



August 10, 2011

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Draft Fiscal Year 2011-12 Internal Audit Plan

Overview

At the direction of the Orange County Transportation Authority's Board of Directors, the Internal Audit Department develops and implements an annual risk-based Internal Audit Plan. Implementation of an annual Internal Audit Plan assists management in the evaluation of the effectiveness and efficiency of projects, programs, and operations while ensuring that adequate controls and safeguards are in place to protect Orange County Transportation Authority's assets and resources.

Recommendation

- A. Approve the Draft Fiscal Year 2011-12 Internal Audit Plan.
- B. Direct the Executive Director of Internal Audit to provide quarterly updates on the Fiscal Year 2011-12 Internal Audit Plan.

Background

The Internal Audit Department (Internal Audit) is an independent appraisal function whose purpose is to examine and evaluate the Orange County Transportation Authority's (OCTA) operations and activities to assist management and the Board of Directors in the discharge of their duties and responsibilities.

Discussion

Internal Audit is presenting the Draft Fiscal Year 2011-12 Internal Audit Plan (Audit Plan) for Board of Directors' approval. The Audit Plan was developed using an enterprise-wide risk assessment. The Audit Plan will be implemented using Internal Audit staff, on-call consultants, an independent financial and compliance audit firm, and other firms as needed.

During the fiscal year, priorities and circumstances may change, requiring that changes be incorporated into the Audit Plan. Internal Audit reports quarterly to the Board of Directors on the status of the Audit Plan and will revise the Audit Plan as needed to address these changes in priorities and circumstances.

Fiscal Impact

The Audit Plan has been developed within the resources available in the adopted budget for fiscal year 2011-12.

Summary

The Audit Plan has been developed to support the Board of Directors and OCTA management in the discharge of their duties and responsibilities to safeguard the assets of OCTA while ensuring those assets are used in an efficient and effective manner.

Attachment

- A. Draft Fiscal Year 2011-12 Internal Audit Plan

Approved by:



Janet Sutter
Executive Director, Internal Audit
(714) 560-5591

**ORANGE COUNTY TRANSPORTATION AUTHORITY
Internal Audit Department**



**Draft Fiscal Year 2011-12
Internal Audit Plan**



**Janet Sutter, CIA
Executive Director, Internal Audit
(714) 560-5591**

**550 South Main Street
P.O. Box 14184
Orange, CA 92863-1584**

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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 duty and responsibility 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 audit oversight, operational reviews, contract compliance reviews, internal control assessments, investigations, pre-award and post-delivery Buy America reviews, and pre-award price reviews. 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 each internal auditor and for the department. The department-wide target includes all professional staff and the Executive Director. For FY 2011-12, Internal Audit set a department-wide target productivity ratio of 72 percent. Because the Executive Director is required to regularly participate in non-audit, management activities; such as executive planning and committee meetings, this ratio appears low. Starting in FY2011-12 Internal Audit will also calculate the productivity ratio of all professional staff, excluding the Executive Director, and has set a target of 80 percent.

The Government Accountability Office (GAO) broadly defines audits as financial, attestation, or performance audits. Financial audits, including financial statement audits, are assessments of, and assurances 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. Price reviews conducted by Internal Audit are an example of attestation engagements whereby Internal Audit opines on 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 assessments of program effectiveness, economy and efficiency, internal control, and compliance. To more accurately define the objectives of these performance audits, Internal

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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, contract provisions, or regulatory requirements.

Price Review – Price reviews are conducted of architectural and engineering price proposals or sole source bids to determine if proposed pricing is fair and reasonable. Price reviews are also conducted on single bid procurements to ensure that the solicitation process was adequate to stimulate competition. Certain price reviews are mandated by federal or state statute and others by OCTA procurement policy.

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 external auditors to ensure compliance with debt covenants and restrictions, or other legally mandated requirements.

Internal Control – Internal control audits are performed to ensure that there are adequate controls in place to protect assets or resources. Internal controls include processes for safeguarding assets as well as segregating incompatible duties.

Operational - An operational audit is performed to evaluate current operating procedures and to determine if there are more efficient or effective ways to accomplish the goals of the project, program, or activity. Operational audits generally include elements of an internal control audit or a compliance audit.

Monitoring - Monitoring activities are carried out to gain insight into newly developed or developing programs, or projects to allow auditors to continuously identify associated risk.

Follow-Up Activities – Activities and procedures are undertaken to ensure that audit recommendations are implemented or otherwise satisfactorily addressed.

Investigations – Investigative activities are undertaken in response to a complaint or allegation, including those received through OCTA's Fraud Hotline.

Fiscal Year 2010-11 Accomplishments

- Completed 22 price reviews of architectural and engineering, sole source or single bid contracts and provided the Contracts Administration and Materials Management (CAMM) Department with price adjustment recommendations of over \$1 million.

