ORANGE COUNTY TRANSPORTATION AUTHORITY
Internal Audit Department

Fiscal Year 2021-22
Internal Audit Plan

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ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Fiscal Year 2021-22
Internal Audit Plan

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ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Fiscal Year 2021-22
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 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 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) 2021-22, 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 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, contracts, 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 (CAMM) Department 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 agreed-upon procedures 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 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 of the Taxpayers Oversight Committee (TOC) to assist in their duty to exercise oversight of the expenditure of M2 funds, participation in annual Operations 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 are performed in response to a complaint or allegation received through OCTA's Fraud Hotline.

Fiscal Year 2020-21 Accomplishments

- Completed ten audit projects, resulting in 17 recommendations for improvement to policies, procedures, and/or internal controls. Also, at the request of CAMM, completed 32 agreed-upon procedures reviews of architectural and engineering, sole source, or single bid proposals, and two pre-award Buy America reviews related to the purchase of ten 40-foot battery-electric buses manufactured by New Flyer of America, and 165 40-foot compressed natural gas buses manufactured by Gillig, LLC.

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

- Provided written quarterly updates to the Finance and Administration (F&A) Committee on the status of audit projects and activities and provided these updates no later than 30 days following quarter-end.

- As required by Government Auditing Standards (Standards), performed Internal Audit's annual internal quality assurance and self-assessment review in February 2021, and implemented improvements to Internal Audit practices, policies, and procedures in March 2021.

- Conducted follow-up of management's implementation of audit recommendations within six months of report issuance or earlier.

- Provided administration of OCTA's Fraud Hotline and reviewed 11 complaints received during the FY. Referred complaints to management and/or appropriate outside agencies, and conducted investigations of allegations, where appropriate.

- 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 administration of the OCTA Fraud Hotline with initial contact response to all reports within two business days.

Fiscal Year 2021-22 Goals

- Implement the OCTA FY 2021-22 Internal Audit Plan (Audit Plan) and provide quarterly updates on the status of audit projects and activities no later than 30 days after quarter-end.

- Conduct agreed-upon procedures reviews, at the request of CAMM, of all architectural and engineering price proposals exceeding $150,000, to establish the reasonableness of proposed rates. Also, apply agreed-upon procedures to sole source proposals exceeding $50,000, single bid procurements, and vehicle purchases in accordance with Buy America laws.

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

- Conduct follow-up of management's implementation of audit recommendations within six months of report issuance or earlier, and report results as part of the quarterly updates to the Internal Audit Plan.

- 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 results of all M2-related audits.

- Perform Internal Audit's annual internal quality assurance and self-assessment review by March 31, 2022, and make any noted improvements to Internal Audit's practices, policies, and procedures.

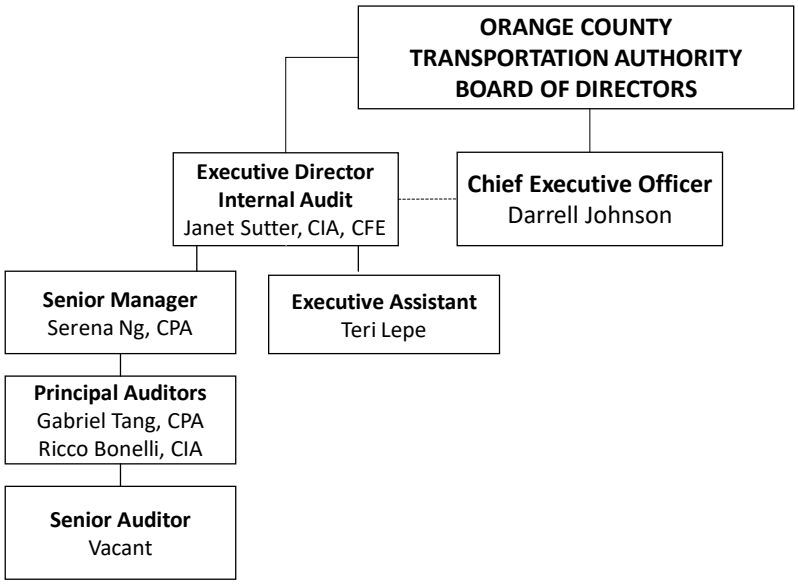
- Provide administration of the OCTA Fraud Hotline; provide initial contact response to all reports within two business days.

- Procure an independent audit firm and coordinate and report results of the FY 2019-21 State Triennial Audit of OCTA, the Orange County Transit District, and Laguna Beach Municipal Transit Lines.

