



October 26, 2011

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Fiscal Year 2011-12 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 2011-12 Internal Audit Plan on August 22, 2011. This update is 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 2011-12 Internal Audit Plan.

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, internal control assessments, investigations, pre-award price reviews, and Buy America reviews. Audits initiated by entities outside of OCTA are coordinated through Internal Audit.

Discussion

The OCTA Fiscal Year (FY) 2011-12 Internal Audit Plan (Plan) (Attachment A) reflects the status of each project. As indicated, numerous projects were completed or are underway. During the first quarter of the fiscal year, Internal Audit completed a review of Payment Card Industry Standards Compliance and found that OCTA has not fully complied with requirements. Reviews of agreements with MV Transportation, Inc. and Veolia Transportation Services were also completed and found that management oversight of these contracts is generally adequate and invoices are properly supported. Internal Audit also

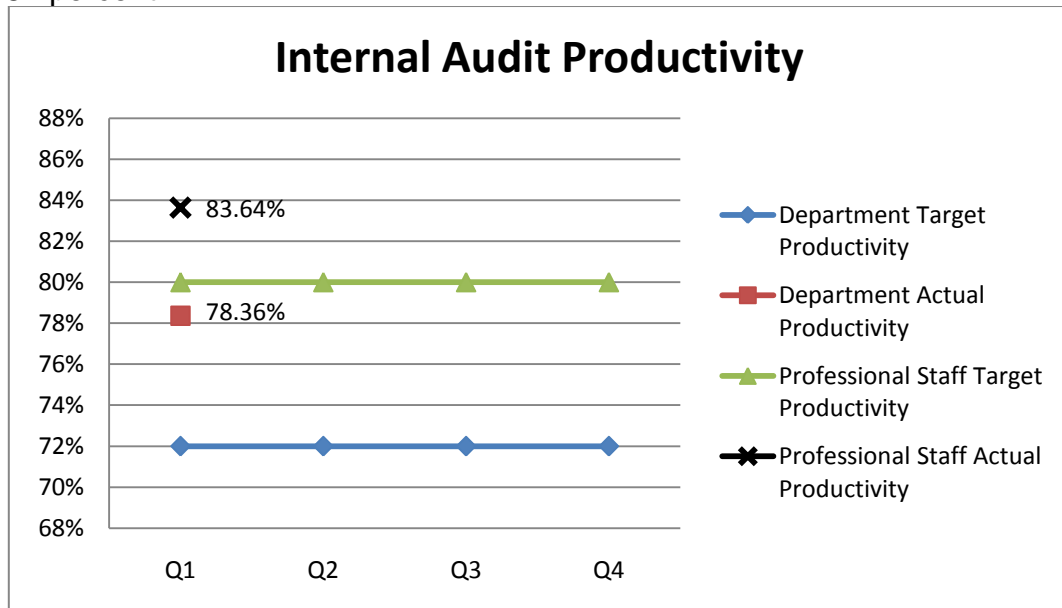
issued a review of State Transportation Improvement Program Planning, Programming, and Monitoring Program Compliance which concluded that, for the fiscal year 2008-09, all expenditures claimed by OCTA were eligible and adequately supported. Finally, Internal Audit issued the semi-annual review of cash and investments and found that investment holdings as of December 31, 2010 were not in compliance with the limit placed on investments in money market/mutual fund holdings. Management has indicated that corrective actions are underway.

The primary focus of Internal Audit as of September 30, 2011, and in the ensuing months, will be to provide coordination of the annual financial statement and related audits.

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

For the first quarter ended September 30, 2011, Internal Audit achieved productivity of 78 percent, and the professional staff achieved productivity of 84 percent.



Price Reviews

At the request of the Contracts Administration and Materials Management (CAMM) Department, and consistent with OCTA procurement policy, Internal Audit conducts reviews of single bid procurements to ensure that the OCTA solicitation process is adequate to stimulate competition. Internal Audit also reviews prices proposed by architectural and engineering firms and sole source contractors to ensure that the prices are fair and reasonable. Internal Audit makes recommendations to adjust proposed rates where they exceed the rates per review. When the value of recommended adjustments can be estimated, Internal Audit tracks and reports these savings, as noted below. During the quarter ended September 30, 2011, Internal Audit initiated two price reviews. At the direction of CAMM, one was cancelled prior to completion. For the second price review, Internal Audit issued recommendations for rate adjustment; however, savings could not be estimated because the underlying agreement is for on-call services.

