



July 24, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Fiscal Year 2018-19 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 2018-19 Internal Audit Plan on August 27, 2018. 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 2018-19 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) 2018-19 Internal Audit Plan (Plan), Attachment A, reflects the status of each audit project as of year-end. Thirteen projects were completed during the year and six more are in progress. One project has not been initiated and will be carried over to the FY 2019-20 Plan.

For the Plan year, Internal Audit completed 42 projects, including 29 pre-award agreed-upon procedure reviews (price reviews), 12 internal audits, and one Buy America review. Internal Audit also underwent an external quality assurance review, as required by Generally Accepted Government Auditing Standards, for the period January 1, 2016 through December 31, 2018, and received an unqualified opinion.

During the fourth quarter, Internal Audit issued results of an audit of mobile ticketing operations. The audit concluded that controls over revenue collection, recording, reconciliation, and invoice review are adequate, and the contractor complies with contract terms. Two recommendations were made to improve system access controls and to develop written policies and procedures. Management agreed and indicated that recommendations will be implemented.

An audit of recruitment and employment operations was also completed and found that controls to ensure compliance with recruitment policies are generally adequate and functioning; however, a few instances of non-compliance with requirements were noted. Internal Audit also identified situations that should be addressed in policies and procedures and cited policy violations related to relocation costs. Finally, the audit outlined concerns about the removal of a requirement for bus service workers to hold a commercial driver license. Management agreed to implement three recommendations related to these observations.

The compliance, controls, and reporting audit of investments for the period July 1, 2018 through December 1, 2018, included two recommendations related to errors in reporting, monitoring of the ten percent threshold for asset-backed securities, and secondary review of daily holding reports. Management agreed with the recommendations and indicated corrective actions were taken.

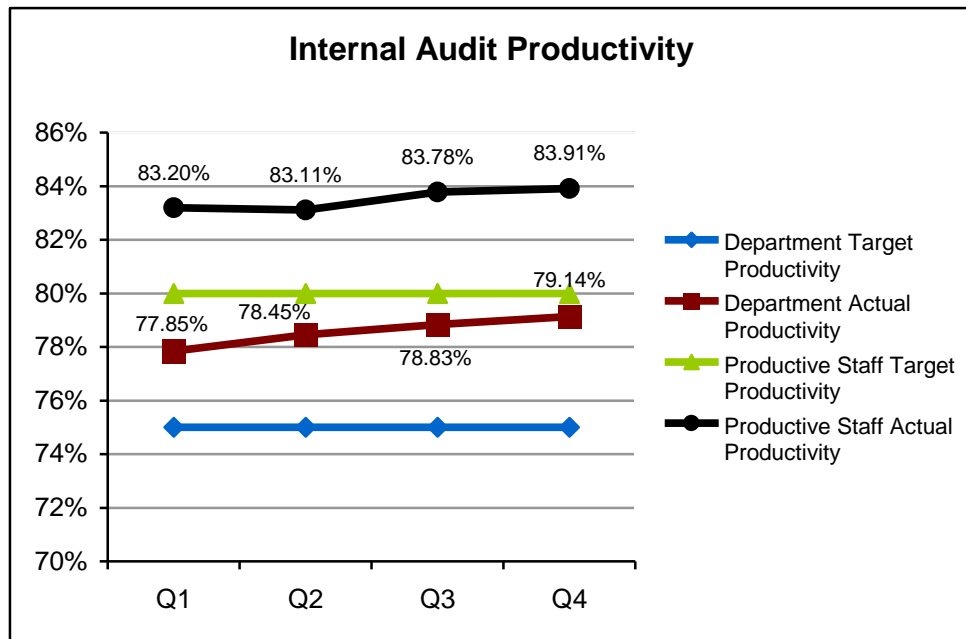
Finally, an audit of the Construction Safety Program (Program) was issued, concluding that the Program could be improved by enhancing policies and procedures, developing a training program, refining the process for identifying applicable contractors, and formalizing the process for documenting safety activities and reporting. Management responded that the Program will be revised to address the reported observations.

Also, during the quarter, Internal Audit provided results of the FY 2015-16 through FY 2017-18 State Triennial Performance Audits (STP Audits) of OCTA and Laguna Beach Municipal Transit Lines (LBMTL). The STP Audits found OCTA and the Orange County Transit District in compliance with all Transportation Development Act regulations and provided seven recommendations for consideration. The auditors also found LBMTL in compliance and offered three recommendations.

