



July 23, 2014

To: Finance and Administration Committee

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

Subject: Draft Fiscal Year 2014-15 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 2014-15 Internal Audit Plan.
- B. Direct the Executive Director of Internal Audit to provide quarterly updates on the Fiscal Year 2014-15 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 2014-15 Internal Audit Plan (Audit Plan) for the Board's approval. The Audit Plan was developed

using an enterprise-wide risk assessment. The Audit Plan will be implemented using Internal Audit staff, on-call consultants, an independent financial and compliance audit firm, and other firms as needed.

Fiscal Impact

The Audit Plan has been developed within the resources available in the adopted budget for fiscal year 2014-15.

Summary

The Audit Plan has been developed to support the Board and OCTA management in the discharge of their duty and responsibility to safeguard the assets of OCTA while ensuring those assets are used in an efficient and effective manner.

Attachment

- A. Draft Fiscal Year 2014-15 Internal Audit Plan

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ORANGE COUNTY TRANSPORTATION AUTHORITY Internal Audit Department



Draft Fiscal Year 2014-15 Internal Audit Plan



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Mission of the Internal Audit Department

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

Internal Audit Department Activities

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

Internal Audit provides a wide range of auditing services including annual financial and compliance audit oversight, operational reviews, contract compliance reviews, internal control assessments, investigations, pre-award and post-delivery Buy America reviews, and pre-award price reviews. In addition, all audits initiated by entities outside of OCTA are coordinated through Internal Audit.

Internal Audit measures the efficiency of the department by calculating a productivity ratio. The ratio, used broadly throughout the audit industry, measures the amount of time auditors spend on audit projects versus time spent on administrative duties. Productivity goals are established for the professional audit staff and for the department. The department-wide target includes all professional staff and the Executive Director. For fiscal year (FY) 2014-15, Internal Audit set a department-wide target productivity ratio of 74 percent and a professional audit staff productivity ratio of 80 percent. Because the Executive Director is required to regularly participate in non-audit management activities such as executive planning and committee meetings, the department ratio is set lower than that of the professional staff.

The Government Accountability Office (GAO) broadly defines audits as financial, attestation, or performance audits. Financial audits, including financial statement audits, are assessments of, and assurances about, an entity's financial condition, operating results, or other defined financial criteria. Attestation engagements are both financial and non-financial and result in varying degrees of assurances about specific subject matter. Agreed-upon procedures price reviews, performed by Internal Audit, are an example of attestation engagements whereby Internal Audit applies procedures to specific elements of contractor price proposals.

Internal Audit's efforts, however, are focused primarily on the third category of audits, performance audits, as defined by the GAO. Performance audit objectives vary widely and include assessments of program effectiveness, economy and efficiency, internal control, and compliance. To more accurately define the objectives of these performance audits, Internal Audit categorizes audit projects in a more descriptive manner as indicated below. It is important to note, however, that most audit projects include objectives consistent with one or more of these audit types.

Compliance – Compliance audits are performed to ensure that the terms and conditions of contracts, grants, memorandums of understanding, or other agreements are being followed and that there is compliance with Board-adopted policies and procedures, management policies and procedures, and applicable regulatory requirements.

Price Review – Price reviews refer to the agreed-upon procedures reviews performed for architectural and engineering price proposals or sole source bids to determine if proposed pricing is fair and reasonable. Agreed-upon procedure reviews are also performed on single bid procurements to determine whether the Contracts Administration and Materials Management Department (CAMM) complied with policies and procedures to ensure a fair and competitive process. The procedures performed are the responsibility of CAMM.

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 external auditors to ensure compliance with the Measure M ordinance or other legally mandated requirements.

Internal Control – Internal control audits are performed to ensure that there are adequate controls in place to protect assets or resources. Internal controls include processes for safeguarding assets, as well as segregating incompatible duties.

Operational - An operational audit is performed to evaluate current operating procedures and to determine if there are more efficient or effective ways to accomplish the goals of the project, program, or activity. Operational audits generally include elements of an internal control audit or a compliance audit.

Internal Audit also performs other activities outlined in the audit plan as follows:

Monitoring – These activities include providing information and coordination assistance to the Audit Subcommittee (Subcommittee) of the Taxpayer’s Oversight Committee (TOC) in their duty to exercise oversight in the expenditure of Measure M1 (M1) and Measure M2 (M2) funds. Also, Internal Audit, at the request of the Transit Division, participates in annual bus base inspections to assist the division in evaluating operations and compliance at the three OCTA-operated base locations.

Follow-Up Activities – These activities are undertaken to ensure that audit recommendations are implemented or otherwise satisfactorily addressed.

Investigations – Investigative activities are undertaken in response to a complaint or allegation, including those received through OCTA’s Fraud Hotline.