Quarter	Price Reviews: Recommended Adjustments
1Q	\$ 0
2Q	
3Q	
4Q	
Total	\$ 0

Fraud Hotline

During the quarter ended September 30, 2011, Internal Audit did not receive any complaints through OCTA's Fraud Hotline, www.ethicspoint.com.

In order to ensure that employees remain informed of the hotline, Internal Audit provided related information in the weekly online employee news and on digital signage at the bus base locations during September 2011.

Internal Audit is committed to responding to all hotline complaints within eight business days. During the fiscal year ended 2011, Internal Audit received a total of 23 reports and responded to all within eight business days and, on average, responded 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 as 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.

Summary

The Orange County Transportation Authority's Internal Audit Department will continue to implement the Orange County Transportation Authority Fiscal Year 2011-12 Internal Audit Plan, monitor performance metrics, and report the status on a quarterly basis.

Attachments

- A. Orange County Transportation Authority Internal Audit Department FY 2011-12 Internal Audit Plan First Quarter Update
- B. Unresolved Audit Findings and Recommendations (Audit Reports Issued Through September 30, 2011)

Approved by:



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

**Orange County Transportation Authority
Internal Audit Department
FY 2011-12 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 to F&A)	External Auditor
Mandatory External Independent Audits								
Annual Financial Audit	FY12-000	Annual financial and compliance audits for fiscal year 2011-12.	Financial	520	52	468	In Process	Vavrinek, Trine, Day & Co. (VTD)
Annual Transportation Development Act Audits	FY12-001	Coordination of required annual audits of the recipients of Transportation Development Act Funds for fiscal year 2011-12.	Compliance	160	10	150	In Process	
Orange County Council of Governments (OCCOG) Financial Statement Audit	FY12-005	Management of external audit of OCCOG financial statements and ad-hoc audit assistance.	Financial	20		20		
Internal Audit Projects								
Risk Assessment and Annual Audit Plan	FY11-100	Annual preparation of the audit plan, quarterly updates to the audit plan, periodic assessment of risk throughout the year.	Risk Assessment	180	76	104	Ongoing	
Quality Assurance and Self-Assessment	FY11-101	Update of Internal Audit Policies & Procedures. Annual self assessment of Internal Audit's compliance with Government Auditing Standards.	Quality Assurance	120	2	118	Ongoing	
Fraud Hotline	FY11-102	Investigations of reports of fraud, waste or abuse. In February, develop and issue Request for Proposals for these services which expire in August 2011.	Fraud Hotline	100		100	Ongoing	
Audit Leverage Software System	FY12-103	Deploy updates/upgrades to Audit Leverage software.	Audit Software Updates	40	10	30	Ongoing	
General Auditing - On-Call Services	FY12-104	Issue Request for Proposals, evaluate, and select firms for on-call auditing services.	On-Call Auditing	60		60		
Internal Audits								
Human Resources and Organizational Development								
Worker's Compensation	FY12-501	Review of policies, procedures, and related contracts to ensure adequate controls, effectiveness and efficiency of the worker's compensation program.	Operational	260		260		
Employment	FY12-502	Review of controls and efficiency of candidate recruitment, selection, and hiring.	Operational	240		240		
Department of Motor Vehicles Pull Notice Program	FY12-503	Review of the Pull Notice Program and testing of controls in place to ensure compliance.	Internal Control	180		180	In Process	

