



July 12, 2023

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Fiscal Year 2022-23 Internal Audit Plan, Fourth Quarter Update

Overview

The Orange County Transportation Authority Board of Directors adopted the Internal Audit Department Fiscal Year 2022-23 Internal Audit Plan on July 25, 2022. 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 2022-23 Internal Audit Plan as an information item.

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 Internal Audit Fiscal Year (FY) 2022-23 Internal Audit Plan (Plan [Attachment A]) reflects the status of each audit project as of year-end. 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.

For the Plan year, Internal Audit completed 34 projects, including 19 price reviews, 14 internal audits, and one Buy America review. As of June 30, 2023, four internal audits are in process, one audit has been completed with a draft report in circulation, and one audit has not yet commenced. These audit projects have been carried over to the OCTA Internal Audit Plan for FY 2023-24.

During the fourth quarter, Internal Audit issued results of the audits of 11 projects funded through the Measure M2 Comprehensive Transportation Funding Programs (CTFP). Based on audit procedures performed of selected projects by the cities of Anaheim, Buena Park, Irvine, Mission Viejo, Laguna Hills, and Orange, the cities complied with CTFP guidelines and costs charged to the projects were reasonable, allocable, and adequately supported. Internal Audit made recommendations to improve controls in relation to audits performed of selected projects by the County of Orange, and the cities of Costa Mesa, Laguna Beach, and San Clemente. Internal Audit also recommended recovery of overcharges and duplicate charges by the City of Laguna Beach. In addition, Internal Audit recommended OCTA management enforce timely use of funds requirements or obtain Board of Directors' approval for exceptions to CTFP guidelines. Management agreed and will implement corrective action and follow-up with cities on implementation of their corrective actions.

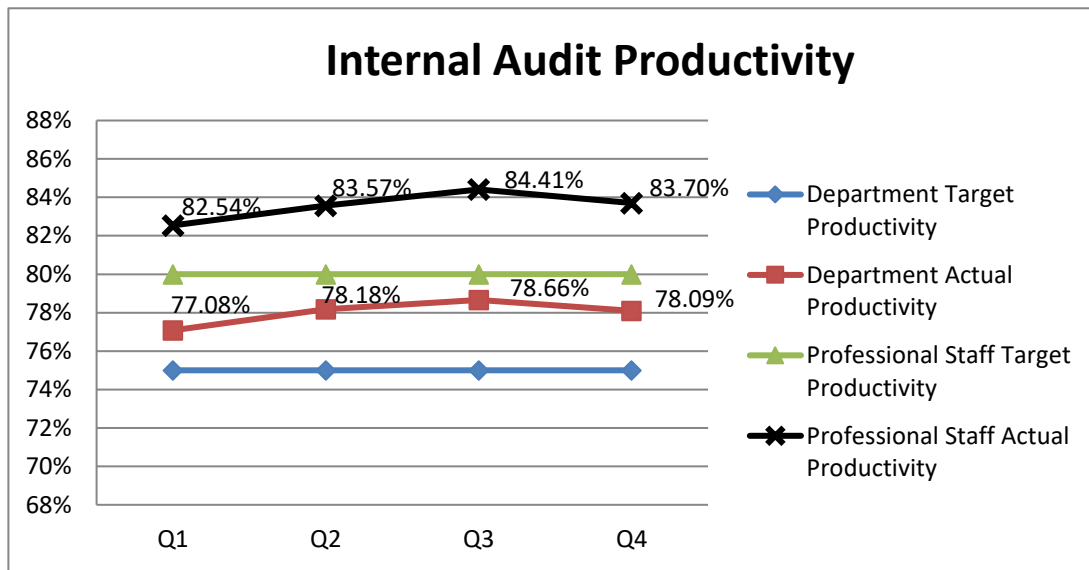
Also, during the quarter, Internal Audit provided results of an audit of lost and found operations and concluded that controls are generally adequate and operating; however, one recommendation was made to improve controls over handling and recording of cash and check deposits. Management agreed and proposed improved tracking measures.

Lastly, an audit of Customer Information Center services, and the related contract with Alta Resources (Alta), was completed. Based on the audit, the service procurement was handled in accordance with policies. Alta maintains insurance coverage and meets contract performance standards. Invoices were processed in accordance with the contract and policy; however, recommendations were made to improve the timeliness of contract amendments and payment of invoices. Management agreed and indicated that additional oversight procedures will be implemented.