- Participate on 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 2022. Report results of the peer review of the OCTA Internal Audit Department to the F&A Committee and the Board within 30 days of report issuance.

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:



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 Chief Executive, Operations, Planning, Human Resources and Organizational Development, Government Relations, Express Lanes Programs, and Capital Programs

Divisions. 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 $1.2 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 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 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 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 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	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	2020	Yes	As Needed						N/A

Following the risk assessment of each of approximately 250 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 TOC, are not risk rated, and are reflected as “Required”.

Internal Audit Plan Development

The Audit Plan, Appendix B, calls for approximately 7,900 Internal Audit hours, exclusive of vacation, sick, holiday, and continuing professional education hours. The total hours also reflect an expectation that a vacancy in staffing will be filled by January 2022. Of the 7,900 hours, approximately 1,900 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 637 hours for mandatory audit activities, including hours anticipated to coordinate, review, and report on the results of the required annual financial statement audits and agreed-upon procedures reviews, and other regulatory agency audits. Approximately 620 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 900 hours for price review services, and 160 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 high-risk auditable entities are not selected because the projects and/or contracts are in their infancy, and it would be more suitable to perform an audit after the project and/or contract is better underway. Other high-risk auditable entities are not selected because of Internal Audit's knowledge of a recent or upcoming related review activity, such as audits by the California Department of Transportation and/or the Federal Triennial 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, consideration of the impact to individual departments and/or divisions, and staffing resources.

The proposed Audit Plan includes audits to assess and test oversight, contract compliance, and invoice review controls related to OC Streetcar construction activities, on-call right-of-way and appraisal services, and public outreach activities for the Interstate 405 Improvement Project. Audits of both revenue and non-revenue vehicle purchase activities, preparation of independent cost estimates, and employee incentive programs are also reflected, as well as audits of freeway service patrol activities and contracts for temporary staffing services. The required semi-annual audits of investments and a compliance audit of Public Records Act requests are also planned. Finally, the Audit Plan includes design of a scope of work and procurement of a consultant to perform an audit of OCTA's cybersecurity program.

Each of the planned projects, along with projects carried over from the FY 2020-21 Audit Plan, is reflected at Appendix B, along with a brief description and the estimated staff hours required to perform 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 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 2021-22

Division Department/Functional Area Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
Executive		
Clerk of the Board		
Public Records Requests	Low to Moderate	
Form 700 Disclosures	Moderate	2021
Brown Act Compliance	Low to Moderate	2018
Board of Directors Compensation and Ethics Compliance	Moderate	2019
Services of Legal Process	Low to Moderate	
Legal Services		
Woodruff, Spradlin, & Smart	Moderate to High	2015
Security and Emergency Preparedness		
Continuity of Operations/Emergency Response	Moderate to High	
Emergency Operation Plans	Moderate to High	
Physical Access Security - Facilities	Moderate	2021
Security Grants	Low to Moderate	
Transit Police Services	Moderate to High	2017
Express Lanes and Motorist Services Programs		
Master Custodial Agreement	Moderate to High	2019
91 Express Lanes		
Operations and Management	**High**	
Roadside Services	Moderate	
California Highway Patrol Services	Moderate	
Collections	Moderate	
Building Leases	Low	
Revenue Account Management System	Moderate	
Riverside County Transportation Corridor Agreement	Moderate	
Toll Lanes Integrator Services	Moderate	
405 Express Lanes - Operations and Management	Moderate to High	
Motorist Services		
Freeway Service Patrol	Moderate to High	
Call Box Program	Low to Moderate	
511 Motorist Aid	Low to Moderate	
Ethics Program	Moderate	
COVID-19 Response - Procedures	Moderate	
Public Information Office		
Crisis Communications Plan	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/Contract/Function	RISK ASSESSMENT	7 Year Audit History
Capital Programs		
Highway Projects		
Interstate 5 (I-5) Improvements		
I-5 (between State Route 57 (SR-57) and State Route 55 (SR-55)) - Measure M2 (M2) Project A	Moderate to High	2020
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	2018
Avenida Pico to Avenida Vista Hermosa	Moderate	
Avenida Vista Hermosa to PCH	Moderate	
State Route 73 (SR-73) to El Toro Road Landscape	Low to Moderate	
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	
I-5 Interchange Projects - M2 Project D		
El Toro Road Interchange	Low to Moderate	
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	Moderate	
91 Express Lanes to State Route 241 Toll Connector	Moderate to High	
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	**High**	
Right-of-Way (ROW) Activities and Reporting	Moderate	2017
Program Management Activities	**High**	2018
I-405 Improvements between SR-55 and I-5 - M2 Project L	Low to Moderate	

