



**October 26, 2022**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director  
Internal Audit Department

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

### **Overview**

The Orange County Transportation Authority Board of Directors adopted the Orange County Transportation Authority Internal Audit Department Fiscal Year 2022-23 Internal Audit Plan on July 13, 2022. This report provides an update of activities for the first quarter of the fiscal year.

### **Recommendation**

Receive and file the first quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2022-23 Internal Audit Plan as an information item.

### **Background**

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

Internal Audit performs a wide range of auditing services that include overseeing the annual financial and compliance audits, conducting operational and contract compliance reviews, investigations, pre-award price reviews, and Buy America reviews. In addition, audits initiated by entities outside of OCTA are coordinated through Internal Audit.

### **Discussion**

The OCTA Internal Audit Department Fiscal Year (FY) 2022-23 Internal Audit Plan (Plan) (Attachment A) reflects the status of each project.

During the first quarter of the FY, Internal Audit issued results of an audit of oversight, procurement, invoice, and project reporting controls and compliance with policies, procedures, and contracts related to the design and construction management of the OC Streetcar project. Based on the audit, procurements were handled in compliance with procedures, required status meetings with the Federal Transit Administration are conducted, and quarterly project reports to the Board of Directors are provided. However, recommendations were made to reconsider the use of a Schedule of Values in firm-fixed price contracts, to recover identified overbillings by consultants, to resume monthly preparation of internal project status reports, and to enhance controls over contract amendments and monitoring of consultant insurance requirements. Management agreed and responded that overbillings will be recovered, and corrective actions will be implemented to address the recommendations.

An audit of the administration of Public Record Act requests was also issued and concluded that public record requests are handled in accordance with the California Public Records Act, policies and procedures. One recommendation was made to update procedures and the OCTA website to outline all available methods for submitting a records request, and times available for in-person viewing of records. Management agreed and indicated that recommended updates have been made.

Internal Audit also issued results of an audit of non-revenue vehicle and accessory purchases and assignment. Based on the audit, purchases complied with most policies and procedures; however, recommendations were made to improve controls related to invoice review, ensure motor pool vehicle reservations comply with all policy requirements, and ensure documentation is obtained to verify pricing when utilizing state contracts. Management agreed to enhance controls and documentation, as recommended.

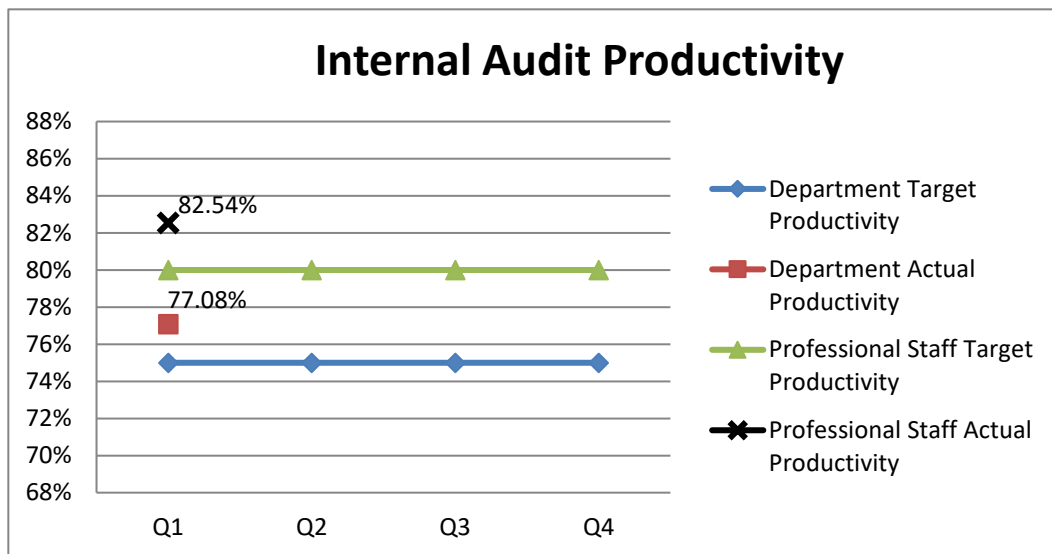
Finally, the semi-annual audit of investments for the period January 1 through June 30, 2022, was completed and found that OCTA generally complied with its debt, investment, and reporting policies and procedures; however, two recommendations were offered related to documentation of compliance monitoring and classification of securities in monthly reports. Management agreed to update the compliance module to improve monitoring and update the classification of securities in the monthly reports.