Internal Audit 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. Because the executive director regularly participates in non-audit management activities such as planning and committee meetings, the department-wide target is set at 75 percent. The target for Internal Audit professional staff, not including the executive director, is 80 percent.

By the quarter ended June 30, 2023, Internal Audit had achieved cumulative productivity of 78 percent, and the professional staff achieved cumulative productivity of 84 percent.



Price Reviews

At the request of the Contracts Administration and Materials Management (CAMP) Department, and consistent with OCTA's procurement policy, Internal Audit conducts agreed-upon procedure reviews of single-bid procurements exceeding \$50,000, to ensure that CAMP handled the procurement in a fair and competitive manner. Internal Audit also performs agreed-upon procedure reviews of sole source contractor proposals exceeding \$50,000, and prices proposed by architectural and engineering firms exceeding \$150,000, to ensure that the prices are fair and reasonable. Proposed rates may then be adjusted based on the rates calculated by Internal Audit. During the

fourth quarter, Internal Audit completed six price reviews. For the year ended June 30, 2023, a total of 19 price reviews were issued.

Fraud Hotline

Internal Audit is responsible for administering the OCTA Fraud Hotline. The fraud hotline system allows reporters to file complaints anonymously through the internet or by calling a toll-free phone number. Complaints may also be received in person, by phone, or by mail directly to Internal Audit. To ensure proper recordkeeping, all complaints are recorded in the Ethicspoint system, regardless of how the complaint is received.

During the quarter ended June 30, 2023, Internal Audit received two reports. One report was a customer complaint and was referred to customer service for disposition. The second complaint was investigated by Internal Audit and was not substantiated.

Outstanding Audit Recommendations Tracking

At the request of the Finance and Administration Committee, a listing of outstanding audit recommendations is included with the quarterly updates to the Plan as Attachment B.

For the quarter ended June 30, 2023, Internal Audit completed follow-up reviews of five recommendations and is in the process of follow-up procedures related to another two recommendations. Three recommendations were deemed appropriately addressed and have been closed out (Attachment C). Two recommendations related to the audit of non-revenue vehicle procurements have not been fully implemented and will remain open and additional follow-up will be performed. Five recommendations were added to the listing resulting from the audits of selected CTFP projects, lost and found operations, and Customer Information Center services, summarized above.

Summary

The Orange County Transportation Authority Internal Audit Department Fiscal Year 2022-23 Internal Audit Plan is being closed out. Five projects that are in process, and one project that has not yet commenced, have been carried forward to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2023-24 Internal Audit Plan. The Internal Audit Department will continue to perform follow-up of all outstanding findings and recommendations.

Attachments

- A. Orange County Transportation Authority Internal Audit Department
Fiscal Year 2022-23 Internal Audit Plan, Fourth Quarter Update
- B. Outstanding Audit Recommendations, Audit Reports Issued Through
June 30, 2023
- C. Audit Recommendations Closed During Fourth Quarter, Fiscal Year
2022-23

Approved by:



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

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2022-23 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)
Mandatory External Independent Audits							
Annual Financial Audits and Agreed-Upon Procedures (AUP) Reviews	FY23-001 through FY23-004	Coordinate and report on annual financial and AUP reviews for fiscal year (FY) 2021-22.	Financial	420	429	(9)	Complete
External Regulatory Audits	FY23-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60		60	
Internal Audit Department (Internal Audit) Projects							
Risk Assessment and Annual Audit Plan	FY23-100	Preparation of the annual audit plan, quarterly updates to the audit plan, and periodic assessment of risk throughout the year, including monitoring the audit results of related entities.	Audit Plan and Updates	180	121	60	Complete
Quality Assurance and Self-Assessment	FY23-101	Update of Internal Audit Policies & Procedures. Annual self assessment of Internal Audit's compliance with Generally Accepted Government Auditing Standards.	Quality Assurance	180	246	(66)	Complete
Fraud Hotline Activities	FY23-102	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	160	106	55	8 Reports Received
Automated Workpaper Solution	FY23-103	System updates/training related to automated workpaper solution.	Workpaper System	40	37.5	3	
Internal Audits							
Clerk of the Board							
Public Records Requests	FY22-510	Assess and test controls in place to ensure compliance with regulations, policies, and procedures for processing Public Records Act requests.	Compliance	180	138	43	Complete 8-10-22
Planning							
Comprehensive Transportation Funding Programs	FY23-508	Audit selected projects for compliance with Measure M2 Ordinance, policies, and procedures.	Compliance	320	568	(248)	Complete 5-8-23
People and Community Engagement							
Training and Educational Reimbursement	FY23-503	Assess and test the adequacy of controls related to employee training administration and educational reimbursements, and determine compliance with policies and procedures.	Operational	240	380.5	(141)	Complete 1-10-23

