



**July 13, 2022**

**To:** Finance and Administration Committee

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

Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Orange County Transportation Authority Internal Audit Department  
Fiscal Year 2022-23 Internal Audit Plan

### **Overview**

At the direction of the Orange County Transportation Authority 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 Orange County Transportation Authority Internal Audit Department Fiscal Year 2022-23 Internal Audit Plan.
- B. Direct the Executive Director of the Internal Audit Department to provide quarterly updates on the Orange County Transportation Authority Internal Audit Department Fiscal Year 2022-23 Internal Audit Plan.

### **Background**

The Internal Audit Department (Internal Audit) is an independent appraisal function, the purpose of which 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 Orange County Transportation Authority Internal Audit Department Fiscal Year 2022-23 Internal Audit Plan (Audit Plan) for Board 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 OCTA Fiscal Year 2022-23 Budget.

***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. Orange County Transportation Authority Internal Audit Department Fiscal Year 2022-23 Internal Audit Plan

**Authorized by:**



Janet Sutter  
Executive Director, Internal Audit  
714-560-5591

# ORANGE COUNTY TRANSPORTATION AUTHORITY Internal Audit Department



## Fiscal Year 2022-23 Internal Audit Plan



Janet Sutter, CIA, CFE  
Executive Director, Internal Audit  
(714) 560-5591

550 South Main Street  
P.O. Box 14184  
Orange, CA 92863-1584

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2022-23  
Internal Audit Plan

Table of Contents

Mission of the Internal Audit Department .....	1
Internal Audit Department Activities.....	1
Fiscal Year 2021-22 Accomplishments .....	3
Fiscal Year 2022-23 Goals .....	4
Internal Audit Organization .....	5
Internal Audit Plan Development .....	7
Conclusion.....	9
Appendix A: Risk Assessment by Program/Project/Contract/Function Fiscal Year 2022-23 .....	10
Appendix B: Fiscal Year 2022-23 Internal Audit Plan .....	11

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**INTERNAL AUDIT DEPARTMENT**  
Fiscal Year 2022-23  
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 duties and responsibilities 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) 2022-23, 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, contracts, policies and procedures, and assessment of program effectiveness, economy, and efficiency. To define the objectives of these performance audits more accurately, 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**

Fiscal Year 2022-23  
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 (CAMM) Department complied with policies and procedures to ensure a fair and competitive process. Procedures are performed based on a written 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 a written 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 OCTA Fiscal Year (FY) 2022-23 Internal Audit Plan (Audit Plan) as follows:

**Monitoring** – These activities include providing information to the Audit Subcommittee of the Taxpayer Oversight Committee (TOC) to assist in their duty to exercise oversight of the expenditure of M2 funds, participation in annual Operations 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 are performed in response to a complaint or allegation received through OCTA's Fraud Hotline.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2022-23  
Internal Audit Plan

**Fiscal Year 2021-22 Accomplishments**

- Completed ten audit projects, resulting in 17 recommendations for improvement to policies, procedures, and/or internal controls. Also, at the request of CAMM, completed 23 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 117, 22-foot gasoline powered cutaway buses.
- Obtained the required triennial external quality assurance, or peer review of Internal Audit. The peer review found the department suitably designed and operating effectively to provide reasonable assurance of compliance with Generally Accepted Government Auditing Standards for the period January 1, 2019, through December 31, 2021. The peer review team also provided a management letter outlining areas in which the department excels.
- Procured an independent audit firm and coordinated and reported results of the required FY 2019-21 State Triennial Audits of OCTA, the Orange County Transit District, and Laguna Beach Municipal Transit Lines.
- 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 Finance and Administration Committee on the status of audit projects and activities and provided these updates no later than 30 days following quarter-end.
- As required by Government Auditing Standards (Standards), performed Internal Audit's annual internal quality assurance and self-assessment review in February 2022, and implemented improvements to Internal Audit practices, policies, and procedures in March 2022.
- 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 eight 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, providing information for the selection of cities for annual audit and presenting the results of annual audits and agreed-upon procedures reviews as they relate to M2.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2022-23  
Internal Audit Plan

