ORANGE COUNTY TRANSPORTATION AUTHORITY
Internal Audit Department

OCTA

Draft Fiscal Year 2018-19
Internal Audit Plan

risk analysis

ethical

advisory / consulting

objective

financial / compliance / controls

independent

operational / functional / performance

Internal Audit

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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 duty and responsibility to safeguard the assets of OCTA while ensuring those assets are used in an efficient and effective manner. 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 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 pre-award 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) 2018-19, 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 assurances 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 price reviews, performed by Internal Audit, are an example of attestation engagements whereby Internal Audit applies procedures to specific elements of contractor price proposals.

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, policies and procedures, and assessments of program effectiveness, economy, and efficiency. To more accurately define the objectives of these performance audits, Internal Audit categorizes audit projects in a more descriptive manner as indicated below. It is 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 applicable regulatory requirements.

Price Review – Price reviews refer to the agreed-upon procedures reviews performed for architectural and engineering price proposals or sole source proposals to determine if proposed pricing is fair and reasonable. Agreed-upon procedure reviews are also performed on single bid procurements to determine whether the Contracts Administration and Materials Management Department (CAMM) complied with policies and procedures to ensure a fair and competitive process. The procedures are performed based on an agreement with CAMM.

Buy America Review – Buy America reviews refer to the pre-award and post-delivery agreed-upon procedures reviews of vehicle purchases in accordance with federal Buy America laws. The procedures are performed based on an 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 audits 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 Internal Audit plan as follows:

Monitoring – These activities include providing information to the Audit Subcommittee (Subcommittee) of the Taxpayers Oversight Committee (TOC) to assist in their duty to exercise oversight of the expenditure of M2 funds, participation in annual Transit Division bus base inspections, and observation of biennial capital asset inventory counts. Internal Audit also monitors results of audits issued related to Metrolink activities.

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

Investigations – Investigative activities that are performed in response to a complaint or allegation received through OCTA's Fraud Hotline.
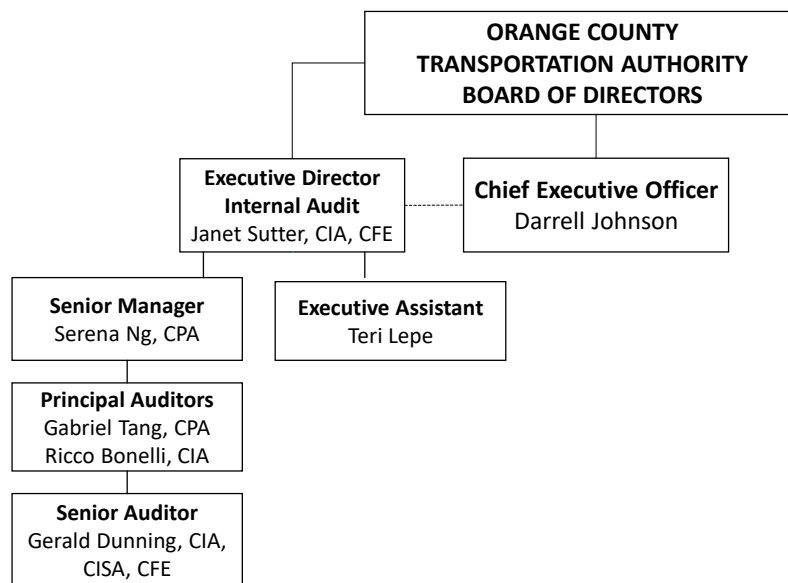
Fiscal Year 2017-18 Accomplishments

- Completed 26 agreed-upon procedures reviews of architectural and engineering, sole source, or single bid proposals and provided CAMM with price adjustment recommendations of nearly $600,000.

- Completed an additional 12 audit projects and one Buy America agreed-upon procedures review, resulting in 33 recommendations for improvement to policies, procedures, and/or internal controls.

- Exceeded both the department-wide productivity goal of 75 percent and the professional audit staff productivity goal of 80 percent.

- Conducted follow-up on implementation of audit recommendations within six months of report issuance or earlier, as directed by the Finance and Administration (F&A) Committee.