The primary focus of Internal Audit as of September 30, 2022, and in the ensuing months, will be to provide coordination of the annual financial audits and agreed-upon procedure reviews conducted by OCTA's independent auditor, Crowe LLP.

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 first quarter ended September 30, 2022, Internal Audit achieved productivity of 77 percent, and the professional staff achieved productivity of 83 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 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 first quarter, Internal Audit issued results of four price reviews.

### Fraud Hotline

During the quarter ended September 30, 2022, Internal Audit received three reports through OCTA's Fraud Hotline, [www.ethicspoint.com](http://www.ethicspoint.com). Based on the nature of the complaints, all three reports were referred to appropriate internal management for disposition. As part of the administration of the hotline, Internal Audit maintains documentation of each complaint and its disposition.

Internal Audit is committed to responding to all hotline complaints within eight business days. During the quarter ended September 30, 2022, Internal Audit made initial contact within two business days.

### 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 (Attachment B). Internal Audit includes the findings and recommendations generated internally, as well as those provided by regulatory auditors and OCTA's independent financial statement auditors.

During the quarter ended September 30, 2022, Internal Audit completed follow-up reviews of 13 outstanding audit recommendations and closed five. Four recommendations from the audit of physical access security and three recommendations from the audit of Facilities Maintenance have not yet been implemented and will be reviewed again in six months. One recommendation from the audit of administrative controls related to the Conflict of Interest Code and California Form 700 Statement of Economic Interests has been implemented as of July 1, 2022, but will remain open and reviewed again in six months to allow for testing of a newly implemented control. In addition, follow-up of recommendations made to agencies related to the Measure M Local Fair Share and Senior Mobility Program audits completed for the FY ended 2020-21 is in progress as of September 30, 2022. Eleven recommendations were added to the listing as a result of audits issued during the first quarter.

### **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 2022-23 Internal Audit Plan, First Quarter Update
- B. Outstanding Audit Recommendations, Audit Reports Issued Through  
September 30, 2022
- C. Audit Recommendations Closed During First Quarter, Fiscal Year 2022-23

**Approved by:**



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

**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2022-23 Internal Audit Plan  
First Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
<b>Mandatory External Independent Audits</b>							
Annual Financial Audits and Agreed-Upon (AUP) Procedures Reviews	FY23-001 through FY23-004	Coordinate and report on annual financial and AUP reviews for FY 2021-22.	Financial	420	85	335	In Process
External Regulatory Audits	FY23-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60		60	
<b>Internal Audit Department (Internal Audit) Projects</b>							
Risk Assessment and Annual Audit Plan	FY23-100	Preparation of the annual audit plan, quarterly updates to the audit plan, and periodic assessment of risk throughout the year, including monitoring the audit results of related entities.	Audit Plan and Updates	180	19	161	
Quality Assurance and Self-Assessment	FY23-101	Update of Internal Audit Policies & Procedures. Annual self assessment of Internal Audit's compliance with Generally Accepted Government Auditing Standards.	Quality Assurance	180		180	
Fraud Hotline Activities	FY23-102	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	160	68	92	3 Reports
Automated Workpaper Solution	FY23-103	System updates/training related to automated workpaper solution.	Workpaper System	40	21	20	
<b>Internal Audits</b>							
<b>Clerk of the Board</b>							
Public Records Requests	FY22-510	Assess and test controls in place to ensure compliance with regulations, policies, and procedures for processing Public Records Act requests.	Compliance	180	138	43	Complete 8-10-22
<b>Planning</b>							
Comprehensive Transportation Funding Programs	FY23-508	Audit selected projects for compliance with Measure M2 Ordinance, policies, and procedures.	Compliance	320	114	206	In Process
<b>People and Community Engagement</b>							
Training & Educational Reimbursement	FY23-503	Assess and test the adequacy of controls related to employee training administration and educational reimbursements, and determine compliance with policies and procedures.	Operational	240	127	113	In Process