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

By the quarter ended June 30, 2019, Internal Audit had achieved cumulative productivity of 79 percent, and the professional staff achieved cumulative productivity of 84 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. During the fourth quarter, Internal Audit completed 11 price reviews. For the year ended June 30, 2019, a total of 29 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, 2019, Internal Audit received six reports. Four reports were customer complaints and were referred to management for disposition. Two complaints did not involve OCTA; one reporter was given contact information for the applicable agency and information from the second reporter was communicated to the internal audit department of the subject agency.

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.

Management will begin enforcing a one percent threshold for fare revenue variances on July 1, 2019, when the contract amendment is effective. Management has not implemented a procedure to monitor coupons collected by Yellow Cab.

For the quarter ended June 30, 2019, Internal Audit completed follow-up reviews of five outstanding audit recommendations from the ACCESS Service audit. Four of the recommendations were adequately addressed by management and were closed out and one had not yet been implemented. Follow-up of another three recommendations, from the Interstate 5 Improvement Project audit, are in

process. Eleven recommendations were added to the listing based on the audits summarized above in the Discussion section of this report.

Summary

The OCTA Internal Audit FY 2018-19 Plan is being closed-out. Projects that are in process, and one project that has not been initiated, will be carried forward to the OCTA Internal Audit FY 2019-20 Plan. Internal Audit will continue to perform follow-up of all outstanding findings and recommendations.

Attachments

- A. Orange County Transportation Authority Internal Audit Department Fiscal Year 2018-19 Internal Audit Plan, Fourth Quarter Update
- B. Outstanding Audit Recommendations, Audit Reports Issued Through June 30, 2019
- C. Audit Recommendations Closed During Fourth Quarter, Fiscal Year 2018-19

Prepared by:



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

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2018-19 Internal Audit Plan
Fourth Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Over (Under)	Status (Date Issued)
Mandatory External Independent Audits							
Annual Financial Audits and Agreed-Upon Procedures Reviews	FY19-001 through FY19-004	Procure independent financial audit firm and coordinate and report on annual financial and agreed-upon procedures reviews for fiscal year 2018-19.	Financial	450	520	(70)	Complete
State Triennial Audit	FY19-007	Procure independent audit firm and coordinate and report on the required State Triennial Performance audits of the Orange County Transportation Authority (OCTA), Orange County Transit District, and Laguna Beach Municipal Transit Lines.	Compliance	180	246	(66)	Complete April 2019
Federal Triennial Audits	FY19-006	Coordinate and report on results of the required Federal Transit Administration's Triennial Review.	Compliance	80		80	
External Regulatory Audits	FY19-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60	54	6	
Internal Audit Department Projects							
Risk Assessment and Annual Audit Plan	FY19-100	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	200	148	52	
Quality Assurance and Self-Assessment	FY19-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with Government Auditing Standards.	Quality Assurance	160	122	39	
Peer Review	FY19-104	Participate in peer reviews of other internal audit agencies in exchange for reciprocal credit towards required peer review of OCTA's Internal Audit. Report results of peer review to Finance and Administration Committee and the Board of Directors (Board).	Peer Review	120	77	43	Complete 2-7-19
Fraud Hotline Activities	FY19-102	Administrative duties related to maintenance of the fraud hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	240	103	137	31 Reports Received
Automated Workpaper Solution	FY19-103	System updates/training related to automated workpaper solution.	Workpaper System	40	38	2	
Internal Audits							
Clerk of the Board							
Board Compensation and Ethics Compliance	FY19-513	Review procedures and record-keeping processes evidencing compliance with Assembly Bill 1234.	Compliance	180	32	148	In Process
Express Lanes Program							
Master Custodial Agreement	FY19-514	Review and test activities related to the Master Custodial Agreement between OCTA, Riverside County Transportation Commission, and the Bank of the West for tracking and deposit of revenues and transponder deposits.	Compliance	300	2	298	In Process
Human Resources and Organizational Development							
Recruiting and Employment	FY19-503	Review procedures, controls, and effectiveness of recruiting and employment operations.	Operational	300	393	(93)	Complete 4-9-19
Construction Safety	FY19-506	Assess the adequacy of policies, procedures, and controls related to the Construction Safety Program function.	Operational	200	571	(371)	Complete 6-17-19

