



August 27, 2018

To: Members of the Board of Directors

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

A handwritten signature in black ink, appearing to read "Darrell E. Johnson for".

A handwritten signature in black ink, appearing to read "Janet Sutter".

Subject: Draft Fiscal Year 2018-19 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 2018-19 Internal Audit Plan.
- B. Direct the Executive Director of Internal Audit to provide quarterly updates on the Fiscal Year 2018-19 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 2018-19 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 2018-19.

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 2018-19 Internal Audit Plan

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**ORANGE COUNTY TRANSPORTATION AUTHORITY
Internal Audit Department**



**Draft Fiscal Year 2018-19
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) 2018-19, 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 audits are performed to ensure that the terms and conditions of contracts, grants, memorandums of understanding, or other agreements are being followed and that there is compliance with Board-adopted policies and procedures, management policies and procedures, and applicable regulatory requirements.

Price Review – Price reviews 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 are performed based on an agreement with 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 (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 Taxpayers Oversight Committee (TOC) to assist in their duty to exercise oversight of the expenditure of M2 funds, participation in annual Transit Division bus base inspections, and observation of biennial 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 received through OCTA's Fraud Hotline.

Fiscal Year 2017-18 Accomplishments

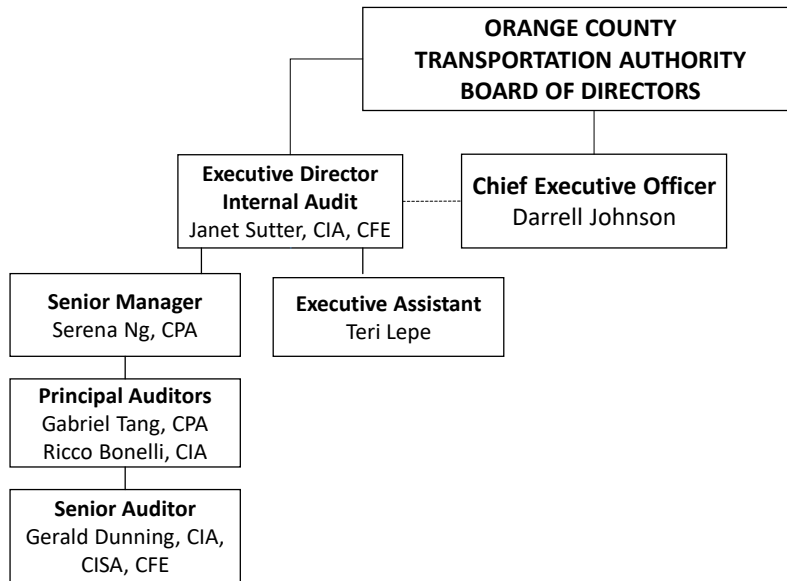
- Completed 26 agreed-upon procedures reviews of architectural and engineering, sole source, or single bid proposals and provided CAMM with price adjustment recommendations of nearly \$600,000.
- Completed an additional 12 audit projects and one Buy America agreed-upon procedures review, resulting in 33 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 30 complaints received during the fiscal year. Referred complaints to legal counsel and/or management, when appropriate, or conducted investigations of allegations. Completed six investigations, resulting in two reports with eight recommendations for improvement and one memorandum to management.
- Provided assistance to the Audit 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 evaluation of the M2 status report. Also, reported results of annual audits and agreed-upon procedures reviews as they relate to M2.
- Provided quarterly updates to the F&A Committee on the status of projects and audits included in the annual audit plan no later than 30 days after quarter-end.
- Obtained an Information Systems risk assessment by a qualified consultant and incorporated results into the OCTA Internal Audit Risk Assessment. Updated the Risk Assessment to reflect new projects, programs, functions, and significant contracts and to better reflect the current organization. Also, met and solicited input from executive directors to review the list for completeness and to review the risk assessment methodology and scores for entities under their purview.
- Coordinated and reported results of audits by external agencies of \$110.8 million in Proposition 1B funds and a total of \$4.6 million in Transit Security Grant Program funds. Also, coordinated an audit of payroll transmittals by the Orange County Employees Retirement System.