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- Completed an additional 22 audit projects, issuing over 37 recommendations for improvements to operations or contract management. Conducted follow-up on implementation of recommendations within nine months of report issuance.
- Internal Audit achieved its department wide productivity goal of 72 percent for the fiscal year. Efficiency is measured as total hours spent on audit projects as a percentage of audit project and administrative hours (after deducting for vacation, sick, holiday and continuing professional education).
- Completed revisions to clarify and improve policies and procedures to better reflect Government Auditing Standards (Yellow Book) requirements.
- Performed Internal Audit's second annual internal Quality Assurance and Self Assessment Review.
- Managed the annual financial and compliance audits of OCTA, the Orange County Local Transportation Authority, the Orange County Council of Governments, the 91 Express Lanes, and other related entities.
- Developed a scope of work and issued request for proposals from independent accounting firms for annual financial and compliance auditing services. Evaluated proposals and presented firms to the Finance and Administration Committee and the Board for their consideration.
- Provided administration of OCTA's Fraud Hotline and reviewed 23 complaints received during the fiscal year. All complaints were reviewed and those with sufficient detail were investigated and closed. For those with insufficient detail, Internal Audit requested the reporter provide additional information and will take appropriate action, when and if, additional information is provided.
- All Internal Audit staff met continuing professional education requirements for both Yellow Book and other professional certifications (Certified Public Accountant, Certified Internal Auditor, Certified Information Systems Auditor, Certified Fraud Examiner).
- Provided assistance to the Audit Subcommittee of the Taxpayers Oversight Committee (TOC) including review of agreed-upon-procedures for testing compliance with Measure M turnback expenditures, Measure M1 and Measure M2 status reports testing, and compilation of results of questionnaires, management letters, and single audit reports of all Orange County cities for consideration of selection for Measure M turnback audit.

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Fiscal Year 2011-12 Goals

- Initiate investigations of all Fraud Hotline reports within 5 business days of receipt.
- Achieve a department wide productivity ratio of at least 72 percent and professional staff productivity ratio of at least 80 percent.
- Conduct price reviews of all architectural and engineering price proposals exceeding \$250,000 to establish the reasonableness of proposed prices and recommend price adjustments for potential savings. Also, provide for price review of sole source contracts exceeding \$50,000 and review of single bids to ensure a fair and competitive process.
- Improve the effectiveness of Internal Audit by continuing to assess the risk profile of the organization and update the Risk Assessment as appropriate to reflect organizational changes.
- Maintain full compliance with Yellow Book continuing professional education (CPE) requirements and those of all professional certifications (Certified Public Accountant, Certified Internal Auditor, Certified Information Systems Auditor, Certified Fraud Examiner).
- Perform Internal Audit's annual internal Quality Assurance and Self Assessment review by February 28, 2012.
- Assist the Audit Subcommittee of the TOC with the development of agreed-upon procedures for the audit of city Measure M Local Fair Share funds by March 31, 2012.
- Review audit committee charters of the Finance and Administration Committee and the Audit Subcommittee of the TOC and recommend updates based on relevant changes in professional guidance. Both charters should be completed and presented to the respective committee's by February 28, 2012.

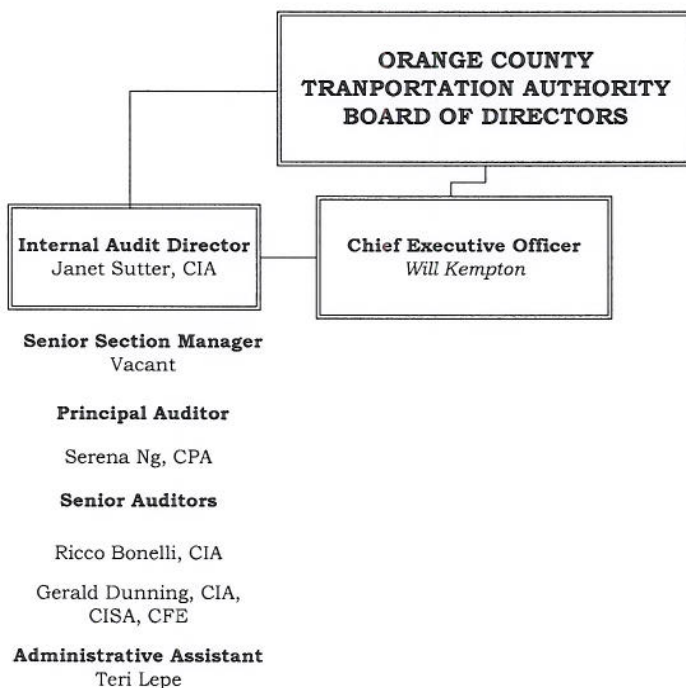
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Internal Audit Organization

