



July 27, 2022

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Fiscal Year 2021-22 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 2021-22 Internal Audit Plan on August 9, 2021. 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 2021-22 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) 2021-22 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. Actual hours available for audit activities exceeded budgeted hours by approximately 200 hours due primarily to a decrease in the number of hours consumed for Internal Audit administrative activities.

For the Plan year, Internal Audit completed 35 projects, including 23 price reviews, ten internal audits, one unscheduled agreed-upon procedures review, and one Buy America review. As of June 30, 2022, 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 were carried over to the OCTA Internal Audit FY 2022-23 Plan approved by the Board of Directors on July 25, 2022.

During the fourth quarter, Internal Audit issued results of an audit of freeway service patrol (FSP) operations. Based on the audit, procurements were handled in accordance with OCTA procurement policies, and oversight and invoice review controls were adequate to ensure compliance with policy and contract agreements. In addition, management has implemented effective monitoring controls to ensure that service providers comply with FSP Standard Operating Guidelines.

An audit of investments for the period July 1 through December 31, 2021, found that OCTA complied with its debt, investment, and reporting policies and procedures during the period.

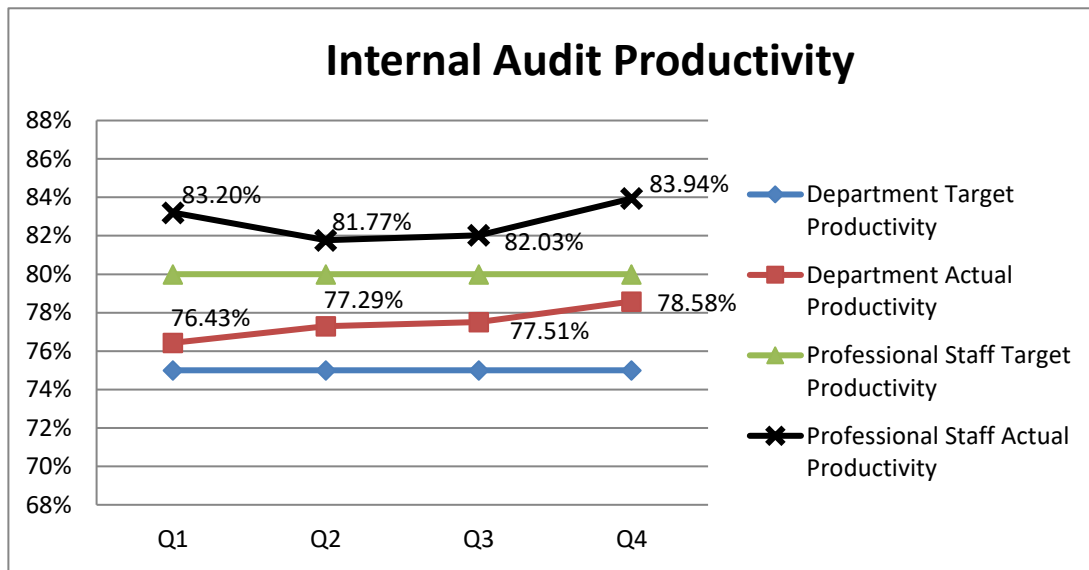
Also, during the quarter, Internal Audit provided results of an audit of temporary staffing services that found contract compliance, oversight, and invoice review controls were adequate and operating.

Lastly, an audit of the revenue vehicle procurement process was completed and concluded that revenue vehicle acceptance procedures and invoice review controls were generally adequate and operating; however, two recommendations were made to update policy and procedures related to cooperative procurements and to ensure that regulatorily-required resident inspector reports are prepared.

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, 2022, 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 (CAMM) 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 CAMM 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. Internal Audit makes recommendations to adjust proposed rates where they exceed the rates per

review. During the fourth quarter, Internal Audit completed nine price reviews. For the year ended June 30, 2022, a total of 23 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, 2022, Internal Audit received three reports. One report was a customer complaint and was referred to customer service for disposition; a second report was a complaint unrelated to OCTA and the reporter was referred to the local police department. A third report, alleging that altered documents were provided to Internal Audit during follow-up of an outstanding audit recommendation, was investigated and substantiated. As a result, Internal Audit will perform additional follow-up of the recommendation and the matter was referred to Human Resources for additional investigation and disposition.