Fiscal Year 2018-19 Goals

- Procure an independent audit firm and coordinate and report results of the FY 2016-18 State Triennial Audit of OCTA, the Orange County Transit District, and Laguna Beach Municipal Transit Lines.
- Prepare a scope of work and make recommendations to the F&A Committee on the selection of an independent certified public accounting firm to perform financial and agreed-upon procedures reviews of OCTA starting in FY 2018-19.
- Participate in Quality Assurance (Peer) Review team(s) and accrue reciprocal credit through the Association of Local Government Auditors, and obtain Internal Audit's required Triennial Peer Review in early 2019.
- Coordinate and report results of the upcoming Federal Transit Administration's Triennial Review.
- Achieve a department-wide productivity ratio of at least 75 percent and professional staff productivity ratio of at least 80 percent.
- Provide quarterly updates to the F&A Committee on the status of projects and audits included in the annual audit plan. Provide these updates no later than 30 days after quarter-end.
- Review audit committee charters of the F&A Committee and the Audit Subcommittee of the TOC and recommend updates based on relevant changes in professional guidance. Both charters should be completed and presented to the respective committees annually.
- Assist the Audit 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.
- Perform Internal Audit's annual internal Quality Assurance and Self-Assessment review by March 31, 2019, 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 impact severity 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	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%	
Project Controls	2016	No	1	5	1	4	3	4	3
Purchasing Cards	2018	No	1	1	1	2	4	1	1.6
ACCESS Eligibility	2015	No	1	4	3	4	5	3	3.3
Buy America Compliance	2018	Yes	As Needed						N/A

Following the risk assessment of each of approximately 260 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 Audit Subcommittee of the Taxpayer’s Oversight Committee, are not risk rated, and are reflected as “Required”.

Internal Audit Plan Development

The FY 2018-19 Internal Audit Plan (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 2,000 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 770 hours for mandatory audit activities, including hours anticipated to coordinate, review, and report on the results of the required State and Federal Triennial Reviews, other regulatory agency audits, and required financial audits and agreed-upon procedures reviews performed by OCTA’s independent public accounting firm. In addition, during the upcoming year, Internal Audit will prepare a scope of work and make recommendations to the F&A Committee on the selection of an independent certified public accounting firm to perform financial audits and agreed-upon procedures reviews of OCTA for FY ended June 30, 2019. Approximately 760 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, and, in the coming year, participation in Peer Review team(s) to accrue reciprocal credit so that Internal Audit may obtain its required Triennial Peer Review in early 2019.

The Audit Plan also includes 750 hours for price review services and 80 hours for Buy America review services. While requests for price reviews are unpredictable, this budget is based on both the extent of current procedures and the volume of requests in prior years.

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), upcoming State and Federal Triennial Reviews, and the M2 Triennial Review currently underway. 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 proposed Audit Plan includes operational audits of mobile ticketing revenue collection, recruiting and employment, construction safety, and coach operator scheduling. Assessments of oversight controls and contract compliance related to the City of Orange Parking Expansion project, right-of-way maintenance activities, bus marketing activities, and the master custodial agreement for 91 Express Lanes revenues have also been included. An audit of the Information Systems patch management program and an audit of procedures and recordkeeping processes for evidencing compliance with Assembly Bill 1234 related to Board members' compensation and ethics compliance are also planned. Finally, we have proposed a review of the agreement with Element Markets for renewable gas credits.

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 2018-19**

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	
	Brown Act Compliance		Low to Moderate	2018
	Board of Directors Compensation and Ethics Compliance		Moderate	
	Services of Legal Process		Low to Moderate	
	Legal Services			
	Woodruff, Spradlin, & Smart		Moderate	2015
	Security and Emergency Preparedness			
	Continuity of Operations/Emergency Response		Moderate to High	2014
	Emergency Operation Plans		Moderate to High	
	System Security and Emergency Preparedness Plan		Moderate	
	Physical Security - All Facilities		Moderate to High	
	Security Grants		Low to Moderate	
	Transit Police Services		Moderate	2017
	Express Lanes Program			
	Master Custodial Agreement		Moderate to High	
	Operations and Management		Moderate to High	
	Collections		Moderate to High	
	Building Leases		Low	
	Revenue Account Management System		Moderate to High	2012
	Riverside County Transportation Corridor Agreement		Moderate	
	Toll Lanes Integrator Services		Moderate	
	Ethics Program		Moderate	
	Public Information Office			
	Crisis Communications Plan		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 to High	
	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	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2018-19**