Government Auditing Standards require that auditors be independent in both fact and appearance with respect to the entities for which they perform audit or attestation services. Impairments to independence arise from three general classes – personal, external, and organizational. Personal impairments result from relationships or beliefs that cause auditors to limit the extent of inquiry, disclosure, or weaken or slant audit findings in any way. External impairments to independence arise from external interferences that deter auditors from acting objectively and exercising professional skepticism by pressures, actual or perceived, from management and employees of the audited entity or oversight organizations. Organizational impairments to independence result when the audit function is organizationally located within the reporting line of the areas under audit or when the auditor is assigned or takes on responsibilities that affect operations of the area under audit.

Internal Audit has established mechanisms to identify and remedy personal and external impairments to independence and OCTA has established an internal audit function that is organizationally independent. Internal Audit reports functionally to the Board, and administratively to the Chief Executive Officer. Among all of the organizational alternatives for government entity internal audit departments, the GAO finds a presumption of independence where the audit organization is “elected or appointed by a legislative body, subject to removal by a legislative body, and reports the results of audits to, and is accountable to, a legislative body.”

Internal Audit Departmental Organization Chart



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Risk Assessment Process

It is the responsibility of the management of OCTA 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 Transit, Planning, and Capital Projects Divisions. These business units are supported by administrative functions and all of these services are delivered through a variety of projects, programs, and activities. With a budget exceeding \$1 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 enormity of OCTA's projects, programs, and activities, as well as the constraints of Internal Audit resources, Internal Audit sought to maximize its effectiveness by engaging in a risk assessment process to establish the priorities for the department for fiscal year 2011-12.

Risk Assessment Methodology

Internal Audit established the architecture of the risk assessment by first identifying all OCTA projects, programs, or contracts (Auditable Entities). Internal Audit then identified six categories of risks and assigned weightings as follows:

Financial and Compliance Risks (20%) – 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%) – 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%) – The severity of 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 the OCTA's strategic success.

Image and Reputation Risks (15%) – The intensity of public interest and awareness, and the visibility of the project or program to the media.

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Complexity of Operations (15%) – 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%) – 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
5	High Risk
4	Moderate to High Risk
3	Moderate Risk
2	Low to Moderate Risk
1	Low Risk

Following are examples of the risk assessment results for four different Auditable Entity types:

Auditable Entity	Audit History (5 years)	Audit Requirement	Risk Assessment Factors						Weighted Average Risk
			Time Since & Results of Last Audit (20%)	Financial & Compliance Risk (20%)	Security & Safety Risk (15%)	Operational & Strategic Risk (15%)	Image & Reputation Risk (15%)	Complexity of Operations (15%)	
Purchasing Cards	2009	No	2	1	2	2	4	2	2.1
Investments	2011	No	2	5	4	4	5	5	4.1
MV Transit	2011	No	3	5	5	4	5	4	4.1
Comprehensive Annual Financial Report	2011	Yes	Not Applicable						N/A

Following the risk assessment of each of approximately 220 auditable entities within OCTA, Internal Audit summarized the results on the heat chart in Appendix B. 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 TOC, are not risk rated and are reflected as “High” risk.

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Internal Audit Plan Development

The Internal Audit plan for fiscal year 2011-12 (Audit Plan) at Appendix A calls for approximately 8,600 Internal Audit hours, exclusive of vacation, sick, holiday, and continuing professional education hours. Of the 8,600 hours, approximately 2,300 relate to administrative activities, including Board and committee meetings, 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 approximately 700 hours for mandatory audit activities and another 500 hours for internal audit projects that are ongoing from year to year, such as quality assurance and self-assessment and administration of the Fraud Hotline. The Audit Plan also includes 1,000 hours for price review services. While actual requests for price reviews are unpredictable, Internal Audit anticipates there will continue to be a steady number of requests from OCTA's CAMM Department and this budget is consistent with FY2010-11 experience. The Audit Plan for FY2011-12 includes additional hours in support of the TOC to account for conduct of the bi-annual survey of all Orange County cities and related information requests, as well as time required for development of audit procedures for the M2 Local Fair Share program.

