



July 22, 2015

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Fiscal Year 2014-15 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 2014-15 Internal Audit Plan on July 23, 2014. 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 2014-15 Internal Audit Plan.

Background

The Internal Audit Department (Internal Audit) is an independent appraisal function, the purpose of which is to examine and evaluate the Orange County Transportation Authority's (OCTA) operations and activities to assist management in the discharge of its duties and responsibilities.

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

Discussion

The OCTA Fiscal Year (FY) 2014-15 Internal Audit Plan (Plan), Attachment A, reflects the status of each audit project as of year-end. As indicated, numerous projects were completed or are in progress. For the Plan year, Internal Audit

completed 45 projects, including 25 pre-award agreed-upon procedure reviews (price reviews) and three Buy America reviews. Another two projects are in-process as of year-end. Twenty-eight hotline complaints were received and reviewed, investigated, and/or referred to management as appropriate. Internal Audit also provided coordination of outside agency audits, including the Federal Transit Administration's Drug and Alcohol Compliance Audit, reviews by the State Controller's Office on behalf of the California Department of Transportation (Caltrans) of three projects funded with Proposition 1B funds, and an ongoing Caltrans Incurred Cost Audit of two highway and five grade separation projects.

During the fourth quarter of FY 2014-15, Internal Audit issued a review of oversight controls and contract compliance related to the State Route 91 Westbound Widening Project. Three recommendations were offered to recover consultant overbillings, enforce contract payment terms, follow procedures for contract amendments, and update and comply with project management procedures. Another review of oversight controls and contract compliance related to an agreement with Applied LNG Technologies, LLC was issued and identified instances of non-compliance with agreement terms. At the request of the Finance and Administration (F&A) Committee, Internal Audit performed additional work to determine whether OCTA had been overbilled. As reported in a memorandum dated May 26, 2015, Internal Audit found no evidence of overbilling as a result of the additional procedures.

Internal Audit also issued a report on the ACCESS eligibility process and the agreement with C.A.R.E. Evaluators, LLC. Two recommendations were made to improve monitoring of contract compliance related to staffing and data security.

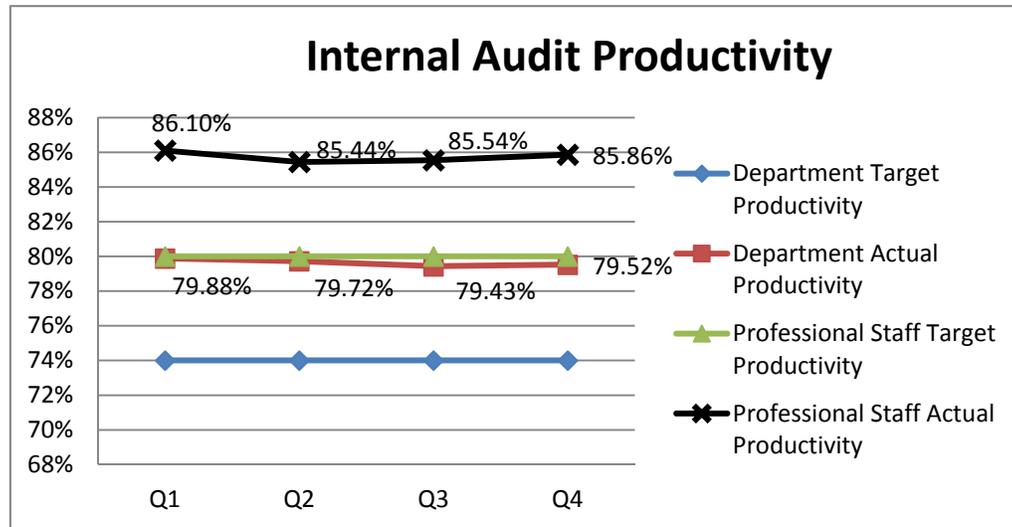
A review of farebox reconciliation and Agreement C-3-1723 with Los Angeles Federal for armored car services concluded that controls over the reconciliation of farebox revenues are adequate and invoices are paid in accordance with terms of the agreement.

