



**July 10, 2024**

**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 2024-25 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 proposed Orange County Transportation Authority Internal Audit Department Fiscal Year 2024-25 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 2024-25 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 proposed Orange County Transportation Authority Internal Audit Department Fiscal Year 2024-25 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 2024-25 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 2024-25 Internal Audit Plan

**Authorized by:**

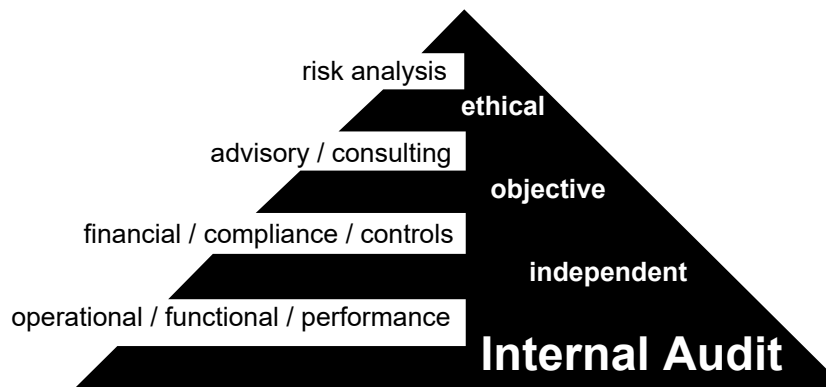


Janet Sutter  
Executive Director, Internal Audit  
714-560-5591

# ORANGE COUNTY TRANSPORTATION AUTHORITY Internal Audit Department



## Fiscal Year 2024-25 Internal Audit Plan



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

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

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**INTERNAL AUDIT DEPARTMENT**  
Fiscal Year 2024-25  
Internal Audit Plan

**Table of Contents**

Mission of the Internal Audit Department.....	1
Internal Audit Department Activities.....	1
Fiscal Year 2023-24 Accomplishments .....	3
Fiscal Year 2024-25 Goals.....	3
Internal Audit Organization.....	4
Internal Audit Plan Development .....	6
Conclusion .....	8
Risk Assessment by Program/Project/Contract/Function Fiscal Year 2024-25.....	Appendix A
Fiscal Year 2024-25 Internal Audit Plan .....	Appendix B

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2024-25  
Internal Audit Plan

**Mission of the Internal Audit Department**

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

**Internal Audit Department Activities**

Internal Audit is responsible for examining and evaluating 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) 2024-25, 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

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2024-25  
Internal Audit Plan

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 engagements 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 2024-25 Internal Audit Plan (Audit Plan) as follows:

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

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

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

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2024-25  
Internal Audit Plan

**Fiscal Year 2023-24 Accomplishments**

- Conducted the annual risk assessment of OCTA and obtained Board approval to execute the FY 2023-24 Audit Plan on July 24, 2023. Implemented the FY 2023-24 Audit Plan and provided timely quarterly updates of progress and activities.
- Exceeded the department-wide productivity goal of 75 percent and exceeded the professional audit staff productivity goal of 80 percent.
- Completed 36 projects, including 15 audits, 16 price reviews, four Buy America reviews, and one investigation and limited scope review.
- Coordinated and issued all required annual, independent financial, and agreed-upon procedures reviews using the services of Crowe LLP. 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 complaints received during the FY. Referred complaints to management, as appropriate, or conducted investigations and provided reports of any substantiated claims or internal control weaknesses identified during investigations. An initial response was provided within two business days.
- Assisted the Audit Subcommittee of the TOC during the year, by coordinating meetings, providing communication of M2-related audit and agreed-upon procedures results, and providing information for consideration in selecting local agencies for review.

**Fiscal Year 2024-25 Goals**

- Conduct the annual risk assessment of OCTA and obtain Board approval to execute the FY 2024-25 Audit Plan by August 2024. Implement the Audit Plan and provide timely quarterly updates of progress and activities.
- Achieve a department-wide productivity ratio of at least 75 percent and professional staff productivity ratio of at least 80 percent.
- Conduct agreed-upon procedures reviews, as requested by CAMM, of selected price proposals, single-bid proposals, and sole source proposals, and to determine compliance with Buy America laws.
- Provide administration of the OCTA Fraud Hotline, providing initial response to all reports within two business days, and conducting investigations and/or referring matters, as appropriate.

