



**July 13, 2016**

**To:** Finance and Administration **Committee**

**From:** Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Draft Fiscal Year 2016-17 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 2016-17 Internal Audit Plan.
- B. Direct the Executive Director of Internal Audit to provide quarterly updates on the Fiscal Year 2016-17 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 2016-17 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 2016-17.

**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 2016-17 Internal Audit Plan

**Prepared by:**



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# ORANGE COUNTY TRANSPORTATION AUTHORITY Internal Audit Department



## Draft Fiscal Year 2016-17 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) 2016-17, 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 reviews 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 2015-16 Accomplishments**

- Underwent required external quality assurance (peer) review by the Association of Local Government Auditors and received an unqualified opinion. In addition, the peer review team recognized the department for its comprehensive policies and procedures and productivity of staff, and the respect and support for the audit function exhibited by both management and the Board.
- Completed 27 agreed-upon procedures reviews of architectural and engineering, sole source, or single bid proposals and provided CAMM with price adjustment recommendations of nearly \$6.5 million.
- Completed an additional 8 audit projects and one Buy America agreed-upon procedures review.
- Exceeded both the department-wide productivity goal of 75 percent and the professional audit staff productivity goal of 80 percent.
- Coordinated the Fiscal Year 2016 Federal Transit Administration's Triennial Audit and the Fiscal Year 2012-13 through 2014-15 State Triennial Performance Audits of OCTA, Orange County Transit District, and the Laguna Beach Municipal Transit Lines. Also, provided coordination and support for the Caltrans Incurred Cost Audit of two highway and three 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 19 complaints received during the fiscal year. Reviewed and referred complaints, as appropriate, or conducted investigations. Two reports, with seven 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, report results of audits and agreed-upon procedures reviews as they relate to Measure M2.
- Prepared a scope of work and made recommendations to the F&A Committee on the selection of an independent certified public accounting firm to perform financial audits and agreed-upon procedures reviews of OCTA starting in FY 2015-16.

## **Fiscal Year 2016-17 Goals**

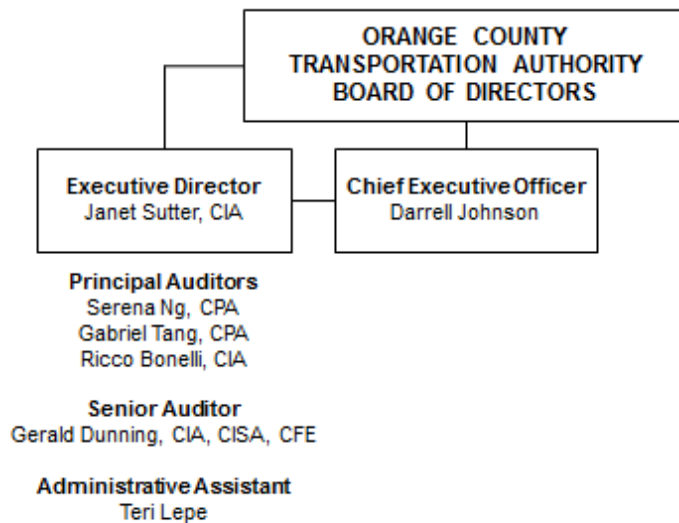
- Achieve a department-wide productivity ratio of at least 75 percent and professional staff productivity ratio of at least 80 percent.
- Initiate investigations of all OCTA Fraud Hotline reports within two business days of receipt.
- Conduct agreed-upon procedures reviews, at the request of CAMM, of 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.
- Implement a newly purchased automated working paper and timekeeping system.
- Procure a bench of independent auditing firms to provide price review and general auditing services on an as-needed basis.
- 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, 2017, 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:

