



August 12, 2009

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Fiscal Year 2008-09 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 2008-09 Internal Audit Plan on August 13, 2008. 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 2008-09 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, and conducting operational and contract compliance reviews, internal control assessments, investigations, pre-award price reviews, and Buy America reviews. All audits initiated by entities outside of OCTA are coordinated through Internal Audit.

Discussion

The OCTA Internal Audit Department FY 2008-09 Internal Audit Plan (Plan) (Attachment A) reflects the status of each project. As indicated in Attachment A, numerous projects were completed or are still underway.

For the Plan year, Internal Audit completed 54 projects, including 32 pre-award price reviews. Staff hours, as reflected in Attachment A, represent total hours available annually for audit activities and are budgeted by project as a

preliminary estimate of the effort required to meet the audit objective. Actual staff hours for the fiscal year 2008-09 Plan were under budget by approximately 500 hours due to a vacancy in the department's intern position and numerous smaller projects undertaken in response to management, Board of Directors (Board), or other public requests that are of an administrative nature and were not charged to audit projects.

There are 22 audit projects open at June 30, 2009. Four of these are internal audits which have been completed with draft reports under development or in circulation. Nine are in various phases of completion, and six have not yet been initiated. Internal Audit will carry forward all 19 of these projects to the OCTA Fiscal Year 2009-10 Internal Audit Plan (FY 2009-10 Plan).

Internal Audit is proposing that three projects not be carried forward to the FY 2009-10 Plan. The first is a planned audit of the Employment Section of the Division of Human Resources and Organizational Development. The Employment Section is responsible for the recruitment, selection, and hiring of OCTA employees and the objective of the review was to ensure that adequate internal controls govern these processes and that that the processes are efficient. With significant reductions in employment activity during fiscal year 2008-09, Internal Audit believes that such a review would be more appropriately scheduled when activity resumes.

Secondly, Internal Audit is proposing that the Business Resumption Planning review be cancelled. The Information Systems Department received approval from OCTA's Chief Executive Officer to proceed with a project to develop a comprehensive business resumption plan. The project, including consultant services, has been included in OCTA's Fiscal Year 2009-10 Budget. A scope of work has been developed and a request for proposal is expected to be issued in the next few months.

Finally, Internal Audit is proposing that the call box maintenance review be cancelled as a result of OCTA's continuing efforts to reduce the number of call boxes in Orange County.

Internal Audit continues to conduct a vast majority of price reviews in-house which contributes to delays in completing other scheduled work. While Internal Audit has a bench of four on-call firms available to conduct these reviews, staff has found that using the firms can add to the time it takes to complete the reviews. OCTA's Contracts Administration and Materials Management (CAMM) Department generally requests quick turnaround of these reviews so that CAMM may begin negotiations with contractors. Internal Audit appreciates this urgency and therefore, commits or redirects resources

quickly to meet these requests. Internal Audit will incorporate more hours for these reviews in the FY 2009-10 Plan and continue to work with the CAMM Department to improve the timeliness of the price review process.

Internal Audit Initiatives

Fraud Hotline

In March 2009, the Board authorized the outsourcing of a fraud hotline. The hotline will provide an anonymous reporting mechanism for employees, contractors, and the public to report suspected waste, abuse, or fraud. Internal Audit has contracted with a vendor to provide this service 24 hours a day, seven days a week. Internal Audit staff is working with the vendor to develop and implement the hotline.

Quality Assurance and Self-Assessment

As required by Government Auditing Standards (Standards), Internal Audit must have both policies and procedures guiding all of its work as well as a process to periodically evaluate compliance with those policies and procedures. Staff has made a considerable effort in the last six months in conducting this self assessment and refining policies and procedures.

Peer Review Participation

In preparation for its first peer review in early 2010, Internal Audit has volunteered to participate on peer reviews of the City of Los Angeles' Auditor/Controller office and the City of Stockton's Internal Audit Department. This participation will serve as both opportunities to gain a better understanding of the peer review process as well as opportunities to glean some best practices from other audit departments. Because the Association of Local Government Auditor's Peer Review Program is entirely voluntary, Internal Audit's participation will earn reciprocal credit for its first peer review.

Service Efforts and Accomplishments

In an effort to communicate the value or effectiveness of the internal audit function, Internal Audit is reviewing various methodologies used by other departments in the industry to collect, value, summarize, and communicate internal audit efforts and results. These summations, generally called Service Efforts and Accomplishments Reports, communicate the mission, goals, and major accomplishments of an internal audit function.

Audit Software Implementation

Internal Audit continues to work towards full implementation of Audit Leverage, the department's audit software. Internal Audit has fully implemented the workpaper and timekeeping modules of the software and has prepared the FY 2009-10 Plan using the software's risk assessment module. Internal Audit will continue to populate the database and fine tune reports and other available software features.

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 both findings and recommendations generated internally, as well as those provided by regulatory auditors and OCTA's independent financial statement auditors, Mayer Hoffman McCann P.C.

Summary

The Orange County Transportation Authority Fiscal Year 2008-09 Internal Audit Plan is being closed-out. Three projects will be cancelled and other incomplete projects will be carried forward to the Orange County Transportation Authority Fiscal Year 2009-10 Internal Audit Plan.