- Performed Internal Audit's annual internal quality assurance and self-assessment review, identifying and addressing areas for improvement to processes, policies, and procedures. Completed revisions to clarify and improve policies and procedures to better reflect Government Auditing Standards (Standards) requirements.

- Provided administration of OCTA's Fraud Hotline and reviewed 30 complaints received during the fiscal year. Referred complaints to legal counsel and/or management, when appropriate, or conducted investigations of allegations. Completed six investigations, resulting in two reports with eight recommendations for improvement and one memorandum to management.

- Provided assistance to the Audit Subcommittee of the TOC including, but not limited to, design of agreed-upon procedures for testing compliance with M2 Local Fair Share, Project U Senior Mobility Program, and Senior Non-Emergency Medical Transportation Program expenditures, and for evaluation of the M2 status report. Also, reported results of annual audits and agreed-upon procedures reviews as they relate to M2.

- Provided quarterly updates to the F&A Committee on the status of projects and audits included in the annual audit plan no later than 30 days after quarter-end.

- Obtained an Information Systems risk assessment by a qualified consultant and incorporated results into the OCTA Internal Audit Risk Assessment. Updated the Risk Assessment to reflect new projects, programs, functions, and significant contracts and to better reflect the current organization. Also, met and solicited input from executive directors to review the list for completeness and to review the risk assessment methodology and scores for entities under their purview.

- Coordinated and reported results of audits by external agencies of $110.8 million in Proposition 1B funds and a total of $4.6 million in Transit Security Grant Program funds. Also, coordinated an audit of payroll transmittals by the Orange County Employees Retirement System.

Fiscal Year 2018-19 Goals

- Procure an independent audit firm and coordinate and report results of the FY 2016-18 State Triennial Audit of OCTA, the Orange County Transit District, and Laguna Beach Municipal Transit Lines.

- Prepare a scope of work and make recommendations to the F&A Committee on the selection of an independent certified public accounting firm to perform financial and agreed-upon procedures reviews of OCTA starting in FY 2018-19.

- Participate in Quality Assurance (Peer) Review team(s) and accrue reciprocal credit through the Association of Local Government Auditors, and obtain Internal Audit's required Triennial Peer Review in early 2019.

- Coordinate and report results of the upcoming Federal Transit Administration's Triennial Review.

- Achieve a department-wide productivity ratio of at least 75 percent and professional staff productivity ratio of at least 80 percent.

- Provide quarterly updates to the F&A Committee on the status of projects and audits included in the annual audit plan. Provide these updates no later than 30 days after quarter-end.

- Review audit committee charters of the F&A Committee and the Audit Subcommittee of the TOC and recommend updates based on relevant changes in professional guidance. Both charters should be completed and presented to the respective committees annually.

- Assist the Audit Subcommittee of the TOC with the design and update of agreed-upon procedures for M2-related audits and provide progress updates and final results of all M2-related audits.

- Conduct follow-up on implementation of audit recommendations within six months of report issuance or earlier, as directed by the F&A Committee, and report the results as part of the quarterly updates to the Internal Audit plan.

- Perform Internal Audit's annual internal Quality Assurance and Self-Assessment review by March 31, 2019, and make any noted improvements to Internal Audit's processes, policies, and procedures.

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 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:

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                    ORANGE COUNTY
               TRANSPORTATION AUTHORITY
                  BOARD OF DIRECTORS

     Executive Director          Chief Executive Officer
      Internal Audit                 Darrell Johnson
   Janet Sutter, CIA, CFE

   Senior Manager              Executive Assistant
    Serena Ng, CPA                  Teri Lepe

   Principal Auditors
   Gabriel Tang, CPA
   Ricco Bonelli, CIA

    Senior Auditor
 Gerald Dunning, CIA,
      CISA, CFE
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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*." Delivering these "*transportation solutions*" are several core business units of OCTA, including Transit, Planning, and Capital Programs Divisions. These business units are supported by administrative functions, and all of these services are delivered through a variety of projects, programs, and activities. With a budget exceeding $1 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 enormity 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 fiscal year.

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%) – 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%) – 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%) – The impact severity 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.

