



April 26, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Fiscal Year 2016-17 Internal Audit Plan, Third Quarter Update

Overview

The Orange County Transportation Authority Board of Directors adopted the Fiscal Year 2016-17 Internal Audit Plan on July 25, 2016. This update is for the third quarter of the fiscal year.

Recommendation

Receive and file the third quarter update to the Orange County Transportation Authority Fiscal Year 2016-17 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. Audits initiated by entities outside of OCTA are coordinated through Internal Audit.

Discussion

The OCTA Fiscal Year (FY) 2016-17 Internal Audit Plan (Plan) (Attachment A) reflects the status of each audit project. At quarter end, several projects are in process.

During the third quarter of the FY, Internal Audit issued an audit of Payment Card Industry Data Security Standard (PCI-DSS) compliance. Based on the

audit, OCTA is not fully compliant with standards and reporting requirements of the PCI DSS or related payment card issuer standards. Internal Audit recommended management evaluate the necessary resources and controls to ensure full compliance with PCI DSS and develop a proposal to achieve compliance and/or provide a reasonable approach moving forward. Management agreed and outlined actions for undertaking an assessment and evaluation of steps necessary to become fully compliant. Internal Audit also recommended management implement procedures to ensure that quarterly network scans are performed and remediation efforts are identified and addressed accordingly. Management agreed to perform quarterly scans and implement remediation actions based on risk and cost.

Internal Audit also issued the audit of budget development, monitoring, and reporting. Based on the audit, controls were found to be generally adequate; however, recommendations were made to enhance and expand written procedures, to improve controls over salary grade changes, to adhere to the Position Control Policy, and to improve estimates and explanations included with the Sole Source List. Management agreed and proposed appropriate corrective actions.

An audit of OCTA policies and procedures was completed and found that, while policies and procedures are approved as required, enhanced controls are needed to ensure timely update and communication of new and revised policies and procedures, as well as improved tracking of policies and procedures. Management agreed and proposed actions to address the recommendations.

Internal Audit also completed work on an audit of Coach Operator Health Insurance Benefits and provided coordination of an audit by the Department of Finance, on behalf of the California Department of Transportation, of Proposition 1B funds utilized on five grade separation projects and the Oso Parkway Widening Project.

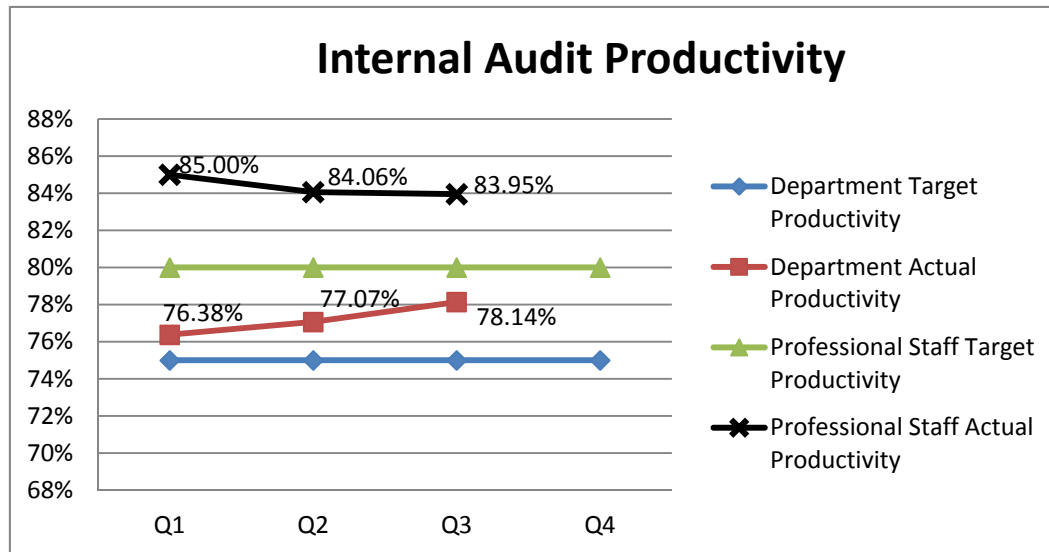
Also during the quarter, OCTA's independent financial statement auditor, Vavrinek, Trine, Day & Company, LLP (VTD) issued results of the annual Measure M Agreed-Upon Procedures (AUP) reviews. AUP were applied to the County of Orange in relation to the Senior Non-Emergency Medical Transportation Program, the cities of Fountain Valley, Fullerton, Laguna Niguel, Laguna Woods, Lake Forest, Newport Beach, Placentia, San Juan Capistrano, and Yorba Linda in relation to Local Fair Share funding, and the cities of Fullerton, Mission Viejo, Newport Beach, and Yorba Linda in relation to Senior Mobility Program Funding. Observations were made relating to the classification of Maintenance of Effort and Local Fair Share expenditures,