Attachments

- A. Orange County Transportation Authority Internal Audit Department FY 2008-09 Internal Audit Plan Fourth Quarter Update
- B. Unresolved Audit Findings and Recommendations (Audit Reports Through June 2009)

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**Orange County Transportation Authority
Internal Audit Department
FY 2008-09 Internal Audit Plan
Fourth Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours to Date	Under (Over)	Cost / Estimate to Complete (E)	Status (Date to F&A)	Notes (Contract Auditor)
Mandatory External Independent Audits									
Annual Financial Audit	FY09-001-4	Annual contracted financial and compliance audits for fiscal year 2007-08	Financial	325	471	(146)	\$ 307,490	Complete (01/28/09)	(Mayer Hoffman McCann)
Annual Transportation Development Act Audits	FY09-005	Coordination of legally required annual audits of the recipients of Local Transportation Fund for fiscal year 2007-08.	Compliance	100	74	26	\$ 59,900	Complete (01/28/09)	(Mayer Hoffman McCann)
Triennial Performance Audits	FY09-027	Initiate procurement of external auditors to conduct the state triennial performance audit and Renewed Measure M performance assessment for fiscal years 2007, 2008, and 2009	Compliance	50	21	29		Scopes of Work developed. Requisition with CMM.	
Internal Audit Initiatives									
Risk Assessment and Annual Audit Plan	FY09-006	Annual preparation of the audit plan for next fiscal year; periodic assessment of risk throughout the year.	Risk Assessment	100	135	(35)		Complete (08/12/09)	
Quality Assurance and Self-Assessment	FY09-007	Self assessment of Internal Audit's compliance with Government Auditing Standards.	Quality Assurance	175	236	(61)		Ongoing	
Peer Review Participation	FY09-008	Participation as a review committee member for reciprocal credit.	Peer Review	80	-	80		Ongoing	OCTA will participate in reviews of the cities of Los Angeles and Stockton
Service Efforts & Accomplishments	FY09-025	Evaluation and summarization of the value of Internal Audit activities.	Service Efforts Report	100	14	86		Ongoing	
Price Review Process Improvements (unscheduled)		Evaluation of Internal Audit and CMM Department price review process, research related to requirements, development of more efficient procedures, and training for CMM Department staff.	Price Reviews	-	85	(85)		Complete	
Audit Software Implementation (unscheduled)		Implementation of Audit Leverage and troubleshooting	Audit Software	-	149	(149)		Ongoing	
Fraud Hotline (unscheduled)		Board concept approval, vendor solicitation, selection, and implementation plan.	Fraud Hotline	-	69	(69)		Ongoing	
Internal Audits									
Authority-Wide									
Price Reviews	PR09-300	Cost and price analyses as required by OCTA procurement policies and procedures.	Price Review	500	1,133	(633)	\$ 94,821	32 completed	(Four on-call audit firms)

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Other unscheduled Reviews and Special Requests	FY09-100	Time allowed for unplanned audits and requests from the Board of Directors and management.	Varies	250	160	90		Ongoing	
Executive									
Safety Monitoring	FY08-031	Review and follow-up on any American Public Transportation Association (APTA) Safety Review conducted in FY 2008.	Internal Controls	100	1	99		Carryover	Not started
Assembly Bill (AB) 1234 Compliance	FY09-021	Review of Authority recordkeeping evidencing compliance with AB1234 requirements.	Compliance	150	130	20		Complete (02/25/09)	
Planning and Development									
Metrolink	FY08-010	Inventory and review of audit activities and results thereof for the Southern California Regional Rail Authority.	Operational	200	160	40		Carryover	Report in Draft
SR-22 Contract Close-out	FY08-022	Review to ensure contract stipulations were complied with and to verify the propriety of payments.	Compliance	25	74	(49)	\$ 45,102	Complete (08/12/09)	(GCAP Services)
I-5 Gateway Contract	FY08-014	Review to ensure contract stipulations are being complied with and to verify the propriety of payments.	Compliance	50	163	(113)	\$ 27,470	Carryover	Report in Draft (Wang Professional Corp.)
Caltrans Cooperative Agreement for I-405/SR-55	FY08-011	Review to ensure contract stipulations were complied with and to verify the propriety of payments.	Compliance	50	86	(36)	\$ 19,790	Complete (01/28/09)	(Mayer Hoffman McCann)
Combined Transportation Funding Program (CTFP) Project Audits/CTFP System	FY08-019	Evaluation of program process and review of a sample of projects funded by the CTFP.	Compliance	100	97	3	\$ 53,360	Carryover	Reports in Draft (Mayer Hoffman McCann)
Buena Park Metrolink Station Closeout Audit	FY08-007	Closeout audit of construction of Metrolink station.	Compliance	25	21	4	\$ 23,700	Carryover	Report in Draft (Mayer Hoffman McCann)
On-Call Service Contracts	FY09-012	Review of on-call contracts for contract compliance and 2008 compliance with procurement policies and procedures.	Compliance	300	22	278		Carryover	In process
Irvine Transportation Center	FY09-013	Review to ensure contract stipulations are being complied with and to verify the propriety of payments.	Compliance	75		75	(E) \$ 20,000	Carryover	Not started
Real Estate and Right-of-Way Administration	FY09-015	Review of right-of-way and other real estate operations and contracts.	Operational	300		300		Carryover	Not started
Transit Operations									
Buy America	FY08-027	Pre-award and post-delivery reviews to ensure vendor is in compliance with federal Buy America requirements.	Compliance	100	313	(213)		4 complete	
Vehicle Maintenance	FY08-020	Review of policies, procedures, management reporting, and regulatory compliance.	Operational	250	103	147		Carryover	In process

