

# **ORANGE COUNTY TRANSPORTATION AUTHORITY**

## **Internal Audit Department**



## **Fiscal Year 2025-26**

### **Internal Audit Plan**



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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 duties and responsibilities and to serve the public interest through the conduct of quality engagements. 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 the 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) 2025-26, 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 (AUP) engagements, performed by Internal Audit, are an example of attestation engagements, whereby Internal Audit applies procedures at the direction of the Contracts Administration and Materials Management (CAMM) Department related to contractor price proposals and procurements of federally funded revenue vehicles.

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

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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/or applicable regulatory requirements.

**Price Review** – Price reviews refer to the AUP reviews performed for architectural and engineering price proposals, or sole source proposals, to determine if proposed pricing is fair and reasonable. AUP reviews are also performed on single-bid procurements for the purpose of determining whether CAMM 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 AUP 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 engagements 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 OCTA FY 2024-25 Internal Audit Plan (Audit Plan) as follows:

**Monitoring** – These activities include providing information to the Audit Subcommittee of the Taxpayer Oversight Committee (TOC) to assist in their duty to exercise oversight of the expenditure of M2 funds, and observation of biennial capital asset inventory counts, as requested by management.

**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.

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**Fiscal Year 2024-25 Accomplishments**

- Conducted the annual risk assessment of OCTA and obtained Board-approval to execute the FY 2023-24 Internal Audit Plan on July 22, 2024. Implemented the plan and provided timely quarterly updates of progress and activities.
- Exceeded the department-wide productivity goal of 75 percent and exceeded the professional audit staff productivity goal of 80 percent.
- Completed 43 projects (to date); including 14 audits, 27 price reviews, and two Buy America reviews.
- Obtained the required triennial external quality assurance, or peer review, of Internal Audit, receiving an unqualified opinion from the Association of Local Government Auditors.
- Coordinated and issued all required annual, independent financial and AUP reviews using the services of Crowe, LLP. All reports were presented to the Board and, as applicable, submitted to the State Controller's Office and the California Department of Transportation.
- Provided administration of OCTA's Fraud Hotline and reviewed complaints received during the FY. Referred complaints to management, as appropriate, or conducted investigations and provided reports of any substantiated claims or internal control weaknesses identified during investigations. An initial response was provided to reporters within two business days.
- Provided assistance to the Audit Subcommittee of the TOC by coordinating meetings, providing information for selection of agencies for annual review of M2 spending, and providing communication of results of all M2-related audits.
- Evaluated and concluded that Internal Audit's system of quality management provides reasonable assurance that the objective of the system of quality management is being achieved.
- Procured a firm to conduct, and provided coordination of, the required State Triennial Reviews of OCTA, the Orange County Transit District, and Long Beach Municipal Transit Lines.

**Fiscal Year 2025-26 Goals**

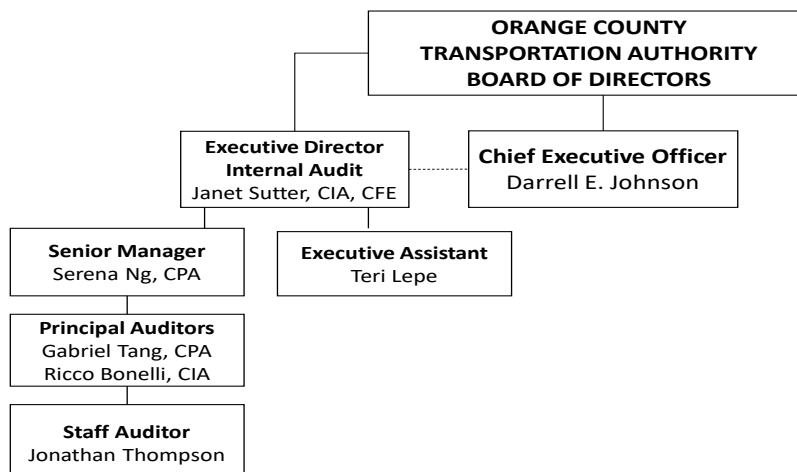
- Conduct the annual risk assessment of OCTA and obtain Board approval to execute the FY 2025-26 Internal Audit Plan by August 2025. Implement the plan and provide timely quarterly updates of progress and activities.

