



**July 22, 2015**

**To:** Finance and Administration Committee

**From:** Darrell Johnson, Chief Executive Officer  
Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Draft Fiscal Year 2015-16 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 the Orange County Transportation Authority's assets and resources.

**Recommendations**

- A. Approve the Draft Fiscal Year 2015-16 Internal Audit Plan.
- B. Direct the Executive Director of Internal Audit to provide quarterly updates on the Fiscal Year 2015-16 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 (Board) in the discharge of their duties and responsibilities.

**Discussion**

Internal Audit is presenting the Draft Fiscal Year 2015-16 Internal Audit Plan (Audit Plan) for the Board's approval. The Audit Plan was developed from

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.

**Fiscal Impact**

The Audit Plan has been developed within the resources available in the adopted budget for fiscal year 2015-16.

**Summary**

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

**Attachment**

- A. Draft Fiscal Year 2015-16 Internal Audit Plan

**Prepared by:**



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**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Internal Audit Department**



**Draft Fiscal Year 2015-16**  
**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, 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 (FY) 2015-16, Internal Audit set a department-wide target productivity ratio of 75 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 than that of the professional staff.

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. Agreed-upon procedures price reviews, performed by Internal Audit, are an example of attestation engagements whereby Internal Audit applies procedures to 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 review of internal controls, assessment of compliance with laws, regulations, policies and procedures, and assessments of program effectiveness, economy, and efficiency. 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 reviews 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 refer to the agreed-upon procedures reviews performed for architectural and engineering price proposals or sole source bids to determine if proposed pricing is fair and reasonable. Agreed-upon procedure reviews are also performed on single bid procurements to determine whether the Contracts Administration and Materials Management Department (CAMM) complied with policies and procedures to ensure a fair and competitive process. The procedures performed are the responsibility of CAMM.

**Buy America Review** – Buy America reviews refer to the pre-award and post-delivery agreed-upon procedures reviews of vehicle purchases in accordance with federal Buy America laws. The procedures are performed based on an agreement with CAMM.

**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 an independent certified public accounting firm to ensure compliance with the Measure M ordinance or other legally mandated requirements.

**Internal Control** – Internal control reviews are performed to assess whether controls in place are adequate to protect the assets and resources of OCTA and to ensure compliance with laws, regulations, and policies.

**Operational** - An operational audit is performed to evaluate current operating procedures to determine if they provide for an adequate control environment and to assess whether processes are efficient and effective ways to accomplish the goals of the project, program, or activity. Operational audits generally include elements of both an internal control review and a compliance review.

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

**Monitoring** – These activities include providing information and coordination assistance to the Audit Subcommittee (Subcommittee) of the Taxpayer's Oversight Committee (TOC) in their duty to exercise oversight in the expenditure of Measure M1 (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 OCTA-operated base locations. Finally, at the request of Finance and Administration Division, Internal Audit observes and applies limited procedures related to the bi-annual capital asset inventory counts.

**Follow-Up Activities** – These activities are undertaken to determine whether audit recommendations are implemented or otherwise satisfactorily addressed.

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

## **Fiscal Year 2014-15 Accomplishments**

- Completed 25 agreed-upon procedures reviews of architectural and engineering, sole source, or single bid contracts and provided CAMM with price adjustment recommendations of over \$1.9 million.
- Completed an additional 17 audit projects and three Buy America agreed-upon procedures reviews.
- Exceeded both the department-wide productivity goal of 74 percent and the professional audit staff productivity goal of 80 percent.
- Coordinated the Federal Transit Administration's Drug and Alcohol Compliance Audit, conducted in December 2014. Also, coordinated reviews by the State Controller's Office on behalf of the California Department of Transportation (Caltrans), of Proposition 1B funds awarded for the Highway Railroad Crossing Safety Account Program, the Countywide Traffic Signal Synchronization Program, and the Laguna Niguel/Mission Viejo Metrolink Station Project. Finally, Internal Audit has provided coordination and support for the ongoing Caltrans Incurred Cost Audit of two highway and five grade separation projects.
- Conducted follow-up on implementation of audit recommendations within six months of report issuance or earlier, as directed by the Finance and Administration (F&A) Committee.
- Performed Internal Audit's annual internal quality assurance and self-assessment review, identifying and addressing areas for improvement to processes, policies, and procedures. Completed revisions to clarify and improve policies and procedures to better reflect Government Auditing Standards (Standards) requirements.
- Provided administration of OCTA's Fraud Hotline and reviewed 28 complaints received during the fiscal year. All complaints were reviewed and referred to management and/or investigated as appropriate. As part of the administration of the hotline, Internal Audit maintains documentation of each complaint and its disposition.
- Provided assistance to the Subcommittee of the TOC including, but not limited to, design of the 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, and for testing M1 and M2 status reports. Also, provided information related to the cities receiving M2 funds to assist the Subcommittee