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Government Relations									
Grant Close-outs	FY09-026	As needed financial and compliance audits of grants at close-out to ensure propriety of expenditures.	Compliance	75	21	54	\$ 12,275	One Complete (10/08/08)	1 in process (Thompson, Cobb, Bazilio & Associates)
Finance									
Treasury	FY09-019	Biannual financial and compliance reviews of the treasury function, including investment and bond compliance.	Compliance	200	126	74		1 Complete (03/25/09)	1 in process
Revenue Accounting	FY08-024	Review of controls over the collection and processing of sales tax receipts.	Operational	275	287	(12)		Carryover	In process
Grants Management and Accounting	FY08-018	Review of policies, procedures and regulatory compliance with grant requirements.	Operational	150	287	(137)		Complete (07/22/09)	
Capital Assets	FY08-017	Review of policies and procedures for capital assets, including capitalization policy, classifications, depreciation, disposal.	Internal Controls	75	125	(50)		Complete (10/08/08)	
91 Express Lanes Collections	FY08-016	Review of contractual compliance and performance of collections contractor Law Enforcement Services (L.E.S.)	Compliance	200	117	83		Carryover	In process
Purchasing Cards	FY09-029	Review of internal controls over purchasing cards	Internal Controls	120	176	(56)		Complete (02/25/09)	
Investment Management & Service Fees	FY09-011	Review of services and invoices for investment and debt advisory and management services	Compliance	250		250		Carryover	In Process
Human Resources									
Payroll	FY08-001	Audit of the payroll function including internal controls and analytics.	Operational	155	180	(25)		Complete (10/22/08)	
Payroll Information Systems	FY08-001	Information Systems Audit of Lawson payroll system	Operational				\$ 48,790	Complete (12/10/08)	(Thompson, Cobb, Bazilio & Associates)
Medical Examinations	FY08-006	Review of contracted services for medical examinations and programs.	Compliance	75	318	(243)		Complete (11/12/08)	
Veolia Drug and Alcohol Program Monitoring (Unscheduled)		Board initiated unscheduled review of monitoring of Veolia's drug and alcohol program and that of other transportation contracts and programs.	Operational	0	190	(190)		Complete (04/22/09)	
Employment Division	FY09-017	Review of controls and efficiency of candidate recruitment, selection and hiring.	Operational	350		350		Cancel	Employment activity reduction
Contracts & Materials									

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Contract Administration	FY08-015	Operational review to identify efficiencies and determine compliance with established policies and procedures. Scope to be further refined.	Operational	200	16	184		Carryover	In process
Southern Counties Oil Company	FY08-026	Contract compliance review of C-5-0467 - diesel and unleaded fuel supply.	Compliance	95	153	(58)		Complete (11/26/08)	
Bridgestone/Firestone Tire Lease	FY09-014	Review of lease of bus tires.	Compliance	175		175		Carryover	Not started
Maintenance Inventory Management	FY09-022	Review of inventory management policies, procedures, controls, and operational efficiency.	Operational	300		300		Carryover	In Process
Warranty Administration	FY09-023	Review of internal controls over warrantied equipment.	Internal Control	175		175		Carryover	Not started
Fuel Controls	FY09-024	Review of controls over dispensing of petroleum products.	Internal Control	150		150		Carryover	Not started
Information Systems									
Business Resumption Planning (BRP)	FY09-009	Review of information systems recovery policies and procedures, testing, and post-event review.	Operational	75		75	(E) \$20,000	Cancel	BRP Plan under development by Information Systems Department
Telecommunications Equipment	FY09-020	Review of telecommunications equipment usage and internal controls.	Internal Control	175	8	167		Carryover	In process
External Affairs									
Vanpool Program	FY08-023	Review of first year operations and contract compliance.	Operational	175	531	(356)		Complete (07/22/09)	
Customer Information Center (Alta Resources)	FY09-018	Review of contractually required service levels and contractor billing.	Contract Compliance	225	245	(20)	(E) \$25,000	Carryover	In Process
Motorist Services									
Call Box Maintenance Services	FY09-028	Review of contract for call box maintenance	Contract Compliance	150		150		Cancel	Call box program under reduction
Monitoring Activities									
Measure M Citizens Oversight Committee/Taxpayers Oversight Committee (COC/TOC) and Administrative Issues	FY09-401	Coordination of audit activities with the Audit Subcommittee of the Measure M COC/TOC.	Monitoring	25	209	(184)		Ongoing	
91 Express Lanes	FY09-402	Ongoing monitoring of 91 Express Lanes activities and participation in roundtables.	Monitoring	25	5	20		Ongoing	
I-5 Gateway Project	FY09-403	Ongoing monitoring to keep apprised of activities and significant issues.	Monitoring	25	8	17		Ongoing	

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Compressed Natural Gas (CNG) Station Project	FY09-404	Ongoing monitoring to keep apprised of activities and significant issues.	Monitoring	100	24	76		Ongoing	
Bus Rapid Transit (BRT)	FY09-405	Ongoing monitoring to keep apprised of activities and significant issues.	Monitoring	25	14	11		Ongoing	
Records Management	FY09-406	Ongoing participation on Records Management Task Force.	Monitoring	25	6	19		Ongoing	
Follow-up Reviews									
Follow-up reviews and reporting	FY09-200	Follow-up on audit findings and recommendations.		250	426	(176)			
Total Audit Hours				7,700	7,185	515			

