



**July 10, 2013**

**To:** Finance and Administration Committee

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

**Subject:** Draft Fiscal Year 2013-14 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 2013-14 Internal Audit Plan.
- B. Direct the Executive Director of Internal Audit to provide quarterly updates on the Fiscal Year 2013-14 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 2013-14 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 2013-14.

**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 2013-14 Internal Audit Plan

**Prepared by:**



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# ORANGE COUNTY TRANSPORTATION AUTHORITY Internal Audit Department



## Draft Fiscal Year 2013-14 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 2013-14, 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.

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

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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 Subcommittee 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. Finally, Internal Audit obtains and reviews audit results related to the member agency allocation calculation by Metrolink that is audited by an independent accounting firm under a contract with Los Angeles Metropolitan Transportation Authority.

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

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

**Fiscal Year 2012-13 Accomplishments**

- Completed 15 agreed-upon procedures reviews of architectural and engineering, sole source, or single bid contracts and provided CAMM with price adjustment recommendations of nearly \$3.5 million.
- Completed an additional 16 audit projects and three Buy America pre-award agreed-upon procedure reviews.
- Underwent required external quality assurance (peer) review in February 2013, by the Association of Local Government Auditors. The peer review found that Internal Audit’s quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards for the calendar years ending 2010, 2011, and 2012.
- Exceeded both the department-wide productivity goal of 74 percent and the professional audit staff productivity goal of 80 percent.
- Conducted follow-up on implementation of audit recommendations within six months of report issuance or earlier, as directed by the Finance and Administration (F&A) Committee.
- Obtained the state-mandated triennial performance review of OCTA as the regional transportation planning entity and the Orange County Transit District and Laguna Beach Municipal Transit Lines as transit operators for the fiscal years ending 2010, 2011, and 2012. Results were presented to the Board in May 2013.
- 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 11 complaints received during the fiscal year. All complaints were reviewed and those with sufficient detail were investigated and closed. For those with insufficient detail, Internal Audit requested the reporter provide additional information and will take appropriate action when, and if, additional information is provided.

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- Provided assistance to the Subcommittee including, but not limited to, update of 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 2012.
- 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 2013-14 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 development 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, 2014, and make any noted improvements to Internal Audit's processes, policies, and procedures.



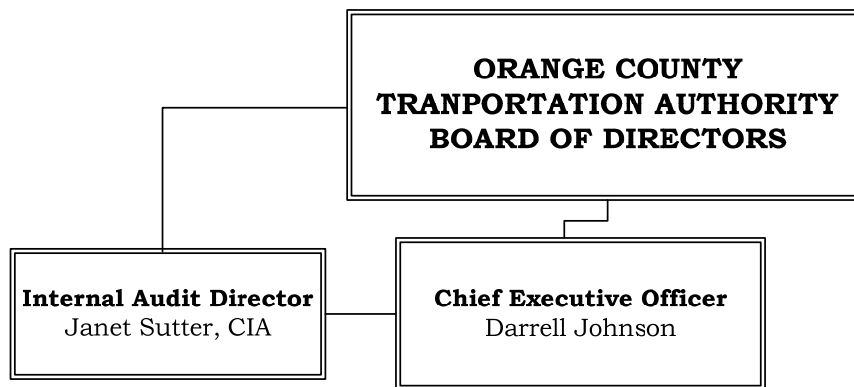
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- Coordinate federal triennial review of OCTA for the fiscal years ending 2010, 2011, and 2012, and present results to the Board.
- Conduct follow-up on implementation of audit recommendations within six months of report issuance or earlier, as directed by the F&A Committee, and report the results as part of the quarterly updates to the Internal Audit plan.

**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**



**Principal Auditors**

Serena Ng, CPA

Gabriel Tang, CPA

**Senior Auditors**

Ricco Bonelli, CIA

Gerald Dunning, CIA,  
CISA, CFE

**Administrative Assistant**

Teri Lepe

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**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 the 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.