errors in reporting of amounts on required activity reports and annual expenditure reports, failure to allocate interest income, senior mobility program trips, inclusion of projects in city Capital Improvement Program plans, and service contractor procurement. OCTA staff will perform follow-up with the County of Orange and applicable cities to confirm that the observations have been addressed.

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 quarter ended March 31, 2017, 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 (CAMP) Department, and consistent with OCTA procurement policy, Internal Audit conducts reviews of single bid procurements to ensure that CAMP 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. When the value of recommended adjustments can be estimated, Internal Audit tracks and reports the potential savings, as noted below. During the quarter ended March 31, 2017, Internal Audit conducted ten pre-award agreed-upon procedures reviews and recommended price adjustments, as indicated below:

Quarter	Price Reviews Recommended Adjustments
1	\$ 662,136
2	197,557
3	328,792
4	
Total	\$ 1,188,485

Fraud Hotline

During the quarter ended March 31, 2017, Internal Audit received nine reports through OCTA's Fraud Hotline, www.ethicspoint.com. Four were referred to management for follow-up, one was referred to legal counsel for investigation, and one was referred to the County of Orange. Two more reports involved criminal activity not related to OCTA and the reporters were advised to contact local police. One report was investigated by Internal Audit and was not substantiated; however, process improvement recommendations were made in connection with the review.

Internal Audit is committed to responding to all hotline complaints within eight business days. During the quarter ended March 31, 2017, Internal Audit made initial contact within two business days.

Monitoring Activities – Metrolink Audit Results

Metrolink audit staff have indicated that a peer review has been scheduled for the week of April 17, 2017, and that results will be available in May 2017. Internal Audit will continue to monitor and report on these efforts.

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 findings and recommendations generated internally, as well as those provided by regulatory auditors and OCTA's independent financial statement auditors.

During the quarter ended March 31, 2017, Internal Audit performed follow-up and removed one outstanding recommendation related to the Comprehensive Transportation Funding Program Audits. Follow-up of three more recommendations is underway as of the quarter end. Ten recommendations were added to the listing as a result of audits issued during the 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 2016-17 Internal Audit Plan, Third Quarter Update
- B. Outstanding Audit Findings and Recommendations (Audit Reports Issued Through March 31, 2017)

Prepared by:



