



July 11, 2012

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Draft Fiscal Year 2012-13 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 evaluating 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.

Recommendations

- A. Approve the Draft Fiscal Year 2012-13 Internal Audit Plan
- B. Direct the Executive Director of Internal Audit to provide quarterly updates on the Fiscal Year 2012-13 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 2012-13 Internal Audit Plan (Audit Plan) for Board of Directors' (Board) 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 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 2012-13.

Summary

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

Attachment

- A. Draft Fiscal Year 2012-13 Internal Audit Plan

Approved by:

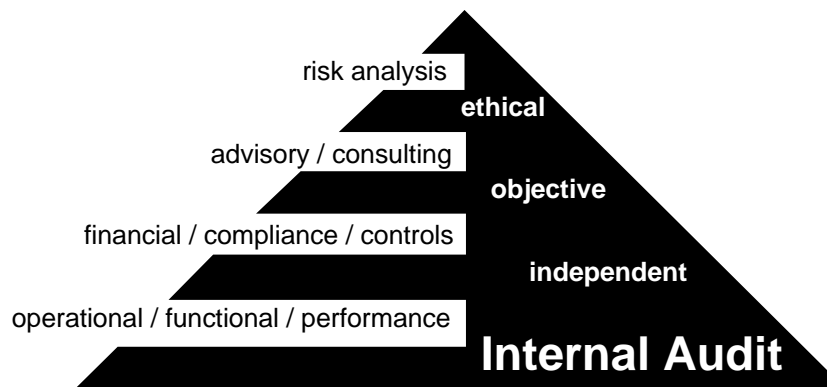


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**ORANGE COUNTY TRANSPORTATION AUTHORITY
Internal Audit Department**



**Draft Fiscal Year 2012-13
Internal Audit Plan**



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Draft Fiscal Year 2012-13 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 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 and compliance audit oversight, operational reviews, contract compliance reviews, internal control assessments, investigations, pre-award and post-delivery Buy America reviews, and pre-award 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 2012-13, Internal Audit set a department-wide target productivity ratio of 74 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.

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 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 applicable regulatory requirements.

Price Review – Price reviews are conducted for 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.

Internal Audit also performs other activities outlined in the Audit Plan as follows:

Monitoring – These activities include providing information and coordination assistance to the Audit Subcommittee of the Taxpayer’s Oversight Committee (TOC) in their duty to exercise oversight in the expenditure of Measure M (M1) and Measure M2 (M2) funds. Also, Internal Audit, at the request of the Transit Division, participates in annual bus base inspections to assist the division in evaluating operations and compliance at the three OCTA-operated base locations. Finally, Internal Audit obtains and reviews audit results related to the member agency allocation calculation by Metrolink that is audited by an independent accounting firm under a contract with Los Angeles Metropolitan Transit Agency.

Follow-Up Activities – These activities 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.

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Fiscal Year 2011-12 Accomplishments

- Completed 13 price reviews of architectural and engineering, sole source, or single bid contracts and provided the Contracts Administration and Materials Management Department (CAMM) with price adjustment recommendations of over \$500,000.
- Completed an additional 17 audit projects, issuing over 30 recommendations for improvements to operations or contract management. Conducted follow-up on implementation of recommendations within six months of report issuance or earlier, as directed by the Finance and Administration (F&A) Committee.
- Internal Audit achieved both its department-wide productivity goal of 74 percent and its professional audit staff productivity goal of 80 percent.
- Completed revisions to clarify and improve policies and procedures to better reflect Government Auditing Standards (Yellow Book) requirements.
- Performed Internal Audit's third annual internal Quality Assurance and Self Assessment Review, identifying and addressing areas for improvement to processes, policies, and procedures.
- 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.
- Provided administration of OCTA's Fraud Hotline and reviewed 8 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. As a result of these investigations, Internal Audit issued one report that identified a violation of procedures and has issued a second report that identifies violation of labor laws by an OCTA contractor.
- All Internal Audit staff met continuing professional education requirements (CPE) 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 TOC including, but not limited to, development of agreed-upon procedures for testing compliance with M2 Local Fair Share expenditures, Project U Senior Mobility Program, and Senior Non-Emergency Medical Transportation Program expenditures; updated agreed-upon procedures for testing the M1 and M2 Status reports; compiled results of questionnaires, management letters, and single audit reports of all Orange County cities for consideration of selection for M2

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audits; and developed procedures for audit of the M2 Environmental Mitigation acquisition process.

