



July 12, 2023

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Orange County Transportation Authority Internal Audit Department
Fiscal Year 2023-24 Internal Audit Plan

Overview

At the direction of the Orange County Transportation Authority Board of Directors, the Internal Audit Department develops and implements an annual risk-based internal audit plan. Implementation of an annual internal audit plan assists management in evaluating the effectiveness and efficiency of projects, programs, and operations, while ensuring that adequate controls and safeguards are in place to protect the Orange County Transportation Authority's assets and resources.

Recommendations

- A. Approve the Orange County Transportation Authority Internal Audit Department Fiscal Year 2023-24 Internal Audit Plan.
- B. Direct the Executive Director of the Internal Audit Department to provide quarterly updates on the Orange County Transportation Authority Internal Audit Department Fiscal Year 2023-24 Internal Audit Plan.

Background

The Internal Audit Department (Internal Audit) is an independent appraisal function, the purpose of which is to examine and evaluate the Orange County Transportation Authority's (OCTA) operations and activities to assist management and the Board of Directors (Board) in the discharge of their duties and responsibilities.

Discussion

Internal Audit is presenting the Orange County Transportation Authority Internal Audit Department Fiscal Year 2023-24 Internal Audit Plan (Audit Plan) for Board approval. The Audit Plan was developed from an enterprise-wide risk assessment. The Audit Plan will be implemented using Internal Audit staff, on-call consultants, an independent financial audit firm, and other firms, as needed.

Fiscal Impact

The Audit Plan has been developed within the resources available in the adopted OCTA Fiscal Year 2023-24 Budget.

Summary

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

Attachment

- A. Orange County Transportation Authority Internal Audit Department Fiscal Year 2023-24 Internal Audit Plan

Authorized by:

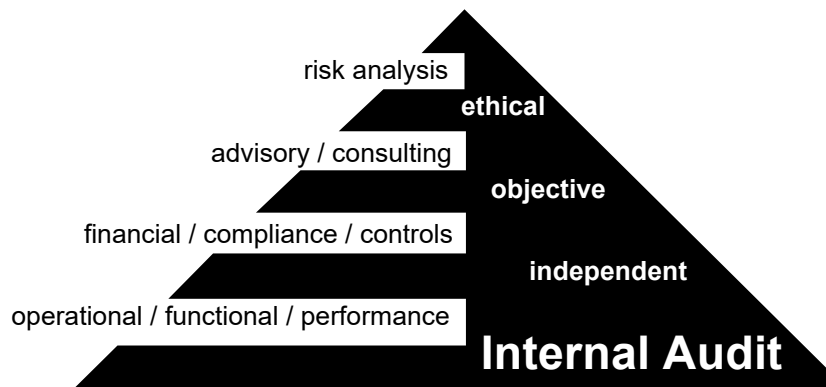


Janet Sutter
Executive Director, Internal Audit
714-560-5591

ORANGE COUNTY TRANSPORTATION AUTHORITY Internal Audit Department



Fiscal Year 2023-24 Internal Audit Plan



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

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

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INTERNAL AUDIT DEPARTMENT
Fiscal Year 2023-24
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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 duties and responsibilities to safeguard the assets of OCTA, while ensuring those assets are used in an efficient and effective manner. To this end, Internal Audit serves as an independent appraisal function to examine and evaluate OCTA's operations, activities, internal controls, compliance, opportunities, and risks.

Internal Audit Department Activities

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

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

Internal Audit measures the efficiency of the department by calculating a productivity ratio. The ratio, used broadly throughout the audit industry, measures the amount of time auditors spend on audit projects versus time spent on administrative duties. Productivity goals are established for the professional audit staff and for the department. The department-wide target includes all professional staff and the executive director. For fiscal year (FY) 2023-24, Internal Audit set a department-wide target productivity ratio of 75 percent and a professional audit staff productivity ratio of 80 percent. Because the executive director is required to regularly participate in non-audit management activities such as executive planning and committee meetings, the department ratio is set lower than that of the professional staff.

The Government Accountability Office (GAO) broadly defines audits as financial, attestation, or performance audits. Financial audits, including financial statement audits, are assessments of, and assurance about, an entity's financial condition, operating results, or other defined financial criteria. Attestation engagements are both financial and non-financial, and result in varying degrees of assurances about specific subject matter. Agreed-upon procedures engagements, performed by Internal Audit, are an example of attestation engagements, whereby Internal Audit applies procedures at the direction of the Contracts Administration and Materials Management (CAMM) Department related to contractor price proposals and procurements of federally funded revenue vehicles.