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- Achieve a department-wide productivity ratio of at least 75 percent and professional staff productivity ratio of at least 80 percent.
- Conduct AUP reviews, as requested by CAMM, of selected price proposals, single-bid proposals, and sole source proposals, and revenue vehicle purchases to determine compliance with Buy America laws.
- Provide administration of the OCTA Fraud Hotline, providing initial responses within two business days, and conducting investigations and/or referring matters, as appropriate.
- Assist the Audit Subcommittee of the TOC by coordinating meetings, providing information for selection of agencies for annual review of M2 spending, and providing communication of results of all M2-related audits.
- Evaluate and conclude whether the Internal Audit's system of quality management provides reasonable assurance that the objective of the system of quality management is being achieved.

## 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:



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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.*" Developing and delivering these "*transportation solutions*" are several core business units of OCTA, including the Chief Executive Office, Operations, Finance and Administration, Planning, People and Community Engagement, Government Relations, and Capital Programs. 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 \$1.73 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 FY.

### 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 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.

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**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:

<b>Risk Rating</b>	<b>Description</b>
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	2025	No			1	5	1	4	2	4							3.2	
Purchasing Cards	2024	No			1	1	1	2	4	1							1.6	
ACCESS Eligibility	2023	No			1	4	3	4	5	3							3.3	
Buy America Compliance		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, policy, or at the direction of the Audit Subcommittee of the TOC, are not risk-rated, and are reflected as “Required”.



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## **Internal Audit Plan Development**

The Audit Plan, Appendix B, calls for approximately 8,700 Internal Audit hours, exclusive of vacation, sick, holiday, and continuing professional education hours. Of the 8,700 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 500 hours for mandatory audit activities, including hours needed to coordinate, review, and report on the results of the required annual audits and AUP reviews, as well as any audits by external regulatory bodies. Approximately 540 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 500 hours for price review services and 260 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 higher-risk auditable entities are not selected because the projects, systems, and/or contracts are in their infancy, and it would be more suitable to perform an audit after the project, system, and/or contract is better underway. Other higher-risk auditable entities are not selected due to Internal Audit's knowledge of related review activities, such as the Federal Triennial Review, the M2 Triennial Review, and the M2 Ten Year 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, and consideration of the impact on individual departments and/or divisions.

The proposed Audit Plan includes audits to assess and test oversight, contract compliance, and invoice review controls related to contracts with Mott MacDonald LLP for highway project management and planning support services, Cabco Yellow Incorporated for provision of same-day taxi services, Trillium USA Company LLC for maintenance and operation of compressed natural gas facilities, and Mobility Management Partners for travel training services. An audit of oversight and contract compliance related to the State Route 55 Improvement Project is also included in the Audit Plan, as well as audits to assess compliance with the Brown Act and AB 1234 (Chapter 5, Statutes of 2017) provisions, and an audit of cost-sharing agreements with outside agencies for provision of transit services. Finally, operational audits of the construction safety program, bus marketing and promotions,

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the Environmental Mitigation Program, warranty administration, the Commuter Club program, and the transit fluid management system have been included.

The Audit Plan also reflects audits of records management and the Enhanced Mobility for Seniors and Individuals with Disabilities program as contingency audits that will be initiated should there be available hours and/or resources prior to the preparation of the OCTA FY 2026-27 Audit Plan.

Each of the planned projects, along with projects carried over from the OCTA FY 2024-25 Audit Plan, is reflected at Appendix B, along with a brief description and the estimated staff hours required to perform the audit.