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS
(Audit Reports Issued Through June 2009)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
8/2/2006	06-021	Finance and Administration	Cofiroute Contract Compliance and Operational Audit	The contract with the California Highway Patrol (CHP) should be updated to reflect current billing rates, level of service, responsibilities of each party, and other factors as necessary.	Jun-09	Management concurs. Contracts Administration and Materials Management (CMM) will meet with the CHP to obtain current rates, level of service, responsibilities of each party and incorporate those items into a new contract.	Ng	A contract amendment will take place which will incorporate the contract changes. Not yet executed as of January 2009.
8/2/2006	06-021	Finance and Administration	Cofiroute Contract Compliance and Operational Audit	In addition to Cofiroute's review of CHP invoices for accuracy, the invoices should be reviewed by OCTA staff for propriety with contract terms.	Jun-09	Management concurs. Management will review all CHP invoices for propriety with contract terms.	Ng	CHP invoice review process will begin once the CHP contract is amended.
6/15/2007	07-032	Finance and Administration	Liquified Natural Gas (LNG) Contract Review	CMM should revise its policies and procedures to require formal Chief Executive Officer (CEO) approval for substantial changes to terms of inventory contracts.	Sep-09	CMM agrees to review the procurement policies and procedures as they relate to inventory and to update the Procurement Manual as needed. Funds have been budgeted in the fiscal year 2008 budget for this activity. It is anticipated that this effort will start in the September time frame and will include a procedure for handling inventory purchases as well as amendments to inventory contracts.	Bonelli	OCTA's procurement manual is being revised with expected completion in September 2009. Internal Audit will follow up with this item at that time.
6/25/2007	07-031	Deputy Chief Executive Officer	Records Management Assessment	OCTA should develop a plan for the implementation of a comprehensive program to manage records organization-wide. Policies and procedures for the systematic and orderly accumulation and storage of active records should be developed to provide a foundation upon which better records retention and destruction can be controlled.	Aug-09	Audit findings for this assessment were referred to the Deputy CEO and a Records Management Task Force.	O'Connell	A consultant (Strativa) is under contract to review OCTA's records management process. Internal Audit will monitor progress through completion.
6/25/2007	07-031	Deputy Chief Executive Officer	Records Management Assessment	Employee awareness of their roles and responsibilities with regard to records management should be strengthened. A formal training program should be developed to drive greater accountability.	Aug-09	Audit findings for this assessment were referred to the Deputy CEO and a Records Management Task Force.	O'Connell	A consultant (Strativa) is under contract to review OCTA's records management process. Internal Audit will monitor progress through completion.

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6/25/2007	07-031	Deputy Chief Executive Officer	Records Management Assessment	OCTA should provide the technological resources necessary to allow consistent, organization-wide records retention, management, and retrieval. Electronic data and mail should be consistently classified, filed, sorted, and purged.	Aug-09	Audit findings for this assessment were referred to the Deputy CEO and a Records Management Task Force.	O'Connell	A consultant (Strativa) is under contract to review OCTA's records management process. Internal Audit will monitor progress through completion.
6/25/2007	07-031	Deputy Chief Executive Officer	Records Management Assessment	The current policy and records retention schedules should be updated to include security, third party, and electronic document considerations.	Aug-09	Audit findings for this assessment were referred to the Deputy CEO and a Records Management Task Force.	O'Connell	A consultant (Strativa) is under contract to review OCTA's records management process. Internal Audit will monitor progress through completion.
10/27/2007	07-024	Human Resources and Organizational Development	Summary Report of Findings, Health Insurance Portability and Accountability Act (HIPAA) Privacy and Data Security Compliance Assessment	OCTA should finalize and implement HIPAA record retention policies for the Human Resources Department.	May-09	Management agrees with the recommendation. We will finalize and implement the HIPAA record retention policies after review with legal counsel. OCTA, under the guidance of the Information Systems (IS) Department manager and Deputy CEO, is in the process of developing an enterprise-wide data retention and classification process, that will ensure that any protected health information (PHI) is properly protected and archived.	Dunning and Aon Consulting (Aon)	A consultant (Strativa) is under contract to review OCTA's records management process. Data classification will be included as part of that project. Internal Audit will monitor progress through completion.
10/27/2007	07-024	Human Resources and Organizational Development	Summary Report of Findings, HIPAA Privacy and Data Security Compliance Assessment	In future negotiations with the unions, OCTA should consider obtaining certification that the unions are in compliance with HIPAA's rules and regulations.	Mar-10	Management agrees with the recommendation. We will address this recommendation with the Employee Relations Department and legal counsel.	Dunning and Aon	The next coach operator agreement (4/30/10) and maintenance agreement (9/30/10) will address this.

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4/24/2008	08-005	Transit	Review of Agreement No. C-5-3021 with Veolia Transportation Services, Inc.	The Community Transportation Services (CTS) Department should clarify the maximum trips specified in the contract or the contract should be amended to be consistent with the terms of the Yellow Cab contract.	May-09	The maximum obligation of the contract with Yellow Cab of North Orange County for the provision of same day taxi service was developed using a maximum number of trips per day. There have been few occasions that the maximum number has been exceeded. There are many occasions that the number of trips requested under this program fall far below the maximum, particularly on weekends. Because of this, trips in excess of the maximum are generally accommodated because this can be done without exceeding the maximum obligation of the contract. The contract language could be clarified to specify that the maximum number of trips is an estimate.	Dunning	Follow-up in process as of July 2009. A contract amendment was approved by the Board on May 11, 2009. Internal Audit workpapers must be prepared and reviewed to close this item out.
10/13/2008	08-006	Human Resources and Organizational Development	Medical Examinations and Services Contract Compliance Review	OCTA should ensure that clinical laboratories are submitting semi-annual reports as required by the contracts. The summary reports should then be reconciled to OCTA data and exceptions should be documented and investigated.	Apr-09	Phamatech, the clinical laboratory used by Pacific Medical Clinic (PMC) for specimen analysis has provided OCTA with the semi-annual statistical summaries as required by the contracts. The last report received was for the period 1/1/08 through 6/30/08. This report was reviewed and verified by Human Resources. We are in the process of establishing this process with Golden West Medical Center (GWMC). We will have this in place by November 15, 2008.	Dunning	Follow-up in process as of July 2009. Management has completed corrective action. Internal Audit workpapers must be prepared and reviewed to close this item out.
10/13/2008	08-006	Human Resources and Organizational Development	Medical Examinations and Services Contract Compliance Review	Human Resources should work with PMC and GWMC to develop a method for obtaining and processing blind urine specimens as required by the contracts. OCTA staff should document the results of the blind urine specimens and investigate any exceptions.	Apr-09	OCTA's contracts with Pacific Medical Clinic (PMC) and Golden West Medical Center (GWMC) require they submit three blind specimens for every 100 OCTA employee specimens tested. PMC had performed 497 drug tests for OCTA for the period of 1/1/08 through 6/30/08. They submitted 15 blind quality control samples and the reported result was the same as the expected result. GWMC has purchased the blind specimens and is in the process of submitting them to the laboratory. GWMC will provide the results to us by November 1, 2008.	Dunning	Follow-up in process as of July 2009. Management has completed corrective action. Internal Audit workpapers must be prepared and reviewed to close this item out.