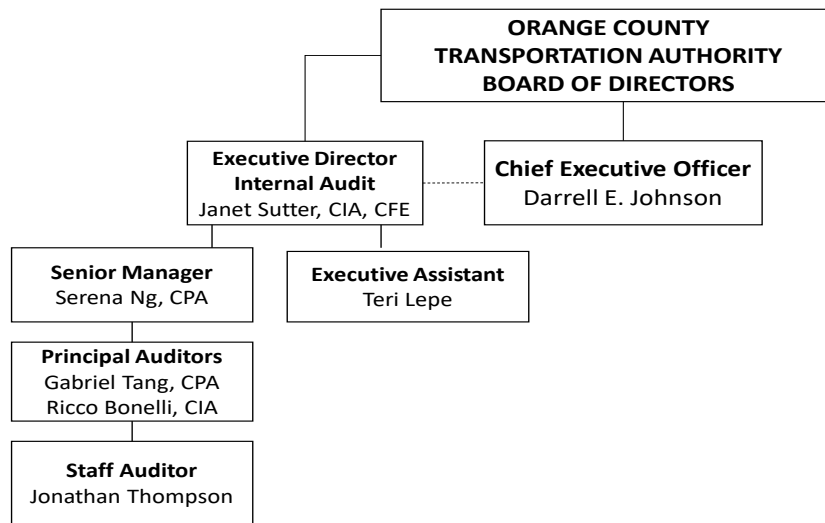
**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2024-25  
Internal Audit Plan

- Obtain required Triennial External Quality Assurance Review of the Internal Audit and provide results to the Finance and Administration (F&A) Committee and the Board.
- Procure a firm to conduct the required State Triennial Reviews of OCTA, the Orange County Transit District, and the Laguna Beach Municipal Transit Lines.

**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.



**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2024-25  
Internal Audit Plan

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, F&A, 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 budget exceeding \$1.75 billion, OCTA delivers transportation solutions through numerous channels with a variety of stakeholders, with the assistance of the private sector, and for the benefit of diverse customers.

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

Risk Assessment Methodology

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

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

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

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

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

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

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

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2024-25  
Internal Audit Plan

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

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

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

Auditable Entity	Audit History	Audit Requirement	Time Since & Results of Last Audit						Weighted Average Risk
			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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2024-25  
Internal Audit Plan

The Audit Plan includes 685 hours for mandatory audit activities, including hours needed to coordinate, review, and report on the results of the required annual audits and agreed-upon procedures reviews, as well as any audits by external regulatory bodies. Additionally, in the coming year, Internal Audit will procure an independent firm to conduct the required State Triennial Reviews of OCTA, the Orange County Transit District, and the Laguna Beach Municipal Transit Lines. Approximately 660 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. In the upcoming year, Internal Audit will also undergo a required triennial quality assurance review and report results of this to the F&A Committee and the Board.

The Audit Plan also includes 700 hours for price review services and 320 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 assume four 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 contracts with Kapsch Trafficom USA, Incorporated for the toll integrator system, Keolis Transit Services, LLC for contracted fixed-route service, Woodruff and Smart for legal services, Siemens Mobility, for the manufacture and delivery of OC Streetcar Vehicles, and four firms for investment management services. An audit of oversight controls and contract compliance related to the Interstate 5 Improvement Project: Oso Parkway to Alicia Parkway is also part of the Audit Plan. In addition, operational audits of project controls, real estate administration, field supervision, budget development and monitoring, purchasing cards, and compensation are included. Finally, an audit of the agreement for public outreach related to the OC Streetcar is planned.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT**

Fiscal Year 2024-25  
Internal Audit Plan

The Audit Plan also reflects audits of warranty administration and right-of-way maintenance as contingency audits that will be initiated should there be available hours and/or resources prior to the preparation of the OCTA FY 2025-26 Audit Plan.

Each of the planned projects, along with projects carried over from the OCTA FY 2023-24 Audit Plan, is reflected at Appendix B, along with a brief description and the estimated staff hours required to perform the audit.