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

Complexity of Operations (15%) – 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%) – 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	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	Weighted Average Risk
			20%	20%	15%	15%	15%	15%	
Project Controls	2016	No	1	5	1	4	3	4	3
Purchasing Cards	2018	No	1	1	1	2	4	1	1.6
ACCESS Eligibility	2015	No	1	4	3	4	5	3	3.3
Buy America Compliance	2018	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 or at the direction of the Audit Subcommittee of the Taxpayer's Oversight Committee, are not risk rated, and are reflected as "Required".

Internal Audit Plan Development

The FY 2018-19 Internal Audit Plan (Audit Plan), Appendix B, calls for approximately 8,600 Internal Audit hours, exclusive of vacation, sick, holiday, and continuing professional education hours. Of the 8,600 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 770 hours for mandatory audit activities, including hours anticipated to coordinate, review, and report on the results of the required State and Federal Triennial Reviews, other regulatory agency audits, and required financial audits and agreed-upon procedures reviews performed by OCTA's independent public accounting firm. In addition, during the upcoming year, Internal Audit will prepare a scope of work and make recommendations to the F&A Committee on the selection of an independent certified public accounting firm to perform financial audits and agreed-upon procedures reviews of OCTA for FY ended June 30, 2019. Approximately 760 hours are anticipated for internal audit projects

and non-audit activities, such as the annual risk assessment and audit planning process, quality assurance and self-assessment activities, administration and investigation of complaints received through OCTA's Fraud Hotline, and, in the coming year, participation in Peer Review team(s) to accrue reciprocal credit so that Internal Audit may obtain its required Triennial Peer Review in early 2019.

The Audit Plan also includes 750 hours for price review services and 80 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.

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 taken into account in the Risk Assessment. For example, some high risk auditable entities are not selected because they are projects in their infancy and it would be more suitable to perform an audit after the project is better underway. Other high-risk auditable entities are not selected because of Internal Audit's knowledge of related review activities such as the service organization controls review of Cofiroute, USA (Cofiroute), upcoming State and Federal Triennial Reviews, and the M2 Triennial Review currently underway. Knowledge of these control review activities reduces the likelihood that audits of Cofiroute operations, the M2 Program Management Office, or certain grant funded projects will be selected. Other subjective factors that enter into the selection of audit projects include knowledge about external or regulatory auditor interest, project or program failures or successes, consideration of the impact to individual departments and/or divisions, and staffing resources.

The proposed Audit Plan includes operational audits of mobile ticketing revenue collection, recruiting and employment, construction safety, and coach operator scheduling. Assessments of oversight controls and contract compliance related to the City of Orange Parking Expansion project, right-of-way maintenance activities, bus marketing activities, and the master custodial agreement for 91 Express Lanes revenues have also been included. An audit of the Information Systems patch management program and an audit of procedures and recordkeeping processes for evidencing compliance with Assembly Bill 1234 related to Board members' compensation and ethics compliance are also planned. Finally, we have proposed a review of the agreement with Element Markets for renewable gas credits.

Each of the planned projects, along with projects carried over from the prior year Audit Plan, is reflected at Appendix A, along with a brief description and the estimated staff hours required for the audit.

Conclusion

The 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 B. 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 included to most accurately 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 2018-19**

Division 　Department/Functional Area 　　Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
Executive		
Clerk of the Board		
Public Records Requests	Low to Moderate	2014
Form 700 Disclosures	Moderate	
Brown Act Compliance	Low to Moderate	2018
Board of Directors Compensation and Ethics Compliance	Moderate	
Services of Legal Process	Low to Moderate	
Legal Services		
Woodruff, Spradlin, & Smart	Moderate	2015
Security and Emergency Preparedness		
Continuity of Operations/Emergency Response	Moderate to High	2014
Emergency Operation Plans	Moderate to High	
System Security and Emergency Preparedness Plan	Moderate	
Physical Security - All Facilities	Moderate to High	
Security Grants	Low to Moderate	
Transit Police Services	Moderate	2017
Express Lanes Program		
Master Custodial Agreement	Moderate to High	
Operations and Management	Moderate to High	
Collections	Moderate to High	
Building Leases	Low	
Revenue Account Management System	Moderate to High	2012
Riverside County Transportation Corridor Agreement	Moderate	
Toll Lanes Integrator Services	Moderate	
Ethics Program	Moderate	
Public Information Office		
Crisis Communications Plan	Moderate	
Capital Programs		
Highway Projects		
Interstate 5 (I-5)		
I-5 (between State Route (SR)-57 and SR-55) - Measure M2 (M2) Project A	Moderate to High	
I-5 (between Interstate 405 (I-405) and SR-55) - M2 Project B	Moderate	
I-5 (South of El Toro Road) - M2 Project C		
Pacific Coast Highway (PCH) to San Juan Creek Road	Moderate to High	
Avenida Pico to Avenida Vista Hermosa	Moderate	
Avenida Vista Hermosa to PCH	Moderate	
State Route (SR-73) to El Toro Road		
SR-73 to Oso Parkway	Moderate to High	
Oso Parkway to Alicia Parkway	Moderate to High	
Alicia Parkway to El Toro Road	Moderate to High	

