



July 11, 2012

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Fiscal Year 2011-12 Internal Audit Plan, Fourth Quarter Update

Overview

The Orange County Transportation Authority Board of Directors adopted the Orange County Transportation Authority Internal Audit Department Fiscal Year 2011-12 Internal Audit Plan on August 22, 2011. This update is for the fourth quarter of the fiscal year.

Recommendation

Receive and file the fourth quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 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, performing internal control assessments, investigations, pre-award price reviews, and Buy America reviews. Audits initiated by entities outside of OCTA, such as the Federal Triennial Audit, are also coordinated through Internal Audit.

Discussion

The OCTA Internal Audit Fiscal Year 2011-12 Internal Audit Plan (Plan) (Attachment A) reflects the status of each project. As indicated, all planned projects were either completed or are underway.

Total budgeted hours for the 2011-12 Plan was approximately 8,600, which represents total staff time available for audits after deducting for holidays, sick time, vacation, and continuing professional education. For the Plan year,

Internal Audit completed 29 projects, including 13 pre-award price reviews (price reviews). In addition, Internal Audit performed investigations, where applicable, of eight complaints received through the OCTA Fraud Hotline. Four audit projects and one investigation are in-process and will be carried over to the Fiscal Year 2012-13 Audit Plan.

During the fourth quarter, Internal Audit completed an investments review of compliance, controls, and accounting for the period July 1 through December 31, 2011. The audit included one recommendation for staff to reconcile language in the quarterly investment reports to the Investment Policy. Management agreed to make the appropriate changes at the next scheduled update to the policy.

Audits of the security of rolling stock and contract retention were also completed, and controls were found to be adequate and operating as intended.

An audit of the recently implemented Revenue and Account Management Software System for the 91 Express Lanes was also issued and included five recommendations to enhance controls. Management agreed to implement the recommendations, and the Finance and Administration Committee requested an update on the status of implementation of these recommendations which is tentatively scheduled for October, 2012.

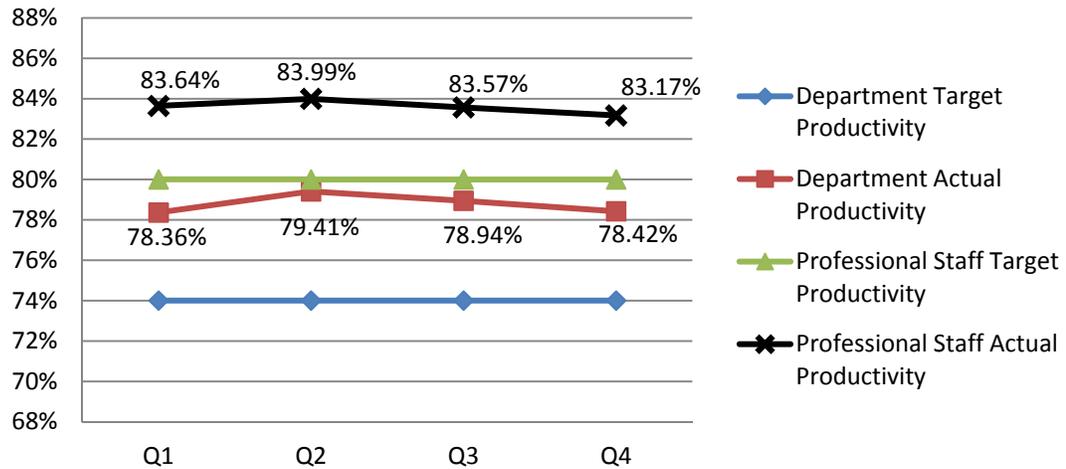
An update on the status of recommendations made in the Review of Fuel Controls, issued in December 2011, was also requested and is tentatively scheduled for the Finance and Administration Committee on August 8, 2012.

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 74 percent. The target for internal audit professional staff, not including the executive director, is set at 80 percent.

For the fourth quarter ended June 30, 2012, Internal Audit achieved productivity of 78 percent, and the professional staff achieved productivity of 83 percent.

Internal Audit Productivity



Price Reviews

At the request of the Contracts Administration and Materials Management 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 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 June 30, 2012, Internal Audit completed 13 price reviews and issued recommendations for rate adjustments valued at \$595,900.

Quarter	Price Reviews: Recommended Adjustments
1Q	\$ 0
2Q	\$380,945
3Q	\$6,008
4Q	\$208,947
Total	\$595,900

Fraud Hotline

During the quarter ended June 30, 2012, Internal Audit received one complaint through OCTA's Fraud Hotline, www.ethicspoint.com. A report of the results of the related investigation has been prepared and is tentatively scheduled to

appear on the Finance and Administration Committee agenda for July 25, 2012.

Internal Audit is committed to responding to all hotline complaints within eight business days. During the fiscal year, Internal Audit has received a total of eight complaints and has made initial contact within two business days. Internal Audit informs the complainant of the status of the investigation and when a final disposition will be posted. Once the investigation and follow-up is completed, Internal Audit posts a response with final disposition.