**Orange County Transportation Authority  
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First Quarter Update**

<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>
Life Insurance Benefits	FY23-5XX	Assess and test policies, procedures, and controls over administration of employee life insurance benefits.	Operational	240		240	
Workers' Compensation	FY23-501	Assess and test controls related to administration of Workers' Compensation claims, including contractor support.	Operational	300	104	197	In Process
Customer Information Center	FY23-5XX	Assess and test oversight, contract compliance, and invoice review controls related to the provision of services by the third-party provider.	Internal Control/ Compliance	240		240	
<b>Capital Programs</b>							
OC Streetcar - Design and Construction	FY22-505	Assess and test oversight controls, contract compliance, and invoice review controls related to construction of the OC Streetcar project.	Internal Control / Compliance	24	18	6	Complete 7-13-22
On-Call Right-of-Way (ROW) and Appraisal Services	FY22-511	Assess and test oversight, contract compliance, and invoice review controls over the use of consultant services for ROW and appraisal services.	Internal Control / Compliance	80	156	(76)	In Process
Anaheim Canyon Station Improvements	FY23-5XX	Assess and test oversight controls, contract compliance, and invoice review controls related to the Anaheim Canyon Station Improvements project.	Internal Control / Compliance	300		300	
OC 405 Partners	FY23-5XX	Assess and test oversight controls, contract compliance, and invoice review controls related to the OC 405 design-build project.	Internal Control / Compliance	400		400	
<b>Operations</b>							
OC ACCESS Eligibility	FY23-XXX	Review ACCESS eligibility process, assess and test oversight controls, contract compliance, and invoice review controls.	Operational / Compliance	280		280	
Non-Revenue Vehicle Purchases and Assignment	FY22-512	Review non-revenue vehicle and accessory purchases and assignments to determine compliance with policies and procedures and evaluate activities to assess economy and efficiency.	Internal Control/ Operational	40	48	(8)	Complete 8-23-22

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<b>Finance and Administration</b>							
Treasury	FY23-502	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	300	233	67	1 Report Issued 9-30-22
Accounts Payable	FY23-5XX	Assess and test controls over accounts payable operations.	Operational	320		320	
Lost and Found Operations	FY23-5XX	Assess and test controls and activities of lost and found operations.	Operational	220		220	
Cybersecurity	FY23-5XX	Design a scope of work and procure an audit consultant to evaluate OCTA's Cybersecurity program.	Internal Control/Operational	100		100	
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	262	(102)	In Process
Price Reviews	PR23-XXX	As requested by the Contracts Administration and Materials Management (CAMM) Department, apply AUP to sole source, single bid, and architectural and engineering firm proposals.	Price Review	900	93	808	4 Reports Issued
Buy America	PR23-XXX	As requested by CAMM, apply AUP to determine compliance with Buy America requirements.	Buy America	120		120	
<b>Government Relations</b>							
State and Federal Consultant Contracts	FY23-5XX	Assess and test oversight, contract compliance, and invoice review controls related to state and federal consultant activities.	Internal Control/Compliance	240		240	



**Orange County Transportation Authority  
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Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
<b>Unscheduled Reviews and Special Requests</b>							
Unscheduled Reviews and Special Requests	FY23-800	Time allowed for unplanned audits and requests from the Board of Directors (Board) or management.	Varies	240	11	229	
<b>Monitoring Activities</b>							
Measure M Taxpayer Oversight Committee (TOC)	FY23-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60	4	56	
Metrolink Audit Activities	FY23-602	Review/monitor audit results of Metrolink activities.	Non-Audit Service	20		20	
Bus Base Inspections	FY23-603	At the request of the Operations Division, participate in annual base inspections.	Non-Audit Service	80	19	61	In Process
<b>Follow-Up Reviews</b>							
Follow-Up Reviews and Reporting	FY23-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-Up	240	196	44	
<b>Total Audit Project Planned Hours (A)</b>				<b>6,684</b>	<b>1,714</b>		

