



**February 8, 2017**

**To:** Finance and Administration Committee

**From:** Darrell Johnson, Chief Executive Officer  
Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Fiscal Year 2016-17 Internal Audit Plan, Second Quarter Update

**Overview**

The Orange County Transportation Authority Board of Directors adopted the Fiscal Year 2016-17 Internal Audit Plan on July 25, 2016. This update is for the second quarter of the fiscal year.

**Recommendation**

Receive and file the second quarter update to the Orange County Transportation Authority Fiscal Year 2016-17 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, pre-award price reviews, and Buy America reviews. Audits initiated by entities outside of OCTA are coordinated through Internal Audit.

**Discussion**

The OCTA Fiscal Year (FY) 2016-17 Internal Audit Plan (Plan) (Attachment A) reflects the status of each audit project. At quarter end, several audit projects are in process.

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During the second quarter of the FY, Internal Audit issued the Review of Investments: Compliance, Controls, and Reporting for the period January 1 through June 30, 2016, concluding that OCTA complied with its debt, investment, and reporting policies and procedures.

Financial and compliance audits of eight Measure M2 Comprehensive Transportation Funding Programs Projects were also issued by the external audit firm BCA Watson Rice, LLP. The auditors recommended OCTA recover \$4,500 from the City of Laguna Niguel (City) to reimburse an overpayment due to a calculation error in the City's final cost claim. Also, the auditors recommended the City enhance controls to ensure accuracy of final cost claims. OCTA staff has received the recommended reimbursement, and the City has asserted that enhanced controls have been implemented. In addition to the auditors' recommendations, Internal Audit issued a supplemental recommendation to OCTA management to include procedures for monitoring the progress of local agencies' match expenditures under the Environmental Cleanup Program, and report shortfalls to the Board of Directors (Board) through the semi-annual review reports. Management agreed and indicated that procedures will be incorporated into the semi-annual review manual.

The primary focus of Internal Audit during the quarter was to provide coordination of the annual financial and compliance audits by OCTA's independent financial statement auditor, Vavrinek, Trine, Day & Company, LLP (VTD). In connection with the audits, VTD made four recommendations to management related to enhanced information system security. Management agreed with the recommendations and outlined actions to address the issues. The Finance and Administration Committee requested additional detail relating to the management responses which was incorporated into the Board agenda presented on January 23, 2017.

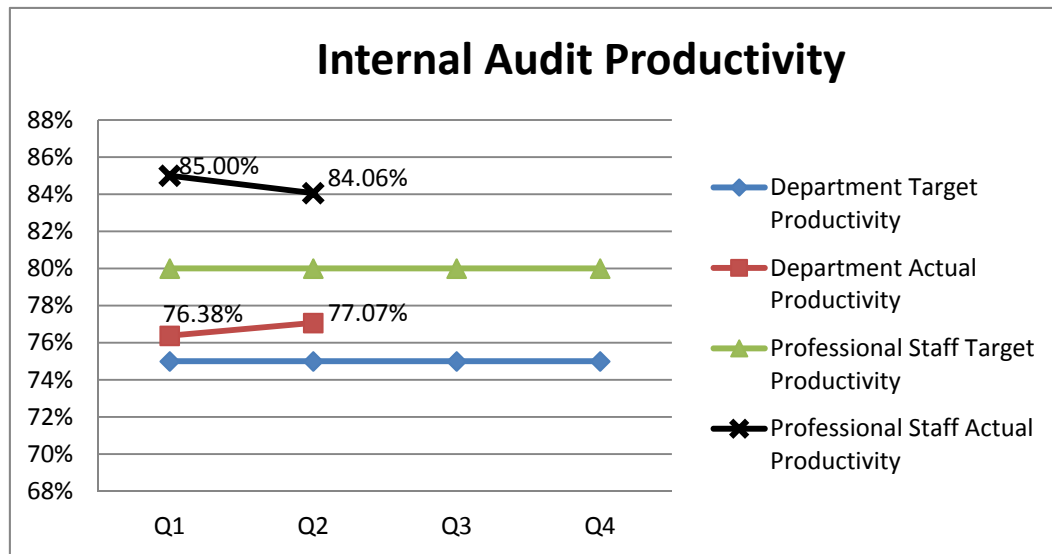
During the third quarter, Internal Audit will continue to provide coordination of Measure M2 agreed-upon procedures reviews of several cities and the County of Orange.