Internal Audit's efforts, however, are focused primarily on the third category of audits, performance audits, as defined by the GAO. Performance audit objectives vary widely and include review of internal controls, assessment of compliance with laws, regulations, contracts, policies and procedures, and assessment of program effectiveness, economy, and efficiency. To define the objectives of these performance audits more accurately, Internal Audit categorizes audit projects in a more descriptive manner as indicated below. It is

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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 proposals, to determine if proposed pricing is fair and reasonable. Agreed-upon procedure reviews are also performed on single-bid procurements for the purpose of determining whether the CAMM complied with policies and procedures to ensure a fair and competitive process. Procedures are performed based on a written agreement with CAMM.

Buy America Review – Buy America reviews refer to the pre-award and post-delivery agreed-upon procedures reviews of vehicle purchases in accordance with federal Buy America laws. The procedures are performed based on a written agreement with CAMM.

Financial - Financial audits focus on verification of financial transactions and balances. Financial audits include the financial statement audits of OCTA and related legal entities, as well as other attestation audits performed by an independent certified public accounting firm, to ensure compliance with the Measure M2 (M2) Ordinance or other legally mandated requirements.

Internal Control – Internal control reviews are performed to assess whether controls in place are adequate to protect the assets and resources of OCTA and to ensure compliance with laws, regulations, and policies.

Operational - An operational audit is performed to evaluate current operating procedures to determine if they provide for an adequate control environment and to assess whether processes are efficient and effective ways to accomplish the goals of the project, program, or activity. Operational audits generally include elements of both an internal control review and a compliance review.

Internal Audit also performs other activities outlined in the OCTA FY 2023-24 Internal Audit Plan (Audit Plan) as follows:

Monitoring – These activities include providing information to the Audit Subcommittee of the Taxpayer Oversight Committee (TOC) to assist in their duty to exercise oversight of the expenditure of M2 funds, participation in annual Operations Division bus base inspections, and observation of biennial capital asset inventory counts. Internal Audit also monitors results of audits issued related to Metrolink activities.

Follow-Up Activities – These activities are undertaken to determine whether audit recommendations have been implemented or otherwise satisfactorily addressed.

Investigations – Investigative activities are performed in response to a complaint or allegation received through OCTA's Fraud Hotline.

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Fiscal Year 2022-23 Accomplishments

- Conducted the annual risk assessment of OCTA and obtained Board approval to execute the FY 2022-23 Audit Plan on July 25, 2022.
- Completed 14 audit projects, resulting in 32 recommendations for improvement to policies, procedures, and/or internal controls. Also, at the request of CAMM, Internal Audit completed 19 agreed-upon procedures reviews of architectural and engineering, sole source, or single bid proposals, and one post-delivery Buy America review related to the purchase of 165, 40-foot compressed natural gas buses.
- Exceeded both the department-wide productivity goal of 75 percent and the professional audit staff productivity goal of 80 percent.
- Provided written quarterly updates to the Finance and Administration Committee on the status of audit projects and activities and provided these updates no later than 30 days following quarter-end.
- As required by Government Auditing Standards (Standards), performed Internal Audit's annual internal quality assurance and self-assessment review in February 2023, and implemented improvements to Internal Audit practices, policies, and procedures in March 2023.
- Conducted follow-up of management's implementation of audit recommendations within six months of report issuance or earlier.
- Coordinated and issued all required annual, independent financial, and agreed-upon procedures reviews using the services of Crowe LLP (Crowe). All reports were presented to the Board and, as applicable, submitted to the State Controller's Office and the California Department of Transportation.
- Provided administration of OCTA's Fraud Hotline and reviewed eight complaints received during the FY. Referred complaints to management and/or appropriate outside agencies, and conducted investigations of allegations, where appropriate.
- Provided assistance to the Audit Subcommittee of the TOC including, but not limited to, providing information for the selection of cities for annual audit and presenting the results of annual audits and agreed-upon procedures reviews as they relate to M2.

