



**August 14, 2024**

**To:** Finance and Administration Committee

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

Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Revenue Agreements, Internal Audit Report No. 24-513

### **Overview**

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of revenue agreement identification, tracking, and reporting. Based on the audit, controls are adequate and functioning.

### **Recommendation**

Receive and file Revenue Agreements, Internal Audit Report No. 24-513, as an information item.

### **Background**

The Orange County Transportation Authority maintains revenue agreements, including cost participation agreements, loan agreements, transit services agreements, and agreements for services such as auction services and bus advertising services. The Revenue and Grants Administration Department (Department) within the Finance and Administration Division is responsible for identification, tracking, and reporting on these agreements.

### **Discussion**

Department staff have developed and implemented controls for the identification, tracking, and reporting of revenue agreements. The audit found that controls are adequate and functioning.

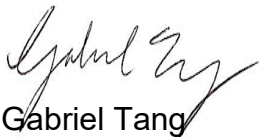
**Summary**

Internal Audit has completed an audit of revenue agreement identification, tracking, and reporting.

**Attachment**

- A. Revenue Agreements, Internal Audit Report No. 24-513

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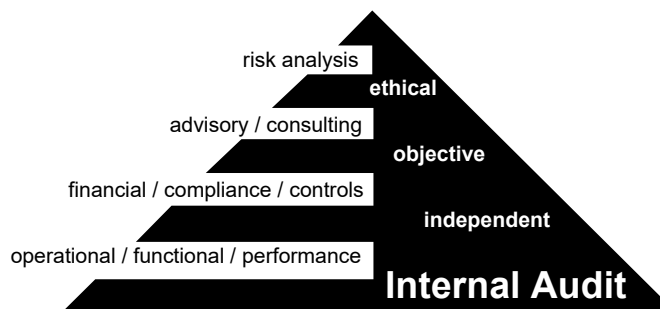
# ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



## Revenue Agreements

### Internal Audit Report No. 24-513

July 24, 2024



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## **Conclusion**

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of revenue agreement identification, tracking, and reporting. Based on the audit, controls are adequate and functioning.

## **Background**

OCTA maintains revenue agreements, including cost participation agreements, loan agreements, transit services agreements, and agreements for services such as auction services and bus advertising services. The Revenue and Grants Administration Department (Department) within the Finance and Administration Division is responsible for identifying, tracking and reporting on these agreements.

Department staff employ a few methods for identifying new revenue agreements, including review of Board of Directors (Board) agendas and review of newly executed agreements that have been flagged by the Contracts Administration and Materials Management (CAMP) Department as revenue-related. If a revenue agreement is identified, Department staff record details such as contract number, agreement type, execution date, project manager, collection term, and revenue code into a Revenue Agreement Tracking System (RATS). RATS interfaces with the accounting system to capture billing information, payments, and balances. On a quarterly basis, Department staff prepare a Revenue Agreement Status Report (status report) that is circulated to executive management.

## **Objectives, Scope, and Methodology**

The objectives were to assess and test controls over identification, tracking, and reporting of external revenue agreements.

According to Generally Accepted Government Auditing Standards (GAGAS), internal control is the system of processes that an entity's oversight body, management, and other personnel implement to provide reasonable assurance that the organization will achieve its operational, reporting, and compliance objectives. The five components are control environment, risk assessment, control activities, information and communication, and monitoring.<sup>1</sup> The components and principles that were evaluated as part of this audit are:

- Control Environment
  - OCTA demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.

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<sup>1</sup> See U.S. Government Accountability Office publication, "Standards for Internal Control in the Federal Government," available at <http://www.gao.gov/products/GAO-14-704G>, for more information.

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- Control Activities
  - OCTA selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- Information and Communication
  - OCTA obtains or generates and uses relevant, quality information to support the functioning of internal control.

The methodology consisted of testing a judgmental sample of Board agendas and a judgmental sample of agreements reflected as revenue-related in the CAMM system, with a bias for coverage throughout the scope period to determine whether revenue agreements are identified by Department staff and to verify evidence of these reviews by staff. The methodology also included testing a judgmental sample of revenue agreements with a bias for coverage of different types of agreements to determine whether agreement details are accurately recorded and reported, and project managers notified when an invoice is due to be issued. The methodology also included testing to ensure quarterly reports are circulated as required. Since samples were non-statistical; any conclusions were limited to the sample items tested.

The scope included Board agendas from July 1, 2022 through March 31, 2024, the CAMM system revenue agreement listing covering agreements issued during the period July 1, 2022 through March 31, 2024, status reports for the period April 2023 through March 31, 2024, and revenue agreements from the March 2024 status report.

Internal Audit conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.