**Fiscal Year 2022-23 Goals**

- Implement the OCTA FY 2022-23 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.
- 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 Audit Plan.
- Assist the Audit Subcommittee of the TOC with the design and update of agreed-upon procedures for M2-related audits and provide presentation of the results of all M2-related audits.
- Perform Internal Audit's annual internal quality assurance and self-assessment review by March 31, 2023, and make any noted improvements to Internal Audit's practices, policies, and procedures.
- Provide administration of the OCTA Fraud Hotline; provide initial contact response to all reports within two business days.

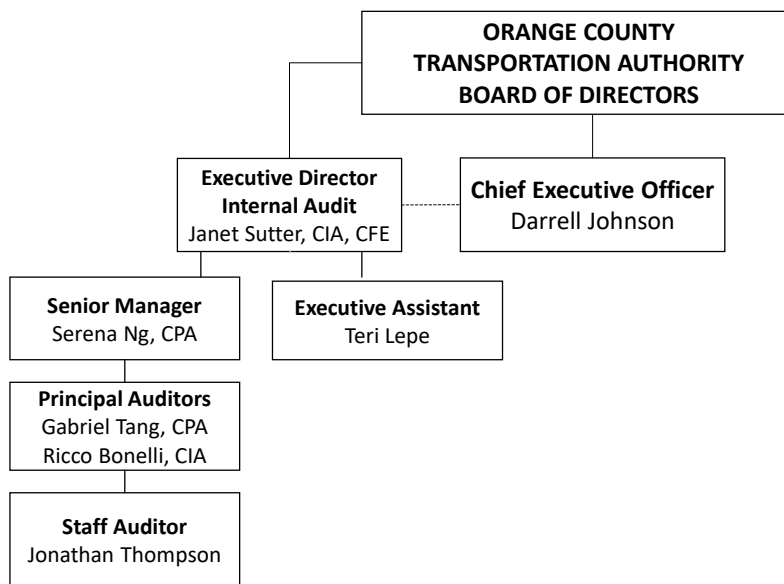


**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2022-23  
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 the Chief Executive, Operations, Finance and Administration, Planning, People and Community Engagement, Government Relations, and Capital Programs Divisions. These

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2022-23  
Internal Audit Plan

business units are supported by administrative functions, and all these services are delivered through a variety of projects, programs, and activities. With a budget exceeding \$1.6 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 FY.

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 percent)** – 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 percent)** – 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 percent)** – 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 percent)** – The intensity of public interest and awareness, and the visibility of the project, program, or function to the media.

**Complexity of Operations (15 percent)** – 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 percent)** – 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**

Fiscal Year 2022-23  
Internal Audit Plan

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

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

Following are examples of the risk assessment results for four different auditable entity types:

Auditable Entity	Audit History	Audit Requirement	Time Since & Results of Last Audit						Weighted Average Risk
			Financial & Compliance Risk	Security & Safety Risk	Operational & Strategic Risk	Image & Reputation Risk	Complexity of Operations		
			20%	20%	15%	15%	15%	15%	
Project Controls		No	3	5	1	4	3	4	3.4
Purchasing Cards	2018	No	1	1	1	2	4	1	1.6
ACCESS Eligibility	2015	No	3	4	3	4	5	3	3.7
Buy America Compliance	2022	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 Audit Plan, Appendix B, calls for approximately 8,700 Internal Audit hours, exclusive of vacation, sick, holiday, and continuing professional education hours. Of the 8,700 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 485 hours for mandatory audit activities, including hours anticipated to coordinate, review, and report on the results of the required annual financial statement

