



July 26, 2017

To: Finance and Administration Committee

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

Subject: Draft Fiscal Year 2017-18 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 2017-18 Internal Audit Plan.
- B. Direct the Executive Director of Internal Audit to provide quarterly updates on the Fiscal Year 2017-18 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 2017-18 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 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 2017-18.

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 2017-18 Internal Audit Plan

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ORANGE COUNTY TRANSPORTATION AUTHORITY Internal Audit Department



Draft Fiscal Year 2017-18 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) 2017-18, 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 proposals 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 M2 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 to the Audit Subcommittee (Subcommittee) of the Taxpayer’s Oversight Committee (TOC) to assist in their duty to exercise oversight of the expenditure of Measure M2 (M2) funds, participation in annual Transit Division bus base inspections, and observation of bi-annual capital asset inventory counts. Internal Audit also monitors results of audits issued related to Metrolink activities.

Follow-Up Activities – These activities are undertaken to determine whether audit recommendations have been 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 2016-17 Accomplishments

- Completed 21 agreed-upon procedures reviews of architectural and engineering, sole source, or single bid proposals and provided CAMM with price adjustment recommendations of nearly \$1.2 million.
- Completed an additional 12 audit projects and two Buy America agreed-upon procedures reviews, resulting in 14 recommendations for improvement to policies, procedures and/or internal controls.
- Exceeded both the department-wide productivity goal of 75 percent and the professional audit staff productivity goal of 80 percent.
- 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 22 complaints received during the fiscal year. Referred complaints to legal counsel and /or management, or conducted investigations of allegations, as appropriate. Memorandums with three recommendations for improvement resulted from investigations performed.
- Provided assistance to the Subcommittee of the TOC including, but not limited to, design of agreed-upon procedures for testing compliance with M2 Local Fair Share, Project U Senior Mobility Program, and Senior Non-Emergency Medical Transportation Program expenditures, and for testing the M2 status report. Also, reported results of annual audits and agreed-upon procedures reviews as they relate to Measure M2.
- Prepared scopes of work and procured two benches of audit firms for use on an on-call basis to provide supplementary general audit and price review services.
- Completed implementation of Auto-Audit, an automated working paper and timekeeping system.

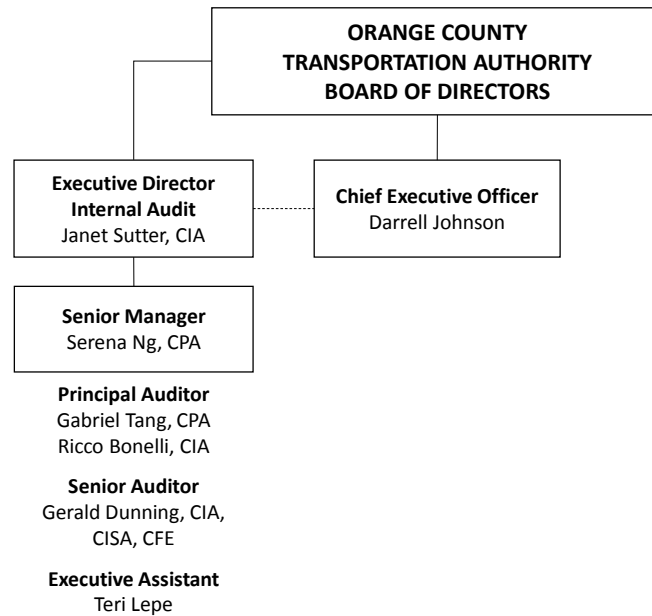
Fiscal Year 2017-18 Goals

- 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 proposals exceeding \$50,000, and agreed-upon procedures reviews of single bid procurements as requested.
- Conduct agreed-upon procedures reviews, at the request of CAMM, of vehicle purchases in accordance with Buy America laws.
- 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 annually.
- Assist the Subcommittee of the TOC with the design and update of agreed-upon procedures for M2-related audits, and provide progress updates and final results of all M2-related audits.
- 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.
- Provide quarterly updates to the F&A committee and the Board on the status of projects and activities included in the annual audit plan. Provide these updates no later than 30 days after quarter-end.
- 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.
- Perform Internal Audit's annual internal Quality Assurance and Self-Assessment review by March 31, 2018, and make any noted improvements to Internal Audit's processes, policies, and procedures.