Finally, an audit by the Department of Finance, on behalf of the California Department of Transportation, of Proposition 1B funds utilized on five grade separation projects and the Oso Parkway Widening Project will commence early in the third quarter. Internal Audit will provide coordination and oversight and will report final results once they are available.

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 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 75 percent. The target for internal audit professional staff, not including the Executive Director, is 80 percent.

For the quarter ended December 31, 2016, Internal Audit achieved productivity of 77 percent, and the professional staff achieved productivity of 84 percent.



Price Reviews

At the request of the Contracts Administration and Materials Management Department (CAMP), and consistent with OCTA procurement policy, Internal Audit conducts reviews of single bid procurements to ensure that CAMP 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 the potential savings, as noted below. During the quarter ended December 31, 2016, Internal Audit

conducted two pre-award agreed-upon procedures reviews and recommended price adjustments, as indicated below:

Quarter	Price Reviews Recommended Adjustments
1	\$ 662,136
2	197,557
3	
4	
Total	\$ 859,693

#### Fraud Hotline

During the quarter ended December 31, 2016, Internal Audit received and investigated two reports through OCTA's Fraud Hotline, [www.ethicspoint.com](http://www.ethicspoint.com). No findings or recommendations resulted from these investigations.

Internal Audit is committed to responding to all hotline complaints within eight business days. During the quarter ended December 31, 2016, Internal Audit made initial contact within two business days.

#### Monitoring Activities – Metrolink Audit Results

Independent accounting firm Moss Adams, LLP, issued an unmodified opinion on Metrolink's financial statements for the year ended June 30, 2016; however, the accompanying report included five deficiencies in internal control that were considered to be material weaknesses or significant deficiencies. The acting Internal Audit Manager, Ms. Lazuardi, has indicated that an update on the status of management actions to address these findings will be provided at the Executive Management and Audit Committee meeting scheduled for May 2017.

#### Findings and Recommendations Tracking

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

During the quarter ended December 31, 2016, Internal Audit performed follow-up of fourteen unresolved audit recommendations. Nine

recommendations were addressed by management and were removed from the list. Two recommendations relating to the Investigation of the Deferred Compensation Plan Administration were partially addressed and remain open pending additional actions. Follow-up review of another recommendation relating to the Accounts Payable audit resulted in the identification of additional exceptions and recommendations. As such, the item will be reviewed again in six months. Lastly, two recommendations related to the audit of the Bristol Street Widening Project remain open pending implementation of management reviews of the City of Santa Ana's quarterly reconciliation documentation. Implementation of this oversight process was held up due to delays in executing an amendment to the cooperative agreement, which was completed in January 2017.

One supplemental recommendation made by Internal Audit resulting from the financial and compliance audits of eight Measure M2 Comprehensive Transportation Funding Programs Projects was added to the list. Also added to the list were the recommendations made by VTD in connection with their financial audit.

### ***Summary***

Internal Audit will continue to implement the Plan, report on performance metrics, follow-up on outstanding audit recommendations, and report progress on a quarterly basis.

### ***Attachments***

- A. Orange County Transportation Authority Internal Audit Department Fiscal Year 2016-17 Internal Audit Plan, Second Quarter Update
- B. Outstanding Audit Findings and Recommendations (Audit Reports Issued Through December 31, 2016)