## **Conclusion**

The OCTA FY 2024-25 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 2024-25**

Division	Department/Functional Area	Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
<b>Executive</b>				
	Clerk of the Board			
	Public Records Requests		Low to Moderate	2022
	Form 700 Disclosures		Moderate	2021
	Brown Act Compliance		Low to Moderate	2018
	Services of Legal Process		Low to Moderate	
	Board of Directors' Compensation and Ethics Compliance		Moderate	2019
	Legal Services			
	Woodruff & Smart		<b>High</b>	
	Security and Emergency Preparedness			
	Continuity of Operations/Emergency Response		Moderate to High	
	Emergency Operation Plans		Moderate to High	
	Physical Access Security		Moderate to High	2021
	Security Grants		Low to Moderate	
	Transit Police Services		Moderate	2023
	Express Lanes and Motorist Services Programs			
	91 Express Lanes			
	Master Custodial Agreement		Moderate	2019
	Operations and Management		<b>High</b>	in process
	California Highway Patrol Services		Moderate	
	Collections		Moderate	
	Building Lease		Low to Moderate	
	405 Express Lanes			
	Operations and Management		<b>High</b>	
	California Highway Patrol Services		Moderate	
	Collections		Moderate	
	Building Lease		Low to Moderate	
	Toll Lanes Integrator Services		Moderate to High	
	Motorist Services			
	Freeway Service Patrol		Moderate	2022
	Call Box Program		Low	
	511 Motorist Aid		Low to Moderate	
	Public Information Office			
	Crisis Communications Plan		Moderate	
<b>Capital Programs</b>				
<b>Highway Projects</b>				
<b>Interstate 5 (I-5) Improvements</b>				
	I-5 (between Interstate 405 (I-405) and State Route 55 (SR-55) - Measure M2 (M2) Project B			
	I-405 to Yale Avenue		Low to Moderate	
	Yale Avenue to SR-55		Low to Moderate	

**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2024-25**

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	
	<b>State Route 57 (SR-57) Improvements - M2 Project G</b>		
	Orangewood Avenue to Katella Avenue	Moderate	
	Lambert Road to Tonner Canyon Road	Low to Moderate	
	<b>SR-55 Improvements - M2 Project F</b>		
	I-405 to I-5	Moderate to High	
	I-5 to State Route 91 (SR-91)	Moderate	
	<b>SR-91 Improvements</b>		
	Improvements from SR-57 to SR-55 - M2 Project I		
	SR-55 to Lakeview Avenue	Moderate	
	La Palma Avenue to SR-55	Moderate	
	Acacia Street to La Palma Avenue	Moderate	
	91 Express Lanes to State Route 241 Toll Connector	Low	
	<b>Interstate 605 (I-605)</b>		
	Katella Ave Interchange	Moderate	
	<b>I-405 Improvements</b>		
	Improvements from I-605 and SR-55 - M2 Project K		
	Design-Build Contract Management	Moderate to High	2024
	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	
	<b>Highway Project Management</b>		
	Highway Project Management Support	Moderate to High	2018
	Project Controls	Moderate to High	
	Real Estate Administration	Moderate	
	<b>Right of Way Operations</b>		
	On-Call ROW Services	Moderate to High	2022
	On-Call Real Property Appraisals	Moderate to High	2022
	Excess Land Sales	Moderate	
	Utility Agreements	Moderate	

**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2024-25**

Division Department/Functional Area Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
<b>Facilities Engineering</b>		
Facilities Project Management	Moderate	
Transit Security Operations Center	Moderate to High	
<b>Transit Project Delivery</b>		
<b>Program Management Support: Rail Programs</b>	Moderate to High	
<b>Local Initiatives</b>		
<b>Project S: Go Local Fixed Guideway Projects</b>		
OC Streetcar Project Construction		
Design and Construction Management	High	2022
Construction	High	
Cooperative Agreements	Moderate to High	
OC Streetcar Project Management	High	2021
<b>Rail Project Delivery</b>		
Placentia Metrolink Station Project	Moderate	
Anaheim Canyon Station Improvements	Moderate	2023
Orange County Maintenance Facility	Moderate	
Irvine Station Expansion	Low	
San Juan Creek Bridge Replacement	Low	
Serra Siding Project	Low to Moderate	
Control Point - Avery to San Onofre	Low	
Slope Stabilization Projects	Low to Moderate	
Track Protection - MP204.6	Moderate	
<b>Planning</b>		
<b>M2 Program Management Office</b>	Low to Moderate	
<b>Strategic Planning</b>		
<b>Transportation Planning</b>		
M2 Environmental Mitigation Program		
Program Administration	Moderate	
Land Security	Moderate	
Property Management	Moderate	
Mitigation Monitoring and Reporting	Moderate	
Transit and Non-Motorized Planning		
Bus Facilities Asset Management / Capital Plan	Moderate	
Fleet Outlook / Rollout Plan	Moderate	
Bikeway Master Plans	Low	
Transit Master Plan	Moderate	
Fullerton Park and Ride - Development Study	Low to Moderate	
<b>Strategic Initiatives</b>		
Strategic Plan - Development and Monitoring	Low to Moderate	
Board and Chief Executive Officer Initiatives	Low to Moderate	