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2018-19 Internal Audit Plan
Fourth Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Over (Under)	Status (Date Issued)
Capital Programs							
Interstate 405 (I-405) Improvement Project: Project Management Contract	FY18-505	Assess and test contract compliance and oversight controls of project management services provided for the I-405 Improvement Project.	Compliance	40	19	22	Complete 7-12-18
Interstate 5 (I-5) Improvements: Pacific Coast Highway (PCH) to San Juan Creek (SJC) Road	FY18-512	Assess adequacy of contract compliance, oversight, and reporting controls related to the I-5 Improvement Project between PCH and SJC Road.	Internal Control	240	310	(70)	Complete 11-29-18
City of Orange Parking Expansion	FY19-508	Review of the Orange Parking Expansion project, including project administration, oversight controls, and contract compliance.	Internal Control	300	182	119	In Process
Planning							
Comprehensive Transportation Funding Programs Projects	FY18-513	Review selected projects for compliance with Measure M2 Ordinance, policies, and procedures.	Compliance	100	315	(215)	Complete 10-8-18
Operations							
Right-of-Way (ROW) Maintenance	FY19-502	Evaluate the ROW maintenance program and oversight controls and contract compliance related to the agreement for ROW maintenance.	Compliance	240	423	(183)	Complete 1-14-19
Transit Operations							
Coach Operator Scheduling	FY19-505	Review the coach operator scheduling process, including use of the HASTUS application.	Operational	300	386	(86)	In Process
ACCESS Service	FY18-514	Review and test compliance with key contract provisions, with consideration of program effectiveness and efficiency.	Operational	240	278	(38)	Complete 10-10-18
Finance and Accounting							
Treasury	FY19-501 FY19-507	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	200	372	(172)	Complete 10-8-18 and 4-30-19
Grant Closeouts	FY18-510 FY19-510	As-needed, required financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40	42	(2)	Complete 8-13-18
Mobile Ticketing	FY19-504	Assess and test controls for mobile ticketing revenue collection and recording.	Internal Control	240	407	(167)	Complete 4-5-19
Renewable Natural Gas Credits	FY19-511	Review and test compliance with the agreement with Element Markets for renewable gas credits.	Compliance	180	125	55	In Process
Information Systems							
Patch Management	FY19-5XX	Assess the adequacy of the patch management program.	Operational	120		120	

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2018-19 Internal Audit Plan
Fourth Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Over (Under)	Status (Date Issued)
Contract Administration and Materials Management (Camm)							
Price Reviews	PR19-XXX	Cost and price analyses as requested by OCTA's Camm Department.	Price Review	750	944	(194)	29 Reports Issued
Buy America	FY19-509	Pre-award and post-delivery reviews to ensure vendors and OCTA are in compliance with federal Buy America requirements.	Compliance	80	95	(15)	Complete 2-20-19
Warranty Administration	FY18-510	Assess adequacy of controls in place for tracking and recording of warranty repairs and credits.	Internal Control	80	182	(102)	Complete 8-22-18
External Affairs							
Bus Marketing	FY19-512	Review Bus Marketing program; assess and test oversight controls and contract compliance over contracts for bus marketing, public outreach, etc.	Compliance	240	136	104	In Process
Unscheduled Reviews and Special Requests							
Unscheduled Reviews and Special Requests	FY19-800	Time allowed for unplanned audits, coordination of external agency audits, and requests from the Board and management.	Varies	240	9	232	
Monitoring Activities							
Measure M Taxpayer Oversight Committee (TOC)	FY19-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60	48	12	
Metrolink Audit Activities	FY19-602	Obtain and review audit results of Metrolink activities	Non-Audit Service	40	14	27	
Bus Base Inspections	FY19-603	At the request of the Transit Division, participation on annual base inspection teams.	Non-Audit Service	40	37	3	
Follow-up Reviews							
Follow-up Reviews and Reporting	FY19-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-up	320	350	(30)	
Total Audit Project Planned Hours (A)				6,600	6,974	(374)	

Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2018-19 Internal Audit Plan
Fourth Quarter Update

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Over (Under)	Status (Date Issued)
Internal Audit Administration							
Board and Committee Meetings				180	148	32	
Executive Steering and Agenda Setting Meetings				180	128	52	
Internal Audit Staff Meetings				150	110	40	
Other Administration				1,500	1,452	48	
			Total Hours (B)	8,610	8,812	(202)	
			Department Target Efficiency (A/B)	75%	79%		
			Target Efficiency - Professional Staff	80%	84%		