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2022-23  
Internal Audit Plan

audits and agreed-upon procedures reviews, and coordination of other regulatory agency audits. Approximately 560 hours are anticipated for internal audit projects and non-audit activities, such as the annual risk assessment and audit planning process, required 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 900 hours for price review services, and 120 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 assumes 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 the projects and/or contracts are in their infancy, and it would be more suitable to perform an audit after the project and/or contract is better underway. Other high-risk auditable entities are not selected because of Internal Audit's knowledge of a recent or upcoming related review activity, such as audits by the California Department of Transportation and/or 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 Audit Plan includes audits to assess and test oversight, contract compliance, and invoice review controls related to the OC 405 Improvement Project, the Anaheim Canyon Station Improvement Project, the OC ACCESS Eligibility process, Customer Information Center operations, and state and federal consultant activities. Also planned are operational audits of the administration of life insurance, worker's compensation, training and educational reimbursement programs, accounts payable, and lost and found operations. Finally, an audit of selected agencies' use of Comprehensive Transportation Funding Program funds for compliance with M2 will be performed. The Audit Plan also includes an audit of bus advertising revenue as a contingency audit that will be initiated should there be available hours and/or resources prior to the preparation of the OCTA FY 2023-34 Audit Plan.

Each of the planned projects, along with projects carried over from the OCTA FY 2021-22 Audit Plan, is reflected at Appendix B, along with a brief description and the estimated staff hours required to perform the audit.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2022-23  
Internal Audit Plan

**Conclusion**

The OCTA FY 2022-23 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 A. 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 to best 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 2022-23**

Division	Department/Functional Area	Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
<b>Executive</b>				
	Clerk of the Board			
	Public Records Requests		Moderate	
	Form 700 Disclosures		Moderate	2021
	Brown Act Compliance		Low to Moderate	2018
	Board of Directors Compensation and Ethics Compliance		Moderate	2019
	Services of Legal Process		Low to Moderate	
	Legal Services			
	Woodruff, Spradlin, & Smart		Moderate to High	
	Security and Emergency Preparedness			
	Continuity of Operations/Emergency Response		Moderate to High	
	Emergency Operation Plans		Moderate to High	
	Physical Access Security - Facilities		Moderate to High	2021
	Security Grants		Low to Moderate	
	Transit Police Services		Moderate to High	2017
	Express Lanes and Motorist Services Programs			
	Master Custodial Agreement		Moderate to High	2019
	91 Express Lanes			
	Operations and Management		High	
	California Highway Patrol Services		Moderate	
	Collections		Moderate	
	Building Leases		Low	
	TollPlus Backoffice System		Moderate to High	
	Riverside County Transportation Corridor Agreement		Moderate	
	Toll Lanes Integrator Services		Moderate	
	405 Express Lanes - Operations and Management		Moderate to High	
	Motorist Services			
	Freeway Service Patrol		Moderate	2022
	Call Box Program		Low	
	511 Motorist Aid		Low to Moderate	
	Ethics Program		Moderate	
	COVID-19 Response - Procedures		Moderate	
	Public Information Office			
	Crisis Communications Plan		Moderate	

**Capital Programs**

**Highway Projects**

**Interstate 5 (I-5) Improvements**

I-5 (between State Route 57 (SR-57) and State Route 55 (SR-55)) - Measure M2 (M2) Project A	Moderate to High	2020
I-5 (between Interstate 405 (I-405) and SR-55) - M2 Project B		