**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2024-25**

Division	Department/Functional Area Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
	<b>Southern California Association of Governments Agreement / Workplan</b>	Low to Moderate	
	<b>Geographic Information System Services</b>	Low to Moderate	
	<b>Modeling and Traffic Operations</b>	Low to Moderate	
	<b>State/Federal Programs</b>		
	State/Federal Improvement Program Funding Administration	Moderate	
	Annual 5307 Program of Projects	Moderate	
	Calls for Projects	Low to Moderate	
	<b>Local Programs</b>		
	Measure M Eligibility	Moderate to High	
	Comprehensive Transportation Funding Programs - Agency Audits (CTFP)	Moderate to High	2023
	M2 CTFP Program Eligibility / Call for Projects	Moderate	2021
	Oversight and Reporting: CTFP	Moderate	2021
	<b>M2 Local Projects</b>		
	Project Q - Local Fair Share	Required	
	<b>Operations</b>		
	<b>Passenger Rail Operations &amp; Metrolink</b>		
	ROW Maintenance - Joshua Grading & Excavating	Moderate	2019
	Joint Powers Agreement Allocation Southern California Regional Rail Authority	Moderate to High	
	<b>Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency Managing Agency Contract</b>	Moderate	
	<b>Transit Project Delivery</b>		
	<b>OC Streetcar Operations</b>		
	OC Streetcar Vehicles	High	
	Operations and Maintenance Contract	Moderate to High	
	<b>Service Planning and Scheduling</b>		
	Coach Operator Scheduling	Moderate	
	Stops and Zones	Low to Moderate	
	Service Change Implementation	Moderate	
	<b>Bus Operations</b>		
	Operator Bidding Process	Moderate to High	2019
	Overtime: Scheduled and Unscheduled	Moderate to High	
	Operations Training	Moderate	
	Field Supervision	Moderate	
	Central Communications	Moderate to High	
	Timekeeping System	Moderate	
	Uniform Allowance	Low	



**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2024-25**

Division	Department/Functional Area Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
<b>Contracted Services</b>			
	Travel Training	Low to Moderate	
	OC ACCESS Eligibility	Moderate to High	2023
	Regional Center Day Programs	Moderate to High	2023
	Adult Day Health Care Program Agreements	Moderate	
	Senior Mobility Program		
	Locally-Funded	Low to Moderate	
	M2-Funded	Required	Annual
	Senior Non-Emergency Medical Transportation (M2 - Project U)	Required	2020
	Contracted Fixed Route Operations	High	
	OC ACCESS Service	High	2024
	Same-Day Taxi Service - Yellow Cab of North Orange County	Moderate to High	2020
	Vanpool Operations	Moderate	2024
	OC Flex Operations	Moderate	
<b>Maintenance</b>			
	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
	Maintenance Resource Management	Moderate to High	
	Timekeeping	Low to Moderate	
	Equipment Assignments and Tracking	Low	
	Uniform Rental and Cleaning	Low to Moderate	
	Facilities Maintenance	Moderate	2021
	Maintenance Training	Low to Moderate	
	Electric Vehicle Charging Stations	Moderate	
<b>Finance and Administration</b>			
	<b>Project U - Fare Stabilization</b>	Low to Moderate	
	<b>Financial Planning and Analysis</b>		
	Budget Development and Monitoring	Moderate to High	
	Comprehensive Business Plan	Moderate	
	Transit Performance Metrics	Moderate	
	<b>Treasury and Public Finance</b>		
	<b>Investments</b>		
	Investments - Compliance, Controls, and Reporting	Required	Semi-Annual
	Investment Management Service Contracts	Moderate to High	
	Endowment Funds	Low	
	Transportation Infrastructure Finance and Innovation Act Loan	Moderate	