in selection of cities for audit. Provided all M1 and M2 audit report results to the Subcommittee in January 2015.

- Updated the OCTA Internal Audit Risk Assessment (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.

## **Fiscal Year 2015-16 Goals**

- Achieve a department-wide productivity ratio of at least 75 percent and professional staff productivity ratio of at least 80 percent.
- Initiate investigations of all OCTA Fraud Hotline reports within two business days of receipt.
- Conduct agreed-upon procedures reviews, at the request of CAMM, of all architectural and engineering price proposals exceeding \$150,000, 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 agreed-upon procedures reviews of single bid procurements as requested.
- Conduct agreed-upon procedures reviews of vehicle purchases in accordance with Buy America laws, at the request of CAMM.
- Review audit committee charters of the F&A Committee and the 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 annually.
- Assist the Subcommittee of the TOC with the design and update of agreed-upon procedures for M1 and M2-related audits, and provide progress updates and final results of all M1 and M2-related audits.
- Procure an independent audit firm and coordinate the FY 2012-15 State Triennial Audit and provide results to Caltrans as required.
- Prepare a scope of work and make recommendations to the F&A Committee on the selection of an independent certified public accounting firm to perform financial and agreed-upon procedures reviews of OCTA starting in FY2016.
- Participate on Quality Assurance (Peer) Review teams to accrue reciprocal credit through the Association of Local Government Auditors and obtain the Internal Audit's Triennial Peer Review in early 2016. Results of Internal Audit's review will be presented to the F&A Committee and any recommendations implemented within three months.

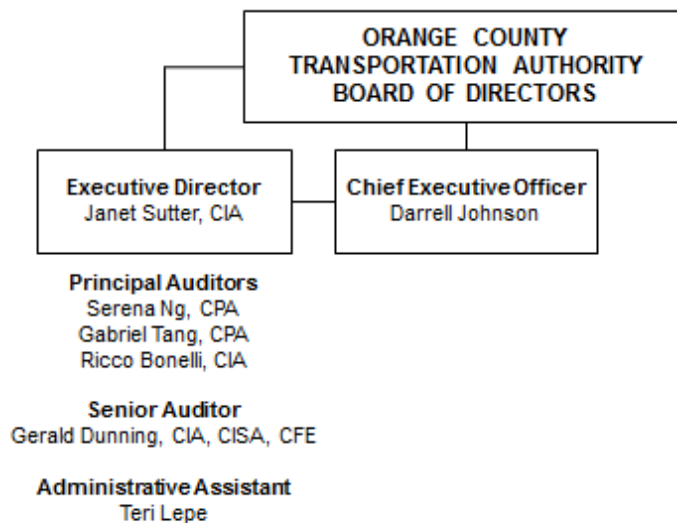


- Conduct follow-up on implementation of audit recommendations within six months of report issuance or earlier, as directed by the F&A Committee, and report the results as part of the quarterly updates to the Internal Audit plan.