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**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	Financial & Compliance Risk	Security & Safety Risk	Operational & Strategic Risk	Image & Reputation Risk	Complexity of Operations	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”.

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**Internal Audit Plan Development**

The Internal Audit Plan for Fiscal Year 2013-14 (Audit Plan), at Appendix A, calls for approximately 8,700 Internal Audit hours, exclusive of vacation, sick, holiday, and continuing professional education hours. Of the 8,700 hours, approximately 2,300 relate to administrative activities, including Board and committee meetings, 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 650 hours for mandatory audit activities; this includes hours anticipated for coordination of the annual financial and compliance audits of OCTA and the federal triennial review for the fiscal years ending 2010, 2011, and 2012. Approximately 740 hours is anticipated for internal audit projects and activities, such as the annual risk assessment and audit planning process, quality assurance and self-assessment, procurement and installation of a new automated workpaper and timekeeping system, and administration and investigation of complaints received through the Fraud Hotline. The Audit Plan also includes 1,000 hours for price review services. While actual requests for price reviews are unpredictable, Internal Audit anticipates there will continue to be a steady number of requests from CAMM, and this budget is consistent with prior years' experience.

The Risk Assessment developed by Internal Audit is the primary, but not absolute, means by which Internal Audit prioritizes and selects audit projects. There remain other factors that are not taken into account in the Risk Assessment. For example, some high risk auditable entities are not selected because they are projects in their infancy and it would be more suitable to perform an audit after the project is better underway; such is the case with several M2 programs. 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), the M2 organizational and readiness assessment review, and the Federal Emergency Management Agency grant review that are all underway. Knowledge of these control review activities reduces the likelihood that audits of Cofiroute operations, the M2 Program Management Office, or Transit security grants 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 business resumption and continuity of operations. The objective of this review will be to assess OCTA plans to ensure essential functions can be performed in the event of emergency. The plan also includes a review of organization-wide performance metrics. This review will assess efforts to track and report performance metrics, as well as test the accuracy and timeliness of reporting. Reviews of the Metrolink Service Expansion Program and the Tustin Parking Expansion Project are in process and will be completed during the plan year and a review of administrative employee overtime has been

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carried over from last year. Each of the planned projects 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 as identified in Appendix B Risk Assessment and other factors. 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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FY 2013-14 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
<b>Mandatory External Independent Audits</b>				
Annual Financial Audit	FY14-001, FY14-002, FY14-003	Coordination and oversight of annual financial and compliance audits for fiscal year 2012-13.	Financial	450
Annual Transportation Development Act Audits	FY14-004	Coordination of required annual audits of the recipients of Transportation Development Act Funds for fiscal year 2012-13.	Compliance	40
Triennial Review - Federal	FY14-005	Coordination of Federal Transit Administration triennial review.	Compliance	160
<b>Internal Audit Department Projects</b>				
Risk Assessment and Annual Audit Plan	FY14-100	Annual preparation of the audit plan, quarterly updates to the audit plan, periodic assessment of risk throughout the year.	Risk Assessment	180
Quality Assurance and Self-Assessment	FY14-101	Update of Internal Audit Policies & Procedures. Annual self assessment of Internal Audit's compliance with Government Auditing Standards.	Quality Assurance	120
Fraud Hotline	FY14-102	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	200
Automated Workpaper System	FY14-103	Procure and implement automated workpaper and timekeeping software.	Audit Software Updates	240
<b>Internal Audits</b>				
<b>Organization-Wide</b>				
Performance Metrics	FY14-XXX	Review efforts to track and report performance metrics and assess the accuracy and timeliness of reporting.	Operational	180
Business Resumption and Continuity of Operations	FY14-XXX	Assess whether business resumption/continuity of operations plans provide the framework for an effective response and recovery from any business interruption.	Operational	180
<b>Human Resources and Organizational Development</b>				
Flexible Benefits Program Administration	FY13-525	Review of policies, procedures, and controls in place over this employee benefit program.	Internal Control	24
Family Medical Leave Act	FY14-XXX	Review controls in place to ensure compliance with policies, procedures, and regulations related to the Family Medical Leave Act.	Compliance	180