**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2024-25**

Division	Department/Functional Area Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
<b>Accounting and Financial Reporting</b>			
	General Accounting	Moderate	
	Financial Reporting	Required	Annual
	Cost Allocation Plan	Low to Moderate	
	M2 Accounting and Reporting	Required	Annual
	Accounts Payable	Moderate to High	2024
	Purchasing Cards	Low to Moderate	2018
	Corporate Credit Cards	Low to Moderate	2019
	Capital Assets	Moderate	
	Pass Sales Program	Low to Moderate	
	Payroll Operations	Moderate to High	
	Administrative Employee Overtime	Moderate	
	Payroll Garnishments	Low	
	Petty Cash Funds Administration	Low	
	Banking Services	Moderate	2020
	National Transit Database	Required	
<b>General Services</b>			
	Printing and Reprographics	Low to Moderate	
	Records Management	Moderate	
	Lease Management	Low to Moderate	
	Asset Management and Inventory	Moderate	
	Orange County Transportation Authority (OCTA) Policies	Low	
	OCTA Store	Moderate	2023
	Parking Garage - ABM Parking Services	Low	
	Lost and Found	Low to Moderate	2023
<b>Revenue Administration</b>			
	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
	Federal Stimulus Funding	Moderate to High	
<b>Contracts Administration and Materials Management</b>			
	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	Moderate	
	Unleaded Fuel	Moderate	
	Renewable Natural Gas Credits Contract	Low to Moderate	2019

**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2024-25**

Division	Department/Functional Area	RISK ASSESSMENT	7 Year Audit History
	Project/Program/Contract/Function		
<b>Information Systems</b>			
	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 and Security (Cybersecurity)	Moderate to 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 to High	
	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	
<b>People and Community Engagement</b>			
<b>Risk Management</b>			
	Insurance Program Administration	Moderate	
	Liability Claims Management and Subrogation	Moderate to High	2024
	Worker's Compensation and Subrogation	Moderate to High	2023
<b>Health, Safety and Environmental Compliance</b>			
	Drug and Alcohol Program	Moderate	
	Construction Safety / Safety Specifications	Moderate to High	2019
	Employee Safety	Moderate to High	
	Motor Vehicle and Traffic Safety		
	Pull Notice Program	Moderate	2021
	National Transit Database Accident Reporting	Low to Moderate	
	Environmental Compliance Program		
	Storm Water Pollution Prevention Program	Moderate	
	Spill Prevention Countermeasure and Control Plan	Moderate	
	Hazardous Waste Removal	Moderate	
	Air Quality Management District Permitting and Compliance	Moderate	
	Underground Storage Tank Removal Program	Moderate	
	Safety Management Plan	Moderate	
	<b>Internal Communications</b>	Low	
<b>Employment &amp; Compensation</b>			
	Separations	Low to Moderate	2020
	Extra Help and Interns	Low to Moderate	
	Temporary Staffing	Low to Moderate	2022
	Recruitment and Employment	Moderate	2019

**Orange County Transportation Authority**  
**Internal Audit Department**  
**Risk Assessment by Program/Project/Contract/Function**  
**Fiscal Year 2024-25**

Division	Department/Functional Area	RISK ASSESSMENT	7 Year Audit History
Project/Program/Contract/Function			
	Compensation	Moderate	
	Performance Reviews	Low to Moderate	

**Orange County Transportation Authority  
Internal Audit Department  
Risk Assessment by Program/Project/Contract/Function  
Fiscal Year 2024-25**