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, 2022, Internal Audit completed a follow-up review of one outstanding audit recommendation from the investments audit and closed out the recommendation, as reflected in Attachment C. Follow-up review of another outstanding recommendation from the audit of the Bridgestone/Firestone tire lease and services contract was also performed and management was notified that the recommendation would be closed out. However, subsequently, Internal Audit confirmed that altered documents were provided as part of the follow-up review, as noted above. As a result, this recommendation will remain open and additional follow-up will be performed. Follow-up of another seven recommendations is in process as of quarter end. Two recommendations were added to the listing resulting from the revenue vehicle procurement audit, summarized above.

Summary

The Orange County Transportation Authority Internal Audit Department Fiscal Year 2021-22 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 2022-23 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 2021-22 Internal Audit Plan, Fourth Quarter Update
- B. Outstanding Audit Recommendations, Audit Reports Issued through June 30, 2022
- C. Audit Recommendations Closed During Fourth Quarter, Fiscal Year 2021-22

Approved by:



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

**Orange County Transportation Authority
Fiscal Year 2021-22 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	FY22-001 through FY22-004	Coordinate and report on annual financial and AUP reviews for fiscal year (FY) 2020-21.	Financial	425	454	(29)	Complete
External Regulatory Audits	FY22-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	32	22	11	
State Triennial Review	FY21-007	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	253	(73)	Complete
Internal Audit Department Projects							
Risk Assessment and Annual Audit Plan	FY22-100	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	182	(2)	Complete
Quality Assurance and Self-Assessment	FY22-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with Generally Accepted Government Auditing Standards.	Quality Assurance	120	139	(19)	Complete
Fraud Hotline Activities	FY22-102	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	160	48	112	11 Reports
Peer Review	FY22-104	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 the Finance and Administration Committee and the Board of Directors (Board).	Peer Review	120	103	17	Peer Report Issued 3-27-22
Automated Workpaper Solution	FY22-103	System updates/training related to automated workpaper solution.	Workpaper System	40	34	7	

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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 Audits							
Security and Emergency Preparedness							
Physical Access Security	FY21-511	Review and test controls in place to ensure adequate physical access security at OCTA locations.	Internal Control / Operational	140	406.5	(267)	Complete 1-18-22
Clerk of the Board							
Form 700 Disclosures	FY21-510	Review and test controls in place related to coordination of Form 700 disclosures by designated employees.	Compliance	24	12	12	Complete 7-15-21
Public Records Requests	FY22-510	Assess and test controls in place to ensure compliance with regulations, policies, and procedures.	Compliance	160	102	58	In Process
Express Lanes Program and Motorist Services							
Freeway Service Patrol	FY22-509	Review and test oversight, compliance, and invoice review controls over freeway service patrol activities and consultants.	Operational/ Compliance	240	233.5	7	Complete 4-21-22
People and Community Engagement							
Benefit Programs: Incentives	FY22-502	Assess and test policies, procedures, and controls over employee incentive programs.	Operational	240	278	(38)	Complete 12-23-21
Temporary Staffing	FY22-506	Assess and test oversight, contract compliance, and invoice review controls related to temporary staffing contracts and services.	Operational/ Compliance	240	241	(1)	Complete 4-21-22
Capital Programs							
OC Streetcar - Construction	FY22-505	Review of oversight controls, contract compliance, and invoice review controls related to design and construction of the OC Streetcar project.	Internal Control / Compliance	320	498	(178)	In Process
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	240	195	45	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)
Operations							
Facilities Maintenance	FY21-507	Review of facilities maintenance function within the Operations Division, including oversight controls and contract compliance.	Operational / Compliance	180	418	(238)	Complete 2-9-22
Revenue Vehicle Purchases	FY22-508	Review revenue vehicle purchase activities to determine compliance with regulations, policies, and procedures.	Internal Control/ Operational	240	260	(20)	Complete 6-29-22
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	240	188.5	52	In Process
Finance and Accounting							
Treasury	FY22-501, FY22-504	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	300	300	-	2 Reports Issued
Information Systems							
Cybersecurity	FY22-5XX	Design a scope of work and procure an audit consultant to evaluate OCTA's cybersecurity program.	Internal Control/ Operational	100		100	
Contract Administration and Materials Management (CAMM)							
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	59	101	In Process
Price Reviews	PR22-XXX	As requested by the CAMM Department, apply AUP to sole source, single bid, and architectural and engineering firm proposals.	Price Review	900	766	134	23 Reports Issued
Buy America	FY22-503	As requested by the CAMM Department, apply AUP to determine compliance with Buy America requirements.	Buy America	160	151	9	1 Report Issued