## **Conclusion**

The OCTA FY 2025-26 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  
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Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2025-26**

Division	Department/Functional Area	RISK ASSESSMENT	7 Year Audit History
Project/Program/Contract/Function			
<b>Executive</b>			
	Clerk of the Board		
	Public Records Requests	Low to Moderate	2022
	Form 700 Disclosures	Moderate	2021
	Brown Act Compliance	Moderate	
	Services of Legal Process	Low to Moderate	
	Board of Directors (Board) Compensation and Training	Moderate	2019
	Legal Services		
	Woodruff & Smart	Moderate to High	2024
	Security and Emergency Preparedness		
	Continuity of Operations/Emergency Response	Moderate to High	
	Emergency Operation Plans	Moderate to High	
	Physical Access Security	Moderate to High	2021
	Transit Police Services	Moderate	2023
	Express Lanes and Motorist Services Programs		
	91 Express Lanes		
	Master Custodial Agreement	Moderate	2019
	Operations and Management	Moderate to High	2025
	California Highway Patrol Services	Moderate	
	Collections	Moderate	
	Building Lease	Low to Moderate	
	405 Express Lanes		
	Operations and Management	High	
	California Highway Patrol Services	Moderate	
	Collections	Moderate	
	Building Lease	Low to Moderate	
	Toll Lanes Integrator Services	Moderate to High	
	Motorist Services		
	Freeway Service Patrol	Moderate	2022
	Call Box Program	Low	
	511 Motorist Aid	Low to Moderate	
	Public Information Office		
	Crisis Communications Plan	Moderate	
<b>Capital Programs</b>			
<b>Highway Projects</b>			
<b>Interstate 5 (I-5) Improvements</b>			
	I-5 (between Interstate 405 (I-405) and State Route 55 (SR-55) - Measure M2 (M2) Project B		
	I-405 to Yale Avenue	Low to Moderate	
	Yale Avenue to SR-55	Low to Moderate	
	I-5 (South of El Toro Road) - M2 Project C		
	State Route 73 (SR-73) to El Toro Road Landscape	Low to Moderate	
	SR-73 to Oso Parkway	Moderate to High	2024
	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	

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Division			
Department/Functional Area			
Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History	
<b>State Route 57 (SR-57) Improvements - M2 Project G</b>			
Orangewood Avenue to Katella Avenue	Moderate		
Lambert Road to Tonner Canyon Road	Low to Moderate		
<b>SR-55 Improvements - M2 Project F</b>			
I-405 to I-5	Moderate to High		
I-5 to State Route 91 (SR-91)	Moderate		
<b>SR-91 Improvements</b>			
Improvements from SR-57 to SR-55 - M2 Project I			
SR-55 to Lakeview Avenue	Moderate		
La Palma Avenue to SR-55	Moderate		
Acacia Street to La Palma Avenue	Moderate		
91 Express Lanes to State Route 241 Toll Connector	Low		
<b>Interstate 605 (I-605)</b>			
Katella Ave Interchange	Moderate		
<b>I-405 Improvements</b>			
Improvements from I-605 and SR-55 - M2 Project K			
Design-Build Contract Management	Moderate to High	2024	
Right-of-Way (ROW) Activities and Reporting	Moderate	2022	
Program Management Activities	High		
Cooperative Agreements	Moderate		
I-405 Improvements between SR-55 and I-5 - M2 Project L	Low to Moderate		
<b>Highway Project Management</b>			
Highway Project Management Support	Moderate to High		
Project Controls	Moderate to High	2025	
Real Estate Administration	Moderate	2025	
<b>Right-of-Way Operations</b>			
On-Call ROW Services	Moderate to High	2022	
On-Call Real Property Appraisals	Moderate to High	2022	
Excess Land Sales	Moderate		
Utility Agreements	Moderate		
<b>Facilities Engineering</b>			
Facilities Project Management	Moderate		
Transit Security Operations Center	Moderate to High		
<b>Transit Project Delivery</b>			
<b>Program Management Support: Rail Programs</b>	Moderate to High		
<b>Local Initiatives</b>			
<b>Project S: Go Local Fixed-Guideway Projects</b>			
OC Streetcar Project Construction			
Design and Construction Management	High	2022	
Construction	High		
Cooperative Agreements	Moderate to High		
OC Streetcar Project Management	High	2021	
OC Streetcar Vehicles	Moderate to High		

