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:

Janet Sutter
Executive Director, Internal Audit
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ORANGE COUNTY TRANSPORTATION AUTHORITY
Internal Audit Department

Draft Fiscal Year 2012-13
Internal Audit Plan

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ORANGE COUNTY TRANSPORTATION AUTHORITY
Internal Audit Department
Draft Fiscal Year 2012-13 Internal Audit Plan

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
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.
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...
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).
• 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.
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**

- **ORANGE COUNTY TRANSPORTATION AUTHORITY**
  - **BOARD OF DIRECTORS**
    - **Chief Executive Officer**
      - Will Kempton
    - **Internal Audit Director**
      - Janet Sutter, CIA
      - Gabriel Tang, CPA
      - Ricco Bonelli, CIA
      - Gerald Dunning, CIA, CISA, CFE
    - **Administrative Assistant**
      - Teri Lepe
  - **Principal Auditors**
    - Serena Ng, CPA
    - Gabriel Tang, CPA
  - **Senior Auditors**
    - Ricco Bonelli, CIA
    - Gerald Dunning, CIA, CISA, CFE

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,
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.
Internal Audit then developed the following assigned ratings for each risk:

<table>
<thead>
<tr>
<th>Risk Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>High Risk</td>
</tr>
<tr>
<td>4</td>
<td>Moderate to High Risk</td>
</tr>
<tr>
<td>3</td>
<td>Moderate Risk</td>
</tr>
<tr>
<td>2</td>
<td>Low to Moderate Risk</td>
</tr>
<tr>
<td>1</td>
<td>Low Risk</td>
</tr>
</tbody>
</table>

Following are examples of the risk assessment results for four different auditable entity types:

<table>
<thead>
<tr>
<th>Auditable Entity</th>
<th>Audit History (5 years)</th>
<th>Audit Requirement</th>
<th>Time Since &amp; Results of Last Audit</th>
<th>Financial &amp; Compliance Risk</th>
<th>Security &amp; Safety Risk</th>
<th>Operational &amp; Strategic Risk</th>
<th>Image &amp; Reputation Risk</th>
<th>Complexity of Operations</th>
<th>Weighted Average Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchasing Cards</td>
<td>2009</td>
<td>No</td>
<td>1 1 1 2 4 1</td>
<td>20%</td>
<td>20%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>1.6</td>
</tr>
<tr>
<td>Maintenance Inventory Management</td>
<td>2011</td>
<td>No</td>
<td>1 3 2 4 3 2</td>
<td>20%</td>
<td>20%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>2.5</td>
</tr>
<tr>
<td>MV Transit</td>
<td>2011</td>
<td>No</td>
<td>1 5 4 5 5 4</td>
<td>20%</td>
<td>20%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>3.9</td>
</tr>
<tr>
<td>Buy America Compliance</td>
<td>Yes</td>
<td>As Required</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>N/A</td>
</tr>
</tbody>
</table>

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.
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
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.
## Orange County Transportation Authority
### Internal Audit Department
#### FY 2012-13 Internal Audit Plan