Fiscal Year 2013-14 Accomplishments

- Completed 23 agreed-upon procedures reviews of architectural and engineering, sole source, or single bid contracts and provided CAMM with price adjustment recommendations of over \$2.1 million.
- Completed an additional 12 audit projects and two Buy America agreed-upon procedures reviews.
- Exceeded both the department-wide productivity goal of 74 percent and the professional audit staff productivity goal of 80 percent.
- Coordinated the Federal Transit Administration's FY 2013 Federal Triennial Review and management responses to findings indentified. Also, coordinated reviews by the Federal Emergency Management Agency's Financial Monitoring Review of 2009 through 2012 Transit Security Grant Program Funding, and the California Governor's Office of Emergency Services, Grant Monitoring Review of FY 2009-10 California Transit Security Grant Program, Award No. 62610002.
- Conducted follow-up on implementation of audit recommendations within six months of report issuance or earlier, as directed by the Finance and Administration (F&A) Committee.
- Performed Internal Audit's annual internal quality assurance and self-assessment review, identifying and addressing areas for improvement to processes, policies, and procedures. Completed revisions to clarify and improve policies and procedures to better reflect Government Auditing Standards requirements.
- Provided administration of OCTA's Fraud Hotline and reviewed 28 complaints received during the fiscal year. All complaints were reviewed and referred to management and/or investigated as appropriate. As part of the administration of the hotline, Internal Audit maintains documentation of each complaint and its disposition.
- Provided assistance to the Subcommittee including, but not limited to, design of the agreed-upon procedures for testing compliance with M2 Local Fair Share expenditures, Project U Senior Mobility Program, and Senior Non-Emergency Medical Transportation Program expenditures, and for testing M1 and M2 status reports. Also, provided information related to the cities receiving M2 funds to assist the Subcommittee in selection of cities for audit. Provided all M1 and M2 audit report results to the Subcommittee in January 2014.
- Updated the OCTA Internal Audit Risk Assessment (Risk Assessment) to reflect new programs, functions, and significant contracts and to better reflect the current organization. Also, met and solicited input from executive directors to both review the list of auditable entities for completeness and to review Risk Assessment scoring methodology and scores for those entities under their purview.