**Prepared by:**



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714-560-5591

**Orange County Transportation Authority  
Internal Audit Department  
FY 2016-17 Internal Audit Plan  
Second Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours to Date	Under (Over)	Status (Date Issued)	External Auditor
<b>Mandatory External Independent Audits</b>								
Annual Financial Audits and Agreed-Upon Procedures Reviews	FY17-001 through FY17-004	Coordinate and report on annual financial and agreed-upon procedures reviews for fiscal year 2016-17.	Financial	375	195	180	Complete	
External Regulatory Audits	FY17-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60	7	53		
<b>Internal Audit Department Projects</b>								
Risk Assessment and Annual Audit Plan	FY17-100	Annual preparation of the audit plan, quarterly updates to the audit plan and periodic assessment of risk throughout the year.	Audit Plan and Updates	180	53	127		
Quality Assurance and Self-Assessment	FY17-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with Government Auditing Standards.	Quality Assurance	180	4	176		
Fraud Hotline Activities	FY17-102	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	250	255	(5)	9 Reports Received	
Automated Workpaper Solution	FY17-103	Purchase, training, and implementation of a new automated workpaper solution.	Workpaper System	280	96	185		
On-Call Audit Services	FY17-104	Prepare scopes of work and establish bench of independent audit firms to provide assistance with (1) performance audits and (2) application of agreed-upon procedures relating to price reviews and Buy America compliance reviews.	On-Call Audit Services	160	32	128		
<b>Internal Audits</b>								
<b>Security and Emergency Preparedness</b>								
Transit Police Services Contract	FY17-5XX	Review oversight controls and contract compliance with agreement for provision of Transit Police services.	Compliance	240		240		
<b>Human Resources and Organizational Development</b>								
Benefits: Health Insurance Plans and Health Savings Accounts	FY17-5XX	Review controls in place to ensure proper enrollment, accounting, and compliance with laws, regulations, policies, and procedures.	Operational	320	17	303	In Process	
Coach Operator Health Insurance Benefits	FY16-805	Review and test compliance with collective bargaining agreement for the coach operators as it relates to provision of health insurance benefits.	Compliance	300	208	92	In Process	
Storm Water Pollution Prevention Plan	FY17-5XX	Review oversight controls, policies, and procedures to ensure compliance with Environmental Protection Agency regulations.	Compliance	80	52	28	In Process	

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<b>Audit Activity</b>	<b>Project Number</b>	<b>Description</b>	<b>Primary Audit Type</b>	<b>Planned Staff Hours</b>	<b>Staff Hours to Date</b>	<b>Under (Over)</b>	<b>Status (Date Issued)</b>	<b>External Auditor</b>
<b>Capital Programs</b>								
Project Controls	FY16-507	Assess and test operating controls of the project controls function within the Capital Projects Division.	Compliance	40	170	(130)	Issued 9-14-16	
Project K: Right-of-Way Acquisition Activities	FY17-5XX	Assess and test controls to ensure compliance with Real Property Department Policies and Procedures for acquisition of property rights related to the Interstate 405 Project K.	Compliance	225		225		
<b>Planning</b>								
Competitive Transportation Funding Program Projects	FY16-5XX	Review selected projects for compliance with Measure M Ordinance, policies, and procedures.	Compliance	60	77	(17)	Issued 10-12-16	
<b>Transit Operations</b>								
Fleetwatch Fluid Management System	FY17-5XX	Assess adequacy of system controls and data reporting related to dispensing of fuel.	Operational	240		240		
Contracted Fixed Route Operations	FY17-5XX	Assess adequacy of oversight controls and contract compliance with key provisions of the agreement with First Transit.	Compliance	325	12	313	In Process	
<b>Finance and Accounting</b>								
Treasury	FY17-501	Semi-annual review of investments compliance, controls, and reporting.	Compliance	210	104	106	Issued 10-3-16	
Grant Closeouts	FY16-502	As-needed financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40	36	4	Issued 9-14-16	
Budget Development and Monitoring	FY16-509	Review and test controls in place over the preparation, monitoring, and reporting related to the annual OCTA budget.	Operational	325	274	52	In Process	
OCTA Policies and Procedures	FY17-5XX	Review controls in place to ensure proper development, update, and communication of OCTA policies and procedures.	Operational	185	94	91	In Process	
Investment Manager Contracts	FY17-504	Review procurement of, contract compliance, and invoice controls related to investment manager contracts.	Compliance	185	147	39	In Process	
<b>Information Systems</b>								
Payment Card Industry/Data Security Standard (PCI/DSS) Compliance	FY17-502	Review of OCTA's compliance with PCI/DSS, including review and evaluation of annual self-assessment to ensure protection of credit card data.	Compliance	225	439	(214)	In Process	

