



July 13, 2016

To: Finance and Administration Committee

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

Subject: Fiscal Year 2015-16 Internal Audit Plan, Fourth Quarter Update

Overview

The Orange County Transportation Authority Board of Directors adopted the Orange County Transportation Authority Internal Audit Department Fiscal Year 2015-16 Internal Audit Plan on July 22, 2015. This update is for the fourth quarter of the fiscal year.

Recommendation

Receive and file the fourth quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2015-16 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 in the discharge of its duties and responsibilities.

Internal Audit performs a wide range of auditing services that include overseeing the annual financial and compliance audits, conducting operational and contract compliance reviews, investigations, and agreed-upon procedures reviews. Audits initiated by entities outside of OCTA are coordinated through Internal Audit.

Discussion

The OCTA Fiscal Year (FY) 2015-16 Internal Audit Plan (Plan), Attachment A, reflects the status of each audit project as of year-end. As indicated, numerous

projects were completed or are in progress. Three projects have not been initiated and will be carried over to the FY 2016-17 Audit Plan.

For the Plan year, Internal Audit completed 36 projects, including 27 pre-award agreed-upon procedure reviews (price reviews) and one Buy America review. Nineteen fraud hotline complaints were received and reviewed, investigated, and/or referred to management as appropriate. Two reports, with seven recommendations, were issued as a result of investigations performed. Internal Audit also provided coordination of outside agency audits, including the Fiscal Year 2016 Federal Transit Administration's (FTA) Triennial Review and the Fiscal Year 2012-13 through 2014-15 State Triennial Performance Audits of OCTA, Orange County Transit District, and the Laguna Beach Municipal Transit Lines.

During the fourth quarter of FY 2015-16, Internal Audit issued an audit of the equipment assignment, tracking, and reporting function within the Transit Division and made one recommendation to develop criteria and procedures for addition and removal of vehicles from the Equipment Assignment Listing. Management agreed and indicated that procedures would be enhanced.

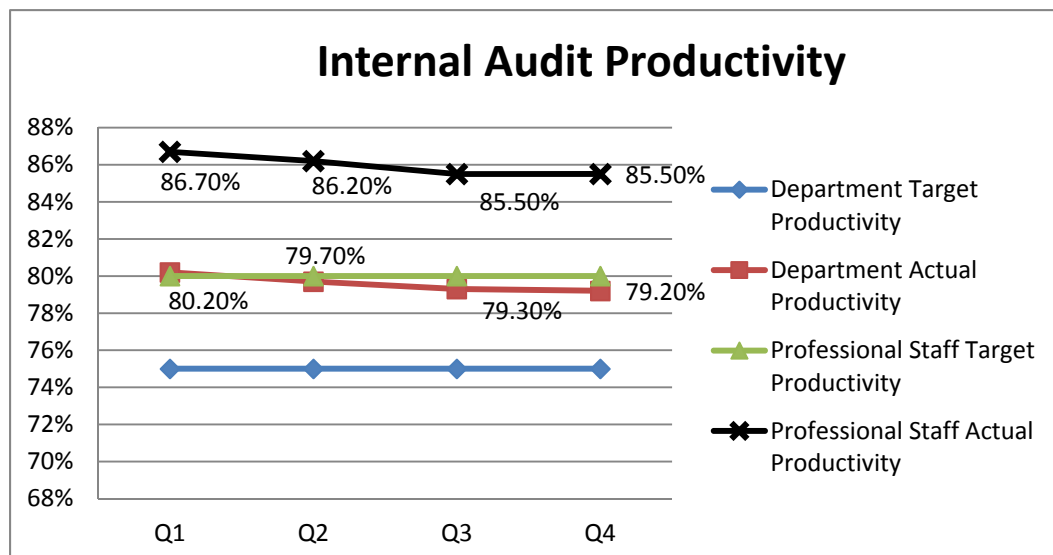
Also during the quarter, Internal Audit provided results of the Fiscal Year 2016 FTA Triennial Review and the Fiscal Year 2012-13 through 2014-15 State Triennial Performance Audits of OCTA, Orange County Transit District, and the Laguna Beach Municipal Transit Lines. The FTA review made seven recommendations in 3 of 14 areas reviewed. At report issuance, two recommendations had already been implemented, and Internal Audit will coordinate responses to the remaining five recommendations within the timeframes specified by the FTA. The State Triennial Performance Audits reported OCTA in compliance with all Transportation Development Act (TDA) regulations, and the auditors made no recommendations. The auditors found Laguna Beach Municipal Transit Lines (LBMTL) in compliance with TDA regulations, with one exception, and made two recommendations related to data reporting. OCTA management will monitor implementation of these recommendations by LBMTL.

