



***April 10, 2013***

**To:** Finance and Administration Committee  
**From:** Darrell Johnson, Chief Executive Officer  
**Subject:** Review of Agreement No. C-8-0728 with ShelterCLEAN, Inc.

***Overview***

At the request of the Transit Division, the Internal Audit Department has completed a review of oversight controls and contract compliance related to Agreement No. C-8-0728 between the Orange County Transportation Authority and ShelterCLEAN, Inc. Based on the procedures performed, the Internal Audit Department has concluded that controls in place to review detailed invoices are generally adequate; however, controls over unscheduled work and supplies inventory should be improved. Written procedures should also be developed.

***Recommendation***

Direct staff to implement recommendations provided in the Review of Agreement No. C-8-0728 with ShelterCLEAN, Inc., Internal Audit Report No. 13-801.

***Background***

The Stops and Zones section (SANZ) of the Service Planning and Customer Advocacy Department of the Transit Division is responsible for maintaining approximately 6,500 active bus stops. SANZ is charged with maintaining in good repair, and modifying as required, all of the bus stops used by the Orange County Transportation Authority (OCTA) throughout its system. OCTA maintains an agreement with ShelterCLEAN, Inc. (ShelterCLEAN). When performing preventive maintenance, ShelterCLEAN inspects each bus stop location along an assigned route and ensures that the stop is safe and graffiti-free. Cleaning is the responsibility of the local jurisdiction. However, local agencies may contract with OCTA to clean individual bus stops. For example, OCTA entered into an agreement with the County of Orange to provide additional maintenance at selected bus stops.

Transit management requested that the Internal Audit Department (Internal Audit) perform a review of contract oversight and compliance to evaluate the billing process used by the contractor and review reconciliation of monthly invoices. At the time of this request, the SANZ Senior Analyst most familiar with the agreement had been on leave for several months. During the course of the review, the two remaining full-time staff members resigned their positions at OCTA to pursue other career opportunities. Only one staff member, an extra-help office specialist, remains in the SANZ section as of March 2013.

### ***Discussion***

Under the agreement, ShelterCLEAN may self-generate miscellaneous work orders on an as-needed basis to address issues identified during regular maintenance activities, such as the need to replace a damaged sign or post, tree trimming, painting, or replacing solar lights. Under the current arrangement, OCTA is not notified of miscellaneous tasks performed until receipt of the monthly invoice. Internal Audit recommended that management consider requiring ShelterCLEAN staff to call in and obtain authorization prior to performing these tasks. This would allow OCTA to record the work in the work order system and, if desired, to physically spot check the work performed. Management agreed and indicated that options for timely reporting of these activities are under review.

OCTA provides ShelterCLEAN with supplies necessary to perform certain tasks, such as replacing a solar light or a damaged sign or post. Supplies are stored in an unsecured area at the Garden Grove base; records of inventory supplies on hand or issued to ShelterCLEAN are not maintained, and there is no review of consumption for reasonableness. While the value of supplies is not material, Internal Audit recommended that management, at a minimum, implement controls to ensure supplies are safeguarded and monitor usage for reasonableness. Management agreed and indicated that supplies have been secured and an inventory system is under development.

There are no written procedures to describe the operations of the SANZ section, including issuance of work orders, review and approval of invoices, and ordering and handling of supplies. Internal Audit recommended that management document operating procedures. Management agreed and indicated that desktop procedures are under development.

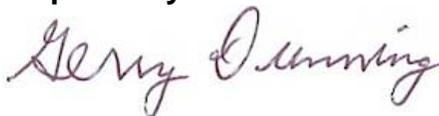
**Summary**

Based on the procedures performed, Internal Audit has concluded that controls in place to review detailed invoices are generally adequate; however, controls over unscheduled work and supplies inventory should be improved. Written procedures should also be developed.

**Attachment**

- A. Review of Agreement No. C-8-0728 with ShelterCLEAN, Inc., Internal Audit Report No. 13-801

**Prepared by:**



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**Approved by:**



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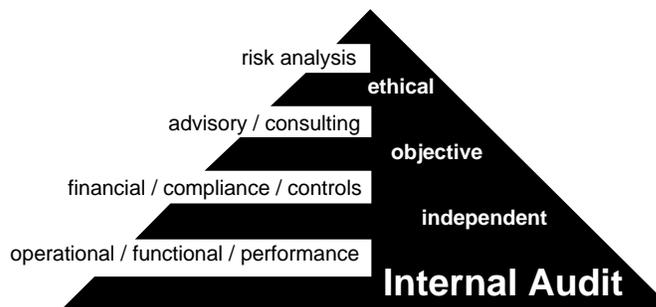
# Orange County Transportation Authority Internal Audit Department



## Review of Agreement No. C-8-0728 with ShelterCLEAN, Inc.

**INTERNAL AUDIT REPORT NO. 13-801**

**March 28, 2013**



**Internal Audit Team:**

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

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Review of Agreement No. C-8-0728  
with ShelterCLEAN, Inc.  
March 28, 2013**

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**INTERNAL AUDIT DEPARTMENT**  
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**CONCLUSION**

At the request of the Transit Division, the Internal Audit Department (Internal Audit) has completed a review of oversight controls and contract compliance related to Agreement No. C-8-0728 (Agreement) between the Orange County Transportation Authority (OCTA) and ShelterCLEAN, Inc. (ShelterCLEAN). Based on the procedures performed, Internal Audit has concluded that controls in place to review detailed invoices are generally adequate; however, controls over unscheduled work and supplies inventory should be improved. Written procedures should also be developed.