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Fiscal Year 2023-24 Goals

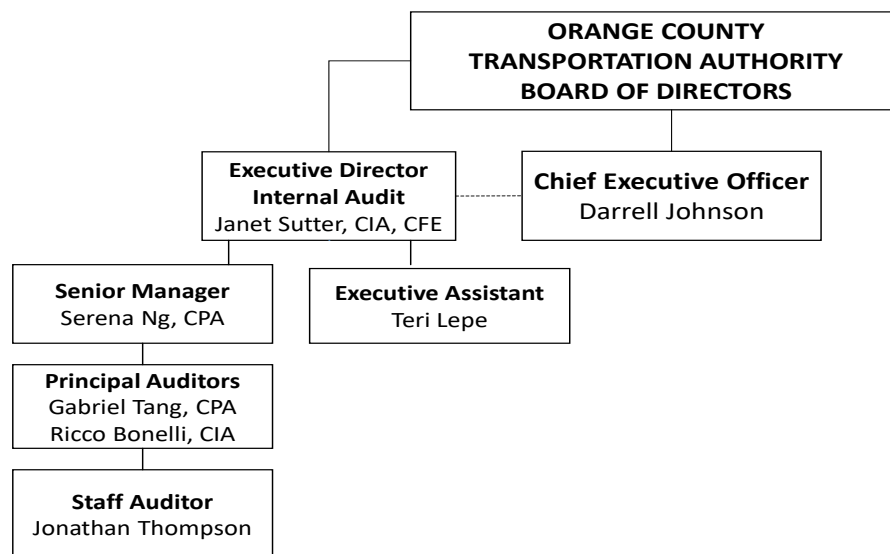
- Conduct the annual risk assessment of OCTA and obtain Board approval to execute the FY 2023-24 Audit Plan no later than August 2023. Implement the Audit Plan and provide timely quarterly updates of progress and activities.
- Conduct agreed-upon procedures reviews, at the request of CAMM, of all architectural and engineering price proposals exceeding \$150,000, to establish the reasonableness of proposed rates. Also, apply agreed-upon procedures to sole source proposals exceeding \$50,000, single bid procurements, and vehicle purchases in accordance with Buy America laws.
- Achieve a department-wide productivity ratio of at least 75 percent and professional staff productivity ratio of at least 80 percent.
- Conduct follow-up of management's implementation of audit recommendations within six months of report issuance or earlier, and report results as part of the quarterly updates to the Audit Plan.
- Assist the Audit Subcommittee of the TOC with the design and update of agreed-upon procedures for M2-related audits and provide presentation of the results of all M2-related audits.
- Perform Internal Audit's annual internal quality assurance and self-assessment review by March 31, 2023, and make any noted improvements to Internal Audit's practices, policies, and procedures.
- Provide administration of the OCTA Fraud Hotline; provide initial contact response to all reports within two business days.
- Procure, and obtain Board approval to hire an independent public accounting firm to conduct required annual financial statement and agreed-upon procedures reviews for fiscal years 2024, 2025, and 2026, with one, two-year option term.

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Internal Audit Organization

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



Risk Assessment Process

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

The key business objective of OCTA is imbedded in its mission statement to “*Develop and deliver transportation solutions to enhance quality of life and keep Orange County moving.*” Developing and delivering these “*transportation solutions*” are several core business units of OCTA, including the Chief Executive Office, Operations, Finance and Administration, Planning, People and Community Engagement, Government Relations, and Capital Programs Divisions. These business units are supported by administrative functions, and all these services are delivered through a variety of projects, programs, and activities. With a

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budget exceeding \$1.6 billion, OCTA delivers transportation solutions through numerous channels with a variety of stakeholders, with the assistance of the private sector, and for the benefit of diverse customers.

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

Risk Assessment Methodology

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

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

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

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

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

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

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

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

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

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

Auditable Entity	Audit History	Audit Requirement	Time Since & Results of Last Audit						Weighted Average Risk
			Financial & Compliance Risk	Security & Safety Risk	Operational & Strategic Risk	Image & Reputation Risk	Complexity of Operations	Weighted Average Risk	
			20%	20%	15%	15%	15%	15%	
Project Controls		No	3	5	1	4	3	4	3.4
Purchasing Cards	2018	No	1	1	1	2	4	1	1.6
ACCESS Eligibility	2023	No	1	4	3	4	5	3	3.3
Buy America Compliance	2022	Yes	As Needed						N/A

Following the risk assessment of each of approximately 270 auditable entities within OCTA, Internal Audit summarized the results on the heat chart in Appendix A. The heat chart translates the numerical risk ratings of each auditable entity into a more visually appealing format. Auditable entities that require an audit, either by regulation or at the direction of the Audit Subcommittee of the TOC, are not risk rated, and are reflected as “Required”.

Internal Audit Plan Development

The Audit Plan, Appendix B, calls for approximately 8,700 Internal Audit hours, exclusive of vacation, sick, holiday, and continuing professional education hours. Of the 8,700 hours, approximately 2,000 relate to administrative activities, including Board and committee meeting attendance, Internal Audit staff meetings, and other administrative tasks. The purpose of including these hours is to monitor and measure Internal Audit’s productivity.

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The Audit Plan includes 510 hours for mandatory audit activities, including hours needed to prepare a scope-of-work for the procurement of an independent financial statement auditor, as well as hours anticipated to coordinate, review, and report on the results of the required annual audits and any external regulatory body reviews. Approximately 520 hours are anticipated for internal audit projects and non-audit activities, such as the annual risk assessment and audit planning process, required quality assurance and self-assessment activities, administration and investigation of complaints received through OCTA's Fraud Hotline, and updates to audit policies, procedures, and workpaper templates.