- Updated the OCTA Risk Assessment to reflect new programs, functions, and significant contracts and to better reflect the current organization. Also, met and solicited input from executive directors to both review the list of auditable entities for completeness and to review risk assessment scoring methodology and scores for those entities under their purview.
- At the request of the F&A Division, Internal Audit participated in the annual capital asset inventory process by performing observations of the process performed by asset custodians and reporting the results to the Executive Director of F&A.
- Prepared and distributed information to assist management in preparing for the upcoming Federal Transit Administration Triennial Review.

Fiscal Year 2012-13 Goals

- Achieve a department-wide productivity ratio of at least 74 percent and professional staff productivity ratio of at least 80 percent.
- Issue a Request for Proposals to qualified firms to provide OCTA Fraud Hotline services and make award no later than August 1, 2012, upon expiration of the current agreement.
- Initiate investigations of all Fraud Hotline reports within 5 business days of receipt.
- Conduct price reviews, at the request of CAMM, of all architectural and engineering price proposals exceeding \$250,000 to establish the reasonableness of proposed rates 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 compliance with Yellow Book CPE requirements and those of all professional certifications (Certified Public Accountant, Certified Internal Auditor, Certified Information Systems Auditor, Certified Fraud Examiner).

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- Perform Internal Audit's annual internal Quality Assurance and Self Assessment review by February 28, 2013, and make any noted improvements to Internal Audit's processes, policies, and procedures.
- Participate on a Quality Assurance (Peer) Review team to accrue reciprocal credit through the Association of Local Government Auditors and undergo its own Triennial Peer Review in early 2013.
- Assist the Audit Subcommittee of the TOC with the development and update of agreed-upon procedures for M1 and M2 related audits; and provide update and final presentation of all M1 and M2 related audits.
- Review audit committee charters of the F&A 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, 2013.
- Procure a consultant to perform the required State Triennial Audit for fiscal years 2010, 2011, and 2012. Provide coordination and oversight for the audit.

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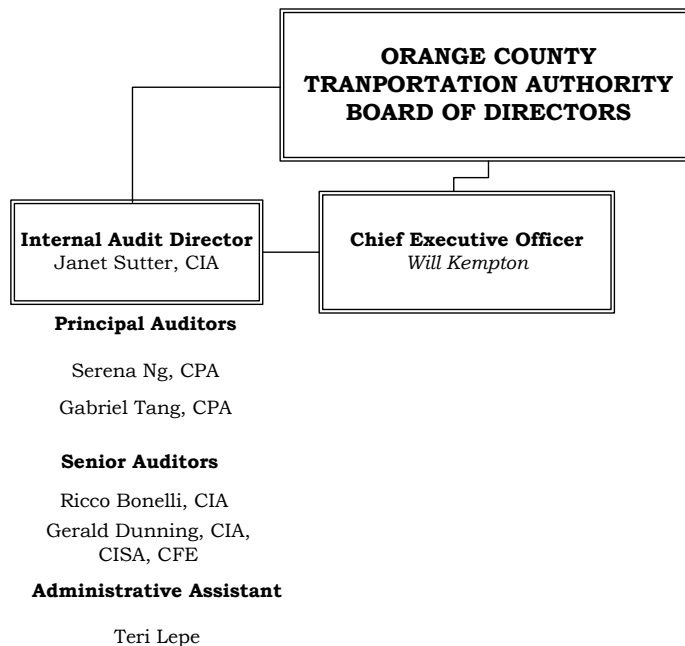
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Internal Audit Organization

Government Auditing Standards (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 Government Auditing 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:

Internal Audit Departmental Organization Chart



Risk Assessment Process

It is the responsibility of management of the 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,

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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 maximizes its effectiveness by engaging in annual risk assessment process to establish the priorities for the department for the upcoming fiscal year.