Findings and Recommendations Tracking

At the request of the 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 Fiscal Year 2011-12 Internal Audit Plan is being closed-out. Projects in process will be carried forward to the Orange County Transportation Authority Fiscal Year 2012-13 Internal Audit Plan.

Attachments

- A. Orange County Transportation Authority Internal Audit Department FY 2011-12 Internal Audit Plan Fourth Quarter Update
- B. Unresolved Audit Findings and Recommendations (Audit Reports Issued Through June 30, 2012)

Approved by:



Janet Sutter
Executive Director, Internal Audit
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**Orange County Transportation Authority
Internal Audit Department
FY 2011-12 Internal Audit Plan
Fourth Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours to Date	Under (Over)	Status (Date to F&A)
Mandatory External Independent Audits							
Annual Financial Audit	FY12-000	Annual financial and compliance audits for fiscal year 2011-12.	Financial	520	434	86	Complete (1-23-12)
Annual Transportation Development Act (TDA) Audits	FY12-001	Coordination of required annual audits of the recipients of TDA Funds for fiscal year 2011-12.	Compliance	160	143	17	Complete (1-23-12)
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	3	17	Complete (1-23-12)
Internal Audit Projects							
Risk Assessment and Annual Audit Plan	FY12-100	Annual preparation of the audit plan, quarterly updates to the audit plan, periodic assessment of risk throughout the year.	Risk Assessment	180	183	(3)	Ongoing
Quality Assurance and Self-Assessment	FY12-101	Update of Internal Audit Policies & Procedures. Annual self assessment of Internal Audit's compliance with Government Auditing Standards.	Quality Assurance	120	130	(10)	Ongoing
Fraud Hotline	FY12-102	Investigations of reports of fraud, waste, or abuse.	Fraud Hotline	100	237	(137)	8 Complaints, 1 Report Issued
Audit Leverage Software System	FY12-104	Deploy updates/upgrades to Audit Leverage software.	Audit Software Updates	40	20	20	Ongoing
General Auditing - On-Call Services	FY12-103	Issue request for proposals, evaluate, and select firms for on-call auditing services.	On-Call Auditing	60	90	(30)	Complete (5-25-12)
Internal Audits							
Human Resources and Organizational Development							
Worker's Compensation	FY12-509	Review of policies, procedures, and related contracts to ensure adequate controls, effectiveness, and efficiency of the worker's compensation program.	Operational	260	266	(6)	Complete (3-1-12)
Employment	FY12-510	Review of controls and efficiency of candidate recruitment, selection, and hiring.	Operational	240	232	9	In Process
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	251	(71)	Complete (1-5-12)

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Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours to Date	Under (Over)	Status (Date to F&A)
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	86	364	In process
Contract Retention	FY11-502	Review of policies, procedures, and practices for contract retention and release.	Compliance	175	184	(9)	Complete (5-25-12)
State Route 57 Improvements	FY11-503	Review of selected contracts for design and preliminary engineering for State Route 57 improvements.	Compliance	250	308	(58)	Complete (1-18-12)
Combined Transportation Funding Program (CTFP) Project Audits	FY12-508	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	166.5	4	In process
Metrolink Service Expansion Program	FY11-510	Review of cooperative agreement with Metrolink for infrastructure improvements related to the implementation of 30 minute service.	Compliance	260	148	112	In process
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	176	(1)	Complete (4-16-12)
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 Services, Inc.	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	35	45	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	290	10	3 Complete (8-10-11, 11-9-11, 05-09-12)
Toll Road Operations - Revenue and Accounting Management System (RAMS)	FY12-502	Prepare scope and coordinate review of Cofiroute's RAMS.	Internal Control	120	149	(29)	Complete (5-25-12)
Corporate Credit Cards	FY12-507	Review and testing of internal controls in place over corporate credit cards.	Internal Control	160	180	(20)	Complete (3-1-12)

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Contracts & Materials							
Price Reviews	PR12-000	Cost and price analyses as required by OCTA procurement policies and procedures.	Price Review	1,000	839	162	13 Complete 2 Cancelled
Maintenance Inventory Management	FY09-022	Review of inventory management policies, procedures, controls, operational efficiency, and analytic tools.	Operational	175	349	(174)	Complete (1-23-12)
Fuel Controls	FY09-024	Review of controls over dispensing of petroleum products.	Internal Control	100	310	(210)	Complete (12-12-11)
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	176	(96)	Complete (6-27-12)
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	300	254	46	
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	101	20	
Metrolink Cost Sharing	FY12-	Review of scope of work and results of Los Angeles County Metropolitan Transportation Authority's annual independent audit of Metrolink member agency allocation.	Financial	100	53	48	
Radio Upgrade	FY12-602	Ongoing monitoring of Intelligent Transportation Management System upgrade by Affiliated Computer Systems, Inc. and EIGER TechSystems, Inc.	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	324	(74)	
Total Audit Project Planned Hours (A)				6,330	6,380	(50)	