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Division			
Department/Functional Area		RISK	7 Year
Project/Program/Contract/Function		ASSESSMENT	Audit History
<b>Rail Project Delivery</b>			
Placentia Metrolink Station Project		Moderate	2023
Anaheim Canyon Station Improvements		Low to Moderate	
Orange County Maintenance Facility		Moderate	
Irvine Station Expansion		Low	
Coastal Rail Projects		Moderate to High	
<b>Planning</b>			
<b>M2 Program Management Office</b>		Low to Moderate	
<b>Strategic Planning</b>			
<b>Transportation Planning</b>			
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	
Strategic Initiatives			
Board and Chief Executive Officer Initiatives		Low to Moderate	
<b>Southern California Association of Governments Agreement / Workplan</b>		Low to Moderate	
<b>Geographic Information System Services</b>		Low to Moderate	
<b>Modeling and Traffic Operations</b>		Low to Moderate	
<b>State/Federal Programs</b>			
State/Federal Improvement Program Funding Administration		Moderate	
Annual 5307 Program of Projects		Moderate	
Calls for Projects		Low to Moderate	
<b>Local Programs</b>			
Measure M Eligibility		Moderate to High	
Comprehensive Transportation Funding Programs - Agency Audits (CTFP)		Moderate to High	2023
M2 CTFP Program Eligibility / Call for Projects		Moderate	2021
Oversight and Reporting: CTFP		Moderate	2021
<b>M2 Local Projects</b>			
Project Q - Local Fair Share		Required	

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Division			
Department/Functional Area		RISK	7 Year
Project/Program/Contract/Function		ASSESSMENT	Audit History
<b>Operations</b>			
<b>Passenger Rail Operations &amp; Metrolink</b>			
ROW Maintenance - Joshua Grading & Excavating		Moderate	2025
Joint Powers Agreement Allocation Southern California Regional Rail Authority		Moderate to High	
<b>Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency Managing Agency Contract</b>		Moderate	
<b>Transit Project Delivery</b>			
<b>OC Streetcar</b>			
Operations and Maintenance Contract		Moderate to High	
<b>Service Planning and Scheduling</b>			
Coach Operator Scheduling		Moderate	
Stops and Zones		Moderate	
Service Change Implementation		Moderate	
Operations Training Program		Moderate	
<b>Bus Operations</b>			
Operator Bidding Process		Moderate to High	2019
Overtime: Scheduled and Unscheduled		Moderate to High	
Field Supervision		Moderate	2025
Central Communications		Moderate to High	
Timekeeping System		Moderate	
Uniform Allowance		Low	
<b>Contracted Services</b>			
Travel Training		Moderate	
OC ACCESS Eligibility		Moderate to High	2023
Regional Center Day Programs		Moderate to High	2023
Specialized Transit Services		Moderate	
Senior Mobility Program			
Locally-Funded		Low to Moderate	
M2-Funded		Required	Annual
Senior Non-Emergency Medical Transportation (M2 - Project U)		Required	
Contracted Fixed Route Operations		High	2025
OC ACCESS Service		High	2024
Same-Day Taxi Service - Yellow Cab of North Orange County		Moderate to High	2020
Vanpool Operations		Moderate	2024
OC Flex Operations		Moderate	