Internal Audit Department Productivity

Internal Audit measures the productivity of the department by calculating a productivity ratio. The ratio, used broadly throughout the audit industry, measures the amount of time auditors spend on audit projects versus time spent on administrative duties. Productivity goals are established for both the professional staff and for the department as a whole. Because the Executive Director regularly participates in non-audit management activities such as planning and committee meetings, the department-wide target is set at

74 percent. The target for Internal Audit professional staff, not including the Executive Director, is 80 percent.

For the quarter ended June 30, 2015, Internal Audit achieved productivity of 79 percent and the professional staff achieved productivity of 86 percent.



Price Reviews

At the request of the Contracts Administration and Materials Management Department (CAMM), and consistent with OCTA's procurement policy, Internal Audit conducts reviews of single bid procurements to ensure that CAMM handled the procurement in a fair and competitive manner. Internal Audit also reviews prices proposed by architectural and engineering firms and sole source contractors to ensure that the prices are fair and reasonable. Internal Audit makes recommendations to adjust proposed rates where they exceed the rates per review. When the value of recommended adjustments can be estimated, Internal Audit tracks and reports these savings, as noted below. For the year ended June 30, 2015, Internal Audit conducted 25 price reviews and recommended price adjustments, as indicated below:

Quarter	Price Reviews Recommended Adjustments
1	\$ 113,695
2	\$ 35,709
3	\$ 1,715,954
4	\$ 53,912
Total	\$ 1,919,270

Fraud Hotline

Twenty-eight reports were filed through the hotline during the year ended June 30, 2015. Of these, 17 were referred to management and/or the appropriate customer service department for handling, six represented questions or concerns that were answered directly, and five represented allegations that were investigated. Internal Audit substantiated allegations made in two instances and issued reports to management and OCTA's Board of Directors. As part of the administration of the hotline, Internal Audit maintains documentation of each complaint and its disposition.

Findings and Recommendations Tracking

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

During the quarter ended June 30, 2015, Internal Audit performed follow-up of ten unresolved audit recommendations. Four were adequately addressed and have been removed from the listing. Of the remaining six, three have been partially implemented, and additional time is needed to completely address the issues and verify that newly implemented controls are functioning. One other recommendation will not be addressed until implementation of a new system which has been rescheduled to July 2015. One recommendation was partially addressed; however, additional exceptions were identified during follow-up review. Finally, recommendations made relating to Measure M city audits performed for FY 2013-14 have been partially addressed, but management has not yet implemented monitoring controls to assess cities' compliance with reporting deadlines. These recommendations will remain on the list and will be revisited in six months. Follow-up of another six recommendations is underway as of the end of the quarter.

A total of seven recommendations were added to the list relating to audits that were issued during the quarter, and one other recommendation was added to the list to address a weakness identified during follow-up of the Public Records Act review. Specifically, Internal Audit found that procedures for responding to requests for bus surveillance video do not comply with the public records act.

Summary

The OCTA FY 2014-15 Plan is being closed-out. Projects that are in process will be carried forward to the OCTA FY 2015-16 Plan. Internal Audit will continue to perform follow-up of all unresolved findings and recommendations.

Attachments

- A. Orange County Transportation Authority Internal Audit Department Fiscal Year 2014-15 Internal Audit Plan, Fourth Quarter Update
- B. Unresolved Findings and Recommendations, Audit Reports Issued through June 30, 2015

Prepared by:



