



January 21, 2022

NOTICE TO ALL PROPOSERS

**SUBJECT: REQUEST FOR PROPOSALS (RFP) 1-3917
“On-Call Performance Audits and Agreed-Upon Procedures
Engagements”**

Gentlemen/Ladies:

This letter shall serve as Addendum No. 2 to the above RFP issued by the Orange County Transportation Authority (OCTA).

Offerors are reminded proposals must be submitted electronically through the following URL link: <https://www.octa.net/Proposal Upload Link> at or before 2:00 p.m. on February 14, 2022. Select “RFP 1-3917” from the drop-down menu and follow the instructions as prompted. Hard copy proposal submission will not be accepted for this RFP. Proposals must be submitted electronically at the link stated above and by the date and time as indicated.

Offerors are advised the Pre-proposal Registration Sheets are attached as Attachment E to this Addendum No. 2.

Offerors are advised the following questions were submitted by the January 18, 2022, deadline.

1. What were OCTA’s expenditures in FY20 and FY21 related to the two bench contracts for auditing and AUP services?

Answer: In FY2019-20, \$7,870 was paid out for Contract Task Order (CTO) A42287; and \$44,160 was paid out for CTO A43671; totaling \$52,030. There were no expenditures in FY2020-21. OCTA has identified all expenditures against the contracts in the response to question 2.

2. How many and what type of engagements were performed by external firms for Internal Audit in FY20 and FY21? Who performed the services?

Answer: BCA Watson Rice LLP: 1) CTO A37701 for compliance audit of STIP PPM funds FY2014-15 - \$6,500; 2) CTO A39626 for compliance audit of STIP PPM funds FY2015-16 - \$7,060; 3) CTO A42287 for compliance audit of STIP PPM funds FY2016-17 - \$7,870; and 4) CTO A43671 for performance audit of Patch Management Program - \$44,160.

AFFILIATED AGENCIES

*Orange County
Transit District*

*Local Transportation
Authority*

*Service Authority for
Freeway Emergencies*

*Consolidated Transportation
Service Authority*

*Congestion Management
Agency*

*Service Authority for
Abandoned Vehicles*

- a. What were the fees and hours incurred for each engagement?

Answer: See above

- b. Please provide a copy of any prepared reports.

Answer: Please see Attachments A, B, C and D to this Addendum No. 2.

3. Which firms were on the previous two bench contracts list for auditing and consulting services?

Answer: General auditing services: BCA Watson Rice LLP; Conrad LLP; KNL Support Services; Eide Bailly, LLP

Price reviews and Buy America reviews: Davis Farr LLP; Conrad LLP; Macias Gini & O'Connell LLP

4. RFP page 8, Section II.A.1: To reduce page length and file size, would OCTA consider allowing single-spaced format? If not, may we single-space at least our Letter of Transmittal, resumes, and forms?

Answer: Please format proposals in accordance with the RFP. Letters, resumes and forms may be single-spaced.

5. Will interviews conducted on March 1, 2022, be in person or virtual?

Answer: Virtual via Microsoft Teams.

6. RFP page 11, Section II.A.3.d: Shall we include Exhibit F, Exceptions/Deviations after our Work Plan section or in the Forms section of our proposal?

Answer: In the Forms section.

7. Does OCTA have any Contract Task Order assignments planned as of yet? If so, what type of audit services are they and for what department(s)?

Answer: No, specific assignments have not been planned as of yet. Requests for Contract task order proposals will be issued as the need arises.

8. Is OCTA anticipating the contractor to perform work primarily on-site, or will a remote work environment be suitable for this contract?

Answer: While COVID restrictions are in place, OCTA would allow remote work. Once restrictions are lifted, it is anticipated that the consultant would work on-site at least partially and be available to present audit results at in-person public meetings.

9. Typically, how long will a firm on the on-call list have to respond to a Contract Task Order request?

Answer: Since an Agreed-Upon Procedure engagement is time-sensitive, OCTA would typically ask the consultant to submit a proposal within a week. For audit engagements, OCTA would allow 10-14 days before a proposal is due.

10. Why is OCTA considering changing auditors?

Answer: The contracts will be expiring.

11. Will your prior audit firms be invited to bid?

Answer: Yes.

12. Is the scope of the service requesting the same as last year?

Answer: Yes.

13. What are some things you would like to see improved in the audit process compared to previous years?

Answer: OCTA has not experienced issues with audit services in past years.

14. Do you anticipate performance audits will be performed remotely, or do you believe that on site work will be necessary?

Answer: While COVID restrictions are in place, OCTA would allow remote work. Once restrictions are lifted, it is anticipated that the consultant would work on-site at least partially and be available to present audit results at in-person public meetings.

15. Could you please provide a sample of performance audits performed in the past?

Answer: A performance audit completed by a consultant is attached to this Addendum No. 2 in response to question 2.

16. Who are the incumbent firms on the on-call list/how many firms were qualified and given bench contracts previously?

Answer: Please see response to question 3.

17. Is there a limit to the number of firms qualified to be placed on the bench?

Answer: No.

18. The budget is listed at \$750,000 for a three-year initial term. How is this amount allocated between task orders?

Answer: Contract task orders will be issued as the need arises, and the amounts will be determined at that time.

19. What were OCTA's expenditures from the past three years related to this engagement?

Answer: Please see all expenditures on the contracts in the response to question 2.

20. If a firm is selected to be on OCTA's on-call list for this engagement, does that preclude the firm from accepting claims work (or create a conflict) on future projects?

Answer: At this time, OCTA does not foresee a conflict with this bench.

21. Are DBE, SBE or similar participation on teams encouraged?

Answer: It is encouraged, but not required. Proposals will not be evaluated based upon DBE or SBE participation.

22. Can a selected contractor work with a subcontractor to achieve the GAGAS certification requirement?

Answer: No

23. To confirm Exhibit E is for informational purposes only and need not be submitted with the proposal. Is that correct based on the pre-proposal conference on January 18, 2022?

Answer: Proposals should not include Safety and Health specifications for your organization. Since this is an OSHA requirement, firms should have them on premises and readily available upon request by OCTA's Safety department.

24. Are there any audits included in the approved annual Internal Audit plan for fiscal year 2023 for which a task order will be issued?