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**Orange County Transportation Authority
Internal Audit Department
FY 2016-17 Internal Audit Plan
Third Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours to Date	Under (Over)	Status (Date Issued)	External Auditor
Mandatory External Independent Audits								
Annual Financial Audits and Agreed-Upon Procedures Reviews	FY17-001 through FY17-004	Coordinate and report on annual financial and agreed-upon procedures reviews for fiscal year 2016-17.	Financial	375	360	15	Complete	
External Regulatory Audits	FY17-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60	25	36		
Internal Audit Department Projects								
Risk Assessment and Annual Audit Plan	FY17-100	Annual preparation of the audit plan, quarterly updates to the audit plan and periodic assessment of risk throughout the year.	Audit Plan and Updates	180	60	120		
Quality Assurance and Self-Assessment	FY17-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with Government Auditing Standards.	Quality Assurance	180	97	83		
Fraud Hotline Activities	FY17-102	Administrative duties related to the Fraud Hotline and investigations of reports of fraud, waste, or abuse.	Fraud Hotline	250	297	(47)	18 Reports Received	
Automated Workpaper Solution	FY17-103	Purchase, training, and implementation and updates to automated workpaper solution.	Workpaper System	280	127	154	Complete	
On-Call Audit Services	FY16-105	Prepare scopes of work and establish bench of independent audit firms to provide assistance with (1) performance audits and (2) application of agreed-upon procedures relating to price reviews and Buy America compliance reviews.	On-Call Audit Services	160	63	97	In Process	
Internal Audits								
Security and Emergency Preparedness								
Transit Police Services Contract	FY17-512	Review oversight controls and contract compliance with agreement for provision of Transit Police services.	Compliance	240		240		
Human Resources and Organizational Development								
Benefits: Health Insurance Plans and Health Savings Accounts	FY17-506	Review controls in place to ensure proper enrollment, accounting, and compliance with laws, regulations, policies, and procedures.	Operational	320	94	226	In Process	
Coach Operator Health Insurance Benefits	FY16-805	Review and test compliance with collective bargaining agreement for the coach operators as it relates to provision of health insurance benefits.	Compliance	300	349	(49)	Complete 3-22-17	
Storm Water Pollution Prevention Plan	FY17-505	Review oversight controls, policies, and procedures to ensure compliance with Environmental Protection Agency regulations.	Compliance	80	94	(14)	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)	External Auditor
Capital Programs								
Project Controls	FY16-507	Assess and test operating controls of the project controls function within the Capital Projects Division.	Compliance	40	170	(130)	Issued 9-14-16	
Project K: Right-of-Way Acquisition Activities	FY17-5XX	Assess and test controls to ensure compliance with Real Property Department Policies and Procedures for acquisition of property rights related to the Interstate 405 Project K.	Compliance	225		225		
Planning								
Competitive Transportation Funding Program Projects	FY16-511	Review selected projects for compliance with Measure M Ordinance, policies, and procedures.	Compliance	60	77	(17)	Issued 10-12-16	
Transit Operations								
Fleetwatch Fluid Management System	FY17-5XX	Assess adequacy of system controls and data reporting related to dispensing of fuel.	Operational	240		240		
Contracted Fixed Route Operations	FY17-508	Assess adequacy of oversight controls and contract compliance with key provisions of the agreement with First Transit.	Compliance	325	112	213	In Process	
Finance and Accounting								
Treasury	FY17-501, FY17-510	Semi-annual review of investments compliance, controls, and reporting.	Compliance	210	241	(31)	Issued 10-3-16	
Grant Closeouts	FY16-512, FY17-511	As-needed financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40	38	2	Issued 9-14-16	
Budget Development and Monitoring	FY16-509	Review and test controls in place over the preparation, monitoring, and reporting related to the annual OCTA budget.	Operational	325	335	(10)	Issued 2-15-17	
OCTA Policies and Procedures	FY17-507	Review controls in place to ensure proper development, update, and communication of OCTA policies and procedures.	Operational	185	262	(77)	Issued 3-9-17	
Investment Management Service Contracts	FY17-504	Review procurement of, contract compliance, and invoice controls related to investment management service contracts.	Compliance	185	258	(73)	In Process	
Information Systems								
Payment Card Industry/Data Security Standard (PCI/DSS) Compliance	FY17-502	Review of OCTA's compliance with PCI/DSS, including review and evaluation of annual self-assessment to ensure protection of credit card data.	Compliance	225	445	(220)	In Process	

