April 27, 2016

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Equipment Assignment, Tracking, and Reporting

Overview

The Internal Audit Department has completed an audit of the equipment assignment, tracking, and reporting function within the Maintenance Resource Management Section of the Maintenance Department in the Transit Division. Based on the audit, procedures for the assignment, tracking, and reporting of vehicles via the Equipment Assignment List are generally adequate; however, one recommendation was made to develop criteria and procedures for the addition and removal of vehicles from the Equipment Assignment List.

Recommendation

Direct staff to implement the recommendation offered in Equipment Assignment, Tracking, and Reporting, Internal Audit Report No. 16-505.

Background

The Maintenance Resource Management Section (MRM) is responsible for the tracking and reporting of all Orange County Transportation Authority owned vehicles. To accomplish this, MRM prepares and updates an Equipment Assignment List (List) of all vehicles and their respective location. This List is published, at a minimum, at each bus service change to reflect the movement of revenue vehicles between base locations due to schedule changes. The List is published internally and is utilized for reference by various maintenance staff.

Discussion

Testing of the List for accuracy identified several instances whereby vehicles had been removed from the List, or remained on the List, for several weeks or months before or after the vehicles were sold, donated, or transferred. The Internal Audit Department (Internal Audit) recommended management establish criteria and procedures to address the timing and authorization for additions and/or deletions of vehicles from the List. Management agreed and has proposed criteria and monthly updates to the List for any significant changes.

Summary

Internal Audit has completed an audit of the equipment assignment, tracking, and reporting function within the Maintenance Resource Management Section and offered one recommendation for improvement.

Attachment

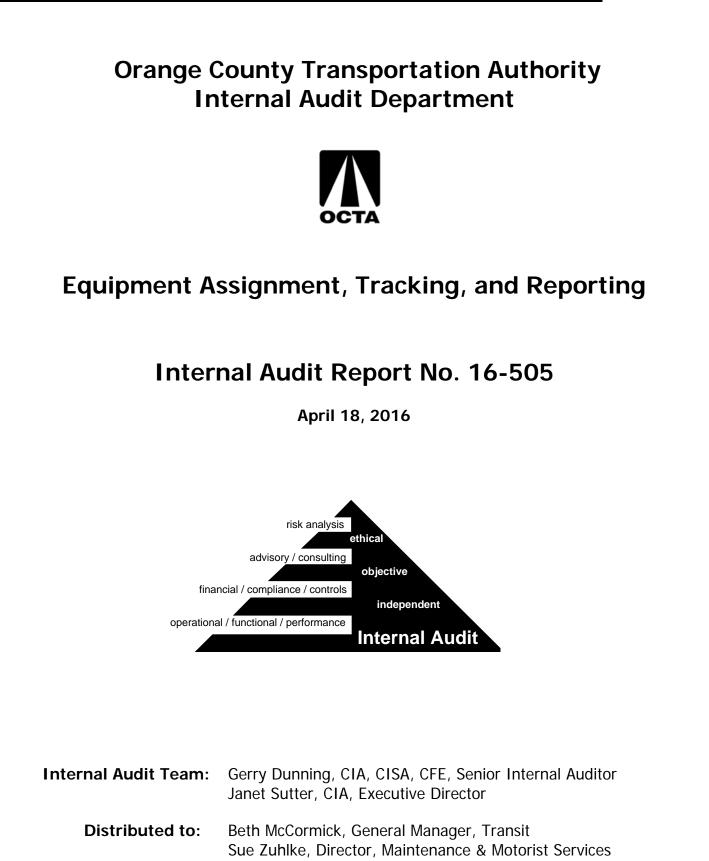A.	Equipment Assignment, Tracking, and Reporting, Internal Audit Report No. 16-505

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Orange County Transportation Authority
Internal Audit Department

OCTA

Equipment Assignment, Tracking, and Reporting

Internal Audit Report No. 16-505

April 18, 2016

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ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Equipment Assignment, Tracking, and Reporting
April 18, 2016

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Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the equipment assignment, tracking, and reporting function within the Maintenance Resource Management Section (MRM) of the Maintenance Department in the Transit Division. Based on the audit, procedures for the assignment, tracking, and reporting of vehicles via the Equipment Assignment List (List) are generally adequate; however, one recommendation was made to develop criteria and procedures for the addition and removal of vehicles from the List.

Background

MRM is responsible for the tracking and reporting of all OCTA owned vehicles. To accomplish this, MRM prepares and updates a List of all vehicles and their respective location. The List is published, at a minimum, at each bus service change to reflect the movement of revenue vehicles between base locations due to schedule changes. The List is published internally and is utilized for reference by various maintenance staff.

Objectives, Scope, and Methodology

The objective of the review was to determine the adequacy of controls in place for the tracking, scheduling, and reporting of OCTA vehicles via the List. The scope of the review included Lists prepared between February 9, 2014 through February 14, 2016, and the OCTA fixed asset listing as of October 31, 2015. The review methodology included interview of applicable personnel, review of a selected List for completeness, accuracy, evidence of approval, and evidence of revision date.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Comment, Recommendation, and Management Response

Procedures for Adding and Removing Vehicles Should Be Enhanced

Testing of the List for accuracy identified several instances whereby vehicles had been removed from the List, or remained on the List, for several weeks or months before or after the vehicles were sold, donated, or transferred. The criteria for adding or removing vehicles from the List have not been defined and staff does not retain evidence to support changes made.

Recommendation 1:

Internal Audit recommends that management establish criteria and procedures to address the timing and authorization for additions and/or deletions of vehicles from the List.

Management Response:

Maintenance concurs with this recommendation. Criteria for changes to the List between service changes will be added to the procedure. Vehicle location is tracked through OCTA's asset management system, Ellipse, which is updated daily. The List will be updated monthly between service changes to address significant changes in vehicle location or disposition as follows:

1. Changes to the List between service changes will be made based on new buses being added, buses being retired, or buses being leased to another agency.
2. Revised Lists will be updated and distributed on a monthly basis provided there are changes in the fleet within the month in question.
3. Vehicles being added to the List will require Transit Technical Services to send MRM the vehicle acceptance paperwork. MRM will then add the new vehicles to the active fleet through Ellipse.
4. Vehicles being removed from the List due to retirement will require MRM to complete an Authorization for Retirement (AFR) form prior to deletion. Vehicles will only be removed once the AFR is approved by the Accounting Department (Accounting).
5. New vehicles that are delivered to OCTA, but not yet accepted, will be listed under "Vehicle Acceptance."
6. AFRs from Contracted Services must be distributed to MRM prior to submitting to Accounting. These vehicles will be removed from the List if retired or included under "AFR Process" or "Senior Mobility," as appropriate.

Vehicles that are leased, will be included under "Leased Vehicles" and indicate the entity to which they are leased.