Answer: At this time, OCTA has not made any plans on audits that will be outsourced. As the need arises, OCTA will issue requests for CTO proposals.

25. Will the CTOs require onsite fieldwork, or will there be an expectation of remote performance?

Answer: While COVID restrictions are in place, OCTA would allow remote work. Once restrictions are lifted, it is anticipated that the consultant would work on-site at least partially and be available to present audit results at in-person public meetings.

26. Are there any specific M/W/SBE requirements?

Answer: No

27. How many consultants does the Authority anticipate contracting with?

Answer: OCTA does not have a specific number in mind.

28. Are there any maximum rates/fees either individually or in the aggregate that apply to this contract?

Answer: No.

29. Do the CTOs historically stay true to expectations or is there a history of out-of-scope work involved on the assignments?

Answer: OCTA has not experienced out-of-scope work.

30. How many reports are typically issued each year?

Answer: Please see all CTO's issued on the contracts in the response to question 2.

31. Can the incumbent firm(s) propose on the current contract?

Answer: Yes.

32. Any disagreements or concerns with any of the incumbent firm(s)?

Answer: No

Questions regarding this Addendum No. 2 shall be directed to the undersigned at ycrowder@oca.net.



Yvette Crowder
Senior Contract Administrator
Contracts Administration and Materials Management

ORANGE COUNTY TRANSPORTATION AUTHORITY

State Transportation Improvement Program
Planning, Programming, and Monitoring Program
Program Fiscal Year 2014-2015
Agreement No. PPM15-6071(098)

For the Period Covering June 25, 2014 to June 30, 2017



21250 Hawthorne Blvd. Suite 150 Torrance, CA 90503
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ORANGE COUNTY TRANSPORTATION AUTHORITY

State Transportation Improvement Program Planning, Programming and Monitoring Program Program Fiscal Year 2014-2015

For the Period Covering June 25, 2014 through June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Orange County Transportation Authority
Orange, California

Report on the Schedule of Program Costs

We have audited the accompanying Schedule of Program Costs incurred by the Orange County Transportation Authority (OCTA) under the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring Program (PPM) Fund Transfer Agreement No. PPM15-6071(098) (Agreement) totaling \$1,445,000 with the State of California, Department of Transportation (Caltrans) for the period covering June 25, 2014 through June 30, 2017, and the related Notes to the Schedule of Program Costs.

Management's Responsibility for the Schedule of Program Costs

The OCTA's management is responsible for the preparation and fair presentation of the Schedule of Program Costs in accordance with the methods of preparation described in Note 3. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule of Program Costs that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule of Program Costs based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Program Costs is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule of Program Costs. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the Schedule of Program Costs, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule of Program Costs in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule of Program Costs.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule of Program Costs referred to above presents fairly, in all material respects, the revenue received and costs incurred by OCTA under the Agreement for the period June 25, 2014 through June 30, 2017 in accordance with the basis of accounting described in Note 3.

Emphasis of Matter

As discussed in Note 2, the Schedule of Program Costs presents only the STIP PPM revenue and costs of OCTA for the period June 25, 2014 through June 30, 2017 and does not purport to, and does not, present the net position, changes in net position, or cash flows of OCTA. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated August 4, 2017 on our consideration of OCTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, including Article XIX of the California State Constitution. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCTA's internal control over financial reporting and compliance.



Torrance, CA
August 4, 2017

ORANGE COUNTY TRANSPORTATION AUTHORITY

State Transportation Improvement Program Planning, Programming and Monitoring Program Program Fiscal Year 2014-2015

Schedule of Program Costs For the Period Covering June 25, 2014 through June 30, 2017

| Project Name | Invoiced Costs | Questioned Costs | Audited Costs | Project Status |
|---|---------------------|---------------------|---------------------|----------------|
| On-Call Transportation Services - (LHTC) Joint Development Feasibility | \$ 131,013 | \$ - | \$ 131,013 | Complete |
| Orange County Goods Movement Study | 72,585 | - | 72,585 | Complete |
| Bus Capital Plan Update | 46,803 | - | 46,803 | Complete |
| On-Call Transportation Services - Pacific Coast Highway (PCH) Pamphlet | 28,992 | - | 28,992 | Complete |
| Geographic Information System On-Call Services (A22567D / C-1-2603) | 23,944 | - | 23,944 | Complete |
| Geographic Information System On-Call Services (A22566D / C-1-2854) | 18,375 | - | 18,375 | Complete |
| Transportation Modeling Support for Orange County Transportation Model | 5,694 | - | 5,694 | Complete |
| Orange County Bikeways - District 3 Strategies | 5,623 | - | 5,623 | Complete |
| Geographic Information System On-Call Services (A22567A,B,C / C-1-2603) | 3,262 | - | 3,262 | Complete |
| Geographic Information System On-Call Services (A22566A,B,C / C-1-2854) | 1,677 | - | 1,677 | Complete |
| Master Transit Plan | 276,927 | - | 276,927 | In Progress |
| Financial Programming, Analysis and Monitoring | 143,338 | - | 143,338 | In Progress |
| Freeway Chokepoint Study | 56,725 | - | 56,725 | In Progress |
| Air Quality Planning Support | 42,840 | - | 42,840 | In Progress |
| Harbor Boulevard Transit Study | 38,255 | - | 38,255 | In Progress |
| On-Call Regional Programming Support | 11,649 | - | 11,649 | In Progress |
| Flexible-Potential Staffing | 795,649 | - | 795,649 | |
| Total Costs Incurred | \$ 1,703,351 | \$ - | \$ 1,703,351 | |

| | |
|---|----------------------------|
| Total Funding Available for Program Year 14-15 | \$ 1,445,000 |
| Total Amount Reimbursed by Caltrans | (211,510) |
| Amount Due from Caltrans | <u><u>\$ 1,233,490</u></u> |

See accompanying notes to the schedule of program costs.