Finally, the California Department of Transportation (Caltrans) issued the results of an audit of reimbursed project costs totaling \$73,745,434, related to five OCTA projects. The auditors identified \$709,469, or one percent, of project costs that they believe should be disallowed or reviewed further to determine allowability. The auditors also made recommendations related to business relocation payments, right-of-way policies, contract management, and construction management practices. OCTA management is working with Caltrans to resolve these issues.

Internal Audit Department Productivity

Internal Audit measures the productivity 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 both the professional staff and for the department as a whole. Because the Executive Director regularly participates in non-audit management activities such as planning and committee meetings, the department-wide target is set at 75 percent. The target for Internal Audit professional staff, not including the Executive Director, is 80 percent.

By the quarter ended June 30, 2016, Internal Audit had achieved cumulative productivity of 79 percent and the professional staff achieved cumulative productivity of 86 percent.



Price Reviews

At the request of the Contracts Administration and Materials Management Department (CAMM), and consistent with OCTA's procurement policy, Internal Audit conducts reviews of single bid procurements to ensure that CAMM handled the procurement in a fair and competitive manner. Internal Audit also reviews prices proposed by architectural and engineering firms and sole source contractors to ensure that the prices are fair and reasonable. Internal Audit makes recommendations to adjust proposed rates where they exceed the rates per review. When the value of recommended adjustments can be estimated, Internal Audit tracks and reports these savings, as noted

below. For the year ended June 30, 2016, Internal Audit conducted 27 price reviews and recommended price adjustments, as indicated below:

Quarter	Price Reviews Recommended Adjustments
1	\$ 2,620,546
2	390,504
3	17,408
4	3,461,859
Total	\$ 6,490,317

Fraud Hotline

During the quarter ended June 30, 2016, Internal Audit received four reports through OCTA's Fraud Hotline, www.ethicspoint.com. One report was referred to management and three others lacked sufficient information to investigate.

Findings and Recommendations Tracking

At the request of the Finance and Administration Committee, unresolved audit recommendations are included with the quarterly updates to the Plan as Attachment B. Internal Audit includes the findings and recommendations generated internally, as well as those provided by OCTA's independent financial statement auditors.

During the quarter ended June 30, 2016, Internal Audit performed follow-up of eight unresolved audit recommendations. Three were adequately addressed and have been removed from the listing. Five findings have not been fully implemented and will be scheduled for another follow-up in six months. One recommendation was added to the list relating to the audit of the equipment assignment, tracking, and reporting function within the Transit Division.

Summary

The OCTA FY 2015-16 Plan is being closed-out. Projects that are in process or have not started will be carried forward to the OCTA FY 2016-17 Plan. Internal Audit will continue to perform follow-up of all unresolved findings and recommendations.