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Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Training	FY14-XXX	Assess the adequacy of operations related to employee training and educational reimbursements and determine compliance with regulations, policies, and procedures.	Operational	180
<b>Capital Projects</b>				
Metrolink Service Expansion Program	FY11-510	Review of cooperative agreement with Metrolink for infrastructure improvements related to the implementation of 30 minute service.	Compliance	160
Tustin Parking Expansion	FY13-527	Review of the Tustin Parking Expansion project, including project administration, oversight controls and contract compliance.	Internal Control	240
West County Connectors: Environmental Mitigation Funding	FY14-XXX	Review and test compliance with cooperative agreements with cities for mitigation funding related to the West County Connectors project.	Operational	180
<b>Planning</b>				
Combined Transportation Funding Program (CTFP) Project Audits	FY14-XXX	Review selected projects for compliance with Measure M Ordinance, policies and procedures.	Compliance	180
<b>Transit Operations</b>				
Coach Operator Overtime: Scheduled and Unscheduled	FY14-XXX	Review of selected processes and controls involved in the budgeting and reporting of coach operator overtime, both scheduled and unscheduled.	Operational	240
Veolia Contract Closeout	FY14-XXX	Assess the adequacy and effectiveness of controls employed in the closeout of the Veolia contract for ACCESS services.	Internal Control	180
<b>Finance and Accounting</b>				
Treasury	FY14-XXX	Semi-annual review of investments compliance, controls, and reporting.	Compliance	200
Grant Closeouts	FY14-5XX	As-needed financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40
Commuter Club	FY14-5XX	Review controls in place to ensure compliance with policies, procedures, and regulations related to this employee program.	Compliance	120
Administrative Employee Overtime	FY13-5XX	Review controls in place to monitor and reduce overtime costs. Assess reasonableness of overtime costs incurred.	Internal Control	120
<b>Contract Administration &amp; Materials Management</b>				
Buy America	FY14-XXX	Pre-award and post-delivery reviews to ensure vendors and OCTA are in compliance with federal Buy America requirements.	Compliance	360

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Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Price Reviews	PR14-XXX	Cost and price analyses as required by OCTA procurement policies and procedures.	Price Review	1,000
Purchase Order Issuance and Oversight	PR14-XXX	Review controls, policies, and procedures over Purchase Order/Blanket Purchase Order issuance and oversight.	Internal Controls	180
<b>External Affairs</b>				
Bus Advertising	FY14-XXX	Review and assess compliance with revenue-sharing agreements in place for bus advertising.	Operational	160
OCTA Store	FY14-XXX	Review OCTA store operations to ensure adequate controls are in place to safeguard assets.	Operaitonal	180
<b>Unscheduled Reviews and Special Requests</b>				
Unscheduled Reviews and Special Requests	FY13-800	Time allowed for unplanned audits and requests from the Board of Directors and management.	Varies	200
<b>Monitoring Activities</b>				
Measure M Taxpayers Oversight Committee	FY13-601	Coordination of audit activities with the Audit Subcommittee of the Measure M Taxpayers Oversight Committee.	Monitoring	160
Bus Base Inspections and Inventory Testing	FY13-602	Participation on annual base inspection teams.	Monitoring	32
Metrolink Member Agency Allocation	FY13-603	Review of scope of work and results of Los Angeles County Metropolitan Transportation Authority's annual independent audit of Metrolink member agency allocation.	Monitoring	24
<b>Follow-up Reviews</b>				
Follow-up Reviews and Reporting	FY13-700	Follow-up on audit findings and recommendations.	Follow-up	300
<b>Total Audit Project Planned Hours (A)</b>				<b>6,390</b>



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Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
<b>Internal Audit Administration</b>				
Board of Directors and Committee Meetings				380
Executive Steering and Agenda Setting Meetings				160
Internal Audit Department Staff Meetings				240
Other Administration				1,500
			<b>Total Hours (B)</b>	<b>8,670</b>
			<b>Department Target Efficiency (A/B)</b>	<b>74%</b>
			<b>Target Efficiency - Professional Staff</b>	<b>80%</b>