**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2022-23**

Division	Department/Functional Area	Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
		I-405 to Yale Ave	Low to Moderate	
		Yale Ave to SR-55	Low to Moderate	
		I-5 (South of El Toro Road) - M2 Project C		
		State Route 73 (SR-73) to El Toro Road Landscape	Low to Moderate	
		SR-73 to Oso Parkway	Moderate to High	
		Oso Parkway to Alicia Parkway	Moderate to High	
		Alicia Parkway to El Toro Road	Moderate to High	
		I-5 Interchange Projects - M2 Project D		
		El Toro Road Interchange	Low to Moderate	
		<b>SR-57 Improvements - M2 Project G</b>		
		Orangewood Avenue to Katella Avenue	Moderate	
		Lambert Road to Tonner Canyon Road	Low to Moderate	
		<b>SR-55 Improvements - M2 Project F</b>		
		I-405 to I-5	Moderate to High	
		I-5 to State Route 91 (SR-91)	Moderate	
		<b>State Route 91 (SR-91) Improvements</b>		
		Improvements from SR-57 to SR-55 - M2 Project I		
		SR-55 to Lakeview Avenue	Moderate	
		La Palma to SR-55	Moderate	
		Acacia to La Palma	Moderate	
		91 Express Lanes to State Route 241 Toll Connector	Low	
		<b>Interstate 605 (I-605)</b>		
		Katella Ave Interchange	Moderate	
		<b>I-405 Improvements</b>		
		Improvements from I-605 and SR-55 - M2 Project K		
		Design-Build Contract Management	High	
		Right-of-Way (ROW) Activities and Reporting	Moderate	2017
		Program Management Activities	High	2018
		Cooperative Agreements	Moderate	
		I-405 Improvements between SR-55 and I-5 - M2 Project L	Low to Moderate	
		<b>Highway Project Management</b>		
		Highway Project Management Support	Moderate to High	2018
		Project Controls	Moderate to High	
		Real Estate Administration	Moderate	
		<b>ROW Operations</b>		
		On-Call ROW Services	Moderate to High	

**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2022-23**

Division	RISK ASSESSMENT	7 Year Audit History
Department/Functional Area		
Project/Program/Contract/Function		
On-Call Real Property Appraisals	Moderate to High	
Excess Land Sales	Moderate	
Utility Agreements	Moderate	
<b>Facilities Engineering</b>		
Facilities Project Management	Moderate	
Transit Security Operations Center	Moderate to High	
<b>Transit Project Delivery</b>		
<b>Program Management Support: Rail Programs</b>	Moderate to High	
<b>Local Initiatives</b>		
<b>Project S: Go Local Fixed Guideway Projects</b>		
OC Streetcar Project Construction		
Design and Construction Management	High	2022
Construction	High	
Cooperative Agreements	Moderate to High	
OC Streetcar Project Management	High	2021
OC Streetcar Operations & Maintenance Agreement	Moderate to High	
<b>Rail Project Delivery</b>		
City of Orange Parking Expansion	Moderate	2019
Placentia Metrolink Station Project	Moderate	
Anaheim Canyon Station Improvements	Moderate	
Laguna Niguel - San Juan Capistrano Passing Siding	Moderate	
San Juan Creek Bridge Replacement	Low	
Orange County Maintenance Facility	Low to Moderate	
Irvine Station Expansion	Low	
Serra Siding Project	Low to Moderate	
Control Point- Avery to San Onofre	Low	
Slope Stabilization Projects	Low to Moderate	
<b>Planning</b>		
<b>M2 Program Management Office</b>	Low to Moderate	
<b>Strategic Planning</b>		
<b>Transportation Planning</b>		
M2 Environmental Mitigation Program		
Program Administration	Moderate	
Land Security	Moderate	
Property Management	Moderate	
Mitigation Monitoring and Reporting	Moderate	
Transit and Non-Motorized Planning		
Bus Facilities Asset Management / Capital Plan	Moderate	