Attachments

- A. Orange County Transportation Authority Internal Audit Department
Fiscal Year 2015-16 Internal Audit Plan, Fourth Quarter Update
- B. Unresolved Audit Findings and Recommendations, Audit Reports Issued
through June 30, 2016

Prepared by:



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**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2015-16 Internal Audit Plan
Fourth Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours to Date	Under (Over)	Status (Date Issued)	External Auditor
Mandatory External Independent Audits								
Annual Financial Audit	FY16-001 through FY16-003	Develop scope of work and procure independent audit services for Fiscal Year (FY) 2016-17, FY 2017-18, and FY 2018-19, and coordinate annual financial and compliance audits for FY 2015-16.	Financial	425	399	26	Completed	Vavrinek, Trine, Day & Co.
Annual Transportation Development Act (TDA) Audits	FY16-004	Coordination of required annual audits of the recipients of TDA Funds for FY 2015-16.	Compliance	12	5	7	Completed	Vavrinek, Trine, Day & Co.
State Triennial Audit	FY16-005	Procure external audit firm and coordinate the State Triennial Performance audit for FY ended 2013, 2014, and 2015.	Compliance	120	227	(107)	Completed	
California Department of Transportation (Caltrans) Incurred Cost Audit	FY16-006	Coordinate Incurred Cost Audit initiated by Caltrans for funding of various highway and grade separation projects.	Compliance	56	58	(2)	Completed	
Internal Audit Department Projects								
Risk Assessment and Annual Audit Plan	FY16-100	Annual preparation of the audit plan, quarterly updates to the audit plan, periodic assessment of risk throughout the year, including the monitoring of audit results of related entities.	Audit Plan and Updates	180	176	5	Ongoing	
Quality Assurance and Self-Assessment	FY16-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with Government Auditing Standards.	Quality Assurance	180	180	-	Completed	
Fraud Hotline	FY16-102	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	250	212	38	Ongoing	19 Reports Received
Automated Workpaper Solution	FY16-103	Purchase, training, and implementation of a new automated workpaper solution.	Automated Workpaper Solution	230	288	(58)	In Process	
Peer Review Participation	FY16-104	Participation on peer reviews of other internal audit departments in exchange for reciprocal credit towards peer review of the Orange County Transportation Authority's (OCTA) Internal Audit.	Peer Review	120	148	(28)	Completed	
Internal Audits								
Human Resources and Organizational Development								
Benefits: Health Insurance Plans and Health Savings Accounts	FY16-5XX	Review controls in place to ensure proper enrollment, accounting, and compliance with laws, regulations, policies, and procedures.	Operational	300		300		
Storm Water Pollution Prevention Plan	FY16-5XX	Review oversight controls, policies, and procedures to ensure compliance with Environmental Protection Agency regulations.	Compliance	220		220		

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Capital Programs								
Bristol Street Widening	FY15-515	Assess oversight controls and contract compliance with related cooperative agreements for the Bristol Street widening.	Compliance	300	392	(92)	Issued 2-29-16	
Project Controls	FY16-507	Assess and test operating controls of the project controls function within the Capital Projects Division.	Compliance	200	167	33	In Process	
Planning								
Competitive Transportation Funding Program Projects	FY16-511	Review selected projects for compliance with the Measure M Ordinance, policies, and procedures.	Compliance	80	20	60	In Process	
Transit Operations								
Equipment Assignment, Tracking, and Reporting	FY16-505	Assess and test controls in place over the assignment, tracking, and reporting of vehicles.	Internal Control	180	375	(195)	Issued 4-18-16	
Finance and Accounting								
Treasury	FY16-501 FY16-506	Semi-annual review of investments compliance, controls, and reporting.	Compliance	200	228	(28)	2 Reports Issued	
Grant Closeouts	FY16-502 FY16-512	As-needed financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40	49	(9)	Issued 8-6-15	
Budget Development and Monitoring	FY16-509	Review and test controls in place over the preparation, monitoring, and reporting related to the annual OCTA budget.	Operational	300	119	181	In Process	
Accounts Payable	FY15-513	Review adequacy of controls over the accounts payable operation.	Operational	300	643	(343)	Issued 4-4-16	
Information Systems								
Technology and User Support	FY16-503	Review procedures in place for handling and tracking of request for in-house technology support.	Operational	200	311	(111)	Issued 11-6-15	
Contract Administration & Materials Management								
Price Reviews	PR16-XXX	Cost and price analyses as required by OCTA procurement policies and procedures.	Price Review	1,000	1,496	(496)	27 Reports Issued	
Buy America	FY16-510 FY16-513	Pre-award and post-delivery reviews to ensure vendors and OCTA are in compliance with federal Buy America requirements.	Compliance	250	98	152	1 Report Issued	
Bidder Protest Process	FY16-504	Review and test compliance with policies and procedures for bidder protests.	Operational	150	128	22	Issued 10-23-15	