**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2013-14**

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

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	<b>RISK ASSESSMENT</b>	<b>5 Year Audit History</b>
<b>Grade Separation Projects</b>		
Project Management - Hatch Mott MacDonald	Moderate	2013
M2: Project O - Grade Separation Projects		
Orangethorpe Grade Separation Projects	Moderate	2013
Sand Canyon Avenue Grade Separation Projects	Moderate to High	
Raymond Avenue Grade Separation Projects	Moderate to High	
State College Boulevard Grade Separation Projects	Moderate to High	
Placenta Avenue Grade Separation	Moderate to High	
Kraemer Boulevard Grade Separation	Moderate to High	
Tustin Avenue/Rose Drive Grade Separation	Moderate to High	
Lakeview Avenue Grade Separation	Moderate to High	
M2: Project R - Grade Separation Projects		
Grand Avenue Grade Separation	Moderate	
17th Street Grade Separation	Moderate	
Main Street Grade Separation	Moderate	
Ball Road Grade Separation	Moderate	
Orangethorpe Grade Separation (Anaheim) Projects	Moderate	2013
<b>Highway Project Management</b>		
Project Controls	High	
Contract Change Controls	Moderate	
Contract Retention	Moderate	2012
Revenue and Revenue Sharing Contracts	Moderate to High	2010
Real Estate Administration	Moderate to High	2011
Right of Way Operations	Moderate to High	2011
<b>Anaheim Regional Transportation Intermodal Center (ARTIC)</b>		
M2 Projects T and R and Measure M1	Moderate to High	
<b>Rail Programs and Facilities Engineering</b>		
<b>Local Initiatives</b>		
<b>Project S: Go Local Fixed Guideway Projects</b>		
City of Anaheim - Go Local Fixed Guideway - Anaheim Rapid Connection	Moderate to High	
City of Santa Ana - Go Local Fixed Guideway	Moderate to High	
<b>Passenger Rail Operations and Metrolink Expansion</b>		
Right of Way Maintenance	Low to Moderate	
Metrolink Service Expansion Program - M2 Project R	Moderate to High	
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 to High	
City of Orange Parking Expansion Project	Moderate	
Tustin Parking Expansion Project	Moderate to High	
Laguna Niguel/Mission Viejo Station Parking Lot	Moderate	
Placentia Metrolink Station Project	Moderate	

**Orange County Transportation Authority  
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	RISK ASSESSMENT	5 Year Audit History
San Juan Capistrano Passing Siding	Moderate	
Anaheim Canyon Station Improvements	Moderate	
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<b>Metrolink Grade Crossing Improvements</b>		
Los Angeles to San Diego (LOSSAN) Grade Crossing Projects	Moderate	
<b>Metrolink Audit Activities</b>	Moderate to High	2010
<b>Facilities Engineering</b>		
Facility Project Management	Moderate to High	
<b>Planning</b>		
<b>Measure M2 Program Management Office</b>	Moderate	
<b>Strategic Planning</b>		
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	
<b>Measure M2 Local Projects</b>		
Project X: Water Quality Program	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	
<b>Measure M1: Combined Transportation Funding Program</b>	Moderate	
<b>Project V - Community Based Transit Circulators</b>	Low to Moderate	
<b>Project W - Safe Transit Stops</b>	Low to Moderate	
<b>Transportation Planning</b>		
<b>Corridor and Project Studies</b>		
Project Study Reports	Moderate	
<b>Transit System Study</b>	Low to Moderate	
<b>M2 Environmental Mitigation Program</b>		
Property Acquisition and Program Administration	Low to Moderate	2013
Restoration Funding	Moderate	
<b>Soundwall Program</b>	Low	
<b>Transit and Non-Motorized Planning</b>		
Bikeway Master Plans	Low	
<b>Bristol Street Widening Project</b>	Moderate	
<b>Transit Operations</b>		
<b>Community Transportation Services</b>		
ACCESS Eligibility	Moderate to High	