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 taken into account in the risk assessment. For example, some high risk Auditable Entities are not selected because they are projects in their infancy and it would be more suitable to perform an audit after the project is better underway. Such is the case with several M2 programs. Other high-risk Auditable Entities are not selected because of Internal Audit's knowledge of ongoing activities by staff to address risks. Such is the case with the Auditable Entities related to emergency preparedness and business resumption. Still other Auditable Entities are not selected due to situational factors and overlap with other audits planned or carried over from the prior fiscal year. For example, Contract Change Controls is a high risk Auditable Entity; however, because Internal Audit has audits of State Route 57 Improvements and selected Grade Separation projects on the Audit Plan, it is anticipated that contract change controls will be assessed in relation to these projects and, therefore, Internal Audit did not select Contract Change Controls for inclusion in the FY2011-12 Audit Plan. Likewise, the Project Management Consulting contract with Hatch Mott MacDonald is a high risk Auditable Entity that will be reviewed in relation to the Grade Separation projects and, therefore, was not selected for audit in the FY2011-12 Audit Plan. Other subjective factors that may enter into 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 Audit Plan for FY2011-12 includes audits of the Worker's Compensation program, Employment and the DMV Pull Notice program. Worker's Compensation claims average between \$4.5 and \$5 million per year. This review will assess the program in terms of

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oversight controls, effectiveness, and efficiency. The Employment review will include an assessment of controls and efficiency over candidate recruitment, selection and hiring. Finally, the DMV Pull Notice Program (Program) review will assess policies and procedures for ensuring compliance with Program requirements. The Audit Plan includes hours for evaluation and coordination of a review of the newly implemented Cofiroute USA operating system. Also included is preliminary assessment and coordination of Combined Transportation Funding Program (CTFP) audits. These audits include selected projects and assess compliance with CTFP guidelines. An audit of corporate credit cards has also been planned and will determine the adequacy of controls in place to ensure proper use and processing of corporate credit cards. Under Transit Operations, an assessment and review of Rolling Stock Security will be performed.

Conclusion

The Audit Plan seeks to align limited audit resources with risk throughout the organization while considering prior audit effort as identified in Appendix B Risk Assessment and other factors. Internal Audit will continue to refine the risk assessment to include emerging OCTA projects, programs, and contracts. Internal Audit will also continue to assess the risk ratings and weightings included to most accurately reflect the risk profile of the organization and to allow the greatest coverage of that risk in the annual audit planning process.

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Audit Activity	Description	Primary Audit Type	Planned Staff Hours
Mandatory External Independent Audits			
Annual Financial Audit	Annual financial and compliance audits for fiscal year 2011-12.	Financial	520
Annual Transportation Development Act Audits	Coordination of required annual audits of the recipients of Transportation Development Act Funds for fiscal year 2011-12.	Compliance	160
Orange County Council of Governments (OCCOG) Financial Statement Audit	Management of external audit of OCCOG financial statements and ad-hoc audit assistance.	Financial	20
Internal Audit Projects			
Risk Assessment and Annual Audit Plan	Annual preparation of the audit plan, quarterly updates to the audit plan, periodic assessment of risk throughout the year.	Risk Assessment	180
Quality Assurance and Self-Assessment	Update of Internal Audit Policies & Procedures. Annual self assessment of Internal Audit's compliance with Government Auditing Standards.	Quality Assurance	120
Fraud Hotline	Investigations of reports of fraud, waste or abuse. In February, develop and issue Request for Proposals for these services which expire in August 2011.	Fraud Hotline	100
Audit Leverage Software System	Deploy updates/upgrades to Audit Leverage software.	Audit Software Updates	40
General Auditing - On Call Services	Issue Request for Proposals, evaluate, and select firms for on-call auditing services.	On-Call Auditing Services	60
Internal Audits			
Human Resources and Organizational Development			
Worker's Compensation	Review of policies, procedures, and related contracts to ensure adequate controls, effectiveness and efficiency of the worker's compensation program.	Operational	260
Employment	Review of controls and efficiency of candidate recruitment, selection, and hiring.	Operational	240
Department of Motor Vehicles Pull Notice Program	Review of the Pull Notice Program and testing of controls in place to ensure compliance.	Internal Control	180

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Audit Activity	Description	Primary Audit Type	Planned Staff Hours
Capital Projects			
Orangethorpe Corridor Grade Separation Projects	Review of selected contracts for project management, design, and preliminary engineering for the Orangethorpe Corridor Railroad Grade Separations.	Compliance	450
Contract Retention	Review of policies, procedures, and practices for contract retention and release.	Compliance	175
State Route 57 Improvements	Review of selected contracts for design and preliminary engineering for State Route 57 improvements.	Compliance	250
Combined Transportation Funding Program (CTFP) Project Audits	Preliminary risk assessment, selection of projects, and coordination with outside firm for review of selected CTFP projects for compliance with Measure M requirements.	Compliance	170
Metrolink Cost Sharing	Financial analysis of Metrolink contractual operating cost allocation.	Financial	250
Metrolink Service Expansion Program	Review of cooperative agreement with Metrolink for infrastructure improvements related to the implementation of 30 minute service.	Compliance	260
Transit Operations			
Security - Rolling Stock	Review contracts, systems, and controls in place to ensure the safety and security of the rolling stock.	Internal Control	175
Contracted and Paratransit Operations	Review to ensure contract stipulations are being complied with and to verify the propriety of payments. Two reviews will be conducted: MV Transit (fixed route service) and Veolia (ACCESS service).	Compliance	100
Government Relations and Intergovernmental Activities			
Grant Close-outs	As needed financial and compliance audits of grants at close-out to ensure propriety of expenditures.	Compliance	80
Finance and Accounting			
Treasury	Bi-annual financial and compliance reviews of the treasury function, including investment and bond compliance.	Compliance	300
Toll Road Operations - Revenue and Accounting Management System (RAMS)	Prepare scope and coordinate review of Cofiroute's Revenue and RAMS.	Internal Control	120
Corporate Credit Cards	Review and testing of internal controls in place over corporate credit cards.	Internal Control	160