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10/13/2008	08-006	Human Resources and Organizational Development	Medical Examinations and Services Contract Compliance Review	Human Resources should exercise the contract provision allowing for independent quality assurance (QA) inspections of the medical services and specimen collection requirements of OCTA's contract. Furthermore, due to the safety implications of the Department of Transportation standards and protocols, Internal Audit recommends that the Safety Department monitor the results of such a quality assurance program to ensure all safety issues are addressed in a timely and effective manner.	Apr-09	Management agrees. It is an acceptable practice in the industry for the Human Resources staff to conduct such inspections. Periodically we have conducted inspections of the clinics. Our next inspections which will take place in January 2009 will be conducted without prior notice to the clinics.	Dunning	Follow-up in process as of July 2009. Management has completed corrective action. Internal Audit workpapers must be prepared and reviewed to close this item out.
10/13/2008	08-006	Human Resources and Organizational Development	Medical Examinations and Services Contract Compliance Review	OCTA should work with the contractors to ensure that contract terms related to invoice submittals are followed.	Apr-09	Invoices from PMC do include certifications. We are in the process of establishing this process with GWMC. They will have this in place for the next billing cycle. We will also make some changes to the invoicing procedure. We have requested that PMC and GWMC send duplicate invoices to OCTA. The invoice to Accounts Payable will contain only the total amount due. The invoice to Human Resources will have the total amount due along with the itemized charges. Human Resources made this request to change the procedure due to the confidential information contained in the invoices.	Dunning	Follow-up in process as of July 2009. Management has completed corrective action. Internal Audit workpapers must be prepared and reviewed to close this item out.
10/13/2008	08-006	Human Resources and Organizational Development	Medical Examinations and Services Contract Compliance Review	Internal Audit recommends that OCTA work with the contractor to ensure that only the last four digits of the social security number are included on the invoice.	Apr-09	This has been corrected and is in place as of May 1, 2008. The invoices for Agreement No. C-6-0135 with GWMC no longer include the employee social security numbers. Employees are identified by their badge number.	Dunning	Follow-up in process as of July 2009. Management has completed corrective action. Internal Audit workpapers must be prepared and reviewed to close this item out.

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10/13/2008	08-006	Human Resources and Organizational Development	Medical Examinations and Services Contract Compliance Review	Internal Audit recommends that Human Resources include the contract number on all patient authorization forms in order to expedite the process and reduce the possibility of the wrong service being provided or the wrong contract being invoiced.	Apr-09	Through our invoice reconciliation process, all charges are reviewed and verified to be correct before being processed to accounts payable. Any charges which appear on the invoice that do not pertain to services rendered under Agreement No. C-6-0339 with PMC are first reviewed and verified with the clinic and then removed from the invoice. Human Resources will prepare a separate patient authorization form that the Employment Section will use for pre-employment (post offer) exams and drug/alcohol testing when applicable.	Dunning	Follow-up in process as of July 2009. Management has completed corrective action. Internal Audit workpapers must be prepared and reviewed to close this item out.
10/24/2008		General Manager of the 91 Toll Roads	2008 Management Letter / Single Audit Report of Federal Awards, Year Ended 2006-07	The third-party contractor should establish procedures to strengthen information systems controls associated with the OCTA contract.	Sep-09	Staff agrees with the auditors' recommendation regarding backup tapes, which are now being stored at a secure, offsite location. Staff agrees with the auditors' recommendation regarding password controls. The system developer of TollPro will be modifying the password complexity to match industry best practices. Staff agrees with the auditors' recommendation of removing user access to systems immediately following termination. Cofiroute will implement a policy to ensure all terminated employees are removed by the close of the following business day.	Sutter and Mayer Hoffman McCann LLC (MHM)	Contractor has submitted documentation to OCTA's external financial auditors which will be reviewed when the auditors return in September 2009.
10/24/2008		Development	2008 Management Letter / Single Audit Report of Federal Awards, Year Ended 2006-07	The Project Delivery Department should ensure proper documentation is maintained regarding any withholding or delay of payments resulting from a lack of documentation provided by the entity awarded Combined Transportation Funding Program (CTFP) funds.	Jun-09	Staff is currently developing an electronic tracking system that will address this recommendation. This effort was in process prior to the audit report. Once completed, the system will provide an electronic log of invoice issues, missing documentation, correspondence with the cities, and will track the dates missing documentation is both requested and received.	Sutter and MHM	Contractor has submitted documentation to OCTA's external financial auditors which will be reviewed when the auditors return in September 2009.
10/24/2008		Development	2008 Management Letter / Single Audit Report of Federal Awards, Year Ended 2006-07	OCTA should establish procedures or protocols to ensure that all information of a financial nature is communicated to the Financial Planning and Analysis (FP&A) Department or Accounting Department, as appropriate.	Jun-09	This unique situation resulted from revisions to a standard Caltrans funding agreement. Had an amendment been executed to the original cooperative agreement, a copy would have been transmitted to FP&A. The normal processing and transmittal of agreements and amendments by CAMM should provide the required financial information needed by FP&A.	Sutter and MHM	Contractor has submitted documentation to OCTA's external financial auditors which will be reviewed when the auditors return in September 2009.