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Life Insurance Benefits	FY23-505	Assess and test policies, procedures, and controls over administration of employee life insurance benefits.	Operational	240	372	(132)	In Process
Workers' Compensation	FY23-501	Assess and test controls related to administration of Workers' Compensation claims, including contractor support.	Operational	300	439	(139)	Complete 2-28-23
Customer Information Center	FY23-514	Assess and test oversight, contract compliance, and invoice review controls related to the provision of services by the third-party provider.	Internal Control/ Compliance	240	197	43	Complete 6-13-23
Capital Programs							
OC Streetcar - Design and Construction	FY22-505	Assess and test oversight controls, contract compliance, and invoice review controls related to construction of the OC Streetcar project.	Internal Control / Compliance	24	18	6	Complete 7-13-22
On-Call Right-of-Way (ROW) and Appraisal Services	FY22-511	Assess and test oversight, contract compliance, and invoice review controls over the use of consultant services for ROW and appraisal services.	Internal Control / Compliance	80	180	(100)	Complete 11-16-22
Anaheim Canyon Station Improvements	FY23-515	Assess and test oversight controls, contract compliance, and invoice review controls related to the Anaheim Canyon Station Improvements project.	Internal Control / Compliance	300	250	50	In Process
OC 405 Partners	FY23-5XX	Assess and test oversight controls, contract compliance, and invoice review controls related to the OC 405 design-build project.	Internal Control / Compliance	400		400	
Operations							
OC ACCESS Eligibility	FY23-510	Review OC ACCESS eligibility process, assess and test oversight controls, contract compliance, and invoice review controls.	Operational / Compliance	280	251.5	29	Complete 3-20-23
Non-Revenue Vehicle Purchases and Assignment	FY22-512	Review non-revenue vehicle and accessory purchases and assignments to determine compliance with policies and procedures and evaluate activities to assess economy and efficiency.	Internal Control/ Operational	40	48	(8)	Complete 8-23-22

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Finance and Administration							
Treasury	FY23-502, FY23-507	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	300	433	(133)	Complete 2 Reports Issued
Accounts Payable	FY23-504	Assess and test controls over accounts payable operations.	Operational	320	170	151	In Process
Lost and Found Operations	FY23-513	Assess and test controls and activities of lost and found operations.	Operational	220	251.0	(31)	Complete 6-05-23
Cybersecurity	FY23-509	Design a scope of work and procure an audit consultant to evaluate OCTA's Cybersecurity program.	Internal Control/ Operational	100	70	30	In Draft
Independent Cost Estimates	FY22-513	Review and test controls to ensure independent cost estimates are properly prepared and in compliance with regulations, policy, and procedures.	Internal Control/ Compliance	160	315	(155)	Complete 10-25-22
Price Reviews	PR23-XXX	As requested by the Contracts Administration and Materials Management (Camm) Department, apply AUP to sole source, single bid, and architectural and engineering firm proposals.	Price Review	900	654	247	19 Reports Issued
Buy America	FY23-506	As requested by Camm, apply AUP to determine compliance with Buy America requirements.	Buy America	120	157	(37)	1 Report Issued
Government Relations							
State and Federal Consultant Contracts	FY23-512	Assess and test oversight, contract compliance, and invoice review controls related to state and federal consultant activities.	Internal Control/ Compliance	240	115	125	Complete 3-10-23