### 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 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:

<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 2016-17 (Audit Plan), Appendix A, calls for approximately 8,800 Internal Audit hours, exclusive of vacation, sick, holiday, and continuing professional education hours. Of the 8,800 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 435 hours for mandatory audit activities, including hours anticipated to coordinate, review, and report on the results of required financial audit activities, as well as agreed-upon procedures reviews performed by OCTA’s public accounting firm, Vavrinek, Trine, Day and Company LLP. Approximately 1,050 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, establishment of a bench of audit firms for use on an as-needed basis, and administration and investigation of complaints received through OCTA’s Fraud Hotline. This year, hours have also been budgeted for the implementation and training of a new audit software solution to replace the system being 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 recently completed California Department of Transportation Incurred Cost Audit included detailed review of five 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 audits of contracts for transit police services and contracted fixed route services, as well as an assessment of controls over fuel dispensing. Also, in response to a management request, an audit of Article 40 of the coach operator collective bargaining agreement has been included in the Plan. The Finance and Administration Committee chairman requested inclusion of an audit of right of way activities related to the Interstate 405 project. In the area of finance and administration, a review of budget development and monitoring is underway and reviews of investment manager contracts, controls over development and implementation of policies and procedures, and the required, semi-annual reviews of investments, are scheduled. Each of the planned projects, along with several projects carried over from the prior year Audit Plan, is reflected at Appendix A, along with a brief description of 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 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 2016-17 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
<b>Mandatory External Independent Audits</b>				
Annual Financial Audits and Agreed-Upon Procedures Reviews	FY17-001 through FY17-004	Coordinate and report on annual financial and agreed-upon procedures reviews for FY 2016-17.	Financial	375
External Regulatory Audits	FY17-00X	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60
<b>Internal Audit Department Projects</b>				
Risk Assessment and Annual Audit Plan	FY17-100	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	FY17-101	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 Activities	FY17-102	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	FY17-103	Purchase, training, and implementation of a new automated workpaper solution.	Workpaper System	280
On-Call Audit Services	FY17-104	Prepare scopes of work and establish bench of independent audit firms to provide assistance with (1) performance audits and (2) application of agreed-upon procedures relating to price reviews and Buy America compliance reviews.	On-Call Audit Services	160
<b>Internal Audits</b>				
<b>Security and Emergency Preparedness</b>				
Transit Police Services Contract	FY16-5XX	Review oversight controls and contract compliance with agreement for provision of Transit Police services.	Compliance	240
<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	320
Coach Operator Health Insurance Benefits	FY16-805	Review and test compliance with collective bargaining agreement for the Coach Operators as it relates to provision of health insurance benefits.	Compliance	300
Storm Water Pollution Prevention Plan	FY16-5XX	Review oversight controls, policies, and procedures to ensure compliance with Environmental Protection Agency regulations.	Compliance	80

**Orange County Transportation Authority  
Internal Audit Department  
FY 2016-17 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
<b>Capital Programs</b>				
Project Controls	FY16-507	Assess and test operating controls of the project controls function within the Capital Projects Division.	Compliance	40
Project K: Right-of-Way Acquisition Activities	FY17-5XX	Assess and test controls to ensure compliance with Real Property Department Policies and Procedures for acquisition of property rights related to the Interstate 405 Project K.	Compliance	225
<b>Planning</b>				
Competitive Transportation Funding Program Projects	FY16-5XX	Review selected projects for compliance with Measure M Ordinance, policies, and procedures.	Compliance	60
<b>Transit Operations</b>				
Fleetwatch Fluid Management System	FY17-5XX	Assess adequacy of system controls and data reporting related to dispensing of fuel.	Operational	240
Contracted Fixed Route Operations	FY17-5XX	Assess adequacy of oversight controls and contract compliance with key provisions of the agreement with First Transit.	Compliance	325
<b>Finance and Accounting</b>				
Treasury	FY16-501	Semi-annual review of investments compliance, controls, and reporting.	Compliance	210
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	FY16-509	Review and test controls in place over the preparation, monitoring, and reporting related to the annual OCTA budget.	Operational	325
OCTA Policies and Procedures	FY17-5XX	Review controls in place to ensure proper development, update, and communication of OCTA policies and procedures.	Operational	185
Investment Manager Contracts	FY17-5XX	Review procurement of, contract compliance, and invoice controls related to investment manager contracts.	Compliance	185
<b>Information Systems</b>				
Payment Card Industry/Data Security Standard (PCI/DSS) Compliance		Review of OCTA's compliance with PCI/DSS, including review and evaluation of annual self-assessment to ensure protection of credit card data.		225