## Internal Audit Organization

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 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 OCTA management 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 an annual risk assessment process to establish the priorities of 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 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:

<b>Risk Rating</b>	<b>Description</b>
4.0 – 5.0	High Risk
3.0 – 3.9	Moderate to High Risk
2.1 – 2.9	Moderate Risk
1.6 – 2.0	Low to Moderate Risk
1.0 – 1.5	Low Risk

Following are examples of the Risk Assessment results for four different auditable entity types:

Auditable Entity	Audit History	Audit Requirement	Risk Categories						Weighted Average Risk
			Time Since & Results of Last Audit	Financial & Compliance Risk	Security & Safety Risk	Operational & Strategic Risk	Image & Reputation Risk	Complexity of Operations	
			20%	20%	15%	15%	15%	15%	
Orangethorpe Grade Separation Projects	2013	No	1	4	2	4	2	3	2.7
Investments - Logan Circle Partners	2013	No	1	5	1	4	4	3	3
ACCESS Eligibility	2015	No	1	4	3	4	5	2	3.1
Buy America Compliance		Yes	As Needed						N/A

Following the risk assessment of each of approximately 275 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 Subcommittee, are not risk rated, and are reflected as “Required”.

### Internal Audit Plan Development

The Internal Audit Plan for FY 2015-16 (Audit Plan), Appendix A, calls for approximately 8,600 Internal Audit hours, exclusive of vacation, sick, holiday, and continuing professional education hours. Of the 8,600 hours, approximately 2,100 relate to administrative activities, including Board and Committee meeting attendance, 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 610 hours for mandatory audit activities; this includes hours anticipated to develop a scope of work, evaluate and recommend public accounting firms for selection by the F&A Committee for performance of OCTA’s annual financial and compliance audit work and the coordination of this work. Approximately 960 hours are anticipated for internal audit projects and non-audit activities, such as the annual risk assessment and audit planning process, quality assurance and self-assessment activities, participation in peer review activities, and administration and investigation of complaints received through OCTA’s Fraud Hotline. This year, hours have also been budgeted for the selection, training, and implementation of a new audit software solution to replace the system currently used which is no longer supported and is not compatible with Microsoft Office 2013. 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. Other high-risk auditable entities are not selected because of Internal Audit's knowledge of related review activities such as the service organization controls review of Cofiroute, USA (Cofiroute) and the M2 Ten Year Review. Also, the California Department of Transportation Incurred Cost Audit that is underway covers several capital projects. Knowledge of these control review activities reduces the likelihood that audits of Cofiroute operations, the M2 Program Management Office, or certain capital projects will be selected. 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 includes reviews of OCTA's administration of employee health benefits, a review of controls in place to ensure compliance with Storm Water Pollution Prevention Plans, and a review of the project controls function within the capital projects division. In the area of finance and administration, reviews of budget development and monitoring and the bidder protest process have been included, as well as the required, semi-annual reviews of investments. An operational review of customer relations, within the external affairs division, is planned, along with a review of the contract for public outreach on the West County Connectors project. Each of the planned projects, along with the two projects carried over from the prior Audit Plan, is reflected at Appendix A, along with a brief description of the estimated staff hours required for the review.

## **Conclusion**

The Audit Plan seeks to align limited audit resources with risk throughout the organization while considering prior audit effort and other factors, as identified in Appendix B Risk Assessment. 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 2015-16 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
<b>Mandatory External Independent Audits</b>				
Annual Financial Audit	FY16-001 through FY16-003	Develop scope of work and procure independent audit services for Fiscal Year (FY) 2016-17, FY 2017-18, and FY 2018-19, and coordinate annual financial and compliance audits for FY 2015-16.	Financial	425
Annual Transportation Development Act (TDA) Audits	FY16-004	Coordination of required annual audits of the recipients of TDA Funds for FY 2015-16.	Compliance	12
State Triennial Audit	FY16-005	Procure external audit firm and coordinate the State Triennial Performance audit for FY ended 2013, 2014, and 2015.	Compliance	120
California Department of Transportation (Caltrans) Incurred Cost Audit	FY16-006	Coordinate Incurred Cost Audit initiated by Caltrans for funding of various highway and grade separation projects.	Compliance	56
<b>Internal Audit Department Projects</b>				
Risk Assessment and Annual Audit Plan	FY16-100	Annual preparation of the audit plan, quarterly updates to the audit plan, periodic assessment of risk throughout the year, including the monitoring of audit results of related entities.	Audit Plan and Updates	180
Quality Assurance and Self-Assessment	FY16-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with Government Auditing Standards.	Quality Assurance	180
Fraud Hotline	FY16-102	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	250
Automated Workpaper Solution	FY16-103	Purchase, training, and implementation of a new automated workpaper solution.	Automated Workpaper Solution	230
Peer Review Participation	FY16-104	Participation on peer reviews of other internal audit departments in exchange for reciprocal credit towards peer review of the Orange County Transportation Authority's (OCTA) Internal Audit.	Peer Review	120
<b>Internal Audits</b>				
<b>Human Resources and Organizational Development</b>				
Benefits: Health Insurance Plans and Health Savings Accounts	FY16-5XX	Review controls in place to ensure proper enrollment, accounting, and compliance with laws, regulations, policies, and procedures.	Operational	300
Storm Water Pollution Prevention Plan	FY16-5XX	Review oversight controls, policies, and procedures to ensure compliance with Environmental Protection Agency regulations.	Compliance	220

