



Committee Members Present

Andrew Do, Chairman
Richard Murphy, Vice Chairman
Michael Hennessey
Michelle Steel

Committee Members Absent

Lori Donchak
Steve Jones
Todd Spitzer

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
OCTA Staff and members of the General Public

Call to Order

The January 24, 2018 regular meeting of the Finance and Administration Committee was called to order by Committee Chairman Do at 10:35 a.m.

Pledge of Allegiance

Committee Vice Chairman R. Murphy

1. Public Comments

No Public Comments were received.

Special Calendar

There were no Special Calendar matters.

Consent Calendar (Items 2 through 11)

2. Approval of Minutes

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to approve the minutes of the Finance and Administration Committee of January 10, 2018.

3. Fiscal Year 2016-17 Auditor's Communication to Those Charged with Governance

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to receive and file as an information item.



4. Fiscal Year 2016-17 Annual Financial and Agreed-Upon Procedures Reports

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to:

- A. Receive and file the fiscal year 2016-17 annual financial statement audits and agreed-upon procedures reports as information items.
- B. Direct staff to implement two auditor recommendations related to procurement and subrecipient monitoring.

5. Fiscal Year 2016-17 Management Letter

This item was pulled by Committee Chairman Do who asked for clarification on the findings in the external auditor's management letter recommendations related to the information technology environment.

Janet Sutter, Executive Director of Internal Audit, introduced Roger Alfaro, Partner of Vavrinek, Trine, Day & Company, LLP, who reported on the findings in the management letter as follows:

- Identifying a formal implementation plan related to server and desktop patches,
- Frequency of external penetration testing, and
- Disaster recovery testing documentation.

Darrell Johnson, Chief Executive Officer (CEO), responded that management letter is separate from cyber security. Mr. Johnson also stated that the management letter is focused on five findings on internal controls associated with information technology, and a full update on cyber security activities will be provided under item 13.

Committee Vice Chairman R. Murphy inquired if item 13 will discuss the need for a more sustainable patch management framework. Mr. Johnson, CEO, responded this will be covered during item 13.

A motion was made by Director Hennessey, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to:

- A. Receive and file the Orange County Transportation Authority Management Letter June 30, 2017, as an information item.
- B. Direct staff to implement auditor recommendations related to the information technology environment and procurement.



6. Fiscal Year 2017-18 Internal Audit Plan, Second Quarter Update

Committee Chairman Do pulled this item to request that staff incorporate all closed audits in the reports.

A motion was made by Committee Chairman Do, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to receive and file the second quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2017-18 Internal Audit Plan as an information item.

7. Purchasing Cards, Internal Audit Report No. 18-503

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to direct staff to implement the three recommendations provided in Purchasing Cards, Internal Audit Report No. 18-503.

8. Local Agency Investment Fund - December 2017

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to receive and file as an information item.

9. Orange County Transportation Authority Investment and Debt Programs Report - December 2017

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to receive and file as an information item.

10. Second Quarter Fiscal Year 2017-18 Procurement Status Report

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to receive and file as an information item.

11. 91 Express Lanes Property Insurance Renewal

Committee Vice Chairman R. Murphy pulled this item to inquire on the financial difference and why OCTA is changing.

Al Gorski, Manager of Risk Management, explained the process of the property, flood, and earthquake insurance renewal for the 91 Express Lanes.

A motion was made by Committee Vice Chairman R. Murphy, seconded by Committee Chairman Do, and declared passed by those present, to authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A38806, in the amount of \$500,000, to Marsh USA, Inc., to purchase the 91 Express Lanes' property, flood, and earthquake insurance on behalf of the Orange County Transportation Authority for the policy period of March 1, 2018 to March 1, 2019.

Regular Calendar

12. Investigation and Limited Scope Review of the Senior Mobility Program Operated by the Korean American Senior Association

Committee Chairman Do inquired if there is any change to staff's recommendation.

Janet Sutter, Executive Director of Internal Audit, responded that there have been discussions to change the recommendation since the issuance.

Mr. Johnson, CEO, stated that the Korean American Senior Association (KASA) would like to seek corrective action and work through the deficiencies in OCTA's findings. Staff suggested that OCTA extend the program with KASA through the end fiscal year and return to the Finance and Administration Committee with a status on compliance by June 1, 2018.

Director Steel stated that her staff has been working with KASA to correct the findings.

A motion was made by Committee Chairman Director Do, seconded by Director Steel, and declared passed by those present, direct staff to implement recommendations to enhance oversight of the Senior Mobility Program operated by the Korean American Senior Association of Orange County and return to the Finance and Administration Committee with a status on compliance by June 1, 2018.

Discussion Items

13. Orange County Transportation Authority Cyber-Security Update

Andrew Oftelie, Executive Director of Finance and Administration, provided opening remarks and introduced Bill Mao, Chief Information Officer of Information Systems, and Mike Bosche, Senior Information Systems Security Analyst.

Committee Chairman Do asked for clarification on OCTA's responses to the external auditor's management letter recommendations for improvement to internal controls related to cyber security.

Bill Mao, Chief Information Officer of Information Systems, provided an overview of the cyber incident that occurred on February 4, 2016 and the status on the internal controls related to cyber security.

Committee Chairman Do was concerned that management's response did not demonstrate a firm enough commitment to rectifying the penetration test issues outlined in the report, especially in light of the cyber incident that occurred in February 2016.

Committee Chairman Do requested a report outlining the timelines regarding of the audit.

Mr. Mao, presented a PowerPoint presentation as follows:

- Security Program Remediation Plan,
- Progress-to-Date,
- Recent Threats – Meltdown and Spectre,
- Industrial Controls Review, and
- Next Steps.

A lengthy discussion ensued on the patch cycle process and management, mandatory cyber security training for administrative staff, future internal phishing tests, daily intrusions, and data loss prevention insurance.

Committee Vice Chairman R. Murphy requested a report on the history of the patch cycle process and management.



14. Chief Executive Officer's Report

Mr. Johnson, CEO, reported that:

- On January 23rd, he was in Sacramento to meet with the California Transit Association officials to discuss Local Transportation Fund revenues. Additionally, he met with the Acting Secretary of Transportation to discuss current OCTA activities.
- In a December Board memo, staff shared that OCTA would be asking the public to help rename the seven open space preserves. The survey was launched this week and staff is inviting the public to pick their favorite names by going online to octa.net/preservation. The survey closes on February 16th and the winning names will be unveiled at OCTA's next hike on February 24th at the O'Neill Oaks Preserve in Trabuco Canyon at 9:00 a.m.
- On January 26th, the groundbreaking event for the Interstate 405 Improvement Project is at 9:00 a.m. in the Ikea parking lot in Costa Mesa.

15. Committee Members' Reports

Committee Vice Chairman R. Murphy referenced item 12 and stated that he is glad staff could work with the community to address the deficiencies.

Mr. Johnson, CEO, acknowledged that staff will continue to help the community ensure compliance with the program.

16. Closed Session

There were no Closed Session items scheduled.



17. Adjournment

The meeting was adjourned at 11:45 a.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, February 14, 2018**, 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

Andrew Do
Committee Chairman