**Outstanding Audit Recommendations
Audit Reports Issued Through June 30, 2019**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
7/12/18	18-505	Capital Programs	Interstate-405 (I-405) Improvement Project: Project Management Contracts	The Internal Audit Department (Internal Audit) recommends that management develop and implement appropriate controls to ensure labor classifications are only used as intended and all labor rates are held to contract escalation limits. Invoices should be monitored to ensure staff working steadily on the project are added to the contract in a timely manner.	Jul-19	Management agrees with the recommendation to develop and implement controls regarding the use of labor classifications. Staff that works, or is proposed to work, on a continuous basis for a period of six months or more will be added as named personnel to the contract. Labor classifications will continue to be utilized for staff working temporarily on the project. Additionally, management will require that consultants receive approval from the Orange County Transportation Authority's (OCTA) project manager in writing prior to adjusting the salary of individuals within labor classifications at a rate greater than the contractually allowable escalation rate for named personnel. Update July 2019: Following Internal Audit's April update, management implemented monitoring controls, processed amendments to consultant agreements to add applicable staff, and is requiring both consultants to confirm on invoices that there have been no rate increases greater than the contract escalation rate, based on their own internal monitoring.	Update April 2019: Management has not implemented sufficient controls. While language on labor classifications has been added to the standard agreement templates, the existing contracts have not been amended to incorporate the new requirements. Internal Audit identified multiple staff that have been billed for over six continuous months on the two program management contracts but have not been added as named staff. Also, while one contractor has begun confirming in its invoices that there are no rate increases greater than the contract escalation rate, OCTA staff is not monitoring compliance by the consultants.
10/10/18	18-514	Operations Division (Operations) and Finance and Administration (F&A)	ACCESS Service	Internal Audit recommends that management enhance procedures for monitoring of ACCESS fare revenue. Procedures should include monitoring of coupons collected by both MV Transportation, Inc. (MV) and Yellow Cab, reconciliation of MV's daily coupon count sheets to the farebox reconciliation document, and investigation of variances exceeding a stated threshold.	Oct-19	Management agrees to enhance procedures for monitoring of ACCESS fare revenue and coupons collected by both MV and Yellow Cab. In addition, management will continue to reconcile count sheets to the farebox reconciliation report and will establish a threshold for researching variances.	Update June 2019: Management will begin enforcing a 1 percent threshold for fare revenue variances on July 1, 2019, when the contract amendment is effective. Management has not implemented a procedure to monitor coupons collected by Yellow Cab.
11/29/18	18-512	F&A	Interstate 5 (I-5) High Occupancy Vehicle (HOV) Improvement Project: Pacific Coast Highway (PCH) to San Juan Creek Road	Internal Audit recommends management enforce procurement policy or update the policy to include parameters for back-dating of formal amendments. Management should also remind staff that amendments should be requested in a timely fashion to ensure processing before contracts expire	May-19	Management agrees to enforce the current policy regarding processing of formal amendments. Management will conduct training for Contracts Administration and Materials Management (CAMM) staff and review the requirements for processing formal amendments. Staff is also working with the general counsel's office to address the changes in contract templates to eliminate any conflicts related to the interpretation of the "effective dates". CAMM also plans to conduct training for OCTA staff on the amendment process in 2019 through the Procurement 101 training series.	In Process

**Outstanding Audit Recommendations
Audit Reports Issued Through June 30, 2019**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
11/29/18	18-512	F&A	I-5 HOV Improvement Project: PCH to San Juan Creek Road	Internal Audit recommends that changes to firm fixed pricing of individual tasks, as established in contracts, be made through the amendment process. Management should ensure amendments needed for additional services are requested and processed in a timely manner.	May-19	Management agrees with the recommendation to request amendments for changes to firm fixed pricing of individual tasks, as established in contracts which were procured with price as a factor. Management will reinforce with staff the need to request and process amendments for additional services in a timely manner.	In Process
11/29/18	18-512	F&A	I-5 HOV Improvement Project: PCH to San Juan Creek Road	Management should either update its Program Management Procedures to reflect state and federal requirements or enhance controls to ensure that projects comply with all procedures identified in the manual.	May-19	Management agrees with the recommendation and will review the relevant procedures from the Program Management Procedures Manual with staff to ensure that projects are in compliance. Project managers will ensure that project management plans are prepared for each project.	In Process
3/12/19	N/A	Planning Division (Planning) and F&A	Measure M (M2) City Audits: Local Fair Share and Senior Mobility Program	M2 Local Programs staff should review observations with legal counsel and develop recommendations for the Board of Directors' (Board) consideration. In addition, Planning and F&A staff should monitor implementation of corrective action by cities.	Sep-19	Staff will review observations and make recommendations for the Boards' action. Staff will follow-up with the cities to verify implementation of corrective actions.	Not yet due.
4/5/19	19-504	F&A	Mobile Ticketing Operations	Controls should be implemented to ensure timely removal of system access upon employee termination.	Oct-19	Information Systems management agrees to put procedures in place to ensure timely removal of system access upon employee termination or reassignment.	Not yet due.
4/5/19	19-504	F&A	Mobile Ticketing Operations	Written policies and procedures should be developed for mobile ticketing operations and activities.	Oct-19	Management agrees with the recommendation and will develop policies and procedures to ensure proper identification and assignment of responsibilities, and continuity of operations in the absence of key staff.	Not yet due.
4/9/19	19-503	Human Resources and Organizational Development (HROD)	Recruitment and Employment	Internal Audit recommended management develop and implement detailed procedures that address all recruitment steps and reconsider whether to hire applicants with pending license suspensions or implement monitoring controls.	Oct-19	Management is in the process of revamping its procedures to address all recruitment steps, including procedures specific to coach operator and maintenance employee recruitments. Procedures will be developed to address the screening, hiring, and monitoring of applicants with pending license suspensions, pending criminal cases, and unfavorable or missing references, consistent with California law.	Not yet due.