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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
<b>Contract Administration and Materials Management</b>								
Price Reviews	PR17-XXX	Cost and price analyses as requested by OCTA's Contract Administration and Materials Management Department.	Price Review	1,000	364	636	7 Reports Issued	
Buy America	FY17-503	Pre-award and post-delivery reviews to ensure vendors and OCTA are in compliance with federal Buy America requirements.	Compliance	250	97	153	1 Report Issued 9-14-16	
<b>External Affairs</b>								
Customer Relations	FY16-508	Review in-house Customer Relations operation.	Operational	80	195	(115)	Issued 9-14-16	
Public Outreach - West County Connectors Project	FY16-5XX	Review of oversight controls and contract compliance related to agreement for public outreach.	Compliance	180		180		
<b>Unscheduled Reviews and Special Requests</b>								
Unscheduled Reviews and Special Requests	FY17-800	Time allowed for unplanned audits, coordination of external agency audits, and requests from the Board of Directors and management.	Varies	260	13	247		
<b>Monitoring Activities</b>								
Measure M Taxpayers Oversight Committee	FY17-601	Coordination of audit activities on behalf of the Audit Subcommittee of the Measure M Taxpayers Oversight Committee.	Administrative Support	100	10	90		
Metrolink Audit Activities	FY17-602	Obtain and review audit results of Metrolink activities	Non-Audit Service	60	46	14		
Bus Base Inspections	FY17-603	At the request of Transit Division, participate on annual bus base inspections.	Non-Audit Service	32	51	(19)	Complete	
<b>Follow-up Reviews</b>								
Follow-up Reviews and Reporting	FY17-700	Follow-up on outstanding audit recommendations.	Follow-up	300	303	(3)		
<b>Total Audit Project Planned Hours (A)</b>				<b>6,747</b>	<b>3,349</b>	<b>3,398</b>		



**Orange County Transportation Authority**  
**Internal Audit Department**  
**FY 2016-17 Internal Audit Plan**  
**Second Quarter Update**

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<b>Internal Audit Administration</b>								
Board of Directors and Committee Meetings				260	70	191		
Executive Steering and Agenda Setting Meetings				180	77	104		
Internal Audit Staff Meetings				150	32	118		
Other Administration				1,500	816	684		
			<b>Total Hours (B)</b>	<b>8,837</b>	<b>4,343</b>	<b>4,494</b>		
			<b>Department Target Efficiency</b>	75%				
			<b>Target Efficiency - Professional Staff</b>	80%				

**OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS**

(Audit Reports Issued Through December 31, 2016)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
10/3/2014	N/A	Finance and Administration (F&A) and Transit	Performance Audit of the Orange County Transportation Authority's (OCTA) 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-17	Management responded that efforts are underway to update certain portions of the BIA and the Plan. Also, at the direction of the F&A Committee Chairman, staff has agreed to specifically address each issue and planned corrective actions with the Security Working Group of the Board of Directors (Board). <u>Update September 2015</u> : Management has taken actions to adequately address seven of the thirteen weaknesses noted in the audit. The remaining six are expected to be corrected upon completion of the Threat and Hazard Identification and Risk Assessment project and the comprehensive revision of the BIA. The Internal Audit Department (Internal Audit) will follow-up on the remaining issues in one year. <u>Update September 2016</u> : Internal Audit requested update; management indicated that documents will not be completed until May 2017.	Bonelli	Initiate next update in June 2017
10/15/2015	N/A	Human Resources and Operational Development (HROD)	Investigation and Limited Scope Review of Administration of the Deferred Compensation Plan and the Plan Revenue Reimbursement Account	Internal Audit recommends management formalize and document the plan governance structure and committee structure. Committee configuration should be reviewed and consideration given to appointing a member to represent employee groups participating in the plan. Committee members should be appointed and policies should be approved by OCTA.	Jun-17	The Investment Policy (IP) Statement will be formally approved and made available to participants electronically. Management will also post the quarterly meeting minutes, the quarterly reports, and the Account Policy. The committee composition will be included in the IP Statement, with consideration given to expanding the committee. These tasks will be completed by the end of calendar year 2015. <u>Update May 2016</u> : Management has not fully implemented all recommendations. Additional recommendations were provided to encourage management to research and implement best practices with regard to the Committee charter, the IP Statement, and Committee composition. <u>Update December 2016</u> : Management has partially implemented this recommendation; however, an updated IP statement and revisions to the Personnel and Salary Resolution are not yet complete.	Sutter	Initiate next update June 2017

**OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS**

(Audit Reports Issued Through December 31, 2016)