**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2022-23**

Division	Department/Functional Area	RISK ASSESSMENT	7 Year Audit History
Project/Program/Contract/Function			
	Fleet Outlook / Rollout Plan	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	
	<b>Southern California Association of Governments Agreement / Workplan</b>	Low to Moderate	
	<b>Geographic Information System Services</b>	Low to Moderate	
	<b>State/Federal Programs</b>		
	State/Federal Improvement Program Funding Administration	Moderate	
	Annual 5307 Program of Projects	Moderate	
	Calls for Projects	Low to Moderate	
	<b>Local Programs</b>		
	Measure M Eligibility	Moderate to High	
	Comprehensive Transportation Funding Programs - Agency Audits (CTFP)	Moderate to High	2018
	M2 CTFP Program Eligibility / Call for Projects	Moderate	2021
	Oversight and Reporting: CTFP	Moderate	2021
	<b>M2 Local Projects</b>		
	Project Q - Local Fair Share	Required	
	<b>Operations</b>		
	<b>Passenger Rail Operations &amp; Metrolink</b>		
	ROW Maintenance - Joshua Grading & Excavating	Moderate	2019
	Joint Powers Agreement Allocation Southern California Regional Rail Authority	Moderate to High	
	<b>Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency Managing Agency Contract</b>	Moderate	
	<b>Transit Project Delivery</b>		
	<b>OC Streetcar Operations</b>		
	OC Streetcar Vehicles	High	
	Operations & Maintenance Contract	Moderate to High	
	<b>Service Planning and Scheduling</b>		
	Coach Operator Scheduling	Moderate	
	Stops & Zones	Low to Moderate	

**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2022-23**

Division	Department/Functional Area	RISK ASSESSMENT	7 Year Audit History
	Project/Program/Contract/Function		
	Schedule Checkers	Low to Moderate	
	Service Change Implementation	Moderate	
	<b>Bus Operations</b>		
	Operator Bidding Process	Moderate to High	2019
	Overtime: Scheduled and Unscheduled	Moderate to High	
	Operations Training	Moderate	
	Field Supervision	Moderate	
	Central Communications	Moderate to High	
	Timekeeping System	Moderate	
	Uniform Allowance	Low	
	<b>Contracted Services</b>		
	Travel Training	Low to Moderate	
	ACCESS Eligibility	Moderate to High	
	Regional Center Day Programs	Moderate to High	
	Adult Day Health Care Program Agreements	Moderate	
	Job Access and Reverse Commute and New Freedom Grant Administration	Low to Moderate	
	Senior Mobility Program (M2 - Project U & Transportation Development Act-funded)		
	Locally-Funded	Low to Moderate	
	M2-Funded	Required	Annual
	Senior Non-Emergency Medical Transportation (M2 - Project U)	Required	2020
	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	2020
	EZ Wallet Program	Moderate	
	Vanpool Operations	Moderate	
	OC Flex Operations	Moderate	
	<b>Maintenance</b>		
	Maintenance Employee Incentives	Moderate	
	Rolling Stock and Inventory Contracts		
	Bridgestone/Firestone Tire Lease	Moderate	2021
	Trillium USA - Operate & Maintain Compressed Natural Gas Stations	Moderate	
	Cummins Cal Pacific	Moderate	
	Revenue Vehicle Maintenance	Moderate to High	2020
	Specialty Shop Maintenance	Moderate	
	Fuel Management	Moderate	2018
	Transit Technical Services	Moderate to High	
	Revenue Vehicle Purchase / Acceptance	Moderate to High	2022
	Non-Revenue Vehicle Purchase	Low to Moderate	
	Decommission and Auction of Retired Vehicles	Low to Moderate	