Division	Department/Functional Area	RISK ASSESSMENT	7 Year Audit History
	Project/Program/Contract/Function		
<b>Benefits</b>			
	Healthcare Plans	Moderate to High	2024
	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	2023
	Life Insurance Benefit	Low to Moderate	
	Alternative/Remote Work Program	Low	
	Benefit Program Incentives	Low to Moderate	2021
	Commuter Club Program	Low to Moderate	
<b>Employee and Labor Relations</b>			
	Labor Contracts	Moderate	2020
	Unemployment Claims	Low	
	Employee Grievances and Complaints	Low to Moderate	
	Equal Employment Opportunity	Moderate	
	Title VI Compliance	Moderate	
	Medical Exams	Moderate	
	Americans with Disabilities Act	Moderate	
<b>Training &amp; Development</b>			
	Training (Learning Management System)	Low to Moderate	2023
	Educational Reimbursements	Low to Moderate	2023
<b>External Affairs</b>			
	Marketing and Customer Engagement	Low to Moderate	2019
	Digital and Creative Services		
	OCTA Bus Marketing and Promotional Items	Moderate	2023
	Bus Advertising Revenue Contracts	Low to Moderate	
	Rideshare Program	Moderate	2023
	Customer Engagement and Data Analytics	Low to Moderate	
	Data Analytics / Performance Management		
	In-House Customer Relations		
	Customer Information Center	Moderate	
	Reduced Fare Programs	Low to Moderate	
	College Pass Program	Moderate	2024
	Diversity Outreach and Economic Opportunity Programs	Low to Moderate	
	Public Outreach	Moderate	2018
	Project Outreach Contract Management		
	SR-91		
	I-5		
	SR-55		
	OC Streetcar Project		
	I-405 Improvement Project		
	I-5 - El Toro Road		
	I-5 Central (between SR-55 and SR-57)		

**Orange County Transportation Authority**  
**Internal Audit Department**  
**Risk Assessment by Program/Project/Contract/Function**  
**Fiscal Year 2024-25**

Division	Department/Functional Area	Project/Program/Contract/Function	RISK ASSESSMENT	7 Year Audit History
		Commuter Rail	Moderate	
		Planning Studies Outreach	Low to Moderate	

**Orange County Transportation Authority**  
**Internal Audit Department**  
**Risk Assessment by Program/Project/Contract/Function**  
**Fiscal Year 2024-25**

Division	Department/Functional Area	RISK ASSESSMENT	7 Year Audit History
Project/Program/Contract/Function			
<b>Government Relations</b>			
	<b>State and Federal Relations</b>		
	Lobbying Contracts	Low to Moderate	2023
	<b>Subrecipient Monitoring</b>	Moderate	

**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2024-25 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
<b>Mandatory External Independent Audits</b>				
Annual Financial Audits and Agreed-Upon Procedures (AUP) Reviews	FY25-001 through FY25-005	Coordinate and report on annual financial and compliance audits and AUP reviews for FY 2023-24.	Financial	425
External Regulatory Audits	FY25-006	Coordinate and report on audits by regulatory or funding agencies.	Compliance	40
State Triennial Review	FY25-007	Procure independent audit firm and coordinate and report on results of the required State Triennial Performance audits of the Orange County Transportation Authority (OCTA), Orange County Transit District, and Laguna Beach Municipal Transit Lines.	Compliance	220
<b>Internal Audit Department Projects</b>				
Risk Assessment and Annual Audit Plan	FY25-100	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	FY25-101	Update of Internal Audit Policies & Procedures to reflect Generally Accepted Government Auditing Standards (GAGAS). Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with GAGAS.	Quality Assurance	160
Fraud Hotline Activities	FY25-102	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
Peer Review	FY25-103	Participate in peer reviews of other internal audit agencies in exchange for reciprocal credit towards required peer review of OCTA's Internal Audit Department for calendar years 2022, 2023, and 2024. Report results of peer review to the Finance and Administration Committee and the Board of Directors (Board).	Peer Review	160
Automated Workpaper Solution	FY25-104	System updates/training related to automated workpaper solution.	Workpaper System	40
<b>Internal Audits</b>				
<b>Organization-Wide</b>				