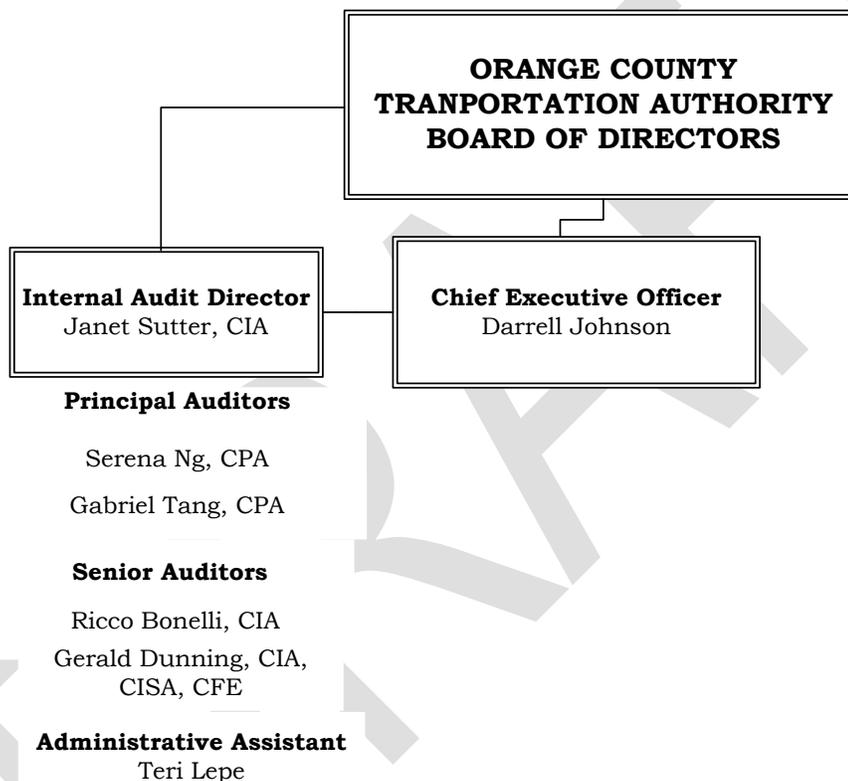
Fiscal Year 2014-15 Goals

- Achieve a department-wide productivity ratio of at least 74 percent and professional staff productivity ratio of at least 80 percent.
- Initiate investigations of all Fraud Hotline reports within two business days of receipt.
- Conduct agreed-upon procedures reviews, at the request of CAMM, of all architectural and engineering price proposals exceeding \$150,000, to establish the reasonableness of proposed rates and recommend price adjustments for potential savings. Also, provide for price review of sole source contracts exceeding \$50,000, and agreed-upon procedures reviews of single bid procurements as requested.
- Conduct agreed-upon procedures reviews of vehicle purchases in accordance with Buy America laws, at the request of CAMM.
- Assist the Subcommittee with the design and update of agreed-upon procedures for M1 and M2-related audits, and provide progress updates and final results of all M1 and M2-related audits.
- Improve the effectiveness of Internal Audit by continuing to assess the risk profile of the organization and update the Risk Assessment as appropriate to reflect organizational changes.
- Perform Internal Audit's annual internal quality assurance and self-assessment review by February 28, 2015, and make any noted improvements to Internal Audit's processes, policies, and procedures.
- Conduct follow-up on implementation of audit recommendations within six months of report issuance or earlier, as directed by the F&A Committee, and report the results as part of the quarterly updates to the Internal Audit plan.
- Maintain full compliance with Yellow Book continuing professional education (CPE) requirements and those of all professional certifications (Certified Public Accountant, Certified Internal Auditor, Certified Information Systems Auditor, Certified Fraud Examiner).
- Review audit committee charters of the F&A Committee and the Subcommittee of the TOC and recommend updates based on relevant changes in professional guidance. Both charters should be completed and presented to the respective committee's annually.

Internal Audit Organization

Government Auditing Standards (Standards) provide a framework for government auditors in the areas of transparency, independence, accountability, and quality. These Standards require that auditors be independent in both mind and appearance with respect to the entities for which they perform audit services. Internal Audit has established policies and procedures to comply with Standards and OCTA has established an internal audit function that is organizationally independent. As indicated below, Internal Audit reports functionally to the Board, and administratively to the Chief Executive Officer:

Internal Audit Departmental Organization Chart



Risk Assessment Process

It is the responsibility of OCTA management to identify, assess, and manage risk. It is Internal Audit's responsibility to facilitate the identification and assessment of risk, and to monitor and report on how well risks are being managed by OCTA. All organizations face risks, which are defined as those events, actions, or inactions that could cause key business objectives not to be achieved. To mitigate and manage these risks, an organization typically implements internal controls, anticipates and plans for disruptions, develops risk management programs, and engages in other risk mitigation activities.

The key business objective of OCTA is imbedded in its mission statement to “*Develop and deliver transportation solutions to enhance quality of life and keep Orange County moving.*” Delivering these “*transportation solutions*” are several core business units of OCTA, including Transit, Planning, and Capital Projects Divisions. These business units are supported by administrative functions, and all of these services are delivered through a variety of projects, programs, and activities. With a budget exceeding \$1 billion, OCTA delivers transportation solutions through numerous channels, with a variety of stakeholders, with the assistance of the private sector, and for the benefit of diverse customers.

Recognizing both the enormity of OCTA’s projects, programs, and activities, as well as the constraints of Internal Audit resources, Internal Audit maximizes its effectiveness by engaging in an annual risk assessment process to establish the priorities of the department for the upcoming fiscal year.

Risk Assessment Methodology

Internal Audit established the architecture of the Risk Assessment by first identifying all OCTA projects, programs, contracts, and functions (auditable entities). Internal Audit then identified six categories of risks and assigned weightings as follows:

Financial and Compliance Risks (20%) – The magnitude of financial exposure to OCTA and the degree of regulatory oversight and/or the volume of regulation with substantial fines, penalties, or other sanctions for noncompliance.

Security and Safety Risks (15%) – The impact of a security breach to OCTA customers, contractors, employees, or the public, and the degree of severity (catastrophic, significant, moderate, or minimal) resulting from incidents or accidents.

Operational and Strategic Risks (15%) – The severity of impact of a disruption in the operation of this OCTA project or program on Orange County travelers, and the significance of this project or program to OCTA’s strategic success.

Image and Reputation Risks (15%) – The intensity of public interest and awareness, and the visibility of the project, program, or function to the media.

Complexity of Operations (15%) – The number of individuals, departments, contractors, information systems, and manual processes involved in the delivery of this project or program, and the degree to which transactions require professional judgment or technical expertise.

Time Since Last Audit (20%) – The length of time since the last audit or review was conducted and the results of that review.

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

Risk Rating	Description
5	High Risk
4	Moderate to High Risk
3	Moderate Risk
2	Low to Moderate Risk
1	Low Risk

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

Auditable Entity	Audit History (5 years)	Audit Requirement	Time Since & Results of Last Audit						Weighted Average Risk
			20%	20%	15%	15%	15%	15%	
Purchasing Cards	2009	No	1	1	1	2	4	1	1.6
Maintenance Inventory Management	2011	No	1	3	2	4	3	2	2.5
MV Transit	2011	No	1	5	4	5	5	4	3.9
Buy America Compliance		Yes	As Required						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 B. The heat chart translates the numerical risk ratings of each auditable entity into a more visually appealing format. Auditable entities that require an audit, either by regulation or at the direction of the Subcommittee, are not risk rated, and are reflected as “Required”.