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10/30/2008	08-026	CAMM	Southern Counties Oil Company Contract Compliance Review	Future procurements of inventory products priced on indexes should be limited to quotes on discounts, premiums, mark-ups, or mark-downs. CAMM should implement a review process to ensure that the language and requirements in invitations for bid (IFB) are clear, concise, and relevant to better enhance bidding and the subsequent evaluation processes. CAMM should also immediately solicit bids for fuel.	May-09	CAMM is currently preparing a new solicitation for unleaded and diesel fuels. The invitation for bid (IFB) is scheduled for release on November 14, 2008, with the bids being submitted on December 11, 2008. The bidders will be required to quote only their discounts, delivery charges and any applicable taxes. CAMM management will also ensure that the IFB package is thoroughly reviewed prior to being released and that the recommended bid is inspected to ensure compliance with all IFB requirements.	Bonelli	Follow-up in process as of July 2009.
10/30/2008	08-026	CAMM	Southern Counties Oil Company Contract Compliance Review	Procurement policies and procedures should be enhanced to require independent verification of inconsistencies in bids. They should also require CAMM management review and approval for awards of contracts of this magnitude and nature.	May-09	CAMM agrees to strengthen the procurement procedures for all types of purchases to require an independent verification of all bids received to ensure that there are no inconsistencies in the bids and that the lowest responsive bidder has met all requirements. Currently a CAMM section manager is required to review the IFB package before it is released. CAMM will formalize this procedure.	Bonelli	Follow-up in process as of July 2009.
10/30/2008	08-026	CAMM	Southern Counties Oil Company Contract Compliance Review	Contract provisions related to temperature control should be enforced. Unnecessary or inapplicable provisions should be amended out of the contract.	May-09	The requirement was originally placed in the contract as a safeguard. However, OCTA's experience is that only full loads of fuel are delivered and accepted. In the solicitation being developed to reprocur the fuel, this requirement has been removed.	Bonelli	Follow-up in process as of July 2009.
11/19/2008	08-001A	Information Systems	Payroll Systems Controls Review	Management should develop and implement password administration controls to address weaknesses.	Jun-09	Information Systems (IS) staff is recommending that we bind passwords to the Lightweight Directory Access Protocol (LDAP) with our Windows Active Directory, requiring the implementation of Lawson's new security model. The project is currently not scheduled but will be considered in next fiscal year's budget request.	Bonelli and Thompson Cobb Bazio and Associates (TCBA)	Follow-up in process as of July 2009.

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11/19/2008	08-001A	Information Systems	Payroll Systems Controls Review	Management should ensure that adequate controls exist within the payroll and human resources process, including policies restricting pay rate changes and personnel data changes to only authorized personnel and establishing an audit trail and independent reviews of edits made to data.	Jun-09	Management will implement mitigating controls in the form of new variance reports and review processes. A "Variance Audit Report" will be developed and provided to Human Resources, a "Rate Change Personnel Action Form Audit" report will be provided to Payroll, and a "Dollars Only Payments" report will be provided to Human Resources.	Bonelli and TCBA	Follow-up in process as of July 2009.
11/19/2008	08-001A	Information Systems	Payroll Systems Controls Review	Timesheets should be completed in ink, changes should be properly authorized and Payroll should maintain documentation in the file authorizing any changes made.	Jun-09	Management will require that all timesheets be completed in ink and that all corrections be initialed by the person making the change. If the change is made by Payroll staff, the basis of the change will be noted and communicated back to the employee. Once on-line entry of timesheets is implemented, manual timesheets will no longer be required.	Bonelli and TCBA	Follow-up in process as of July 2009.
11/19/2008	08-001A	Information Systems	Payroll Systems Controls Review	Payroll should ensure that all changes made to employee records are independently reviewed and verified as authorized. Changes to employee files that are accepted verbally should be properly documented.	Jun-09	Payroll will ensure that all changes in direct deposit status for active employees are fully documented and that verbal requests are verified. Payroll will also change the direct deposit flag to NO for terminated employees.	Bonelli and TCBA	Follow-up in process as of July 2009.
11/19/2008	08-001A	Information Systems	Payroll Systems Controls Review	The IS Department is dependent on one employee for all critical Lawson administration functions. Management should develop and implement a knowledge transfer and training program.	Jun-09	OCTA maintains an annual service agreement with Hitachi Consulting, the original developer of many of the data interfaces involving Lawson. They are capable of providing programming services and this is the planned means of providing backup support for interfaces in the absence of this employee. However, IS may also implement one of five other strategies to address this issue.	Bonelli and TCBA	Follow-up in process as of July 2009.
11/19/2008	08-001A	Information Systems	Payroll Systems Controls Review	Management should strengthen access controls to the Lawson databases to ensure that unauthorized access and modification of data in the databases is prevented or detected.	Jun-09	For those passwords for which IS staff has control, strengthened controls will be implemented. However, some of these parameters are imbedded in the application and IS staff will be unable to modify.	Bonelli and TCBA	Follow-up in process as of July 2009.