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

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2014-15 Internal Audit Plan
Fourth Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours to Date	Under (Over)	Status (Date Issued)	External Auditor
Mandatory External Independent Audits								
Annual Financial Audit	FY15-001 through FY15-003	Coordination and oversight of annual financial and compliance audits for fiscal year (FY) 2014-15.	Financial	400	416	(16)	Completed	Vavrinek, Trine, Day & Co.
Annual Transportation Development Act (TDA) Audits	FY15-004	Coordination of required annual audits of the recipients of TDA Funds for FY 2014-15.	Compliance	36	26	10	Completed	Vavrinek, Trine, Day & Co.
California Department of Transportation (Caltrans) Incurred Cost Audit	FY14-805	Coordinate Incurred Cost Audit initiated by Caltrans for funding of various highway and grade separation projects.	Compliance	56	44	12	In Process	Caltrans
Internal Audit Department Projects								
Risk Assessment and Annual Audit Plan	FY15-100	Annual preparation of the audit plan, quarterly updates to the audit plan, periodic assessment of risk throughout the year, including the monitoring of audit results of related entities.	Audit Plan and Updates	200	206	(6)	Ongoing	
Quality Assurance and Self-Assessment	FY15-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's compliance with Government Auditing Standards.	Quality Assurance	180	178	2	Completed February 2015	
Fraud Hotline	FY15-102	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	300	379	(79)	Ongoing	28 Reports Received
Internal Audits								
Organization-Wide								
Business Resumption and Continuity of Operations	FY14-514	Assess whether business resumption/continuity of operations plans provide the framework for an effective response and recovery from any business interruption.	Operational	60	61	(1)	Issued 10-3-14	
Legal Services	FY15-511	Assess the adequacy of contract oversight and payment controls.	Internal Controls	180	225	(45)	Issued 6-19-15	
Clerk of the Board								
Public Records Act (PRA) Requests	FY15-503	Assess the adequacy of controls to ensure compliance with the PRA.	Compliance	160	116	44	Issued 9-26-14	
Human Resources and Organizational Development								
Family Medical Leave Act (FMLA)	FY14-502	Review controls in place to ensure compliance with policies, procedures, and regulations related to the FMLA.	Compliance	240	217	23	Issued 12-1-14	
Training	FY14-510	Assess the adequacy of operations related to employee training and educational reimbursements and determine compliance with regulations, policies, and procedures.	Operational	40	54	(14)	Issued 9-24-14	

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Capital Projects								
State Route (SR) 91 Improvements from Interstate 5 to SR 57	FY15-504	Review of the SR 91 Improvement project, including project administration, oversight controls, and contract compliance.	Compliance	350	434	(84)	Issued 5-18-15	
Facilities Project Management	FY15-505	Review controls in place to manage Orange County Transportation Authority (OCTA) facilities projects.	Operational	240	505	(265)	Issued 3-20-15	
Bristol Street Widening	FY15-515	Assess oversight controls and contract compliance with related cooperative agreements for the Bristol Street widening.	Compliance	300	8	292	In Process	
Planning								
Competitive Transportation Funding Program Projects	FY14-516	Review selected projects for compliance with Measure M Ordinance, policies, and procedures.	Compliance	60	81	(21)	Issued 12-10-14	
Transit Operations								
Veolia Contract Closeout	FY14-512	Assess the adequacy and effectiveness of controls employed in the closeout of the Veolia contract for ACCESS services.	Internal Control	16	5	12	Issued 7-9-14	
ACCESS Eligibility	FY15-509	Review ACCESS certification process and assess compliance with service contract terms.	Compliance	180	217	(37)	Issued 5-11-15	
Applied Liquefied Natural Gas Technologies	FY15-507	Assess controls to ensure compliance with contract terms.	Compliance	120	212	(92)	Issued 4-28-15	
Performance Metrics	FY14-515	Review efforts to track and report performance metrics and assess the accuracy and timeliness of reporting.	Internal Control	200	341	(141)	Issued 2-25-15	
Finance and Accounting								
Treasury	FY15-502, FY15-508	Semi-annual review of investments compliance, controls, and reporting.	Compliance	200	260	(60)	Issued 8-28-14	
Grant Closeouts	FY14-517	As-needed financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40	26	14	Issued 8-15-14	
Farebox Revenue Collection and Armored Car Services	FY15-510	Operational review of farebox revenue collection and recording.	Internal Control	200	295	(95)	Issued 6-1-15	
Accounts Payable	FY15-513	Review adequacy of controls over the accounts payable operation.	Operational	240	68	172	In Process	