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%) – 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, program, or function to the media.

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.

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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	Time Since & Results of Last Audit						Weighted Average Risk
			20%	20%	15%	15%	15%	15%	
Purchasing Cards	2009	No	1	1	1	2	4	1	1.6
Maintenance Inventory Management	2011	No	1	3	2	4	3	2	2.5
MV Transit	2011	No	1	5	4	5	5	4	3.9
Buy America Compliance		Yes	As Required						N/A

Following the risk assessment of each of over 200 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 “Required”.

Internal Audit Plan Development

The Internal Audit Plan for Fiscal Year 2012-13 (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 8,700 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.

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The Audit Plan includes approximately 800 hours for mandatory audit activities; this includes hours anticipated for both the State and Federal Triennial Reviews that are required for the fiscal years ending 2010, 2011, and 2012. Approximately 640 hours is anticipated for internal audit projects and activities that are ongoing from year to year, such as the annual risk assessment and audit planning process, quality assurance and self-assessment, updates and upgrades to the automated workpaper system, and administration and investigation of complaints received through 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 CAMM, and this budget is consistent with prior years' experience.

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 such as the bus radio system implementation. An audit of this newly implemented system would be more appropriate after it has been fully implemented and tested. 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 Amendments and Terminations is a moderate-to-high risk auditable entity; however, because Internal Audit has audits of grade separations, Metrolink Service Expansion Program, and the Tustin Parking Expansion project on the Audit Plan, it is anticipated that contract amendment controls will be assessed in relation to these projects and, therefore, Internal Audit did not select Contract Amendments and Terminations for inclusion in the FY2012-13 Audit Plan. Other subjective factors that 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 FY2012-13 includes an audit of the \$16 million Tustin Parking Expansion project completed in early 2012, and a review of the Project Controls function within the Capital Projects Division. This function is assessed as a high risk auditable entity, and the review will assess the adequacy and effectiveness of the function in its oversight role. A review of the M2 Environmental Mitigation Program acquisition process was requested by the Audit Subcommittee of the TOC and will review the process used to acquire properties to ensure compliance with the M2 Ordinance and related policies and procedures. Reviews of the administration of the Flexible Benefits Program and handling of employee grievances have also been planned to assess the adequacy of administration. In the Transit Division, audits of the Orange County Taxicab Administration Program and the ACCESS Service - Growth Management Program, both ranked as moderate-to-high risk programs, and are included along with a review of the service contract with Southland Car Counters, the contractor responsible for gathering data for National Transit Database reporting. In the F&A

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Division, investment management contracts with Logan Circle Partners and Cutwater Asset Management will be reviewed along with the required semi-annual reviews of the Treasury function and a review of overtime. In the Information Systems Department, Internal Audit has scheduled a review of the policies, procedures, and controls for acquisition, maintenance, and disposition of hardware. Finally, in the External Affairs Division, an audit of the operations and controls related to Pass Sales has been included.

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, contracts, and functions. 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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APPENDIX A: Fiscal Year 2012-13 Internal Audit Plan

