

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Budget Development, Monitoring, and Reporting

Internal Audit Report No. 25-514

July 31, 2025



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Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of budget development, monitoring, and reporting. Based on the audit, controls are adequate and functioning.

Background

Every year, the Orange County Transportation Authority (OCTA) prepares a budget that outlines funding sources and uses supporting all agency services and programs. The Financial Planning and Analysis (FP&A) Department within the Finance and Administration Division is responsible for the preparation, monitoring, and reporting on the budget. The Fiscal Year (FY) 2024-25 Budget, totaling \$1,756.6 million, was approved by the Board of Directors (Board) on June 24, 2024.

Departments input budget requests in January of each year. Requests are reviewed by FP&A in February and with executive management in March. The proposed budget is presented to the Board in a public workshop in May, and a public hearing and final approval by the Board occurs in June.

In conjunction with the budget, the Board approves a Personnel and Salary Resolution (P&SR) that contains general policies regarding employment practices, benefits, compensation, and salary structure for administrative employees. The Position Control Policy establishes procedures for maintaining the Board-approved allocation of full-time and part-time administrative employees. The Human Resources Department is responsible for monitoring compliance with the Position Control Policy throughout the year.

With the budget, the Board also authorizes the Chief Executive Officer to negotiate and execute sole source software and hardware licensing, maintenance, and emergency support agreements that exceed \$100,000. These agreements are required to ensure proper maintenance and upgrades to licensed software and purchased hardware, and to ensure emergency support that may be required. The sole source listing is maintained by the Information Systems Department.

On a quarterly basis, FP&A staff provides a report to the Finance and Administration (F&A) Committee and the Board reflecting budget-to-actual results by program. Within the report, staff provide explanations for approximately 80 percent of the variances.

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Objectives, Scope, and Methodology

The objectives were to assess and test the adequacy and effectiveness of controls over budget development, monitoring, and reporting.

The methodology included assessing controls over preparation of the annual budget, and testing selected key budget assumptions for FY 2024-25 to supporting documentation, testing a selection of budget transfers for proper approval and recording, testing all quarterly budget status reports for timely presentation, and testing of the FY25 quarter two report for accuracy. The methodology also included verification of justification statements provided for all professional services and capital expenditures, testing total employee count and a sample of ten new hires for compliance with the approved budget and Position Control Policy, review of evidence supporting training, budget review committee meetings, public hearing and Board meetings conducted for the FY 2024-25 budget cycle, and testing of the FY 2024-25 sole source listing for Board approval and entry into the budget system.

The scope included a haphazard sample of budget assumptions included in the FY 2024-25 budget, a haphazard sample of budget transfers during FY 2023-24 and FY 2024-25 (requested through April 7, 2025), all quarterly budget status reports for FY 2023-24 and quarters one and two from FY 2024-25, all justification statements related to the FY 2024-25 professional service and capital expenditure budget requests, a haphazard sample of new hires and total employee count as of March 22, 2025, all items included in the FY 2024-25 sole source listing, training materials, and budget meetings, public hearing, and Board presentation of the FY 2024-25 budget. Since sample selections were non-statistical, any conclusions are limited to the sample items selected.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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Audit Comment

Noteworthy Accomplishment

Budget staff have developed comprehensive and useful training and reference materials. The materials are made available on an intranet site accessible to all employees. Materials include links to live recordings of annual budget training, as well as training on navigating system dashboards and workspaces. Detailed guidelines covering various budget topics are also available and include step-by-step instructions for system input.