**Orange County Transportation Authority  
Internal Audit Department  
FY 2015-16 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
<b>Capital Programs</b>				
Bristol Street Widening Project	FY15-515	Assess oversight controls and contract compliance with related cooperative agreements for the Bristol Street Widening Project.	Compliance	300
Project Controls	FY16-5XX	Assess and test operating controls of the project controls function within the Capital Projects Division.	Compliance	200
<b>Planning</b>				
Competitive Transportation Funding Program Projects	FY16-5XX	Review selected projects for compliance with Measure M Ordinance, policies, and procedures.	Compliance	80
<b>Transit Operations</b>				
Equipment Assignment, Tracking, and Reporting	FY16-5XX	Assess and test controls in place over the assignment, tracking, and reporting of vehicles.	Internal Control	180
<b>Finance and Accounting</b>				
Treasury	FY16-501	Semi-annual review of investments compliance, controls, and reporting.	Compliance	200
Grant Closeouts	FY16-502	As-needed financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40
Budget Development and Monitoring	FY16-XXX	Review and test controls in place over the preparation, monitoring, and reporting related to the annual OCTA budget.	Operational	300
Accounts Payable	FY15-513	Review adequacy of controls over the accounts payable operation.	Operational	300
<b>Information Systems</b>				
Technology and User Support	FY16-5XX	Review procedures in place for handling and tracking of requests for in-house technology support.	Operational	200
<b>Contract Administration and Materials Management</b>				
Price Reviews	PR16-XXX	Cost and price analyses as requested by OCTA's Contract Administration and Materials Management Department.	Price Review	1,000
Buy America	FY16-XXX	Pre-award and post-delivery reviews to ensure vendors and OCTA are in compliance with federal Buy America requirements.	Compliance	250

**Orange County Transportation Authority  
Internal Audit Department  
FY 2015-16 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Bidder Protest Process	FY16-XXX	Review and test compliance with policies and procedures for bidder protests.	Operational	150
<b>External Affairs</b>				
Customer Relations	FY16-5XX	Review in-house Customer Relations operation.	Operational	240
Public Outreach - West County Connectors Project	FY16-5XX	Review of oversight controls and contract compliance related to agreement for public outreach.	Compliance	200
<b>Unscheduled Reviews and Special Requests</b>				
Unscheduled Reviews and Special Requests	FY15-800	Time allowed for unplanned audits, coordination of external agency audits, and requests from the Board of Directors and management.	Varies	240
<b>Monitoring Activities</b>				
Measure M Taxpayers Oversight Committee	FY16-601	Coordination of audit activities on behalf of the Audit Subcommittee of the Measure M Taxpayers Oversight Committee.	Administrative Support	120
Capital Asset Inventory Observation	FY16-602	At the request of Finance and Administration Division, observe and apply limited procedures related to the bi-annual capital asset inventory counts.	Non-Audit Service	60
Bus Base Inspections	FY16-603	At the request of Transit Division, participation on annual base inspection teams.	Non-Audit Service	32
<b>Follow-up Reviews</b>				
Follow-up Reviews and Reporting	FY13-700	Follow-up on audit findings and recommendations.	Follow-up	300
<b>Total Audit Project Planned Hours (A)</b>				<b>6,485</b>