Orange County Transportation Authority
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Risk Assessment by Program/Project/Contract/Function
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Division Department/Functional Area Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
Highway Project Management		
Highway Project Management Support	Moderate to High	2018
Project Controls	Moderate to High	2016
Real Estate Administration	Moderate	
ROW Operations		
On-Call ROW Services	Moderate to High	
On-Call Real Property Appraisals	Moderate to High	
Excess Land Sales	Moderate	
Utility Agreements	Moderate	
Facilities Engineering		
Facilities Project Management	Moderate	2015
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		
Construction Management	High	
Construction	High	
OC Streetcar Project Management	High	2021
OC Streetcar Operations & Maintenance Agreement	Moderate to High	
Rail Project Delivery		
City of Orange Parking Expansion	Moderate	2019
Placentia Metrolink Station Project	Moderate	
Anaheim Canyon Station Improvements	Moderate	
San Juan Capistrano Passing Siding	Moderate	
San Juan Creek Bridge Replacement	Moderate	
Orange County Metrolink Facility	Low to Moderate	
Irvine Station Expansion	Low to Moderate	
Serra Siding Project	Low to Moderate	
Control Point- Avery to San Onofre	Low to Moderate	
Replacement - Detectable Tile Replacement - Metrolink Stations	Low to Moderate	
Fullerton Station Stairs Replacement	Low to Moderate	
ROW Stabilization Project	Low to Moderate	

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Risk Assessment by Program/Project/Contract/Function
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Division Department/Functional Area Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
Planning		
M2 Program Management Office	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	
Bristol Street 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		
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	2018
M2 CTFP Program Eligibility / Call for Projects	Moderate	
Oversight and Reporting: CTFP	Moderate	2021
M2 Local Projects		
Project Q - Local Fair Share	**Required**	

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Fiscal Year 2021-22

Division / Department/Functional Area / Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
Operations		
Passenger Rail Operations & Metrolink		
ROW Maintenance - Joshua Grading & Excavating	Moderate	2019
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		
OC Streetcar Vehicles	**High**	
Operations & Maintenance Contract	Moderate to High	
Service Planning and Scheduling		
Coach Operator Scheduling	Moderate	
Stops & Zones	Low to Moderate	
Schedule Checkers	Low to Moderate	
Service Change Implementation	Moderate	
Bus Operations		
Operator Bidding Process	Moderate to High	2019
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
Regional Center Day Programs	Moderate to High	
Adult Day Health Care Program Agreements	Low to Moderate	
Job Access and Reverse Commute and New Freedom Grant Administration	Moderate	
Senior Mobility Program (M2 - Project U & Transportation Development Act-funded)		
Locally-Funded	Low to Moderate	
M2-Funded	**Required**	Annual
Senior Non-Emergency Medical Transportation (M2 - Project U)	**Required**	2020
First Transit - Contracted Fixed Route Operations	**High**	2017
ACCESS Service	**High**	2018
Same Day Taxi Service - Yellow Cab of North Orange County	Moderate to High	2020

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Division Department/Functional Area Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
EZ Wallet Program	Moderate	
Vanpool Operations	Moderate	
OC Flex Operations	Moderate	
Maintenance		
Maintenance Employee Incentives	Moderate	
Rolling Stock and Inventory Contracts		
Bridgestone/Firestone Tire Lease	Moderate	2021
Trillium USA - Operate & Maintain Compressed Natural Gas Stations	Moderate	
Cummins Cal Pacific	Moderate	
Revenue Vehicle Maintenance	Moderate to High	2020
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	2021
Maintenance Training	Low to Moderate	
Electric Vehicle Charging Stations	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
Treasury and Public Finance		
Investments		
Investments - Compliance, Controls, and Reporting	**Required**	Semi-Annual
Investment Management Service Contracts	Moderate to High	2017
Endowment Funds	Moderate	
Transportation Infrastructure Finance and Innovation Act Loan	Moderate	

