ensure a continuity of leadership at OCTA. The Academy participants will be introduced at a future Board meeting.

18. Committee Members' Reports

Director Steel introduced two interns that will be working in her office as follows:

- Victor Lee, Dartmouth
- Maddie Lips, Yale

19. Closed Session

There were no Closed Session items scheduled.



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20. Adjournment

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, February 8, 2017**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

ATTEST

Gina Claridge
Deputy Clerk of the Board

Todd Spitzer
Committee Chairman