**Orange County Transportation Authority  
Internal Audit Department  
FY 2015-16 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
<b>Internal Audit Administration</b>				
Board of Directors and Committee Meetings				280
Executive Steering and Agenda Setting Meetings				180
Internal Audit Staff Meetings				150
Other Administration				1,500
			<b>Total Hours (B)</b>	<b>8,595</b>
			<b>Department Target Efficiency (A/B)</b>	<b>75%</b>
			<b>Target Efficiency - Professional Staff</b>	<b>80%</b>



Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2015-16

Division Department/Functional Area Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
<b>Executive</b>		
Clerk of the Board		
Public Records Requests	Low	2014
Form 700 Disclosures	Moderate	2011
Public Meeting Notice/Brown Act	Low to Moderate	
Board of Directors Compensation and Ethics Compliance	Moderate	
Legal Services		
Woodruff, Spradlin, & Smart	Moderate	2015
Internal Audit Department		
Quality Assurance (Peer) Review	Low to Moderate	2013
Ethics Program	Moderate	
<b>Capital Programs</b>		
<b>Highway Projects</b>		
<b>Interstate 5 (I-5)</b>		
I-5 (between State Route (SR)-57 and SR-55) - Measure M2 (M2) Project A	Moderate to High	
I-5 (between Interstate 405 (I-405) and SR-55) - 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	
Avenida Pico to Avenida Vista Hermosa	Moderate	
Avenida Vista Hermosa to PCH	Moderate to High	
SR-73 to El Toro Road	Moderate to High	
I-5 Interchange Projects - M2 Project D		
Ortega Highway Interchange	Moderate	
El Toro Road Interchange	Moderate to High	
I-5 Continuous High Occupancy Vehicle (HOV) Project	Moderate	
<b>SR-57 Improvements - M2 Project G</b>		
Orangewood Avenue to Katella Avenue	Moderate	2012
Katella Avenue to Lincoln Avenue	Moderate	2012
Orangethorpe Avenue to Yorba Linda Boulevard	Moderate	2012
Yorba Linda Boulevard to Lambert Road	Moderate	2012
Lambert Road to Tonner Canyon Road	Low	
<b>SR-55 Improvements - M2 Project F</b>		
I-405 to I-5	Moderate to High	
<b>State Route 91 Improvements (SR-91)</b>		
Improvements from I-5 to SR-57 - M2 Project H	Moderate	2015
Improvements from SR-57 to SR-55 - M2 Project I	Moderate	
Tustin Avenue Interchange to SR-55 - M2 Project I	Moderate to High	
SR-55 to Orange/Riverside County Line - M2 Project J	Moderate	

Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2015-16

Division Department/Functional Area Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
<b>Interstate 405 (I-405)</b>		
SR-22 HOV Connector - Measure M1	Moderate	
Interstate 605 (I-605) HOV Connector Project - Measure M1	Moderate	2014
Improvements from I-605 and SR-55 - M2 Project K	Moderate to High	
Improvements from SR-55 to I-5 - M2 Project L	Low to Moderate	
<b>Grade Separation Projects</b>		
Project Management - Hatch Mott MacDonald	Moderate	2013
Labor Compliance	Moderate	
M2: Project O - Grade Separation Projects		
Orangethorpe Avenue Grade Separation Projects	Moderate	2013
Raymond Avenue Grade Separation Project	Moderate to High	
State College Boulevard Grade Separation Project	Moderate to High	
Placentia Avenue Grade Separation Project	Moderate to High	2013
Kraemer Boulevard Grade Separation Project	Moderate	2013
Tustin Avenue/Rose Drive Grade Separation Project	Moderate to High	2013
Lakeview Avenue Grade Separation Project	Moderate to High	2013
M2: Project R - Grade Separation Projects		
Grand Avenue Grade Separation Project	Moderate	
17th Street Grade Separation Project	Moderate	
Main Street Grade Separation Project	Moderate	
Ball Road Grade Separation Project	Moderate	
Orangethorpe Avenue Grade Separation (Anaheim) Projects	Moderate	
Sand Canyon Avenue Grade Separation Project	Moderate	
State College Boulevard Grade Separation (Anaheim) Project	Moderate	
<b>Bristol Street Widening Project</b>	<b>High</b>	
<b>Highway Project Management</b>		
Project Controls	Moderate to High	
Contract Change Controls	Moderate	
Contract Retention	Low to Moderate	2012
Real Estate Administration	Moderate to High	2011
Right-of-Way Operations	Moderate to High	2011
<b>Anaheim Regional Transportation Intermodal Center (ARTIC)</b>	Moderate to High	
<b>Rail Programs and Facilities Engineering</b>		
<b>Local Initiatives</b>		
<b>Project S: Go Local Fixed Guideway Projects</b>		
City of Anaheim - Go Local Fixed Guideway - Anaheim Rapid Connection	Moderate	
City of Santa Ana - Go Local Fixed Guideway	Moderate to High	

Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2015-16

Division	RISK ASSESSMENT	7 Year Audit History	
Department/Functional Area			
Project/Program/Function			
<b>Passenger Rail Operations and Metrolink Expansion</b>			
Right-of-Way Maintenance	Moderate to High	Monitor	
Joint Powers Authority Allocation	High		
Purchase of Rail Cars	Moderate	2014	
Positive Train Control	Moderate		
Fiber Optics	Moderate		
Fullerton Parking Expansion Project	Moderate		
City of Orange Parking Expansion Project	Moderate		
Tustin Parking Expansion Project	Moderate		
Placentia Metrolink Station Project	Moderate		
San Juan Capistrano Passing Siding	Moderate		
Anaheim Canyon Station Improvements	Moderate		
San Clemente Safety Improvements	Moderate		
Program Management Support - Rail Programs	Moderate to High		
<b>Facilities Engineering</b>	Low to Moderate		2015
<b>LOSSAN Managing Agency Activities</b>	Moderate		
<b>Rail Programs Project Management</b>	Low to Moderate		
<b>Planning</b>			
<b>Measure M2 Program Management Office</b>	Moderate		
<b>Strategic Planning</b>			
Management Services			
Strategic Plan - Development and Monitoring	Low to Moderate	2015	
Performance Metrics - Monitoring	Low to Moderate		
Regional Modeling and Traffic Operations	Moderate		
Geographic Information Systems	Low to Moderate		
State/Federal Programming	Moderate		
Southern California Association of Governments: Agreement and Workplan	Low to Moderate		
City of Irvine: Proposition 116 Letter Agreement	Low to Moderate		
Local Programs			
Measure M Eligibility	Moderate to High	2014	
CTFP Programs	Moderate		
<b>Measure M2 Local Projects</b>			
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		
City of Placentia - Loan	Low to Moderate		
Project S: Go Local- Rubber Tire Program	Moderate		
<b>Project V - Community Based Transit Circulators</b>	Moderate		
<b>Project W - Safe Transit Stops</b>	Low to Moderate		



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Division Department/Functional Area Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
<b>Transportation Planning</b>		
<b>Corridor and Project Studies</b>		
Project Study Reports	Low to Moderate	
<b>M2 Environmental Mitigation Program</b>		
Property Acquisition and Program Administration	Moderate	2013
Restoration Funding	Moderate	
<b>Transit and Non-Motorized Planning</b>		
Bikeway Master Plans	Low	
<b>Transit Operations</b>		
<b>Community Transportation Services</b>		
ACCESS Eligibility	Moderate to High	2015
Reduced Fare Program - ACCESS Riders	Moderate	
Regional Center Day Programs	Moderate	
ADHC Program Agreements	Low to Moderate	2013
Job Access and Reverse Commute and New Freedom Grant Admin.	Moderate	
Senior Mobility Program (M2 - Project U & TDA funded)	Required	Annual Biennial
Senior Non-Emergency Medical Transportation (M2 - Project U)	Required	
<b>Contracted Services</b>		
ACCESS Service		
MV Transit ACCESS Operations	High	
Same Day Taxi Service - Yellow Cab of North Orange County	Moderate to High	
First Transit - Contracted Fixed Route Operations	Moderate to High	
<b>Maintenance</b>		
TCU and Maintenance Employee Incentives	Moderate	
<b>Rolling Stock and Inventory Contracts</b>		
South Counties Oil - Unleaded	Moderate	2008
IPC USA Diesel Fuel	Moderate	
Bridgestone/Firestone Tire Lease	Low to Moderate	2010
Applied LNG Technologies	Low to Moderate	
Trillium USA - Operate and Maintain CNG Fueling Stations	Moderate	2015
Cummins Cal Pacific - Repower Agreement	Moderate	
Clean Energy	Moderate	
Engine Purchase and Install (Cummins Cal Pacific)	Moderate	
Revenue Vehicle Maintenance	Moderate to High	
Company Equipment Assigned Vehicles	Low to Moderate	2010
Fuel Dispensing	Moderate	