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Division			
Department/Functional Area		RISK	7 Year
Project/Program/Contract/Function		ASSESSMENT	Audit History
<b>Maintenance</b>			
Rolling Stock and Inventory Contracts			
Bridgestone/Firestone Tire Lease		Moderate	2021
Trillium USA - Operate and Maintain Compressed Natural Gas Stations		Moderate	
Revenue Vehicle Maintenance		Moderate to High	2020
Specialty Shop Maintenance		Moderate	
Fuel Management System		Moderate	
Transit Technical Services		Moderate to High	
Revenue Vehicle Purchase / Acceptance		Moderate	2022
Non-Revenue Vehicle Purchase		Low to Moderate	2022
Maintenance Resource Management		Moderate to High	
Timekeeping		Low to Moderate	
Equipment Assignments and Tracking		Low	
Uniform Rental and Cleaning		Low to Moderate	
Facilities Maintenance		Moderate	2021
Maintenance Training		Low to Moderate	
Electric Vehicle Charging Stations		Moderate	
<b>Finance and Administration</b>			
<b>Project U - Fare Stabilization</b>		Low to Moderate	
<b>Financial Planning and Analysis</b>			
Budget Development and Monitoring		Moderate to High	2025
Comprehensive Business Plan		Moderate	
Transit Performance Metrics		Moderate	
<b>Treasury and Public Finance</b>			
<b>Investments</b>			
Investments: Compliance, Controls, and Reporting		Required	
Investment Management Service Contracts		Moderate to High	2024
Endowment Funds		Low	
Transportation Infrastructure Finance and Innovation Act Loan		Moderate	
<b>Accounting and Financial Reporting</b>			
General Accounting		Moderate	
Financial Reporting		Required	Annual
Cost Allocation Plan		Low to Moderate	
M2 Accounting and Reporting		Required	Annual
Accounts Payable		Moderate to High	2024
Purchasing Cards		Low to Moderate	2024
Corporate Credit Cards		Low	2019
Capital Assets		Moderate	
Pass Sales Program		Low to Moderate	
Payroll Operations		Moderate to High	
Administrative Employee Overtime		Moderate	
Payroll Garnishments		Low	
Petty Cash Funds Administration		Low	
Banking Services		Moderate	2020
National Transit Database		Required	

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Division			
Department/Functional Area		RISK	7 Year
Project/Program/Contract/Function		ASSESSMENT	Audit History
<b>General Services</b>			
Printing and Reprographics		Low to Moderate	
Records Management		Moderate	
Lease Management		Low to Moderate	
Asset Management and Inventory		Moderate	
Orange County Transportation Authority (OCTA) Policies		Low	
OCTA Store		Moderate	2023
Parking Garage - ABM Parking Services		Low	
Lost and Found		Low to Moderate	2023
OCTA Headquarters		Moderate	
<b>Revenue Administration</b>			
Farebox Revenue Collections and Armored Car Services		Moderate	
Mobile Ticketing Operations		Moderate	2019
Revenue and Revenue Sharing Contracts		Moderate	2024
Grant Administration and Accounting		Moderate to High	
Transportation Development Act		Required	Annual
Federal Stimulus Funding		Moderate to High	
<b>Contracts Administration and Materials Management</b>			
Contract Amendments		Moderate	
Independent Cost Estimates		Moderate	2022
Proposal Evaluations		Low to Moderate	
Protests		Low to Moderate	
Small Purchases		Low to Moderate	
Buy America Compliance		As Required	
Purchase Order and Blanket Purchase Orders		Moderate	
Maintenance Inventory Management		Moderate	
Warranty Administration		Moderate	
Disadvantaged Business Enterprise Program		Moderate	
Inventory Contracts			
Unleaded Fuel		Moderate	
Renewable Natural Gas Credits Contract		Low to Moderate	2019
<b>Information Systems</b>			
Applications			
Integrated Transportation Management Systems Radio		Moderate to High	
OCTA.net Website		Moderate	
Application Infrastructure		Moderate to High	
Database Systems		Moderate	
Vendor Management		Moderate to High	
Information Technology (IT) Systems and Security (Cybersecurity)		Moderate to High	2023
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 to High	
Change Management		Moderate	
Payment Card Industry Compliance		Moderate	
Incident Response Program		Moderate	
Asset Management		Moderate	
Operating Systems		Moderate	
IT Contract Services		Moderate	
Switch Data Center		Moderate to High	
Enterprise Asset Management System		Moderate	
Telecommunications		Low to Moderate	