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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 Affairs							
Public Outreach	FY22-504	Assess and test oversight, contract compliance, and invoice review controls related to public outreach activities for the Interstate 405 Project.	Internal Control/ Compliance	240	239.5	1	Complete 2-8-22
Unscheduled Reviews and Special Requests							
Unscheduled Reviews and Special Requests	FY21-802, FY22-800	Time allowed for unplanned audits and requests from the Board or management.	Varies	240	189	51	1 Report Issued
Monitoring Activities							
Measure M Taxpayer Oversight Committee (TOC)	FY22-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60	38	22	
Metrolink Audit Activities	FY22-602	Review/monitor audit results of Metrolink activities.	Non-Audit Service	20		20	
Capital Asset Inventory Observation	FY22-604	At the request of the Finance and Administration Division, observe and apply limited procedures related to the biannual capital asset inventory counts.	Non-Audit Service	80	225	(145)	Complete
Bus Base Inspections	FY22-603	At the request of the Operations Division, participate in annual base inspections.	Non-Audit Service	60	24	36	Complete
Follow-Up Reviews							
Follow-Up Reviews and Reporting	FY22-700	Follow up on the status of management's implementation of audit recommendations.	Follow-Up	240	221	20	
Total Audit Project Planned Hours (A)				6,081	6,277	(196)	

**Orange County Transportation Authority
Fiscal Year 2021-22 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)
Internal Audit Administration							
Board and Committee Meetings				180	155	26	
Executive Steering and Agenda Setting Meetings				180	149	31	
Internal Audit Staff Meetings				140	128	12	
Other Administration				1,375	1,280	95	
			Total Hours (B)	7,956	7,988	(32)	
			Department Target Efficiency (A/B)	75%	79%		
			Target Efficiency - Professional Staff	80%	84%		

**Outstanding Audit Recommendations
Audit Reports Issued Through
June 30, 2022**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
4/27/21	21-506	Operations	Review of Oversight Controls and Contract Compliance: Bridgestone-Firestone (Bridgestone) Tire Lease and Services, Agreement No. C-9-1354	The Internal Audit Department (Internal Audit) recommended management strengthen monitoring controls to ensure required staffing and work schedules are provided as required. Management should also consider actions to address violations of contract terms and consider adjustments to invoices to account for staffing shortages. Finally, management should evaluate whether 17-hour shifts worked by contractor staff present safety concerns that should be addressed.	Sep-22	Management agreed and advised that the Contracts Administration and Materials Management (CAMM) Department was engaged to formally address the noted contract violations and to explore adjustments to invoices to account for staffing shortages. Management will continue to closely monitor the contract to ensure proper staffing levels are maintained, work schedules are posted and adhered to, and all employee procedures are followed as specified in the terms of the contract. Management will work with the Orange County Transportation Authority's (OCTA) Health, Safety, and Environmental Compliance (HSEC) Department to ensure safe work practices are being followed by Bridgestone.	<u>Update December 2021:</u> Management obtained credit from Bridgestone for the missed work shifts noted during the audit; however, staffing shortages have persisted and no formal action has been taken to address the failure to meet contract requirements or to obtain credits for the missed work shifts. <u>Update June 2022:</u> Internal Audit performed follow-up and closed out the recommendation; however, subsequent to the follow-up review, it was discovered that some documents provided to Internal Audit had been altered. As a result, an additional follow-up will be performed in September.
7/15/21	21-510	Executive Office	Administrative Controls Related to Conflict of Interest Code Form 700 Statement of Economic Interests	Internal Audit recommends management establish and implement a procedure to identify contractors, including those identified by Internal Audit, serving in roles that would otherwise be performed by a designated OCTA employee and require filing. Management should also identify Transit Police Services (TPS) and Real Property consultant staff that should be filing and include them in the eDisclosure system so that they may file, as required.	Jul-22	Management will work with legal counsel and CAMM to develop a process to identify consultants required to file. Both TPS and Real Property consultant staff will be included in this process.	<u>Update March 2022:</u> Management has reviewed the suggestion to include real property and TPS with legal counsel. Based on that review, real-property consultants will be removed and TPS officers with a rank of captain and above will be required to file. A process has been developed to review scopes of work for positions that should be required to file form 700s and will be implemented in the new fiscal year.

