



November 15, 2023

To: Finance and Administration Committee 
From: Darrell Johnson, Chief Executive Officer
Janet Sutter, Executive Director 
Internal Audit
Subject: OCTA Store Operations, Internal Audit Report 24-504

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of OCTA Store Operations. Based on the audit, controls are adequate and operating. Management has implemented standard operating procedures that ensure proper safeguarding of cash, transponders, and pass fare media and exercises appropriate security over the premises.

Recommendation

Receive and file OCTA Store Operations, Internal Audit Report No. 24-504, as an information item.

Background

The OCTA Store (store) provides transit customers with the opportunity to purchase pass fare media and perform 91 Express Lanes account enrollment and maintenance transactions. The General Services Department under the Finance and Administration Division is responsible for store operations.

Store associates are assigned safes and workstations to which they have individual access. Access to the store area, as well as the point-of-sale system used for recording transactions, is limited and the area includes camera surveillance. The store accepts multiple forms of payment including cash, checks, and credit cards. During fiscal year 2022-23, the store sold close to 170,000 passes and 1,292 transponders.

Discussion

Management has developed, documented, and implemented standard operating procedures to ensure the proper safeguarding of cash, transponders, and pass fare media, and has implemented strong security controls. The section manager is well organized and has good record-keeping practices. Together, this demonstrates OCTA values of integrity, customer focus, and communication.

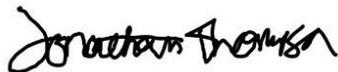
Summary

Internal Audit has completed an audit of OCTA Store Operations.

Attachment

- A. OCTA Store Operations, Internal Audit Report No. 24-504

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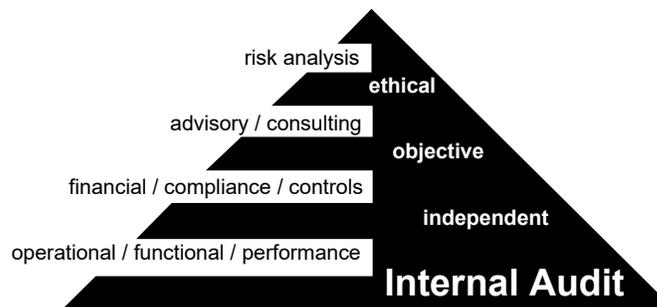
ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



OCTA Store Operations

Internal Audit Report No. 24-504

October 26, 2023



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**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
OCTA Store Operations
October 26, 2023**

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Conclusion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of OCTA Store Operations. Based on the audit, controls are adequate and operating. Management has implemented standard operating procedures that ensure proper safeguarding of cash, transponders, and pass fare media and exercises appropriate security over the premises.

Background

The OCTA Store (store) provides transit customers with the opportunity to purchase pass fare media and perform 91 Express Lanes account enrollment and maintenance transactions. In addition, the store performs employee recreation association movie ticket sales. The store is located at 600 S. Main Street, in the City of Orange, and is open every weekday from 8 a.m. until 5 p.m. The General Services Department under the Finance and Administration Division is responsible for store operations. The store is staffed with two full-time and one part-time associate who are supervised by a section manager.

Store associates are assigned safes and workstations to which they have individual access. Access to the store area, as well as the point-of-sale system used for recording transactions, is limited and the area includes camera surveillance. The store accepts multiple forms of payment including cash, checks, and credit cards. During fiscal year 2022-23, the store sold close to 170,000 passes and 1,292 transponders. At the end of each day, store associates prepare a reconciliation package and deliver a deposit to the Accounting Department for deposit to OCTA's account and recording in the general ledger system.

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Objectives, Scope, and Methodology

The objectives were to assess and test controls in place over store operations.

According to Generally Accepted Government Auditing Standards (GAGAS), internal control is the system of processes that an entity's oversight body, management, and other personnel implement to provide reasonable assurance that the organization will achieve its operational, reporting, and compliance objectives. The five components are control environment, risk assessment, control activities, information and communication, and monitoring.¹ The components and principles that were evaluated as part of this audit are:

- Control Environment
 - OCTA demonstrates a commitment to integrity and ethical values.
- Control Activities
 - OCTA selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

The methodology consisted of reviewing records of individuals with physical access to the store and user access to the Counterpoint point-of-sale system for appropriateness, confirming that security cameras located in the store are operable, observation and testing evidence of a haphazard sample of two unannounced quarterly reviews, observed and made inquiries as to cash and inventory security, tested a haphazard sample of daily reconciliation packages and tied deposits to the general ledger, tested a haphazard sample of transponder inventory counts and pass fare replenishment requests for compliance with procedures. Since the samples were non-statistical, any conclusions are limited to the sample items tested.

The scope period was from September 1, 2022, through August 31, 2023, and October 3, 2023, for observations. The scope was limited to store operations and did not include testing of compliance with Payment Card Industry-Data Security Standards or wholesale pass sales.

We conducted this performance audit in accordance with GAGAS. 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.

¹ See U.S. Government Accountability Office publication, "Standards for Internal Control in the Federal Government," available at <http://www.gao.gov/products/GAO-14-704G>, for more information.

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Noteworthy Accomplishments

Management has developed, documented, and implemented standard operating procedures to ensure the proper safeguarding of cash, transponders, and pass fare media, and has implemented strong security controls. The section manager is well organized and has good record-keeping practices. Together, this demonstrates OCTA values of integrity, customer focus, and communication.