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Contract Administration & Materials Management								
Buy America	FY15-506, FY15-512, FY15-516	Pre-award and post-delivery reviews to ensure vendors and OCTA are in compliance with federal Buy America requirements.	Compliance	320	223	97	Issued 12-14-14	
Price Reviews	PR15-XXX	Cost and price analyses as required by OCTA procurement policies and procedures.	Price Review	1,100	1,370	(270)	25 Reports Issued	
External Affairs								
Vanpool	FY15-501	Review OCTA vanpool operations and contract compliance.	Operations	240	325	(85)	Issued 10-9-2014	
Unscheduled Reviews and Special Requests								
Unscheduled Reviews and Special Requests	FY15-800	Time allowed for unplanned audits and requests from the Board of Directors and management.	Varies	240	124	116		
Monitoring Activities								
Measure M Taxpayer Oversight Committee	FY15-601	Coordination of audit activities with the Audit Subcommittee of the Measure M Taxpayer Oversight Committee.	Monitoring	160	86	75		
Bus Base Inspections and Inventory Testing	FY15-602	Participation in annual bus base inspections.	Monitoring	32	-	32		
Follow-up Reviews								
Follow-up Reviews and Reporting	FY15-700	Follow-up on audit findings and recommendations.		300	362	(62)		
Total Audit Project Planned Hours (A)				6,390	6,861	(471)		

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Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours to Date	Under (Over)	Status (Date Issued)	External Auditor
Internal Audit Administration								
Board of Directors and Board Committee Meetings				280	164	117		
Executive Steering Committee and Agenda Meetings				180	147	33		
Internal Audit Department Staff Meetings				200	73	127		
Other Administration				1,500	1,391	110		
			Total Hours (B)	8,550	8,635	(85)		
			Department-Wide Target Efficiency (A/B)	74%				
			Department-Wide Actual Efficiency (A/B)	79%				
			Professional Staff Target Efficiency	80%				
			Professional Staff Actual Efficiency	86%				

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through June 30, 2015)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
3/26/2014	14-509	General Services	Review of Purchase Order (PO) Issuance and Oversight	Internal Audit recommends that General Services review invoiced pricing for compliance with PO pricing terms. PO's should be amended to include all required items and their negotiated prices.	Dec-15	General Services will add language to PO's to cover items that were not included in the original scope of work. <u>Update November 2014</u> : General Services has not yet fully implemented this recommendation. <u>Update June 2015</u> : General Services has recently renewed PO's and is planning to implement a semi-annual review of invoices to assess if new, recurring purchased items need to be added to the price list. As a result, Internal Audit will return in six months.	Ng	Initiate next update in December 2015
5/29/2014	14-511	Finance and Administration (F&A)	Review of the OCTA Store	Internal Audit recommends management ensure that the new system is designed to provide appropriate segregation of duties and that access is limited as appropriate. Detailed records of the access levels should be maintained and periodically reviewed for appropriateness. Procedures should be developed to address system access assignments and related controls to prevent and/or detect suspicious transactions.	Dec-15	The replacement point of sale system is expected to be fully implemented by the end of the calendar year. The new system will resolve access controls by providing multiple layers of administration functions allowing management the ability to turn on, or turn off posting abilities to match the levels of access required by staff. Procedures will be developed to outline access assignments and secondary reviews and approval, where appropriate. Records of access levels will be maintained and periodically reviewed by management. <u>Update December 2014</u> : Management plans to build controls into the new system that is expected to be implemented in January 2015. <u>Update June 2015</u> : System implementation has been rescheduled to July 31, 2015. As such, follow-up will be performed again in six months.	Dunning	Initiate next update in December 2015
9/24/2014	14-510	Human Resources and Occupational Development (HROD)	Review of Administrative Employee Training and Educational Reimbursement	Internal Audit recommends management enhance policy and procedures for administrative employee training to allow the department to exercise oversight and institute standardization of training programs.	Oct-15	To start, departments within the HROD division will create guidelines for the identification, development, and procurement of training, especially mandatory training, as this comprises the bulk of the training provided. Once that has been accomplished, Training and Development will reach out to other individual departments that provide training with the guidelines. Management anticipates that the first step can be accomplished by January 1, 2015. <u>Update April 2015</u> : Management has issued a revised training policy and intends to implement oversight to ensure follow-up is performed with employees that require training. Management also intends to implement a form to be used to help standardize training classes that are implemented and/or purchased by departments. Since recommendation has not been fully implemented, Internal Audit will return in six months.	Dunning	Initiate next update in October 2015