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Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Unscheduled Reviews and Special Requests							
Unscheduled Reviews and Special Requests	FY23-800	Time allowed for unplanned audits and requests from the Board of Directors (Board) or management.	Varies	240	25	215	
Monitoring Activities							
Measure M Taxpayer Oversight Committee (TOC)	FY23-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60	88	(28)	
Metrolink Audit Activities	FY23-602	Review/monitor audit results of Metrolink activities.	Non-Audit Service	20		20	
Bus Base Inspections	FY23-603	At the request of the Operations Division, participate in annual base inspections.	Non-Audit Service	80	34	46	Complete
Follow-Up Reviews							
Follow-Up Reviews and Reporting	FY23-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-Up	240	584	(344)	
Total Audit Project Planned Hours (A)				6,684	6,789		

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Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Internal Audit Administration							
Board and Committee Meetings				180	172	9	
Executive Steering and Agenda Setting Meetings				180	122.5	58	
Internal Audit Staff Meetings				140	145.5	(6)	
Other Administration				1,500	1,466	35	
Total Hours (B)				8,684	8,694		
Department Target Efficiency (A/B)				75%	78%		
Target Efficiency - Professional Staff				80%	84%		

Contingency: Internal Audit

Bus Advertising Revenue	FY23-516	Assess and test oversight and contract compliance controls related to the agreement for bus advertising.			114		In Process
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Outstanding Audit Recommendations
Audit Reports Issued Through
June 30, 2023

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
1/26/22	21-511	Executive Office	Physical Access Security	The Internal Audit Department (Internal Audit) recommends the Security and Emergency Preparedness (SEP) Department management develop, maintain, and test a comprehensive, appropriate, and up-to-date set of physical security plans, policies, and procedures. A written Access Control Policy and related procedures should be developed and published, and management should address requirements included in the Physical Security Policy for implementing gate controls at all facilities. Finally, management should implement a regular training program to inform employees as to security policies, procedures, and protocols.	Jul-23	Management will work to document all processes and review assigned policies. SEP will make updates to the Physical Security Policy to address gate controls and create a Physical Access Control Policy. These updates will be completed by June 30, 2022. A "Record of Changes" section has been added to security plans to document reviews and updates. Management has hired a consultant to review OCTA policies, procedures, and security plans. The consultant will provide recommendations on program improvements, conduct a new Threat and Vulnerability Assessment, provide a new written security plan, and create a security training program to include curriculums for all employees. Management will implement a training program within 12 months.	<u>Update August 2022:</u> Updates to security plans, policies, and procedures have not yet been prepared and are expected to be completed between August and December 2022. <u>Update March 2023:</u> Certain policy updates are in process. Development of an updated Master Security Plan has been delayed and is now expected to be complete by the end of 2023.
1/26/22	21-511	Executive Office	Physical Access Security	Internal Audit recommends management define and document responsibilities, policies, and procedures related to physical access security and incorporate appropriate language in the Contracted Transportation Service (CTS) provider contracts. Written procedures for coordination with OCTA should be provided to CTS. Management should consider permitting CTS providers with access to Lenel system reports and/or notifications of access breaches and events.	Jul-23	During the review process of current policies, management will include language and definitions to provide clear delineation of duties. In the interim, and starting immediately, management will provide copies to the CTS project manager outlining equipment inspections and current states of functionality of security equipment. Policy review and creation will be completed by June 30, 2022. Afterward, language changes to CTS contracts will be addressed through contract amendments. Contract language will also address OCTA's expectation of CTS providers for event or incident response. This shall be fully implemented by September 30, 2022, or by contract execution.	<u>Update August 2022:</u> Management proposed language for inclusion in the agreements with CTS providers. Some language related to request for access card issuance and termination was included in the agreement with First Transit for ACCESS service, executed in October 2021. Additional language will be included in an amendment to the ACCESS service agreement. For the contracted fixed-route service provider, management has included language in a recently released request for proposals. <u>Update March 2023:</u> Additional language will be included in an amendment to the ACCESS service agreement. The agreement with the new fixed-route provider should be completed by April 2023. Management is working with the Information Systems department to develop an online portal for access badge requests. Completion of the portal is expected by April 2023.