<table>
<thead>
<tr>
<th>Audit Activity</th>
<th>Project Number</th>
<th>Description</th>
<th>Primary Audit Type</th>
<th>Planned Staff Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mandatory External Independent Audits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Financial Audit</td>
<td>FY13-001</td>
<td>Coordination and oversight of annual financial and compliance audits for fiscal year 2012-13.</td>
<td>Financial</td>
<td>450</td>
</tr>
<tr>
<td>Annual Transportation Development Act Audits</td>
<td>FY13-002</td>
<td>Coordination of required annual audits of the recipients of Transportation Development Act Funds for fiscal year 2012-13.</td>
<td>Compliance</td>
<td>40</td>
</tr>
<tr>
<td>Triennial Review - Federal</td>
<td>FY13-003</td>
<td>Coordination of FTA triennial review.</td>
<td>Compliance</td>
<td>80</td>
</tr>
<tr>
<td>Service Authority for Abandoned Vehicles</td>
<td>FY13-005</td>
<td>Coordination of biennnial financial and compliance audit of the Orange County Service Authority for Abandoned Vehicles and each of its member jurisdictions.</td>
<td>Compliance</td>
<td>80</td>
</tr>
<tr>
<td><strong>Internal Audit Projects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk Assessment and Annual Audit Plan</td>
<td>FY13-100</td>
<td>Annual preparation of the audit plan, quarterly updates to the audit plan, periodic assessment of risk throughout the year.</td>
<td>Risk Assessment</td>
<td>180</td>
</tr>
<tr>
<td>Fraud Hotline</td>
<td>FY13-102</td>
<td>Investigations of reports of fraud, waste or abuse. Also, develop and issue Request for Proposals for these services which expire in August 2012.</td>
<td>Fraud Hotline</td>
<td>200</td>
</tr>
<tr>
<td>Audit Leverage Software System</td>
<td>FY13-103</td>
<td>Deploy updates/upgrades to Audit Leverage software.</td>
<td>Audit Software Updates</td>
<td>24</td>
</tr>
<tr>
<td>Peer Review Participation</td>
<td>FY13-104</td>
<td>Participation as review committee members for reciprocal credit.</td>
<td>Peer Review</td>
<td>88</td>
</tr>
<tr>
<td><strong>Internal Audits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Human Resources and Organizational Development</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment &amp; Compensation</td>
<td>FY12-502</td>
<td>Review of controls and efficiency of candidate recruitment, selection, and hiring. Also, review controls and process over compensation adjustments.</td>
<td>Operational</td>
<td>240</td>
</tr>
<tr>
<td>Flexible Benefits Program Administration</td>
<td>FY13-5XX</td>
<td>Review policies, procedures and controls in place over this employee program.</td>
<td>Internal Control</td>
<td>180</td>
</tr>
</tbody>
</table>

Appendix A
# Orange County Transportation Authority
## Internal Audit Department
### FY 2012-13 Internal Audit Plan

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

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

<table>
<thead>
<tr>
<th>Audit Activity</th>
<th>Project Number</th>
<th>Description</th>
<th>Planned Staff Hours</th>
<th>Primary Audit Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors and Committee Meetings</td>
<td></td>
<td>380</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Steering and Agenda Setting Meetings</td>
<td></td>
<td>160</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal Audit Department Staff Meetings</td>
<td></td>
<td>240</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Administration</td>
<td></td>
<td>1,500</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Hours (B)**: 8,702

**Department Target Efficiency (A/B)**: 74%

**Target Efficiency - Professional Staff**: 80%

Appendix A
APPENDIX B: Risk Assessment by Program/Project/Contract/Function
Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2012-13

<table>
<thead>
<tr>
<th>Division</th>
<th>Department/Functional Area</th>
<th>Project/Program/Function</th>
<th>5 Year Audit History</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive</td>
<td>Clerk of the Board</td>
<td>Public Records Requests</td>
<td>Moderate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Form 700 Disclosures</td>
<td>Low to Moderate 2011</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Public Meeting Notice/Brown Act</td>
<td>Low to Moderate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>iPad Reimbursement Program</td>
<td>Low to Moderate 2009</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Board of Directors Compensation and Ethics Compliance</td>
<td>Low to Moderate</td>
</tr>
<tr>
<td></td>
<td>Legal Services</td>
<td>Woodruff, Spradlin &amp; Smart (C-9-4852 $26.5 mil)</td>
<td>Moderate 2007</td>
</tr>
<tr>
<td></td>
<td>Internal Audit Department</td>
<td>Quality Assurance (Peer) Review</td>
<td>Low to Moderate 2010</td>
</tr>
</tbody>
</table>

Capital Projects

Highway Projects

Interstate 5 (I-5)