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First Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
<b>Internal Audit Administration</b>							
Board and Committee Meetings				180	49	132	
Executive Steering and Agenda Setting Meetings				180	30	150	
Internal Audit Staff Meetings				140	80	61	
Other Administration				1,500	356	1,145	
<b>Total Hours (B)</b>				<b>8,684</b>	<b>2,228</b>		
<b>Department Target Efficiency (A/B)</b>				75%	77%		
<b>Target Efficiency - Professional Staff</b>				80%	83%		

**Contingency: Internal Audit**

Bus Advertising Revenue	FY23-5XX	Assess and test oversight and contract compliance controls related to the agreement for bus advertising.
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**Outstanding Audit Recommendations  
Audit Reports Issued Through  
September 30, 2022**

**ATTACHMENT B**

<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>Internal Audit Status</b>
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. <u>Update September 2022</u> : Follow-up review in process.
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.	Feb-23	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. <u>Update August 2022</u> : Management has implemented a process effective July 1, 2022 for identifying new contractors that should file a Form 700. Internal Audit will return in six months to test the 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.	<u>Update September 2022</u> : Follow-up review is in process.

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

<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>Internal Audit Status</b>
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.	Jan-23	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.	<u>Update August 2022:</u> Updates to security plans, policies, and procedures have not yet been prepared and are expected to be completed between August and December 2022.
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.	Jan-23	During the review process of current policies, management will include language and definitions to provide clear delineation of duties. In the interim, and starting immediately, management will provide copies to the CTS project manager outlining equipment inspections and current states of functionality of security equipment. Policy review and creation will be completed by June 30, 2022. Afterward, language changes to CTS contracts will be addressed through contract amendments. Contract language will also address OCTA's expectation of CTS providers for event or incident response. This shall be fully implemented by September 30, 2022, or by contract execution.	<u>Update August 2022:</u> Management proposed language for inclusion in the agreements with CTS providers. Some language related to request for access card issuance and termination was included in the agreement with First Transit for ACCESS service, executed in October 2021. Additional language will be included in an amendment to the ACCESS service agreement, expected to be executed in late August 2022. For the contracted fixed-route service provider, management has included language in a recently released request for proposals. A fully executed contract is expected by July 2023.

**Outstanding Audit Recommendations  
Audit Reports Issued Through  
September 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.	Jan-23	Management is reviewing the issuance and termination of access badges in order to document processes. Management will work with other departments, including CTS, to advise of procedures for issuing and terminating access badges and encourage those departments to include procedures in their contracts as appropriate. Additionally, management is currently reviewing and documenting procedures to ensure secondary controls are being utilized. Review and updating of procedures will conclude with the creation of a new physical access policy to be completed by June 30, 2022.	<u>Update August 2022:</u> Management has not yet published policies, procedures, or developed final protocols to address timely issuance, termination, and use of access badges coordinated through OCTA. Management indicated that, while an access control policy was originally expected to be completed by June 30, 2022, it has taken longer than expected due to the need to update the Physical Security Policy first.
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".	Jan-23	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.	<u>Update August 2022:</u> The audit identified overtime and annual support charges not allowed by the contract. Management obtained an invoice credit for the overtime charges and obtained a receipt for \$20,375, to support part of the \$29,146 in annual support billings. Management is working to obtain a receipt to substantiate the remaining charges and intends to execute an amendment with Climatec to address provision of other direct costs.