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:



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 Programs 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:

Risk Rating	Description
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	Time Since & Results of Last Audit						Complexity of Operations	Weighted Average Risk
			Financial & Compliance Risk	Security & Safety Risk	Operational & Strategic Risk	Image & Reputation Risk	20%	20%		
Project Controls	2016	No	1	5	1	4	3	4	3	
Purchasing Cards		No	3	1	1	2	4	1	2	
ACCESS Eligibility	2015	No	1	4	3	4	5	3	3.3	
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 A. 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 2017-18 (Audit Plan), Appendix B, 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 435 hours for mandatory audit activities, including hours anticipated to coordinate, review, and report on the results of regulatory agency audits and required financial audits and agreed-upon procedures reviews performed by OCTA’s independent public accounting firm, Vavrinek, Trine, Day and Company LLP. Approximately 880 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, administration and investigation of complaints received through OCTA’s Fraud Hotline, upgrades and improvements to Internal Audit’s automated working paper system, and, in the coming year, engagement of a firm to conduct an information systems risk assessment of OCTA’s environment.

The Audit Plan also includes 1,000 hours for price review services and 250 hours for Buy America review services. Internal Audit anticipates Buy America services will be required for the upcoming procurement of rail cars related to the OC Streetcar project and potential

procurements of buses, pending award of grant funds. While 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, a recently completed Federal Emergency Management Agency audit of Transit Security Grant Fund projects. Knowledge of these control review activities reduces the likelihood that audits of Cofiroute operations, the M2 Program Management Office, or certain grant funded 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 an audit of oversight controls and contract compliance related to the Interstate 5 Improvement Project from Pacific Coast Highway to San Juan Creek and an audit of the cooperative agreement with Metrolink for design and construction of a control point at 4th Street in the City of Santa Ana. Audits of selected Competitive Transportation Funding Program Projects will also be conducted. With regard to internal operations, audits of purchasing cards, warranty administration, and procedures for ensuring compliance with the Brown Act are included in the Audit Plan. Also, audits of contracted ACCESS services and collection activities for the 91 Express Lanes are planned. Each of the planned projects, along with projects carried over from the prior year Audit Plan, is reflected at Appendix A, along with a brief description and the estimated staff hours required for the audit.

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. 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
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2017-18**

Division	Department/Functional Area	Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
Executive				
	Clerk of the Board			
	Public Records Requests		Low to Moderate	2014
	Form 700 Disclosures		Moderate	
	Public Meeting Notice/Granicus System		Moderate	
	Board of Directors Compensation and Ethics Compliance		Moderate	
	Services of Legal Process		Low to Moderate	
	Legal Services			
	Woodruff, Spradlin, & Smart		Moderate to High	2015
	Internal Audit Department			
	Quality Assurance (Peer) Review		Low to Moderate	2016
	Security and Emergency Preparedness			
	Continuity of Operations/Emergency Response		Moderate to High	2014
	Physical Security - All Facilities		Moderate	
	Security Grants		Low to Moderate	
	Transit Police Services		Moderate	
	Facilities - Closed Caption Television System		Moderate	
	Ethics Program		Moderate	
	Public Information Office		Moderate	
Capital Programs				
Highway Projects				
Interstate 5 (I-5)				
	I-5 (between State Route (SR)-57 and SR-55) - Measure M2 (M2) Project A		Moderate	
	I-5 (between Interstate 405 (I-405) and SR-55) - M2 Project B		Moderate	
	I-5 (South of El Toro Road) - M2 Project C			
	Pacific Coast Highway (PCH) to San Juan Creek Road		Moderate to High	
	Avenida Pico to Avenida Vista Hermosa		Moderate	
	Avenida Vista Hermosa to PCH		Moderate	
	State Route (SR-73) to El Toro Road			
	SR-73 to Oso Parkway		Moderate to High	
	Oso Parkway to Alicia Parkway		Moderate to High	
	Alicia Parkway to El Toro Road		Moderate to High	
	I-5 Interchange Projects - M2 Project D			
	Ortega Highway Interchange		Moderate	
	El Toro Road Interchange		Moderate	
	I-5 Continuous High Occupancy Vehicle Project		Moderate	
	SR-57 Improvements - M2 Project G			
	Orangewood Avenue to Katella Avenue		Moderate	2012
	Orangethorpe Avenue to Lambert Road		Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2017-18**