ORANGE COUNTY TRANSPORTATION AUTHORITY

State Transportation Improvement Program Planning, Programming and Monitoring Program Program Fiscal Year 2014-2015

Notes to Schedule of Program Costs For the Period Covering June 25, 2014 through June 30, 2017

1. GENERAL INFORMATION

On June 25, 2014, the Orange County Transportation Authority (OCTA) entered into Fund Transfer Agreement No. PPM15-6071(098) (Agreement) with the State of California, Department of Transportation (Caltrans) under the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring Program (PPM). PPM activities included:

- Planning – Developing strategies to address the short and long-term multimodal transportation needs of both Orange County and the region, and to guide the expenditure of federal, state and local transportation funds;
- Programming – Consultant, management and staff support to prioritize, allocate, program and manage federal, state and local funds for transportation improvements through the county transportation improvement program, including the regional component of the STIP and the Orange County's component of the Regional Transportation Improvement Program (RTIP); and
- Transportation Monitoring, Data Management, and Analysis – Consultant and staff support to meet the state and federal transportation data collection and monitoring requirements, thereby providing the analytical basis for county-wide planning and programming decisions, as well as to monitor the development and delivery of transportation projects programmed through the STIP and RTIP.

OCTA is required to comply with the Agreement and to ensure that STIP PPM funds are used in conformance with Article XIX of the California State Constitution, and for PPM purposes as defined in the Agreement.

2. BASIS OF PRESENTATION

The accompanying Schedule of Program Costs includes revenue received and costs incurred under the Agreement for the period June 25, 2014 through June 30, 2017. Because the Schedule of Program Costs presents only a selected portion of the operations of OCTA, it is not intended to and does not present the net position, changes in net position, or cash flows of OCTA. The information in the Schedule of Program Costs is presented in accordance with the requirements specified by Caltrans, accounting principles generally accepted in the United States of America, and is specific to the aforementioned Agreement.

ORANGE COUNTY TRANSPORTATION AUTHORITY

State Transportation Improvement Program Planning, Programming and Monitoring Program Program Fiscal Year 2014-2015

Notes to Schedule of Program Costs For the Period Covering June 25, 2014 through June 30, 2017

3. BASIS OF ACCOUNTING

The Schedule of Program Costs is reported on the modified accrual basis of accounting. The expenditures reported therein are recognized following the cost principles contained in the Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*.

4. REVENUE AND RECEIVABLE FROM CALTRANS

On July 27, 2017, OCTA received a \$211,510 reimbursement for costs incurred under the Agreement. As of the date of this report, OCTA had not yet received the remaining \$1,233,490 reimbursement for costs incurred under the Agreement. The amount due from Caltrans represents a receivable for eligible costs incurred.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF A SCHEDULE OF PROGRAM COSTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Orange County Transportation Authority
Orange, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Program Costs of the Orange County Transportation Authority (OCTA) representing revenue received and costs incurred under the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring Program (PPM) Fund Transfer Agreement No. PPM15-6071(098) (Agreement) with the State of California, Department of Transportation (Caltrans) for the period June 25, 2014 through June 30, 2017, and the related Notes to the Schedule of Program Costs, and have issued our report thereon dated August 4, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedule of Program Costs, we considered OCTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule of Program Costs, but not for the purpose of expressing our opinion on the effectiveness of OCTA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of OCTA's Schedule of Program Costs will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in

internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCTA's Schedule of Program Costs is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of Schedule of Program Costs amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Audit Standards*.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OCTA's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "BCA Watson Rice, LLP". The signature is written in a cursive, flowing style.

Torrance, CA
August 4, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH THE STATE TRANSPORTATION IMPROVEMENT PROGRAM
PLANNING, PROGRAMMING AND MONITORING PROGRAM
FUND TRANSFER AGREEMENT NO. PPM15-6071(098) AND
ARTICLE XIX OF THE CALIFORNIA STATE CONSTITUTION**

The Board of Directors
Orange County Transportation Authority
Orange, California

We have audited the Orange County Transportation Authority's (OCTA's) compliance with the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring Program (PPM) Fund Transfer Agreement No. PPM15-6071(098) (Agreement) with the State of California, Department of Transportation (Caltrans) and Article XIX of the California State Constitution applicable to OCTA's STIP PPM Program for the period June 25, 2014 through June 30, 2017.

Management's Responsibility

OCTA's management is responsible for compliance with the requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on OCTA's compliance with the applicable compliance requirements based on the compliance audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Agreement and Article XIX of the California State Constitution. Those standards, the Agreement and Article XIX of the California State Constitution require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the STIP PPM Program occurred. A compliance audit includes examining, on a test basis, evidence about OCTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our compliance audit provides a reasonable basis for our opinion. Our compliance audit does not provide a legal determination of OCTA's compliance with those requirements.

Opinion

In our opinion, OCTA complied, in all material respects, with the compliance requirements referred to above that are applicable to the STIP PPM Program, and project funds were used in conformance with Article XIX of the California State Constitution for the period June 25, 2014 through June 30, 2017.

Purpose of this Report

This report is intended solely to describe the scope of our testing based on the requirements of the Agreement and Article XIX of the California State Constitution. Accordingly, this report is not suitable for any other purpose

BCA Watson Rice, LLP

Torrance, CA
August 4, 2017

ORANGE COUNTY TRANSPORTATION AUTHORITY

**State Transportation Improvement Program
Planning, Programming and Monitoring Program
Program Fiscal Year 2015-2016
Agreement No. PPM16-6071 (113)**

For the Period Covering July 1, 2015 to June 30, 2018



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ORANGE COUNTY TRANSPORTATION AUTHORITY

State Transportation Improvement Program Planning, Programming and Monitoring Program Program Fiscal Year 2015-2016

For the Period Covering July 1, 2015 through June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Orange County Transportation Authority
Orange, California

Report on the Schedule of Program Costs

We have audited the accompanying Schedule of Program Costs incurred by the Orange County Transportation Authority (OCTA) under the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring Program (PPM) Fund Transfer Agreement No. PPM16-6071(113) (Agreement) totaling \$831,000 with the State of California, Department of Transportation (Caltrans) for the period covering July 1, 2015 through June 30, 2018, and the related Notes to the Schedule of Program Costs.

Management's Responsibility for the Schedule of Program Costs

The OCTA's management is responsible for the preparation and fair presentation of the Schedule of Program Costs in accordance with the methods of preparation described in Note 3. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule of Program Costs that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule of Program Costs based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Program Costs is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule of Program Costs. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the Schedule of Program Costs, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule of Program Costs in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule of Program Costs. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule of Program Costs referred to above presents fairly, in all material respects, the revenue received and costs incurred by OCTA under the Agreement for the period July 1, 2015 through June 30, 2018 in accordance with the basis of accounting described in Note 3.