The Audit Plan also includes 800 hours for price review services and 300 hours for Buy America review services. While requests for price reviews are unpredictable, this budget is based on both the extent of current procedures and the volume of requests in prior years. Hours for Buy America services assumes two requests for review will be received during the year.

The risk assessment developed by Internal Audit is the primary, but not absolute, means by which Internal Audit prioritizes and selects audit projects. There remain other factors that are not considered in the risk assessment. For example, some high-risk auditable entities are not selected because the projects and/or contracts are in their infancy, and it would be more suitable to perform an audit after the project and/or contract is better underway. Other high-risk auditable entities are not selected because of Internal Audit's knowledge of a recent or upcoming related review activity, such as audits by the California Department of Transportation and/or the Federal Triennial Review. Other subjective factors that affect the selection of audit projects include knowledge about external or regulatory auditor interest, project or program failures or successes, consideration of the impact to individual departments and/or divisions, and staffing resources.

The proposed Audit Plan includes audits to assess and test oversight, contract compliance, and invoice review controls related to operations and management of the 91 Express Lanes, the provision of Transit Police Services, and contracted OC ACCESS transportation services. Also planned are operational audits of the Vanpool Program, the OCTA store, and the College Pass Program. An audit of agreements with the Regional Center of Orange County and My Day Counts relating to transportation services has also been included, as have audits of OCTA's administration of employee flexible spending accounts, liability claims, and revenue agreements.

The Audit Plan also reflects an audit of project controls as a contingency audit that will be initiated should there be available hours and/or resources prior to the preparation of the OCTA FY 2024-25 Audit Plan.

Each of the planned projects, along with projects carried over from the OCTA FY 2022-23 Audit Plan, is reflected at Appendix B, along with a brief description and the estimated staff hours required to perform the audit.

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Conclusion

The OCTA FY 2023-24 Audit Plan seeks to align limited audit resources with risk throughout the organization while considering prior audit effort and other factors, as identified in Appendix A. Internal Audit will continue to refine the risk assessment to include emerging OCTA projects, programs, contracts, and functions. Internal Audit will also continue to assess the risk ratings and weightings to best reflect the risk profile of the organization and to allow the greatest coverage of that risk in the annual audit planning process.

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2023-24**

Division	Department/Functional Area	Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
Executive				
	Clerk of the Board			
	Public Records Requests		Low to Moderate	2022
	Form 700 Disclosures		Moderate	2021
	Brown Act Compliance		Low to Moderate	2018
	Board of Directors (Board) Compensation and Ethics Compliance		Moderate	2019
	Services of Legal Process		Low to Moderate	
	Legal Services			
	Woodruff, Spradlin, & Smart		Moderate to High	
	Security and Emergency Preparedness			
	Continuity of Operations/Emergency Response		Moderate to High	
	Emergency Operation Plans		Moderate to High	
	Physical Access Security - Facilities		Moderate to High	2021
	Security Grants		Low to Moderate	
	Transit Police Services		Moderate to High	
	Express Lanes and Motorist Services Programs			
	Master Custodial Agreement		Moderate to High	2019
	91 Express Lanes			
	Operations and Management		High	
	California Highway Patrol Services		Moderate	
	Collections		Moderate	
	Building Leases		Low to Moderate	
	TollPlus Back-Office System		Moderate to High	
	Riverside County Transportation Corridor Agreement		Moderate	
	Toll Lanes Integrator Services		Moderate	
	405 Express Lanes - Operations and Management		Moderate to High	
	Motorist Services			
	Freeway Service Patrol		Moderate	2022
	Call Box Program		Low	
	511 Motorist Aid		Low to Moderate	
	Ethics Program		Moderate	
	COVID-19 Response - Procedures		Moderate	
	Public Information Office			
	Crisis Communications Plan		Moderate	
Capital Programs				
Highway Projects				
Interstate 5 (I-5) Improvements				
	I-5 (between Interstate 405 (I-405) and State Route (SR-55) - M2 Project B			
	I-405 to Yale Ave		Low to Moderate	
	Yale Ave to SR-55		Low to Moderate	