**Orange County Transportation Authority
Internal Audit Department
FY 2011-12 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 to F&A)	External Auditor
Capital Projects								
Orangethorpe Corridor Grade Separation Projects	FY11-501	Review of selected contracts for project management, design, and preliminary engineering for the Orangethorpe Corridor Railroad Grade Separations.	Compliance	450		450		
Contract Retention	FY11-502	Review of policies, procedures, and practices for contract retention and release.	Compliance	175		175		
State Route 57 Improvements	FY11-503	Review of selected contracts for design and preliminary engineering for State Route 57 improvements.	Compliance	250	211	40	In process	
Combined Transportation Funding Program (CTFP) Project Audits	FY12-	Preliminary risk assessment, selection of projects, and coordination with outside firm for review of selected CTFP projects for compliance with Measure M requirements.	Compliance	170		170		
Metrolink Cost Sharing	FY11-504	Financial analysis of Metrolink contractual operating cost allocation.	Financial	250	18	232		
Metrolink Service Expansion Program	FY11-505	Review of cooperative agreement with Metrolink for infrastructure improvements related to the implementation of 30 minute service.	Compliance	260		260		
Transit Operations								
Security - Rolling Stock	FY12-506	Review contracts, systems, and controls in place to ensure the safety and security of the rolling stock.	Internal Control	175		175	In Process	
Contracted and Paratransit Operations	FY10-503	Review to ensure contract compliance and verify propriety of payments. Two reviews will be conducted: MV Transportation, Inc. (fixed-route service) and Veolia Transportation (ACCESS service).	Compliance	100	216	(116)	2 Complete (9-14-11)	
Government Relations and Intergovernmental Activities								
Grant Close-outs	FY11-402 FY12-400	As needed financial and compliance audits of grants at close-out to ensure propriety of expenditures.	Compliance	80		80	1 Complete (08-24-11)	
Finance and Accounting								
Treasury	FY11-508 FY12-500	Bi-annual financial and compliance reviews of the treasury function, including investment and bond compliance.	Compliance	300	102	198	In Process	
Toll Road Operations - Revenue and Accounting Management System (RAMS)	FY12-502	Prepare scope and coordinate review of Cofiroute's Revenue and RAMS.	Internal Control	120	17	103	In Process	
Corporate Credit Cards	FY12-507	Review and testing of internal controls in place over corporate credit cards.	Internal Control	160		160		

**Orange County Transportation Authority
Internal Audit Department
FY 2011-12 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 to F&A)	External Auditor
Contracts & Materials								
Price Reviews	PR12-000	Cost and price analyses as required by OCTA procurement policies and procedures.	Price Review	1,000	79	921	1 Complete 1 Cancelled 2 In Process	
Maintenance Inventory Management	FY09-022	Review of inventory management policies, procedures, controls, operational efficiency, and analytic tools.	Operational	175	243	(68)	In process	
Fuel Controls	FY09-024	Review of controls over dispensing of petroleum products.	Internal Control	100	261	(161)	In process	
Information Systems								
Payment Card Industry (PCI) Data Securities Standards (DSS) Compliance	FY11-507	Review of OCTA's compliance with PCI DSS, including review and evaluation of annual self-assessment to ensure protection of credit card data.	Compliance	20	11	9	Complete (7-13-11)	
Telecommunications Equipment	FY09-020	Review of telecommunications equipment usage and internal controls.	Internal Control	80	1	79	In process	
Unscheduled Reviews and Special Requests								
Unscheduled Reviews and Special Requests	FY12-800	Time allowed for unplanned audits and requests from the Board of Directors and management.	Varies	150	33	117		
Monitoring Activities								
Measure M Taxpayers Oversight Committee	FY12-601	Coordination of audit activities with the Audit Subcommittee of the Measure M Taxpayers Oversight Committee.	Monitoring	120	34	86		
Radio Upgrade	FY12-602	Ongoing monitoring of Intelligent Transportation Management System upgrade by ACS and EigerTech.	Monitoring	25		25		
Bus Base Inspections and Inventory Testing	FY12-603	Participation on base inspection teams.	Monitoring	40		40		
Follow-up Reviews								
Follow-up Reviews and Reporting	FY12-700	Follow-up on audit findings and recommendations.		250	108	142		
Total Audit Project Planned Hours (A)				6,330	1,483	4,847		

**Orange County Transportation Authority
Internal Audit Department
FY 2011-12 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 to F&A)	External Auditor
Internal Audit Administration								
Board of Directors and Board Committee Meetings				380	47	334		
Executive Steering Committee and Agenda Meetings				160	27	134		
Internal Audit Department Staff Meeting				240	15	225		
Other Administration				1,500	330	1,170		
Total Hours (B)				8,610	1,901	6,709		
Target Efficiency (A/B)						74%		
Actual Efficiency (A/B)						78%		