**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2025-26**

Division			
Department/Functional Area		RISK	7 Year
Project/Program/Contract/Function		ASSESSMENT	Audit History
<b>People and Community Engagement</b>			
<b>Risk Management</b>			
Insurance Program Administration		Moderate	
Liability Claims Management and Subrogation		Moderate to High	2024
Worker's Compensation and Subrogation		Moderate to High	2023
<b>Health, Safety and Environmental Compliance</b>			
Drug and Alcohol Program		Moderate	
Construction Safety / Safety Specifications		Moderate to High	2019
Employee Safety		Moderate to High	
Motor Vehicle and Traffic Safety			
Pull Notice Program		Moderate	2021
National Transit Database Accident Reporting		Low to Moderate	
Environmental Compliance Program			
Storm Water Pollution Prevention Program		Moderate	
Spill Prevention Countermeasure and Control Plan		Moderate	
Hazardous Waste Removal		Moderate	
Air Quality Management District Permitting and Compliance		Moderate	
Underground Storage Tank Removal Program		Moderate	
Safety Management Plan		Moderate	
<b>Internal Communications</b>		Low	
<b>Employment &amp; Compensation</b>			
Separations		Low to Moderate	2020
Extra-Help and Interns		Low to Moderate	
Temporary Staffing		Low to Moderate	2022
Recruitment and Employment		Moderate	2019
Compensation		Moderate	2025
Performance Reviews		Low to Moderate	
<b>Benefits</b>			
Healthcare Plans		Moderate to High	
Coach Operator Healthcare		Moderate	
Maintenance Employee Healthcare		Moderate	
Protected Leave		Moderate to High	
Flexible Benefits		Low to Moderate	2024
Health Savings Account		Moderate	
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 to Moderate	2023
Alternative/Remote Work Program		Low	
Benefit Program Incentives		Low to Moderate	2021
Commuter Club Program		Low to Moderate	
<b>Employee and Labor Relations</b>			
Labor Contracts		Moderate	
Unemployment Claims		Low	
Employee Grievances and Complaints		Low to Moderate	
Equal Employment Opportunity		Moderate	
Title VI Compliance		Moderate	
Medical Exams		Moderate	2020
Americans with Disabilities Act		Moderate	

**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2025-26**

Division			
Department/Functional Area		RISK	7 Year
Project/Program/Contract/Function		ASSESSMENT	Audit History
<b>Training &amp; Development</b>			
Training (Learning Management System)		Low to Moderate	2023
Educational Reimbursements		Low to Moderate	2023
<b>External Affairs</b>			
Marketing and Customer Engagement			
Digital and Creative Services		Low to Moderate	
OCTA Bus Marketing and Promotional Items		Moderate	2019
Bus Advertising Revenue Contracts		Low to Moderate	2023
Rideshare and Vanpool Program		Moderate	
Customer Engagement and Data Analytics			
Data Analytics / Performance Management		Low to Moderate	
In-House Customer Relations		Moderate	
Customer Information Center		Moderate	2023
Reduced Fare Programs		Low to Moderate	
College Pass Program		Moderate	2024
Community Engagement		Low to Moderate	
Public Outreach			
Project Outreach Contract Management			
SR-91		Moderate	
I-5		Moderate	
SR-55		Moderate	
OC Streetcar Project		Moderate to High	2025
I-405 Improvement Project		Moderate to High	
I-5 - El Toro Road		Moderate	
I-5 Central (between SR-55 and SR-57)		Moderate	
Commuter Rail		Moderate	
Planning Studies Outreach		Low to Moderate	
<b>Government Relations</b>			
<b>State and Federal Relations</b>			
Lobbying Contracts		Low to Moderate	2023
<b>Subrecipient Monitoring</b>		Moderate	