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Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Mandatory External Independent Audits				
Annual Financial Audit	FY13-001	Coordination and oversight of annual financial and compliance audits for fiscal year 2012-13.	Financial	450
Annual Transportation Development Act Audits	FY13-002	Coordination of required annual audits of the recipients of Transportation Development Act Funds for fiscal year 2012-13.	Compliance	40
Triennial Review - Federal	FY13-003	Coordination of FTA triennial review.	Compliance	80
Triennial Performance Audit - State	FY13-004	Finalize procurement of external audit firm and manage audit contract for the State triennial performance audit for fiscal years 2010, 2011, and 2012.	Compliance	150
Service Authority for Abandoned Vehicles	FY13-005	Coordination of biennial financial and compliance audit of the Orange County Service Authority for Abandoned Vehicles and each of its member jurisdictions.	Compliance	80
Internal Audit Projects				
Risk Assessment and Annual Audit Plan	FY13-100	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	FY13-101	Update of Internal Audit Policies & Procedures. Annual self assessment of Internal Audit's compliance with Government Auditing Standards.	Quality Assurance	150
Fraud Hotline	FY13-102	Investigations of reports of fraud, waste or abuse. Also, develop and issue Request for Proposals for these services which expire in August 2012.	Fraud Hotline	200
Audit Leverage Software System	FY13-103	Deploy updates/upgrades to Audit Leverage software.	Audit Software Updates	24
Peer Review Participation	FY13-104	Participation as review committee members for reciprocal credit.	Peer Review	88
Internal Audits				
Human Resources and Organizational Development				
Employment & Compensation	FY12-502	Review of controls and efficiency of candidate recruitment, selection, and hiring. Also, review controls and process over compensation adjustments.	Operational	240
Flexible Benefits Program Administration	FY13-5XX	Review policies, procedures and controls in place over this employee program.	Internal Control	180

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Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Grievance Process	FY13-5XX	Review to determine whether procedures are adequate to ensure compliance with union agreements and OCTA policies for disposition of employee grievances.	Compliance	160
Capital Projects				
Orangethorpe Corridor Grade Separation Projects	FY11-501	Review of selected contracts for project management, design, preliminary engineering, and construction for the Orangethorpe Corridor Railroad Grade Separations.	Internal Control	300
Combined Transportation Funding Program (CTFP) Project Audits	FY12-508	Preliminary risk assessment, selection of projects, and coordination with outside firm for review of selected CTFP projects for compliance with Measure M requirements.	Compliance	24
Metrolink Service Expansion Program	FY11-510	Review of cooperative agreement with Metrolink for infrastructure improvements related to the implementation of 30 minute service.	Compliance	260
Tustin Parking Expansion	FY13-5XX	Review of selected contracts for project management, design, engineering and construction of the Tustin Parking Expansion project.	Internal Control	240
Project Controls	FY13-5XX	Assess the adequacy and effectiveness of internal controls of Project Controls operations.	Operational	160
Planning				
Environmental Mitigation Program - Acquisition	FY13-5XX	Review of the Measure M2 Environmental Mitigation Program; specifically, controls and process for acquisition of properties.	Compliance	60
Transit Operations				
OCTAP Taxicab Administration Program	FY13-5XX	Review of the operations and related internal controls of the Orange County Taxicab Administration Program.	Internal Control	180
Schedule Checkers (Southland Car Counters)	FY13-5XX	Review of the contract with Southland Car Counters for compliance with contract provisions.	Compliance	180
ACCESS Service - Growth Management Program	FY13-5XX	Review of the operations and related internal controls of the ACCESS Service Growth Management Program administration and assess level of compliance by participants.	Operational	180
Finance and Accounting				
Treasury	FY13-5XX	Semi-annual financial and compliance reviews of the treasury function, including investment and bond compliance.	Compliance	200
Grant Closeouts	FY13-5XX	As needed financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40
Payroll - Overtime	FY13-5XX	Review controls in place to monitor and reduce overtime costs. Assess reasonableness of overtime costs incurred.	Internal Control	160

