
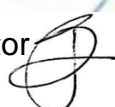




July 24, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department 

Subject: Draft Fiscal Year 2019-20 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 2019-20 Internal Audit Plan.
- B. Direct the Executive Director of Internal Audit to provide quarterly updates on the Fiscal Year 2019-20 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 2019-20 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 2019-20.

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 2019-20 Internal Audit Plan

Prepared by:



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ORANGE COUNTY TRANSPORTATION AUTHORITY Internal Audit Department



Draft Fiscal Year 2019-20 Internal Audit Plan



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ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Draft Fiscal Year 2019-20
Internal Audit Plan

Table of Contents

Mission of the Internal Audit Department.....	1
Internal Audit Department Activities.....	1
Fiscal Year 2018-19 Accomplishments	3
Fiscal Year 2019-20 Goals.....	4
Internal Audit Organization.....	5
Internal Audit Plan Development	7
Conclusion	9
Risk Assessment by Program/Project/Construction/Function	Appendix A
Fiscal Year 2019-20 Internal Audit Plan	Appendix B

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ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Draft Fiscal Year 2019-20
Internal Audit Plan

Mission of the Internal Audit Department

The mission of the Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) is to assist management and the Board of Directors (Board) in the effective discharge of their duty and responsibility to safeguard the assets of OCTA, while ensuring those assets are used in an efficient and effective manner. To this end, Internal Audit serves as an independent appraisal function to examine and evaluate OCTA's operations, activities, internal controls, compliance, opportunities, and risks.

Internal Audit Department Activities

Internal Audit is responsible for examining and evaluating financial, administrative, and operational activities of OCTA, and supplying management with information to assist in its control of assets and operations for which it is responsible.

Internal Audit provides a wide range of auditing services including annual financial and compliance audit oversight, operational reviews, compliance reviews, internal control assessments, investigations, pre-award and post-delivery Buy America reviews, and 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) 2019-20, 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 assurance 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.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Draft Fiscal Year 2019-20
Internal Audit Plan

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 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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**

Draft Fiscal Year 2019-20
Internal Audit Plan

Fiscal Year 2018-19 Accomplishments

- Completed 12 audit projects, resulting in 24 recommendations for improvement to policies, procedures, and/or internal controls. Also, at the request of CAMM, completed 29 agreed-upon procedures reviews of architectural and engineering, sole source, or single bid proposals and one post-delivery Buy America review related to the purchase of six, 40-foot alternative fuel buses manufactured by New Flyer, Inc.
- Passed an external quality assurance (peer) review conducted by the Association of Local Government Auditors, in accordance with Generally Accepted Government Auditing Standards (Standards). The peer review team recognized Internal Audit for its organized and easy-to-follow audit workpapers, its well-documented policies and procedures, and its highly skilled and experienced staff.
- Prepared a scope of work and made recommendations to the Finance and Administration (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.
- Procured an audit firm to conduct the required FY 2015-16 through FY 2017-18 State Triennial Performance Audits of OCTA, the Orange County Transit District, and the Laguna Beach Municipal Transit Lines, and coordinated the audits.
- Exceeded both the department-wide productivity goal of 75 percent and the professional audit staff productivity goal of 80 percent.
- Provided written quarterly updates to the F&A Committee on the status of audit projects and activities and provided these updates no later than 30 days following quarter-end.
- Conducted follow-up of management's implementation of audit recommendations within six months of report issuance or earlier.
- Provided administration of OCTA's Fraud Hotline and reviewed 32 complaints received during the FY. Referred complaints to management and/or appropriate outside agencies, and conducted investigations of allegations, where appropriate.
- 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.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Draft Fiscal Year 2019-20
Internal Audit Plan