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11/19/2008	08-001A	Information Systems	Payroll Systems Controls Review	IS Help Desk service level agreements should be developed and documented.	Jun-09	Management concurs with the concept; however, management believes that current service levels meet business unit requirements. If they do not, Information Systems will meet with the affected business units to develop such agreements.	Bonelli and TCBA	Follow-up in process as of July 2009.
11/19/2008	08-001A	Information Systems	Payroll Systems Controls Review	Management should ensure that all requests for service go through the IS Help Desk.	Jun-09	Current policies and procedures require that all requests go through the IS Help Desk for proper logging, documentation and problem resolution. IS management will reinforce this through communication with staff.	Bonelli and TCBA	Follow-up in process as of July 2009.
11/19/2008	08-001A	Information Systems	Payroll Systems Controls Review	Management should adopt security measures for laptops including hard drive encryption and Bios passwords.	Jun-09	Staff is currently developing a new user policy which outlines OCTA's current security policies, standards and processes for securing laptops and smart phones. IS staff will review current laptop hard drive encryption technologies as well as other security measures and, if feasible, may implement these on select or all laptops.	Bonelli and TCBA	Follow-up in process as of July 2009.
11/19/2008	08-001A	Information Systems	Payroll Systems Controls Review	Management should prioritize the development of a comprehensive business continuity plan.	Jun-09	OCTA's business continuity plan will be updated in 2009.	Bonelli and TCBA	Follow-up in process as of July 2009.
10/31/2007 and 10/24/2008	07-030	Transit	2007 and 2008 Management Letters / Single Audit Reports of Federal Awards	MHM recommends that OCTA adhere to the Buy America requirements and ensure that all documentation is contained in the procurement files to support OCTA's compliance.	Sep-09	OCTA Transit Division Maintenance Department will follow the Buy America guideline. OCTA will ensure that contract administration has the necessary paperwork on file for the closing of contracts for the post filings.	Sutter, Bonelli and MHM	Vehicle procurement and acceptance policies are being developed to address several issues related to OCTA's compliance with Buy America. Internal Audit has taken the lead in reviewing these, once complete.
2/18/2009	09-021	Clerk of the Board	Assembly Bill 1234 Review	Management should revise procedures to ensure Director's are requested to review, sign and return these forms to the Clerk of the Board's (COB) office and that timely follow-up for receipt of these forms is performed and documented.	Aug-09	In January 2009, the COB's office will implement follow-up procedures to ensure all forms are signed and returned in a timely manner.	Sutter	
2/18/2009	09-021	Clerk of the Board	Assembly Bill 1234 Review	Management should develop and document written procedures outlining the requirements for submission and approval of expense reimbursements.	Aug-09	The COB will revise practices to require expense reimbursement forms to be signed by Directors and will develop desk procedures whereby the forms are signed by the COB or a designee to evidence verification of receipts provided and compliance with policies. Any concerns will be escalated to the CEO for resolution.	Sutter	

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2/18/2009	09-021	Clerk of the Board	Assembly Bill 1234 Review	Internal Audit recommends that management develop and document procedures for timely follow-up to ensure training records are on file. Management should also ensure that required communications related to available ethics training be provided annual to the directors.	Aug-09	The COB will develop and implement more detailed procedures for the tracking and monitoring of training requirements to ensure compliance. The COB will also provide training material to Directors annually as required by Assembly Bill 1234.	Sutter	
2/18/2009	09-021	Clerk of the Board	Assembly Bill 1234 Review	Internal Audit recommends that the Board of Directors clarify the policy with regard to ethics training for Directors who do not receive or accept compensation or reimbursement of expenses.	Aug-09	Upon direction from the Board of Directors, legal counsel will recommend revisions to the policy with regard to Directors who do not receive or accept compensation or reimbursement of expenses.	Sutter	
2/9/2009	09-029	Development	Purchasing Card Program Review	Internal Audit recommends management take appropriate action with an employee and supervisor related to inappropriate purchasing card activity and work schedule.	Aug-09	Management has taken corrective action with regard to vehicle usage and will take appropriate disciplinary action with both the employee and supervisor.	Sutter	
2/9/2009	09-029	CAMM	Purchasing Card Program Review	Internal Audit recommends that the purchasing card administrator develop procedures to review selected transaction and examine related documentation in an effort to determine whether transactions are valid, allowable, and properly supported.	Aug-09	CAMM will revise the current policies and procedures relative to reviewing monthly transactions, selecting only a sample of transactions for in-depth audit. A form will be developed that requires the cardholder's manager to sign confirming the the transaction being approved are consistent with policy. The revised policies will also address action to be taken in the event of non-compliance.	Sutter	
2/9/2009	09-029	CAMM	Purchasing Card Program Review	CAMM management should review the due dates assigned for submitting monthly purchasing card packages to determine whether additional time is required or take appropriate action to enforce due dates.	Aug-09	CAMM will review the due date requirement and determine if enough time is being given to submit purchasing card packages on time and will revise the current policies and procedures along with enforcing appropriate action.	Sutter	