Division	Department/Functional Area	RISK ASSESSMENT	7 Year Audit History
Project/Program/Function			
	I-5 Interchange Projects - M2 Project D		
	Ortega Highway Interchange	Moderate	
	El Toro Road Interchange	Low to Moderate	
	SR-57 Improvements - M2 Project G		
	Orangewood Avenue to Katella Avenue	Moderate	2012
	Orangethorpe Avenue to Lambert Road	Moderate	
	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	2015
	Improvements from SR-57 to SR-55 - M2 Project I	Moderate	
	Tustin Avenue Interchange to SR-55 - M2 Project I	Moderate	
	SR-55 to Orange/Riverside County Line - M2 Project J	Moderate	
	SR-241 to Riverside County Line	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	2017
	Right-of-Way (ROW) Activities and Reporting	Moderate	
	Program Management Activities	High	2018
	Improvements from SR-55 to I-5 - M2 Project L	Low to Moderate	
	Highway Project Management		
	Highway Project Management - Mott MacDonald	Moderate to High	2018
	Project Controls	Moderate to High	2016
	Real Estate Administration	Moderate	
	ROW Operations	Moderate to High	
	Facilities Engineering		
	Facilities Project Management	Moderate	2015
	Transit Security Operations Center	Moderate to High	
	Rail Programs and Facilities Engineering		
	Local Initiatives		
	Project S: Go Local Fixed Guideway Projects		
	OC Streetcar Project	High	
	Passenger Rail Operations and Metrolink Expansion		
	City of Orange Parking Expansion	Moderate to High	
	Fullerton Transportation Center - Elevator Upgrades	Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2018-19**

Division	RISK ASSESSMENT	7 Year Audit History
Department/Functional Area		
Project/Program/Function		
Placentia Metrolink Station Project	Moderate	2018
Anaheim Canyon Station Improvements	Moderate	
San Juan Capistrano Passing Siding	Moderate	
San Juan Creek Bridge Replacement	Moderate	
Control Point 4th St - Santa Ana	Low to Moderate	
Planning		
M2 Program Management Office	Moderate	
Strategic Planning		
Transportation Planning		
M2 Environmental Mitigation Program		2013
Program Administration	Moderate	
Land Management Contracts	Moderate	
Habitat Restoration and Mitigation 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	
Fullerton Park and Ride - Development Study	Low to Moderate	
Strategic Initiatives		
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	
State/Federal Programs		
State/Federal Improvement Program Funding Administration	Moderate	
Annual 5307 Program of Projects	Moderate	
Proposition 1B Project Monitoring	Moderate	
Calls for Projects	Low to Moderate	
Local Programs		
Measure M Eligibility	Moderate to High	2018
Comprehensive Transportation Funding Programs (CTFP)	Moderate	
Oversight and Reporting: CTFP	Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2018-19**

Division	Department/Functional Area Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
	M2 Local Projects		
	Project Q - Local Fair Share	Required	
	Project V - Community Based Transit Circulators	Moderate	
	Project W - Safe Transit Stops	Low to Moderate	
	Operations		
	Passenger Rail Operations & Metrolink		
	ROW Maintenance - Joshua Grading & Excavating	Moderate	
	JPA Allocation Southern California Regional Rail Authority (SCRRA)	Moderate to High	
	Program Management Support for Rail Programs	Moderate to High	
	Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency (LOSSAN)		
	Managing Agency Contracts	Moderate	
	Transit		
	OC Streetcar Operations	Low to Moderate	
	Service Planning and Scheduling		
	National Transit Database (NTD) Reporting	Required	
	Coach Operator Scheduling	Moderate to High	
	Stops & Zones	Low to Moderate	2013
	Schedule Checkers	Low to Moderate	2013
	Service Change Implementation	Moderate	
	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	
	Contracted Services		
	ACCESS Eligibility	Moderate to High	2015
	Reduced Fare Program - ACCESS Riders	Moderate	
	Regional Center Day Programs	Moderate to High	
	Adult Day Health Care Program Agreements	Low to Moderate	2013
	Job Access and Reverse Commute and New Freedom Grant Administration	Moderate	
	Senior Mobility Program (M2 - Project U & Transportation Development Act-funded)	Required	Annual
	Senior Non-Emergency Medical Transportation (M2 - Project U)	As Required	2016
	First Transit - Contracted Fixed Route Operations	High	2017

