ATTACHMENT A

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

OCTA

Bus and Metrolink Marketing and Promotions

Internal Audit Report No. 26-511

July 15, 2026

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Conclusion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of bus and Metrolink marketing and promotions. Based on the audit, controls over bus and Metrolink marketing campaigns are in place; however, recommendations have been made to improve marketing campaign evaluations and invoice review.

Background

Marketing Campaigns

The Marketing Programs team serves multiple functions for OCTA including advertising and promotions for OCTA programs and services, providing public information campaigns related to key issues relevant to the community, and promoting the OCTA brand. Some projects are managed internally by staff and others utilize consultants to provide project support. A Marketing and Public Outreach Project Management Manual provides guidance to project managers on how to manage projects consistently and effectively.

The marketing specialist performs research, brainstorms with the section manager, and prepares a marketing plan for campaigns that are $30,000 or more in direct-cost expenditures and marketing briefs for campaigns budgeted under $30,000. When a marketing campaign is completed, the marketing specialist performs an evaluation of the campaign and documents such evaluation in a PowerPoint presentation presented during the monthly department staff meeting or in a one-page report.

The business unit analyst reviews the invoices using an OCTA Invoice Review Checklist that was recently updated in September 2025. The invoices are approved by authorized staff with sufficient signature authority.

Contracts

Effective February 26, 2024, OCTA entered into Agreement No. C-3-2721 with Pulsar Advertising, Inc. to develop an OC Bus marketing program. Payment is on a time-and-expense basis with a maximum obligation of $220,000. The term of the agreement continues through February 28, 2026.

Effective August 15, 2022, OCTA entered into Agreement No. C-2-2313 with Klein and Klein, Inc. to provide graphic design services, including concept, design, and production for various OCTA and bus-related items. Payment is on a time-and-expense basis with a maximum obligation of $381,000. The term of the agreement continues through June 30, 2025, with two 24-month option terms. Three amendments have been executed to replace a subcontractor, revise the name and contact of another subcontractor, and exercise the first option term at an increase of $350,000.

Effective August 15, 2022, OCTA entered into Agreement No. C-2-2317 with JG Images, Inc. to provide bus mural application services and bus-related marketing materials. Payment is on a time-and-expense basis with a maximum obligation of $350,000. The term of the agreement continues through June 30, 2025, with two 24-month option terms. An amendment was executed to exercise the first option term at an increase of $260,000.

Effective July 1, 2022, OCTA entered into Agreement No. C-2-2288 with Pacific Graphics, Inc. to provide printing services for various marketing and public information materials as well as mail house services on an as-needed basis with no guarantee of usage. Payment is on a time-and-expense basis with a maximum obligation of $325,000. The term of the agreement continues through June 30, 2025, with two 24-month option terms. An amendment was executed to exercise the first option term at an increase of $230,000.

Effective July 24, 2020, OCTA entered into Agreement No. C-0-2178 with Digital Graphics Centre, Inc. to provide graphic design, production, printing, and laminating services for bus services change materials on an as-needed basis. Payment is on a time-and-expense basis with a maximum obligation of $210,000. The term of the agreement continues through June 30, 2023, with two 24-month option terms. Two amendments were executed to exercise both option terms at an increase of $50,000.

Effective August 29, 2023, OCTA entered into Agreement No. C-3-2341 with Klein and Klein, Inc. to provide assistance with OCTA's rail marketing and ridership program on an as-needed basis with no guarantee of usage. Payment is on a time-and-expense basis with a maximum obligation of $110,000. The term of the agreement continues through July 31, 2024, with a 12-month option term. Five amendments were executed to revise the subcontractors, exercise the option term at an increase of $110,000, and extend the term through January 31, 2026.

Objectives, Scope, and Methodology

The objectives were to assess and test internal controls over bus and Metrolink marketing and promotions, including procurement and oversight of firms providing services.