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Audit Reports Issued Through
June 30, 2023

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
1/26/22	21-511	Executive Office	Physical Access Security	Internal Audit recommends management develop and implement written policies, procedures, and protocols that address the timely issuance, termination, and use of badges. These procedures should be referenced in contracts with CTS providers and be communicated to OCTA staff. Management should also ensure secondary controls are operating as intended.	Jul-23	Management is reviewing the issuance and termination of access badges in order to document processes. Management will work with other departments, including CTS, to advise of procedures for issuing and terminating access badges and encourage those departments to include procedures in their contracts, as appropriate. Additionally, management is currently reviewing and documenting procedures to ensure secondary controls are being utilized. Review and updating of procedures will conclude with the creation of a new Physical Access Policy to be completed by June 30, 2022.	<u>Update August 2022:</u> Management has not yet developed policies, procedures, and protocols to address timely issuance, termination, and use of access badges coordinated through OCTA. Management indicated that, while an Access Control Policy was originally expected to be completed by June 30, 2022, it has taken longer than expected due to the need to update the Physical Security Policy first. <u>Update March 2023:</u> Management expects an updated Access Control Policy to be completed soon, and updates to agreements with CTS providers are in process.
2/9/22	21-507	Operations Division (Operations)	Facilities Maintenance (FM) Operations	Internal Audit recommends management implement a perpetual inventory system to track purchasing activity and maintain inventory of all parts and supplies. Purchasing, storage, issuance, and disposal activities should be centralized and include controls to ensure proper authorization for purchases, physical security of inventory items, and proper assignment of costs to work orders.	Aug-23	FM contracts for parts and supplies will be transferred to the Contracts Administration and Materials Management (CAMM) Department by July 2022. By February 2023, FM parts and supplies stored outside of CAMM's control will be brought into the inventory system for proper storage and issuance. The current Enterprise Asset Management (EAM) system is not capable of assigning all costs to FM work orders; however, a new EAM system is being implemented and should be capable of properly assigning costs to work orders. The new EAM system is estimated to be fully implemented in mid-2023.	<u>Update September 2022:</u> Management and CAMM have completed transferring contracts to CAMM, however, they are working to determine which items will be inventoried and which items will be ordered as needed. In terms of FM parts inventory, a process to bring these items into the CAMM inventory system for proper storage and issuance has been established and is on track to be completed by February 2023. As stated in the original response, the current asset management system is not capable of assigning all costs to work orders. A new system will be implemented in mid-2023. <u>Update March 2023:</u> Management is still in the process of implementing a centralized inventory system and expects that physical transfer of all inventory may take up to two years.

Outstanding Audit Recommendations
Audit Reports Issued Through
June 30, 2023

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
2/9/22	21-507	Operations and Finance and Administration (F&A) Division	FM Operations	Management should enhance its invoice review process to ensure compliance with OCTA's Vendor Payment Policy and contract payment terms. Vendor mark-ups should be discontinued from time-and-expense contracts. For contracts related to the purchase of parts and materials only, any items not listed on the price summary sheet should include supporting cost documentation. If mark-ups are to be allowed on parts-and-materials contracts, the proposed mark-ups should be incorporated into the evaluation of costs during the vendor selection process.	Aug-23	Management will immediately begin working on enhancing the current invoice cover page to include a checklist that will require acknowledgement of review for sufficient detail as to quantity and rates of costs and justification. To address the issue of providing sufficient detail and complying with contract terms, the checklist being developed will improve oversight. In terms of discontinuing vendor mark-ups in time-and-expense contracts, management will work with CAMM to develop a solution that will address the issue of vendor mark-ups as well as incorporating an evaluation of cost, if mark-ups are allowed, during the vendor selection process.	<u>Update September 2022:</u> Management is working to enhance the invoice checklist to include a requirement for acknowledgement of review for sufficient detail as to quantity and rates of costs and justification. CAMM has implemented an evaluation methodology to assign a percentage of the cost score for items not listed on the price summary sheet. Management and CAMM continue to explore options including discounts from price sheets and using fair market values to justify and validate price mark-ups. <u>Update March 2023:</u> FM has enhanced its invoice review; however, Materials Management staff needs to enhance its review of invoices for contracts that were transferred to their control. Materials Management should obtain supporting documentation for parts and materials not listed in the contracts.
7/13/22	22-505	Contracts Administration and Materials Management (CAMM) and Capital Programs	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	Management should reconsider use of a schedule of values (SOV) in firm-fixed priced contracts and initiate amendments in a timely manner. Management should also recover identified overbillings and unallowable charges and disallow payments for services not allowed by the SOVs.	Jul-23	Management agreed to amend the contract to remove the use of SOVs and agreed to recover identified overbillings but indicated that unallowable charges for services by an engineering manager will not be recovered as these services were requested by management	<u>Update February 2023:</u> Management removed the SOVs from the contract and withheld \$160,712 in overbillings; however, management should recover overbillings that occurred from January to April 2022, prior to execution of the agreement to remove SOVs.
7/13/22	22-505	CAMM	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	Management should enhance controls over escalation when adding new staff, and ensure that the pricing of amendment values is based on the original contract or proposal rates.	Jul-23	Management agreed to enhance controls over escalation when adding new staff and to ensure pricing of amendment values is based on contract rates.	<u>Update February 2023:</u> CAMM has developed procedures for adding named staff via offer letters; however, Internal Audit noted that controls to ensure accurate pricing of amendment values has not yet been adequately implemented.