**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2022-23**

Division	RISK ASSESSMENT	7 Year Audit History
Department/Functional Area		
Project/Program/Contract/Function		
Maintenance Resource Management	Moderate to High	2021
Timekeeping	Low to Moderate	
Equipment Assignments and Tracking	Low	
Uniform Rental and Cleaning	Low to Moderate	
Facilities Maintenance	Moderate	
Maintenance Training	Low to Moderate	
Electric Vehicle Charging Stations	Moderate	
<b>Finance and Administration</b>		
<b>Project U - Fare Stabilization</b>	Low to Moderate	
<b>Financial Planning and Analysis</b>		
Budget Development and Monitoring	Moderate to High	2017
Comprehensive Business Plan	Moderate	
Transit Performance Metrics	Moderate	
<b>Treasury and Public Finance</b>		
<b>Investments</b>		
Investments - Compliance, Controls, and Reporting	Required	Semi-Annual 2017
Investment Management Service Contracts	Moderate to High	
Endowment Funds	Low	
Transportation Infrastructure Finance and Innovation Act Loan	Moderate	
<b>Accounting and Financial Reporting</b>		
General Accounting	Moderate	Annual
Financial Reporting	Required	
Cost Allocation Plan	Low to Moderate	Annual
M2 Accounting and Reporting	Required	
Accounts Payable	Moderate to High	2018
Purchasing Cards	Low to Moderate	
Corporate Credit Cards	Low to Moderate	
Capital Assets	Moderate	
Pass Sales Program	Low to Moderate	2020
Payroll Operations	Moderate to High	
Administrative Employee Overtime	Moderate	
Payroll Garnishments	Low	
Petty Cash Funds Administration	Low	
Banking Services	Moderate	
National Transit Database	Required	
<b>General Services</b>		
Printing and Reprographics	Low to Moderate	
Records Management	Moderate	

**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2022-23**

Division	Department/Functional Area	RISK ASSESSMENT	7 Year Audit History
	Project/Program/Contract/Function		
	Lease Management	Low to Moderate	2017
	Asset Management and Inventory	Moderate	
	OCTA Policies	Low	
	OCTA Store	Low to Moderate	
	Parking Garage - ABM Parking Services	Low	
	Lost and Found	Low to Moderate	
	<b>Revenue Administration</b>		
	Farebox Revenue Collections and Armored Car Services	Moderate	2019
	Mobile Ticketing Operations	Moderate	
	Revenue and Revenue Sharing Contracts	Moderate to High	2020
	Grant Administration & Accounting	Moderate to High	Annual
	Transportation Development Act	Required	
	Subrecipient Monitoring	Moderate	
	Federal Stimulus Funding	Moderate to High	
	<b>Contracts Administration and Materials Management</b>		
	Contract Amendments	Moderate to High	2018
	Independent Cost Estimates	Moderate	
	Proposal Evaluations	Low to Moderate	
	Protests	Low to Moderate	
	Small Purchases	Low to Moderate	
	Buy America Compliance	As Required	
	Purchase Order and Blanket Purchase Orders	Moderate	
	Maintenance Inventory Management	Moderate	
	Warranty Administration	Moderate	
	Disadvantaged Business Enterprise Program	Moderate	
	Inventory Contracts		2019
	Unleaded Fuel	Moderate	
	Renewable Natural Gas Credits Contract	Low to Moderate	
	<b>Information Systems</b>		
	Applications		2020
	Integrated Transportation Management Systems Radio	Moderate to High	
	OCTA.net Website	Moderate	
	Application Infrastructure	Moderate to High	
	Database Systems	Moderate	
	Vendor Management	Moderate to High	
	Information Technology (IT) Systems & Security	High	
	System Development and Acquisition	Moderate	
	Patch Management	Moderate to High	
	IT Operations (User Management, Authentication, Access Controls)	Moderate to High	

**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2022-23**

Division	Department/Functional Area	RISK ASSESSMENT	7 Year Audit History
	Project/Program/Contract/Function		
	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	
	Enterprise Asset Management System - Implementation	Moderate	
	Telecommunications	Low to Moderate	
<b>People and Community Engagement</b>			
<b>Risk Management</b>			
	Insurance Program Administration	Moderate	
	Liability Claims Management and Subrogation	Moderate to High	
	Worker's Compensation and Subrogation	Moderate to High	
<b>Health, Safety and Environmental Compliance</b>			
	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	2021
	Safety Specifications	Moderate	
	National Transit Database Accident Reporting	Low to Moderate	
	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	
	Underground Storage Tank Removal Program	Moderate to High	
	Safety Management Plan	Moderate	
	<b>Internal Communications</b>	Low	
	<b>Employment &amp; Compensation</b>		
	Separations	Low to Moderate	2020
	Extra Help and Interns	Low to Moderate	
	Temporary Staffing	Low to Moderate	2022
	Recruitment and Employment	Moderate	2019
	Compensation	Moderate	