**Outstanding Audit Recommendations
Audit Reports Issued Through June 30, 2019**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
4/9/19	19-503	HROD	Recruitment and Employment	Internal Audit recommended management enhance procedures to ensure offers of relocation are properly approved and adequately documented. Management should also implement monitoring controls to enhance compliance with recruitment policies and procedures.	Oct-19	A Reimbursement of Relocation Expenses Procedure has been provided to staff. In addition, template language has been developed to insert into any candidate offer letter that includes relocation expenses. The offer letter requires the candidate's signature and acknowledges receipt of, and agreement with, the Relocation Expenses Policy, which includes a payback provision. Management will determine the best means to implement controls to ensure compliance with policy.	Not yet due.
4/9/19	19-503	HROD	Recruitment and Employment	Since service workers are required to operate buses, even on a limited basis, Internal Audit recommends that management reconsider the removal of the commercial driver license requirement. Alternatively, management should issue a formal directive to base management that service workers should never be asked or allowed to drive buses outside base property.	Oct-19	Management will update the Commercial Driver License (CDL) and Renewal Policy, to address the licensing of all Maintenance employees including what is required for each position. For positions that do not require a CDL, the policy will state those individuals shall not operate a vehicle outside of the base property. The policy changes will be tailgated, and Maintenance employees will sign an acknowledgement receipt of the policy. In addition, the policy will be included in new Maintenance employee orientation. Policy update, tailgating, and distribution will be completed within 30 days.	Not yet due.
4/30/19	19-507	F&A	Investments: Compliance, Controls and Reporting July 1, 2018 - December 31, 2018	Internal Audit recommends that additional training be provided on the preparation of investment worksheets and reports. Also, Internal Audit recommends that Treasury use custodial statements as the basis for preparing the reports or, if Clearwater book values are used for reporting, that reconciliations be performed and documented.	Oct-19	Management agrees with the recommendation. In the future, if Clearwater book values are used for reporting, then staff will reconcile any differences between Clearwater book values and custodial statement book values. In addition, staff has already provided additional training and modified the review process in order to improve the reporting process going forward.	Not yet due.
4/30/19	19-507	F&A	Investments: Compliance, Controls and Reporting July 1, 2018 - December 31, 2018	Internal Audit recommends Treasury implement controls to monitor the ten percent threshold for asset-backed securities and ensure secondary review of daily holding reports is performed as required.	Oct-19	Staff has worked with Clearwater and is already using a report which segregates mortgage and asset-backed securities so that the ten percent threshold on asset-backed securities can be monitored. In addition, staff has reviewed balances for asset-backed securities for all investment managers during the period and all investment managers were in compliance. In addition, a process has been put in place to ensure secondary review of the daily holdings reports is performed.	Not yet due.