Division	Department/Functional Area	RISK ASSESSMENT	7 Year Audit History
Project/Program/Function			
	Lambert Road to Tonner Canyon Road	Low to Moderate	
	SR-55 Improvements - M2 Project F		
	I-405 to I-5	Moderate to High	
	State Route 91 Improvements (SR-91)		
	Improvements from I-5 to SR-57 - M2 Project H	Moderate	
	Improvements from SR-57 to SR-55 - M2 Project I	Moderate	
	Tustin Avenue Interchange to SR-55 - M2 Project J	Moderate	
	SR-55 to Orange/Riverside County Line - M2 Project J	Moderate	
	91 Express Lanes to SR-241 Toll Connector	Moderate	
	Interstate 405 (I-405)		
	Improvements from I-605 and SR-55 - M2 Project K		
	Design-Build Contract Management	High	
	Right-of-Way Activities and Reporting	High	
	Program Management Activities	High	
	Improvements from SR-55 to I-5 - M2 Project L	Low to Moderate	
	Grade Separation Projects		
	Project Management	Moderate	2013
	Labor Compliance	Moderate	
	M2: Project O - Grade Separation Projects		
	Orangethorpe Avenue Grade Separation Projects	Moderate	2013
	Raymond Avenue Grade Separation Project	Moderate	
	State College Boulevard Grade Separation Project	Moderate	
	Tustin Avenue/Rose Drive Grade Separation Project	Moderate	
	Lakeview Avenue Grade Separation Project	Moderate	
	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	
	Highway Project Management		
	Project Controls	Moderate to High	2016
	Real Estate Administration	Moderate	
	Right-of-Way Operations	Moderate to High	
	Rail Programs and Facilities Engineering		
	Local Initiatives		

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Division	Department/Functional Area	RISK ASSESSMENT	7 Year Audit History
	Project/Program/Function		
	Project S: Go Local Fixed Guideway Projects		
	OC Streetcar Project	High	
	Passenger Rail Operations and Metrolink Expansion		
	Right-of-Way Maintenance	Moderate	
	Joint Powers Authority Allocation	Moderate to High	
	Fullerton Transportation Center - Elevator Upgrades	Low to Moderate	
	City of Orange Parking Expansion	Moderate to High	
	Placentia Metrolink Station Project	Moderate	
	Laguna Niguel/Mission Viejo ADA Ramps	Low to Moderate	
	Anaheim Canyon Station Improvements	Moderate	
	Program Management Support for Rail Programs	Moderate to High	
	San Juan Capistrano Passing Siding	Moderate	
	San Juan Creek Bridge Replacement	Moderate	
	Control Point 4th St - Santa Ana	Moderate	
	Facilities Engineering	Low to Moderate	2015
	Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency (LOSSAN)		
	Managing Agency Activities		
	Interagency Agreement	Moderate to High	
	Operating Contract - Amtrak	Moderate to High	
	Marketing Activities and Contracts	Moderate	
	Operations and Safety Oversight	Moderate	
	Performance Monitoring/Activity Reporting	Low to Moderate	
	Budget Development and Monitoring	Moderate	
	Planning		
	M2 Program Management Office	Moderate	
	Strategic Planning		
	Regional Modeling and Traffic Operations	Moderate	
	Transportation Planning		
	M2 Environmental Mitigation Program		
	Property Acquisition and Program Administration	Moderate	2013
	Interim Land Management Contracts	Moderate	
	Habitat Restoration Funding Contracts	Moderate	
	Transit and Non-Motorized Planning		
	Bus Facilities Asset Management / Capital Plan	Moderate	
	Fleet Plan	Low to Moderate	
	Bikeway Master Plans	Low	
	Transit Master Plan	Moderate	
	Strategic Initiatives		