The methodology consisted of testing the procurement and contract amendments for compliance with selected policies and procedures, testing marketing plans and briefs and campaign evaluations for compliance with the Marketing and Public Outreach Project Management Manual, and assessing invoice review controls and testing invoices for compliance with the contract.

The scope was limited to compliance with OCTA's procurement policies and Marketing and Public Outreach Project Management Manual and contract compliance with Agreement No. C-3-2721, Agreement No. C-2-2313, Agreement No. C-2-2317, Agreement No. C-2-2288, Agreement No. C-0-2178, and Agreement No. C-3-2341. The scope included marketing campaigns from January 2024 through February 2026, and invoices paid from contract inception through May 2026.

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.

Audit Comments, Recommendations, and Management Responses

Marketing Campaign Compliance

Two of six marketing plans did not reflect final required approval as outlined in the Marketing and Public Outreach Project Management Manual. In addition, staff does not retain point-in-time documentation, such as dated exports from online platforms that support the figures used at the time marketing campaign evaluations were prepared. Finally, several input and calculation errors were identified in the numbers reported on the campaign evaluations, and staff did not remove duplicates when reporting the number of sweepstakes entries in one campaign evaluation.

Recommendation 1:

Internal Audit recommends that staff obtain all required approvals, retain point-in-time documentation supporting data used to evaluate marketing efforts, and remove duplicates when reporting on sweepstake entries. Management should also consider implementing secondary reviews of marketing campaign evaluations for accuracy.

Management Response:

Management agrees with the recommendation and has begun implementing the corrective actions below.

Marketing plan approvals. The two plans identified were developed and reviewed through the established planning process; the gap was the final documented approval in the plan file. Management has reinforced the approval routing process and will add a completeness check confirming that all required approvals are obtained and retained before a marketing plan is finalized. This control is effective immediately and owned by the Marketing Programs section manager.

Point-in-time documentation. The data underlying campaign evaluations remains retrievable from the advertising, email, web, and social media platforms used to run each campaign. Staff will also capture dated platform exports or screenshots and retain them in the campaign file when each evaluation is prepared.

Evaluation accuracy. Management has corrected the input and calculation errors identified, including the duplicate sweepstakes entries in one campaign. Going forward, a second staff member will perform a secondary review of each campaign evaluation before it is presented at the department staff meeting or finalized in a one-page report, confirming that reported figures agree to supporting documentation and that key calculations are accurate. This review will be owned by the Digital Marketing section manager.

Invoice Review

Contractors billed for items that are not included in the contract price summary sheet, and invoice review procedures did not include verification of the pricing of non-labor items. Additionally, a contractor billed for an individual that should have been named as a subcontractor, and, in one instance, billed the individual's escalated rate prior to the rate becoming effective. Another contractor invoiced photo shoots without supplying supporting bills, and a third contractor invoiced twice at unit pricing that slightly exceeded the contracted rate.

Recommendation 2:

Internal Audit recommends that staff review the invoiced unit pricing for non-labor items against the contract price summary sheet and advise contractors to add commonly invoiced items to the contract price summary sheet. Staff should also add the subcontractor to the contract, consistently confirm invoice rates, and hold other direct costs until supporting bills are submitted.

Management Response:

Management agrees with the recommendation and will strengthen invoice review controls to prevent recurrence, as follows. These enhancements build on the existing controls and the Invoice Review Checklist updated in September 2025.

Invoice verification and supporting documentation. Management will enhance the checklist by adding a step to verify invoiced unit pricing for non-labor items against the price summary sheet before any invoice is approved. Other direct costs, such as photo shoots, will be held until the contractor submits supporting bills. The business unit analyst will perform a secondary review to confirm these verifications are complete.

Commonly invoiced items. Where contractors routinely invoice non-labor items that the scope of work contemplates but are not included on the price summary sheet, staff will coordinate with the Contracts Administration and Materials Management (CAMM) Department to add those items by contract amendment.

Subcontractor. Management coordinated with CAMM to add the subcontractor identified by Internal Audit through a contract amendment on June 1, 2026.