**Outstanding Audit Recommendations
Audit Reports Issued Through
June 30, 2022**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
7/15/21	21-510	Executive Office	Administrative Controls Related to Conflict of Interest Code (COI) Form 700 Statement of Economic Interests	Internal Audit recommends management reconcile the designated positions list with COI code filing requirements in the Human Resources (HR) system. Management should also consider adding the Financial Analyst in Treasury and Public Finance as a designated position.	Jul-22	Management will review the active designated position titles in the HR system and deactivate position codes, where applicable, or add the COI codes as appropriate. In addition, HR will create new position codes for the Financial Analyst job series in Treasury and Public Finance and attach the COI code for the entire job family.	Update March 2022: HR reconciled position codes in the HR system with the designated positions list and corrected the discrepancies from the audit. HR added the COI code to the Financial Analyst series; however, Internal Audit noted that the employee in that position was never added to the eDisclosure filing system. As a result, this employee was never sent a request to file. Internal Audit recommended that HR work with Clerk of the Board to develop and implement a process to ensure that all employees working in newly designated positions are added to the eDisclosure system and notified to file.
12/23/21	22-502	People and Community Engagement (PACE)	Employee Incentive Benefit Programs	Internal Audit recommends that HR follow up to ensure all discrepancies in vanpool days reported between payment request forms, the OC Vanpool system, and the Commuter Club system are resolved prior to approving payment of incentives.	Jun-22	HR will follow up on any discrepancies of the vanpool days between payment request forms, the OC Vanpool system, and the Commuter Club system and ensure the discrepancies are resolved before the coordinator approves payment requests.	In Process

**Outstanding Audit Recommendations
Audit Reports Issued Through
June 30, 2022**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
12/23/21	22-502	PACE and F&A	Employee Incentive Benefit Programs	Internal Audit recommends HR consider obtaining and retaining supporting documentation when changing providers charged with collecting information in support of incentive payments. In addition, the Contracts Administration and Materials Management (CAMM) Department should ensure that a complete audit clause is reflected in all purchase orders (PO).	Jun-22	The new Wellness provider has the functionality to retain and report on information in support of incentive payments in the event that OCTA changes providers. Once CAMM was made aware that a system glitch existed that partially cut off the audit clause from some or all POs, CAMM staff worked directly with OCTA's Information Systems Department to identify the root cause and correct the issue. Additionally, now CAMM reviews the General Provisions on each PO to verify that all clauses have printed in their entirety and are included.	In Process
12/23/21	22-502	PACE	Employee Incentive Benefit Programs	Internal Audit recommends HR obtain signed Metrolink Corporate Quick Card Incentive Program Request forms from all participating employees without a form on file. Additionally, HR should consider requesting periodic re-certifications by participating employees to ensure that they understand and acknowledge program requirements.	Jun-22	HR will obtain signed Metrolink Corporate Quick Card forms from all active Metrolink commuters who do not have one on file. HR will also request recertification of participating employees on an annual basis.	In Process
3/2/22	Not Applicable	Planning and Operations	Measure M2 City Audits	Crowe LLP issued results of agreed-upon procedures applied to selected cities to determine compliance with Measure M2 Ordinance and guidelines for Local Fair Share and Senior Mobility Program funds.	Aug-22	Staff was directed to follow-up with cities to confirm actions taken, as indicated in management responses.	