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External Affairs								
Customer Relations	FY16-508	Review in-house Customer Relations operation.	Operational	240	219	21	In Process	
Public Outreach - West County Connectors Project	FY16-5XX	Review of oversight controls and contract compliance related to agreement for public outreach.	Compliance	200		200		
Unscheduled Reviews and Special Requests								
Unscheduled Reviews and Special Requests	FY16-800	Time allowed for unplanned audits and requests from the Board of Directors and management.	Varies	240	158	82		
Monitoring Activities								
Measure M Taxpayer Oversight Committee	FY16-601	Coordination of audit activities with the Audit Subcommittee of the Measure M Taxpayer Oversight Committee.	Administrative Support	120	42	78		
Capital Asset Inventory Observation	FY16-602	At the request of Finance and Administration Division, observe and apply limited procedures related to the bi-annual capital asset inventory counts.	Non-Audit Service	60	63	(3)	Issued 6-20-16	
Bus Base Inspections and Inventory Testing	FY15-602	Participation in annual bus base inspections.	Non-Audit Service	32		32		
Follow-up Reviews								
Follow-up Reviews and Reporting	FY16-700	Follow-up on audit findings and recommendations.		300	595	(295)		
Total Audit Project Planned Hours (A)				6,485	6,794	(309)		

**Orange County Transportation Authority
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Fiscal Year 2015-16 Internal Audit Plan
Fourth Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours to Date	Under (Over)	Status (Date Issued)	External Auditor
Internal Audit Administration								
Board of Directors and Board Committee Meetings				280	190	91		
Executive Steering Committee and Agenda Meetings				180	154	26		
Internal Audit Department Staff Meetings				150	42	108		
Other Administration				1,500	1,403	98		
			Total Hours (B)	8,595	8,582	13		
			Department-Wide Target Efficiency (A/B)	75%				
			Department-Wide Actual Efficiency (A/B)	79%				
			Professional Staff Target Efficiency	80%				
			Professional Staff Actual Efficiency	86%				

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through June 30, 2016)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
3/26/2014	14-509	Finance and Administration (F&A)	Review of Purchase Order (PO) Issuance and Oversight	The Internal Audit Department (Internal Audit) recommends that General Services review invoiced pricing for compliance with PO pricing terms. PO's should be amended to include all required items and their negotiated prices.	Oct-16	General Services will add language to PO's to cover items that were not included in the original scope of work. <u>Update November 2014</u> : General Services has not yet implemented this recommendation. <u>Update June 2015</u> : General Services has recently renewed PO's and is planning to implement a semi-annual review of invoices to assess if new, recurring purchased items need to be added to the price list. <u>Update April 2016</u> : The recommendation to amend PO's to include all required items has been implemented; however, the recommendation to review invoiced pricing against PO pricing terms has not yet been implemented.	Ng	Initiate next update October 2016
5/29/2014	14-511	F&A	Review of the OCTA Store	Internal Audit recommends management ensure that the new system is designed to provide appropriate segregation of duties and that access is limited as appropriate. Detailed records of the access levels should be maintained and periodically reviewed for appropriateness. Procedures should be developed to address system access assignments and related controls to prevent and/or detect suspicious transactions.	Oct-16	The replacement system should be implemented by the end of 2014 and should resolve some of the access control issues. Procedures will be developed to outline access assignments and secondary reviews and approval. Records of access levels will be maintained and periodically reviewed. <u>Update December 2014</u> : Management plans to build controls into the new system that is expected to be implemented in January 2015. <u>Update June 2015</u> : System implementation has been rescheduled to July 31, 2015. <u>Update April 2016</u> : The system has been implemented and access assignments made; however, management has not yet implemented a process for periodic review of user access for appropriateness.	Dunning	Initiate next update October 2016