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Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2017-18**

Division	RISK ASSESSMENT	7 Year Audit History
Department/Functional Area		
Project/Program/Function		
Strategic Plan - Development and Monitoring	Low to Moderate	
Performance Metrics	Low to Moderate	
Southern California Association of Governments Agreement / Workplan	Low to Moderate	
Geographic Information System Services	Low to Moderate	
Capital Programming		
State/Federal Programs		
State/Federal Improvement Program Funding Administration	Moderate	
Annual 5307 Program of Projects	Moderate	
Proposition 1B Project Monitoring	Moderate	
Transportation Development Act	Required	
Calls for Projects	Low to Moderate	
Local Programs		
Measure M Eligibility	Moderate to High	
Comprehensive Transportaion Funding Program (CTFP)	Moderate	2016
Oversight and Reporting: CTFP	Moderate	
M2 Local Fair Share	Required	
Project V - Community Based Transit Circulators	Moderate	
Project W - Safe Transit Stops	Low to Moderate	
Transit		
Service Planning and Scheduling		
National Transit Database (NTD) Reporting	Required	
Manpower Planning / Extra Board	Moderate to High	
Stops & Zones	Low to Moderate	2013
Schedule Checkers	Low to Moderate	
Service Change Implementation	Moderate	2013
Bus Operations		
Operator Bidding Process	Moderate to High	
Overtime: Scheduled and Unscheduled	Moderate to High	
Operations Training	Moderate	
Field Supervision	Moderate	
Central Communications	Moderate to High	
Timekeeping System	Moderate	
Uniform Allowance	Low	
Community Transportation Services		
ACCESS Eligibility	Moderate to High	2015
Reduced Fare Program - ACCESS Riders	Moderate	

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Fiscal Year 2017-18**

Division	RISK ASSESSMENT	7 Year Audit History
Department/Functional Area		
Project/Program/Function		
Regional Center Day Programs	Moderate to High	2013
Adult Day Health Care Program Agreements	Low to Moderate	
Job Access and Reverse Commute and New Freedom Grant Administration	Moderate	
Senior Mobility Program (M2 - Project U & Transportation Development Act-funded)	Required	
Senior Non-Emergency Medical Transportation (M2 - Project U)	Required	
Contracted Services		
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	High	
EZ Wallet Program	Moderate	
Maintenance		
Maintenance Employee Incentives	Moderate	2016
Rolling Stock and Inventory Contracts		
Bridgestone/Firestone Tire Lease	Moderate	
Trillium USA - Operate & Maintain Compressed Natural Gas Stations	Moderate	
Cummins Cal Pacific	Moderate	
Engine Purchase and Install	Moderate	
Revenue Vehicle Maintenance	Moderate to High	
Specialty Shop Maintenance	Moderate	
Company Assigned Vehicles	Low to Moderate	
Fuel Management	Moderate	
Transit Technical Services	Moderate to High	
Revenue Vehicle Purchase / Acceptance	Moderate to High	
Non-Revenue Vehicle Purchase	Low to Moderate	
Decommission and Auction of Retired Vehicles	Low to Moderate	
Maintenance Resource Management	Moderate to High	
Timekeeping	Low to Moderate	
Equipment Assignments and Tracking	Low	
Uniform Rental and Cleaning	Low to Moderate	
Facilities Maintenance	Moderate	
Maintenance Training	Low to Moderate	
Motorist Services		
Freeway Service Patrol (M2 Project N)	Moderate	2013
Call Box Program	Low to Moderate	
511 Motorist Aid	Moderate	
Orange County Taxicab Administration Program	Moderate	
Anaheim Transportation Network	Low to Moderate	
Irvine Shuttle	Low to Moderate	