**Outstanding Audit Recommendations
Audit Reports Issued Through
June 30, 2022**

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 Security and Emergency Preparedness Department (SEP) management develop, maintain, and test a comprehensive, appropriate, and up-to-date set of physical security plans, policies, and procedures based on evaluation of the organization using risk rating methodologies and assessments. 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-22	Management will work to document all processes and review assigned policies. SEP will make considerable updates to the Physical Security Policy to address gate controls and create an OCTA 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.	In Process
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-22	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.	In Process

**Outstanding Audit Recommendations
Audit Reports Issued Through
June 30, 2022**

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-22	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.	In Process
1/26/22	21-511	Executive Office	Physical Access Security	Internal Audit recommends management implement invoice review controls and enforce contract requirements. Overpayment of overtime should be recovered, along with charges for support fees that are not covered by the contract. Costs incurred that are not on the contract price listing should be accompanied by receipts or other supporting documentation and should be reimbursed "at cost".	Jul-22	A more comprehensive review process will be implemented immediately, including notification to the vendor that supporting documentation must be provided with all invoices. Overpayments are in the process of being recaptured, and an amendment to the contract is being issued to address Other Direct Costs that were not itemized in the original contract.	In Process

**Outstanding Audit Recommendations
Audit Reports Issued Through
June 30, 2022**

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	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-22	FM contracts for parts and supplies will be transferred to CAMM 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.	
2/9/22	21-507	Operations and F&A	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-22	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.	

**Outstanding Audit Recommendations
Audit Reports Issued Through
June 30, 2022**

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	FM Operations	Internal Audit recommends management ensure that bonus eligibility determinations are in line with the criteria outlined in the Transportation Communications Union/International Association of Machinists and Aerospace Workers collective bargaining agreement (CBA) for facilities technicians.	Aug-22	The bonus incentive Letter of Agreement was removed from the CBA during recent negotiations. The new CBA was approved by the Board of Directors on February 7, 2022.	
2/9/22	21-507	Operations	FM Operations	Management should update the FM Plan (Plan) on a periodic basis and document the results of the annual assessments of OCTA building structures.	Aug-22	Management will ensure that the Plan is reviewed and updated periodically and will ensure that capital needs assessments are formally documented beginning with the annual assessment from 2021.	
6/29/22	22-508	Finance and Administration Division (F&A)	Revenue Vehicle Procurement Audit	Internal Audit recommends management update and expand policies and procedures to fully address revenue vehicle cooperative procurements, including allowable methods of solicitation, approval thresholds, and basis of award. In addition, management should enhance documentation to reflect requirements for use of agency contracts.	Dec-22	CAMM will update the cooperative procurement procedures to include a specific process for revenue vehicle procurements and apply the request for proposal method and corresponding thresholds rather than the request for quote procurement method previously used. Moving forward, CAMM will also document in the contract file the rationale, as well as validation that the contract was awarded on a competitive basis and did not restrict competition.	
6/29/22	22-508	Operations	Revenue Vehicle Procurement Audit	Internal Audit recommends management revise the Scope of Work (SOW) for in-plant inspection service agreements to include a requirement for preparation of a Resident Inspector Report that complies with Federal Transit Administration Buy America requirements.	Dec-22	Although in-plant inspection service SOWs do include providing a written record of all vehicle construction activities, management concurs with the recommendation to revise the SOWs for in-plant inspection service agreements to include a requirement for a formal Resident Inspector Report. Management will pursue amendments to the current in-plant inspection service agreements.	

**Audit Recommendations Closed During
Fourth Quarter, Fiscal Year 2021-22**

ATTACHMENT C

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Internal Audit Status Comments
9/28/21	22-501	Finance and Administration Division	Investments: Compliance Controls and Reporting January to June 2021	Internal Audit recommends that Treasury staff consistently document resolution of all issues flagged in the Clearwater compliance module, as required by the procedure manual. Additionally, Treasury staff should consider customizing the Clearwater compliance module to more accurately monitor against OCTA Policy.	Staff investigated and documented issues flagged in the Clearwater compliance module during the succeeding audit period of July through December 2021.