Emphasis of Matter

As discussed in Note 2, the Schedule of Program Costs presents only the STIP PPM revenue and costs of OCTA for the period July 1, 2015 through June 30, 2018 and does not purport to, and does not, present the net position, changes in net position, or cash flows of OCTA. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated August 1, 2018 on our consideration of OCTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, including Article XIX of the California State Constitution. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCTA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "BCA Watson Rice, LLP". The signature is written in a cursive, flowing style.

Torrance, CA
August 1, 2018

ORANGE COUNTY TRANSPORTATION AUTHORITY

State Transportation Improvement Program Planning, Programming and Monitoring Program Program Fiscal Year 2015-2016

Schedule of Program Costs For the Period Covering July 1, 2015 through June 30, 2018

| Project Name | Invoiced Costs | Questioned Costs | Audited Costs | Project Status |
|--|-------------------|---------------------|-------------------|-------------------|
| Air Quality Planning Support | \$ 9,945 | \$ - | \$ 9,945 | Complete |
| Harbor Boulevard Transit Study | 5,374 | - | 5,374 | Complete |
| I-5 HOV Extension between Avenida Pico and the San Diego County Line PSR/PDS | 46,555 | - | 46,555 | In Progress |
| Transit Master Plan | 222,823 | - | 222,823 | Complete |
| Freeway Chokepoint Study | 43,273 | - | 43,273 | Complete |
| Flexible-Potential Staffing – Labor Charges FY 2017-18 | 580,825 | - | 580,825 | |
| Total Costs Incurred | \$ 908,795 | \$ - | \$ 908,795 | |
| Total Funding Available for Program Year 15-16 | | | | \$ 831,000 |
| Total Amount Reimbursed by Caltrans | | | | (141,571) |
| Amount Due from Caltrans | | | | <u>\$ 689,429</u> |

See accompanying notes to the schedule of program costs.

ORANGE COUNTY TRANSPORTATION AUTHORITY

State Transportation Improvement Program Planning, Programming and Monitoring Program Program Fiscal Year 2015-2016

Notes to Schedule of Program Costs For the Period Covering July 1, 2015 through June 30, 2018

1. GENERAL INFORMATION

On July 1, 2015, the Orange County Transportation Authority (OCTA) entered into Fund Transfer Agreement No. PPM16-6071(113) (Agreement) with the State of California, Department of Transportation (Caltrans) under the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring Program (PPM). PPM activities included:

- Planning – Developing strategies to address the short and long-term multimodal transportation needs of both Orange County and the region, and to guide the expenditure of federal, state and local transportation funds;
- Programming – Consultant, management and staff support to prioritize, allocate, program and manage federal, state and local funds for transportation improvements through the county transportation improvement program, including the regional component of the STIP and the Orange County's component of the Regional Transportation Improvement Program (RTIP); and
- Transportation Monitoring, Data Management, and Analysis – Consultant and staff support to meet the state and federal transportation data collection and monitoring requirements, thereby providing the analytical basis for county-wide planning and programming decisions, as well as to monitor the development and delivery of transportation projects programmed through the STIP and RTIP.

OCTA is required to comply with the Agreement and to ensure that STIP PPM funds are used in conformance with Article XIX of the California State Constitution, and for PPM purposes as defined in the Agreement.

2. BASIS OF PRESENTATION

The accompanying Schedule of Program Costs includes revenue received and costs incurred under the Agreement for the period July 1, 2015 through June 30, 2018. Because the Schedule of Program Costs presents only a selected portion of the operations of OCTA, it is not intended to and does not present the net position, changes in net position, or cash flows of OCTA. The information in the Schedule of Program Costs is presented in accordance with the requirements specified by Caltrans, accounting principles generally accepted in the United States of America, and is specific to the aforementioned Agreement.

ORANGE COUNTY TRANSPORTATION AUTHORITY

State Transportation Improvement Program Planning, Programming and Monitoring Program Program Fiscal Year 2015-2016

Notes to Schedule of Program Costs For the Period Covering July 1, 2015 through June 30, 2018

3. BASIS OF ACCOUNTING

The Schedule of Program Costs is reported on the modified accrual basis of accounting. The expenditures reported therein are recognized following the cost principles contained in the Office of Management and Budget (OMB) Uniform Guidance.

4. REVENUE AND RECEIVABLE FROM CALTRANS

On March 29, 2018, OCTA received a \$141,571 reimbursement for costs incurred under the Agreement. As of the date of this report, OCTA had not yet received the remaining \$689,429 reimbursement for costs incurred under the Agreement. The amount due from Caltrans represents a receivable for eligible costs incurred.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF A SCHEDULE OF PROGRAM COSTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Orange County Transportation Authority
Orange, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Program Costs of the Orange County Transportation Authority (OCTA) representing revenue received and costs incurred under the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring Program (PPM) Fund Transfer Agreement No. PPM16-6071(113) (Agreement) with the State of California, Department of Transportation (Caltrans) for the period July 1, 2015 through June 30, 2018, and the related Notes to the Schedule of Program Costs, and have issued our report thereon dated August 1, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedule of Program Costs, we considered OCTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule of Program Costs, but not for the purpose of expressing our opinion on the effectiveness of OCTA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of OCTA's Schedule of Program Costs will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCTA's Schedule of Program Costs is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of Schedule of Program Costs amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Audit Standards*.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OCTA's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "BCA Watson Rice, LLP". The signature is written in a cursive, flowing style.

Torrance, CA
August 1, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH THE STATE TRANSPORTATION IMPROVEMENT PROGRAM
PLANNING, PROGRAMMING AND MONITORING PROGRAM
FUND TRANSFER AGREEMENT NO. PPM16-6071(113) AND
ARTICLE XIX OF THE CALIFORNIA STATE CONSTITUTION**

The Board of Directors
Orange County Transportation Authority
Orange, California

We have audited the Orange County Transportation Authority's (OCTA's) compliance with the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring Program (PPM) Fund Transfer Agreement No. PPM16-6071(113) (Agreement) with the State of California, Department of Transportation (Caltrans) and Article XIX of the California State Constitution applicable to OCTA's STIP PPM Program for the period July 1, 2015 through June 30, 2018.