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Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
9/24/2014	14-510	Human Resources and Occupational Development (HROD)	Review of Administrative Employee Training and Educational Reimbursement	Internal Audit recommends management enhance policy and procedures for administrative employee training to allow the department to exercise oversight and institute standardization of training programs.	Jun-16	HROD will create guidelines for the identification, development, and procurement of training. Training and Development will then reach out to departments that provide training with the guidelines. <u>Update April 2015</u> : Management has issued a revised training policy and intends to implement oversight to ensure follow-up is performed with employees that require training. Management also intends to implement a form to be used to help standardize training classes that are implemented and/or purchased by departments. Since recommendation has not been fully implemented, Internal Audit will return in six months. <u>Update December 2015</u> : Management has revised the policy and developed a form to standardize training; however, use of the form has not yet been implemented.	Dunning	In Process
12/21/2015	15-503	Clerk of the Board	Second Follow-up, Review of the Administration of Public Records Requests	Internal Audit recommends that controls be enhanced to ensure compliance with the legal requirement to notify the requestor of its decision on whether to comply with the request within ten days.	Jun-16	This recommendation was identified during the second follow-up review to Internal Audit Report No. 15-503. As a result, the recommendation was communicated through a memo to management and a formal response will not be required until Internal Audit performs follow-up of this recommendation in six months.	Ng	In Process

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

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10/3/2014	N/A	F&A and Transit	Performance Audit of the Orange County Transportation Authority's (OCTA) Continuity Plan	Auditors recommended that management update the Business Impact Analysis (BIA) and the Continuity of Operations Plan (Plan) to address the 13 weaknesses noted.	Sep-16	Management responded that efforts are underway to update certain portions of the BIA and the Plan. Also, at the direction of the F&A Committee Chairman, staff has agreed to specifically address each issue and planned corrective actions with the Security Working Group of the Board of Directors. <u>Update September 2015</u> : Management has taken actions to adequately address seven of the thirteen weaknesses noted in the audit. The remaining six are expected to be corrected upon completion of the Threat and Hazard Identification and Risk Assessment project and the comprehensive revision of the BIA. Internal Audit will follow-up on the remaining issues in one year.	Bonelli	Initiate next update in September 2016.
12/18/2015	N/A	Planning Division and Transit	Measure M2 Agreed-Upon Procedures Reports for Fiscal Year 2015	Internal Audit recommended staff monitor implementation of auditor recommendations related to submitting revised Capital Improvement Programs and ensuring timely and accurate submission of monthly Senior Mobility Program reports.	Jun-16	Management agreed to monitor the cities' implementation of these recommendations.	Sutter	In Process
10/15/2015	N/A	HROD	Investigation and Limited Scope Review of Administration of the Deferred Compensation Plan and the Plan Revenue Reimbursement Account	Internal Audit recommends management formalize and document the plan governance structure and committee structure. Committee configuration should be reviewed and consideration given to appointing a member to represent employee groups participating in the plan. Committee members should be appointed and policies should be approved by OCTA.	Nov-16	The Investment Policy (IP) Statement will be formally approved and made available to participants electronically. Management will also post the quarterly meeting minutes, the quarterly reports, and the Account Policy. The committee composition will be included in the IP Statement, with consideration given to expanding the committee. These tasks will be completed by the end of calendar year 2015. <u>Update May 2016</u> : Management has not fully implemented all recommendations. Additional recommendations were provided to encourage management to research and implement best practices with regard to Committee charter, Investment Policy Statement, and Committee composition.	Sutter	Initiate next update November 2016