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Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Investment Management Contracts: Bond Proceeds	FY13-5XX	Review of services and invoices for bond proceeds investment management services provided by Cutwater Asset Management and Logan Circle Parnters.	Compliance	180
Contract Administration & Materials Management				
Buy America	FY13-5XX	Pre-award and post-delivery reviews to ensure vendors and OCTA are in compliance with federal Buy America requirements.	Compliance	240
Price Reviews	PR13-000	Cost and price analyses as required by OCTA procurement policies and procedures.	Price Review	1,000
Information Systems				
Information Systems Hardware	FY13-5XX	Review adequacy of policies, procedures and controls over acquisition, maintenance and disposition of Information Systems hardware.	Internal Control	180
External Affairs				
Pass Sales	FY13-5XX	Review of the operations and related controls over the Pass Sales program.	Operational	180
Unscheduled Reviews and Special Requests				
Unscheduled Reviews and Special Requests	FY13-800	Time allowed for unplanned audits and requests from the Board of Directors and management.	Varies	160
Monitoring Activities				
Measure M Taxpayers Oversight Committee	FY13-601	Coordination of audit activities with the Audit Subcommittee of the Measure M Taxpayers Oversight Committee.	Monitoring	180
Bus Base Inspections and Inventory Testing	FY13-602	Participation on annual base inspection teams.	Monitoring	32
Metrolink Member Agency Allocation	FY13-603	Review of scope of work and results of Los Angeles County Metropolitan Transportation Authority's annual independent audit of Metrolink member agency allocation.	Monitoring	24
Follow-up Reviews				
Follow-up Reviews and Reporting	FY13-700	Follow-up on audit findings and recommendations.	Follow-up	240

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Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Total Audit Project Planned Hours (A)				6,422

Internal Audit Administration

Board of Directors and Committee Meetings				380
Executive Steering and Agenda Setting Meetings				160
Internal Audit Department Staff Meetings				240
Other Administration				1,500
Total Hours (B)				8,702
Department Target Efficiency (A/B)				74%
Target Efficiency - Professional Staff				80%

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APPENDIX B: Risk Assessment by Program/Project/Contract/Function

**Orange County Transportation Authority
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Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2012-13**

Division	Department/Functional Area	Project/Program/Function	RISK ASSESSMENT	5 Year Audit History
Executive				
	Clerk of the Board		Moderate	
	Public Records Requests		Low to Moderate	2011
	Form 700 Disclosures		Low to Moderate	
	Public Meeting Notice/Brown Act		Low	
	iPad Reimbursement Program		Low to Moderate	2009
	Board of Directors Compensation and Ethics Compliance		Low to Moderate	
	Legal Services			
	Woodruff, Spradlin & Smart (C-9-4852 \$26.5 mil)		Moderate	2007
	Internal Audit Department			
	Quality Assurance (Peer) Review		Low to Moderate	2010
Capital Projects				
Highway Projects				
Interstate 5 (I-5)				
	I-5 Between State Route 57 (SR-57) and State Route 55 (SR-55) - Measure M2 (M2) Project A		Moderate to High	
	I-5 Between SR-55 and El Toro Road - M2 Project B		Moderate to High	
	I-5 South of El Toro Road - M2 Project C			
	Pacific Coast Highway (PCH) to San Juan Creek Road		Moderate to High	
	Avenida Pico to Avenida Vista Hermosa		Moderate to High	
	Avenida Vista Hermosa to PCH		Moderate to High	
	State Route 73 to El Toro Road		Moderate to High	
SR-57 Improvements - M2 Project G				
	Orangewood Avenue to Katella Avenue		Moderate to High	
	Katella Avenue to Lincoln Avenue		Moderate	2012
	Orangethorpe Boulevard to Yorba Linda Boulevard		Moderate	
	Yorba Linda Boulevard to Lambert Road		Moderate	2012
	Lambert Road to Tonner Canyon		Moderate to High	
SR-55 Improvements - M2 Project F				
	Interstate 405 (I-405) to I-5		Moderate	
State Route 91 Improvements (SR-91)				
	SR-91: I-5 to SR-57 - M2 Project H		Moderate to High	
	SR-91: SR-57 to SR-55 - M2 Project I		Moderate	
	SR-91: Tustin Interchange to SR-55 - M2 Project I		Moderate	
	SR-91: SR-55 to Orange/Riverside County Line - M2 Project J		Moderate	
I-405				
	I-405: State Route 22 High Occupancy Vehicle (HOV) Connector - Measure M1		Moderate to High	
	I-405: Interstate 605 (I-605) HOV Connector Project - Measure M1		Moderate to High	
	I-405: Improvements from I-605 and SR-55 - M2 Project K		Moderate	
	I-405: Improvements from SR-55 to I-5 - M2 Project L		Low to Moderate	