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through September 30, 2011)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
11/19/2008	08-001A	Information Systems	Payroll Systems Controls Review	Management should develop and implement password administration controls to address weaknesses.	Apr-12	OCTA's Information Systems (IS) Department is in the process of upgrading the Windows server environment. Once this is complete, staff will solicit consulting support to bind complex passwords to the Lightweight Directory Access Protocol (LDAP). This should be completed by the end of FY2010-11. <u>Update January 2011:</u> The Windows Active Directory project is still underway and is scheduled to be completed by April 2011. <u>Update September 2011:</u> The completion of the Windows 2008 Active Directory project has been delayed. The Windows 2008 project is now scheduled for completion in November, 2011. IS will then implement binding of the Lawson LDAP to the Microsoft Active Directory. For the password binding to be enabled, OCTA staff must also implement an upgrade to the Lawson application. This is scheduled for January, 2012 and is projected to take three months to complete.	Bonelli	Initiate next update in April 2012.
11/19/2008	08-001A	Information Systems	Payroll Systems Controls Review	Management should prioritize the development of a comprehensive business continuity plan.	Apr-12	The Board of Directors has approved the selection of a vendor to provide real time "warm" site backup to our mission critical applications. The project is in its implementation stage and should be complete by the end of FY 2010-11. <u>Update September 2011:</u> The Disaster Recovery project is in the final stages of system testing and is expected to be completed in mid-October.	Bonelli	Initiate next update in April 2012.
2/5/2010	08-010	Metrolink	Review of Metrolink Activities	OCTA Internal Audit provided seven recommendations for improvements in Metrolink's internal audit function. Metrolink's Board of Directors will consider the report in March 2010.	Nov-11	Metrolink management concurred with all recommendations and proposed implementing action. Once the matter is reviewed by the Metrolink Board of Directors, OCTA Internal Audit will report outcomes to OCTA's Finance and Administration Committee, as directed. <u>Update April 2011:</u> There is significant, ongoing work effort by Metrolink management to address all outstanding audit findings and implement corrective actions recommended by the audits where necessary. Metrolink staff plans to bring detailed recommendations to the Executive Management and Audit Committee by June 2011.	Bonelli	Next follow-up will be conducted in November 2011.

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through September 30, 2011)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
5/26/2010	09-021	Transit	State Triennial Performance Audit	Booz Allen Hamilton (BAH) recommended that OCTA establish an ongoing performance monitoring process to compare service performance before and after the March 2010 service change to assist OCTA in identifying customer impacts and highlight opportunities to adjust resources	Sep-11	OCTA will conduct a systemwide transit study to evaluate the remaining network. The study will include analysis of performance metrics as well as public outreach. The study is expected to be completed in the third quarter of 2011. <u>Update September 2011:</u> The Transit System study is now expected to be completed in the fourth quarter.	Sutter	Next follow-up scheduled for March 2012.
5/26/2010	09-021	Transit	State Triennial Performance Audit	BAH recommended that OCTA study the cost drivers associated with the fixed-route service and consider options to control costs.	Sep-11	OCTA will conduct a systemwide transit study to evaluate the remaining network. The study will include this sort of analysis and is expected to be completed in the third quarter of 2011. OCTA will also address system costs during labor negotiations, continue to evaluate contracting opportunities, and continue legislative advocacy for improved funding. <u>Update September 2011:</u> The Transit System Study is now expected to be completed in the fourth quarter.	Sutter	Next follow-up scheduled for March 2012.
9/30/2010	08-016	Finance and Administration	Review of 91 Express Lanes Toll Road Collections	Cofiroute management should ensure the new 91 Express Lanes software has sufficient controls in place to prevent Notice of Toll Evasion Violations (NTEV) from being sent to toll road violators past the deadline established in the code.	Nov-11	Management concurs. Cofiroute will continue to run daily exception reports and investigate any exceptions to ensure NTEVs will not be sent to violators past the deadline as established in the code. <u>Update:</u> Cofiroute continues to work on the development of the new 91 Express Lanes software. The new software will have controls in place to prevent NTEVs from being sent to toll road violators past the deadline established in the code. In addition, Cofiroute continues to run exception reports on a daily basis and to investigate any exceptions.	Bonelli	Next follow-up will be conducted in November 2011.
9/30/2010	08-016	Finance and Administration	Review of 91 Express Lanes Toll Road Collections	Internal Audit recommends that 91 Express Lanes management consider expanded income statement classifications and/or notes to the financial statements to better detail the nature and amount of income and expenses in the 91 Express Lanes stand-alone financial statements. Internal Audit also recommends that management consider comparative financial statements for this enterprise fund as a means of highlighting significant fluctuations in revenue, expenses, and financial position.	Nov-11	Management agrees with the recommendations and will make changes for the fiscal year ending June 30, 2011, to the income statement classifications to better detail the nature and amount of income and expenses for the 91 Express Lanes stand-alone financial statements.	Bonelli	Next follow-up will be conducted in November 2011.