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2/9/2009	09-029	CAMM	Purchasing Card Program Review	Internal Audit recommends that management enhance procedures to include a specific review of cardholder activity so that cards that are not used or needed can be closed. The purchasing card administrator should forward activity reports on a periodic basis to department managers for their review. The purchasing card administrator should require positive confirmation from department managers that cardholder assignments are appropriate and necessary.	Aug-09	CAMM will revise the policies and procedures to include a semi-annual review of cardholder activity so that cards that are not used or needed can be closed. The purchasing card administrator will forward activity reports on a periodic basis to department managers for their review and will require positive confirmation from department managers that cardholder assignments are appropriate and necessary.	Sutter	
2/9/2009	09-029	CAMM	Purchasing Card Program Review	Internal Audit recommends that management revise procedures to include a semi-annual inventory of cards.	Aug-09	CAMM has been performing card inventory informally. CAMM will revise the current procedure to allow for a formal written review of cardholder activity levels and assignments.	Sutter	
2/9/2009	09-029	CAMM	Purchasing Card Program Review	Internal Audit recommends that management implement available automated restrictions to enhance the control environment and prevent purchasing card misuse or abuse.	Aug-09	CAMM and the Accounting Department are currently working with Bank of America to enhance and automate the purchasing card system. These available automated restrictions will be implemented to control the environment and prevent purchasing care misuse.	Sutter	
3/25/2009		Special Projects	Measure M Agreed-Upon Procedures Reports, year ended 06/30/08	Staff should clarify, through an ordinance amendment, the requirement that Measure M projects be included in cities' Capital Improvement Program plans, and additional clarification on lending activity related to Measure M turnback funds.	Sep-09	The Board of Directors has directed staff to clarify the ordinance through amendment.	Sutter	
3/3/2009	09-019	Treasury Department	Investment Activities January 1 through June 30, 2008	While the misstatement of OCTA's total investment portfolio value resulted from a custodial bank error, Internal Audit recommends that the Treasury Department investigate anomalies in the custodial bank statements prior to preparing the quarterly debt and investment reports.	Sep-09	The Treasury Department notified the bank of the error. Upon investigation by the bank, it was determined that the bank had not properly cleared a security. Moving forward, the Treasury Department shall make every effort to thoroughly investigate anomalies in the bank statements during the report-writing process to ensure an accurate and timely debt and investment report.	Ng	As of June 2009, Internal Audit is conducting another Investment Activities review and will follow-up during the course of the review.

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3/3/2009	09-019	Treasury Department	Investment Activities January 1 through June 30, 2008	Internal Audit recommends that the Treasury Department update the Debt & Investment Management Manual with all individuals authorized to initiate and approve wire transfers.	Sep-09	Staff is currently updating the manual to reflect recent changes. The changes will include the addition of the Principal Transportation Analyst within the Treasury/Public Finance Department, updated vendor relationships as well as any other relevant changes.	Ng	As of June 2009, Internal Audit is conducting another Investment Activities review and will follow-up during the course of the review.
3/3/2009	09-019	Treasury Department	Investment Activities January 1 through June 30, 2008	Internal Audit recommends that Accounts Payable require the CTS Department to submit complete invoice packages for payment and file these complete packages.	Sep-09	Accounting is working with the CTS Department to ensure that payment packages include original invoices and other relevant documentation prior to disbursement of funds.	Ng	As of June 2009, Internal Audit is conducting another Investment Activities review and will follow-up during the course of the review.
4/1/2009	09-032	CAMM and Maintenance	New Flyer of America, Inc. Post-Delivery Buy America Review	Internal Audit recommends that the CAMM Department develop policies and procedures to ensure that OCTA complies with pre-award and post-delivery requirements with respect to the purchase of vehicles.	Oct-09	CAMM and Maintenance are working cooperatively to develop a procedure that fully complies with the audit findings and ensure that the Federal Transit Administration (FTA) requirements are met. This corrective action will be implemented to ensure that FTA Buy America standards are adhered to in all future procurements. Any amendment change in parts will trigger a request for a post-award Buy America audit prior to the amendment being initiated.	Bonelli	Vehicle procurement and acceptance policies are being developed to address several issues related to OCTA's compliance with Buy America. Internal Audit has taken the lead in reviewing these, once complete.
3/4/2009	09-104	Human Resources and Organizational Development	Review of Contractor Drug and Alcohol Program Monitoring	Internal Audit recommends that OCTA develop a centralized and coordinated approach to oversight of drug and alcohol programs. Furthermore, Internal Audit recommends that management evaluate all transportation programs and related contracts for drug and alcohol program components to ensure there is adequate OCTA monitoring and oversight.	Sep-09	Human Resources recommends that OCTA create a Contractor Drug and Alcohol Program Monitoring Committee. Under direction of the Executive Director of Human Resources and Organizational Development, he will chair the committee. The committee members would include representatives from Human Resources, CAMM, Health, Safety, and Environmental Compliance, Risk Management, Transit, and OCTA's legal counsel. This committee would meet on a quarterly basis or more frequently if necessary. It would be the committee's responsibility to monitor contractors' drug and alcohol programs.	Dunning	

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3/4/2009	09-104	CAMM Department	Review of Contractor Drug and Alcohol Program Monitoring	Internal Audit recommends that the Human Resources and Organizational Development and CAMM, together with legal counsel, evaluate the necessity and appropriateness of contract boiler plates related to drug and alcohol, and then establish monitoring or follow-up procedures as appropriate.	Sep-09	Human Resources recommends the evaluation of the necessity and appropriateness of contract boiler plates related to drugs and alcohol be reviewed by the newly created Contractor's Drug and Alcohol Program Monitoring Committee.	Dunning	
3/4/2009	09-104	CTS Department	Review of Contractor Drug and Alcohol Program Monitoring	Internal Audit recommends that the CTS Department enhance formal monitoring procedures of Veolia's compliance with its drug and alcohol policy and related regulatory requirements.	Sep-09	The Transit Division in CTS has established a Drug and Alcohol Instruction Manual intended to clarify the instructions for administering the drug and alcohol audit process.	Dunning	