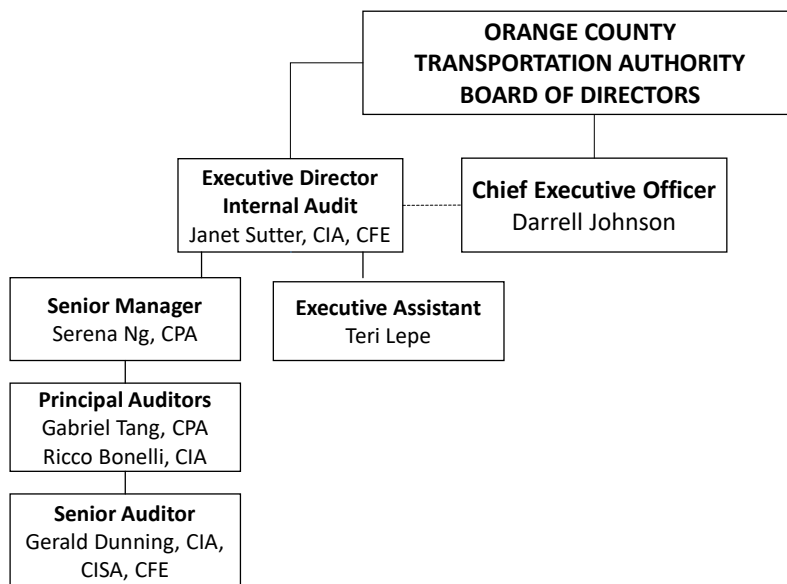
Fiscal Year 2019-20 Goals

- Implement the FY 2019-20 Internal Audit Plan and provide quarterly updates on the status of audit projects and activities no later than 30 days after quarter-end.
- 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. Also, apply agreed-upon procedures to sole source proposals exceeding \$50,000, single bid procurements, and vehicle purchases in accordance with Buy America laws.
- Evaluate and update Internal Audit policies, procedures, and practices to ensure compliance with the Standards, which have been revised and are effective for all audits initiated after July 1, 2019.
- Coordinate and report the results of the required 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.
- Conduct follow-up of management's implementation of audit recommendations within six months of report issuance or earlier, and report results as part of the quarterly updates to the Internal Audit Plan.
- 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 results of all M2-related audits.
- Perform Internal Audit's annual internal Quality Assurance and Self-Assessment review by March 31, 2020, and make any noted improvements to Internal Audit's processes, policies, and procedures.
- Provide administration of the OCTA Fraud Hotline; provide initial contact response to all reports within two business days.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Draft Fiscal Year 2019-20
Internal Audit Plan

Internal Audit Organization

Standards provide a framework for government auditors in the areas of transparency, independence, accountability, and quality. These Standards require that auditors be independent in both mind and appearance with respect to the entities for which they perform audit services. Internal Audit has established policies and procedures to comply with the 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 these services are delivered through a variety

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**

Draft Fiscal Year 2019-20
Internal Audit Plan

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 number and size 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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**
Draft Fiscal Year 2019-20
Internal Audit Plan

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

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

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

Auditable Entity	Audit History		Audit Requirement		Time Since & Results of Last Audit		Financial & Compliance Risk		Security & Safety Risk		Operational & Strategic Risk		Image & Reputation Risk		Complexity of Operations		Weighted Average Risk			
	Year	Required	Yes	No	Weight	Score	Weight	Score	Weight	Score	Weight	Score	Weight	Score	Weight	Score	Weight	Score		
Project Controls	2016	No			20%	1	20%	5	15%	1	15%	4	15%	3	15%	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 250 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 TOC, are not risk rated, and are reflected as “Required”.

Internal Audit Plan Development

The FY 2019-20 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

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**

Draft Fiscal Year 2019-20
Internal Audit Plan

administrative tasks. The purpose of including these hours is to monitor and measure Internal Audit's productivity.

The Audit Plan includes 590 hours for mandatory audit activities, including hours anticipated to coordinate, review, and report on the results of the Federal Triennial Review, other regulatory agency audits, and required financial audits and agreed-upon procedures reviews performed by OCTA's independent public accounting firm. Approximately 640 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 updates to audit policies, procedures, and workpaper templates.

The Audit Plan also includes 750 hours for price review services and 200 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. Hours for Buy America services assume two requests for review will be received during the year.

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 considered 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 upcoming Federal Triennial Review. Knowledge of this control review activity reduces the likelihood that audits of the Disadvantaged Business Enterprise program or Drug and Alcohol Program will be selected, since these areas are included in the Federal Triennial Review. Other subjective factors that affect 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 FY 2019-20 Audit Plan includes operational audits of revenue vehicle maintenance, corporate credit cards, and interagency revenue agreements with the Southern California Regional Rail Authority and the Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency. Also, audits of oversight controls and contract compliance related to provision of Same-Day Taxi Service, monitoring and reporting of Measure M2 Comprehensive Transportation Funding Programs activities, and project controls related to the Interstate 5 Project have also been added. Finally, audits of compliance with the requirements for medical certification of safety-sensitive employees, and administration of the Department of Motor Vehicle Pull Notice program have been selected.

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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**

Draft Fiscal Year 2019-20
Internal Audit Plan

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.