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

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Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
10/15/2015	N/A	HROD	Investigation and Limited Scope Review of Administration of the Deferred Compensation Plan and the Plan Revenue Reimbursement Account	Internal Audit recommends management: 1. Obtain reimbursement for \$15,000 in overcharges. 2. Notify Nationwide Retirement Solutions (NRS) that distributions from the account may only be authorized by two employees. 3. Amend policies to include eligible expenditures, ensure that disbursements comply with OCTA policy, and require approval of any distributions from the account by the committee. 4. Require routine account reconciliations to be performed and documented. 5. Assign responsibility for reconciling this account to an appropriate individual that does not also direct disbursements from the account.	Nov-16	1. NRS reimbursed the account \$15,000 plus lost earnings effective August 31, 2015. 2. OCTA will notify NRS that distributions from the account may only be authorized by two designated OCTA employees. 3. Management will expand the Account Policy to include common qualified expenses and will require that all future travel related to the plan be governed by the OCTA Travel Policy. Finally, the committee will review any distributions from the account in their quarterly meetings and document such distributions in the meeting minutes. 4. Account reconciliations will be performed and documented on a quarterly basis. 5. Account reconciliation will be performed by a staff member within the F&A Division who does not also direct disbursements from the account. <u>Update May 2016</u> : Management obtained a refund from NRS, and has taken some actions; however, additional concerns were identified and recommendations made to properly address these issues.	Sutter	Initiate next update November 2016

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

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Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
10/15/2015	N/A	HROD	Investigation and Limited Scope Review of Administration of the Deferred Compensation Plan and the Plan Revenue Reimbursement Account	Internal Audit recommends management: 1. Ensure committee members annually reaffirm the IP Statement. 2. Provide training and require committee members to monitor fees charged to the plan and its participants and, when applicable, attempt to negotiate fees to a reasonable level. 3. Exercise oversight of Benefit Funding Services Group (BFSG) to ensure all deliverables required by the agreement are provided. 4. Review invoices for compliance with the agreement terms and obtain proper approval before submitting to NRS for payment.	Nov-16	1. The IP Statement will be annually reaffirmed by the committee. 2. BFSG will provide training to committee members on an annual basis and committee members will review annual reports provided by BFSG and will work with the Contracts Administration and Materials Management Department (CAMM) to negotiate fees if they are deemed unreasonable. 3. Management will ensure that OCTA receives all deliverables specified in the contract. Management will ensure that required annual fee reports are provided by BFSG. 4. BFSG will be required to include the appropriate certification language on all future invoices. All future BFSG invoices will be properly reviewed for compliance with the agreement terms and two authorized parties will approve the invoices before submitting to NRS for payment. <u>Update May 2016</u> : Management has taken some actions; however, additional concerns were noted and additional recommendations were provided in order for management to properly address weaknesses.	Sutter	Initiate next update November 2016
1/19/2016	N/A	Transit	City of Santa Ana, Senior Mobility Program (SMP)	Internal Audit recommends management: 1. Advise city staff that fees collected relating to SMP trips must be recorded as revenue to the program and monitor to ensure compliance. 2. Revise monthly report forms to include reporting of revenues. 3. Develop and implement requirements for collection and recording of program related revenues.	Jul-16	Management will review the current agreement language and scopes of work for each SMP and revise to address the collection and recording of program fees/revenue. In addition, the SMP monthly report template will be revised to specifically document fares/revenue received, the source of city contributions, and documentation to identify how revenues collected are used to support the program. During the annual visit, staff will review the process used to collect and report fares/revenues received.	Ng	