Internal Audit Plan Development

The Internal Audit Plan for FY 2014-15 (Audit Plan), Appendix A, calls for approximately 8,500 Internal Audit hours, exclusive of vacation, sick, holiday, and continuing professional education hours. Of the 8,500 hours, approximately 2,200 relate to administrative activities, including Board and Committee meeting attendance, Internal Audit staff meetings, and other administrative tasks. The purpose of including these hours is to monitor and measure Internal Audit’s productivity.

The Audit Plan includes approximately 500 hours for mandatory audit activities; this includes hours anticipated for coordination of the annual financial and compliance audits of OCTA.

Approximately 700 hours is 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, and administration and investigation of complaints received through the Fraud Hotline. The Audit Plan also includes 1,100 hours for price review services. While actual requests for price reviews are unpredictable, Internal Audit anticipates there will continue to be a steady number of requests from CAMM, and this budget is consistent with prior years' experience.

The Risk Assessment developed by Internal Audit is the primary, but not absolute, means by which Internal Audit prioritizes and selects audit projects. There remain other factors that are not taken into account in the Risk Assessment. For example, some high risk auditable entities are not selected because they are projects in their infancy and it would be more suitable to perform an audit after the project is better underway. Other high-risk auditable entities are not selected because of Internal Audit's knowledge of related review activities such as the service organization controls review of Cofiroute, USA (Cofiroute) and the M2 Ten Year Review, both scheduled for 2015. Also, the California Department of Transportation Incurred Cost Audit is underway and includes several capital projects. Knowledge of these control review activities reduces the likelihood that audits of Cofiroute operations, the M2 Program Management Office, or certain capital projects will be selected. Other subjective factors that enter into the selection of audit projects include knowledge about external or regulatory auditor interest, project or program failures or successes, consideration of the impact to individual departments and/or divisions, and staffing resources.

The Audit Plan includes an audit of oversight controls and contract compliance related to the State Route 91 Improvement Project and the Bristol Street widening project. In the area of finance and administration, reviews of controls in place over farebox revenue collection and accounts payable have been included, as well as the required, semi-annual reviews of investments. An operational review of the vanpool program and a compliance review of the process for responding to public records requests are also planned for the coming year. Each of the planned projects, along with projects carried over from the prior Audit Plan, is reflected at Appendix A, along with a brief description and the estimated staff hours required for the review.

Conclusion

The Audit Plan seeks to align limited audit resources with risk throughout the organization while considering prior audit effort and other factors, as identified in Appendix B Risk Assessment. Internal Audit will continue to refine the Risk Assessment to include emerging OCTA projects, programs, contracts, and functions. Internal Audit will also continue to assess the risk ratings and weightings included to most accurately reflect the risk profile of the organization and to allow the greatest coverage of that risk in the annual audit planning process.

**Orange County Transportation Authority
Internal Audit Department
FY 2014-15 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Mandatory External Independent Audits				
Annual Financial Audit	FY15-001 through FY15-003	Coordination and oversight of annual financial and compliance audits for fiscal year 2014-15.	Financial	400
Annual Transportation Development Act Audits	FY15-004	Coordination of required annual audits of the recipients of Transportation Development Act Funds for fiscal year 2014-15.	Compliance	36
California Department of Transportation (Caltrans) Incurred Cost Audit	FY15-XXX	Coordinate Incurred Cost Audit initiated by Caltrans for funding of various highway and grade separation projects.	Compliance	56
Internal Audit Department Projects				
Risk Assessment and Annual Audit Plan	FY15-100	Annual preparation of the audit plan, quarterly updates to the audit plan, periodic assessment of risk throughout the year, including the monitoring of audit results of related entities.	Audit Plan and Updates	200
Quality Assurance and Self-Assessment	FY15-101	Update of Internal Audit Policies & Procedures. Annual self assessment of Internal Audit's compliance with Government Auditing Standards.	Quality Assurance	180
Fraud Hotline	FY15-103	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	300
Internal Audits				
Organization-Wide				
Business Resumption and Continuity of Operations	FY14-514	Assess whether business resumption/continuity of operations plans provide the framework for an effective response and recovery from any business interruption.	Operational	60
Legal Services	FY15-5XX	Assess the adequacy of contract oversight and payment controls.	Internal Controls	180
Clerk of the Board				
Public Records Act Requests	FY15-5XX	Assess the adequacy of controls to ensure compliance with the Public Records Act.	Compliance	160
Human Resources and Organizational Development				
Family Medical Leave Act	FY14-502	Review controls in place to ensure compliance with policies, procedures, and regulations related to the Family Medical Leave Act.	Compliance	240
Training	FY14-510	Assess the adequacy of operations related to employee training and educational reimbursements and determine compliance with regulations, policies, and procedures.	Operational	40