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	RISK ASSESSMENT	5 Year Audit History
Grade Separation Projects		
Project Management - Hatch Mott MacDonald	Moderate	2012
Orangethorpe Grade Separation Projects	Moderate to High	2012
Sand Canyon Grade Separation Project	Moderate to High	
Highway Project Management		
Project Controls	High	
Contract Change Controls	Moderate to High	
Contract Retention	Moderate	2012
Revenue and Revenue Sharing Contracts	Moderate to High	2010
Right of Way (ROW) and Real Estate Administration	Moderate to High	2011
Anaheim Regional Transportation Intermodal Center (ARTIC)		
M2 Projects T & R and Measure M1	Moderate to High	
Ground Lease - Katella Yard	Low to Moderate	
Rail Programs and Facilities Engineering		
Local Initiatives		
Project S: Go Local Fixed Guideway Projects		
City of Anaheim - Go Local Fixed Guideway	Moderate to High	
City of Santa Ana Go Local Fixed Guideway	Moderate to High	
Passenger Rail Operations and Metrolink Expansion		
ROW Maintenance- Joshua Grading and Excavation	Moderate	
Metrolink Service Expansion Program - M2 Project R	Moderate to High	2012
Joint Powers Authority Allocation by Southern California Regional Rail Authority (SCRRA)	Moderate to High	Monitor
Purchase of Rail Cars	Moderate	
Positive Train Control: SCRRA	Moderate	
Fiber Optics: SCRRA	Moderate to High	
Metrolink Grade Crossing Improvements		
Los Angeles to San Diego (LOSSAN) Grade Crossing Projects	Moderate	
Metrolink Audit Activities		
	Moderate to High	2010
Facilities Engineering		
Facility Project Management	Moderate to High	
Fullerton Parking Expansion	Moderate to High	
City of Orange Parking Expansion	Moderate	
Tustin Parking Expansion	Moderate to High	
Planning		
Measure M2 Program Management Office		
	Moderate	
Strategic Planning		
Regional Modeling and Traffic Operations	Moderate	
Geographic Information Systems	Moderate	
State/Federal Programs	Moderate	

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Measure M2 Local Projects		
Project X: Water Quality Program	Moderate	Annual
Project O: Regional Capacity Program	Moderate	
Project P: Traffic Signal Synchronization	Moderate	
Project Q: Local Fair Share	Required	
Project S: Go Local- Rubber Tire Program	Moderate	
Project V - Community Based Transit Circulators	Low to Moderate	
Project W - Safe Transit Stops	Low to Moderate	
Transportation Planning		
Corridor and Project Studies		
Project Study Reports	Moderate	
Transit System Study	Moderate to High	
M2 Environmental Mitigation Program		
Property Acquisition	Moderate to High	2012
Restoration Funding	Moderate	
Soundwall Program	Low	
Transit and Non-Motorized Planning		
Bikeway Master Plans	Low	
Bristol Street Widening Project	Moderate	
Transit Operations		
Community Transportation Services		
ACCESS Eligibility	Moderate to High	2007
ACCESS Service		
Veolia and American Logistics Contract	High	2011
ACCESS Service - Growth Management Program	Moderate to High	
Same Day Taxi Service - Yellow Cab of North Orange County	Moderate	
MV Transit Operations	Moderate to High	2011
Lost and Found Operations	Low to Moderate	
Job Access and Reverse Commute (JARC) and New Freedom Grant Administration	Moderate to High	
Senior Mobility Program (Transportation Development Act audits)	Required	Annual
Senior Mobility Program (M2 - Project U)	Required	Annual
Senior Non-Emergency Medical Transportation (M2 - Project U)	Required	Annual
Maintenance		
Base Facilities and Transit Centers	Moderate to High	
Revenue Vehicle Maintenance	Moderate to High	2010
Company Equipment Assigned Vehicles	Moderate	
Farebox Revenue Collection and Armored Car Service	Moderate	2008
Fuel Dispensing	Moderate	2011