**Orange County Transportation Authority  
Internal Audit Department  
FY 2016-17 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
<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
<b>External Affairs</b>				
Customer Relations	FY16-508	Review in-house Customer Relations operation.	Operational	80
Public Outreach - West County Connectors Project	FY16-5XX	Review of oversight controls and contract compliance related to agreement for public outreach.	Compliance	180
<b>Unscheduled Reviews and Special Requests</b>				
Unscheduled Reviews and Special Requests	FY17-800	Time allowed for unplanned audits, coordination of external agency audits, and requests from the Board of Directors and management.	Varies	260
<b>Monitoring Activities</b>				
Measure M Taxpayers Oversight Committee	FY17-601	Coordination of audit activities on behalf of the Audit Subcommittee of the Measure M Taxpayers Oversight Committee.	Administrative Support	100
Metrolink Audit Activities	FY17-602	Obtain and review audit results of Metrolink activities	Non-Audit Service	60
Bus Base Inspections	FY17-603	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>6,747</b>

**Orange County Transportation Authority  
Internal Audit Department  
FY 2016-17 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				260
Executive Steering and Agenda Setting Meetings				180
Internal Audit Staff Meetings				150
Other Administration				1,500
			<b>Total Hours (B)</b>	<b>8,837</b>
			<b>Department Target Efficiency (A/B)</b>	<b>76%</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 2016-17**

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	
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	2016
Security and Emergency Preparedness		
Continuity of Operations/Emergency Response	Moderate to High	2014
Physical Security - All Facilities	Moderate	
Security Grants	Moderate	
Transit Police Services	Moderate to High	
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	
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 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	
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	High	

**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2016-17**

Division	RISK ASSESSMENT	7 Year Audit History
Department/Functional Area		
Project/Program/Function		
<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	
<b>Interstate 405 (I-405)</b>		
SR-22 HOV Connector - Measure M1	Moderate	2014
Interstate 605 (I-605) HOV Connector Project - Measure M1	Moderate	
Improvements from I-605 and SR-55 - M2 Project K Right-of-Way Activities and Reporting	High	
Improvements from SR-55 to I-5 - M2 Project L	Moderate to High	
	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	
Kraemer Boulevard Grade Separation Project	Moderate	
Tustin Avenue/Rose Drive Grade Separation Project	Moderate to High	
Lakeview Avenue Grade Separation Project	Moderate to High	
M2: Project R - Grade Separation Projects		
Grand Avenue Grade Separation Project	Moderate	2013
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>		
	Moderate to High	2016
<b>Highway Project Management</b>		
Project Controls	Moderate to High	2016
Real Estate Administration	Moderate to High	2011
Right-of-Way Operations	Moderate to High	
<b>Anaheim Regional Transportation Intermodal Center</b>		
	Moderate to High	

**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2016-17**

Division	RISK ASSESSMENT	7 Year Audit History
Department/Functional Area		
Project/Program/Function		
<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	Low to Moderate	
City of Santa Ana - Go Local Fixed Guideway	Moderate to High	
<b>Passenger Rail Operations and Metrolink Expansion</b>		
Right-of-Way Maintenance	Moderate to High	
Joint Powers Authority Allocation	High	Monitor
Purchase of Rail Cars	Moderate	
Positive Train Control	Moderate	
Fullerton Parking Expansion Project	Low to Moderate	
City of Orange Parking Expansion Project	Moderate	
Tustin Parking Expansion Project	Moderate	2014
Placentia Metrolink Station Project	Moderate	
Laguna Niguel/San Juan Capistrano Passing Siding	Low to Moderate	
Laguna Niguel/Mission Viejo Americans with Disabilities Act Ramps	Low to Moderate	
Anaheim Canyon Station Improvements	Moderate	
San Clemente Safety Improvements	Low to Moderate	
Program Management Support - Rail Programs	Moderate to High	
<b>Facilities Engineering</b>	Low to Moderate	2015
<b>LOSSAN Managing Agency Activities</b>		
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	
<b>Rail Programs Project Management</b>	Moderate	
<b>Planning</b>		
<b>Measure M2 Program Management Office</b>	Moderate	
<b>Strategic Planning</b>		
<b>Regional Modeling and Traffic Operations</b>	Moderate	
<b>Transportation Planning</b>		
Corridor and Project Studies		
Project Study Reports	Low to Moderate	
M2 Environmental Mitigation Program		
Property Acquisition and Program Administration	Moderate	2013