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**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2019-20**

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	
	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) Improvements				
	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	2018
	Avenida Pico to Avenida Vista Hermosa		Moderate	
	Avenida Vista Hermosa to PCH		Moderate	
	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 2019-20**

Division	Department/Functional Area	Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
		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	
		Lambert Road to Tonner Canyon Road	Low to Moderate	
		SR-55 Improvements - M2 Project F		
		I-405 to I-5	Moderate to High	
		SR-91 Improvements		
		Improvements from I-5 to SR-57 - M2 Project H	Moderate	2015
		Improvements from SR-57 to SR-55 - M2 Project I	Moderate	
		91 Express Lanes to SR-241 Toll Connector	Moderate to High	
		I-405 Improvements		
		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
		I-405 Improvements between SR-55 and 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		
		Program Management Support: Rail Programs	Moderate to High	
		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	2018
		Fullerton Transportation Center - Elevator Upgrades	Moderate	
		Placentia Metrolink Station Project	Moderate	
		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	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2019-20**

Division Department/Functional Area Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
Planning		
M2 Program Management Office	Moderate	
Strategic Planning		
Transportation Planning		
M2 Environmental Mitigation Program		
Program Administration	Moderate	2013
Land Management Contracts	Moderate	
Habitat Restoration and Mitigation Funding Contracts	Moderate	
Transit and Non-Motorized Planning		
Bus Facilities Asset Management / Capital Plan	Moderate	
Fleet Outlook / Rollout Plan	Moderate	
Bikeway Master Plans	Low	
Transit Master Plan	Moderate	
Fullerton Park and Ride - Development Study	Low to Moderate	
Bristol Street 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 2019-20**

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	2018
		Joint Powers Agreement Allocation Southern California Regional Rail Authority	Moderate to High	
		Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency		
		Managing Agency Contracts	Moderate	
Transit				
		OC Streetcar Operations	Moderate to High	
		Service Planning and Scheduling		
		National Transit Database (NTD) Reporting	Required	
		Coach Operator Scheduling	Moderate	
		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
		ACCESS Service	High	2018
		Same Day Taxi Service - Yellow Cab of North Orange County	Moderate to High	
		EZ Wallet Program	Moderate	
		Vanpool Operations	Moderate	2014
		OC Flex Operations	Moderate	

**Orange County Transportation Authority
Internal Audit Department
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Division	Department/Functional Area	Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
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	2013
		Call Box Program	Low to Moderate	
		511 Motorist Aid	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
		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	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2019-20**

Division	Department/Functional Area	RISK ASSESSMENT	7 Year Audit History
	Project/Program/Function		
	Accounts Payable	Moderate	2016
	Purchasing Cards	Low to Moderate	2018
	Corporate Credit Cards	Low to Moderate	
	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	2019
	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
	Subrecipient Monitoring	Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2019-20**

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	
		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	2019
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	
		Information Technology (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	
		Payment Card Industry Compliance	Moderate	2017
		Incident Response Program	Moderate	
		Asset Management	Moderate	
		Operating Systems	Moderate	
		IT Contract Services	Moderate	
		Switch Data Center	Moderate to High	
Human Resources and Organizational Development				
Risk Management				
		Insurance Program Administration	Moderate	
		Liability Claims Management and Subrogation	Moderate to High	
		Worker's Compensation and Subrogation	Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2019-20**

Division	Department/Functional Area	Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
Employment & Compensation				
		Terminations	Low to Moderate	
		Extra Help and Contract Staffing	Low to Moderate	
		Recruitment and Employment	Moderate	2019
		Compensation	Moderate to High	
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	
		Alternative/Remote Work Program	Low to Moderate	
Employee and Labor Relations				
		Labor Contracts	Moderate	
		Unemployment Claims	Low	
		Grievances	Low to Moderate	
		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	2019
		Employee Safety	Moderate to High	
		Motor Vehicle and Traffic Safety		
		Pull Notice Program	Moderate	
		Safety Specifications	Moderate	
		NTD Accident Reporting	Low to Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2019-20**

Division	Department/Functional Area	Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
	Environmental Compliance Program			
	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	
	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	2019
	I-5		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)				
	Subrecipient Monitoring		Moderate	
			Moderate to High	

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2019-20 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	FY20-001 through FY20-004	Coordinate and report on annual financial and agreed-upon procedures reviews for fiscal year 2019-20.	Financial	450
Federal Triennial Review	FY20-006	Coordinate and report on results of the required Federal Transit Administration's Triennial Review.	Compliance	80
External Regulatory Audits	FY20-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60
Internal Audit Department Projects				
Risk Assessment and Annual Audit Plan	FY20-100	Preparation of the annual audit plan, quarterly updates to the audit plan, and 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	FY20-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with Generally Accepted Government Auditing Standards.	Quality Assurance	160
Fraud Hotline Activities	FY20-102	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	FY20-103	System updates/training related to automated workpaper solution.	Workpaper System	40
Internal Audits				
Clerk of the Board				
Board of Directors (Board) Compensation and Ethics Compliance	FY19-513	Assess and test controls in place to ensure compliance with Board compensation and training requirements.	Compliance	180
Express Lanes Program				
Master Custodial Agreement	FY19-514	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.	Operational	300