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Audit Activity	Description	Primary Audit Type	Planned Staff Hours
Contracts & Materials			
Price Reviews	Cost and price analyses as required by OCTA procurement policies and procedures.	Price Review	1,000
Maintenance Inventory Management	Review of inventory management policies, procedures, controls, operational efficiency, and analytic tools.	Operational	175
Fuel Controls	Review of controls over dispensing of petroleum products.	Internal Control	100
Information Systems			
Payment Card Industry (PCI) Data Securities Standards (DSS) Compliance	Review of OCTA's compliance with PCI DSS, including review and evaluation of annual self-assessment to ensure protection of credit card data.	Compliance	20
Telecommunications Equipment	Review of telecommunications equipment usage and internal controls.	Internal Control	80
Unscheduled Reviews and Special Requests			
Unscheduled Reviews and Special Requests	Time allowed for unplanned audits and requests from the Board of Directors and management.	Varies	150
Monitoring Activities			
Measure M Taxpayers Oversight Committee	Coordination of audit activities with the Audit Subcommittee of the Measure M Taxpayers Oversight Committee.	Monitoring	120
Radio Upgrade	Ongoing monitoring of Intelligent Transportation Management System upgrade by ACS and EigerTech.	Monitoring	25
Bus Base Inspections and Inventory Testing	Participation on base inspection teams and periodic testing of base inventory records.	Monitoring	40
Follow-up Reviews			
Follow-up Reviews and Reporting	Follow-up on audit findings and recommendations.		250
Total Audit Project Planned Hours (A)			6,330

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Audit Activity	Description	Primary Audit Type	Planned Staff Hours
Internal Audit Administration			
Board of Directors and Board Committee Meetings			380
Executive Steering Committee and Agenda Meetings			160
Internal Audit Department Staff Meeting			240
Other Administration			1,500
		Total Hours (B)	8,610
		Target Efficiency (A/B)	74%

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Risk Assessment by Program/Project/Contract
Fiscal Year 2011-12

Division	Functional Area	Project/Program	Contract	RISK ASSESSMENT	5 Year Audit History
Executive					
	Clerk of the Board			Low to Moderate	
	Public Records Requests			Moderate	2011
	Form 700 Disclosures			Low to Moderate	
	Public Meeting Notice			Moderate	2009
	Board of Director's Compensation & Ethics Compliance			Moderate	
	Legal Services				
	Woodruff, Spradlin & Smart (Contract) (\$13.3 million)			Moderate	2007
	Internal Audit Department				
	Quality Assurance (Peer) Review			Low to Moderate	2010
Capital Projects					
	Highway Projects				
	Contracts > \$1.5 million:				
	Interstate 5 Gateway				
	URS (\$12 million)			Moderate	
	California Department of Transportation (Caltrans) Coop Agmt (\$28.3 million)			Moderate	2011
	Caltrop (\$18 million)			Moderate	2011
	Caltrans Coop Agmt (\$124 million)			Moderate	2011
	City of Buena Park Coop Agmt (\$2.3 million)			Moderate	
	Interstate 405/State Route 55 to Interstate 605				
	PTG - Prelim Asses/Env Doc (\$13.1 million)			Moderate to High	
	Interstate 405/State Route 55 Inspection Support Services				
	Jacobs Civil, Inc. (\$2.3 million)			Moderate to High	
	Caltrans Coop-Contract Admin & Mgmt (\$64 million)			High	
	State Route 57 Improvements				
	Caltrans Coop-Right-of-way (ROW)-Jacobs Civil (\$6.5 million)			Moderate	2012
	Caltrans Coop for ROW & Support (\$2.7 million)			Moderate	2012
	Design-CH2MHill (Measure M2 (M2)-Project G) (\$6.3 million)			Moderate to High	2012
	Design-RBF C70887 (M2-Project G) (\$6.7 million)			Moderate to High	2012
	Construction Management (CM)-Yorba Linda to Lambert - HDR (\$4 million)			Moderate to High	2012
	CM-Orgrhrpe to Yorba Linda - Athalye (\$3.8 million)			Moderate to High	2012
	Project Report/Environmental Docs and Plan Specification & Estimates-HDR (\$4.4 million)			Moderate to High	2012
	State Route 22 Projects				
	Caltrans Coop for Add'l Soundwalls (\$2.3 million)			Moderate	
	Coop Agmt with Orange County Flood Control District (\$1.5 million)			Moderate	
	State Route 91 Improvements				
	Caltrans Coop-ROW-State Route 241 to State Route 71 (\$1.7 million)			Moderate	
	Caltrans Coop-Design- (\$3.0 million)			Moderate	
	Caltrans Coop-ROW-West Bound Lane Addition (\$8.1 million)			Moderate	
	PS&E for State Route 91 West Bound Widening-RBF (\$5.2 million)			Moderate to High	