**Outstanding Audit Recommendations
Audit Reports Issued Through
June 30, 2023**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
7/13/22	22-505	Capital Programs	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	Management should recover overbillings and require all subconsultants to submit timesheets, and enforce advance approval requirements.	Jul-23	Management will recover overbillings and missing timesheets will be obtained, and the timesheet requirement will be enforced. Advance approval for overtime work will be obtained.	<u>Update February 2023:</u> Management deducted identified overbillings; however, recommendations to enforce advance approval requirements and obtain timesheets from all subconsultants has not yet been implemented.
8/23/22	22-512	Operations and F&A	Non-Revenue Vehicle Purchases and Assignment	Invoice review procedures should be enhanced to include validation of all charges. In addition, Accounts Payable should recover the identified duplicate payment and updated policies to reflect whether a three-way match process is allowable for vehicle purchases. Accounts Payable should consistently confirm the three-way match prior to payment and individuals who receive vehicles in the system should physically verify their delivery.	Feb-23	Management will implement an invoice review checklist to ensure sufficient detail is provided and verified. The policy will be updated to allow for the three-way match process and Accounts Payable will consistently confirm the match prior to payment. Staff receiving vehicles in the system will be required to physically verify receipt going forward. Finally, Accounts Payable will recover the duplicate payment identified.	<u>Update April 2023:</u> Management recovered the duplicate payment; however, invoice review procedures need to be further enhanced and staff receiving vehicles in the Ellipse system still do not physically verify receipt of the vehicles.
8/23/22	22-512	Operations and F&A	Non-Revenue Vehicle Purchases and Assignment	Management should enhance controls to ensure employees' eligibility to drive prior to granting a vehicle reservation. Management should re-evaluate whether employees should be allowed to reserve vehicles for weeks at a time. Finally, all relevant information should be reflected in the reservation system.	Feb-23	Management will work toward an automated solution for determining eligibility or develop an internal solution. Related policies will be updated as appropriate. Also, multi-day reservations will no longer be allowed and all reservation information will be entered into the system.	<u>Update April 2023:</u> General Services now allows only daily reservations and verifies eligibility to drive, as recommended; however, base management has not implemented a procedure to verify eligibility to drive. In some cases, the driver of the vehicle is still not being documented.
10/25/22	23-513	CAMM	Independent Cost Estimates (ICE)	CAMM should ensure ICEs include adequate detail support and are submitted in accordance with policies. CAMM should provide training to advise project managers that pricing should not be solicited directly from vendors and provide information on how and where to obtain pricing data for proper development of estimates.	Apr-23	Management will ensure all ICEs include adequate detail and will revise policies to address the appropriate timelines for submission of ICEs. Also, CAMM will conduct training, as recommended.	In Process.