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2019-20 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Human Resources and Organizational Development				
Medical Exams	FY20-5XX	Assess and test controls to ensure compliance with Federal Motor Carrier Safety Administration regulations, policy, and procedures related to employee medical certifications.	Compliance	180
Department of Motor Vehicles (DMV) Pull Notice Program	FY20-5XX	Assess and test operation of the DMV Pull Notice Program.	Compliance	240
Capital Programs				
Interstate 5 (I-5) Project: State Route (SR) 55 to SR-57	FY20-5XX	Review of the I-5 Project: SR-55 to SR-57, including project administration, oversight controls, and contract compliance.	Internal Control / Compliance	300
City of Orange Parking Expansion	FY19-508	Review of the Orange Parking Expansion project, including project administration, oversight controls, and contract compliance.	Internal Control / Compliance	220
Planning				
Comprehensive Transportation Funding Programs (CTFP): Oversight and Reporting	FY20-5XX	Review of OCTA monitoring and reporting controls over CTFP projects.	Internal Control	240
Operations				
Coach Operator Scheduling	FY19-505	Review the coach operator scheduling process, including use of the HASTUS application.	Operational	80
Same-Day Taxi Service	FY20-5XX	Assess adequacy of oversight controls and contract compliance with key provisions of the agreement with Yellow Cab of Orange County for the provision of Same-Day Taxi Service.	Internal Control / Compliance	300
Revenue Vehicle Maintenance	FY20-5XX	Evaluate the adequacy of controls in place to ensure compliance with revenue vehicle maintenance standards and test for compliance with maintenance policy and procedures.	Operational	300

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2019-20 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Finance and Accounting				
Treasury	FY20-5XX	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	200
Grant Closeouts	FY19-510	As-needed, required financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40
Corporate Credit Cards	FY20-5XX	Evaluate the adequacy of controls over corporate credit cards and test for compliance with policy and procedures.	Operational	240
Banking Services - Bank of the West	FY20-5XX	Assess and test controls to ensure compliance with the agreement between OCTA and Bank of the West for banking services.	Operational / Compliance	240
Renewable Natural Gas Credits	FY19-511	Review and test compliance with the agreement with Element Markets for renewable gas credits.	Compliance	60
Interagency Revenue Agreements	FY20-5XX	Review and test activities related to the Interagency Fare Revenue Agreements between OCTA and Southern California Regional Rail Authority and Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency.	Operational	240
Information Systems				
Patch Management	FY19-5XX	Assess the adequacy of the patch management program.	Operational	120
Contract Administration and Materials Management (CAMM)				
Price Reviews	PR20-XXX	As requested by the Contracts Administration and Materials Management Department, apply agreed-upon procedures to Sole Source, Single Bid, and Architectural and Engineering firm proposals.	Price Review	800
Buy America	PR20-XXX	As requested by the Contracts Administration and Materials Management Department, apply agreed-upon procedures to determine compliance with Buy America requirements.	Buy America	200
External Affairs				
Bus Marketing	FY19-512	Review Bus Marketing program; assess and test controls related to bus marketing programs.	Operational / Compliance	160

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2019-20 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Unscheduled Reviews and Special Requests				
Unscheduled Reviews and Special Requests	FY20-800	Time allowed for unplanned audits, coordination of external agency audits, and requests from the Board and management.	Varies	240
Monitoring Activities				
Measure M Taxpayer Oversight Committee (TOC)	FY20-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60
Metrolink Audit Activities	FY20-602	Obtain and review audit results of Metrolink activities	Non-Audit Service	40
Capital Asset Inventory Observation	FY20-603	At the request of the Finance and Administration Department, observe and apply limited procedures related to the bi-annual capital asset inventory counts.	Non-Audit Service	80
Bus Base Inspections	FY20-604	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	FY20-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-up	320
Total Audit Project Planned Hours (A)				6,650

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2019-20 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Internal Audit Administration				
Board and Committee Meetings				180
Executive Steering and Agenda Setting Meetings				180
Internal Audit Staff Meetings				150
Other Administration				1,500
			Total Hours (B)	8,660
			Department Target Efficiency (A/B)	75%
			Target Efficiency - Professional Staff	80%