**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2025-26 Internal Audit Plan**

<b>Audit Activity</b>	<b>Project Number</b>	<b>Description</b>	<b>Primary Audit Type</b>	<b>Planned Staff Hours</b>
<b>Mandatory External Independent Audits</b>				
Annual Financial Audits and Agreed-Upon Procedures (AUP) Reviews	FY26-001 through FY26-005	Coordinate and report on annual financial and compliance audits and AUP reviews for FY 2024-25.	Financial	420
External Regulatory Audits	FY26-006	Coordinate and report on audits by regulators or funding agencies.	Compliance	80
<b>Internal Audit Department Projects</b>				
Risk Assessment and Annual Audit Plan	FY26-100	Preparation of the annual audit plan, quarterly updates to the audit plan, and periodic assessment of risk throughout the year.	Audit Plan and Updates	180
Quality Assurance and Self-Assessment	FY26-101	Update of Internal Audit Policies & Procedures to reflect Generally Accepted Government Auditing Standards (GAGAS). Ongoing Quality Management activities required by GAGAS.	Quality Assurance	160
Fraud Hotline Activities	FY26-102	Administrative duties related to maintenance of the Orange County Transportation Authority (OCTA) Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	120
Peer Review	FY26-103	Participate in peer reviews of other internal audit agencies in exchange for reciprocal credit towards required peer reviews of OCTA's Internal Audit Department.	Peer Review	60
Automated Workpaper Solution	FY26-104	System updates/training related to automated workpaper solution.	Workpaper System	30
<b>Internal Audits</b>				
<b>Organization-Wide</b>				
Brown Act Compliance	FY26-5XX	Assess and test controls to ensure compliance with Brown Act requirements, including notice and agenda posting requirements, conduct of meetings, closed session, public participation, and recordkeeping requirements.	Compliance	220
Board of Directors (Board) Compensation, Mileage Reimbursement, and Training	FY26-5XX	Assess and test procedures and recordkeeping processes evidencing compliance with AB 1234 (Chapter 5, Statutes of 2017).	Compliance	220

**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2025-26 Internal Audit Plan**

<b>Audit Activity</b>	<b>Project Number</b>	<b>Description</b>	<b>Primary Audit Type</b>	<b>Planned Staff Hours</b>
<b>Express Lanes Program</b>				
Toll Lanes Integrator System	FY26-5XX	Assess and test oversight, contract compliance, and invoice review controls related to the contract with Kapsch Trafficom USA, Inc. for the design, implementation, installation, operation, and maintainance of a toll collection system for the existing 91 Express Lanes and the 405 Express Lanes.	Internal Control / Compliance	280
<b>People and Community Engagement</b>				
Commuter Club	FY26-5XX	Assess and test controls in place to ensure compliance with policies and procedures related to this employee benefit program.	Operational	180
Construction Safety	FY26-5XX	Assess and test policies, procedures, and controls related to the Construction Safety Program function.	Operational	260
Public Outreach - OC Streetcar	FY25-512	Assess and test oversight controls, contract compliance, and invoice review controls related to agreements for public outreach for the OC Streetcar Project.	Internal Control / Compliance	8
OCTA Bus Marketing and Promotions	FY26-5XX	Assess and test controls over bus marketing and promotions operations, including procurement and oversight of firms providing services.	Operational	280
<b>Capital Programs</b>				
Project Management and Planning Support	FY26-5XX	Assess and test oversight controls, contract compliance, and invoice review controls related to contracts with Mott MacDonald, LLP for project management and planning support.	Internal Control / Compliance	240
State Route 55 Improvements: Interstate 405 to Interstate 5	FY26-5XX	Assess and test project administration, oversight controls, and contract compliance.	Internal Control / Compliance	300
<b>Planning</b>				
Environmental Mitigation Program		Assess and test controls and compliance with contract agreements for property management, monitoring, and/or reporting relating to the program.	Internal Control / Compliance	280