Management's Responsibility

OCTA's management is responsible for compliance with the requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on OCTA's compliance with the applicable compliance requirements based on the compliance audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Agreement and Article XIX of the California State Constitution. Those standards, the Agreement and Article XIX of the California State Constitution require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the STIP PPM Program occurred. A compliance audit includes examining, on a test basis, evidence about OCTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our compliance audit provides a reasonable basis for our opinion. Our compliance audit does not provide a legal determination of OCTA's compliance with those requirements.

Opinion

In our opinion, OCTA complied, in all material respects, with the compliance requirements referred to above that are applicable to the STIP PPM Program, and project funds were used in conformance with Article XIX of the California State Constitution for the period July 1, 2015 through June 30, 2018.

Purpose of this Report

This report is intended solely to describe the scope of our testing based on the requirements of the Agreement and Article XIX of the California State Constitution. Accordingly, this report is not suitable for any other purpose

BCA Watson Rice, LLP

Torrance, CA
August 1, 2018

ORANGE COUNTY TRANSPORTATION AUTHORITY

**State Transportation Improvement Program
Planning, Programming and Monitoring Program
Program Fiscal Year 2016-2017
Agreement No. PPM17-6071 (120)**

For the Period Covering June 30, 2016 to June 30, 2019



2355 Crenshaw Blvd. Suite 150 Torrance, CA 90501
t: (310) 792-4640 f: (310) 792-4140

ORANGE COUNTY TRANSPORTATION AUTHORITY

State Transportation Improvement Program Planning, Programming and Monitoring Program Program Fiscal Year 2016-2017

For the Period Covering June 30, 2016 through June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Orange County Transportation Authority
Orange, California

Report on the Schedule of Program Costs

We have audited the accompanying Schedule of Program Costs incurred by the Orange County Transportation Authority (OCTA) under the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring Program (PPM) Fund Transfer Agreement No. PPM17-6071(120) (Agreement) totaling \$1,899,000 with the State of California, Department of Transportation (Caltrans) for the period covering June 30, 2016 through June 30, 2019, and the related Notes to the Schedule of Program Costs.

Management's Responsibility for the Schedule of Program Costs

The OCTA's management is responsible for the preparation and fair presentation of the Schedule of Program Costs in accordance with the methods of preparation described in Note 3. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule of Program Costs that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule of Program Costs based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Program Costs is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule of Program Costs. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the Schedule of Program Costs, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule of Program Costs in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule of Program Costs.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule of Program Costs referred to above presents fairly, in all material respects, the revenue received and costs incurred by OCTA under the Agreement for the period June 30, 2016 through June 30, 2019 in accordance with the basis of accounting described in Note 3.

Emphasis of Matter

As discussed in Note 2, the Schedule of Program Costs presents only the STIP PPM revenue and costs of OCTA for the period June 30, 2016 through June 30, 2019 and does not purport to, and does not, present the net position, changes in net position, or cash flows of OCTA. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2019 on our consideration of OCTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, including Article XIX of the California State Constitution. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCTA's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "BCA Watson Rice, LLP". The signature is written in a cursive, flowing style.

Torrance, CA
July 31, 2019

ORANGE COUNTY TRANSPORTATION AUTHORITY

State Transportation Improvement Program Planning, Programming and Monitoring Program Program Fiscal Year 2016-2017

Schedule of Program Costs For the Period Covering June 30, 2016 through June 30, 2019

| Project Name | Invoiced Costs | Questioned Costs | Audited Costs | Project Status |
|--|---------------------|---------------------|---|---------------------|
| Geographic Information System On-Call Services | \$ 12,839 | \$ - | \$ 12,839 | Completed |
| Active Transportation Plan Update | 349,999 | - | 349,999 | In Progress |
| Transit Analysis Toolkit | 58,944 | - | 58,944 | Completed |
| Active Transportation Support Services | 129,546 | - | 129,546 | Completed |
| Mobility Indicator Report Update | 74,150 | - | 74,150 | Completed |
| Systemic Safety Analysis Report Program | 329,070 | - | 329,070 | In Progress |
| Orange County Active Transportation Counts Program | 198,593 | - | 198,593 | Completed |
| 2018 Long Range Transportation Plan | 239,300 | - | 239,300 | Completed |
| Fullerton Park and Ride Lot Joint Development Assessment | 144,201 | - | 144,201 | In Progress |
| Bristol Street Transit Corridor Study | 186,482 | - | 186,482 | In Progress |
| State Route 39/Beach Boulevard Corridor Study | 187,927 | - | 187,927 | In Progress |
| Active Transportation Support Services | 21,346 | - | 21,346 | In Progress |
| Regional Planning Support | 11,617 | - | 11,617 | In Progress |
| OCTA Labor Charges – FY 16-17 | 257,857 | | 257,857 | |
| OCTA Labor Charges – FY 17-18 | 928,240 | - | 928,240 | |
| Total Costs Incurred | \$ 3,130,111 | \$ - | \$ 3,130,111 | |
| | | | Total Funding Available for Program Year 16-17 | \$ 1,899,000 |
| | | | Total Amount Reimbursed by Caltrans | (529,039) |
| | | | Amount Due from Caltrans | \$ 1,369,961 |

See accompanying notes to the schedule of program costs.

ORANGE COUNTY TRANSPORTATION AUTHORITY

State Transportation Improvement Program Planning, Programming and Monitoring Program Program Fiscal Year 2016-2017

Notes to the Schedule of Program Costs For the Period Covering June 30, 2016 through June 30, 2019

1. GENERAL INFORMATION

On June 30, 2016, the Orange County Transportation Authority (OCTA) entered into Fund Transfer Agreement No. PPM17-6071(120) (Agreement) with the State of California, Department of Transportation (Caltrans) under the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring Program (PPM). PPM activities included:

- Planning – Developing strategies to address the short and long-term multimodal transportation needs of both Orange County and the region, and to guide the expenditure of federal, state and local transportation funds;
- Programming – Consultant, management and staff support to prioritize, allocate, program and manage federal, state and local funds for transportation improvements through the county transportation improvement program, including the regional component of the STIP and the Orange County's component of the Regional Transportation Improvement Program (RTIP); and
- Transportation Monitoring, Data Management, and Analysis – Consultant and staff support to meet the state and federal transportation data collection and monitoring requirements, thereby providing the analytical basis for county-wide planning and programming decisions, as well as to monitor the development and delivery of transportation projects programmed through the STIP and RTIP.