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2018-19**

Division	Department/Functional Area Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
	ACCESS Service		
	MV Transit ACCESS Operations	High	2018
	Same Day Taxi Service - Yellow Cab of North Orange County	Moderate to High	
	EZ Wallet Program	Moderate	
	Maintenance		
	Maintenance Employee Incentives	Moderate	
	Rolling Stock and Inventory Contracts		
	Bridgestone/Firestone Tire Lease	Moderate	
	Trillium USA - Operate & Maintain Compressed Natural Gas Stations	Moderate	
	Cummins Cal Pacific	Moderate	
	Revenue Vehicle Maintenance	Moderate to High	
	Specialty Shop Maintenance	Moderate	
	Company Assigned Vehicles	Low to Moderate	
	Fuel Management	Moderate	2018
	Transit Technical Services	Moderate to High	
	Revenue Vehicle Purchase / Acceptance	Moderate	
	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	2016
	Uniform Rental and Cleaning	Low to Moderate	
	Facilities Maintenance	Moderate	
	Maintenance Training	Low to Moderate	
	Motorist Services		
	Freeway Service Patrol (M2 Project N)	Moderate	
	Call Box Program	Low to Moderate	
	511 Motorist Aid	Moderate	
	Anaheim Transportation Network	Low to Moderate	
	Irvine Shuttle	Low to Moderate	
	Finance and Administration		
	Project U - Fare Stabilization	Moderate	
	Financial Planning and Analysis		
	Budget Development and Monitoring	Moderate to High	2017
	Comprehensive Business Plan	Moderate	
	Transit Performance Metrics	Moderate	2015

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2018-19**

Division	Department/Functional Area	Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
Treasury and Public Finance				
Investments				
		Investments- Compliance, Controls, and Reporting	Required	Semi-Annual
		Investment Management Service Contracts	Moderate to High	2017
		Endowment Funds	Moderate	
Accounting and Financial Reporting				
		General Accounting	Moderate	
		Financial Reporting	Required	Annual
		Cost Allocation Plan	Low to Moderate	
		M2 Accounting and Reporting	Required	Annual
		Sales Tax Revenue Accounting	Low to Moderate	
		Accounts Payable	Moderate	2016
		Purchasing Cards	Low to Moderate	2018
		Corporate Credit Cards	Low to Moderate	2012
		Capital Assets	Moderate	
		Pass Sales Program	Low to Moderate	2013
		Payroll Operations	Moderate	
		Administrative Employee Overtime	Moderate	2014
		Payroll Garnishments	Low	
		Farebox Revenue and Collection	Moderate	2015
		Petty Cash Funds Administration	Low	
		Banking Services	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	
Revenue Administration				
		GFI Farebox Operations	Moderate	2015
		Mobile Ticketing Operations	Moderate	
		Revenue and Revenue Sharing Contracts	Moderate to High	
		Grant Administration & Accounting	Moderate to High	
		STIP-PPM Compliance	As Required	2018
		Transportation Development Act	Required	Annual