<table>
<thead>
<tr>
<th>Project</th>
<th>Details</th>
<th>Risk Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>I-5 Between State Route 57 (SR-57) and State Route 55 (SR-55) - Measure M2 (M2) Project A</td>
<td>Moderate to High</td>
<td></td>
</tr>
<tr>
<td>I-5 Between SR-55 and El Toro Road - M2 Project B</td>
<td>Moderate to High</td>
<td></td>
</tr>
<tr>
<td>I-5 South of El Toro Road - M2 Project C</td>
<td>Moderate to High</td>
<td></td>
</tr>
<tr>
<td>Pacific Coast Highway (PCH) to San Juan Creek Road</td>
<td>Moderate to High</td>
<td></td>
</tr>
<tr>
<td>Avenida Pico to Avenida Vista Hermosa</td>
<td>Moderate to High</td>
<td></td>
</tr>
<tr>
<td>Avenida Vista Hermosa to PCH</td>
<td>Moderate to High</td>
<td></td>
</tr>
<tr>
<td>State Route 73 to El Toro Road</td>
<td>Moderate to High</td>
<td></td>
</tr>
</tbody>
</table>

SR-57 Improvements - M2 Project G

<table>
<thead>
<tr>
<th>Details</th>
<th>Risk Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orangewood Avenue to Katella Avenue</td>
<td>Moderate to High</td>
</tr>
<tr>
<td>Katella Avenue to Lincoln Avenue</td>
<td>Moderate 2012</td>
</tr>
<tr>
<td>Orangethorpe Boulevard to Yorba Linda Boulevard</td>
<td>Moderate 2012</td>
</tr>
<tr>
<td>Yorba Linda Boulevard to Lambert Road</td>
<td>Moderate 2012</td>
</tr>
<tr>
<td>Lambert Road to Tonner Canyon</td>
<td>Moderate to High</td>
</tr>
</tbody>
</table>

SR-55 Improvements - M2 Project F

<table>
<thead>
<tr>
<th>Details</th>
<th>Risk Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interstate 405 (I-405) to I-5</td>
<td>Moderate</td>
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</table>

State Route 91 Improvements (SR-91)

<table>
<thead>
<tr>
<th>Details</th>
<th>Risk Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>SR-91: I-5 to SR-57 - M2 Project H</td>
<td>Moderate to High</td>
</tr>
<tr>
<td>SR-91: SR-57 to SR-55 - M2 Project I</td>
<td>Moderate</td>
</tr>
<tr>
<td>SR-91: Tustin Interchange to SR-55 - M2 Project I</td>
<td>Moderate</td>
</tr>
<tr>
<td>SR-91: SR-55 to Orange/Riverside County Line - M2 Project J</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

I-405

<table>
<thead>
<tr>
<th>Details</th>
<th>Risk Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>I-405: State Route 22 High Occupancy Vehicle (HOV) Connector - Measure M1</td>
<td>Moderate to High</td>
</tr>
<tr>
<td>I-405: Interstate 605 (I-605) HOV Connector Project - Measure M1</td>
<td>Moderate to High</td>
</tr>
<tr>
<td>I-405: Improvements from I-605 and SR-55 - M2 Project K</td>
<td>Moderate</td>
</tr>
<tr>
<td>I-405: Improvements from SR-55 to I-5 - M2 Project L</td>
<td>Low to Moderate</td>
</tr>
</tbody>
</table>

Appendix B
# Orange County Transportation Authority
## Internal Audit Department
### Risk Assessment by Program/Project/Contract/Function
#### Fiscal Year 2012-13

<table>
<thead>
<tr>
<th>Risk Assessment</th>
<th>5 Year Audit History</th>
</tr>
</thead>
</table>

## Grade Separation Projects
- **Project Management - Hatch Mott MacDonald**
  - Risk Assessment: Moderate
  - Audit History: 2012
- **Orangethorpe Grade Separation Projects**
  - Risk Assessment: Moderate to High
  - Audit History: 2012
- **Sand Canyon Grade Separation Project**
  - Risk Assessment: Moderate to High
  - Audit History: 2012

## Highway Project Management
- **Project Controls**
  - Risk Assessment: Moderate to High
  - Audit History: 2012
- **Contract Change Controls**
  - Risk Assessment: Moderate to High
  - Audit History: 2012
- **Contract Retention**
  - Risk Assessment: Moderate to High
  - Audit History: 2012
- **Revenue and Revenue Sharing Contracts**
  - Risk Assessment: Moderate to High
  - Audit History: 2010
- **Right of Way (ROW) and Real Estate Administration**
  - Risk Assessment: Moderate to High
  - Audit History: 2011