OCTA is required to comply with the Agreement and to ensure that STIP PPM funds are used in conformance with Article XIX of the California State Constitution, and for PPM purposes as defined in the Agreement.

2. BASIS OF PRESENTATION

The accompanying Schedule of Program Costs includes revenue received and costs incurred under the Agreement for the period June 30, 2016 through June 30, 2019. Because the Schedule of Program Costs presents only a selected portion of the operations of OCTA, it is not intended to and does not present the net position, changes in net position, or cash flows of OCTA. The information in the Schedule of Program Costs is presented in accordance with the requirements specified by Caltrans, accounting principles generally accepted in the United States of America, and is specific to the aforementioned Agreement.

ORANGE COUNTY TRANSPORTATION AUTHORITY

State Transportation Improvement Program Planning, Programming and Monitoring Program Program Fiscal Year 2016-2017

Notes to the Schedule of Program Costs For the Period Covering June 30, 2016 through June 30, 2019

3. BASIS OF ACCOUNTING

The Schedule of Program Costs is reported on the modified accrual basis of accounting. The expenditures reported therein are recognized following the cost principles contained in the Office of Management and Budget (OMB) Uniform Guidance.

4. REVENUE AND RECEIVABLE FROM CALTRANS

On March 28, 2019, OCTA received a \$529,039 reimbursement for costs incurred under the Agreement. As of the date of this report, OCTA had not yet received the remaining \$1,369,961 reimbursement for costs incurred under the Agreement. The amount due from Caltrans represents a receivable for eligible costs incurred.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF A SCHEDULE OF PROGRAM COSTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Orange County Transportation Authority
Orange, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Program Costs of the Orange County Transportation Authority (OCTA) representing revenue received and costs incurred under the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring Program (PPM) Fund Transfer Agreement No. PPM17-6071(120) (Agreement) with the State of California, Department of Transportation (Caltrans) for the period June 30, 2016 through June 30, 2019, and the related Notes to the Schedule of Program Costs, and have issued our report thereon dated July 31, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedule of Program Costs, we considered OCTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule of Program Costs, but not for the purpose of expressing our opinion on the effectiveness of OCTA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of OCTA's Schedule of Program Costs will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCTA's Schedule of Program Costs is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of Schedule of Program Costs amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Audit Standards*.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OCTA's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "BCA Watson Rice, LLP". The signature is written in a cursive, flowing style.

Torrance, CA
July 31, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH THE STATE TRANSPORTATION IMPROVEMENT PROGRAM
PLANNING, PROGRAMMING AND MONITORING PROGRAM
FUND TRANSFER AGREEMENT NO. PPM17-6071(120) AND
ARTICLE XIX OF THE CALIFORNIA STATE CONSTITUTION**

The Board of Directors
Orange County Transportation Authority
Orange, California

We have audited the Orange County Transportation Authority's (OCTA's) compliance with the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring Program (PPM) Fund Transfer Agreement No. PPM17-6071(120) (Agreement) with the State of California, Department of Transportation (Caltrans) and Article XIX of the California State Constitution applicable to OCTA's STIP PPM Program for the period June 30, 2016 through June 30, 2019.

Management's Responsibility

OCTA's management is responsible for compliance with the requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on OCTA's compliance with the applicable compliance requirements based on the compliance audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Agreement and Article XIX of the California State Constitution. Those standards, the Agreement and Article XIX of the California State Constitution require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the STIP PPM Program occurred. A compliance audit includes examining, on a test basis, evidence about OCTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our compliance audit provides a reasonable basis for our opinion. Our compliance audit does not provide a legal determination of OCTA's compliance with those requirements.

Opinion

In our opinion, OCTA complied, in all material respects, with the compliance requirements referred to above that are applicable to the STIP PPM Program, and project funds were used in conformance with Article XIX of the California State Constitution for the period June 30, 2016 through June 30, 2019.

Purpose of this Report

This report is intended solely to describe the scope of our testing based on the requirements of the Agreement and Article XIX of the California State Constitution. Accordingly, this report is not suitable for any other purpose

A handwritten signature in black ink that reads "BCA Watson Rice, LLP". The signature is written in a cursive, flowing style.

Torrance, CA
July 31, 2019

ORANGE COUNTY TRANSPORTATION AUTHORITY

Performance Audit of

OCTA's Patch Management Program

February 18, 2020

FINAL REPORT

Prepared by:
BCA Watson Rice LLP
Certified Public Accountants and Management Consultants

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CONCLUSION

Based on the audit, the Orange County Transportation Authority's Patch Management Program for the Windows operating system environment complies with industry standards and best practices; however, the program should be expanded to address areas outside the Windows environment. In addition, we have identified areas of improvement that will further enhance the program.

INTRODUCTION AND BACKGROUND

The Orange County Transportation Authority's (OCTA) Internal Audit Department contracted with BCA Watson Rice (BCAWR) to conduct a performance audit of OCTA's Patch Management Program (PMP). The purpose of the audit was to assess and test the adequacy of OCTA's PMP and to make detailed recommendations for improvement based on industry standards, best practices, economies, and efficiencies. The audit included testing of OCTA's compliance with its patch management policies and procedures and best practices including the National Institute of Standards and Technology (NIST) 800-53, Revision 4 Security Standards and NIST 800-40, Revision 3, titled "Guide to Enterprise Patch Management Technologies". BCAWR used its corporate knowledge of OCTA and its extensive knowledge of best practices to develop a detailed work plan to perform this audit as outlined in the methodology section of this report.

At the time of the audit, OCTA's PMP addresses the following components:

1. Approximately 950 individual user accounts;
2. Approximately 950 Windows workstations;
3. Approximately 90% of the workstations (which are run on Windows 10) with the remaining workstations running on Windows 7;
4. Approximately 200 Linux devices;
5. Approximately 900 network devices; and
6. 350 Windows Servers (Windows Server 2012 and 2016, currently migrating from the remaining 2008 Servers).