**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2022-23**

Division	Department/Functional Area	Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
<b>Benefits</b>				
		Healthcare Plans	Moderate to High	2017
		Coach Operator Healthcare	Moderate	
		Maintenance Employee Healthcare	Moderate	
		Protected Leave	Moderate to High	2017
		Flexible Benefits	Low to Moderate	
		Health Savings Account	Moderate	
		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 to Moderate	
		Alternative/Remote Work Program	Low	
		Benefit Program Incentives	Low to Moderate	2021
		Commuter Club Program	Low to Moderate	
<b>Employee and Labor Relations</b>				
		Labor Contracts	Moderate	2020
		Unemployment Claims	Low	
		Grievances	Low to Moderate	
		Equal Employment Opportunity	Moderate	
		Title VI Compliance	Moderate	
		Medical Exams	Moderate	
		Americans with Disabilities Act	Moderate	
<b>Training &amp; Development</b>				
		Training (Learning Management System)	Low to Moderate	
		Educational Reimbursements	Low to Moderate	
<b>External Affairs</b>				
		Marketing and Customer Engagement	Low to Moderate	
		Digital and Creative Services		
		OCTA Bus Marketing	Moderate	
		Bus Advertising Revenue Contracts	Low to Moderate	
		Rideshare Program	Moderate	
		Customer Engagement & Data Analytics	Moderate	
		Data Analytics / Performance Management		
		In-House Customer Relations	Low to Moderate	
		Customer Information Center	Moderate	
		Reduced Fare ID Program	Low to Moderate	
		Diversity Outreach and Economic Opportunity Programs	Low to Moderate	
		Public Outreach		

**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2022-23**

Division	Department/Functional Area	Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
	Project Outreach Contract Management		Moderate	
	SR-91		Moderate	
	I-5		Moderate	2018
	SR-55		Moderate	
	OC Streetcar Project		Moderate to High	
	I-405 Improvement Project		Moderate to High	
	Planning Studies Outreach		Low to Moderate	
<b>Government Relations</b>				
	<b>State and Federal Relations</b>			
	Lobbying Contracts		Low to Moderate	
	<b>Subrecipient Monitoring</b>		Moderate	

**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2022-23 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
<b>Mandatory External Independent Audits</b>				
Annual Financial Audits and Agreed-Upon (AUP) Procedures Reviews	FY23-001 through FY23-004	Coordinate and report on annual financial and AUP reviews for FY 2021-22.	Financial	420
External Regulatory Audits	FY23-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60
<b>Internal Audit Department Projects</b>				
Risk Assessment and Annual Audit Plan	FY23-100	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	180
Quality Assurance and Self-Assessment	FY23-101	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	180
Fraud Hotline Activities	FY23-102	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	160
Automated Workpaper Solution	FY23-103	System updates/training related to automated workpaper solution.	Workpaper System	40
<b>Internal Audits</b>				
<b>Clerk of the Board</b>				
Public Records Requests	FY22-510	Assess and test controls in place to ensure compliance with regulations, policies, and procedures for processing Public Records Act requests.	Compliance	180
<b>Planning</b>				
Comprehensive Transportation Funding Programs	FY23-5XX	Audit selected projects for compliance with Measure M2 Ordinance, policies, and procedures.	Compliance	320