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through September 30, 2011)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
1/19/2010	N/A	Finance and Administration	Management Letter & Single Audit Report	Mayer Hoffman McCann, PC (MHM) recommended that Finance and Administration staff provide additional training to ensure staff is aware of OCTA's availability period and procedures for deferring revenue.	Dec-11	The availability period for revenue recognition will be changed from 180 to 90 days. This change will allow revenues to be verified as current or deferred prior to completion of the audit. Additionally, the availability period has been reviewed with the accounts receivable section so that they understand the proper classification of revenues at year end.	Sutter	
1/19/2011	N/A	Transportation Development Act Claimant: City of Seal Beach	Transportation Development Act Article 4.5 Funds (City of Seal Beach)	MHM found that the City of Seal Beach (City) had continued to operate transportation services on an expired contract and recommended that the City establish procedures to ensure that agreements do not expire before being renewed or rebid.	Dec-11	The City has measures in place to ensure that contracts do not expire. This particular case is not representative of how the City manages contracts. In this particular case, there was turnover of personnel within the Public Works Department. Additional measures have been implemented to ensure that if turnover occurs in the future, new staff will be informed of the status of existing contracts.	Sutter	
1/19/2011	N/A	Transportation Development Act Claimant: Jewish Family Services of Orange County	Transportation Development Act Article 4.5 Funds (Jewish Family Services of Orange County)	MHM found that Jewish Family Services of Orange County (JFS) does not have a system in place to track deferred revenue from unused taxi vouchers. There is no mechanism in place to identify when a valid taxi voucher has been used, thus JFS is unable to determine the number of taxi vouchers outstanding and, accordingly, the amount of revenue which as not yet been earned. MHM recommended that JFS establish procedures to identify which taxi vouchers have not yet been used. MHM also recommended the implementation of a better system for the tracking of taxi voucher sales and uses.	Dec-11	During the fiscal year 2010-11, JFS met with the contracted cab company, Yellow Cab, and Yellow Cab agreed to provide receipts of all the vouchers collected by the cab drivers to support the use of taxi vouchers for billed cab rides. During the fiscal year 2010-11, JFS will be implementing a new system to improve the ability of tracking and monitoring taxi vouchers.	Sutter	
1/19/2011	N/A	Transportation Development Act Claimant: Vietnamese Community of Orange County, Inc.	Transportation Development Act Article 4.5 Funds (Vietnamese Community of Orange County, Inc.)	MHM found that the Vietnamese Community of Orange County, Inc. (VNCOC) included interest expense as part of its in-kind contributions related to its program. VNCOC acquired a vehicle and financed it at 0 percent interest, but included in-kind expenses of \$1,733 for interest at a rate of six percent. MHM disallowed the interest expense and recommended that VNCOC exclude this expense in the future.	Dec-11	VNCOC indicated it will not be recording interest expense on the audit loan on a going forward basis.	Sutter	

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through September 30, 2011)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
2/23/2011	09-015	Capital Projects	Real Estate and Right-of-Way Administration	Management should develop procedures for fair market adjustments to lease rates.	Aug-11	Right-of-way (ROW) staff will develop policies and procedures to enforce the fair market adjustment terms and conditions for revenue-generating leases.	Ng	
2/23/2011	09-015	Capital Projects	Real Estate and Right-of-Way Administration	Lease rate adjustments and Consumer Price Index increases should be consistently implemented.	Aug-11	ROW staff will review leases with terms greater than one year on a monthly basis to determine if a fair market adjustment is warranted. Also, staff will coordinate its efforts with Accounting staff for billing adjustments.	Ng	
4/13/2011	11-005	Measure M City Audits: City of Tustin	Tustin	Auditors recommended that the City of Tustin (Tustin) reimburse the turnback fund \$50,000 in unsupported, indirect charges, and that an additional entry of \$148,366 be made to reflect charges to the fund for allowable direct labor expenditures. Auditors also noted expenditures for one project that were included in an amended Seven-Year Capital Improvement Plan (CIP) that was not submitted to the Orange County Local Transportation Authority (OCLTA) as required.	Dec-11	Tustin agreed and indicated a net entry of \$98,366 would be made for the FY2010. Also, Tustin agreed to submit the amended CIP to OCLTA.	Sutter	
4/13/2011	11-005	Measure M City Audits: City of San Juan Capistrano	San Juan Capistrano	Auditors recommended that the City of San Juan Capistrano (SJC) submit a request for extension to OCLTA for funds not spent within three years, and that SJC ensure interest is allocated to unspent turnback monies.	Mar-12	SJC responded that a request for extension would be submitted to OCLTA and that turnback funds will be segregated to ensure accurate interest allocation to the fund in the future. <u>Update September 2011</u> : SJC did not submit a request for extension; however the excess funds were spent during the FY2010-11. In addition, as of the follow up review date, SJC had not yet segregated Measure M funds to ensure proper interest allocation.	Bonelli	Next update March 2012.