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	RISK ASSESSMENT	5 Year Audit History
West County Connectors		
Design-Parsons & TRC (\$12.6 million)	Moderate to High	
Coop w-Seal Beach to widen Seal Beach Boulevard (\$7.2 million)	Moderate	
Coop w-Long Beach (\$1.5 million)	Low to Moderate	
CM Services-Caltrop (\$14.3 million)	Moderate to High	
CM Services-Harris & Assoc.(\$9.9 million)	Moderate to High	
Improve-SB NavalWStation-Stronghold Eng.(\$2.4 million)	Moderate	
On Call Design Services:C&B, Miralles, STV (\$1.9 million)	Moderate	
Project Management Consulting-Hatch Mott MacDonald (\$12 million)	High	
Grade Separation Projects		
City of Fullerton Coop-2 Grade Seps (\$7.6 million)	Moderate to High	2012
City of Irvine-Sand Cyn Grade Sep (\$10.2 million)	Moderate to High	2012
City of Irvine-CMAQ for Jeffrey Grade Seps (\$1.8 million)	Moderate to High	2012
City of Irvine-Transfer local match Jeffrey	Moderate to High	2012
Construction Management for Grade Sep Projects - Parsons (\$6 million)	High	2012
Design-Kraemer Boulevard-HNTB (\$4.5 million)	High	2012
Design-Lakeview Avenue-CH2MHill (\$3.7 million)	High	2012
Design-Ogthrpe-DMJM Harris AECOM (\$5.5 million)	High	2012
Design-Tustin Ave-Biggs Cardosa (\$4.6 million)	High	2012
Design-Placentia Ave-MTS (\$3.4 million)	High	2012
Raymond Ave Grade Separation	Moderate to High	2012
State College Blvd Grade Separation	Moderate to High	2012
Plan Check Services-5 Gseps-Althalye (\$2 million)	High	2012
Highway Project Management		
Project Controls	Moderate to High	
Contract Change Controls	High	
Contract Retention	Moderate	2012
Revenue and Revenue Sharing Contracts	Moderate	2010
Right of Way and Real Estate Administration	Moderate to High	2011
Measure M Local Projects		
Combined Transportation Funding Program-Competitive Programs	Moderate to High	2012
Turnback/Local Fair Share	High	Annual
Measure M Go-Local Projects		
City of Anaheim Fixed Guideway Analyz & Environ. (\$5.9 million)	High	
City of City of Anaheim Fixed Guideway Alternatives Analysis & Env. Clearance (\$5.9 million)	High	
City of City of Santa Ana Fixed Guideway (\$5.9 million)	High	
City of City of Irvine Fixed Guideway Cooperative Agreement (\$5.2 million)	High	
City of Irvine-Coop Agmt (\$5.2 million)	High	
Measure M2 Environmental Mitigation Program		
Measure M2 Water Quality Program		
Measure M1/Prop 1B Signal Synchronization Program		
Measure M2 Regional Transportation Signal Synch Program		

Orange County Transportation Authority
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**RISK
ASSESSMENT** 5 Year
Audit
History

Facility Projects

Facility Project Management	Moderate
Sand Canyon CNG Fuel Facility-Clean Energy (\$3.7 million)	Moderate
Fullerton Pkg Expansion-ROW Acquisition (\$3.2 million)	Moderate
Fullerton Pkg Expansion Coop (\$7.3 million)	Moderate
City of Orange Coop-Design Parking Structures (\$1.7 million)	Moderate
Placentia Station Design-Willdan (\$2 million)	Moderate
Const. of Pkg Structure-Tustin Metrolink (\$12.3 million)	Moderate