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Department/Functional Area		
Project/Program/Function		
Interim Land Management Contracts	Moderate	
Habitat Restoration Funding Contracts	Low to Moderate	
Transit and Non-Motorized Planning		
Bikeway Master Plans	Low	
Strategic Initiatives		
Strategic Plan - Development and Monitoring	Low to Moderate	
Performance Metrics	Low to Moderate	2015
<b>State/Federal Programming</b>	Moderate	
<b>Geographic Information Systems</b>	Low to Moderate	
<b>Southern California Association of Governments Agreement</b>	Low to Moderate	
<b>Local Programs</b>		
Measure M Eligibility	Moderate to High	
Comprehensive Transportaion Funding Program (CTFP)	Moderate	2016
Oversight and Reporting: CTFP	Moderate	
<b>Measure M2 Local Fair Share</b>	Required	
<b>Project V - Community Based Transit Circulators</b>	Moderate	
<b>Project W - Safe Transit Stops</b>	Low to Moderate	
<b>Transit Operations</b>		
<b>Transit Program Controls</b>		
Fleet Plan Development	Moderate	
Performance Metrics Reporting	Low to Moderate	2015
Evaluation Transit Performance	Moderate	
National Transit Database Reporting	Required	
Contracted Services: Invoice Review	Moderate to High	
Manpower Planning / Extra Board	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>Bus Operations</b>		
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 to Moderate	

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Project/Program/Function		
<b>Community Transportation Services</b>		
ACCESS Eligibility	Moderate to High	2015
Reduced Fare Program - ACCESS Riders	Moderate	
Regional Center Day Programs	Moderate	
Adult Day Health Care 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>		
<b>ACCESS Service</b>		
MV Transit ACCESS Operations	High	
Same Day Taxi Service - Yellow Cab of North Orange County	Moderate to High	
<b>First Transit - Contracted Fixed Route Operations</b>	High	
<b>EZ Wallet Program</b>	Moderate	
<b>Maintenance</b>		
<b>TCU and Maintenance Employee Incentives</b>	Moderate	
<b>Rolling Stock and Inventory Contracts</b>		
South Counties Oil - Unleaded	Moderate	2015
IPC USA Diesel Fuel	Moderate	
Bridgestone/Firestone Tire Lease	Moderate	
Applied LNG Technologies	Moderate	
Trillium USA - Operate and Maintain CNG Fueling Stations	Moderate	
Cummins Cal Pacific - Repower Agreement	Moderate	
Clean Energy	Moderate	
Engine Purchase and Install (Cummins Cal Pacific)	Moderate	
<b>Revenue Vehicle Maintenance</b>	Moderate to High	
<b>Company Equipment Assigned Vehicles</b>	Low to Moderate	
<b>Fuel Dispensing</b>	Moderate	
<b>Transit Technical Services</b>	Moderate to High	
<b>Revenue Vehicle Purchases</b>	Moderate to High	
<b>Non-Revenue Vehicle Purchases</b>	Low to Moderate	
<b>Maintenance Resource Management</b>	Moderate to High	
<b>KRONOS Timekeeping System</b>	Low to Moderate	
<b>Equipment Assignments and Tracking</b>	Low	
<b>Uniform Rental and Cleaning</b>	Low to Moderate	
<b>Facilities Maintenance</b>	Low to Moderate	
<b>Motorist Services</b>		
Freeway Service Patrol (M2 Project N)	Moderate	
Call Box Program	Low to Moderate	
511 Motorist Aid	Moderate	