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2018-19**

Division	Department/Functional Area	Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
Contract Administration and Materials Management				
		Contract Amendments	Moderate to High	
		Independent Cost Estimates	Moderate	
		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	2018
		Disadvantaged Business Enterprise Program	Moderate	
		Inventory Contracts		
		Unleaded Fuel	Moderate	
		Diesel Fuel	Low to Moderate	
		Liquified Natural Gas Contract	Moderate	2015
		Renewable Natural Gas Credits Contract	Low to Moderate	
Information Systems				
		Applications		
		ITMS Radio System	Moderate to High	
		OCTA.net Website	Moderate to High	
		Application Infrastructure	Moderate to High	
		Database Systems	Moderate	
		Vendor Management	Moderate to High	
		IT Systems & Security	Moderate to High	
		System Development and Acquisition	Moderate	
		Patch Management	Moderate to High	
		IT Operations (User Mgmt, Authentication, Access Controls)	Moderate to High	
		Technology Project Management	Moderate	
		Business Continuity/Disaster Recovery	Moderate	
		Change Management	Moderate	
		PCI Compliance	Moderate	2017
		Incident Response Program	Moderate	
		Asset Management	Moderate	
		Operating Systems	Moderate	
		IT Contract Services	Moderate	
Human Resources and Organizational Development				
Risk Management				
		Insurance Program Administration	Moderate	

Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2018-19

Division	RISK ASSESSMENT	7 Year Audit History
Department/Functional Area		
Project/Program/Function		
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	2017
Coach Operator Healthcare	Moderate	
Maintenance Employee Healthcare	Moderate	
Protected Leave	Moderate to High	2014
Flexible Benefits	Low to Moderate	2013
Health Savings Account	Moderate	2017
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	
Life Insurance Benefit	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
Safety Specifications	Moderate	
NTD Accident Reporting	Low to Moderate	
Environmental Compliance Program		

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2018-19**

Division	RISK ASSESSMENT	7 Year Audit History	
Department/Functional Area			
Project/Program/Function			
Storm Water Pollution Prevention Program	Moderate to High	2017	
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		
Safety Management Plan	Moderate		
External Affairs			
Marketing and Public Outreach			
Marketing and Customer Engagement			
Digital and Creative Services	Low to Moderate	2013	
OCTA Bus Marketing	Moderate		
Bus Advertising Revenue Contracts	Low to Moderate		
Rideshare Program	Moderate	2014	
Vanpool Program	Moderate		
Customer Engagement & Data Analytics			
Data Analytics / Performance Management	Moderate	2017	
In-House Customer Relations	Low to Moderate		
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 2018-19 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	FY19-001 through FY19-004	Procure independent financial audit firm and coordinate and report on annual financial and agreed-upon procedures reviews for fiscal year 2018-19.	Financial	450
State Triennial Audit	FY19-007	Procure independent audit firm and coordinate and report on the required State Triennial Performance audits of the Orange County Transportation Authority (OCTA), Orange County Transit District, and Laguna Beach Municipal Transit Lines.	Compliance	180
Federal Triennial Audits	FY19-006	Coordinate and report on results of the required Federal Transit Administration's Triennial Review.	Compliance	80
External Regulatory Audits	FY19-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60
Internal Audit Department Projects				
Risk Assessment and Annual Audit Plan	FY19-100	Preparation of the annual audit plan, quarterly updates to the audit plan, periodic assessment of risk throughout the year, including monitoring the audit results of related entities.	Audit Plan and Updates	200
Quality Assurance and Self-Assessment	FY19-101	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
Peer Review	FY19-104	Participate in peer reviews of other internal audit agencies in exchange for reciprocal credit towards required peer review of OCTA's Internal Audit. Report results of peer review to Finance and Administration Committee and the Board of Directors.	Peer Review	120
Fraud Hotline Activities	FY19-102	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	240
Automated Workpaper Solution	FY19-103	System updates/training related to automated workpaper solution.	Workpaper System	40
Internal Audits				
Clerk of the Board				
Board of Directors Compensation and Ethics Compliance	FY19-5XX	Review procedures and recordkeeping processes evidencing compliance with Assembly Bill 1234.	Compliance	180