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Division	Department/Functional Area	RISK ASSESSMENT	7 Year Audit History
Project/Program/Contract/Function			
	I-5 (South of El Toro Road) - M2 Project C		
	State Route 73 (SR-73) to El Toro Road Landscape	Low to Moderate	
	SR-73 to Oso Parkway	Moderate to High	
	Oso Parkway to Alicia Parkway	Moderate to High	
	Alicia Parkway to El Toro Road	Moderate to High	
	I-5 Interchange Projects - M2 Project D		
	El Toro Road Interchange	Low to Moderate	
	SR-57 Improvements - M2 Project G		
	Orangewood Avenue to Katella Avenue	Moderate	
	Lambert Road to Tonner Canyon Road	Low to Moderate	
	SR-55 Improvements - M2 Project F		
	I-405 to I-5	Moderate to High	
	I-5 to State Route 91 (SR-91)	Moderate	
	SR-91 Improvements		
	Improvements from SR-57 to SR-55 - M2 Project I		
	SR-55 to Lakeview Avenue	Moderate	
	La Palma to SR-55	Moderate	
	Acacia to La Palma	Moderate	
	91 Express Lanes to State Route 241 Toll Connector	Low	
	Interstate 605 (I-605)		
	Katella Ave Interchange	Moderate	
	I-405 Improvements		
	Improvements from I-605 and SR-55 - M2 Project K		
	Design-Build Contract Management	High	
	Right-of-Way (ROW) Activities and Reporting	Moderate	2022
	Program Management Activities	High	2018
	Cooperative Agreements	Moderate	
	I-405 Improvements between SR-55 and I-5 - M2 Project L	Low to Moderate	
	Highway Project Management		
	Highway Project Management Support	Moderate to High	2018
	Project Controls	Moderate to High	
	Real Estate Administration	Moderate	
	ROW Operations		
	On-Call ROW Services	Moderate to High	2022
	On-Call Real Property Appraisals	Moderate to High	
	Excess Land Sales	Moderate	

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Division	RISK ASSESSMENT	7 Year Audit History
Department/Functional Area		
Project/Program/Contract/Function		
Utility Agreements	Moderate	
Facilities Engineering		
Facilities Project Management	Moderate	
Transit Security Operations Center	Moderate to High	
Transit Project Delivery		
Program Management Support: Rail Programs	Moderate to High	
Local Initiatives		
Project S: Go Local Fixed Guideway Projects		
OC Streetcar Project Construction		
Design and Construction Management	High	2022
Construction	High	
Cooperative Agreements	Moderate to High	
OC Streetcar Project Management	High	2021
OC Streetcar Operations & Maintenance Agreement	Moderate to High	
Rail Project Delivery		
Placentia Metrolink Station Project	Moderate	
Anaheim Canyon Station Improvements	Moderate	
San Juan Creek Bridge Replacement	Low	
Orange County Maintenance Facility	Low to Moderate	
Irvine Station Expansion	Low	
Serra Siding Project	Low to Moderate	
Control Point- Avery to San Onofre	Low	
Slope Stabilization Projects	Low to Moderate	
Track Stabilization - MP206.8	Moderate	
Track Protection - MP204.6	Moderate	
Planning		
M2 Program Management Office	Low to Moderate	
Strategic Planning		
Transportation Planning		
M2 Environmental Mitigation Program		
Program Administration	Moderate	
Land Security	Moderate	
Property Management	Moderate	
Mitigation Monitoring and Reporting	Moderate	
Transit and Non-Motorized Planning		
Bus Facilities Asset Management / Capital Plan	Moderate	
Fleet Outlook / Rollout Plan	Moderate	
Bikeway Master Plans	Low	

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Division	Department/Functional Area	Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
		Transit Master Plan	Moderate	
		Fullerton Park and Ride - Development Study	Low to Moderate	
		Strategic Initiatives		
		Strategic Plan - Development and Monitoring	Low to Moderate	
		Board and Chief Executive Officer Initiatives	Low to Moderate	
		Southern California Association of Governments Agreement / Workplan	Low to Moderate	
		Geographic Information System Services	Low to Moderate	
		Modeling and Traffic Operations	Low to Moderate	
		State/Federal Programs		
		State/Federal Improvement Program Funding Administration	Moderate	
		Annual 5307 Program of Projects	Moderate	
		Calls for Projects	Low to Moderate	
		Local Programs		
		Measure M Eligibility	Moderate to High	
		Comprehensive Transportation Funding Programs - Agency Audits (CTFP)	Moderate to High	2023
		M2 CTFP Program Eligibility / Call for Projects	Moderate	2021
		Oversight and Reporting: CTFP	Moderate	2021
		M2 Local Projects		
		Project Q - Local Fair Share	Required	
		Operations		
		Passenger Rail Operations & Metrolink		
		ROW Maintenance - Joshua Grading & Excavating	Moderate	2019
		Joint Powers Agreement Allocation Southern California Regional Rail Authority	Moderate to High	
		Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency Managing Agency Contract	Moderate	
		Transit Project Delivery		
		OC Streetcar Operations		
		OC Streetcar Vehicles	High	
		Operations & Maintenance Contract	Moderate to High	
		Service Planning and Scheduling		
		Coach Operator Scheduling	Moderate	
		Stops & Zones	Low to Moderate	
		Schedule Checkers	Low to Moderate	