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<b>Transit Technical Services</b>	Moderate to High	
Revenue Vehicle Purchases	Moderate to High	
Non-Revenue Vehicle Purchases	Moderate	
Maintenance Resource Management	Moderate to High	
KRONOS Timekeeping System	Low to Moderate	
Equipment Assignments and Tracking	Low to Moderate	
Uniform Rental and Cleaning	Low to Moderate	
<b>Motorist Services</b>		
Freeway Service Patrol (M2 Project N)	Moderate	
Call Box Program	Low to Moderate	
511 Motorist Aid	Moderate	
Orange County Taxicab Administration Program	Moderate	2013
Anaheim Transportation Network	Low to Moderate	
Irvine Shuttle	Low to Moderate	
<b>Bus Operations</b>		
Operator Bidding Process	Moderate to High	
Operator Overtime: Scheduled and Unscheduled	Moderate to High	
Operations Training	Moderate	
Operations Field Supervision	Moderate	
Central Communications	Moderate to High	
Timekeeping System	Moderate	
Uniform Allowance	Low to Moderate	
<b>Service Planning and Customer Advocacy</b>		
Stops and Zones	Low to Moderate	2013
Schedule Checkers	Low to Moderate	2013
Bus Route Planning	Moderate to High	
<b>Transit Security and Emergency Preparedness</b>		
Transit Police Services	Moderate	
Emergency Preparedness / Disaster Recovery	High	2014
Physical Security - All Facilities	Moderate	
Security Grants	Moderate	
<b>Operations Analysis</b>		
National Transit Database Reporting	Required	Annual
Evaluation of Fixed Route Contracted Service Costs	Moderate to High	
Evaluation of ACCESS Service Costs	Moderate to High	

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<b>Transit Program Management</b>		
Transit Capital Projects		
Radio - Intelligent Transit Management System Project	High	
On Board Video Surveillance System	Moderate	
Mobile Ticketing Project	Moderate	
Fluid Management System - Fleetwatch	Moderate to High	
Fixed Route Planning System	Moderate to High	
ACCESS Scheduling System	Moderate to High	
<b>Finance and Administration</b>		
<b>Project U - Fare Stabilization</b>	Moderate	
<b>Financial Planning and Analysis</b>		
Budget Development and Monitoring	Moderate to High	
Comprehensive Business Plan	Moderate	
Revenue and Revenue Sharing Contracts	Moderate to High	2009
Grant Administration	Moderate to High	2009
<b>Treasury and Public Finance</b>		
<b>Investments</b>	Required	Bi-annual
<b>Investment Management Contracts</b>		
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)	Moderate to High	2013
Cutwater Asset Management (Bond Proceeds Investments)	Moderate to High	2013
<b>91 Express Lanes</b>		
Operations and Management - Cofiroute USA (Cofiroute)	Moderate to 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
Riverside County Transportation Commission Agreement	Moderate	



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<b>Accounting and Financial Reporting</b>		
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	Low to Moderate	2013
Payroll Operations	Moderate	
Administrative Employee Overtime	Moderate	
Payroll Garnishments	Low to Moderate	
Farebox Revenue and Collection	Moderate	2015
Petty Cash Funds Administration	Low	
<b>Contract Administration and Materials Management</b>		
Contract Amendments and Terminations	Moderate to High	
Independent Cost Estimates	Moderate	
Proposal Evaluations	Low to Moderate	2011
Protests	Low to Moderate	
Small Purchases	Low to Moderate	
Buy America Compliance	Required	
Purchase Order and Blanket Purchase Orders	Moderate	2014
Maintenance Inventory Management	Moderate	2012
Warranty Administration	Moderate	2011
Disadvantaged Business Enterprise Program	Moderate	
<b>General Services</b>		
Printing and Reprographics	Low to Moderate	
Records Management	Moderate to High	
PM Realty - Lease Management	Moderate	
Access Cards, Keys, and Identification Cards	Moderate	
Employee Programs	Low	
Facilities Video System	Moderate	
Asset Management and Inventory	Moderate	
Internal Communications and OCTA Policies	Low to Moderate	
Commuter Club Program	Low to Moderate	2014
Metrolink Reimbursement Program	Low to Moderate	
OCTA Store	Low to Moderate	2014
Lost and Found Operations	Low	