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through September 30, 2011)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
6/8/2011	11-007	Transit: Service Authority for Abandoned Vehicles (SAAV)	Financial and Compliance Audits of the SAAV and related Member Agencies	Auditors noted several exceptions and, as a result, the Board approved the following recommendations: (1) Direct staff to offset a future payment to the City of Westminster in the amount of \$13,450.64. (2) Direct staff to monitor implementation of recommendations related to refunds from the cities of Anaheim and Costa Mesa in the amounts of \$1,436.84 and \$706.00, respectively. (3) Direct staff to monitor implementation of recommendation related to restoration of funds by the cities of La Habra, Los Alamitos, and Orange. (4) Direct staff to enhance the User Guide for Member Agencies to include additional guidance on supporting documentation for expenditures and allocation of interest.	Jan-12	Management concurred and agreed to implement the recommendations.	Sutter	
7/6/2011	11-507	Finance and Administration	Review of Payment Card Industry Data Security Standards Compliance	Management should implement procedures to ensure an annual Self Assessment Questionnaire (SAQ) for all OCTA transactions is prepared and related action plans are developed, attested to, and submitted as required. Further, management should ensure documentation is on file to evidence action plans have been developed and implemented as required.	Jan-12	Management concurs with the recommendations to implement procedures for ensuring SAQ's and related action plans are completed, attested to, and submitted as required. A review of the most recent SAQ's will be conducted to identify and document items that require further action or remediation. Action plans will be developed and retained in an up to date log/repository to be maintained and managed by OCTA's Senior Information Systems Security Analyst.	Dunning	
	11-507	Finance and Administration	Review of Payment Card Industry Data Security Standards Compliance	Management should implement procedures to ensure vulnerability scans are performed on a quarterly basis and documentation of results and any remediation efforts is retained.	Jan-12	Management will modify procedures to ensure results of scans and any required remediation efforts are documented and maintained.	Dunning	
	11-507	Finance and Administration	Review of Payment Card Industry Data Security Standards Compliance	Internal Audit recommends that responsibility and authority for compliance with Payment Card Industry Data Security Standards be centralized in order to coordinate compliance and reporting.	Jan-12	OCTA's Chief Information Officer (CIO) will be the designated party to oversee compliance reporting for both OCTA and the 91 Express Lanes. Individual SAQ's will be compiled, attested to, and submitted by the CIO.	Dunning	

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through September 30, 2011)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
8/22/2011	11-508	Finance and Administration	Investments: Compliance, Controls and Accounting Jul 1 through Dec 31, 2010	Internal Audit noted that OCTA's investment holdings as of December 31, 2010, did not adhere to investment diversification requirements outlined in the Investment Policy. Internal Audit recommends management review and revise the policy as applicable and ensure any instances of non-compliance are properly disclosed to the Board of Directors.	Feb-12	Limiting investment of bond proceeds to the maturity and diversification guidelines of the OCTA Investment Policy creates an issue during the startup of a bond proceeds portfolio. Staff will draft suitable language that addresses this issue.	Ng	
8/22/2011	11-508	Finance and Administration	Investments: Compliance, Controls and Accounting Jul 1 through Dec 31, 2010	A review of two invoices under Agreement No. C-8-0883 for financial advisory services (Agreement) noted \$8,200 in fees billed for personnel not listed in the Agreement. Internal Audit recommends that management amend the Agreement, as necessary, to include all authorized personnel.	Feb-12	Management concurs with Internal Audit's recommendation and will amend the Agreement to include the additional analyst personnel.	Ng	
9/26/2011	10-503	Transit	Review of MV Transportation, Inc. Agreement	MV is not in compliance with Agreement terms related to maintaining the unclassified revenue percentage within OCTA standards. Internal Audit recommends that Community Transportation Services (CTS) develop a process to monitor compliance with this contract provision.	Mar-12	CTS has implemented a monitoring protocol which includes the review of fare activity reports identifying individual operators who require additional instruction on the proper fare box procedures. CTS staff will meet with MV management weekly to review reporting information and ensure compliance with standard.	Dunning	
9/26/2011	10-503	Transit	Review of MV Transportation, Inc. Agreement	Internal Audit recommends that Agreement language be reviewed and amended as appropriate to properly outline required versus desired training and qualifications.	Mar-12	Concurrent with a future amendment to the Agreement, contract language will be amended to outline the training and qualification requirements.		