



August 18, 2010

To: Finance and Administration Committee

From: Will Kempton, Chief Executive Officer

Subject: Review of Safety Monitoring

Overview

The Internal Audit Department has completed a review of safety monitoring. The objective was to determine the status of recommendations from a 2007 American Public Transportation Association safety audit. The Internal Audit Department found that significant progress has been made implementing or addressing these recommendations. The Internal Audit Department made two recommendations to improve tracking and reporting of the results of safety audits.

Recommendation

Direct staff to implement recommendations in the Review of Safety Monitoring, Internal Audit Report No. 08-031.

Background

The American Public Transportation Association (APTA) Bus Safety Management Program was designed to provide participating transit systems with an evaluation process for System Safety Program Plans (SSPP). APTA conducts triennial audits to assess the level to which respective SSPPs have been implemented and are being practiced within an organization.

APTA performed Orange County Transportation Authority's (OCTA) second safety audit in December 2007. OCTA submitted a corrective action plan (CAP) in response to a preliminary audit report, and APTA provided the final audit report with the CAP to OCTA in September 2008. In October 2009, APTA performed a post-audit to review OCTA's progress in addressing the 2007 audit findings.

The Health, Safety, & Environmental Compliance Department (HSEC) coordinated the APTA safety audit and is monitoring the implementation of safety recommendations.

Discussion

The objective of the review was to assess OCTA's effectiveness in implementing APTA safety recommendations. The Internal Audit Department (Internal Audit) reviewed documentation on the close-out of a sample of recommendations that have been implemented subsequent to APTA's post-audit.

For two APTA recommendations reviewed and considered closed by HSEC, Internal Audit noted that management of the relevant department decided not to implement part or all of the recommendations and did not communicate its change of plans to HSEC. Internal Audit recommended that HSEC more closely track the status or resolution of recommendations considered closed until they are officially closed by APTA. Management agreed to more closely monitor and track these recommendations.

Internal Audit also noted that the staff report to OCTA's Board of Directors (Board) on the results of the APTA safety audit did not include a complete final audit report. Additionally, the results of APTA's 2009 post-audit visit were not provided to the Board. For OCTA's next APTA audit in 2010, Internal Audit recommended that the complete final audit report be provided to the Board. Results of any post-audit visits should also be provided to the Board. Management agreed to provide the report and results to the Board recommended.

Summary

Based on a review of safety monitoring, Internal Audit offered two recommendations to improve tracking of APTA safety recommendations and reporting of APTA audit results to the Board. Management concurred with both recommendations and will initiate corrective action.

Attachment

- A. Review of Safety Monitoring, Internal Audit Report No. 08-031

Approved by:

A handwritten signature in cursive script that reads "Kathleen M O'Connell".

Kathleen M. O'Connell
Executive Director, Internal Audit
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ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Review of Safety Monitoring

INTERNAL AUDIT REPORT NO. 08-031

July 27, 2010



Internal Audit Team:

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Serena Ng, CPA, Senior Internal Auditor

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Conclusion

The Internal Audit Department (Internal Audit) has completed a review of safety monitoring. The objective of the review was to determine the status of, and follow-up on, recommendations from a 2007 American Public Transportation Association (APTA) Bus Safety Management Program audit.

Based on the procedures performed, Internal Audit found that significant progress has been made implementing and/or addressing APTA's recommendations. Internal Audit also found that APTA's recommendations and their status are being tracked. However, Internal Audit has offered two recommendations to improve tracking of APTA recommendations and reporting of APTA audits to the Board of Directors.

Background

Health, Safety, & Environmental Compliance Department

The Health, Safety, & Environmental Compliance Department (HSEC) of the Orange County Transportation Authority (OCTA) is staffed with a manager, four specialists, a construction safety officer, and an intern. HSEC is responsible for ensuring all of OCTA's operations are compliant with federal, state, and local safety, health, and environmental codes, and regulations. HSEC develops and implements employee, fleet, and systems safety programs to help minimize employee injuries and damage to property, and to be an environmental steward. Some of the major programs administered by HSEC include occupational and industrial safety, employee wellness, construction safety, accident investigations, hazardous waste management, air quality management, green house gas emissions, stormwater plans, and spill prevention and control programs.

APTA's Bus Safety Management Program

APTA's Bus Safety Management Program (Program) was designed to provide participating transit systems with an evaluation process for System Safety Program Plans (SSPP) and measure the effectiveness of SSPP implementation. Participation in the Program is voluntary and available to APTA member transit systems that operate a bus transit system. APTA conducts these audits every three years to assess the level to which respective SSPP's have been implemented and are being practiced within an organization.