**Outstanding Audit Recommendations**  
**Audit Reports Issued Through**  
**September 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.	Feb-23	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.	<u>Update September 2022:</u> Management and CAMM have completed transferring contracts to CAMM, however, are working to determine which items will be inventoried and which items will be ordered as needed. This is an ongoing process. In terms of FM parts inventory, a process to bring these items into the CAMM inventory system for proper storage and issuance has been established and is on track to be completed by February 2023. As stated in the original response, the current asset management system is not capable of assigning all costs to work orders. A new system will be implemented in mid-2023.
2/9/22	21-507	Operations and Finance and Administration (F&A) Division	FM Operations	Management should enhance its invoice review process to ensure compliance with OCTA's Vendor Payment Policy and contract payment terms. Vendor mark-ups should be discontinued from time-and-expense contracts. For contracts related to the purchase of parts and materials only, any items not listed on the price summary sheet should include supporting cost documentation. If mark-ups are to be allowed on parts-and-materials contracts, the proposed mark-ups should be incorporated into the evaluation of costs during the vendor selection process.	Feb-23	Management will immediately begin working on enhancing the current invoice cover page to include a checklist that will require acknowledgement of review for sufficient detail as to quantity and rates of costs and justification. To address the issue of providing sufficient detail and complying with contract terms, the checklist being developed will improve oversight. In terms of discontinuing vendor mark-ups in time-and-expense contracts, management will work with CAMM to develop a solution that will address the issue of vendor mark-ups as well as incorporating an evaluation of cost, if mark-ups are allowed, during the vendor selection process.	<u>Update September 2022:</u> Management is working on enhancing the invoice checklist to include a requirement for acknowledgement of review for sufficient detail as to quantity and rates of costs and justification. CAMM has implemented an evaluation methodology to assign a percentage of the cost score for items not listed on the price summary sheet. Management and CAMM continue to explore options including discounts from price sheets and using fair market values to justify and validate price mark-ups.
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.	Feb-23	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.	<u>Update September 2022:</u> The Plan is on a schedule to be reviewed every two years. The posted plan is currently under review to include the latest laws and regulations. Further, capital needs assessments are now formally documented.

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

<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>Internal Audit Status</b>
6/29/22	22-508	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.	
7/13/22	22-505	CAMM and Capital Programs	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	Internal Audit recommends management reconsider use of a schedule of values (SOVs) in firm-fixed priced contracts and initiate amendments in a timely manner. Management should also recover identified overbillings and unallowable charges and disallow payments for services not allowed by the SOVs.	Jan-23	Management agreed to amend the contract to remove the use of SOVs and agreed to recover identified overbillings but indicated that unallowable charges for services by an engineering manager will not be recovered as these services were requested by management.	
7/13/22	22-505	CAMM	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	Internal Audit recommends that management enhance controls over escalation when adding new staff, and ensure that the pricing of amendment values is based on the original contract or proposal rates.	Jan-23	Management agreed to enhance controls over escalation when adding new staff and to ensure pricing of amendment values is based on contract rates.	