Division
  Department/Functional Area
    Project/Program/Function
	RISK
	ASSESSMENT
		7 Year
		Audit
		History

I-5 Interchange Projects - M2 Project D		
Ortega Highway Interchange	Moderate	
El Toro Road Interchange	Low to Moderate	
SR-57 Improvements - M2 Project G		
Orangewood Avenue to Katella Avenue	Moderate	2012
Orangethorpe Avenue to Lambert Road	Moderate	
Lambert Road to Tonner Canyon Road	Low to Moderate	
SR-55 Improvements - M2 Project F		
I-405 to I-5	Moderate to High	
State Route 91 Improvements (SR-91)		
Improvements from I-5 to SR-57 - M2 Project H	Moderate	2015
Improvements from SR-57 to SR-55 - M2 Project I	Moderate	
Tustin Avenue Interchange to SR-55 - M2 Project I	Moderate	
SR-55 to Orange/Riverside County Line - M2 Project J	Moderate	
SR-241 to Riverside County Line	Moderate	
91 Express Lanes to SR-241 Toll Connector	Moderate	
Interstate 405 (I-405)		
Improvements from I-605 and SR-55 - M2 Project K		
Design-Build Contract Management	High	
Right-of-Way (ROW) Activities and Reporting	Moderate	2017
Program Management Activities	High	2018
Improvements from SR-55 to I-5 - M2 Project L	Low to Moderate	
Highway Project Management		
Highway Project Management - Mott MacDonald	Moderate to High	2018
Project Controls	Moderate to High	2016
Real Estate Administration	Moderate	
ROW Operations	Moderate to High	
Facilities Engineering		
Facilities Project Management	Moderate	2015
Transit Security Operations Center	Moderate to High	
Rail Programs and Facilities Engineering		
Local Initiatives		
Project S: Go Local Fixed Guideway Projects		
OC Streetcar Project	High	
Passenger Rail Operations and Metrolink Expansion		
City of Orange Parking Expansion	Moderate to High	
Fullerton Transportation Center - Elevator Upgrades	Moderate	

Division Department/Functional Area Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
Placentia Metrolink Station Project	Moderate	
Anaheim Canyon Station Improvements	Moderate	
San Juan Capistrano Passing Siding	Moderate	
San Juan Creek Bridge Replacement	Moderate	
Control Point 4th St - Santa Ana	Low to Moderate	2018

Planning

M2 Program Management Office — Moderate

Strategic Planning
  Transportation Planning

	RISK ASSESSMENT	7 Year Audit History
M2 Environmental Mitigation Program		
Program Administration	Moderate	2013
Land Management Contracts	Moderate	
Habitat Restoration and Mitigation Funding Contracts	Moderate	
Transit and Non-Motorized Planning		
Bus Facilities Asset Management / Capital Plan	Moderate	
Fleet Plan	Low to Moderate	
Bikeway Master Plans	Low	
Transit Master Plan	Moderate	
Fullerton Park and Ride - Development Study	Low to Moderate	
Strategic Initiatives		
Strategic Plan - Development and Monitoring	Low to Moderate	
Performance Metrics	Low to Moderate	

Southern California Association of Governments Agreement / Workplan — Low to Moderate