## Anaheim Regional Transportation Intermodal Center (ARTIC)
- **M2 Projects T & R and Measure M1**
  - Risk Assessment: Moderate to High
  - Audit History: 2011
- **Ground Lease - Katella Yard**
  - Risk Assessment: Low to Moderate

## Rail Programs and Facilities Engineering
### Local Initiatives
- **Project S: Go Local Fixed Guideway Projects**
  - City of Anaheim - Go Local Fixed Guideway
    - Risk Assessment: Moderate to High
  - City of Santa Ana - Go Local Fixed Guideway
    - Risk Assessment: Moderate to High

## Passenger Rail Operations and Metrolink Expansion
- **ROW Maintenance- Joshua Grading and Excavation**
  - Risk Assessment: Moderate
  - Audit History: 2012
- **Metrolink Service Expansion Program - M2 Project R**
  - Risk Assessment: Moderate to High
  - Audit History: 2012
- **Joint Powers Authority Allocation by Southern California Regional Rail Authority (SCRRA)**
  - Risk Assessment: Moderate to High
  - Audit History: Monitor
- **Purchase of Rail Cars**
  - Risk Assessment: Moderate
  - Audit History: 2012
- **Positive Train Control: SCRRA**
  - Risk Assessment: Moderate
  - Audit History: 2012
- **Fiber Optics: SCRRA**
  - Risk Assessment: Moderate to High
  - Audit History: 2012

## Metrolink Grade Crossing Improvements
- **Los Angeles to San Diego (LOSSAN) Grade Crossing Projects**
  - Risk Assessment: Moderate
  - Audit History: 2010

## Metrolink Audit Activities
- **Moderate to High**
  - Audit History: 2010

## Facilities Engineering
- **Facility Project Management**
  - Risk Assessment: Moderate to High
- **Fullerton Parking Expansion**
  - Risk Assessment: Moderate to High
- **City of Orange Parking Expansion**
  - Risk Assessment: Moderate to High
- **Tustin Parking Expansion**
  - Risk Assessment: Moderate to High

## Planning
### Measure M2 Program Management Office
- **Moderate**

### Strategic Planning
- **Regional Modeling and Traffic Operations**
  - Risk Assessment: Moderate
- **Geographic Information Systems**
  - Risk Assessment: Moderate
- **State/Federal Programs**
  - Risk Assessment: Moderate

---

Appendix B
<table>
<thead>
<tr>
<th>Measure M2 Local Projects</th>
<th>RISK ASSESSMENT</th>
<th>5 Year Audit History</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project X: Water Quality Program</td>
<td>Moderate</td>
<td>Annual</td>
</tr>
<tr>
<td>Project O: Regional Capacity Program</td>
<td>Moderate</td>
<td></td>
</tr>
<tr>
<td>Project P: Traffic Signal Synchronization</td>
<td>Moderate</td>
<td></td>
</tr>
<tr>
<td>Project Q: Local Fair Share</td>
<td>Required</td>
<td></td>
</tr>
<tr>
<td>Project S: Go Local- Rubber Tire Program</td>
<td>Moderate</td>
<td></td>
</tr>
<tr>
<td>Project V - Community Based Transit Circulators</td>
<td>Low to Moderate</td>
<td></td>
</tr>
<tr>
<td>Project W - Safe Transit Stops</td>
<td>Low to Moderate</td>
<td></td>
</tr>
</tbody>
</table>

**Transportation Planning**

**Corridor and Project Studies**
- Project Study Reports: Moderate

**Transit System Study**
- 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**
- MV Transit Operations: Moderate to High 2011

**Lost and Found Operations**
- 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 2010
- Revenue Vehicle Maintenance: Moderate to High 2010
- Company Equipment Assigned Vehicles: Moderate 2008
- Farebox Revenue Collection and Armored Car Service: Moderate 2011
- Fuel Dispensing: Moderate 2011