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Risk Assessment by Program/Project/Contract/Function
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Division	Department/Functional Area	RISK ASSESSMENT	7 Year Audit History
	Project/Program/Contract/Function		
	Service Change Implementation	Moderate	
	Bus Operations		
	Operator Bidding Process	Moderate to High	2019
	Overtime: Scheduled and Unscheduled	Moderate to High	
	Operations Training	Moderate	
	Field Supervision	Moderate	
	Central Communications	Moderate to High	
	Timekeeping System	Moderate	
	Uniform Allowance	Low	
	Contracted Services		
	Travel Training	Low to Moderate	
	OC ACCESS Eligibility	Moderate to High	2023
	Regional Center Day Programs	Moderate to High	
	Adult Day Health Care Program Agreements	Moderate	
	Job Access and Reverse Commute and New Freedom Grant Administration	Low to Moderate	
	Senior Mobility Program (M2 - Project U & Transportation Development Act-funded)		
	Locally-Funded	Low to Moderate	
	M2-Funded	Required	Annual
	Senior Non-Emergency Medical Transportation (M2 - Project U)	Required	2020
	Keolis - Contracted Fixed Route Operations	High	
	OC ACCESS Service	High	2018
	Same-Day Taxi Service - Yellow Cab of North Orange County	Moderate to High	2020
	EZ Wallet Program	Moderate	
	Vanpool Operations	Moderate	
	OC Flex Operations	Moderate	
	Maintenance		
	Rolling Stock and Inventory Contracts		
	Bridgestone/Firestone Tire Lease	Moderate	2021
	Trillium USA - Operate and Maintain Compressed Natural Gas Stations	Moderate	
	Cummins Cal Pacific	Moderate	
	Revenue Vehicle Maintenance	Moderate to High	2020
	Specialty Shop Maintenance	Moderate	
	Fuel Management	Moderate	2018
	Transit Technical Services	Moderate to High	
	Revenue Vehicle Purchase / Acceptance	Moderate to High	2022
	Non-Revenue Vehicle Purchase	Low to Moderate	2022
	Decommission and Auction of Retired Vehicles	Low to Moderate	
	Maintenance Resource Management	Moderate to High	
	Timekeeping	Low to Moderate	

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Fiscal Year 2023-24**

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

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2023-24**

Division	Department/Functional Area	RISK ASSESSMENT	7 Year Audit History
	Project/Program/Contract/Function		
	OCTA Policies	Low	
	OCTA Store	Moderate	
	Parking Garage - ABM Parking Services	Low	
	Lost and Found	Low to Moderate	2023
	Revenue Administration		
	Farebox Revenue Collections and Armored Car Services	Moderate	
	Mobile Ticketing Operations	Moderate	2019
	Revenue and Revenue Sharing Contracts	Moderate to High	2020
	Grant Administration and Accounting	Moderate to High	
	Transportation Development Act	Required	Annual
	Subrecipient Monitoring	Moderate	
	Federal Stimulus Funding	Moderate to High	
	Contracts Administration and Materials Management		
	Contract Amendments	Moderate to High	
	Independent Cost Estimates	Moderate	2022
	Proposal Evaluations	Low to Moderate	
	Protests	Low to Moderate	
	Small Purchases	Low to Moderate	
	Buy America Compliance	As Required	
	Purchase Order and Blanket Purchase Orders	Moderate	
	Maintenance Inventory Management	Moderate	
	Warranty Administration	Moderate	2018
	Disadvantaged Business Enterprise Program	Moderate	
	Inventory Contracts		
	Unleaded Fuel	Moderate	
	Renewable Natural Gas Credits Contract	Low to Moderate	2019
	Information Systems		
	Applications		
	Integrated Transportation Management Systems Radio	Moderate to High	
	OCTA.net Website	Moderate	
	Application Infrastructure	Moderate to High	
	Database Systems	Moderate	
	Vendor Management	Moderate to High	
	Information Technology (IT) Systems & Security (Cybersecurity)	High	2023
	System Development and Acquisition	Moderate	
	Patch Management	Moderate to High	2020
	IT Operations (User Management, Authentication, Access Controls)	Moderate to High	
	Technology Project Management	Moderate	
	Business Continuity/Disaster Recovery	Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2023-24**