**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2025-26 Internal Audit Plan**

<b>Audit Activity</b>	<b>Project Number</b>	<b>Description</b>	<b>Primary Audit Type</b>	<b>Planned Staff Hours</b>
<b>Operations</b>				
Right-of-Way (ROW) Maintenance	FY25-515	Assess and test the adequacy and effectiveness of controls related to maintenance of the railroad ROW and the contract with Joshua Grading and Excavating, Incorporated.	Operational	160
Same-Day Taxi Services	FY26-5XX	Assess and test adequacy of oversight, compliance, and invoice review controls related to the agreement with Cabco Yellow, Incorporated for provision of same-day taxi services.	Internal Control / Compliance	240
Travel Training	FY26-5XX	Assess and test oversight, invoice review, and contract compliance controls related to the agreement with Mobility Management Partners for provision of travel training services.	Internal Control / Compliance	240
Special Transit Services	FY26-5XX	Assess and test controls related to cost-sharing agreements with agencies for provision of transit services to seniors/OC ACCESS-eligible individuals.	Internal Control / Compliance	320
Fluid Management System		Assess and test controls in place for the dispensing of fuel and other consumables, as well as mileage monitoring, utilizing the Fleetwatch Fluid Management System.	Operational	240
Compressed Natural Gas Station: Maintenance and Operations	FY26-5XX	Assess and test oversight, invoice review, and contract compliance controls related to the contract with Trillium USA Company, LLC for provision of operation and maintenance of fueling facilities.	Operational	240
<b>Finance and Administration</b>				
Budget Development and Monitoring	FY25-514	Assess and test controls over budget development, monitoring, and reporting.	Operational	8
Treasury	FY26-5XX	Semi-annual audit of investments: compliance, controls, and reporting.	Compliance	360
Warranty Administration	FY25-516	Assess and test controls in place for identifying, tracking, and recording of warranty repairs and credits.	Operational	220
Price Reviews	PR26-5XX	As requested by the Contracts Administration and Materials Management (CAMM) Department, apply AUP to sole source, single bid, and architectural and engineering firm proposals.	Price Review	500
Buy America	FY26-5XX	As requested by the CAMM Department, apply AUP to determine compliance with Buy America requirements.	Buy America	260

**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2025-26 Internal Audit Plan**

<b>Audit Activity</b>	<b>Project Number</b>	<b>Description</b>	<b>Primary Audit Type</b>	<b>Planned Staff Hours</b>
<b>Unscheduled Reviews and Special Requests</b>				
Unscheduled Reviews and Special Requests	FY26-800	Time allowed for unplanned audits and requests from the Board or management.	Varies	180
<b>Monitoring Activities</b>				
Measure M2 Taxpayer Oversight Committee (TOC)	FY26-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	50
Capital Asset Inventory Observation	FY26-602	At the request of the Finance and Administration Division, observe and apply limited procedures related to bi-annual capital asset inventory counts.	Non-Audit Service	80
<b>Follow-Up Reviews</b>				
Follow-Up Reviews and Reporting	FY26-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-Up	325
<b>Total Audit Project Planned Hours (A)</b>				<b>6,741</b>

**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2025-26 Internal Audit Plan**

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				170
Internal Audit Staff Meetings				150
Other Administration				1,500
			Total Hours (B)	8,741
			Department Target Efficiency (A/B)	75%
			Target Efficiency - Professional Staff	80%

## Contingency Audits: Internal

Records Management	FY26-5XX	Assess and test the adequacy of recordkeeping practices.
Enhanced Mobility for Seniors and Individuals with Disabilities Program	FY26-5XX	Audit program design, award and execution of grants, as well as activities and reimbursements.