Appendix B
Rolling Stock and Inventory Contracts
- South Counties Oil - Diesel Fuel
- IPC, USA - Unleaded fuel
- Bridgestone/Firestone Tire Lease
- Applied Liquified Natural Gas (LNG) Technologies - LNG Fuel
- Trillium USA - Compressed Natural Gas (CNG) Fuel
- Cummins Cal Pacific - Engines
- Clean Energy - Natural Gas

Motorist Services
- Freeway Service Patrol (M2 Project N)
- Call Box Program
- 511 Motorist Aid
- OCTAP Taxicab Administration Program
- Service Authority for Abandoned Vehicles
- Anaheim Transportation Network
- Irvine Shuttle

Bus Operations
- Operator Bidding Process
- Operations Training
- Operations Field Supervision
- Central Communications

Service Planning and Customer Advocacy
- Stops and Zones
- Schedule Checkers (Southland Car Counters)

Transit Security and Emergency Preparedness
- Transit Police Services
- Emergency Preparedness
- Physical Security - All Facilities
- Security Grants

Transit Program Management
- Operations Analysis-National Transit Database Reporting
- Transit Capital Projects
  - Radio - Intelligent Transit Management System Project
  - On Board Video Surveillance System - March Networks
- Fixed Route Planning System
- ACCESS Scheduling System (Trapeze)

Finance and Administration
- Project U - Fare Stabilization

<table>
<thead>
<tr>
<th>Risk Assessment</th>
<th>5 Year Audit History</th>
</tr>
</thead>
<tbody>
<tr>
<td>How to Moderate</td>
<td>2008</td>
</tr>
<tr>
<td>Moderate</td>
<td>2010</td>
</tr>
<tr>
<td>Moderate to High</td>
<td>2007</td>
</tr>
<tr>
<td>Moderate</td>
<td>Biennial</td>
</tr>
<tr>
<td>Moderate</td>
<td>Biennial</td>
</tr>
<tr>
<td>Moderate</td>
<td>Biennial</td>
</tr>
<tr>
<td>High</td>
<td>Annual</td>
</tr>
<tr>
<td>Required</td>
<td>Annual</td>
</tr>
<tr>
<td>High</td>
<td>Annual</td>
</tr>
<tr>
<td>High</td>
<td>Annual</td>
</tr>
<tr>
<td>Moderate</td>
<td>Annual</td>
</tr>
<tr>
<td>Moderate</td>
<td>Annual</td>
</tr>
</tbody>
</table>

Appendix B
<table>
<thead>
<tr>
<th>Financial Planning and Analysis</th>
</tr>
</thead>
</table>
| Budget Development and Monitoring | Moderate  
| Comprehensive Business Plan | Moderate  
| Revenue/Grant Administration and Accounting | Moderate to High 2009  

<table>
<thead>
<tr>
<th>Treasury and Public Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
</tr>
</tbody>
</table>
| Investment Management Contracts | Required Bi-annual  
| 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  

<table>
<thead>
<tr>
<th>91 Express Lanes</th>
</tr>
</thead>
</table>
| Operations and Management - Cofiroute USA | High 2010  
| Toll Road Collections | Moderate 2010  
| Transponders - Federal Signal Corporation | Moderate  
| Building Leases - Corona and Anaheim locations | Low 2012  
| Cofiroute - Revenue and Account Management System | Moderate to High  

<table>
<thead>
<tr>
<th>Accounting and Financial Reporting</th>
</tr>
</thead>
</table>
| General Accounting | Moderate  
| Financial Reporting | Required Annual  
| Cost Allocation Plan | Low to Moderate 2011  
| Measure M Accounting and Reporting | Required Annual 2009  
| Sales Tax Revenue Accounting | Moderate  
| Accounts Payable | Moderate to High 2009  
| Purchasing Cards | Low to Moderate 2012  
| Corporate Credit Cards | Low to Moderate 2009  
| Capital Assets | Moderate 2008  
| Pass Sales Program (Compusoft) | Moderate to High  
| Payroll Operations | Moderate  
| Payroll Overtime | Moderate  
| Payroll Garnishments | Low to Moderate  