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Rolling Stock and Inventory Contracts		
South Counties Oil - Diesel Fuel	Low to Moderate	2008
IPC, USA - Unleaded fuel	Moderate	
Bridgestone/Firestone Tire Lease	Moderate	2010
Applied Liquified Natural Gas (LNG) Technologies - LNG Fuel	Moderate to High	2007
Trillium USA - Compressed Natural Gas (CNG) Fuel	Moderate	
Cummins Cal Pacific - Engines	Moderate	
Clean Energy - Natural Gas	Moderate	
Motorist Services		
Freeway Service Patrol (M2 Project N)	Moderate	2007
Call Box Program	Moderate	
511 Motorist Aid	Moderate	
OCTAP Taxicab Administration Program	Moderate to High	2007
Service Authority for Abandoned Vehicles	Required	Biennial
Anaheim Transportation Network	Moderate	
Irvine Shuttle	Moderate	
Bus Operations		
Operator Bidding Process	Moderate	
Operations Training	Low to Moderate	2008
Operations Field Supervision	Moderate	
Central Communications	High	
Service Planning and Customer Advocacy		
Stops and Zones	Moderate	
Schedule Checkers (Southland Car Counters)	Moderate	
Transit Security and Emergency Preparedness		
Transit Police Services	Moderate	2007
Emergency Preparedness	Moderate	
Physical Security - All Facilities	Moderate	
Security Grants	Moderate	
Transit Program Management		
Operations Analysis-National Transit Database Reporting	Required	Annual
Transit Capital Projects		
Radio - Intelligent Transit Management System Project	High	
On Board Video Surveillance System- March Networks	Moderate to High	
Fixed Route Planning System	Moderate to High	
ACCESS Scheduling System (Trapeze)	Moderate to High	
Finance and Administration		
Project U - Fare Stabilization	Moderate	

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Financial Planning and Analysis		
Budget Development and Monitoring	Moderate	
Comprehensive Business Plan	Moderate	
Revenue/Grant Administration and Accounting	Moderate to High	2009
Treasury and Public Finance		
Investments	Required	Bi-annual
Investment Management Contracts		
Western Asset Management	Moderate to High	2010
JP Morgan	Moderate to High	2010
Payden & Rygel	Moderate to High	2010
State Street Global Advisors	Moderate to High	2010
Logan Circle Partners (Bond Proceeds Investments)	High	
Cutwater Asset Mgmt (Bond Proceeds Investments)	High	
91 Express Lanes		
Operations and Management - Cofiroute USA	High	
Toll Road Collections	Moderate	2010
Transponders - Federal Signal Corporation	Moderate	
Building Leases - Corona and Anaheim locations	Low	
Cofiroute - Revenue and Account Management System	Moderate	2012
Accounting and Financial Reporting		
General Accounting	Moderate	
Financial Reporting	Required	Annual
Cost Allocation Plan	Low to Moderate	2011
Measure M Accounting and Reporting	Required	Annual
Sales Tax Revenue Accounting	Moderate	2009
Accounts Payable	Moderate to High	
Purchasing Cards	Low to Moderate	2009
Corporate Credit Cards	Low to Moderate	2012
Capital Assets	Moderate	2009
Pass Sales Program (CompuSoft)	Moderate to High	
Payroll Operations	Moderate	2008
Payroll Overtime	Moderate	
Payroll Garnishments	Low to Moderate	
Contract Administration and Materials Management		
Contract Amendments and Terminations	Moderate to High	
Independent Cost Estimates	Moderate	
Proposal Evaluations	Moderate	2011
Invitation for Bid and Request for Proposal Development	Moderate	
Protests	Moderate	
Small Purchases	Moderate	
Buy America Compliance	Required	2010
Maintenance Inventory Management	Moderate	2012
Warranty Administration	Moderate	2011
Disadvantaged Business Enterprise Program	Moderate	2007