Division	RISK ASSESSMENT	7 Year Audit History
Department/Functional Area		
Project/Program/Contract/Function		
Change Management	Moderate	
Payment Card Industry Compliance	Moderate	
Incident Response Program	Moderate	
Asset Management	Moderate	
Operating Systems	Moderate	
IT Contract Services	Moderate	
Switch Data Center	Moderate to High	
Enterprise Asset Management System - Implementation	Moderate	
Telecommunications	Low to Moderate	
People and Community Engagement		
Risk Management		
Insurance Program Administration	Moderate	
Liability Claims Management and Subrogation	Moderate to High	
Worker's Compensation and Subrogation	Moderate to High	2023
Health, Safety and Environmental Compliance		
Drug and Alcohol Program	Moderate	
Construction Safety	Moderate to High	2019
Employee Safety	Moderate to High	
Motor Vehicle and Traffic Safety		
Pull Notice Program	Moderate	2021
Safety Specifications	Moderate	
National Transit Database Accident Reporting	Low to Moderate	
Environmental Compliance Program		
Storm Water Pollution Prevention Program	Moderate to High	
Spill Prevention Countermeasure and Control Plan	Moderate to High	
Hazardous Waste Removal	Moderate to High	
Air Quality Management District Permitting and Compliance	Moderate to High	
Underground Storage Tank Removal Program	Moderate to High	
Safety Management Plan	Moderate	
Internal Communications	Low	
Employment & Compensation		
Separations	Low to Moderate	2020
Extra Help and Interns	Low to Moderate	
Temporary Staffing	Low to Moderate	2022
Recruitment and Employment	Moderate	2019
Compensation	Moderate	
Performance Reviews	Low to Moderate	
Benefits		

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2023-24**

Division	RISK ASSESSMENT	7 Year Audit History
Department/Functional Area		
Project/Program/Contract/Function		
Healthcare Plans	Moderate to High	2021
Coach Operator Healthcare	Moderate	
Maintenance Employee Healthcare	Moderate	
Protected Leave	Moderate to High	
Flexible Benefits	Low to Moderate	
Health Savings Account	Moderate	
Orange County Employees Retirement System	Moderate to High	
Teamsters Pension Fund Trust	Low to Moderate	
Employee Assistance Program	Low	
Deferred Compensation Plans	Moderate	
Wellness Program	Low	
Life Insurance Benefit	Low to Moderate	
Alternative/Remote Work Program	Low	
Benefit Program Incentives	Low to Moderate	
Commuter Club Program	Low to Moderate	
Employee and Labor Relations		2020
Labor Contracts	Moderate	
Unemployment Claims	Low	
Employee Grievances and Complaints	Low to Moderate	
Equal Employment Opportunity	Moderate	
Title VI Compliance	Moderate	
Medical Exams	Moderate	
Americans with Disabilities Act	Moderate	
Training & Development		2023
Training (Learning Management System)	Low to Moderate	
Educational Reimbursements	Low to Moderate	2023
External Affairs		2019
Marketing and Customer Engagement		
Digital and Creative Services	Low to Moderate	
OCTA Bus Marketing and Promotional Items	Moderate	
Bus Advertising Revenue Contracts	Low to Moderate	2023
Rideshare Program	Moderate	
Customer Engagement & Data Analytics		2023
Data Analytics / Performance Management	Moderate	
In-House Customer Relations	Low to Moderate	
Customer Information Center	Moderate	
Reduced Fare Programs	Low to Moderate	
College Pass Program	Moderate	2023
Diversity Outreach and Economic Opportunity Programs	Low to Moderate	
Public Outreach		

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2023-24**

Division	Department/Functional Area	Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
	Project Outreach Contract Management	SR-91	Moderate	2018
	I-5	SR-55	Moderate	
	OC Streetcar Project		Moderate	
	I-405 Improvement Project		Moderate to High	
	Planning Studies Outreach		Moderate to High	
			Low to Moderate	
Government Relations	State and Federal Relations			
	Lobbying Contracts		Low to Moderate	2023
	Subrecipient Monitoring		Moderate	

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2023-24 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Mandatory External Independent Audits				
Annual Financial Audits and Agreed-Upon Procedures (AUP) Reviews	FY24-001 through FY24-004	Develop and issue a request for proposals and scope of work for an independent audit firm to conduct audits of the Orange County Transportation Authority (OCTA) and related entities. Coordinate and report on annual financial and AUP reviews for fiscal year (FY) 2022-23.	Financial	470
External Regulatory Audits	FY24-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	40
Internal Audit Department Projects				
Risk Assessment and Annual Audit Plan	FY24-100	Preparation of the annual audit plan, quarterly updates to the audit plan, and periodic assessment of risk throughout the year, including monitoring the audit results of related entities.	Audit Plan and Updates	180
Quality Assurance and Self-Assessment	FY24-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with Generally Accepted Government Auditing Standards.	Quality Assurance	180
Fraud Hotline Activities	FY24-102	Administrative duties related to maintenance of the OCTA Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	120
Automated Workpaper Solution	FY24-103	System updates/training related to automated workpaper solution.	Workpaper System	40
Internal Audits				
Express Lanes Program				
Operations and Management	FY24-5XX	Assess and test selected oversight, contract compliance, and/or invoice review controls related to the provision of services by Cofiroute USA, LLP.	Operational /Compliance	340
Security and Emergency Preparedness				
Transit Police Services	FY24-5XX	Assess and test selected oversight, contract compliance, performance reporting and/or invoice review controls related to the agreement for provision of Transit Police Services.	Operational /Compliance	280