**Outstanding Audit Recommendations
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10/25/22	23-513	F&A	ICE	Management should develop tools to ensure proper oversight and management of the identified consulting services contract. This should include regular monitoring of contract burn rate and development of reasonable estimates to ensure funding is sufficient to achieve objectives.	Apr-23	Management agrees and will develop tools to ensure proper oversight of these services. Staff managing the contract will be required to attend procurement training to improve understanding of policies and to facilitate improved contract management in the future.	In Process.
1/10/23	23-503	People and Community Engagement (PACE)	Administrative Employee Mandatory Training and Employee Educational Reimbursements	Management should improve controls to avoid duplicate reimbursements and to ensure all required documentation is on file. The system should be updated to accurately reflect payments and carryover amounts, and management should improve organization of supporting documentation. Management should obtain reimbursement from employees that received duplicate payments and should address payments made to employees over the allowable educational reimbursement limit. Going forward, management should implement effective controls for monitoring employee educational reimbursement activities for compliance with policy.	Jul-23	Management will implement controls to address the recommendations by March 31, 2023. Management will also make arrangements to collect overpayments made to the two employees identified and will address payments to employees over the allowable reimbursement limit.	
1/10/23	23-503	PACE	Administrative Employee Mandatory Training and Employee Educational Reimbursements	Management should implement monitoring controls to ensure all administrative employees obtain mandatory training within required timeframes. Management should also ensure mandatory annual training is obtained and employee merit increases are withheld for non-compliance, as required by policy.	Jul-23	Management will implement monitoring controls to ensure all new administrative employees obtain mandatory training within required timeframes. Management will also implement monitoring controls to ensure mandatory annual training is completed by all administrative employees prior to merit increases and will meet with Human Resources Department staff to implement a process by March 31, 2023.	

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2/28/23	23-501	PACE	Workers' Compensation Program	Management should add Intercare service providers to the contract as subconsultants and identify their rates and fees. Once rates are identified in the contract, management should implement controls to ensure rates invoiced by the subcontractors agree to the contract rates.	Aug-23	Management will work with Intercare and CAMM to amend Intercare's contract, adding these providers and their rates / fees to it, and subsequently reviewing charges to ensure rates invoiced by them are consistent with the contract rates.	
2/28/23	23-501	PACE	Workers' Compensation Program	Management should implement a process to ensure adequate review and monitoring of monthly bank account details and reconciliations.	Aug-23	Management will work with Finance to ensure adequate review and monitoring of monthly bank account details and reconciliations.	
2/28/23	23-501	PACE	Workers' Compensation Program	Management should enhance monthly reviews of Intercare's check payments to include review of temporary benefit calculations and settlement documentation. Management should also review paper transactions and reconcile Intercare's listing of checks sent to OCTA to what has been received and deposited. Checks received by OCTA should be deposited in a timely manner. Finally, management should request Intercare provide a detailed invoice from Express Scripts to support payments.	Aug-23	Management will enhance monthly reviews as recommended and will reconcile the listing of checks sent to what has been received and deposited. Management will also request Intercare provide detailed information for Express Scripts payments.	
2/28/23	23-501	PACE	Workers' Compensation Program	Management should request that Intercare standardize the calculation of temporary disability benefits. Intercare should instruct adjustors to use the first day of the beginning payroll period, instead of the pay period end date, in tallying the number of days of pay. Adjustors should also be instructed to consistently check for payment of light-duty and holidays before calculating temporary disability benefits. Finally, management should request Intercare recover the \$1,553.60 overpayment.	Aug-23	Management will request Intercare standardize calculations, instruct adjustors to affirm the pay period start and end dates and to consistently check for payment of light-duty and holidays before calculating benefits. Management will also request Intercare recover the overpayment.	

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June 30, 2023

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
3/10/23	23-512	CAMM	State and Federal Consulting Contracts	CAMM should ensure that procurements of state and federal contracts comply with all policy requirements.	Sep-23	CAMM will ensure evaluators complete evaluation forms and confirm scores to summary final scores and ensure all forms are on file, as required. CAMM will also ensure compliance with policy related to the number of evaluators required.	
3/20/23	23-510	Operations and CAMM	OC ACCESS Service Eligibility	Management should implement controls to ensure Medical Transportation Management, Incorporated (MTM) is providing key staff and qualified staff, as outlined in the contract. The process for notification, review, and update to MTM contract staffing should be improved to ensure that required staff is being provided, contract amendments to reflect staffing changes are processed timely, and access to OCTA's Trapeze system is terminated promptly upon termination of contract staff.	Sep-23	CAMM has processed the requisitions for key staffing changes and management will work with CAMM to amend the contract to update staff qualification requirements. Following the amendment, management will implement controls to ensure compliance. In addition, management will require MTM to provide notice of staff changes within 24 hours.	
3/28/23	23-507	F&A	Investments: Compliance, Controls, and Reporting July 1 through December 31, 2022	Management should consistently obtain secondary review of the monthly Investment and Debt Programs report and enhance review to include increased oversight over the presentation of individual securities.	Sep-23	Management has automated the process for creating the portfolio listing and will ensure this is not an issue going forward. Management will also enhance secondary review of monthly reports.	
3/29/23	23-508	F&A	Investments: Compliance, Controls, and Reporting July 1 through December 31, 2023	Management should add notes to Clearwater Holdings reports to address potential violations and ensure all notes are prepared in a timely manner.	Sep-23	Management will ensure notes are reflected in Clearwater as required.	
3/30/23	23-509	F&A	Investments: Compliance, Controls, and Reporting July 1 through December 31, 2024	Management should reconcile all accounts, including zero-balance accounts and ensure timely approval of reconciliations.	Sep-23	Management has implemented a control to ensure all accounts are reconciled and the reconciliations are reviewed timely.	