BCAWR affirms that it is independent of OCTA and conducted the performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) and relevant best practices. GAGAS requires that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. BCAWR believes that the evidence obtained provides a reasonable basis for our findings and recommendations.

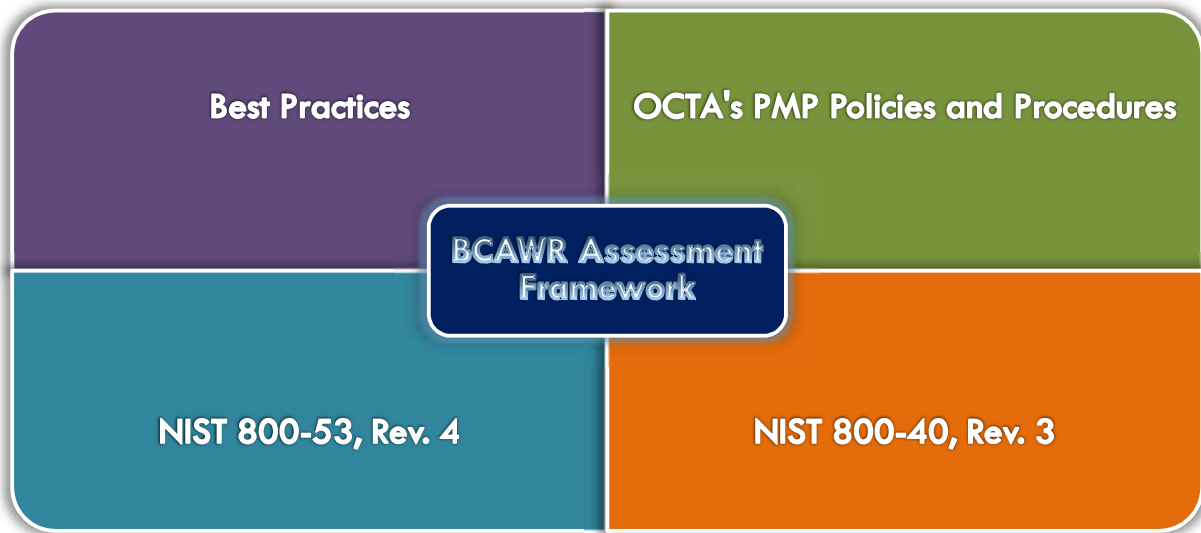
METHODOLOGY

This section contains the methodology used to assess OCTA's PMP based on the scope and objectives of this audit:

| AUDIT STEPS | TESTING METHODOLOGY |
|--------------------------------|---|
| Reviews and Observations | We requested and reviewed all relevant and existing PMP documentation. We observed, where possible, activities related to the PMP operations and overall management process. |
| Inquiries and Meetings | We made inquiries of management and corroborated responses with appropriate operations personnel. We also conducted inquiries of personnel responsible for carrying out distinct aspects of the PMP and corroborated responses with other personnel and documentation. Our inquiries included interviews and meetings with OCTA's PMP key stakeholders. |
| Examinations and Walk-Throughs | We inspected PMP documents and other related documentation to determine the adequacy and appropriateness of OCTA's PMP. We also determined whether the PMP development process was conducted in accordance with specific control policies and procedures, and any established industry standards. Our examination process involved reviewing and analyzing the PMP and related documents. |
| Substantive Testing | We conducted substantive testing of OCTA's PMP, where appropriate. |

CRITERIA

To guide our audit and to adequately assess OCTA's PMP, our criterion was based on the requirements outlined in the agreement between OCTA and BCAWR, industry "Best Practices", and the relevant NIST Special Publications. BCAWR used these criteria as the framework for the development of our audit methodology, findings and recommendations. The audit was conducted in accordance with Generally Acceptable Government Auditing Standards. Below is a pictorial representation of the criteria used.



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DETAILED AUDIT RESULTS

OCTA's Information Systems Department has developed a PMP, supported by a Patch Management Policy that focuses on the Windows operating system environment. Management's strategy was to focus first on OCTA's highest risk area, the Microsoft Windows environment, and then expand the program to address other risk areas. The findings and recommendations described below, if implemented, would cause OCTA to leverage their success in the Windows environment across all platforms and systems.

Finding No. 1: OCTA's Patch Management Policy and Program should be expanded

To reduce the risk of security breaches, OCTA should expand the PMP to address all other operating systems software, hardware, and peripherals, and to incorporate all devices; including firewalls, Linux and Mac Operating systems, IoT devices, 3rd party devices, applications that communicate with the network, and other technology-based devices (e.g. field fuel stations).

Recommendation 1:

We recommend OCTA expand the PMP to address all software, hardware, peripherals, and devices; including firewalls, Linux and Mac Operating systems, IoT devices, 3rd party devices, applications that communicate with the network, and other technology-based devices.

Management Response:

Management agrees with the recommendation to expand the patch management program. The Information Systems (IS) Department will identify and develop a plan to comply with the recommendations that will focus on security and core infrastructure and applications first, and then continue to address all other areas. The additional resource as recommended in Finding #2, will play a critical role in this process.

Finding No. 2: OCTA should formalize plans to address patch vulnerabilities

Through regular scanning, OCTA identifies a high number of critical and severe vulnerabilities in the Windows environment. Many of the identified vulnerabilities have not been addressed and have been outstanding over 90 days. Management indicated that other operational activities, including relocation of the data center, have hampered efforts at remediating these vulnerabilities.

Recommendation 2:

We recommend that OCTA identify a dedicated operations staff person to coordinate with employees who have designated responsibility for remediating vulnerabilities. These employees should develop and document a Plan of Action with Milestones and create desktop procedures for patch management.

Management Response:

Management agrees with the recommendation to dedicate an operations staff person to coordinate with those responsible for remediating vulnerabilities and support the completion of the recommendations. The dedicated resource will document a plan of action with milestones and create desktop procedures.

Finding No. 3: Numerous workstations and servers are operating with end-of-life software and operating systems

OCTA vulnerability scans identify a number of devices with obsolete operating systems and/or software. Allowing these unsupported system components makes the network more vulnerable to attack and renders the system less reliable.

