



January 8, 2020

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer
Janet Sutter, Executive Director
Internal Audit Department

Subject: 91 Express Lanes Master Custodial Account and Revenue Allocation, Internal Audit Report No. 19-514

Overview

The Internal Audit Department has completed an audit of 91 Express Lanes Master Custodial Account activities and revenue allocation. Based on the audit, revenues are allocated to the Orange County Transportation Authority in accordance with the cooperative agreement between the Orange County Transportation Authority and the Riverside County Transportation Commission. The audit also found controls over wire transfers from the 91 Express Lanes Master Custodial Account are adequate and effective.

Recommendation

Receive and file 91 Express Lanes Master Custodial Account and Revenue Allocation, Internal Audit Report No. 19-514, as an information item.

Background

In 2008, the Riverside County Transportation Commission (RCTC) received authority to extend the 91 Express Lanes from the Riverside County Line to Interstate 15. This section of the 91 Express Lanes opened in 2017, providing customers with eight additional miles of travel-time certainty. The Orange County Transportation Authority (OCTA) and RCTC entered into an agreement with the current 91 Express Lanes operator, Cofiroute USA (Cofiroute), to service both segments of the 91 Express Lanes.

OCTA, RCTC, and Bank of the West entered into a Master Custodial Account (MCA) Agreement in 2017, with Bank of the West serving as the account custodian. OCTA and RCTC also entered into a cooperative agreement (Cooperative Agreement) in December 2011. This agreement, along with a

detailed revenue-split schedule, outlines how revenues are to be allocated between OCTA and RCTC. As the 91 Express Lanes operator, Cofiroute tracks all trip activity through its Revenue and Account Management System, which is configured to allocate revenues by agency in accordance with the Cooperative Agreement. Tolls and violation fees collected for trips registered on the OCTA 91 Express Lanes side are assigned to OCTA, while tolls and violation fees collected for trips registered on the RCTC side are assigned to RCTC. Other administrative fees, miscellaneous non-toll revenue, and bad debt expenses are allocated by Cofiroute according to the Cooperative Agreement and detailed revenue-split schedule. OCTA's share of the revenues from the MCA averaged \$4.8 million per month during the audit period.

Discussion

The audit of the 91 Express Lanes MCA was included in the Fiscal Year 2018-19 Internal Audit Plan to evaluate controls and test activities to ensure proper allocation and deposit of revenues to OCTA. Internal Audit performed testing of revenues received and allocated from the 91 Express Lanes MCA to OCTA's 91 Express Lanes Operating Account and found that revenues were allocated in accordance with the Cooperative Agreement between OCTA and RCTC. Internal Audit also performed an assessment and testing of the MCA wire transfer control environment and determined that controls in place were adequate and effective.

Summary

Internal Audit has completed an audit of 91 Express Lanes MCA and Revenue Allocation.

Attachment

- A. 91 Express Lanes Master Custodial Account and Revenue Allocation, Internal Audit Report No. 19-514

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Approved by:



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