**Orange County Transportation Authority
Internal Audit Department
FY 2014-15 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Capital Projects				
State Route 91 Improvements from Interstate 5 to State Route 57	FY15-XXX	Review of the State Route 91 Improvement project, including project administration, oversight controls and contract compliance.	Compliance	350
Facilities Project Management	FY15-5XX	Review controls in place to manage OCTA facilities projects.	Operational	240
Bristol Street Widening	FY15-5XX	Assess oversight controls and contract compliance with related cooperative agreements for the Bristol Street Widening.	Compliance	300
Planning				
Competitive Transportation Funding Program Projects	FY14-516	Review selected projects for compliance with Measure M Ordinance, policies and procedures.	Compliance	60
Transit Operations				
Coach Operator Overtime: Scheduled and Unscheduled	FY14-XXX	Review of selected processes and controls involved in the budgeting, monitoring, and reporting of coach operator overtime, both scheduled and unscheduled.	Operational	300
Veolia Contract Closeout	FY14-512	Assess the adequacy and effectiveness of controls employed in the closeout of the Veolia contract for ACCESS services.	Internal Control	16
Performance Metrics	FY14-515	Review efforts to track and report performance metrics and assess the accuracy and timeliness of reporting.	Internal Control	200
Finance and Accounting				
Treasury	FY15-XXX	Semi-annual review of investments compliance, controls, and reporting.	Compliance	200
Grant Closeouts	FY14-517	As-needed financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40
Farebox Revenue Collection and Armored Car Services	FY15-XXX	Operational review of farebox revenue collection and recording.	Internal Control	200
Accounts Payable	FY15-5XX	Review adequacy of controls over the accounts payable operation.	Operational	240

**Orange County Transportation Authority
Internal Audit Department
FY 2014-15 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Contract Administration and Materials Management				
Buy America	FY15-XXX	Pre-award and post-delivery reviews to ensure vendors and OCTA are in compliance with federal Buy America requirements.	Compliance	320
Price Reviews	PR15-XXX	Cost and price analyses as required by OCTA procurement policies and procedures.	Price Review	1,100
External Affairs				
Vanpool	FY15-800	Review vanpool operations and contract compliance.	Operations	240
Unscheduled Reviews and Special Requests				
Unscheduled Reviews and Special Requests	FY15-800	Time allowed for unplanned audits and requests from the Board of Directors and management.	Varies	240
Monitoring Activities				
Measure M Taxpayers Oversight Committee	FY15-601	Coordination of audit activities with the Audit Subcommittee of the Measure M Taxpayers Oversight Committee.	Monitoring	160
Bus Base Inspections and Inventory Testing	FY15-602	Participation on annual base inspection teams.	Monitoring	32
Follow-up Reviews				
Follow-up Reviews and Reporting	FY13-700	Follow-up on audit findings and recommendations.	Follow-up	300
Total Audit Project Planned Hours (A)				6,390

**Orange County Transportation Authority
Internal Audit Department
FY 2014-15 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Internal Audit Administration				
Board of Directors and Committee Meetings				280
Executive Steering and Agenda Setting Meetings				180
Internal Audit Department Staff Meetings				200
Other Administration				1,500
			Total Hours (B)	8,550
			Department Target Efficiency (A/B)	75%
			Target Efficiency - Professional Staff	80%

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2014-15**

Division Department/Functional Area Project/Program/Function	RISK ASSESSMENT	5 Year Audit History
Executive		
Clerk of the Board		
Public Records Requests	Low to Moderate	
Form 700 Disclosures	Low to Moderate	2011
Public Meeting Notice/Brown Act	Low to Moderate	
Board of Directors Compensation and Ethics Compliance	Low to Moderate	2009
Legal Services		
Woodruff, Spradlin, & Smart	Moderate to High	
Internal Audit Department		
Quality Assurance (Peer) Review	Low	2013
Capital Projects		
Highway Projects		
Interstate 5 (I-5)		
I-5 (between State Route (SR)-57 and SR-55) - Measure M2 (M2) Project A	Moderate to High	
I-5 (between Interstate 405 (I-405) and SR-55) - M2 Project B	Moderate	
I-5 (South of El Toro Road) - M2 Project C		
Pacific Coast Highway (PCH) to San Juan Creek Road	Moderate	
Avenida Pico to Avenida Vista Hermosa	Moderate	
Avenida Vista Hermosa to PCH	Moderate to High	
SR-73 to El Toro Road	Moderate to High	
I-5 Interchange Projects - M2 Project D	Moderate	
I-5 Continuous High Occupancy Vehicle (HOV) Project	Low to Moderate	
SR-57 Improvements - M2 Project G		
Orangewood Avenue to Katella Avenue	Moderate to High	2012
Katella Avenue to Lincoln Avenue	Moderate	2012
Orangethorpe Avenue to Yorba Linda Boulevard	Moderate	2012
Yorba Linda Boulevard to Lambert Road	Moderate	2012
Lambert Road to Tonner Canyon Road	Low	
SR-55 Improvements - M2 Project F		
I-405 to I-5	Moderate to High	
State Route 91 Improvements (SR-91)		
Improvements from I-5 to SR-57 - M2 Project H	High	
Improvements from SR-57 to SR-55 - M2 Project I	Moderate	
Tustin Avenue Interchange to SR-55 - M2 Project J	Moderate to High	
SR-55 to Orange/Riverside County Line - M2 Project K	Moderate	
Interstate 405 (I-405)		
State Route 22 HOV Connector - Measure M1	Moderate	
Interstate 605 (I-605) HOV Connector Project - Measure M1	Moderate to High	
City Mitigation Funding	Low to Moderate	2014
Improvements from I-605 and SR-55 - M2 Project K	High	
Improvements from SR-55 to I-5 - M2 Project L	Low to Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2014-15**