Geographic Information System Services — Low to Moderate

State/Federal Programs

	RISK ASSESSMENT	7 Year Audit History
State/Federal Improvement Program Funding Administration	Moderate	
Annual 5307 Program of Projects	Moderate	
Proposition 1B Project Monitoring	Moderate	
Calls for Projects	Low to Moderate	

Local Programs

	RISK ASSESSMENT	7 Year Audit History
Measure M Eligibility	Moderate to High	
Comprehensive Transportation Funding Programs (CTFP)	Moderate	2018
Oversight and Reporting: CTFP	Moderate	

Division
    Department/Functional Area
        Project/Program/Function
	RISK
	ASSESSMENT
		7 Year
		Audit
		History

M2 Local Projects		
Project Q - Local Fair Share	Required	
Project V - Community Based Transit Circulators	Moderate	
Project W - Safe Transit Stops	Low to Moderate	
Operations		
Passenger Rail Operations & Metrolink		
ROW Maintenance - Joshua Grading & Excavating	Moderate	
JPA Allocation Southern California Regional Rail Authority (SCRRA)	Moderate to High	
Program Management Support for Rail Programs	Moderate to High	
Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency (LOSSAN)		
Managing Agency Contracts	Moderate	
Transit		
OC Streetcar Operations	Low to Moderate	
Service Planning and Scheduling		
National Transit Database (NTD) Reporting	Required	
Coach Operator Scheduling	Moderate to High	
Stops & Zones	Low to Moderate	2013
Schedule Checkers	Low to Moderate	2013
Service Change Implementation	Moderate	
Bus Operations		
Operator Bidding Process	Moderate to High	
Overtime: Scheduled and Unscheduled	Moderate to High	
Operations Training	Moderate	
Field Supervision	Moderate	
Central Communications	Moderate to High	
Timekeeping System	Moderate	
Uniform Allowance	Low	
Contracted Services		
ACCESS Eligibility	Moderate to High	2015
Reduced Fare Program - ACCESS Riders	Moderate	
Regional Center Day Programs	Moderate to High	
Adult Day Health Care Program Agreements	Low to Moderate	2013
Job Access and Reverse Commute and New Freedom Grant Administration	Moderate	
Senior Mobility Program (M2 - Project U & Transportation Development Act-funded)	Required	Annual
Senior Non-Emergency Medical Transportation (M2 - Project U)	As Required	2016
First Transit - Contracted Fixed Route Operations	High	2017

Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2018-19

Division 　Department/Functional Area 　　Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
ACCESS Service		
MV Transit ACCESS Operations	High	2018
Same Day Taxi Service - Yellow Cab of North Orange County	Moderate to High	
EZ Wallet Program	Moderate	
Maintenance		
Maintenance Employee Incentives	Moderate	
Rolling Stock and Inventory Contracts		
Bridgestone/Firestone Tire Lease	Moderate	
Trillium USA - Operate & Maintain Compressed Natural Gas Stations	Moderate	
Cummins Cal Pacific	Moderate	
Revenue Vehicle Maintenance	Moderate to High	
Specialty Shop Maintenance	Moderate	
Company Assigned Vehicles	Low to Moderate	
Fuel Management	Moderate	2018
Transit Technical Services	Moderate to High	
Revenue Vehicle Purchase / Acceptance	Moderate	
Non-Revenue Vehicle Purchase	Low to Moderate	
Decommission and Auction of Retired Vehicles	Low to Moderate	
Maintenance Resource Management	Moderate to High	
Timekeeping	Low to Moderate	
Equipment Assignments and Tracking	Low	2016
Uniform Rental and Cleaning	Low to Moderate	
Facilities Maintenance	Moderate	
Maintenance Training	Low to Moderate	
Motorist Services		
Freeway Service Patrol (M2 Project N)	Moderate	
Call Box Program	Low to Moderate	
511 Motorist Aid	Moderate	
Anaheim Transportation Network	Low to Moderate	
Irvine Shuttle	Low to Moderate	
Finance and Administration		
Project U - Fare Stabilization	Moderate	
Financial Planning and Analysis		
Budget Development and Monitoring	Moderate to High	2017
Comprehensive Business Plan	Moderate	
Transit Performance Metrics	Moderate	2015

Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2018-19

Division Department/Functional Area Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
Treasury and Public Finance		
Investments		
Investments- Compliance, Controls, and Reporting	Required	Semi-Annual
Investment Management Service Contracts	Moderate to High	2017
Endowment Funds	Moderate	
Accounting and Financial Reporting		
General Accounting	Moderate	
Financial Reporting	Required	Annual
Cost Allocation Plan	Low to Moderate	
M2 Accounting and Reporting	Required	Annual
Sales Tax Revenue Accounting	Low to Moderate	
Accounts Payable	Moderate	2016
Purchasing Cards	Low to Moderate	2018
Corporate Credit Cards	Low to Moderate	2012
Capital Assets	Moderate	
Pass Sales Program	Low to Moderate	2013
Payroll Operations	Moderate	
Administrative Employee Overtime	Moderate	2014
Payroll Garnishments	Low	
Farebox Revenue and Collection	Moderate	2015
Petty Cash Funds Administration	Low	
Banking Services	Moderate	
General Services		
Printing and Reprographics	Low to Moderate	
Records Management	Moderate	
Lease Management	Low to Moderate	
Employee Programs	Low	
Asset Management and Inventory	Moderate	
Internal Communications and OCTA Policies	Low	2017
Commuter Club Program	Low to Moderate	2014
Metrolink Reimbursement Program	Low to Moderate	
OCTA Store	Low to Moderate	2014
Lost and Found Operations	Low	
Revenue Administration		
GFI Farebox Operations	Moderate	2015
Mobile Ticketing Operations	Moderate	
Revenue and Revenue Sharing Contracts	Moderate to High	
Grant Administration & Accounting	Moderate to High	
STIP-PPM Compliance	As Required	2018
Transportation Development Act	Required	Annual

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Fiscal Year 2018-19

Division
   Department/Functional Area
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Contract Administration and Materials Management		
Contract Amendments	Moderate to High	
Independent Cost Estimates	Moderate	
Proposal Evaluations	Low to Moderate	
Protests	Low to Moderate	2015
Small Purchases	Low to Moderate	
Buy America Compliance	**As Required**	
Purchase Order and Blanket Purchase Orders	Moderate	2014
Maintenance Inventory Management	Moderate	2012
Warranty Administration	Moderate	2018
Disadvantaged Business Enterprise Program	Moderate	
Inventory Contracts		
Unleaded Fuel	Moderate	
Diesel Fuel	Low to Moderate	
Liquified Natural Gas Contract	Moderate	2015
Renewable Natural Gas Credits Contract	Low to Moderate	
Information Systems		
Applications		
ITMS Radio System	Moderate to High	
OCTA.net Website	Moderate to High	
Application Infrastructure	Moderate to High	
Database Systems	Moderate	
Vendor Management	Moderate to High	
IT Systems & Security	Moderate to High	
System Development and Acquisition	Moderate	
Patch Management	Moderate to High	
IT Operations (User Mgmt, Authentication, Access Controls)	Moderate to High	
Technology Project Management	Moderate	
Business Continuity/Disaster Recovery	Moderate	
Change Management	Moderate	
PCI Compliance	Moderate	2017
Incident Response Program	Moderate	
Asset Management	Moderate	
Operating Systems	Moderate	
IT Contract Services	Moderate	
Human Resources and Organizational Development		
Risk Management		
Insurance Program Administration	Moderate	

Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
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Division **Department/Functional Area** Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
Liability Claims Management and Subrogation	Moderate to High	
Worker's Compensation and Subrogation	Moderate	2012
Employment & Compensation		
Terminations	Low to Moderate	
Extra Help and Contract Staffing	Low to Moderate	
Recruitment and Employment	Moderate to High	
Compensation	Moderate to High	2012
Benefits		
Healthcare Plans	Moderate to High	2017
Coach Operator Healthcare	Moderate	
Maintenance Employee Healthcare	Moderate	
Protected Leave	Moderate to High	2014
Flexible Benefits	Low to Moderate	2013
Health Savings Account	Moderate	2017
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	
Employee and Labor Relations		
Labor Contracts	Moderate	
Unemployment Claims	Low	
Grievances	Low to Moderate	2012
Equal Employment Opportunity	Moderate	
Title VI Compliance	Moderate	
Medical Exams	Moderate	
Training & Development		
Training (Learning Management System)	Low to Moderate	2014
Educational Reimbursements	Low	2014
Safety and Environmental Compliance		
Drug and Alcohol Program	Moderate	
Construction Safety	Moderate to High	
Employee Safety	Moderate to High	
Motor Vehicle and Traffic Safety		
Pull Notice Program	Moderate	2012
Safety Specifications	Moderate	
NTD Accident Reporting	Low to Moderate	
Environmental Compliance Program		