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2023-24 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
People and Community Engagement				
Life Insurance Benefits	FY23-505	Assess and test policies, procedures, and controls over administration of employee life insurance benefits.	Operational	26
Bus Advertising Revenue	FY23-516	Assess and test oversight and contract compliance controls related to the agreement for bus advertising.	Operational / Compliance	120
Liability Claims Management	FY24-5XX	Assess and test controls related to administration and management of liability claims.	Operational	320
Flexible Spending Accounts	FY24-XXX	Assess and test controls over the administration of employee flexible spending accounts.	Internal Control / Compliance	200
College Pass Program	FY24-XXX	Assess and test oversight, compliance, and performance of the College Pass Program.	Operational	220
Capital Programs				
Anaheim Canyon Station Improvements	FY23-515	Assess and test oversight controls, contract compliance, and invoice review controls related to the Anaheim Canyon Station Improvements project.	Internal Control / Compliance	80
OC 405 Partners	FY24-5XX	Assess and test oversight controls, contract compliance, and invoice review controls related to the OC 405 design-build project.	Internal Control / Compliance	360

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2023-24 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Operations				
OC ACCESS Service	FY24-XXX	Assess adequacy of oversight controls and test oversight, contract compliance and invoice review controls related to the agreement with First Transit/TransDev for OC ACCESS transportation services.	Operational / Compliance	320
Regional Center of Orange County	FY24-XXX	Assess and test controls related to administration and operation of the agreements with Regional Center of Orange County and My Day Counts relating to transportation services.	Internal Control/ Operational	280
Vanpool	FY24-XXX	Assess and test controls and compliance related to the administration of the vanpool program.	Operational / Compliance	180
Finance and Administration				
Treasury	FY24-5XX	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	250
Accounts Payable	FY23-504	Assess and test controls over accounts payable operations.	Operational	320
Revenue Agreements	FY24-5XX	Assess and test controls over identification, tracking, and reporting of external revenue agreements.	Operational	280
Cybersecurity	FY23-509	Design a scope of work and procure an audit consultant to evaluate OCTA's Cybersecurity program.	Internal Control/ Operational	8
OCTA Store Operations	FY24-5XX	Assess and test OCTA store operations to ensure adequate controls are in place to safeguard assets.	Internal Control/ Operational	280
Price Reviews	PR24-5XX	As requested by the Contracts Administration and Materials Management (CAMM) Department, apply AUP to sole source, single bid, and architectural and engineering firm proposals.	Price Review	800

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2023-24 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Buy America	FY24-5XX	As requested by the CAMM Department, apply AUP to determine compliance with Buy America requirements.	Buy America	300
Unscheduled Reviews and Special Requests				
Unscheduled Reviews and Special Requests	FY24-800	Time allowed for unplanned audits and requests from the Board of Directors (Board) or management.	Varies	200
Monitoring Activities				
Measure M Taxpayer Oversight Committee (TOC)	FY24-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60
Metrolink Audit Activities	FY24-602	Review/monitor audit results of Metrolink activities.	Non-Audit Service	10
Bus Base Inspections	FY24-603	At the request of the Operations Division, participate in annual base inspections.	Non-Audit Service	80
Capital Asset Inventory Observation	FY24-604	At the request of the Finance and Administration Department, observe and apply limited procedures related to the bi-annual capital asset inventory counts.	Non-Audit Service	60
Follow-Up Reviews				
Follow-Up Reviews and Reporting	FY24-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-Up	280
Total Audit Project Planned Hours (A)				6,684

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2023-24 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Internal Audit Administration				
Board and Committee Meetings				180
Executive Steering and Agenda Setting Meetings				170
Internal Audit Staff Meetings				150
Other Administration				1,500
			Total Hours (B)	8,684
			Department Target Efficiency (A/B)	75%
			Target Efficiency - Professional Staff	80%

Contingency: Internal Audit

Project Controls	FY24-5XX	Assess the adequacy and effectiveness of internal controls over payment processing and project oversight exercised by the Project Controls section of Capital Programs.
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