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FY 2016-17 Internal Audit Plan
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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 Auditor
Contract Administration and Materials Management								
Price Reviews	PR17-XXX	Cost and price analyses as requested by OCTA's Contract Administration and Materials Management Department.	Price Review	1,000	702	298	17 Reports Issued	
Buy America	FY16-513, FY17-503	Pre-award and post-delivery reviews to ensure vendors and OCTA are in compliance with federal Buy America requirements.	Compliance	250	97	153	1 Report Issued 9-14-16	
External Affairs								
Customer Relations	FY16-508	Review in-house Customer Relations operation.	Operational	80	195	(115)	Issued 9-14-16	
Public Outreach - West County Connectors Project	FY17-509	Review of oversight controls and contract compliance related to agreement for public outreach.	Compliance	180	145	35	In Process	
Unscheduled Reviews and Special Requests								
Unscheduled Reviews and Special Requests	FY17-800	Time allowed for unplanned audits, coordination of external agency audits, and requests from the Board of Directors and management.	Varies	260	13	247		
Monitoring Activities								
Measure M Taxpayers Oversight Committee	FY17-601	Coordination of audit activities on behalf of the Audit Subcommittee of the Measure M Taxpayers Oversight Committee.	Administrative Support	100	23	77		
Metrolink Audit Activities	FY17-602	Obtain and review audit results of Metrolink activities	Non-Audit Service	60	55	5		
Bus Base Inspections	FY17-603	At the request of Transit Division, participate on annual bus base inspections.	Non-Audit Service	32	51	(19)	Complete	
Follow-up Reviews								
Follow-up Reviews and Reporting	FY15-7XX, FY17-7XX, FY16-802	Follow-up on outstanding audit recommendations.	Follow-up	300	394	(94)		
Total Audit Project Planned Hours (A)				6,747	5,176	1,571		

Orange County Transportation Authority
Internal Audit Department
FY 2016-17 Internal Audit Plan
Third Quarter Update

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours to Date	Under (Over)	Status (Date Issued)	External Auditor
Internal Audit Administration								
Board of Directors and Committee Meetings				260	114	147		
Executive Steering and Agenda Setting Meetings				180	126	55		
Internal Audit Staff Meetings				150	50	100		
Other Administration				1,500	1,159	341		
			Total Hours (B)	8,837	6,624	2,213		
			Department Target Efficiency	75%				
			Target Efficiency - Professional Staff	80%				

OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through March 31, 2017)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
10/3/2014	N/A	Finance and Administration (F&A) and Transit	Performance Audit of the Orange County Transportation Authority's (OCTA) Continuity Plan	Auditors recommended that management update the Business Impact Analysis (BIA) and the Continuity of Operations Plan (Plan) to address the 13 weaknesses noted.	Jun-17	Management responded that efforts are underway to update certain portions of the BIA and the Plan. Also, at the direction of the F&A Committee Chairman, staff has agreed to specifically address each issue and planned corrective actions with the Security Working Group of the Board of Directors (Board). <u>Update September 2015</u> : Management has taken actions to adequately address seven of the thirteen weaknesses noted in the audit. The remaining six are expected to be corrected upon completion of the Threat and Hazard Identification and Risk Assessment project and the comprehensive revision of the BIA. The Internal Audit Department (Internal Audit) will follow-up on the remaining issues in one year. <u>Update September 2016</u> : Internal Audit requested update; management indicated that documents will not be completed until May 2017.	Bonelli	Initiate next update in June 2017
10/15/2015	N/A	Human Resources and Operational Development (HROD)	Investigation and Limited Scope Review of Administration of the Deferred Compensation Plan and the Plan Revenue Reimbursement Account	Internal Audit recommends management formalize and document the plan governance structure and committee structure. Committee configuration should be reviewed and consideration given to appointing a member to represent employee groups participating in the plan. Committee members should be appointed and policies should be approved by OCTA.	Jun-17	The Investment Policy (IP) Statement will be formally approved and made available to participants electronically. Management will also post the quarterly meeting minutes, the quarterly reports, and the Account Policy. The committee composition will be included in the IP Statement, with consideration given to expanding the committee. These tasks will be completed by the end of calendar year 2015. <u>Update May 2016</u> : Management has not fully implemented all recommendations. Additional recommendations were provided to encourage management to research and implement best practices with regard to the Committee charter, the IP Statement, and Committee composition. <u>Update December 2016</u> : Management has partially implemented this recommendation; however, an updated IP statement and revisions to the Personnel and Salary Resolution (P&SR) are not yet complete.	Sutter	Initiate next update June 2017

OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through March 31, 2017)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
10/15/2015	N/A	HROD	Investigation and Limited Scope Review of Administration of the Deferred Compensation Plan and the Plan Revenue Reimbursement Account	Internal Audit recommends management: 1. Ensure committee members annually reaffirm the IP Statement. 2. Provide training and require committee members to monitor fees charged to the plan and its participants and, when applicable, attempt to negotiate fees to a reasonable level. 3. Exercise oversight of Benefit Funding Services Group (BFSG) to ensure all deliverables required by the agreement are provided. 4. Review invoices for compliance with the agreement terms and obtain proper approval before submitting to Nationwide Retirement Solutions (NRS) for payment.	Jun-17	1. The IP Statement will be annually reaffirmed by the committee. 2. BFSG will provide training to committee members on an annual basis and committee members will review annual reports provided by BFSG and will work with the Contracts Administration and Materials Management Department to negotiate fees if they are deemed unreasonable. 3. Management will ensure that OCTA receives all deliverables specified in the contract. Management will ensure that required annual fee reports are provided by BFSG. 4. BFSG will be required to include the appropriate certification language on all future invoices. All future BFSG invoices will be properly reviewed for compliance with the agreement terms and two authorized parties will approve the invoices before submitting to NRS for payment. <u>Update May 2016:</u> Management has taken some actions; however, additional recommendations were provided in order for management to properly address weaknesses. <u>Update December 2016:</u> Management has partially addressed recommendations; however a revised IP statement is pending and committee member training has not yet occurred.	Sutter	Initiate next update June 2017
1/19/2016	N/A	Transit	City of Santa Ana, Senior Mobility Program (SMP)	Internal Audit recommends management: 1. Develop program guidelines, including definition of allowable trip types, requirements for revenue reporting, acceptable allocation of costs, and retention of supporting documentation. 2. Amend cooperative agreements to include detailed information on program requirements. 3. Provide training to cities and exercise oversight to ensure compliance with the Ordinance, cooperative agreements, and program guidelines.	Feb-17	Management will review the current agreement language and scopes of work for each SMP and revise to address the collection and recording of program fees/revenue. In addition, the SMP monthly report template will be revised to specifically document fares/revenue received, the source of city contributions, and documentation to identify how revenues collected are used to support the program. During the annual visit, staff will review the process used to collect and report fares/revenues received. <u>Update August 2016:</u> Management has addressed parts 1 and 2 of the recommendation. Since the new monitoring/site visits will not begin until September 2016, part 3 will remain open.	Ng	In Process

OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through March 31, 2017)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
2/29/2016	FY15-515	Capital Programs	Oversight Controls, Contract Compliance, and Billings Related to the Bristol Street Widening Project	Internal Audit recommends management request the City of Santa Ana (City) strengthen controls over timekeeping and periodically review supporting documentation to ensure accuracy of labor charges to the project. Management should also consider disallowing sub-consultant markups through update of contract language in cooperative agreements.	Jul-17	The gas tax agreement will be amended to require City to certify that their quarterly reconciliation report of actual expenses versus monthly payment requests, including labor hours charged, are true and correct. Staff will review a sample of supporting documents to verify actual expenses and that labor hours billed are supported by time sheets on file. The gas tax agreement will be amended to specifically disallow sub-consultant markups. <u>Update September 2016:</u> The amendment has not been executed due to City's disagreement with certain terms. After the amendment is executed, staff will review a sample of supporting documentation from quarterly reconciliation reports. <u>Update January 2017:</u> Amendment No. 6 was executed to require that the quarterly reconciliation reports include supporting documentation, as well as certification that City has deducted all sub-consultant markup costs. Since staff will begin periodically reviewing a sample of supporting documentation to verify labor and other costs charged now that the amendment is executed, Internal Audit will return in six months to assess staff's review of costs charged.	Ng	Initiate next update in July 2017

OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through March 31, 2017)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
2/29/2016	FY15-515	Capital Programs	Oversight Controls, Contract Compliance, and Billings Related to the Bristol Street Widening Project	Internal Audit recommends that management design and implement a cost review process that includes review of a sample of City costs charged to the gas tax agreement. Internal Audit also recommends management instruct the City to correct its quarterly reconciliation reports and implement procedures to reconcile City reports with OCTA records.	Jul-17	<p>Staff will periodically sample supporting documentation for costs charged to verify the charges are project-related, supported, and reasonable. Also, the City will be instructed to correct quarterly reconciliation reports based on these audit findings and staff will reconcile each quarterly report with records of payments made under the gas tax agreement. <u>Update September 2016:</u> After the amendment is executed, staff will review a sample of supporting documentation from the City's quarterly reconciliation reports. As of follow-up review, the City made an attempt to adjust its quarterly reconciliation report but did not implement the adjustment fully and correctly; therefore, Internal Audit will keep the recommendation open and ask management to provide suggestions to the City on how to correct its quarterly reconciliation reports.</p> <p><u>Update January 2017:</u> The City has corrected the overstatement of funding received in the Revised 2nd Quarter 2016 Report. Since staff will begin periodically reviewing a sample of supporting documentation to verify costs charged now that Amendment 6 is executed, Internal Audit will return in six months to assess staff's review of costs charged.</p>	Ng	Initiate next update in July 2017
4/4/2016	FY15-513	F&A, Capital Programs	Accounts Payable (AP)	Internal Audit recommends management provide training to ensure consistent enforcement of policies and procedures by AP staff and advise department staff responsible for the exceptions of OCTA's policies and procedures.	Jun-17	<p>The AP supervisor meets bi-weekly with staff and has included training on AP procedures and responsibilities and has/will communicate to departments responsible for the related exceptions as to OCTA's Policies and Procedures. <u>Update January 2017:</u> During the course of the follow-up review, Internal Audit identified additional instances of violations of the Payment Request Policy and the Payment Authorization Policy. Four recommendations were made to F&A and Capital Programs related to the use of Payment Requests for payments against contracts for goods/services not authorized by the contract at the time the expenses were incurred.</p>	Bonelli	Initiate next update June 2017

OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through March 31, 2017)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
8/31/2016	FY16-508	External Affairs	Customer Relations	Management should implement a quality control review process to ensure the accuracy of monthly reports.	Feb-17	Customer Relations will implement a quality control review process to ensure accuracy. In addition, Customer Relations is already working with Information Systems Department staff to automate reports through the dashboard, which will reduce the incidence of human error and increase accuracy.	Dunning	In Process
8/31/2016	FY16-508	External Affairs	Customer Relations	Internal Audit recommends that management establish criteria and procedures for performing documented reconciliations and periodic, independent verifications of bus pass inventories maintained by Customer Relations and Marketing staff.	Feb-17	Customer Relations has updated the policies and procedures for performing documented reconciliations and independent verifications of bus pass inventories. An independent verification has begun and will be performed quarterly.	Dunning	In Process
10/31/2016	N/A	F&A	Fiscal Year 2015-16 Management Letter	Vavrinek, Trine, Day & Co. LLP auditors made four recommendations related to enhancements to information systems security.	Jan-18	Management responded that recommendations would be evaluated and implemented as appropriate.	Tang	
1/4/2017	FY17-502	F&A	Payment Card Industry/Data Security Standard (PCI-DSS) Compliance	Management should evaluate resources and controls to ensure full compliance and develop a proposal to achieve compliance and/or provide a reasonable approach moving forward. Management should implement oversight controls to assess the accuracy, timeliness, and sufficiency of Cofiroute USA's (Cofiroute) PCI DSS compliance information.	Jul-17	Management take the following actions: (1) engage a third party PCI Security Assessor to perform Self-Assessment Questionnaires (SAQ) going forward; (2) assess the remediation items identified in the SAQ and address items that fall into existing security improvement efforts; (3) perform a yearly assessment of Cofiroute's PCI DSS compliance information; (4) undergo a review to determine if OCTA should take the steps necessary to become fully PCI compliant; (5) continue to allocate and prioritize resources to cybersecurity risks while addressing PCI compliance concerns.		

OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through March 31, 2017)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
1/4/2017	FY17-502	F&A	PCI-DSS Compliance	Management should implement procedures to ensure that quarterly network scans are performed and remediation efforts are identified and addressed accordingly. Management should also implement procedures for oversight and monitoring of Cofiroute's activities and incorporate their system scan results into submissions to American Express.	Jul-17	Management agrees with Internal Audit's recommendation and will implement procedures to ensure quarterly network scans are performed. Management will also identify items to be remediated and implement them based on risk and cost. Management will allocate resources to perform periodic assessments of Cofiroute's PCI DSS compliance information.		
2/15/2017	FY16-509	F&A	Budget Development, Monitoring, and Reporting	Procedures should be developed and documented for the budget development and transfer processes. Management should also ensure project variances exceeding the threshold are investigated in accordance with the budget to actual reporting procedures, or alternatively clarify the investigation requirements in such procedures	Aug-17	Management agrees with the recommendation and will re-evaluate and document all salary and benefit budget assumptions at a lower level of detail. Also, management will ensure project variances exceeding the threshold continue to be investigated in accordance with the budget to actual reporting procedures, and will clarify investigation requirements in such procedures.	Ng	
2/15/2017	FY16-509	F&A	Budget Development, Monitoring, and Reporting	Management should implement procedures to ensure that changes to salary grade levels are based on reasonable and consistent methodologies and that documentation is maintained. Changes should also be communicated to management prior to seeking Board approval.	Aug-17	HR management will ensure that P&SR changes are communicated to management prior to seeking Board approval. During the budget process, salary grade level changes to the P&SR will be presented to the Executive Steering Committee prior to Board approval. Current documentation methods for classification salary grade changes will be reviewed to determine the best practice for documenting these actions. HR is in the process of obtaining a compensation and market salary data system. This system will be utilized to enhance data collection, consistency, and documentation.	Ng	

OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through March 31, 2017)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
2/15/2017	FY16-509	F&A	Budget Development, Monitoring, and Reporting	Management should clarify the Position Control Policy (Policy) with regard to Board approved positions, develop procedures to ensure that the total number of employees does not exceed the Board-approved number, and obtain Chief Executive Officer (CEO)-approval for dual-filled positions. Management should also develop controls to ensure compliance with the	Aug-17	The Policy will be reviewed and revised to clarify the approval process by the OCTA Board. Current procedures will be reviewed to determine if further action is required to ensure the total number of employees do not exceed the Board approved number. In addition, recruitments that will result in a dual-fill will require the authorization of the CEO.	Ng	
3/8/2017	N/A	Planning, Transit	Measure M Agreed-Upon Procedures Reports	Staff should monitor implementation of auditor recommendations included in the Measure M Agreed-Upon Procedures Reports	Sep-17	<u>Note:</u> Multiple recommendations were made to the County of Orange (County) and several cities related to the Local Fair Share, Senior Mobility Program, and Senior Non-Emergency Medical Transportation Program. The County and city management responses are included with the reports and follow-up with the County and applicable cities will be performed by OCTA staff.	Sutter	
3/9/2017	FY17-507	F&A	OCTA Policies & Procedures	Management should update procedures to include a communications plan to ensure that employees expected to comply with policies are properly notified. Communication should occur, as appropriate, for both new and revised policies	Sep-17	Management agrees with the recommendation and has taken steps to ensure communication is made to all employees when new policies are created or existing policies are updated.	Dunning	
3/9/2017	FY17-508	F&A	OCTA Policies & Procedures	Management should implement procedures to notify division management of expiring policies. Follow-up should be performed to ensure policies are reviewed and updated in a timely manner.	Sep-17	Management agrees with the recommendation and will take steps to ensure that policies are updated on the mandated two year cycle.	Dunning	

OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through March 31, 2017)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
3/9/2017	FY17-509	F&A	OCTA Policies & Procedures	Management should implement controls to help ensure the accuracy and completeness of the master list of policies and procedures.	Sep-17	Management agrees with the recommendation and will implement procedurs to ensure that the master list of policies and procedures is maintained with accuracy and completeness.	Dunning	