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Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
9/24/2014	14-510	HR0D	Review of Administrative Employee Training and Educational Reimbursement	Testing found that over one-third of the requests for reimbursement and subsequent submission of evidence of course completion were submitted outside the required timeframes. Internal Audit recommends management develop and implement guidelines for approval of exceptions to program requirements. Exceptions should be documented, approved, and occur infrequently.	Oct-15	Management supports a more rigid adherence to the policy than has been followed in the past. Currently, management is developing a communication strategy to educate employees on the required timeframes and the consequences for failure to submit paperwork in a timely manner. We anticipate that the communication strategy should be complete by January 1, 2015. Guidelines for the approval of exceptions to program requirements will also be in place by January 1, 2015. <u>Update April 2015</u> : Management has updated the educational reimbursement policy to outline procedures for exceptions and to reiterate due dates for requests for reimbursement. Since new procedures were recently implemented, Internal Audit will return in six months to review for the adequacy of implementation.	Dunning	Initiate next update in October 2015
9/26/2014	15-503	Clerk of the Board (COB)	Review of the Administration of Public Records Requests	Internal Audit recommends that management revise policies, procedures, to: (1) include guidance for handling of public records requests from the media, (2) ensure that the recorded date of a public records request is the date of submission, (3) ensure retention of emails and/or mail records supporting notification to requestors that a time extension is required and/or records are available; and (4) include guidelines and authorities for the waiving of fees related to public records requests.	Nov-15	Management agrees and will revise the policies and procedures to reflect consistency with the handling of public records requests. These revisions will address guidelines and authorities for waiving fees. Also management will ensure that the recorded date of a public records request is the date of receipt by the Orange County Transportation Authority (OCTA), within standard business hours. The COB's office will retain evidence of e-mails/mail records to support notification to requestors that a time extension is available or that records are available. A "Month-End Review" procedure has been implemented, which will help to reconcile the documentation of emails and/or mail records which support notification to requestors for all completed requests on the log for that month. Additionally, internal department procedures have been developed to outline this process. <u>Update May 2015</u> : Parts 1, 3, and 4 have been implemented. Internal Audit identified additional exceptions related to recording the date of requests; as a result, Part 2 will be followed up on in six months.	Ng	Initiate next update in November 2015
5/13/2015	15-503 Follow-up	COB/Transit	First Follow-up, Review of the Administration of Public Records Requests	Internal Audit recommends that management document effective procedures for handling bus video requests, including the process for download and retrieval of video, to ensure efficient processing of requests.	Nov-15	This recommendation was identified during a follow-up review. As a result, the recommendation was communicated through a memo to management and a formal response will not be required until Internal Audit performs follow-up of this recommendation in six months.	Ng	

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

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Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
10/3/2014	N/A	F&A and Transit Division (Transit)	Performance Audit of the OCTA's Continuity Plan	Auditors recommended that management update the Business Impact Analysis (BIA) and the Continuity of Operations Plan (Plan) to address the 13 weaknesses noted.	Jun-15	Management responded that efforts are underway to update certain portions of the BIA and the Plan. Also, at the direction of the Finance and Committee Chairman, staff has agreed to specifically address each issue and planned corrective actions with the Security Working Group of the Board of Directors.	Bonelli	In Process
10/30/2014	N/A	F&A	Single Audit Report on Federal Awards, Fiscal Year 2014	Auditors identified one significant deficiency related to monitoring procedures and oversight of Federal Section 5316 and 5317 sub-recipients. Specifically, procedures for invoice review and site visits of sub-recipients were inadequate to ensure that billings reflected only authorized activities and costs.	Jan-16	Management responded that as of May 2014, OCTA has implemented enhanced invoice review and approval procedures for the Federal Section 5316 and 5317 programs. Also, management procured the services of a consultant to help strengthen the sub-recipient monitoring process.	Tang	
10/30/2014	N/A	F&A	Management Letter	Auditors recommended that OCTA review procedures with applicable staff to ensure all payments are properly authorized and reviewed.	Jan-16	Management agreed and indicated that training will be performed.	Tang	
10/30/2014	N/A	F&A	Management Letter	Auditors noted errors in some of the historical data obtained from Cofiroute, USA. The data is used to determine the net realizable value of the 91 Express Lanes violations outstanding in excess of 90 days. As a result, an audit adjustment was proposed, and auditors recommended that OCTA strengthen procedures over violations receivables estimates.	Jan-16	Management agreed and indicated that Cofiroute has implemented additional controls to ensure the integrity of the data, and OCTA staff has developed review procedures to identify significant data variances.	Tang	
12/19/2014	N/A	Planning Division and Transit	Measure M2 Agreed-Upon Procedures Reports for FY2014	Internal Audit recommended that staff monitor implementation of auditor recommendations related to the classification of Maintenance of Effort (MOE) expenditures, allocation of interest, provisions of contracts with third party service providers, and timeliness of monthly activity reporting.	Jan-16	Management agreed to monitor the cities' (Orange, Seal Beach, and Westminster) implementation of these recommendations. <u>Update June 2015</u> : The recommendations on classification of MOE expenditures, allocation of interest, and provisions of contracts with third party service providers have been addressed. The cities are still in violation of the reporting deadlines and management has not implemented monitoring and/or follow-up procedures to ensure timely reporting from the cities; therefore, this recommendation on timeliness of reporting will be followed up in six months.	Tang	Initiate next update in January 2016