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Division	Department/Functional Area	Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
Finance and Administration				
		Project U - Fare Stabilization	Moderate	
		Financial Planning and Analysis		
		Budget Development and Monitoring	Moderate to High	2017
		Comprehensive Business Plan	Moderate	
		Revenue and Revenue Sharing Contracts	Moderate to High	
		Grant Administration	Moderate to High	
		Transit Performance Metrics	Moderate	
		Treasury and Public Finance		
		Investments		
		Investment Management Service Contracts	Moderate to High	2017 Semi-Annual
		Investments- Compliance, Controls, and Reporting	Required	
		Endowment Funds	Moderate	
		91 Express Lanes		
		Operations and Management - Cofiroute USA	Moderate to High	2012
		Toll Road Collections	Moderate to High	
		Transponders	Moderate	
		Building Leases	Low	
		Cofiroute - Revenue and Account Management System	Moderate	
		Riverside County Transportation Commission Agreement	Moderate	
		Accounting and Financial Reporting		
		General Accounting	Moderate	Annual
		Financial Reporting	Required	
		Cost Allocation Plan	Low to Moderate	
		Measure M2 Accounting and Reporting	Required	Annual
		Sales Tax Revenue Accounting	Moderate	2016
		Accounts Payable	Moderate	
		Purchasing Cards	Moderate	
		Corporate Credit Cards	Low to Moderate	2012
		Capital Assets	Moderate	2013
		Pass Sales Program	Low to Moderate	
		Payroll Operations	Moderate to High	
		Administrative Employee Overtime	Moderate	2014
		Payroll Garnishments	Low to Moderate	2015
		Farebox Revenue and Collection	Moderate	
		Petty Cash Funds Administration	Low	
		Contract Administration and Materials Management		
		Contract Amendments	Moderate to High	
		Independent Cost Estimates	Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2017-18**

Division	Department/Functional Area	RISK ASSESSMENT	7 Year Audit History
	Project/Program/Function		
	Proposal Evaluations	Low to Moderate	
	Protests	Low to Moderate	2015
	Small Purchases	Low to Moderate	
	Buy America Compliance	As Required	
	Purchase Order and Blanket Purchase Orders	Moderate	2014
	Maintenance Inventory Management	Moderate	2012
	Warranty Administration	Moderate	
	Disadvantaged Business Enterprise Program	Moderate	
	Inventory Contracts		
	Unleaded Fuel - Merrimac Petroleum	Moderate	
	Diesel Fuel	Low to Moderate	
	Liquified Natural Gas Contract - Clean Energy	Moderate	2015
	Renewable Natural Gas (Credits Contract)	Low to Moderate	
	General Services		
	Printing and Reprographics	Low to Moderate	
	Records Management	Moderate	
	Lease Management	Low to Moderate	
	Employee Programs	Low	
	Asset Management and Inventory	Moderate	
	Internal Communications and OCTA Policies	Low	2017
	Commuter Club Program	Low to Moderate	2014
	Metrolink Reimbursement Program	Low to Moderate	
	OCTA Store	Low to Moderate	2014
	Lost and Found Operations	Low	
	Information Systems		
	Business Resumption	Moderate to High	2014
	Information Systems Security		
	Intrusion Protection and Detection	High	
	Payment Card Industry-Data Security Standards Compliance	Moderate to High	2016
	Data Center/Physical	Moderate to High	
	Change Management	Moderate	
	Procurement and Inventory Systems	Moderate to High	
	Payroll System	Moderate to High	
	Financial Transaction System	Moderate to High	
	Information Systems Hardware	Low to Moderate	2013
	Telecommunications Equipment	Low to Moderate	2012
	Technology and User Support	Moderate	2015
	Data Warehousing and Business Intelligence	Moderate	
	M2 Sharepoint	Moderate	
	Contracted Services-Support	Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2017-18**

Division	RISK ASSESSMENT	7 Year Audit History
Department/Functional Area		
Project/Program/Function		
Tablet Reimbursement Program	Low	
Transit Technologies	Moderate to High	
Human Resources and Organizational Development		
Risk Management		
Insurance Program Administration	Moderate	
Liability Claims Management and Subrogation	Moderate to High	
Worker's Compensation and Subrogation	Moderate	2012
Employment & Compensation		
Terminations	Low to Moderate	
Extra Help and Contract Staffing	Low to Moderate	
Recruitment and Employment	Moderate to High	
Compensation	Moderate to High	2012
Benefits		
Healthcare Plans	Moderate to High	
Health Savings Account	Moderate	
Protected Leave	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	
Deferred Compensation Plans	Moderate	
Wellness Program	Low	
Employee and Labor Relations		
Labor Contracts	Moderate	
Unemployment Claims	Low	
Grievances	Low to Moderate	2012
Equal Employment Opportunity	Moderate	
Title VI Compliance	Moderate	
Medical Exams	Moderate	
Training & Development		
Training (Learning Management System)	Low to Moderate	2014
Educational Reimbursements	Low	2014
Safety and Environmental Compliance		
Drug and Alcohol Program	Moderate	
Construction Safety	Moderate to High	
Employee Safety	Moderate to High	
Motor Vehicle and Traffic Safety		
Pull Notice Program	Moderate	2012