**Orange County Transportation Authority  
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<b>ACCESS Service</b> Veolia Contract Closeout FY13	<b>High</b>	<b>5 Year Audit History</b>
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	<b>RISK ASSESSMENT</b>	
MV Transit ACCESS Operations	Moderate to High	
ACCESS Service - Cooperative Agreements with Adult Day Healthcare Agencies	Low to Moderate	2013
<b>Same Day Taxi Service - Yellow Cab of North Orange County</b>	Moderate	
<b>MV Transit Fixed Route Operations</b>	Moderate to High	2011
<b>Lost and Found Operations</b>	Low	
<b>Job Access and Reverse Commute and New Freedom Grant Administration</b>	Low to Moderate	
<b>Senior Mobility Program (Transportation Development Act audits)</b>	Required	Annual
<b>Senior Mobility Program (M2 - Project U)</b>	Required	Annual
<b>Senior Non-Emergency Medical Transportation (M2 - Project U)</b>	Required	Biennial
<b>Maintenance</b>		
<b>Base Facilities and Transit Centers</b>	Moderate to High	
<b>Revenue Vehicle Maintenance</b>	Moderate to High	2010
<b>Company Equipment Assigned Vehicles</b>	Low to Moderate	
<b>Farebox Revenue Collection and Armored Car Service</b>	Moderate	2008
<b>Fuel Dispensing</b>	Moderate	2011
<b>Maintenance Resource Management</b>	Moderate to High	
<b>Transit Technical Services</b>	Moderate to High	
<b>Timekeeping System</b>	Low to Moderate	
<b>Rolling Stock and Inventory Contracts</b>		
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	
<b>Motorist Services</b>		
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
Service Authority for Abandoned Vehicles	Required	Biennial
Anaheim Transportation Network	Moderate	
Irvine Shuttle	Moderate	
<b>Bus Operations</b>		
Operator Bidding Process	Moderate to High	
Operator Overtime: Scheduled and Unscheduled	Moderate to High	
Operations Training	Low to Moderate	2008
Operations Field Supervision	Moderate	
Central Communications	Moderate to High	
Timekeeping System	Low to Moderate	

**Orange County Transportation Authority  
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	<b>RISK ASSESSMENT</b>	<b>5 Year Audit History</b>
<b>Service Planning and Customer Advocacy</b>		
Stops and Zones	Low to Moderate	2013
Schedule Checkers	Low to Moderate	2013
Bus Route Planning	Moderate to High	
<b>Transit Security and Emergency Preparedness</b>		
Transit Police Services	Moderate	
Emergency Preparedness	High	
Physical Security - All Facilities	Moderate	
Security Grants	Moderate	
<b>Transit Program Management</b>		
<b>Operations Analysis-National Transit Database Reporting</b>	Required	Annual
<b>Transit Capital Projects</b>		
Radio - Intelligent Transit Management System Project	Moderate to High	
On Board Video Surveillance System	Moderate	
Fare Integration Study	Moderate	
<b>Fixed Route Planning System</b>	Moderate to High	
<b>ACCESS Scheduling System</b>	Moderate to High	
<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	
Comprehensive Business Plan	Moderate	
Revenue/Grant Administration and Accounting	Moderate to High	2009
<b>Treasury and Public Finance</b>		
<b>Investments</b>	Required	Bi-annual
<b>Investment Management Contracts</b>		
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
<b>91 Express Lanes</b>		
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

**Orange County Transportation Authority  
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**Accounting and Financial Reporting**

General Accounting	Moderate	
Financial Reporting	Required	Annual
Cost Allocation Plan	Low to Moderate	2011
	<b>RISK ASSESSMENT</b>	<b>5 Year Audit History</b>