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through June 30, 2015)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
12/23/2014	N/A	HROD	Limited Scope Review of Recruitment, Selection, and Compensation	Internal Audit recommends management update the OCTA Recruitment, Selection, and Placement Policy (RS&P Policy) to differentiate between an error/omission versus deliberate falsification of an application. Further, management should reconsider whether an applicant that deliberately provides false information should be eligible for hire, under any circumstances.	Jun-15	Management agrees and has reinstated the Policy that requires candidates who falsify information to be disqualified. In addition, the Policy now includes standard language requiring that exceptions to the RS&P Policy be authorized by the Chief Executive Officer.	Tang/Ng	In Process
12/23/2014	N/A	HROD	Limited Scope Review of Recruitment, Selection, and Compensation	Internal Audit recommends management: (1) revise procedures for preparation of salary analyses to ensure quality and consistency and (2) revise procedures to require that the salary analysis be reconsidered when the background check identifies a discrepancy in education and/or experience and the offer is not rescinded.	Jun-15	In order to enhance the current procedure, management will require that copies of the recommended candidate's application and resume be attached to the salary analysis to allow all parties that rely on this information to make a more informed decision. Also, salary analyses will be revised as necessary for discrepancies noted in the background check and appropriate authorization obtained if the offer is not rescinded.	Tang/Ng	In Process
12/23/2014	N/A	HROD	Limited Scope Review of Recruitment, Selection, and Compensation	Internal Audit recommends that procedures be developed to ensure that newly created job descriptions are properly scrutinized to ensure consistency and equity.	Jun-15	Management agrees and the Human Resources manager will review any newly created job descriptions to ensure consistency and equity	Tang/Ng	In Process
12/23/2014	N/A	HROD	Limited Scope Review of Recruitment, Selection, and Compensation	Internal Audit recommends that management: (1) Reconsider the practice of reviewing only enough applications to find a qualified pool, rather than reviewing all applications to identify the strongest candidates, (2) Develop procedures to ensure that applicants placed in the qualified pool actually meet the minimum qualifications of the position, (3) Establish, formalize, and consistently apply a framework and criteria for screening applicants, and (4) Implement a requirement that recruiters utilize system fields to accurately reflect why applicants are rejected or qualified.	Jun-15	Management has revised the practice of reviewing only enough applications to find a qualified pool and will now review all applications submitted within the job posting period. Also, when processing applications in the Applicant Tracking System (ATS), the recruiter will designate applicants that meet the minimum qualifications of a position but are not referred to the hiring manager as "submitted better qualified candidates", and applicants that are referred to the hiring manager but are not interviewed as "rejected by hiring manager." The HR manager will ensure that all recruiters are properly trained to follow these processes.	Tang/Ng	In Process