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Project/Program/Function		
Orange County Taxicab Administration Program	Moderate	2013
Anaheim Transportation Network	Low to Moderate	
Irvine Shuttle	Low to Moderate	
<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	2016
Comprehensive Business Plan	Moderate	
Revenue and Revenue Sharing Contracts	Moderate to High	
Grant Administration	Moderate to High	
<b>Treasury and Public Finance</b>		
<b>Investments</b>	Required	Bi-annual
<b>Investment Management Contracts</b>		
Western Asset Management	Moderate to High	2013
JP Morgan	Moderate to High	
Payden & Rygel	Moderate to High	
State Street Global Advisors	Moderate to High	
Logan Circle Partners (Bond Proceeds Investments)	Moderate	
Cutwater Asset Management (Bond Proceeds Investments)	Moderate	2013
<b>91 Express Lanes</b>		
Operations and Management - Cofiroute USA (Cofiroute)	Moderate to High	2012
Toll Road Collections	Moderate	
Transponders - Federal Signal Corporation	Moderate	
Building Leases - Corona and Anaheim locations	Low	
Cofiroute - Revenue and Account Management System	Moderate	
Riverside County Transportation Commission Agreement	Moderate	
<b>Accounting and Financial Reporting</b>		
General Accounting	Moderate	Annual
Financial Reporting	Required	
Cost Allocation Plan	Low to Moderate	
Measure M Accounting and Reporting	Required	Annual
Sales Tax Revenue Accounting	Moderate	2016
Accounts Payable	Moderate	
Purchasing Cards	Low to Moderate	
Corporate Credit Cards	Low to Moderate	2012
Capital Assets	Moderate	2013
Pass Sales Program	Low to Moderate	
Payroll Operations	Moderate	
Administrative Employee Overtime	Moderate	

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Project/Program/Function		
Payroll Garnishments	Low to Moderate	2015
Farebox Revenue and Collection	Moderate	
Petty Cash Funds Administration	Low	
<b>Contract Administration and Materials Management</b>		
Contract Amendments	Moderate to High	2015
Independent Cost Estimates	Moderate	
Proposal Evaluations	Low to Moderate	
Protests	Low to Moderate	
Small Purchases	Low to Moderate	
Buy America Compliance	Required	2014
Purchase Order and Blanket Purchase Orders	Moderate	
Maintenance Inventory Management	Moderate	2012
Warranty Administration	Moderate	
Disadvantaged Business Enterprise Program	Moderate	
<b>General Services</b>		
Printing and Reprographics	Low to Moderate	2014
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	
Metrolink Reimbursement Program	Low to Moderate	
OCTA Store	Low to Moderate	2014
Lost and Found Operations	Low	
<b>Information Systems</b>		
Business Resumption	Moderate to High	2014
Information Systems Security		
Intrusion Protection and Detection	High	
Payment Card Industry Compliance	Moderate to High	
Data Center/Physical	Moderate to High	
Information Systems Change Management	Moderate	
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	2015

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	Data Warehousing and Business Intelligence	Moderate	
	M2 Sharepoint	Moderate	
	Contracted Services-Support	Moderate	
	Tablet Reimbursement Program	Low	
	Sole Source Licensing Agreements - Administration	Moderate to High	
	Transit Technologies	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	
	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	
	Labor Alliance Managed Trust Fund	Moderate to High	
	Teamsters Pension Fund Trust	Low to Moderate	
	Employee Assistance Program	Low	
	Drug and Alcohol Program	Moderate to High	
	Deferred Compensation Plans	Moderate	
<b>Employee and Labor Relations</b>			
	Labor Contracts	Moderate	
	Unemployment Claims	Low	
	Grievances	Low to Moderate	2012
	Equal Employment Opportunity	Moderate	
	Title VI Compliance	Moderate	
	Medical Exams	Moderate	
<b>Training &amp; Development</b>			
	Training (Learning Management System)	Low to Moderate	2014
	Educational Reimbursements	Low	2014
<b>Safety and Environmental Compliance</b>			



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		Construction Safety	Moderate to High	2012
		Employee Safety	Moderate to High	
		Motor Vehicle and Traffic Safety	Low to Moderate	
		Department of Motor Vehicles Pull Notice Program	Moderate	
		Safety Specifications	Moderate to High	
		National Transit Database Accident Reporting	Moderate	
		Wellness Program	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 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	
		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	
<b>Government Relations</b>				
	<b>State and Federal Relations</b>			
		Lobbying Contracts	Low to Moderate	
		Grants Application and Oversight	Moderate	
		Subrecipient Monitoring	Moderate to High	
	<b>Regional Initiatives</b>			
			Low	