**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2024-25 Internal Audit Plan**

<b>Audit Activity</b>	<b>Project Number</b>	<b>Description</b>	<b>Primary Audit Type</b>	<b>Planned Staff Hours</b>
Legal Services	FY25-5XX	Assess and test contract compliance and invoice review controls related to the contract with Woodruff and Smart for legal services.	Compliance	200
<b>Express Lanes Program</b>				
Operations and Management	FY24-508	Assess and test selected oversight, contract compliance, and/or invoice review controls related to the provision of services by Cofiroute USA, LLP.	Operational/ Compliance	200
Toll Integrator System	FY25-5XX	Assess and test oversight, contract compliance and invoice review controls related to the contract with Kapsch Trafficom USA, Inc. for the design, implementation, installation, operation and maintainance of a toll collection system for the existing 91 Express Lanes and 405 Express Lanes.	Internal Control/ Compliance	220
<b>People and Community Engagement</b>				
Compensation	FY25-5XX	Assess and test policies, procedures, and controls over employee compensation actions.	Operational	320
Public Outreach - OC Streetcar	FY25-5XX	Assess and test oversight controls, contract compliance, and invoice review controls related to the agreement for public outreach for the OC Streetcar project.	Internal Control/ Compliance	180
<b>Capital Programs</b>				
Interstate 5 (I-5) Improvement Project: Oso Parkway to Alicia Parkway	FY25-5XX	Assess and test oversight controls, contract compliance, and invoice review controls related to the I-5 Improvement Project: Segment 2 - Oso Parkway to Alicia Parkway	Internal Control / Compliance	320
Project Controls	FY25-5XX	Assess and test operating controls of the project controls function within the Capital Programs Division.	Operational	240
Real Estate Administration	FY25-5XX	Assess and test real estate administration and controls, including management of contracts.	Operational	240

**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2024-25 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
<b>Operations</b>				
OC ACCESS Service	FY24-512	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	24
OC Streetcar Vehicles	FY25-5XX	Assess and test procurement, oversight, contract, and/or invoice review controls related to the contract with Siemens for OC Streetcar vehicles.	Operational / Compliance	280
Contracted Fixed Route	FY25-5XX	Assess adequacy of oversight controls and compliance with key provisions of the agreement with Keolis, performance standards measurement and reporting, and invoice review controls.	Operational / Compliance	320
Field Supervision	FY25-5XX	Evaluate and test field supervision activities for compliance with policies and procedures.	Operational	240
<b>Finance and Administration</b>				
Treasury	FY25-5XX	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	250
Budget Development and Monitoring	FY25-5XX	Assess and test controls over budget development, monitoring and reporting.	Operational	240
Revenue Agreements	FY24-513	Assess and test controls over identification, tracking, and reporting of external revenue agreements.	Operational	60
Investment Management Contracts	FY25-5XX	Assess and test oversight, contract compliance and invoice review controls related to short-term investment management services provided by Chandler Asset Management, MetLife, Payden & Rygel, and PFM Asset Management, LLC.	Operational / Compliance	180
Purchasing Cards	FY25-5XX	Assess and test controls over purchasing card activities.	Operational / Compliance	240
Price Reviews	PR25-5XX	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	700
Buy America	FY25-5XX	As requested by the CAMM Department, apply AUP to determine compliance with Buy America requirements.	Buy America	320

**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2024-25 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
<b>Unscheduled Reviews and Special Requests</b>				
Unscheduled Reviews and Special Requests	FY25-800	Time allowed for unplanned audits and requests from the Board or management.	Varies	180
<b>Monitoring Activities</b>				
Measure M Taxpayer Oversight Committee (TOC)	FY25-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	50
Metrolink Audit Activities	FY25-602	Review/monitor audit results of Metrolink activities.	Non-Audit Service	8
Capital Asset Inventory Observation	FY24-604	At the request of the Finance and Administration Division, observe and apply limited procedures related to the bi-annual capital asset inventory counts.	Non-Audit Service	20
<b>Follow-Up Reviews</b>				
Follow-Up Reviews and Reporting	FY25-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-Up	320
<b>Total Audit Project Planned Hours (A)</b>				<b>6,697</b>

**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2024-25 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
<b>Internal Audit Administration</b>				
Board and Committee Meetings				180
Executive Steering and Agenda Setting Meetings				170
Internal Audit Staff Meetings				150
Other Administration				1,500
			<b>Total Hours (B)</b>	<b>8,697</b>
			<b>Department Target Efficiency (A/B)</b>	75%
			<b>Target Efficiency - Professional Staff</b>	80%

**Contingency Audits: Internal**

Warranty Administration	FY25-5XX	Assess the adequacy and effectiveness of internal controls in place for identifying, tracking and recording of warranty repairs and credits.
Right-of-Way Maintenance	FY25-5XX	Assess and test the adequacy and effectiveness of controls related to maintenance of the railroad Right of Way and the contract with Joshua Grading and Excavating Incorporated.