**Outstanding Audit Recommendations
Audit Reports Issued Through
June 30, 2023**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
3/31/23	23-510	F&A	Investments: Compliance, Controls, and Reporting July 1 through December 31, 2025	Management should obtain detailed support for invoiced charges by the financial advisor and ensure that when a key personnel's classification is changed, and such change is acceptable to management, the contract is amended accordingly.	Sep-23	Management will amend contract for key personnel more timely going forward. Management also obtained detailed documentation to support charges identified.	
5/8/23	23-508	Planning Division (Planning)	Measure M2 Comprehensive Transportation Funding Programs (CTFP) Project Audits	Management enforce timely use of funds requirements or obtain Board of Directors (Board) approval for exceptions to CTFP guidelines.	Nov-23	Management will consider either clarifying guidelines or seeking Board action on a case-by-case basis.	
5/8/23	23-508	Planning	Measure M2 CTFP Project Audits	Management should perform follow-up with the County of Orange and the cities of Costa Mesa, Laguna Beach, and San Clemente on actions taken to address recommendations, including repayment of overcharges and duplicate charges by the City of Laguna Beach.	Nov-23	Direction to management provided in staff report. Management written response not required.	
6/5/23	23-513	Finance	Lost and Found Operations	Management should enhance controls to ensure found cash and checks/money orders received are properly recorded and reconciled to deposits and general ledger entries.	Dec-23	Management will enhance controls of found cash and checks/money orders received for auctioned items and will do so by improving tracking procedures through the internal database application. Management will also ensure staff works in collaboration with the Accounting and Financial Reporting Department to ensure accurate recording and reconciliation of deposits to the general ledger.	
6/13/23	23-514	PACE	Customer Information Center (CIC) Services: Alta Resources, Agreement No. C-0-2698	Management should improve timeliness of invoice review, approval, and processing and enforce requirements for contractor certification of invoices.	Dec-23	Management has advised the project manager and will implement oversight procedures to ensure timeliness of invoice processing and inclusion of required contractor certification by July 1, 2023.	

**Outstanding Audit Recommendations
Audit Reports Issued Through
June 30, 2023**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
6/13/23	23-514	PACE	CIC Services: Alta Resources, Agreement No. C-0-2698	Management should review changes to key personnel and process amendments in a timely manner.	Dec-23	Management will implement procedures to ensure timely processing of amendments by July 1, 2023.	

**Audit Recommendations Closed During
Fourth Quarter, Fiscal Year 2022-23**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Internal Audit Status Comments
8/23/22	22-512	Contracts Administration and Materials Management (CAMM)	Non-Revenue Vehicle Purchases and Assignment	CAMM should obtain all needed support and documentation for non-revenue vehicles purchased using state contracts. CAMM should also consider negotiating option pricing with the dealers.	<u>Update April 2023</u> : CAMM obtained the state contract pricing exhibit for the new procurement of non-revenue vehicles.
11/16/22	22-511	CAMM	Right-of-Way (ROW) and Appraisal Services and Activities	Management should perform and document a price or cost analysis, as required, when contract pricing amendments are made. In addition, increases to rates already agreed-upon should be denied.	<u>Update June 2023</u> : CAMM now performs and documents price analysis for amendments and conducted refresher training with staff.
11/16/22	22-511	Capital Programs	ROW and Appraisal Services and Activities	Management should update policies to clarify procedures for determining settlement authorities.	<u>Update June 2023</u> : Capital Programs staff has amended procedures to provide clarification on calculating settlement authority thresholds.