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Division Department/Functional Area Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
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	
Capital Assets	Moderate	
Pass Sales Program	Low to Moderate	
Payroll Operations	Moderate	
Administrative Employee Overtime	Moderate	
Payroll Garnishments	Low	
Petty Cash Funds Administration	Low	
Banking Services	Moderate	2020
National Transit Database	**Required**	
General Services		
Printing and Reprographics	Low to Moderate	
Records Management	Moderate	
Lease Management	Low to Moderate	
Asset Management and Inventory	Moderate	
OCTA Policies	Low	2017
OCTA Store	Low to Moderate	
Parking Garage - ABM Parking Services	Low	
Lost and Found	Low	
Revenue Administration		
Farebox Revenue Collections and Armored Car Services	Moderate	2015
Mobile Ticketing Operations	Moderate	2019
Revenue and Revenue Sharing Contracts	Moderate to High	2020
Grant Administration & Accounting	Moderate to High	
Transportation Development Act	**Required**	Annual
Subrecipient Monitoring	Moderate	
Federal Stimulus Funding	Moderate to High	

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Division Department/Functional Area Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
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	
Maintenance Inventory Management	Moderate	
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	2019
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	
Information Technology (IT) Systems & Security	Moderate to High	
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	
Change Management	Moderate	
Payment Card Industry Compliance	Moderate	2017
Incident Response Program	Moderate	
Asset Management	Moderate	
Operating Systems	Moderate	
IT Contract Services	Moderate	
Switch Data Center	Moderate to High	
Enterprise Asset Management System - Implementation	Moderate	
Telecommunications	Low to Moderate	

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Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2021-22

Division Department/Functional Area Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
Human Resources and Organizational Development		
Risk Management		
Insurance Program Administration	Moderate	
Liability Claims Management and Subrogation	Moderate to High	
Worker's Compensation and Subrogation	Moderate	
Employment & Compensation		
Separations	Low to Moderate	
Extra Help and Contract Staffing	Low to Moderate	
Recruitment and Employment	Moderate	2019
Compensation	Moderate to High	
Benefits		
Healthcare Plans	Moderate to High	2017
Coach Operator Healthcare	Moderate	
Maintenance Employee Healthcare	Moderate	
Protected Leave	Moderate to High	
Flexible Benefits	Low to Moderate	
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	
Alternative/Remote Work Program	Low to Moderate	
Benefit Program Incentive	Low to Moderate	
Commuter Club Program	Low to Moderate	
Employee and Labor Relations		
Labor Contracts	Moderate	
Unemployment Claims	Low	
Grievances	Low to Moderate	
Equal Employment Opportunity	Moderate	
Title VI Compliance	Moderate	
Medical Exams	Moderate	2020
Training & Development		
Training (Learning Management System)	Low to Moderate	
Educational Reimbursements	Low	

Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2021-22

Division / Department/Functional Area / Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
Safety and Environmental Compliance		
Drug and Alcohol Program	Moderate	
Construction Safety	Moderate to High	2019
Employee Safety	Moderate to High	
Motor Vehicle and Traffic Safety		
Pull Notice Program	Moderate	2021
Safety Specifications	Moderate	
National Transit Database Accident Reporting	Low to Moderate	
Environmental Compliance Program		
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	
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	
Rideshare Program	Moderate	
Customer Engagement & Data Analytics		
Data Analytics / Performance Management	Moderate	
In-House Customer Relations	Low to Moderate	2016
Customer Information Center	Moderate	
Reduced Fare ID Program	Low to Moderate	
Diversity Outreach and Economic Opportunity Programs	Low to Moderate	
Public Outreach		
Project Outreach Contract Management		
SR-91	Moderate	
I-5	Moderate	2018
SR-55	Moderate	
OC Streetcar Project	Moderate to High	
Grade Separation	Moderate	
I-405 Improvement Project	Moderate to High	
Planning Studies Outreach	Low to Moderate	
Government Relations		
State and Federal Relations		
Lobbying Contracts	Low to Moderate	
Subrecipient Monitoring	Moderate to High	

Orange County Transportation Authority
Internal Audit Department
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Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Mandatory External Independent Audits				
Annual Financial Audits and Agreed-Upon (AUP) Procedures Reviews	FY22-001 through FY22-004	Coordinate and report on annual financial and AUP reviews for fiscal year 2020-21.	Financial	425
External Regulatory Audits	FY22-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	32
State Triennial Review	FY22-006	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
Internal Audit Department Projects				
Risk Assessment and Annual Audit Plan	FY22-100	Preparation of the annual audit plan, quarterly updates to the audit plan, and periodic assessment of risk throughout the year, including monitoring the audit results of related entities.	Audit Plan and Updates	180
Quality Assurance and Self-Assessment	FY22-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with Generally Accepted Government Auditing Standards.	Quality Assurance	120
Fraud Hotline Activities	FY22-102	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	160
Peer Review	FY22-104	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 the Finance and Administration Committee and the Board of Directors.	Peer Review	120
Automated Workpaper Solution	FY22-103	System updates/training related to automated workpaper solution.	Workpaper System	40

Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2021-22 Internal Audit Plan

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Internal Audits				
Security and Emergency Preparedness				
Physical Access Security	FY21-511	Review and test controls in place to ensure adequate physical access security at Orange County Transportation Authority (OCTA) locations.	Internal Control / Operational	140
Clerk of the Board				
Form 700 Disclosures	FY21-510	Review and test controls in place related to coordination of Form 700 disclosures by designated employees.	Compliance	24
Public Records Requests	FY22-5XX	Assess and test controls in place to ensure compliance with regulations, policies and procedures.	Compliance	160
Express Lanes Program and Motorist Services				
Freeway Service Patrol	FY22-5XX	Review and test oversight, compliance, and invoice review controls over freeway service patrol activities and consultants.	Operational/ Compliance	240
Human Resources and Organizational Development				
Benefit Programs: Incentives	FY22-5XX	Assess and test policies, procedures, and controls over employee incentive programs.	Operational	240
Temporary Staffing	FY22-5XX	Assess and test oversight, contract compliance and invoice review controls related to temporary staffing contracts and services.	Operational/ Compliance	240
Capital Programs				
OC Streetcar - Construction	FY22-5XX	Review of oversight controls, contract compliance and invoice review controls related to construction of the OC Streetcar project.	Internal Control / Compliance	320
On Call Right of Way and Appraisal Services	FY22-5XX	Assess and test oversight, contract compliance, and invoice review controls over the use of consultant services for Right of Way and appraisal services.	Internal Control / Compliance	240

Orange County Transportation Authority
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Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Operations				
Facilities Maintenance	FY21-507	Review of facilities maintenance function within Operations Division, including oversight controls and contract compliance.	Operational / Compliance	180
Revenue Vehicle Purchases	FY22-5XX	Review revenue vehicle purchase activities to determine compliance with regulations, policies, and procedures.	Internal Control/ Operational	240
Non-Revenue Vehicle Purchases and Assignment	FY22-5XX	Review non-revenue vehicle and accessory purchases and assignments to determine compliance with policies and procedures and evaluate activities to assess economy and effiiciency.	Internal Control/ Operational	240
Finance and Accounting				
Treasury	FY22-5XX	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	300
Information Systems				
Cybersecurity	FY22-5XX	Design a scope of work and procure an audit consultant to evaluate OCTA's Cybersecurity program.	Internal Control/ Operational	100
Contract Administration and Materials Management (CAMM)				
Independent Cost Estimates	FY22-5XX	Review and test controls to ensure independent cost estimates are properly prepared and in compliance with regulations, policy and procedures.	Internal Control/ Compliance	160
Price Reviews	PR22-XXX	As requested by the CAMM Department, apply AUP to sole source, single bid, and architectural and engineering firm proposals.	Price Review	900
Buy America	PR22-XXX	As requested by the CAMM Department, apply AUP to determine compliance with Buy America requirements.	Buy America	160

Orange County Transportation Authority
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Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
External Affairs				
Public Outreach	FY22-5XX	Assess and test oversight, contract compliance, and invoice review controls related to public outreach activities for the Interstate 405 project.	Internal Control/ Compliance	240
Unscheduled Reviews and Special Requests				
Unscheduled Reviews and Special Requests	FY22-800	Time allowed for unplanned audits and requests from the Board of Directors (Board) or management.	Varies	240
Monitoring Activities				
Measure M Taxpayer Oversight Committee (TOC)	FY22-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60
Metrolink Audit Activities	FY22-602	Review/monitor audit results of Metrolink activities.	Non-Audit Service	20
Capital Asset Inventory Observation	FY22-604	At the request of the Finance and Administration Division, observe and apply limited procedures related to the bi-annual capital asset inventory counts.	Non-Audit Service	80
Bus Base Inspections	FY22-603	At the request of the Operations Division, participate in annual base inspections.	Non-Audit Service	60
Follow-Up Reviews				
Follow-Up Reviews and Reporting	FY21-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-Up	240
			Total Audit Project Planned Hours (A)	**6,081**

Orange County Transportation Authority
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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				180
Internal Audit Staff Meetings				140
Other Administration				1,375
			Total Hours (B)	**7,956**
			Department Target Efficiency (A/B)	75%
			Target Efficiency - Professional Staff	80%