<b>Audit Issue Date</b>	<b>Report Number</b>	<b>Division / Department / Agency</b>	<b>Audit Name</b>	<b>Recommendation</b>	<b>Initiate Next Update</b>	<b>Management Response</b>	<b>Auditor</b>	<b>Notes</b>
10/15/2015	N/A	HROD	Investigation and Limited Scope Review of Administration of the Deferred Compensation Plan and the Plan Revenue Reimbursement Account	Internal Audit recommends management: 1. Ensure committee members annually reaffirm the IP Statement. 2. Provide training and require committee members to monitor fees charged to the plan and its participants and, when applicable, attempt to negotiate fees to a reasonable level. 3. Exercise oversight of Benefit Funding Services Group (BFSG) to ensure all deliverables required by the agreement are provided. 4. Review invoices for compliance with the agreement terms and obtain proper approval before submitting to Nationwide Retirement Solutions (NRS) for payment.	Jun-17	1. The IP Statement will be annually reaffirmed by the committee. 2. BFSG will provide training to committee members on an annual basis and committee members will review annual reports provided by BFSG and will work with the Contracts Administration and Materials Management Department (CAMP) to negotiate fees if they are deemed unreasonable. 3. Management will ensure that OCTA receives all deliverables specified in the contract. Management will ensure that required annual fee reports are provided by BFSG. 4. BFSG will be required to include the appropriate certification language on all future invoices. All future BFSG invoices will be properly reviewed for compliance with the agreement terms and two authorized parties will approve the invoices before submitting to NRS for payment. <u>Update May 2016:</u> Management has taken some actions; however, additional recommendations were provided in order for management to properly address weaknesses. <u>Update December 2016:</u> Management has partially addressed recommendations; however a revised IP statement is pending and committee member training has not yet occurred.	Sutter	Initiate next update June 2017
1/19/2016	N/A	Transit	City of Santa Ana, Senior Mobility Program (SMP)	Internal Audit recommends management: 1. Develop program guidelines, including definition of allowable trip types, requirements for revenue reporting, acceptable allocation of costs, and retention of supporting documentation. 2. Amend cooperative agreements to include detailed information on program requirements. 3. Provide training to cities and exercise oversight to ensure compliance with the Ordinance, cooperative agreements, and program guidelines.	Feb-17	Management will review the current agreement language and scopes of work for each SMP and revise to address the collection and recording of program fees/revenue. In addition, the SMP monthly report template will be revised to specifically document fares/revenue received, the source of city contributions, and documentation to identify how revenues collected are used to support the program. During the annual visit, staff will review the process used to collect and report fares/revenues received. <u>Update August 2016:</u> Management has addressed parts 1 and 2 of the recommendation. Since the new monitoring/site visits will not begin until September 2016, part 3 will remain open.	Ng	Initiate next update in February 2017

**OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS**

(Audit Reports Issued Through December 31, 2016)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
2/29/2016	FY15-515	Capital Programs	Oversight Controls, Contract Compliance, and Billings Related to the Bristol Street Widening Project	Internal Audit recommends management request the City of Laguna Niguel (Laguna Niguel) strengthen controls over timekeeping and periodically review supporting documentation to ensure accuracy of labor charges to the project. Management should also consider disallowing sub-consultant markups through update of contract language in cooperative agreements.	Jul-17	The gas tax agreement will be amended to require Laguna Niguel to certify that their quarterly reconciliation report of actual expenses versus monthly payment requests, including labor hours charged, are true and correct. Staff will review a sample of supporting documents to verify actual expenses and that labor hours billed are supported by time sheets on file. The gas tax agreement will be amended to specifically disallow sub-consultant markups. <u>Update September 2016:</u> The amendment has not been executed due to Laguna Niguel's disagreement with certain terms. After the amendment is executed, staff will review a sample of supporting documentation from quarterly reconciliation reports. <u>Update January 2017:</u> Amendment No. 6 was executed to require that the quarterly reconciliation reports include supporting documentation, as well as certification that Laguna Niguel has deducted all sub-consultant markup costs. Since staff will begin periodically reviewing a sample of supporting documentation to verify labor and other costs charged now that the amendment is executed, Internal Audit will return in six months to assess staff's review of costs charged.	Ng	Initiate next update in July 2017

**OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS**

(Audit Reports Issued Through December 31, 2016)