Division
   Department/Functional Area
      Project/Program/Function
	RISK
	ASSESSMENT
		7 Year
		Audit
		History

Storm Water Pollution Prevention Program	Moderate to High	2017
Spill Prevention Countermeasure and Control Plan	Moderate to High	
Hazardous Waste Removal	Moderate to High	
Air Quality Management Destrict Permitting and Compliance	Moderate to High	
Environmental Specifications - Contracts	Moderate	
Underground Storage Tank Removal Program	Moderate to High	
Safety Management Plan	Moderate	

External Affairs

Marketing and Public Outreach

Marketing and Customer Engagement		
Digital and Creative Services	Low to Moderate	
OCTA Bus Marketing	Moderate	
Bus Advertising Revenue Contracts	Low to Moderate	2013
Rideshare Program	Moderate	
Vanpool Program	Moderate	2014
Customer Engagement & Data Analytics		
Data Analytics / Performance Management	Moderate	
In-House Customer Relations	Low to Moderate	2017
Customer Information Center	Moderate	
Diversity Outreach and Economic Opportunity Programs	Low to Moderate	
Public Outreach		
Project Outreach Contract Management		
SR-91	Moderate	
I-5	Moderate	
Mitigation/Conservation Plan	Moderate	
SR-55	Moderate	
OC Streetcar Project	Moderate to High	
Grade Separation	Moderate	
I-405 Improvement Project	Moderate to High	

State and Federal Relations

Lobbying Contracts	Low to Moderate	
Grants Development (Application and Oversight)	Moderate	
Subrecipient Monitoring	Moderate to High	

Orange County Transportation Authority
Internal Audit Department
FY 2018-19 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 Reviews	FY19-001 through FY19-004	Procure independent financial audit firm and coordinate and report on annual financial and agreed-upon procedures reviews for fiscal year 2018-19.	Financial	450
State Triennial Audit	FY19-007	Procure independent audit firm and coordinate and report on the required State Triennial Performance audits of the Orange County Transportation Authority (OCTA), Orange County Transit District, and Laguna Beach Municipal Transit Lines.	Compliance	180
Federal Triennial Audits	FY19-006	Coordinate and report on results of the required Federal Transit Administration's Triennial Review.	Compliance	80
External Regulatory Audits	FY19-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60
Internal Audit Department Projects				
Risk Assessment and Annual Audit Plan	FY19-100	Preparation of the annual audit plan, quarterly updates to the audit plan, periodic assessment of risk throughout the year, including monitoring the audit results of related entities.	Audit Plan and Updates	200
Quality Assurance and Self-Assessment	FY19-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with Government Auditing Standards.	Quality Assurance	160
Peer Review	FY19-104	Participate in peer reviews of other internal audit agencies in exchange for reciprocal credit towards required peer review of OCTA's Internal Audit. Report results of peer review to Finance and Administration Committee and the Board of Directors.	Peer Review	120
Fraud Hotline Activities	FY19-102	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	240
Automated Workpaper Solution	FY19-103	System updates/training related to automated workpaper solution.	Workpaper System	40
Internal Audits				
Clerk of the Board				
Board of Directors Compensation and Ethics Compliance	FY19-5XX	Review procedures and recordkeeping processes evidencing compliance with Assembly Bill 1234.	Compliance	180

Orange County Transportation Authority
Internal Audit Department
FY 2018-19 Internal Audit Plan