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2017-18**

Division	RISK ASSESSMENT	7 Year Audit History
Department/Functional Area		
Project/Program/Function		
Safety Specifications	Moderate	
NTD Accident Reporting	Low to Moderate	
Environmental Compliance Program		
Storm Water Pollution Prevention Program	Moderate to High	
Spill Prevention Countermeasure and Control Plan	Moderate to High	
Hazardous Waste Removal	Moderate to High	
Air Quality Management District Permitting and Compliance	Moderate to High	
Environmental Specifications - Contracts	Moderate	
Underground Storage Tank Removal Program	Moderate to High	
External Affairs		
Marketing and Public Outreach		
Marketing and Customer Engagement		
Digital and Creative Services	Low to Moderate	
OCTA Bus Marketing	Low to Moderate	
Bus Advertising Revenue Contracts	Low to Moderate	2013
Rideshare Program	Moderate	
Vanpool Program	Moderate	2014
Customer Engagement & Data Analytics		
Data Analytics / Performance Management	Moderate	
In-House Customer Relations	Low to Moderate	2017
Customer Information Center	Moderate	
Diversity Outreach and Economic Opportunity Programs	Low to Moderate	
Public Outreach		
Project Outreach Contract Management		
SR-91	Moderate	
I-5	Moderate	
Mitigation/Conservation Plan	Moderate	
SR-55	Moderate	
OC Streetcar Project	Moderate to High	
Grade Separation	Moderate	
I-405 Improvement Project	Moderate to High	
State and Federal Relations		
Lobbying Contracts	Low to Moderate	
Grants Development (Application and Oversight)	Moderate	
Subrecipient Monitoring	Moderate to High	

**Orange County Transportation Authority
Internal Audit Department
FY 2017-18 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Mandatory External Independent Audits				
Annual Financial Audits and Agreed-Upon Procedures Reviews	FY18-001 through FY18-004	Coordinate and report on annual financial and agreed-upon procedures reviews for FY 2017-18.	Financial	375
External Regulatory Audits	FY18-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60
Internal Audit Department Projects				
Risk Assessment and Annual Audit Plan	FY18-100	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	200
Information Systems Risk Assessment	FY18-104	Engage a firm to conduct an information systems risk assessment for the Orange County Transportation Authority (OCTA) environment. Review should include identification and evaluation of threats, vulnerabilities and safety characteristics of the OCTA information technology environment.	Audit Plan and Updates	120
Quality Assurance and Self-Assessment	FY18-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with Government Auditing Standards.	Quality Assurance	160
Fraud Hotline Activities	FY18-102	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	320
Automated Workpaper Solution	FY18-103	System updates/training related to automated workpaper solution.	Workpaper System	80
Internal Audits				
Clerk of the Board				
Public Meetings / Brown Act Compliance	FY18-5XX	Assess systems and controls in place to ensure compliance with the Brown Act.	Compliance	160
Security and Emergency Preparedness				
Transit Police Services Contract	FY17-512	Review oversight controls and contract compliance with agreement for provision of Transit Police services.	Operational	80