Measure M Accounting and Reporting	Required	Annual
Sales Tax Revenue Accounting	Moderate	2009
Accounts Payable	Moderate to High	
Purchasing Cards	Low to Moderate	2009
Corporate Credit Cards	Low to Moderate	2012
Capital Assets	Moderate	2009
Pass Sales Program	Low to Moderate	2013
Payroll Operations	Moderate	2008
Payroll Overtime	Moderate	
Payroll Garnishments	Low to Moderate	

**Contract Administration and Materials Management**

Contract Amendments and Terminations	Moderate to High	
Independent Cost Estimates	Moderate	
Proposal Evaluations	Low to Moderate	2011
Protests	Low to Moderate	
Small Purchases	Low to Moderate	
Buy America Compliance	Required	2012
Purchase Order Processing	Moderate	
Maintenance Inventory Management	Moderate	2012
Warranty Administration	Low to Moderate	2011
Disadvantaged Business Enterprise Program	Moderate	2007
Labor Compliance	Moderate	

**General Services**

Printing and Reprographics	Low to Moderate	
Records Management	Moderate to High	2007
PM Realty - Lease Management	Moderate	
Access Cards, Keys, and Identification Cards	Moderate to High	2007
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	

**Information Systems**

Business Resumption and Continuity of Operations	High	
Information Systems Security	Moderate to High	
Payment Card Industry Compliance	Moderate to High	2011
Information Systems Development	Moderate	
Information Systems Change Management	Moderate	2011
Procurement and Inventory Systems	Moderate to High	
Payroll System	Moderate	2008
Financial Transaction System	Moderate to High	

**Orange County Transportation Authority  
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	RISK ASSESSMENT	5 Year Audit History
Information Systems Hardware	Low to Moderate	2013
Telecommunications Equipment	Low to Moderate	2012
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Technology and User Support	Moderate	
Data Warehousing and Business Intelligence	Moderate to High	
Customized Solutions	Low to Moderate	
M2 Sharepoint	Moderate	
<b>Human Resources and Organizational Development</b>		
<b>Risk Management</b>		
Insurance Program Administration	Moderate to High	
Liability Claims Management and Subrogation	Moderate to High	
Worker's Compensation and Subrogation	Moderate	2012
<b>Employment &amp; Compensation</b>		
Terminations	Low to Moderate	
Extra Help and Contract Staffing	Low to Moderate	
Recruitment and Compensation	Moderate to High	2012
<b>Benefits</b>		
Healthcare Plans	Moderate to High	
Family Medical Leave Act	Moderate	2009
Flexible Benefits	Moderate	
Health Savings Account	Moderate	
Orange County Employees Retirement System	Moderate to High	2008
Health Insurance Portability and Accountability Act	Low to Moderate	2008
Teamsters Pension Fund Trust	Low to Moderate	2008
Employee Assistance Program	Low to Moderate	
Drug and Alcohol Program	Moderate to High	2009
<b>Employee and Labor Relations</b>		
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	2008
<b>Training &amp; Development</b>		
Training (Learning Management System)	Moderate	
Educational Reimbursements	Low to Moderate	
<b>Safety and Environmental Compliance</b>		
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	
<b>Management Services</b>		



**Orange County Transportation Authority  
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Strategic Plan - Development and Monitoring  
Performance Metrics - Organizational

Moderate
Moderate

**RISK  
ASSESSMENT**

**5 Year  
Audit  
History**

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**External Affairs**

**Communication, Customer Relations, Marketing**

Bus Advertising	Low to Moderate	2008
OCTA Bus Marketing	Low to Moderate	
Media Relations/Community Relations	Low to Moderate	
Rideshare Program	Low to Moderate	
Vanpool Program	Moderate	2009
Customer Service	Moderate	2010
Web Development	Moderate	
Project/Construction Outreach Contract Management	Low to Moderate	
OCTA Store	Moderate	
Reduced Fare Program	Low to Moderate	

**Government Relations**

**Orange County Council of Governments**

Low to Moderate
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**Federal Relations**

Contracts	Low to Moderate
Grant Applications and Oversight	Low to Moderate

**State Relations**

Moderate
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**Local Outreach**

Low to Moderate
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