Rail Programs

Metrolink

Audit Activities	High	2010
Revenue & Exp JPA Allocations (\$27.4 million)	High	2012
Coop for 30 Min Service (\$87.9 million)	High	2012
Coop for for Grade Crossing/Quiet Zones (\$85 million)	High	
ROW Maint- Joshua Grading & Exc. (\$3.6 million)	Moderate	
Project Mgt for MSEP - Parsons (\$13.1 million)	Moderate to High	
Grade Crossing Safety Enhancements		
Coop wCity of Orange for 12% (\$3.9 million)	Moderate to High	
Coop wCity of Santa Ana for 12% (\$2.3 million)	Moderate to High	
Coop wCity of Anaheim for 12% (\$2 million)	Moderate to High	
High Speed Rail		
CHSRA Coop for EIR for Anaheim to LA (\$7 million)	Moderate to High	
Measure M2 Project T - ARTIC		
City of Anaheim Coop (\$3.6 million)	Moderate to High	
Env. & Design - ICF Jones & Stokes (\$2.9 million)	Moderate to High	

Transit Operations

Community Transportation Services

ACCESS Eligibility	Moderate to High	
Veolia ACCESS Service (\$240 million)	High	2012
MV Transit (\$33.7 million)	High	2012
OCARC (\$2.8 million)	Moderate	
Pacific GIS Inc. (\$1.8 million)	Moderate	
Acacia Adult Day Services (\$2.7 million)	Moderate	
Community Senior Services (\$3.5 million)	Moderate	
Certification Svc's-C.A.R.E. Evaluators (\$1.7 million)	Moderate to High	2007
Senior Mobility Programs (TDA audits)	Required	Annual

Maintenance

Base Facilities	Moderate to High	
Vehicles	High	2010
Stops & Zones		
Shelterclean (\$1.8 million)	Moderate	

Orange County Transportation Authority
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	RISK ASSESSMENT	5 Year Audit History
Motorist Services		
Freeway Service Patrol (\$1.6 to \$5.5 million)	Moderate	2007
Caltrans Coop for FSP Services (\$3 million)	Low to Moderate	
Call Box Program	Low to Moderate	
511 Motorist Aid	Moderate to High	
Taxicab Admin. Program	Moderate to High	
Service Authority for Abandoned Vehicles	Required	Bi-Annual
Fixed Route Operations		
Service Planning	Moderate	
Operations Training	Low to Moderate	2007
Company Equipment Assigned Vehicles	Moderate	
Operations Field Supervision	Moderate	
Fare Evasion	Moderate	
Lost and Found Operations	Low	
Central Communications		
Radio Dispatch	Moderate to High	
Transit Security & Emergency Preparedness		
Transit Police Services (\$5.0 million)	Moderate to High	2007
Security-Infrastructure	Moderate to High	
Security-Documents & Critical Info.	Moderate to High	
Security-Rolling Stock	Moderate to High	2012
Emergency Preparedness and Business Resumption	High	
Vehicle Dispositions		
	Moderate	
Measure M Transit Programs		
National Transit Database Reporting	Moderate	
Coop Agmt-Anaheim Transportation Network (\$6.5 million)	Required	Annual
	Moderate to High	
Janitorial		
Janitorial Svc's-Diamond Contract Svc's (\$2.9 million)	Low to Moderate	
Finance and Administration		
Financial Planning & Analysis		
Budget Development & Monitoring	Moderate	
Comprehensive Business Plan	Moderate	
Treasury & Public Finance		
Investments	High	Semi-Annual
Inv Advisory & Mgmt-Western Asset Mgmt (\$3.4 million)	Moderate to High	2011
Inv Advisory & Mgmt- JP Morgan (\$3.5 million)	Moderate to High	2011
Inv Advisory & Mgmt-Payden & Rygel	Moderate to High	2011
Inv Advisory & Mgmt- State Street Global Advisors	Moderate to High	2011
Toll Roads-Revenue Collection	Moderate to High	2011
Toll Road Contracts		
Operations & Mgmt - Cofiroute (\$38.7 million)	High	2012
Transponders - SIRIT Corp (\$2.2 million)	Moderate	
Equipment Upgrade - SIRIT Corp (\$1.7 million)	Moderate	
Bldg Lease - LBA Realty Fund (\$1.5 million)	Moderate	
Investor Relations	Moderate	