**Outstanding Audit Recommendations
Audit Reports Issued Through June 30, 2019**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
4/1/19	N/A	Operations, Planning, and F&A	Fiscal Year (FY) 2016-18 Transportation Development Act (TDA) Performance Audit OCTA	Kimley Horn provided seven recommendations for consideration. The recommendations focused primarily on continuing existing efforts to enhance reporting processes, increase ridership, maximize revenues, improve documentation of the farebox recovery ratio, and planning for impacts of longer bus lives and clean fleet requirements. Kimley Horn also offered recommendations to improve paratransit services by performing recurring route efficiency reviews and considering alternative contracting models for the service.	Oct-19	Management agreed to continue existing efforts and consider recommendations for enhancements.	Not yet due.
4/1/19	N/A	F&A	FY 2016-18 TDA Performance Audit Laguna Beach Municipal Transit Lines (LBMTL)	Direct staff to monitor implementation of recommendations included in the FY 2016-18 Triennial Performance Audit of LBMTL.	Oct-19	Staff will monitor implementation of recommendations by LBMTL.	Not yet due.
6/17/19	19-506	HROD	Construction Safety Program	Internal Audit recommends that management further develop policies, procedures, and guidelines to provide a comprehensive, risk-based framework for monitoring contractor compliance with construction safety regulations.	Dec-19	Management concurs with the recommendation and will further evaluate the safety specifications levels and make appropriate revisions to streamline the requirements of submittal deliverables for lower risk contracts. Management will also implement procedures to ensure safety-related training for project managers and safety reporting by applicable contractors.	Not yet due.
6/17/19	19-506	HROD	Construction Safety Program	Internal Audit recommends that management develop procedures for documenting and tracking safety activities. Documented activities, and follow-up of safety issues observed, should be retained and used to complete monthly activity reports.	Dec-19	Management concurs with the recommendation and will develop a tracking tool to document applicable construction safety activities and observations.	Not yet due.

**Audit Recommendations Closed During
Fourth Quarter, Fiscal Year 2018-19**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Management Response
10/10/18	18-514	Operations Division (Operations) and Finance and Administration (F&A)	ACCESS Service	Internal Audit recommends that management consider a policy update that requires Board of Directors (Board) approval for amendments that obligate Orange County Transportation Authority (OCTA) to additional costs exceeding \$250,000, even when the increase can be accommodated within the contract maximum. Internal Audit also recommends that staff ensure the validity of consultant assumptions before relying on them to derive cost estimates. Finally, the justification and responsibility for selecting between various cost estimates should be documented and approved.	Management to consider a policy change to require Board approval for amendments where individual tasks may increase beyond \$250,000. Regarding the recommendation for staff to ensure the validity of consultant assumptions before relying on them to derive cost estimates, management agrees to comply. Lastly, management agrees that the justification and responsibility for selecting between various cost estimates should be documented and approved in writing by the project manager. Update June 2019: Changes to operational and management contracts that obligate OCTA to additional costs, without changing the contract maximum, will be reported to the Board in the quarterly procurement status reports as regular items.
10/10/18	18-514	Operations	ACCESS Service	Internal Audit recommends that staff consistently perform monthly monitoring of preventative maintenance inspections (PMI).	Management agrees with the finding and will perform consistent inspections of preventive maintenance records to ensure compliance with all regulatory agencies and contract requirements. Update June 2019: Newly-drafted procedures state that reviews of PMI records will be conducted on a monthly basis. Management consistently performed the PMI reviews during the follow up period.
10/10/18	18-514	F&A	ACCESS Service	Internal Audit recommends that management review performance bonds at contract inception to ensure that the bonds meet the contract requirements. When amendments to increase the contract amount are executed, management should ensure that the bonds are increased accordingly.	CAMM has recently implemented services from a third-party vendor, Insurance Tracking Services, Inc. (ITS), to review bond and insurance documentation for compliance to ensure contract requirements are met. CAMM management will review the bond amount in the ITS system following amendment execution to ensure accuracy of the bond requirements, as well as the bond amount provided. Update June 2019: As of follow up review, the performance bond provided by the contractor meets the contract requirement.
10/10/18	18-514	Operations	ACCESS Service	Internal Audit recommends that management instruct MV Transportation, Inc. (MV) to correct the calculation of percentage of calls answered within five minutes. Further, management should increase oversight of the performance standard by periodically validating the data and the calculation.	Management will correct the calculation of percentage of calls answered within five minutes. In addition, management will enhance procedures for monitoring the calculation of percentage of calls answered within five minutes. Update June 2019: The flaw in the calculation has been removed, with requests for Same Day Taxi (SDT) trips going to the new SDT contractor instead of MV. Management has implemented a review process of performance standards, including the call center standards, for five randomly selected days; however, there is no documentation retained for these reviews. The recommendation will be closed; however, Internal Audit verbally recommended that management retain documentation of its review of performance standards.