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Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
12/23/2014	N/A	HROD	Limited Scope Review of Recruitment, Selection, and Compensation	Management should enhance controls to reduce the likelihood of oversights, such as the failure to invite a candidate selected for interview to an interview.	Jun-15	In the future, management will require that the recruiter attach a print screen from ATS to the interview schedule to ensure that all candidates identified for interview are invited to interview.	Tang/Ng	In Process
2/3/2015	14-515	Transit	Review of Transit Performance Metrics	Internal Audit recommends management consider using final month-end figures or improve controls to ensure retention of supporting documents for preliminary figures. In addition, management should enhance controls to ensure the accuracy of manual input and improve the timeliness of reporting.	Aug-15	The manager will perform spot checks of figures to ensure supporting documentation is maintained. Management has enhanced controls by linking available data sources directly to the spreadsheet used to derive the report. Management will continue to use preliminary figures with a goal of presenting reports to the Transit Committee no later than 45 days following quarter-end.	Tang	
3/9/2015	N/A	Contracts Administration and Materials Management (CAMM)	Limited Scope Review of Non-Revenue Vehicle Modifications	Management should update purchasing card procedures and implement monitoring controls, including some form of transaction review, to determine compliance.	Sep-15	Management will update procedures and provide training to all cardholders. CAMM will institute a monthly sample review of purchasing card activity to determine use compliance.	Ng	
3/20/2015	15-505	Capital Programs	Review of Facilities Engineering Project Management	Management should improve controls to ensure Independent Cost Estimates (ICE) are prepared and dated prior to receipt of contractor's quotes.	Sep-15	Management agrees and the project manager will prepare an ICE at the time a change arises. To address instances where a contractor may assert a change, management will advise contractors to forward any cost documentation to CAMM so the ICE can be prepared independently by the project manager.	Dunning	
3/17/2015	15-508	F&A	Investments: Compliance, Controls, and Reporting	Procedures should be developed to evaluate investment managers' compliance with policy limits and documentation of communications should be maintained. Also, securities should be classified in a timely manner and monitoring of investment manager compliance should include every day of the week.	Sep-15	Management will revise the Debt and Investment Management Manual within 60 days to include evidence of communication with investment managers, weekly classification of securities, and daily review for portfolio compliance.	Tang	

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Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
5/18/2015	15-504	Capital Programs and F&A	Review of Oversight Controls and Contract Compliance Related to the State Route 91 Westbound Widening Project between State Route 57 and Interstate 5	Internal Audit recommends management: (1) Pursue recovery of \$13,942 (2) Identify other contracts with Sequoia as a sub-consultant and/or other sub-consultants with similar billing practices. For those contracts that allow these billing practices, contract language should be added to limit billings to consultant's incurred cost (3) Reconcile discrepancies in supporting documents before authorizing invoices for payment. (4) Ensure that invoice certifications match the language required by the contract.	Nov-15	(1) Management is recovering the \$13,942 through current invoice and billing cycles. (2) CAMM is identifying other contracts that have similar contract language and billing practices. Cost recovery and contractual changes will be implemented as needed. (3) Management will continue to reconcile discrepancies in supporting documents before authorizing invoices for payment. Management staff previously determined that the Time Sheet Verification form as used on the project did not correctly represent hours worked, and as a result, used the employee time sheet as the invoice support. However, as additional verification, management has requested the construction management consultant to verify the employee's time sheet using the employee's daily inspector diary log. (4) Management will continue to enforce the invoice certification requirements.	Ng	
5/18/2015	15-504	Capital Programs and F&A	Review of Oversight Controls and Contract Compliance Related to the State Route 91 Westbound Widening Project between State Route 57 and Interstate 5	Internal Audit recommends the following: (1) Project management should continue to emphasize requirements for processing staffing changes to consultants during project kick-off. (2) Project management should consider seeking recovery of amounts, and in the future, reject billings of labor for consultant staff that are not part of the contract. (3) CAMM should communicate on its website, procurement policies as well as significant changes to those policies.	Nov-15	(1) Management will continue to emphasize the requirements for processing staffing changes at project kick-off and throughout the course of the project. In addition, Capital Programs and CAMM will assess the current process and duration needed to review and execute staffing change amendments to determine if any change to processing procedures or to the 60-day effective date limits are necessary. Capital Programs and CAMM will continue to work internally, and with the consultant, to process timely amendments. (2) Management is recovering \$21,951 for billing prior to the effective date of July 19, 2013, through current invoice and billing cycles. (3) CAMM agrees to post on the CAMM NET website, procurement policies with an effective date. If procurement policies change, a revision to the policies will be made and will be posted online along with a new effective date. In addition to this posting, CAMM will also add to the Tips for Doing Business section of the website, specific information about the letter amendment procedures, highlighting the 60-day effective date limit on staffing changes.	Ng	