**Outstanding Audit Recommendations  
Audit Reports Issued Through  
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<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>Internal Audit Status</b>
7/13/22	22-505	Capital Programs	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	Internal Audit recommends management recover overbillings and require all subconsultants to submit timesheets, and enforce advance approval requirements.	Jan-23	Management will recover overbillings and missing timesheets will be obtained, and the timesheet requirement will be enforced. Advance approval for overtime work will be obtained.	
7/13/22	22-505	Capital Programs	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	Internal Audit recommends that Project Controls resume preparing its monthly status summary reports, in accordance with procedures.	Jan-23	Management is assessing any required revisions to procedures to effect efficient use of Project Controls resources. Going forward, Project Controls will prepare monthly, or quarterly, summary reports depending on the specific project needs and complexity.	
7/13/22	22-505	CAMM	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	Internal Audit recommends CAMM develop procedures to ensure adequate insurance coverage by consultants throughout the contract term. If CAMM continues to use a third party as part of the monitoring process, then the contract should outline appropriate standards and timelines for follow-up activities.	Jan-23	CAMM will ensure that the agreement with the third party vendor includes performance metrics outlining follow-up timelines. CAMM will also implement procedures for progressive actions if insurance certificates are not received. Further, CAMM will send notification to all vendors reminding them of the process for submission of insurance documents.	
8/10/22	22-510	Clerk of the Board	Administration of Public Records Act Requests	Internal Audit recommends management update the website and written procedures to outline all available methods of requesting documents and times for in-person viewing of records.	Feb-23	Management agrees and has updated the website and will update procedures, as recommended.	
8/23/22	22-512	Operations and F&A	Non-Revenue Vehicle Purchases and Assignment	Internal Audit recommends that invoice review procedures be enhanced to include validation of all charges. In addition, Accounts Payable should recover the identified duplicate payment and updated policies to reflect whether a three-way match process is allowable for vehicle purchases. Accounts Payable should consistently confirm the three-way match prior to payment and individuals who receive vehicles in the system should physically verify their delivery.	Feb-23	Management will implement an invoice review checklist to ensure sufficient detail is provided and verified. The policy will be updated to allow for the three-way match process and Accounts Payable will consistently confirm the match prior to payment. Staff receiving vehicles in the system will be required to physically verify receipt going forward. Finally, Accounts Payable will recover the duplicate payment identified.	



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

<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>Internal Audit Status</b>
8/23/22	22-512	Operations and F&A	Non-Revenue Vehicle Purchases and Assignment	Internal Audit recommends management enhance controls to ensure employees' eligibility to drive prior to granting a vehicle reservation. Management should re-evaluate whether employees should be allowed to reserve vehicles for weeks at a time. Finally, all relevant information should be reflected in the reservation system.	Feb-23	Management will work toward an automated solution for determining eligibility or develop an internal solution. Related policies will be updated as appropriate. Also, multi-day reservations will no longer be allowed and all reservation information will be entered into the system.	
8/23/22	22-512	CAMM	Non-Revenue Vehicle Purchases and Assignment	Internal Audit recommends CAMM obtain all needed support and documentation for non-revenue vehicles purchased using state contracts. CAMM should also consider negotiating option pricing with the dealers.	Feb-23	CAMM will include all documentation in the contract file for future purchases using state contracts. Also, CAMM will negotiate option pricing prior to contract award, and will document these efforts.	
9/30/22	23-502	F&A	Investments: Compliance, Controls and Reporting January 1 through June 30, 2022	Internal Audit recommends management maintain documentation addressing all potential violations flagged by the system and consider updating the module to flag only violations of OCTA's policy.	Mar-23	Management has worked with the vendor to update the module to address items flagged as non-compliant in error.	
9/30/22	23-502	F&A	Investments: Compliance, Controls and Reporting January 1 through June 30, 2022	Internal Audit recommends management enhance secondary review of monthly reports to ensure accuracy of security classifications listed in the bond proceeds and debt service reserve fund portfolios.	Mar-23	Management has updated asset labels and will enhance secondary review of these reports.	

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

**ATTACHMENT C**

<b>Audit Issue Date</b>	<b>Report Number</b>	<b>Division/ Department/ Agency</b>	<b>Audit Name</b>	<b>Recommendation</b>	<b>Internal Audit Status Comments</b>
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.	The Clerk of the Board (COB) has reconciled the designated positions list to the eDisclosure system. In addition, the Financial Analyst position has been added to the HR designated positions list.
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.	HR has improved its follow up to ensure all discrepancies in vanpool days reported are resolved prior to approving payment of incentives.
12/23/21	22-502	PACE and Finance and Administration	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).	The audit clause in the PO with the current Wellness portal provider was amended to expand the definition of records to include documents without protected health information that support incentive payments to participant. CAMM has done a review to ensure that the full audit clause is included in all POs.
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.	HR has obtained Metrolink incentive program re-certification forms from current participants.
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.	Internal Audit confirmed that the Bonus Incentive Letter of Agreement related to facilities technicians was removed from the most recent CBA; as such, this recommendation is no longer applicable.