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Express Lanes Program				
Master Custodial Agreement	FY19-5XX	Review and test activities related to the Master Custodial Agreement between OCTA, Riverside County Transportation Commission, and the Bank of the West for tracking and deposit of revenues and transponder deposits.	Compliance	300
Human Resources and Organizational Development				
Recruiting and Employment	FY19-5XX	Review procedures, controls, and effectiveness of recruiting and employment operations.	Operational	300
Construction Safety	FY19-5XX	Assess the adequacy of policies, procedures, and controls related to the Construction Safety Program function.	Operational	200
Capital Programs				
Interstate 405 (I-405) Improvement Project: Project Management Contract	FY18-505	Assess and test contract compliance and oversight controls of project management services provided for the I-405 Improvement Project.	Compliance	40
Interstate 5 (I-5) Improvements: Pacific Coast Highway (PCH) to San Juan Creek (SJC) Road	FY18-512	Assess adequacy of contract compliance, oversight, and reporting controls related to the I-5 Improvement Project between PCH and SJC Road.	Internal Control	240
City of Orange Parking Expansion	FY19-5XX	Review of the Orange Parking Expansion project, including project administration, oversight controls, and contract compliance.	Internal Control	300
Planning				
Comprehensive Transportation Funding Programs Projects	FY18-513	Review selected projects for compliance with Measure M2 Ordinance, policies, and procedures.	Compliance	100
Operations				
Right-of-Way (ROW) Maintenance	FY19-5XX	Evaluate the ROW maintenance program and oversight controls and contract compliance related to the agreement for ROW maintenance.	Compliance	240

Orange County Transportation Authority
Internal Audit Department
FY 2018-19 Internal Audit Plan

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Transit Operations				
Coach Operator Scheduling	FY19-5XX	Review the coach operator scheduling process, including use of the HASTUS application.	Operational	300
ACCESS Service	FY18-514	Review and test compliance with key contract provisions, with consideration of program effectiveness and efficiency.	Operational	240
Finance and Accounting				
Treasury	FY19-5XX	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	200
Grant Closeouts	FY18-511	As-needed, required financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40
Mobile Ticketing	FY19-5XX	Assess and test controls for mobile ticketing revenue collection and recording.	Internal Control	240
Renewable Natural Gas Credits	FY19-5XX	Review and test compliance with the agreement with Element Markets for renewable gas credits.	Compliance	180
Information Systems				
Patch Management	FY19-5XX	Assess the adequacy of the patch management program.	Operational	120
Contract Administration and Materials Management (CAMM)				
Price Reviews	PR19-XXX	Cost and price analyses as requested by OCTA's CAMM Department.	Price Review	750
Buy America	FY18-XXX	Pre-award and post-delivery reviews to ensure vendors and OCTA are in compliance with federal Buy America requirements.	Compliance	80
Warranty Administration	FY18-510	Assess adequacy of controls in place for tracking and recording of warranty repairs and credits.	Internal Control	80

Orange County Transportation Authority
Internal Audit Department
FY 2018-19 Internal Audit Plan

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
External Affairs				
Bus Marketing	FY19-5XX	Review Bus Marketing program; assess and test oversight controls and contract compliance over contracts for bus marketing, public outreach, etc.	Compliance	240
Unscheduled Reviews and Special Requests				
Unscheduled Reviews and Special Requests	FY19-5XX	Time allowed for unplanned audits, coordination of external agency audits, and requests from the Board of Directors and management.	Varies	240
Monitoring Activities				
Measure M Taxpayer Oversight Committee (TOC)	FY19-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60
Metrolink Audit Activities	FY19-602	Obtain and review audit results of Metrolink activities	Non-Audit Service	40
Bus Base Inspections	FY19-603	At the request of the Transit Division, participation on annual base inspection teams.	Non-Audit Service	40
Follow-up Reviews				
Follow-up Reviews and Reporting	FY19-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-up	320
			Total Audit Project Planned Hours (A)	**6,600**

Orange County Transportation Authority
Internal Audit Department
FY 2018-19 Internal Audit Plan

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Internal Audit Administration				
Board of Directors and Committee Meetings				180
Executive Steering and Agenda Setting Meetings				180
Internal Audit Staff Meetings				150
Other Administration				1,500
			Total Hours (B)	**8,610**
			Department Target Efficiency (A/B)	75%
			Target Efficiency - Professional Staff	80%