	RISK ASSESSMENT	5 Year Audit History
Grade Separation Projects		
Project Management - Hatch Mott MacDonald	Moderate	2013
M2: Project O - Grade Separation Projects		
Orangethorpe Avenue Grade Separation Projects	Moderate to High	2013
Raymond Avenue Grade Separation Project	Moderate to High	
State College Boulevard Grade Separation Project	Moderate to High	
Placentia Avenue Grade Separation Project	Moderate to High	2013
Kraemer Boulevard Grade Separation Project	Moderate to High	2013
Tustin Avenue/Rose Drive Grade Separation Project	Moderate to High	2013
Lakeview Avenue Grade Separation Project	Moderate to High	2013
M2: Project R - Grade Separation Projects		
Grand Avenue Grade Separation Project	Moderate	
17th Street Grade Separation Project	Moderate	
Main Street Grade Separation Project	Moderate	
Ball Road Grade Separation Project	Moderate	
Orangethorpe Avenue Grade Separation (Anaheim) Projects	Moderate	
Sand Canyon Avenue Grade Separation Project	Moderate to High	
State College Boulevard Grade Separation (Anaheim) Project	Moderate	
Bristol Street Widening Project	High	
Highway Project Management		
Project Controls	Moderate to High	
Contract Change Controls	Moderate	
Contract Retention	Low to Moderate	2012
Real Estate Administration	Moderate to High	2011
Right-of-Way Operations	Moderate to High	2011
Anaheim Regional Transportation Intermodal Center (ARTIC)	Moderate to High	
Rail Programs and Facilities Engineering		
Local Initiatives		
Project S: Go Local Fixed Guideway Projects		
City of Anaheim - Go Local Fixed Guideway - Anaheim Rapid Connection	Moderate to High	
City of Santa Ana - Go Local Fixed Guideway	Moderate to High	
Passenger Rail Operations and Metrolink Expansion		
Right of Way Maintenance	Moderate	
Joint Powers Authority Allocation by Southern California Regional Rail Authority (SCRRA)	High	Monitor
Purchase of Rail Cars	Moderate	
Positive Train Control	Moderate	
Fiber Optics	Moderate to High	
Fullerton Parking Expansion Project	Moderate	
City of Orange Parking Expansion Project	Moderate	
Tustin Parking Expansion Project	Moderate to High	2014
Laguna Niguel/Mission Viejo Station Parking Lot	Moderate	
Placentia Metrolink Station Project	Moderate	
San Juan Capistrano Passing Siding	Moderate	
Anaheim Canyon Station Improvements	Moderate	
San Clemente Safety Improvements	Moderate	

Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2014-15

	RISK ASSESSMENT	5 Year Audit History
Facilities Engineering	Moderate	
LOSSAN Managing Agency Activities	Moderate	
Rail Programs Project Management	Low to Moderate	
Planning		
Measure M2 Program Management Office	Moderate	
Strategic Planning		
Management Services		
Strategic Plan - Development and Monitoring	Low to Moderate	
Performance Metrics - Monitoring	Moderate	
Regional Modeling and Traffic Operations	Moderate	
Geographic Information Systems	Moderate	
State/Federal Programs	Moderate	
Southern California Association of Governments: Agreement and Workplan	Moderate	
City of Irvine: Proposition 116 Letter Agreement	Low to Moderate	
Local Programs		
Measure M Eligibility	Moderate to High	
Call for Projects	Moderate	
CTFP Programs	Moderate	
Measure M2 Local Projects		
Project X: Water Quality Program	Low to Moderate	
Project O: Regional Capacity Program	Moderate	
Project P: Traffic Signal Synchronization	Moderate	
Project Q: Local Fair Share	Required	Annual
City of Placentia - Loan	Low to Moderate	
Project S: Go Local- Rubber Tire Program	Low to Moderate	
Project V - Community Based Transit Circulators	Low to Moderate	
Project W - Safe Transit Stops	Low to Moderate	
Transportation Planning		
Corridor and Project Studies		
Project Study Reports	Moderate	
Transit System Study	Low to Moderate	
M2 Environmental Mitigation Program		
Property Acquisition and Program Administration	Low to Moderate	2013
Restoration Funding	Moderate	
Soundwall Program	Low	
Transit and Non-Motorized Planning		
Bikeway Master Plans	Low	

Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2014-15

	RISK ASSESSMENT	5 Year Audit History
Transit Operations		
Community Transportation Services		
ACCESS Eligibility	Moderate to High	
ACCESS Service		
MV Transit ACCESS Operations	High	
Cooperative Agreements with Adult Day Healthcare Agencies	Low to Moderate	2013
Regional Center of Orange County Revenue Agreement	Low to Moderate	
Same Day Taxi Service - Yellow Cab of North Orange County	Moderate	
MV Transit Fixed Route Operations	Moderate to High	2011
Lost and Found Operations	Low	
Job Access and Reverse Commute and New Freedom Grant Administration	Low to Moderate	
Senior Mobility Program (Transportation Development Act audits)	Required	Annual
Senior Mobility Program (M2 - Project U)	Required	Annual
Senior Non-Emergency Medical Transportation (M2 - Project U)	Required	Biennial
Maintenance		
Base Facilities and Transit Centers	Moderate to High	
Revenue Vehicle Maintenance	Moderate to High	2010
Company Equipment Assigned Vehicles	Low to Moderate	
Farebox Revenue Collection and Armored Car Service	Moderate	
Fuel Dispensing	Moderate	2011
Maintenance Resource Management	Moderate to High	
Transit Technical Services	Moderate to High	
Timekeeping System	Low to Moderate	
Rolling Stock and Inventory Contracts		
South Counties Oil - Unleaded	Moderate	
IPC USA Diesel Fuel	Moderate	
Bridgestone/Firestone Tire Lease	Low to Moderate	2010
Applied LNG Technologies	Moderate	
Trillium USA - Operate and Maintain Compressed Natural Gas Fueling Stations	Moderate	
Cummins Cal Pacific - Repower Agreement	Moderate	
Clean Energy	Moderate	
Motorist Services		
Freeway Service Patrol (M2 Project N)	Low to Moderate	
Call Box Program	Low to Moderate	
511 Motorist Aid	Moderate	
Orange County Taxicab Administration Program	Low to Moderate	2013
Anaheim Transportation Network	Moderate	
Irvine Shuttle	Moderate	
Bus Operations		
Operator Bidding Process	Moderate to High	
Operator Overtime: Scheduled and Unscheduled	High	
Operations Training	Low to Moderate	
Operations Field Supervision	Moderate	
Central Communications	Moderate to High	
Timekeeping System	Low to Moderate	

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	RISK ASSESSMENT	5 Year Audit History
Service Planning and Customer Advocacy		
Stops and Zones	Low to Moderate	2013
Schedule Checkers	Low to Moderate	2013
Bus Route Planning	Moderate to High	
Transit Security and Emergency Preparedness		
Transit Police Services	Moderate	
Emergency Preparedness	High	
Physical Security - All Facilities	Moderate	
Security Grants	Moderate	
Transit Program Management		
Operations Analysis-National Transit Database Reporting	Required	Annual
Transit Capital Projects		
Radio - Intelligent Transit Management System Project	Moderate to High	
On Board Video Surveillance System	Moderate	
Fare Integration Study	Moderate	
Fixed Route Planning System	Moderate to High	
ACCESS Scheduling System	Moderate to High	
Finance and Administration		
Project U - Fare Stabilization	Low to Moderate	
Financial Planning and Analysis		
Budget Development and Monitoring	Moderate	
Comprehensive Business Plan	Moderate	
Revenue and Revenue Sharing Contracts	Moderate	2009
Grant Administration	Moderate to High	
Treasury and Public Finance		
Investments	Required	Bi-annual
Investment Management Contracts		
Western Asset Management	Moderate to High	2010
JP Morgan	Moderate to High	2010
Payden & Rygel	Moderate to High	2010
State Street Global Advisors	Moderate to High	2010
Logan Circle Partners (Bond Proceeds Investments)	Moderate to High	2013
Cutwater Asset Management (Bond Proceeds Investments)	Moderate to High	2013
91 Express Lanes		
Operations and Management - Cofiroute USA (Cofiroute)	Moderate to High	
Toll Road Collections	Moderate	2010
Transponders - Federal Signal Corporation	Moderate	
Building Leases - Corona and Anaheim locations	Low	
Cofiroute - Revenue and Account Management System	Moderate	2012
Riverside County Transportation Commission Agreement	Moderate	
Accounting and Financial Reporting		
General Accounting	Moderate	
Financial Reporting	Required	Annual
Cost Allocation Plan	Low to Moderate	2011