<b>Audit Issue Date</b>	<b>Report Number</b>	<b>Division / Department / Agency</b>	<b>Audit Name</b>	<b>Recommendation</b>	<b>Initiate Next Update</b>	<b>Management Response</b>	<b>Auditor</b>	<b>Notes</b>
2/29/2016	FY15-515	Capital Programs	Oversight Controls, Contract Compliance, and Billings Related to the Bristol Street Widening Project	Internal Audit recommends that management design and implement a cost review process that includes review of a sample of city costs charged to the gas tax agreement. Internal Audit also recommends management instruct the city to correct its quarterly reconciliation reports and implement procedures to reconcile city reports with OCTA records.	Jul-17	Staff will periodically sample supporting documentation for costs charged to verify the charges are project-related, supported, and reasonable. Also, the city will be instructed to correct quarterly reconciliation reports based on these audit findings and staff will reconcile each quarterly report with records of payments made under the gas tax agreement. <u>Update September 2016:</u> After the amendment is executed, staff will review a sample of supporting documentation from the city's quarterly reconciliation reports. As of follow-up review, the city made an attempt to adjust its quarterly reconciliation report but did not implement the adjustment fully and correctly; therefore, Internal Audit will keep the recommendation open and ask management to provide suggestions to the city on how to correct its quarterly reconciliation reports. <u>Update January 2017:</u> The city has corrected the overstatement of funding received in the Revised 2nd Quarter 2016 Report. Since staff will begin periodically reviewing a sample of supporting documentation to verify costs charged now that Amendment 6 is executed, Internal Audit will return in six months to assess staff's review of costs charged.	Ng	Initiate next update in July 2017
4/4/2016	FY15-513	F&A	Accounts Payable (AP)	Internal Audit recommends management provide training to ensure consistent enforcement of policies and procedures by AP staff and advise department staff responsible for the exceptions of OCTA's policies and procedures.	Jun-17	The AP supervisor meets bi-weekly with staff and has included training on AP procedures and responsibilities and has/will communicate to departments responsible for the related exceptions as to OCTA's Policies and Procedures. <u>Update January 2017:</u> During the course of the follow-up review, Internal Audit identified additional instances of violations of the Payment Request Policy and the Payment Authorization Policy. Four additional recommendations were made to F&A, CAMM, and Capital Programs related to the use of Payment Requests for payments against contracts for goods/services not authorized by the contract at the time the expenses were incurred.	Bonelli	Initiate next update June 2017

**OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS**

(Audit Reports Issued Through December 31, 2016)

<b>Audit Issue Date</b>	<b>Report Number</b>	<b>Division / Department / Agency</b>	<b>Audit Name</b>	<b>Recommendation</b>	<b>Initiate Next Update</b>	<b>Management Response</b>	<b>Auditor</b>	<b>Notes</b>
8/31/2016	FY16-508	External Affairs	Customer Relations	Management should implement a quality control review process to ensure the accuracy of monthly reports.	Feb-17	Customer Relations will implement a quality control review process to ensure accuracy. In addition, Customer Relations is already working with Information Systems Department staff to automate reports through the dashboard, which will reduce the incidence of human error and increase accuracy.	Dunning	
8/31/2016	FY16-508	External Affairs	Customer Relations	Internal Audit recommends that management establish criteria and procedures for performing documented reconciliations and periodic, independent verifications of bus pass inventories maintained by Customer Relations and Marketing staff.	Feb-17	Customer Relations has updated the policies and procedures for performing documented reconciliations and independent verifications of bus pass inventories. An independent verification has begun and will be performed quarterly.	Dunning	
9/29/2016	FY16-511	Planning	Comprehensive Transportation Funding Programs Audits - Supplemental Recommendation Related to Environmental Cleanup Program	Internal Audit recommended management include procedures for monitoring the progress of local agencies' operations and maintenance expenditures into the semi-annual review manual, including a requirement that short-falls in match obligations be reported to the Board in the semi-annual review reports.	Mar-17	Planning staff will update the semi-annual review manual to include checklist items documenting tracking and reporting of Form 10-17. Local agencies have reported any short-falls to date. Should these short-falls develop at the end of the ten-year period, these issues will be included in the semi-annual review.	Ng	
10/31/2016	N/A	F&A	Fiscal Year 2015-16 Management Letter	Vavrinek, Trine, Day & Co. LLP auditors made four recommendations related to enhancements to information systems security.	Jan-18	Management responded that recommendations would be evaluated and implemented as appropriate.	Tang	