Orange County Transportation Authority
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	RISK ASSESSMENT	5 Year Audit History
Accounting & Financial Reporting		
General Accounting	Moderate to High	
Financial Reporting	High	Annual
Cost Allocation Plan	Moderate to High	2011
Measure M Accounting & Reporting	High	Annual
Sales Tax Revenue	Moderate to High	2010
Farebox Revenue Collection & Armored Car Svc		
Sectran Security Armored Car & Revenue Counting (\$3 million)	Moderate	2008
Grants Management & Accounting	Moderate to High	2009
Accounts Payable	Moderate to High	
Purchasing Cards	Moderate	2009
Corporate Credit Cards	Moderate	2012
Accounts Receivable	Moderate to High	
Capital Assets	Moderate to High	2009
General Services		
Printing & Reprographics	Low	
Records Management	Moderate	2007
PM Realty - Lease	Low to Moderate	
Access & ID Cards	Low to Moderate	
Human Resources and Organizational Development		
Risk Management		
Insurance Program Administration	Moderate	
Liability Claims Management	Moderate to High	2007
Worker's Compensation	Moderate to High	2012
Employment		
Pre employment Testing & Bkgd	High	2012
Transfers & Terminations	Low to Moderate	
Merit & Promotion	Low to Moderate	
Restricted Duty	Moderate	
Personnel Records	Moderate	
Extra Help & Contract Staffing	Low	
Compensation, Payroll & Benefits		
Payroll	Moderate to High	2009
Payroll-Overtime	Moderate to High	2009
Payroll-Garnishments	Moderate	2009
Healthcare Plans	Moderate to High	
Family Medical Leave Act	Moderate	
Flexible Benefits	Low to Moderate	
Orange County Employees Retirement System	Moderate to High	2008
Health Insurance Portability & Accountability Act	Low to Moderate	2007
Teamsters Pension Fund Trust	Low to Moderate	
Employee Assistance Program	Low	

Orange County Transportation Authority
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	RISK ASSESSMENT	5 Year Audit History
Employee & Labor Relations		
Contract and Contract Negotiations	Moderate to High	
Unemployment Claims	Low to Moderate	
Grievances	Low to Moderate	
Employee Relations Training	Low	
Equal Employment Opportunity	Moderate	
Training & Development		
Mandated Training	Moderate	
Training & Development Programs	Low to Moderate	
Safety & Environmental Compliance		
Safety Programs	Moderate to High	2011
Drug and Alcohol Program	Moderate to High	2009
Medical Exams	Moderate to High	2009
Loss Control and Accident Analysis	Moderate to High	
DMV Pull Notice Program	Moderate to High	2012
Wellness Program	Low to Moderate	
Environmental Compliance Program	Moderate	2007
Management Services		
Strategic Plan - Monitoring	Moderate	
Contracts & Materials		
Procurement		
Contract Modifications & Terminations	Moderate to High	
Cost Estimates	Moderate	
Proposal Evaluations	Moderate	2011
IFB & RFP Development	Moderate to High	
Protests	Moderate	
Small Purchases	Low to Moderate	
Rolling Stock & Inventory Contracts		
So. Counties Oil - Diesel - (\$15.2 million)	Moderate to High	2008
IPC USA - Unleaded fuel (\$15.1 million)	Moderate	
Bridgestone/Firestone Tire Lease (\$10.6 million)	Moderate to High	2011
Buy America Compliance	High	As Needed
Maintenance Inventory Management	Moderate	2011
Warranty Administration	Moderate	2011
Fuel Dispensing Controls	Moderate to High	2011
DBE Program	Moderate	2007
Information Systems		
Business Continuity	High	
IS Security	Moderate to High	
PCI Compliance	High	2011
IS Development	Moderate	
IS Change Management	Moderate to High	2011
IS Operations		
Digital Intell. Systems (personnel) (\$4.2 million)	Moderate to High	

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	RISK ASSESSMENT	5 Year Audit History	
Fixed Route Radio System	High	Monitor	
ACS Transportation Solutions Upgrade (\$20 million)	High		
Fixed Route Planning System (dispatch, scheduling, etc)	Moderate to High	2009	
Fixed Route Data Information System (farebox, pass. counts)	Moderate		
Procurement and Inventory IS Systems (Ellips/CAMM Net)	Moderate to High		
Time Reporting & Payroll System (Lawson)	Moderate to High		
Customer Service Info. System (Call Center, rideshare, FSP)	Moderate to High		
Safety and Security Systems (Videos, Hazmat tracking, etc)	Moderate to High		
Financial Tx's and Records Systems (fund acctg, budget)	Moderate to High		
IS Hardware	Moderate to High		
Telecommunications Equipment	Moderate		2012
External Affairs			
Bus Advertising			
Bus Adv Revenue - Titan Outdoor LLC (\$9.8 million)	Low to Moderate	2007	
Marketing Programs and Contracts	Moderate		
Media Relations/Community Relations	Moderate		
Vanpool Program			
Enterprise Fleet Mgmt, Midway Rideshare, VPSI (\$6.8 million)	Moderate to High	2010	
Pass Sales Programs	Moderate to High		
Customer Service	Moderate	2010	
Web Development	Low to Moderate		
Government Relations			
Federal Relations	Moderate to High		
State Relations	Moderate to High		
Local Outreach	Moderate		