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General Services		
Printing and Reprographics	Low to Moderate	
Records Management	Moderate to High	2007
PM Realty - Lease Management	Moderate	
Access Cards, Keys, and Identification Cards	Moderate to High	2007
Employee Programs	Low	
Facilities Video System	Moderate	
Asset Management and Inventory	Moderate	
Internal Communications and OCTA Policies	Low to Moderate	
Information Systems		
Business Resumption and Continuity of Operations	High	
Information Systems Security	Moderate to High	
Payment Card Industry Compliance	Moderate to High	2011
Information Systems Development	Moderate	
Information Systems Change Management	Moderate	2011
Procurement and Inventory Systems	Moderate to High	
Payroll System	Moderate	2008
Financial Transaction System	Moderate to High	
Information Systems Hardware	Moderate to High	
Telecommunications Equipment	Low to Moderate	2012
Technology and User Support	Moderate	
Data Warehousing and Business Intelligence	Moderate to High	
Customized Solutions (Across the Board system and Customer Comments)	Moderate	
M2 Sharepoint	Moderate	
Human Resources and Organizational Development		
Risk Management		
Insurance Program Administration	Moderate to High	
Liability Claims Management and Subrogation	Moderate to High	2007
Worker's Compensation and Subrogation	Moderate	2012
Employment & Compensation		
Transfers and Terminations	Low to Moderate	
Extra Help and Contract Staffing	Low to Moderate	
Recruitment, Compensation	Moderate to High	2012
Personnel and Salary Resolution - Development	Moderate	
Benefits		
Healthcare Plans	Moderate to High	
Family Medical Leave Act	Moderate	2009
Flexible Benefits	Moderate	
Health Savings Account	Moderate	
Orange County Employees Retirement System	Moderate to High	2008

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Health Insurance Portability and Accountability Act	Moderate	2008
Teamsters Pension Fund Trust	Low to Moderate	2008
Employee Assistance Program	Low to Moderate	
Drug and Alcohol Program	Moderate to High	2009
Employee and Labor Relations		
Contract Negotiations	Moderate to High	
Unemployment Claims	Low to Moderate	
Grievances	Moderate	
Employee Relations Management and Training	Moderate	
Equal Employment Opportunity	Moderate	
Title VI Compliance	Moderate	
Medical Exams	Moderate	2008
Training & Development		
Training (Learning Management System)	Moderate	
Educational Reimbursements	Low to Moderate	
Safety and Environmental Compliance		
Safety Programs	Moderate to High	2010
Loss Control and Accident Analysis	Moderate	
Department of Motor Vehicles Pull Notice Program	Moderate	2012
Wellness Program	Moderate	
Environmental Compliance Program	Moderate to High	2007
Management Services		
Strategic Plan - Development and Monitoring	Moderate to High	
Performance Metrics - Monitoring	Moderate	
External Affairs		
Communication, Customer Relations, Marketing		
Bus Advertising	Low	2008
OCTA Bus Marketing	Low to Moderate	
Media Relations/Community Relations	Moderate	
Rideshare Program	Moderate	
Vanpool Program	Moderate to High	2009
Customer Service	Moderate	2010
Web Development	Moderate	
Project/Construction Outreach Contract Management	Low to Moderate	
Government Relations		
Orange County Council of Governments (OCCOG)	Low to Moderate	
Federal Relations		
Contracts	Low to Moderate	
Grant Applications & Oversight	Moderate	
State Relations		
	Moderate	
Local Outreach		
	Low to Moderate	