Under the Program, APTA performed the second safety audit of OCTA December 10th through December 14th, 2007. The report included 71 recommendations to improve safety throughout the organization. OCTA submitted a Corrective Action Plan (CAP) in response to a preliminary audit report, and APTA provided the final audit report with the

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CAP to OCTA on September 8, 2008. On October 22, 2009, APTA performed a post-audit to discuss the 2007 audit findings and the progress OCTA had made in implementing recommendations.

HSEC coordinated the APTA safety audit and is tracking the implementation of safety recommendations. HSEC has added a column to the CAP called "Status Update (Transit Agency)." When HSEC considers a recommendation implemented, HSEC indicates that the recommendation is "closed" in the "Status Update (Transit Agency)" column. However, recommendations are officially closed only upon APTA's review and agreement.

Based on the CAP status report from the 2009 APTA post-audit, there were 30 open recommendations at that time. Since APTA will not officially close out any more recommendations until its next audit in November 2010, all 30 of these recommendations are still officially open. However, based on OCTA's most current CAP status report, 21 of those recommendations are considered closed by OCTA and nine are in progress or ongoing.

Objectives, Scope and Methodology

This audit was originally scheduled as a safety audit in the fiscal year 2006-07 Internal Audit Plan. However, the audit was postponed when APTA conducted its 2007 Bus Safety Management Program audit. The audit was therefore carried forward as a monitoring review with the objective of assessing OCTA's effectiveness in implementing APTA safety recommendations.

In meeting the audit objective, Internal Audit employed the following methodologies:

- Interviewed the Manager of HSEC;
- Reviewed the APTA 2007 safety audit and the 2009 post-audit; and
- Reviewed documentation related to the close-out of a sample of recommendations that have been implemented subsequent to the 2009 post-audit.

The scope of the review was limited to follow up on the recommendations from the 2007 APTA Bus Safety Management Program audit.

This review 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

Noteworthy Accomplishments

HSEC has an established process in place to track the status of APTA's safety recommendations. On the CAP schedule, HSEC has added a column for status update to track recommendation progress. HSEC requests CAP updates from the responsible department contacts on a quarterly basis and retains documentation submitted to support the implementation of a recommendation.

During our review, we noted that many of the recommendations in APTA's Bus Safety Management Program audit have been implemented or were otherwise addressed.

Tracking of "Closed" APTA Recommendations

For two APTA recommendations reviewed, we noted that the OCTA updates in the current CAP status report do not reflect the actual resolution. The status update column indicates that the recommendations were closed and implemented. However, subsequent to HSEC's receipt and documentation of these updates, management of the relevant department decided not to implement part or all of the recommendations. These status changes were not communicated to HSEC and are not reflected in the status update column of the current report.

An updated and accurate CAP status report serves as a control in monitoring the status of individual APTA recommendations and the overall progress. Since APTA will not officially close out some recommendations until the next audit (see Background section for more discussion), these recommendations, considered closed by HSEC, are still officially open and their status should be tracked.

Recommendation 1: Internal Audit recommends that HSEC more closely track the status or resolution changes of recommendations considered "closed" by OCTA, as part of its APTA recommendation tracking process, until they are officially closed out by APTA to ensure APTA is aware of the most current action taken on the recommendation.

Management Response (HSEC): HSEC will more closely monitor and track the status of findings and their resolution which OCTA considers closed until APTA officially closes them in their next triennial audit. HSEC will accomplish this by including all responsible parties on the quarterly distribution of the corrective action plan updates. Previously, departments that had closed items were removed from the distribution list, however, this resulted in some changes to the status of findings without notification to HSEC. Moving forward, HSEC will also include randomly selected "closed" items in the monthly OCTA safety inspections to verify closure status until the items are officially closed by APTA.

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APTA Audit Reports Submitted to the OCTA Board of Directors

The staff report to OCTA's Board of Directors on the APTA Bus Safety Management Program audit included the CAP status report but did not include a complete final audit report. Additionally, the results of APTA's 2009 post-audit visit were not provided to the Board of Directors.

Results of safety audits and progress in implementing recommendations are a means by which the Board of Directors exercises its oversight responsibilities. Reports and updates on safety critical functions should be presented to the Board of Directors.

Recommendation 2: For the next APTA safety audit in 2010, Internal Audit recommends that the complete final audit report be provided to the Board of Directors. Results of any post-audit visits should also be provided to the Board of Directors.

Management Response (HSEC): The final audit report of the upcoming 2010 APTA Bus System Safety audit will be provided in full to the Board of Directors, as well as any post-audit follow-up visits and additional comments from APTA.