**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2022-23 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
<b>People and Community Engagement</b>				
Training & Educational Reimbursement	FY23-5XX	Assess and test the adequacy of controls related to employee training administration and educational reimbursements and determine compliance with policies and procedures.	Operational	240
Life Insurance Benefits	FY23-5XX	Assess and test policies, procedures, and controls over administration of employee life insurance benefits.	Operational	240
Worker's Compensation	FY23-5XX	Assess and test controls related to administration of Worker's Compensation claims, including contractor support.	Operational	300
Customer Information Center	FY23-5XX	Assess and test oversight, contract compliance, and invoice review controls related to the provision of services by the third-party provider.	Internal Control/ Compliance	240
<b>Capital Programs</b>				
OC Streetcar - Design and Construction	FY22-505	Assess and test oversight controls, contract compliance, and invoice review controls related to construction of the OC Streetcar project.	Internal Control / Compliance	24
On-Call ROW and Appraisal Services	FY22-511	Assess and test oversight, contract compliance, and invoice review controls over the use of consultant services for ROW and appraisal services.	Internal Control / Compliance	80
Anaheim Canyon Station Improvements	FY23-5XX	Assess and test oversight controls, contract compliance, and invoice review controls related to the Anaheim Canyon Station Improvements project.	Internal Control / Compliance	300
OC 405 Partners	FY23-5XX	Assess and test oversight controls, contract compliance, and invoice review controls related to the OC 405 design-build project.	Internal Control / Compliance	400

**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2022-23 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
<b>Operations</b>				
OC ACCESS Eligibility	FY23-XXX	Review ACCESS eligibility process, assess and test oversight controls, contract compliance, and invoice review controls.	Operational / Compliance	280
Non-Revenue Vehicle Purchases and Assignment	FY22-512	Review non-revenue vehicle and accessory purchases and assignments to determine compliance with policies and procedures and evaluate activities to assess economy and efficiency.	Internal Control/ Operational	40
<b>Finance and Administration</b>				
Treasury	FY23-5XX	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	300
Accounts Payable	FY23-5XX	Assess and test controls over accounts payable operations.	Operational	320
Lost and Found Operations	FY23-5XX	Assess and test controls and activities of lost and found operations.	Operational	220
Cybersecurity	FY23-5XX	Design a scope of work and procure an audit consultant to evaluate OCTA's Cybersecurity program.	Internal Control/ Operational	100
Independent Cost Estimates	FY22-513	Review and test controls to ensure independent cost estimates are properly prepared and in compliance with regulations, policy, and procedures.	Internal Control/ Compliance	160
Price Reviews	PR23-XXX	As requested by the Contracts Administration and Materials Management (CAMM) Department, apply AUP to sole source, single bid, and architectural and engineering firm proposals.	Price Review	900
Buy America	PR23-XXX	As requested by the CAMM Department, apply AUP to determine compliance with Buy America requirements.	Buy America	120
<b>Government Relations</b>				

**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2022-23 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
State and Federal Consultant Contracts	FY23-5XX	Assess and test oversight, contract compliance, and invoice review controls related to state and federal consultant activities.	Internal Control/ Compliance	240

**Unscheduled Reviews and Special Requests**

Unscheduled Reviews and Special Requests	FY23-800	Time allowed for unplanned audits and requests from the Board of Directors (Board) or management.	Varies	240
--	----------	---	--------	-----

**Monitoring Activities**

Measure M Taxpayer Oversight Committee (TOC)	FY23-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60
Metrolink Audit Activities	FY23-602	Review/monitor audit results of Metrolink activities.	Non-Audit Service	20
Bus Base Inspections	FY23-603	At the request of the Operations Division, participate in annual base inspections.	Non-Audit Service	80

**Follow-Up Reviews**

Follow-Up Reviews and Reporting	FY23-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-Up	240
---------------------------------	----------	--	-----------	-----

**Total Audit Project Planned Hours (A) 6,684**

**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2022-23 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
<b>Internal Audit Administration</b>				
Board and Committee Meetings				180
Executive Steering and Agenda Setting Meetings				180
Internal Audit Staff Meetings				140
Other Administration				1,500
			<b>Total Hours (B)</b>	<b>8,684</b>
			<b>Department Target Efficiency (A/B)</b>	75%
			<b>Target Efficiency - Professional Staff</b>	80%

**Contingency: Internal Audit**

Bus Advertising Revenue	FY23-5XX	Assess and test oversight and contract compliance controls related to the agreement for bus advertising.
-------------------------	----------	--