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	RISK ASSESSMENT	5 Year Audit History	
Measure M Accounting and Reporting	Required	Annual 2009	
Sales Tax Revenue Accounting	Moderate		
Accounts Payable	Moderate to High	2009 2012 2009 2013	
Purchasing Cards	Low to Moderate		
Corporate Credit Cards	Low to Moderate		
Capital Assets	Moderate		
Pass Sales Program	Low to Moderate		
Payroll Operations	Moderate to High		
Administrative Employee Overtime	Moderate		
Payroll Garnishments	Low to Moderate		
Farebox Revenue and Collection	Moderate		
Contract Administration and Materials Management			
Contract Amendments and Terminations	Moderate to High	2011 2012 2013 2012 2011	
Independent Cost Estimates	Moderate		
Proposal Evaluations	Low to Moderate		
Protests	Low to Moderate		
Small Purchases	Low to Moderate		
Buy America Compliance	Required		
Purchase Order and Blanket Purchase Orders	Moderate		
Maintenance Inventory Management	Moderate		
Warranty Administration	Low to Moderate		
Disadvantaged Business Enterprise Program	Moderate		
Labor Compliance	Moderate		
General Services			
Printing and Reprographics	Low to Moderate	2007	
Records Management	Moderate to High		
PM Realty - Lease Management	Moderate	2007 2014	
Access Cards, Keys, and Identification Cards	Moderate to High		
Employee Programs	Low		
Facilities Video System	Moderate		
Asset Management and Inventory	Moderate		
Internal Communications and OCTA Policies	Low to Moderate		
Commuter Club Program	Low to Moderate		
Metrolink Reimbursement Program	Low to Moderate		
Information Systems			
Business Resumption and Continuity of Operations	High		2011 2011
Information Systems Security	Moderate to High		
Payment Card Industry Compliance	Moderate to High		
Information Systems Development	Moderate		
Information Systems Change Management	Moderate		
Procurement and Inventory Systems	Moderate to High		
Payroll System	Moderate		
Financial Transaction System	Moderate to High		
Information Systems Hardware	Low to Moderate		
Telecommunications Equipment	Low to Moderate		

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	RISK ASSESSMENT	5 Year Audit History
Technology and User Support	Moderate	
Data Warehousing and Business Intelligence	Moderate to High	
Customized Solutions	Low to Moderate	
M2 Sharepoint	Moderate	
Contracted Services-Support	Moderate	
Tablet Reimbursement Program	Moderate	
Human Resources and Organizational Development		
Risk Management		
Insurance Program Administration	Moderate to High	
Liability Claims Management and Subrogation	Moderate to High	
Worker's Compensation and Subrogation	Moderate	2012
Employment & Compensation		
Terminations	Low to Moderate	
Extra Help and Contract Staffing	Low to Moderate	
Recruitment and Compensation	Moderate to High	2012
Benefits		
Healthcare Plans	Moderate to High	
Family Medical Leave Act	Moderate to High	
Flexible Benefits	Moderate	2013
Health Savings Account	Moderate	
Orange County Employees Retirement System	Moderate to High	
Teamsters Pension Fund Trust	Low to Moderate	
Employee Assistance Program	Low to Moderate	
Drug and Alcohol Program	Moderate to High	2009
Employee and Labor Relations		
Contract Negotiations	Moderate to High	
Unemployment Claims	Low to Moderate	
Grievances	Low to Moderate	2012
Equal Employment Opportunity	Moderate	
Title VI Compliance	Moderate	
Medical Exams	Moderate	
Training & Development		
Training (Learning Management System)	Moderate	
Educational Reimbursements	Low to Moderate	
Safety and Environmental Compliance		
Safety Programs	Moderate to High	2010
Loss Control and Accident Analysis	Moderate	
Department of Motor Vehicles Pull Notice Program	Low to Moderate	2012
Wellness Program	Moderate	
Environmental Compliance Program	Moderate to High	

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	RISK ASSESSMENT	5 Year Audit History
External Affairs		
Communication, Customer Relations, Marketing		
Bus Advertising	Low to Moderate	2013
OCTA Bus Marketing	Low to Moderate	
Media Relations/Community Relations	Low to Moderate	
Rideshare Program	Low to Moderate	
Vanpool Program	Moderate	2009
Customer Information Center	Moderate	2010
Web Development	Moderate	
Project Outreach Contract Management	Low to Moderate	
OCTA Store	Moderate	2014
Bike Share Program	Low to Moderate	
Government Relations		
Orange County Council of Governments	Low to Moderate	
Federal Relations		
Contracts	Low to Moderate	
Grant Applications and Oversight	Low to Moderate	
State Relations	Moderate	
Local Outreach	Low to Moderate	