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<b>Information Systems</b>			
	Business Resumption and Continuity of Operations	High	2014
	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	
	Financial Transaction System	Moderate to High	
	Information Systems Hardware	Low to Moderate	2013
	Telecommunications Equipment	Low to Moderate	2012
	Technology and User Support	Moderate	
	Data Warehousing and Business Intelligence	Moderate	
	Customized Solutions	Low to Moderate	
	M2 Sharepoint	Moderate	
	Contracted Services-Support	Moderate	
	Tablet Reimbursement Program	Low	
	Sole Source Licensing Agreements - Administration	Moderate to High	
<b>Human Resources and Organizational Development</b>			
<b>Risk Management</b>			
	Insurance Program Administration	Moderate	
	Liability Claims Management and Subrogation	Moderate to High	
	Worker's Compensation and Subrogation	Moderate	2012
<b>Employment &amp; Compensation</b>			
	Terminations	Low to Moderate	
	Extra Help and Contract Staffing	Low to Moderate	
	Recruitment and Employment	Moderate to High	2014
	Compensation	Moderate to High	2012
<b>Benefits</b>			
	Healthcare Plans	Moderate to High	
	Health Savings Account	Moderate	
	Family Medical Leave Act	Moderate to High	2014
	Flexible Benefits	Low to Moderate	2013
	Orange County Employees Retirement System	Moderate to High	
	Teamsters Pension Fund Trust	Low to Moderate	
	Employee Assistance Program	Low	
	Drug and Alcohol Program	Moderate to High	2009



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<b>Employee and Labor Relations</b>		
Contract Negotiations	Moderate to High	2012
Unemployment Claims	Low to Moderate	
Grievances	Low to Moderate	
Equal Employment Opportunity	Moderate	
Title VI Compliance	Moderate	
Medical Exams	Moderate	
<b>Training &amp; Development</b>		
Training (Learning Management System)	Low	2014
Educational Reimbursements	Low	2014
<b>Safety and Environmental Compliance</b>		
Construction Safety	Moderate to High	2010
Employee Safety	Moderate to High	2012
Motor Vehicle and Traffic Safety	Low to Moderate	
DMV Pull Notice Program	Moderate	
Safety Specifications	Moderate to High	
NTD Accident Reporting	Moderate	
Wellness Program	Moderate	
Environmental Compliance Program		
Storm Water Pollution Prevention Program	Moderate to High	2012
Spill Prevention Countermeasure and Control Plan	Moderate to High	
Hazardous Waste Removal	Moderate to High	
AQMD Permitting and Compliance	Moderate to High	
Environmental Specifications - Contracts	Moderate to High	
Underground Storage Tank Removal Program	Moderate to High	
<b>External Affairs</b>		
<b>Communication, Customer Relations, Marketing</b>		
Customer Engagement	Moderate	2013
Bus Advertising	Low	
OCTA Bus Marketing	Moderate	
Media Relations/Community Relations	Low to Moderate	2014
Rideshare Program	Low to Moderate	
Vanpool Program	Moderate	
Customer Information Center	Moderate	
Web Development	Low to Moderate	
Project Outreach Contract Management		
I-405 Project (I-5 to SR-55)	Moderate	2010
I-5 Project (All segments)	Moderate	
OC Bridges	Moderate	
SR-57	Moderate	
SR-91	Moderate	
West County Connectors	Moderate	
Bike Share Program	Low to Moderate	

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Division	Department/Functional Area Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
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**Government Relations**

**State and Federal Relations**

Lobbying Contracts

Grants Application and Oversight

Subrecipient Monitoring

**Regional Initiatives**

Orange County Council of Governments

Low to Moderate
Moderate
Moderate to High
Low to Moderate
Low to Moderate