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through June 30, 2016)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
1/19/2016	N/A	Transit	City of Santa Ana, SMP	Internal Audit recommends management: 1. Develop detailed program guidelines, including but not limited to, definition of allowable trip types, requirements for collection and reporting of revenues, acceptable methods for allocation of costs, and retention of adequate supporting documents. 2. Amend cooperative agreements to include detailed information on program requirements. 3. Provide training to cities and exercise oversight to determine whether activities comply with the Ordinance, cooperative agreements, and program guidelines.	Jul-16	Management will review the current agreement language and scopes of work for each SMP and revise to address the collection and recording of program fees/revenue. In addition, the SMP monthly report template will be revised to specifically document fares/revenue received, the source of city contributions, and documentation to identify how revenues collected are used to support the program. During the annual visit, staff will review the process used to collect and report fares/revenues received.	Ng	
2/29/2016	FY15-515	Capital Programs	Oversight Controls, Contract Compliance, and Billings Related to the Bristol Street Widening Project	Internal Audit recommends that management obtain credit of \$261,764 to the gas tax agreement and ensure labor billing rates are corrected. Monitoring controls should be implemented to ensure reasonable and accurate labor charges going forward.	Aug-16	Management agrees and will take the following actions: (a) The gas tax agreement will be credited \$261,764 and the city will be required to utilize revised rates going forward. (2) The gas tax agreement will be amended to require the city to certify with signature that the quarterly city reconciliation report of actual expenses versus monthly payment requests, including labor billing rates charged, are true and correct.	Ng	
2/29/2016	FY15-515	Planning and Capital Programs Division	Oversight Controls, Contract Compliance, and Billings Related to the Bristol Street Widening Project	Internal Audit recommends management require the city to revise its claim for final payment downward by \$58,371. Management should also implement controls to ensure that costs charged to the gas tax agreement and Comprehensive Transportation Funding Program (CTFP) projects are not duplicated.	Aug-16	The Planning Division will reduce the CTFP final payment by \$58,371 and all future gas tax agreement invoices processed by the Capital Programs Division will be coordinated and reviewed with the Planning Division.	Ng	

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through June 30, 2016)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
2/29/2016	FY15-515	Capital Programs	Oversight Controls, Contract Compliance, and Billings Related to the Bristol Street Widening Project	Internal Audit recommends that the gas tax agreement be amended to strengthen requirements regarding excess right-of-way property including the addition of a requirement to sell or credit the value of excess property to the agreement. Also, Internal Audit recommends management either request the city credit the gas tax agreement for \$443,078 or implement controls to ensure that sales proceeds of excess property sold are applied to eligible project costs.	Aug-16	The gas tax agreement will be amended to strengthen requirements for compliance with applicable gas tax use statutes and the gas tax agreement will be credited for \$443,078. The gas tax agreement will also be amended to require that quarterly city reconciliation reports include tracking and accounting of excess property. Upon disposal, the value of these remnant properties will be credited to the gas tax agreement.	Ng	
2/29/2016	FY15-515	Capital Programs	Oversight Controls, Contract Compliance, and Billings Related to the Bristol Street Widening Project	Internal Audit recommends management request the city strengthen controls over timekeeping and periodically review supporting documentation to ensure accuracy of labor charges to the project. Management should also consider disallowing sub-consultant markups through update of contract language in cooperative agreements.	Aug-16	The gas tax agreement will be amended to require the city to certify that the quarterly city reconciliation report of actual expenses versus monthly payment requests, including labor hours charged, are true and correct. Staff will review a sample of supporting documents to verify actual expenses and that labor hours billed are supported by time sheets on file. The gas tax agreement will be amended to specifically disallow sub-consultant markups.	Ng	
2/29/2016	FY15-515	Capital Programs	Oversight Controls, Contract Compliance, and Billings Related to the Bristol Street Widening Project	Internal Audit recommends that management design and implement a cost review process that includes review of a sample of city costs charged to the gas tax agreement. Internal Audit also recommends management instruct the city to correct its quarterly reconciliation reports and implement procedures to reconcile city reports with OCTA records.	Aug-16	Staff will periodically sample supporting documentation for costs charged to verify the charges are project-related, supported, and reasonable. Also, the city will be instructed to correct quarterly reconciliation reports based on these audit findings and staff will reconcile each quarterly report with records of payments made under the gas tax agreement.	Ng	