**Orange County Transportation Authority
Internal Audit Department
FY 2018-19 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Express Lanes Program				
Master Custodial Agreement	FY19-5XX	Review and test activities related to the Master Custodial Agreement between OCTA, Riverside County Transportation Commission, and the Bank of the West for tracking and deposit of revenues and transponder deposits.	Compliance	300
Human Resources and Organizational Development				
Recruiting and Employment	FY19-5XX	Review procedures, controls, and effectiveness of recruiting and employment operations.	Operational	300
Construction Safety	FY19-5XX	Assess the adequacy of policies, procedures, and controls related to the Construction Safety Program function.	Operational	200
Capital Programs				
Interstate 405 (I-405) Improvement Project: Project Management Contract	FY18-505	Assess and test contract compliance and oversight controls of project management services provided for the I-405 Improvement Project.	Compliance	40
Interstate 5 (I-5) Improvements: Pacific Coast Highway (PCH) to San Juan Creek (SJC) Road	FY18-512	Assess adequacy of contract compliance, oversight, and reporting controls related to the I-5 Improvement Project between PCH and SJC Road.	Internal Control	240
City of Orange Parking Expansion	FY19-5XX	Review of the Orange Parking Expansion project, including project administration, oversight controls, and contract compliance.	Internal Control	300
Planning				
Comprehensive Transportation Funding Programs Projects	FY18-513	Review selected projects for compliance with Measure M2 Ordinance, policies, and procedures.	Compliance	100
Operations				
Right-of-Way (ROW) Maintenance	FY19-5XX	Evaluate the ROW maintenance program and oversight controls and contract compliance related to the agreement for ROW maintenance.	Compliance	240

**Orange County Transportation Authority
Internal Audit Department
FY 2018-19 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Transit Operations				
Coach Operator Scheduling	FY19-5XX	Review the coach operator scheduling process, including use of the HASTUS application.	Operational	300
ACCESS Service	FY18-514	Review and test compliance with key contract provisions, with consideration of program effectiveness and efficiency.	Operational	240
Finance and Accounting				
Treasury	FY19-5XX	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	200
Grant Closeouts	FY18-511	As-needed, required financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40
Mobile Ticketing	FY19-5XX	Assess and test controls for mobile ticketing revenue collection and recording.	Internal Control	240
Renewable Natural Gas Credits	FY19-5XX	Review and test compliance with the agreement with Element Markets for renewable gas credits.	Compliance	180
Information Systems				
Patch Management	FY19-5XX	Assess the adequacy of the patch management program.	Operational	120
Contract Administration and Materials Management (CAMM)				
Price Reviews	PR19-XXX	Cost and price analyses as requested by OCTA's CAMM Department.	Price Review	750
Buy America	FY18-XXX	Pre-award and post-delivery reviews to ensure vendors and OCTA are in compliance with federal Buy America requirements.	Compliance	80
Warranty Administration	FY18-510	Assess adequacy of controls in place for tracking and recording of warranty repairs and credits.	Internal Control	80

**Orange County Transportation Authority
Internal Audit Department
FY 2018-19 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
External Affairs				
Bus Marketing	FY19-5XX	Review Bus Marketing program; assess and test oversight controls and contract compliance over contracts for bus marketing, public outreach, etc.	Compliance	240
Unscheduled Reviews and Special Requests				
Unscheduled Reviews and Special Requests	FY19-5XX	Time allowed for unplanned audits, coordination of external agency audits, and requests from the Board of Directors and management.	Varies	240
Monitoring Activities				
Measure M Taxpayer Oversight Committee (TOC)	FY19-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60
Metrolink Audit Activities	FY19-602	Obtain and review audit results of Metrolink activities	Non-Audit Service	40
Bus Base Inspections	FY19-603	At the request of the Transit Division, participation on annual base inspection teams.	Non-Audit Service	40
Follow-up Reviews				
Follow-up Reviews and Reporting	FY19-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-up	320
Total Audit Project Planned Hours (A)				6,600

**Orange County Transportation Authority
Internal Audit Department
FY 2018-19 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Internal Audit Administration				
Board of Directors and Committee Meetings				180
Executive Steering and Agenda Setting Meetings				180
Internal Audit Staff Meetings				150
Other Administration				1,500
			Total Hours (B)	8,610
			Department Target Efficiency (A/B)	75%
			Target Efficiency - Professional Staff	80%