Recommendation 3:

We recommend that OCTA remove all obsolete operating systems and software from the network. Where operations currently require the use of obsolete software, we recommend that OCTA work with the vendors to acquire more secure software. In cases where the vendor is not able to supply more secure functionality, we recommend that OCTA develop plans to migrate to an alternative software solution and develop mitigating controls in the interim.

Management Response:

Management agrees with the recommendation to remove all obsolete Operating Systems (OS) and software from the network. This is a continuing process that will rely on cybersecurity to provide guidance to help the IS operational teams plan for the removal or upgrade of obsolete software. All obsolete OS and software that can't be removed due to business requirements will use alternative vulnerability remediation methods until removed. This process will continue the best practice of separation of duties as used in the recent removal of all Windows 7 machines.

Finding No. 4: Allowing for network workstations that are not managed by OCTA's Information System Department (ISD), and granting of local administrative access rights to users, increases exposure to the network

During our audit, we identified software on workstations that are not managed by OCTA's ISD. One department within OCTA has historically purchased and managed its own workstations.

In addition, we identified unsupported software, like iTunes, VLC player, and Wireshark (a tool used by hackers), installed on workstations. In most of the cases noted, the software was installed by users with local administrative access; which should be limited.

Recommendation 4:

We recommend that OCTA restrict users from installing unauthorized software and that the ISD be authorized to manage all OCTA workstations. Also, management should strictly enforce policies against installing unauthorized software on workstations. Any workstation that requires local administrative rights should be closely monitored by ISD.

Management Response:

Management agrees with the recommendation to restrict users from installing unauthorized software and that IS be authorized to manage all OCTA workstations. IS will continue to scan for new devices and software on the network. IS is aware of and in the process of taking back the management of found devices that are not IS managed, to include non-IS administrative accounts that will no longer be needed.

Finding No. 5: Patch testing should be strengthened and formalized

Use of formalized test scripts helps ensure system functionality after implementation of a patch, and is part of a mature patch management program.

As new patches are introduced, testing of basic functions is performed; however, formalized test scripts should be developed and implemented for each of the mission critical systems. Formalized test scripts identify critical functions of the particular system and provide a guide for testing after implementing a patch.

Recommendation 5:

We recommend that patch management test scripts be developed through collaboration between ISD and users of the mission critical systems. These scripts should mirror those used in the change management process.

Management Response:

Management agrees with the recommendation that patch management test scripts be developed for mission critical systems. IS and system/application owners will develop test scripts to follow the IS patching schedule for critical systems as defined in the Continuity of Operations Plan. As this is a continuous process, IS will implement and maintain the process for all defined systems.

February 18, 2020

BCA Watson Rice, LLP

PRE-PROPOSAL/PRE-BID CONFERENCE REGISTRATION



OCTA RFP #: 1-3917

ATTACHMENT E TO ADDENDUM NO. 2

Date: January 18, 2022

Title: On-Call Performance Audits and Agreed-Upon Procedures Engagements

1. **Company Name:** Conrad LLP
- Attendee:** Andrea Jayasekara
- Address:** 23161 Lake Center Drive, Suite 200
- City, State Zip:** Lake Forest, CA 92630
- Phone Number:** (949) 552-7700 Ext. 256 **Registered on CAMM NET?** ☒ Yes ☐ No
- Prime** ☒ **Sub** ☐ **DBE** ☐
- E-Mail Address:** ajayasekara@conradllp.com

: _____

PRE-PROPOSAL/PRE-BID CONFERENCE REGISTRATION



OCTA RFP #: 1-3917

ATTACHMENT E TO ADDENDUM NO. 2

Date: January 18, 2022

Title: On-Call Performance Audits and Agreed-Upon Procedures Engagements

1. **Company Name:** Conrad LLP
- Attendee:** Andrea Jayasekara
- Address:** 23161 Lake Center Drive, Suite 200
- City, State Zip:** Lake Forest, CA 92630
- Phone Number:** (949) 552-7700 Ext. 256 **Registered on CAMM NET?** ☒ Yes ☐ No
- Prime** ☒ **Sub** ☐ **DBE** ☐
- E-Mail Address:** ajayasekara@conradllp.com

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PRE-PROPOSAL/PRE-BID CONFERENCE REGISTRATION



OCTA RFP #: 1-3917

ATTACHMENT E TO ADDENDUM NO. 2

Date: January 18, 2022

Title: On-Call Performance Audits and Agreed-Upon Procedures Engagements

1. **Company Name:** HKA Global, Inc.
- Attendee:** Kayla Begg, Proposal and Marketing Manager on behalf of Adam Winegard, Partner
- Address:** 4605 Lankershim Blvd., Suite 840
- City, State Zip:** Los Angeles, CA 91602
- Phone Number:** (818) 255-9941 **Registered on CAMM NET?** ☒ Yes ☐ No
- Prime** ☒ **Sub** ☐ **DBE** ☐
- E-Mail Address:** kaylabegg@hka.com; adamwinegard@hka.com

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PRE-PROPOSAL/PRE-BID CONFERENCE REGISTRATION



OCTA RFP #: 1-3917

ATTACHMENT E TO ADDENDUM NO. 2

Date: January 18, 2022

Title: On-Call Performance Audits and Agreed-Upon Procedures Engagements

1. **Company Name:** The Lopez Group, LLP
- Attendee:** Richard Lopez
- Address:** 41593 Winchester Road, Suite 200
- City, State Zip:** Temecula, CA 92590
- Phone Number:** (626) 583-1116 **Registered on CAMM NET?** ☒ Yes ☐ No
- Prime** ☒ **Sub** ☐ **DBE** ☐
- E-Mail Address:** rlopez@lopezllp.com

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PRE-PROPOSAL/PRE-BID CONFERENCE REGISTRATION



OCTA RFP #: 1-3917

ATTACHMENT E TO ADDENDUM NO. 2

Date: January 18, 2022

Title: On-Call Performance Audits and Agreed-Upon Procedures Engagements

1. **Company Name:** Davis Farr LLP
- Attendee:** Jonathan Foster
- Address:** 18201 Von Karman Avenue, Suite 1100
- City, State Zip:** Irvine, CA 92612
- Phone Number:** (949) 783-1744 **Registered on CAMM NET?** ☒ Yes ☐ No
- Prime** ☒ **Sub** ☐ **DBE** ☐
- E-Mail Address:** jfoster@davisfarr.com

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