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

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2/29/2016	FY15-515	Capital Programs	Oversight Controls, Contract Compliance, and Billings Related to the Bristol Street Widening Project	Internal Audit recommends that management amend the gas tax agreement to update the payment schedule and implement controls to enforce the payment provisions.	Aug-16	The gas tax agreement will be amended to reflect the reconciliation of the pro-rated invoicing and the payment schedule will be updated accordingly.	Ng	
3/24/2016	N/A	Transit	Investigation and Limited Scope Review of the Procurement of Mobile Bus Routers	Internal Audit recommends management cancel the procurement (#6-0957) and revise the scope of work (SOW) to invite more competition.	Sep-16	The procurement was immediately cancelled and the SOW revised to include the salient characteristics of a mobile router to meet the functional requirements. A new solicitation will be released.	Ng	
3/24/2016	N/A	Transit	Investigation and Limited Scope Review of the Procurement of Mobile Bus Routers	Internal Audit recommends management develop an action plan to mitigate the risk that amendments to the agreements for purchase of 60 foot and 40 foot compressed natural gas buses are viewed as violations of Federal Transit Administration rules.	Sep-16	Management concurs with Internal Audit's findings. The installation of mobile routers has been cancelled on both the 60-foot and 40-foot bus builds. Mobile routers will be competitively procured and installed after the new buses are accepted.	Ng	
3/24/2016	N/A	F&A	Investments: Compliance, Controls and Reporting July 1, 2015 through December 31, 2015	Internal Audit recommends the Treasury Department implement controls to validate balances reported in monthly and quarterly reports and comply with, or update, the Debt and Investment Management Manual (Manual) to reflect the current practices.	Sep-16	The Treasury/Toll Roads Department agrees with Internal Audit's recommendation to implement controls to validate balances reported and will revise the Manual within 60 days to reflect current practices.	Tang	

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through June 30, 2016)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
4/4/2016	FY15-513	F&A	Accounts Payable (AP)	Internal Audit recommends management either revise system access assignments to prevent staff from having the ability to both create and/or edit the vendor master file and enter payments, or develop and implement adequate controls to identify unauthorized payments and/or unauthorized changes to the vendor master file	Oct-16	Staff will implement measures to identify unauthorized changes to the vendor master file. The Accounting Operations Section Manager will begin reviewing on a weekly basis a new vendor report and a log of any changes made to existing vendors. The Accounting Operations Section Manager will review weekly report of all new vendors, payments, and staff to ensure that staff are not setting up and paying the same vendor. With respect to the 91 Express Lanes, management will revise IFAS system access assignments to prevent Cofiroute staff members from having the ability to both create and/or edit vendor files and enter payments.	Bonelli	
4/4/2016	FY15-513	F&A	AP	Internal Audit recommends management provide training to ensure consistent enforcement of policies and procedures by AP staff and advise department staff responsible for the exceptions of OCTA's policies and procedures.	Oct-16	The AP supervisor meets bi-weekly with staff and has included training on AP procedures and responsibilities and has/will communicate to departments responsible for the related exceptions as to OCTA's Policies and Procedures.	Bonelli	
4/4/2016	FY15-513	F&A	AP	Internal Audit recommends that management amend the Agreement with Cofiroute USA (Cofiroute) to include procurement guidelines and implement monitoring controls to ensure compliance. These guidelines should be consistent with OCTA's procurement policies and procedures.	Oct-16	Management concurs and will work with Cofiroute to develop procurement guidelines and incorporate these guidelines in the operating agreement.	Bonelli	