**BACKGROUND**

The Stops and Zones section (SANZ) of the Service Planning and Customer Advocacy Department of the Transit Division is responsible for maintaining approximately 6,500 active bus stops. SANZ is charged with maintaining in good repair, and modifying as required, all of the bus stops used by OCTA throughout its system. OCTA maintains an Agreement with ShelterCLEAN to clean and service bus stops under the direction of SANZ staff. In addition, SANZ maintains files on approximately 1,500 inactive bus stops for historical records and service history.

Transit management requested that Internal Audit perform a review of contract oversight and compliance to evaluate the billing process used by the contractor and review reconciliation of monthly invoices. At the time of this request, the SANZ Senior Analyst most familiar with the Agreement had been on leave for several months. During the course of the review, the two remaining full-time staff members resigned their positions at OCTA to pursue other career opportunities. Only one staff member, an extra-help office specialist, remains in the SANZ section as of March 2013.

The Agreement with ShelterCLEAN includes three tasks; Task 1 provides for a fixed rate payment for preventive maintenance activities at approximately 6,500 active bus stops; Task 2 provides for a fixed unit rate to be paid for supplemental service at approximately 16 bus stops; Task 3 provides for individual rates to be paid for providing miscellaneous and/or emergency tasks at OCTA bus stop locations. OCTA maintains a cooperative agreement with the County of Orange for reimbursement of costs related to the supplemental services provided under Task 2 of the Agreement. Miscellaneous and/or emergency tasks referred to under Task 3 include activities such as installing new bus stop signs, removing bus stop signs, placing or removing informational cassettes, placing or removing solar lighting units, etc.

During fiscal year 2011-12, OCTA paid a total of \$488,964 for these services. The monthly average payment is just over \$40,000, with Task 1, Preventive Maintenance, consisting of approximately 82 percent of total costs and Tasks 2 and 3 consisting of approximately 18 percent of total costs.

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The SANZ section utilizes a Bus Stop Database (BSD) system using Microsoft Access software to issue and track miscellaneous and/or emergency work orders assigned to ShelterCLEAN. Under the Agreement, ShelterCLEAN may also self-generate miscellaneous work orders on an as-needed basis to address issues such as replacing damaged signs or posts, trimming trees, painting, or replacing solar lights. Self-generated work orders are sent in hard copy along with monthly invoices.

**OBJECTIVES, SCOPE, AND METHODOLOGY**

The objective of this review was to evaluate the adequacy of oversight controls and contract compliance related to the Agreement with ShelterCLEAN. The scope of the review included the active Agreement with ShelterCLEAN and the monthly invoice for October 2012 from ShelterCLEAN. The review methodology included the following:

- Review of the Agreement and related amendments;
- Interview of applicable personnel and management regarding oversight of the contract, provision of inventory supplies, and the review of monthly invoices;
- Tested the October 2012 invoice to determine that all services are supported by a work order and rates agree to contract terms;
- Obtained evidence of compliance with key contract provisions, including contractor's license, insurance, and drug and alcohol policy requirements.

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. 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 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**

**Work Order Authorization**

Under Task 3 of the Agreement, ShelterCLEAN may self-generate miscellaneous work orders on an as-needed basis to address issues found when servicing a bus stop, such as replacing damaged signs or posts, trimming trees, painting, or replacing solar lights.

Self-generated work orders are sent in hard copy along with the monthly invoice. SANZ staff record the work orders in the BSD system upon receipt of the monthly invoice.

This arrangement does not provide OCTA with the ability to acknowledge and authorize the work before it is done or to verify the work performed in a timely manner.

**Recommendation 1:**

Internal Audit recommends that management consider revising procedures to require ShelterCLEAN to call in and obtain authorization for work performed. This will allow OCTA to timely record work in the BSD system and, if desired, to physically spot check the work performed upon completion.

**Management Response:**

Management agrees the procedure needs to be revised to provide confidence that actual work has been completed. Options being investigated are a daily reporting system via phone or email with before/after photos. A camera would be used to record the exact location of the before and after pictures as well as confirm that these match the contractor's description.

**Inventory Controls**

OCTA provides ShelterCLEAN with supplies necessary to perform certain tasks, such as replacing a solar light, a damaged sign, or post. While the value of the supplies ordered is estimated at less than \$1,200 per month, on average, no controls have been implemented to safeguard the supplies or to track consumption.

Supplies are stored in an unsecured/unlocked area at the Garden Grove base. The person responsible for receiving supply orders does not evidence that quantities received match invoiced quantities. A record of inventory is not maintained. A record of inventory supplied to ShelterCLEAN and/or review of consumption is not maintained or performed. Inventory orders are made when ShelterCLEAN notifies staff that supplies are needed.

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**Recommendation 2:**

Internal Audit recommends that management implement controls to ensure supplies are safeguarded and, at a minimum, monitor usage for reasonableness.

**Management Response:**

Since the audit, the SANZ supply area at the Garden Grove base has been secured and is now locked. Management agrees that inventory controls should be developed and implemented. SANZ staff will develop a method to track inventory received and dispensed so that supplies can be monitored on an ongoing basis.

**Written Procedures**

There are no written procedures to describe the operations of the SANZ section; including issuance of work orders, review and approval of invoices, ordering and handling of supplies, etc.

The only SANZ staff member remaining as of this review is an extra-help office specialist. Management has assigned resources to SANZ to assist until open positions can be filled; however, without written procedures, it is difficult for staff and/or management to identify procedures and to train new staff.

**Recommendation 3:**

Internal Audit recommends that management develop written procedures.

**Management Response:**

Management agrees there is a need for written procedures documenting the SANZ workflow. Desktop procedures for the bus stop maintenance contract as well as other SANZ functions will be developed within the next three months to reflect standard operating procedures.