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through June 30, 2015)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
5/18/2015	15-504	Capital Programs and F&A	Review of Oversight Controls and Contract Compliance Related to the State Route 91 Westbound Widening Project between State Route 57 and Interstate 5	Internal Audit recommends the following: (1) Management should ensure that a Project Management Plan (PMP) is prepared for each project. (2) Management should update procedures to require retention of monthly meeting minutes in project files.	Nov-15	(1) Project Management Procedures currently require a PMP from all consultants. However, this contract did not specifically include requirements for a PMP. (2) Retention of meeting minutes from Project Development Team meetings is not a document storage requirement. The meeting minutes are generally retained in the project file for use by the project team. These meeting minutes are retained, at a minimum, for the period required to close out the agreement and any associated contract claims. The minutes which were reviewed were from an earlier project development environmental approval phase that had been closed out. In addition, depending on need, monthly meetings may not always be held. Management will emphasize that the appropriate project meeting minutes continue to be saved in the project files until contract agreement closeout.	Ng	
4/28/2015	15-507	F&A and Transit	Review of Oversight Controls and Contract Compliance Related to Agreement No. C-3-1406 with Applied LNG Technologies (ALT), LLC	Internal Audit recommends that management develop and implement procedures to ensure invoice requirements are enforced and meter readings of liquified natural gas (LNG) tanks are recorded before and after delivery of fuel for purposes of verifying amounts later billed.	Nov-15	Since these requirements are included in the contract, the Contracts Administration and Materials Management Department (Camm) sent ALT LLC a letter directing the firm to comply with the terms and conditions of the agreement. Camm has revised its LNG fuel procedures to include the before and after meter readings. Review, approval, and payment of the LNG fuel invoices is conducted by Transit. Transit staff will ensure that all invoices from ALT LLC include the required certification statements and are accompanied by certified weighmaster tickets.	Bonelli	
5/11/2015	15-509	Transit	Review of the ACCESS Eligibility Process and Agreement No. C-0-1937 with C.A.R.E. Evaluators, LLC (C.A.R.E.)	Internal Audit recommends that management communicate OCTA data security standards to the contractor and amend the Agreement to include reference to the most recent standards. In addition, management should periodically assess the adequacy of data security measures. Finally, management should perform follow-up to ensure that C.A.R.E. management implements a periodic review of system access rights.	Nov-15	Staff will amend the contract at option renewal and will update data security standard requirements. Information Systems (IS) staff advised that a contractor has been retained to review the adequacy of OCTA data security measures. IS and Community Transportation Services (CTS) have agreed to have the contractor conduct an annual review of C.A.R.E.'s data security measures. In addition, C.A.R.E. has indicated they are developing an improved process for resetting staff passwords and are also implementing a new management report which will better document the status of system access rights.	Tang	

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through June 30, 2015)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
5/11/2015	15-509	Transit	Review of the ACCESS Eligibility Process and Agreement No. C-0-1937 with C.A.R.E.	Internal Audit recommends that management enforce staffing requirements outlined in the agreement or amend the agreement to reflect current requirements.	Nov-15	CTS agrees with this recommendation and will revise the staffing requirements included in the C.A.R.E. contract as part of the amendment to exercise the final option term.	Tang	
6/19/2015	15-511	CEO	Review of Agreement No. C-4-1816 with Woodruff, Spradlin & Smart (WS&S) for Legal Services	Internal Audit recommends that management closeout the prior agreement and enforce invoice requirements.	Dec-15	Management will ensure that each invoice received from WSS going forward is certified per the requirements of the agreement and includes the contract number. WSS has also agreed to certify all future and prior invoices received by OCTA since the effective date of the new agreement. In addition, staff has closed out the prior agreement to ensure that no charges can be made to that agreement going forward. Staff has also ensured that all charges since the effective date of the new agreement, January 1, 2015, have been charged to the new agreement.	Tang	