<table>
<thead>
<tr>
<th>Contract Administration and Materials Management</th>
</tr>
</thead>
</table>
| Contract Amendments and Terminations | Moderate to High  
| Independent Cost Estimates | Moderate 2011  
| Proposal Evaluations | Moderate  
| 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  

Appendix B
# Risk Assessment by Program/Project/Contract/Function

**Fiscal Year 2012-13**

## General Services
- Printing and Reprographics: Moderate to High 2007
- 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: Moderate to High
- Information Systems Security: Moderate to High 2011
- Payment Card Industry Compliance: Moderate to High 2011
- Information Systems Development: Moderate
- Information Systems Change Management: Moderate to High
- Procurement and Inventory Systems: Moderate to High 2008
- Payroll System: Moderate
- 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 2007
- 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 2009
- Family Medical Leave Act: Moderate
- Flexible Benefits: Moderate
- Health Savings Account: Moderate
- Orange County Employees Retirement System: Moderate to High 2008

---

*Appendix B*
## Appendix B

### Employee and Labor Relations
- **Health Insurance Portability and Accountability Act**
  - Risk Assessment: Moderate
  - 5 Year Audit History: 2008
- **Teamsters Pension Fund Trust**
  - Risk Assessment: Low to Moderate
  - 5 Year Audit History: 2008
- **Employee Assistance Program**
  - Risk Assessment: Low to Moderate
  - 5 Year Audit History: 2008
- **Drug and Alcohol Program**
  - Risk Assessment: Moderate to High
  - 5 Year Audit History: 2009

### Training & Development
- **Contract Negotiations**
  - Risk Assessment: Moderate to High
- **Unemployment Claims**
  - Risk Assessment: Low to Moderate
  - 5 Year Audit History: Moderate
- **Grievances**
  - Risk Assessment: Moderate
- **Employee Relations Management and Training**
  - Risk Assessment: Moderate
- **Equal Employment Opportunity**
  - Risk Assessment: Moderate
- **Title VI Compliance**
  - Risk Assessment: Moderate
- **Medical Exams**
  - Risk Assessment: Moderate
  - 5 Year Audit History: 2008

### Safety and Environmental Compliance
- **Safety Programs**
  - Risk Assessment: Moderate to High
  - 5 Year Audit History: 2010
- **Loss Control and Accident Analysis**
  - Risk Assessment: Moderate
  - 5 Year Audit History: 2012
- **Department of Motor Vehicles Pull Notice Program**
  - Risk Assessment: Moderate
- **Wellness Program**
  - Risk Assessment: Moderate
- **Environmental Compliance Program**
  - Risk Assessment: Moderate to High
  - 5 Year Audit History: 2007

### Management Services
- **Strategic Plan - Development and Monitoring**
  - Risk Assessment: Moderate to High
- **Performance Metrics - Monitoring**
  - Risk Assessment: Moderate

### External Affairs

#### Communication, Customer Relations, Marketing
- **Bus Advertising**
  - Risk Assessment: Low
  - 5 Year Audit History: 2008
- **OCTA Bus Marketing**
  - Risk Assessment: Low to Moderate
- **Media Relations/Community Relations**
  - Risk Assessment: Moderate
- **Rideshare Program**
  - Risk Assessment: Moderate
- **Vanpool Program**
  - Risk Assessment: Moderate to High
  - 5 Year Audit History: 2009
- **Customer Service**
  - Risk Assessment: Moderate
  - 5 Year Audit History: 2010
- **Web Development**
  - Risk Assessment: Moderate
- **Project/Construction Outreach Contract Management**
  - Risk Assessment: Low to Moderate

### Government Relations

#### Orange County Council of Governments (OCCOG)
- **Low to Moderate**

#### Federal Relations
- **Contracts**
  - Risk Assessment: Low to Moderate
  - 5 Year Audit History: Moderate
- **Grant Applications & Oversight**
  - Risk Assessment: Moderate

#### State Relations
  - Risk Assessment: Moderate

#### Local Outreach
  - Risk Assessment: Low to Moderate