



June 26, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Construction Safety Program, Internal Audit Report No.19-506

Overview

The Internal Audit Department has completed an audit of the Orange County Transportation Authority Construction Safety Program. Based on the audit, the Construction Safety Program could be improved by enhancing policies and procedures, developing a training program for applicable project management staff, refining the process for identifying applicable contractors, and formalizing the process for documenting safety activities and reporting.

Recommendation

Direct staff to implement two recommendations provided in Construction Safety Program, Internal Audit Report No. 19-506.

Background

The Construction Safety (CS) Section consists of two staff within the Health, Safety, and Environmental Compliance Department, under the Human Resources and Organizational Development Division. The CS Section is responsible for the design and implementation of an effective CS Program (Program).

CS staff have developed a CS Management Policy (Policy) to provide a standardized approach for managing contractor safety compliance on Orange County Transportation Authority properties and projects. The Policy describes the roles and responsibilities of Contracts Administration and Materials Management (CAMM) staff, project managers, CS staff, and individual contractors.

To identify contracts that should include safety specifications as part of the written agreement, CS staff have assigned safety specification levels (1, 2, and 3) by the type of service to be provided. CAMM staff use the assignment listing to identify when to include safety specifications in a proposed contract.

Discussion

The Policy assigns significant responsibilities to individual contract managers without providing comprehensive materials and training to these individuals. Also, the process for identifying contracts requiring safety specifications unnecessarily identifies low-risk contractors and vendors. In addition, there is no process in place to centrally identify and track applicable high-risk construction contractors to ensure proper monitoring and reporting. The Internal Audit Department (Internal Audit) recommended that CS management further develop policies, procedures, and guidelines to provide a comprehensive risk-based framework for monitoring contractor compliance with construction safety regulations. Management agreed and indicated that safety specifications levels would be further evaluated and revised to streamline requirements, and procedures would be implemented to ensure safety reporting by applicable contractors. Also, management agreed to implement safety-related training for project managers with contractor oversight responsibilities.

Evidence of oversight activities, such as performance of safety observations, review of contractor safety submittals and resumes, and attendance at safety meetings is not formally maintained. In addition, there is no process in place to formally track and document follow-up of observed safety issues. Internal Audit recommended management develop procedures for documenting and tracking safety activities. Management agreed and indicated that a tracking tool will be developed and implemented.

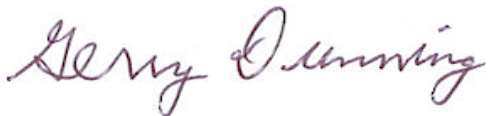
Summary

Internal Audit has completed an audit of the Program and offered two recommendations for improvement.

Attachment

- A. Construction Safety Program, Internal Audit Report No. 19-506

Prepared by:



Gerald Dunning
Senior Auditor
714-560-5875

Approved by:



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

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Construction Safety Program

Internal Audit Report No. 19-506

June 17, 2019



Performed by:

Gerry Dunning, CIA, CISA, CFE, Senior Internal Auditor
Janet Sutter, CIA, Executive Director



Distributed to:

Maggie Mc Jilton, Executive Director, Human Resources and Organizational Development
Matthew Des Rosier, Department Manager, Health, Safety, and Environmental Compliance
Gary Jones, Construction Safety Section Manager

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Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the Orange County Transportation Authority (OCTA) Construction Safety Program (Program). Based on the audit, the Program could be improved by enhancing policies and procedures, developing a training program for applicable project management staff, refining the process for identifying applicable contractors, and formalizing the process for documenting safety activities and reporting.

Background

Construction Safety Program

The Construction Safety (CS) Section consists of two staff within the Health, Safety, and Environmental Compliance (HSEC) Department, under the Human Resources and Organizational Development Division. The CS Section is responsible for the design and implementation of an effective Program.

CS staff have developed a CS Management Policy (Policy) to provide a standardized approach for managing contractor safety compliance on OCTA properties and projects. The Policy describes the roles and responsibilities of Contracts Administration and Materials Management (CAMM) staff, project managers, CS staff, and individual contractors.

CS staff have also developed three levels of Health, Safety, and Environmental Specifications (safety specifications), which outline the contractor requirements in accordance with State of California Division of Occupational Safety and Health regulations. To identify contracts that should include safety specifications as part of the agreement, CS staff have assigned safety specification levels (1, 2, and 3) based on the commodity code of the service to be provided. CAMM staff use the list provided to determine when to include safety specifications in a proposed contract.

CS staff periodically perform observations and attend project meetings to ensure the safe design, operation, and working conditions at OCTA construction sites and bus operations locations.

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Objectives, Scope, and Methodology

The objectives were to evaluate and test program controls and contractor compliance related to construction safety.

According to Generally Accepted Government Auditing Standards (GAGAS), internal control, in the broadest sense, encompasses the plans, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal controls significant within the context of the audit objectives were evaluated as part of this audit.

The methodology consisted of an evaluation of Program controls, testing contractor compliance with requirements, and testing of monitoring activities.

The scope was limited to evaluation and testing of Program controls and activities during calendar years 2017 and 2018. The scope included a judgmental sample of 25 contracts with effective or amended dates during the period. The sample was selected with a bias for including contracts containing all three levels of safety specifications and for selecting contracts from various OCTA divisions. In addition, the scope included a judgmental sample of four CS monthly activity reports for testing to determine the accuracy of activity reporting, to verify monitoring activities, and to assess the adequacy of recordkeeping. This sample was selected with a bias for including two months from each of the two calendar years. Since the samples were non-statistical, any conclusions are limited to the sample items tested.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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Audit Comments, Recommendations, and Management Responses

Construction Safety Program Development and Administration

The Program should be enhanced to provide guidance and training to responsible staff, to better identify applicable contractors, and to ensure regular compliance monitoring and documented follow-up of issues observed.

CS management has issued one policy related to contractor safety and has assigned significant responsibilities to individual contract managers without providing comprehensive materials and training to these individuals. Also, the process for identifying contracts that require safety specifications be included unnecessarily identifies low-risk contractors. There is no process in place to centrally identify and track applicable, high-risk construction contractors to ensure proper monitoring and reporting. Contractor workplace injury statistics are calculated internally; however, there is no system in place to ensure figures are collected from all applicable contractors.

Recommendation 1:

Internal Audit recommends that CS management further develop policies, procedures, and guidelines to provide a comprehensive, risk-based framework for monitoring contractor compliance with construction safety regulations. The program should provide detailed guidelines and include a training program for those charged with oversight and/or monitoring responsibility. The program should also be designed to identify and monitor contractors who are required to report and whose information should be included in safety statistics.

Management Response:

Management concurs with the recommendation and will further evaluate the safety specifications levels 1, 2 and 3, and make appropriate revisions to streamline the requirements of submittal deliverables for lower risk contracts. Management will also implement procedures to ensure safety reporting by applicable contractors.

Also, safety-related training for project managers with contractor oversight responsibilities will be implemented and made available to provide a better understanding of their roles and responsibilities.

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Documentation of Safety Observations and Activity Reporting

CS staff do not retain, in an organized fashion, evidence of oversight activities, such as performance of safety observations, review of contractor safety submittals and resumes, and attendance at safety meetings. In addition, CS staff do not have a process in place to formally track and document follow-up of observed safety issues.

Recommendation 2:

Internal Audit recommends that CS management develop procedures for documenting and tracking safety activities. Documented activities, and follow-up of safety issues observed, should be retained and used to complete monthly activity reports.

Management Response:

Management concurs with the recommendation and will develop a tracking tool to document applicable construction safety activities and observations.