**Orange County Transportation Authority
Internal Audit Department
FY 2017-18 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Human Resources and Organizational Development				
Benefits: Health Insurance Plans and Health Savings Accounts	FY17-506	Review controls in place to ensure proper enrollment, accounting, and compliance with laws, regulations, policies, and procedures.	Operational	100
Storm Water Pollution Prevention Plan	FY17-505	Review oversight controls, policies, and procedures to ensure compliance with Environmental Protection Agency regulations.	Compliance	32
Capital Programs				
Interstate 405 (I-405) Improvement Project: Project Management Contract	FY18-5XX	Assess and test contract compliance and oversight controls of project management services provided for the I-405 Improvement Project.	Compliance	240
Interstate 5 (I-5) Improvements: Pacific Coast Highway (PCH) to San Juan Creek (SJC) Road		Assess adequacy of contract compliance, oversight, and reporting controls related to the I-5 Improvement Project between PCH and SJC Road.	Internal Control	300
Project K: Right-of-Way Acquisition Activities	FY18-502	Assess and test compliance with reporting requirements related to acquisition of property rights for the I-405 Project K.	Compliance	240
Metrolink Cooperative Agreement for Control Point: 4th Street - Santa Ana	FY18-5XX	Review and testing of compliance with the cooperative agreement with Metrolink for design and construction of a Control Point at 4th Street in the City of Santa Ana and a new power turnout to the Union Pacific Railroad spur track.	Compliance	240
Planning				
Competitive Transportation Funding Program Projects	FY18-5XX	Review selected projects for compliance with Measure M2 Ordinance, policies, and procedures.	Compliance	80
Transit Operations				
Contracted Fixed Route Operations	FY17-508	Assess adequacy of oversight controls and contract compliance with key provisions of the agreement with First Transit.	Internal Control / Compliance	80
Fleetwatch Fluid Management System	FY18-5XX	Assess adequacy of system controls and data reporting related to dispensing of fuel.	Operational	240
ACCESS Service	FY18-5XX	Review and test compliance with key contract provisions, with consideration of program effectiveness and efficiency.	Operational	320

**Orange County Transportation Authority
Internal Audit Department
FY 2017-18 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Finance and Accounting				
Treasury	FY18-501	Semi-annual review of investments, compliance, controls, and reporting.	Compliance	200
Grant Closeouts	FY17-511	As-needed financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40
91 Express Lanes - Collections	FY18-5XX	Review of compliance and operational performance of collection activities by Cofiroute and Linebarger, Gogan, Blair, & Sampson, LLP.	Compliance	240
Contract Administration and Materials Management (CAMM)				
Price Reviews	PR18-XXX	Cost and price analyses as requested by OCTA's CAMM Department.	Price Review	1,000
Buy America	FY18-XXX	Pre-award and post-delivery reviews to ensure vendors and OCTA are in compliance with federal Buy America requirements.	Compliance	280
Warranty Administration	FY18-5XX	Assess adequacy of controls in place for tracking and recording of warranty repairs and credits.	Internal Control	240
Purchasing Cards	FY18-5XX	Assess and test controls over purchasing cards.	Internal Control	240
Unscheduled Reviews and Special Requests				
Unscheduled Reviews and Special Requests	FY18-8XX	Time allowed for unplanned audits, coordination of external agency audits, and requests from the Board of Directors and management.	Varies	320
Monitoring Activities				
Measure M Taxpayer Oversight Committee (TOC)	FY18-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	80
Metrolink Audit Activities	FY18-602	Obtain and review audit results of Metrolink activities	Non-Audit Service	40
Bus Base Inspections	FY18-603	At the request of the Transit Division, participation on annual base inspection teams.	Non-Audit Service	32

**Orange County Transportation Authority
Internal Audit Department
FY 2017-18 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Capital Asset Inventory Observation	FY18-604	At the request of the Finance and Administration Division, observe and apply limited procedures related to the bi-annual capital asset inventory counts.	Non-Audit Service	80

Follow-up Reviews

Follow-up Reviews and Reporting	FY15-7XX, FY17-7XX, FY18-7XX, FY16-802	Follow-up on audit findings and recommendations.	Follow-up	320
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Total Audit Project Planned Hours (A) 6,539

Internal Audit Administration

Board of Directors and Committee Meetings				260
Executive Steering and Agenda Setting Meetings				180
Internal Audit Staff Meetings				150
Other Administration				1,500

Total Hours (B) 8,629

Department Target Efficiency (A/B) 76%

Target Efficiency - Professional Staff 80%