**Orange County Transportation Authority
Internal Audit Department
FY 2011-12 Internal Audit Plan
Fourth Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours to Date	Under (Over)	Status (Date to F&A)
Internal Audit Administration							
Board of Directors and Board Committee Meetings				380	205	175	
Executive Steering Committee and Agenda Meetings				160	124	37	
Internal Audit Department Staff Meeting				240	82	159	
Other Administration				1,500	1,346	155	
			Total Hours (B)	8,610	8,135	475	
			Department-Wide Target Efficiency (A/B)	74%			
			Department-Wide Actual Efficiency (A/B)		78%		
			Target Efficiency - Professional Staff	80%			
			Actual Efficiency -Professional Staff		83%		

Orange County Transportation Authority
Internal Audit Department
FY 2011-12 Internal Audit Plan
Fourth Quarter Update

**External
Auditor**

Vavrinek,
Trine, Day
& Co.

Vavrinek,
Trine, Day
& Co.
Vavrinek,
Trine, Day
& Co.

**Orange County Transportation Authority
Internal Audit Department
FY 2011-12 Internal Audit Plan
Fourth Quarter Update**

**External
Auditor**

TCBA

**Orange County Transportation Authority
Internal Audit Department
FY 2011-12 Internal Audit Plan
Fourth Quarter Update**

**External
Auditor**

**Orange County Transportation Authority
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**External
Auditor**

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through June 30, 2012)

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.	Oct-12	OCTA's Information Systems (IS) Department is in the process of upgrading the Windows server environment. Once 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 now scheduled to be completed by April 2011. <u>Update September 2011</u> : The completion of the Windows 2008 Active Directory project has been delayed and is now scheduled for completion in November, 2011. OCTA staff must also implement an upgrade to the Lawson application. This is scheduled for completion by April 2012. <u>Update April 2012</u> : The schedule to provision the dedicated server has experienced delays due to complications in migrating applications off the data warehousing server. The equipment that will host the upgraded Lawson application will be available in late April of 2012. The Lawson LDAP binding with Active Directory is now scheduled for completion in October 2012.	Bonelli	Initiate next update in October 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.	Jul-12	Metrolink management concurred with all recommendations and proposed implementing action. <u>Update April 2011</u> : Metrolink management continues to work to address these findings. Metrolink staff plans to bring detailed recommendations to the Executive Management and Audit Committee by June 2011. <u>Update January 2012</u> : Management expects to hire a chief internal auditor by March 2012. The chief auditor will assist in addressing the findings related to risk assessment, audit plan, compliance with standards, policies and procedures, etc.	Bonelli	Initiate next update in July 2012.

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Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
2/14/2011	09-015	Capital Programs	Real Estate and Right-of-Way (ROW) Administration	Management should develop procedures for fair market adjustments to lease rates.	Sep-12	ROW staff will develop policies and procedures to enforce the fair market adjustment terms and conditions for revenue-generating leases. <u>Update August 2011:</u> Policies and procedures have not yet been developed. Management plans to update the policies and procedures manual in its entirety by the first quarter of 2012. <u>Update March 2012:</u> Management is in the process of hiring a consultant to update the Right of Way policies and procedures manual and to address insurance language.	Ng	Next follow-up September 2012.
2/14/2011	09-015	Capital Programs	Real Estate and ROW Administration	Lease rate adjustments and Consumer Price Index increases should be consistently implemented.	Sep-12	ROW staff will review leases with terms greater than one year on a monthly basis to determine if a fair market (FM) adjustment is warranted. Also, staff will coordinate its efforts with Accounting staff for billing adjustments. <u>Update August 2011:</u> Staff has added a column for FM adjustment dates in its tickler files and is developing procedures for FM adjustments. <u>Update March 2012:</u> Management is in the process of hiring a consultant to update the ROW policies and procedures manual and to address insurance language. <u>Update March 2012:</u> Management is in the process of hiring a consultant to update the ROW policies and procedures manual and to address insurance language.	Ng	Next follow-up September 2012.
2/14/2011	09-015	Capital Programs	Real Estate and ROW Administration	Insurance certificates should be reviewed for compliance with lease requirements. For non-revenue generating leases, a review of insurance certificates should be done on a periodic, or cycle, basis. Additionally, transferred leases should be reviewed to ensure agreements contain appropriate insurance requirements.	Sep-12	Staff will review leases to determine insurance certificate update needs and that transfer lease language is updated. Staff will coordinate insurance requirements with Risk Management staff. <u>Update August 2011:</u> Staff has reviewed the insurance requirements of approximately 18 percent of the revenue-generating leases and has requested required certificates. The initial review of all leases is expected to be completed by February 2012 and the process will then be ongoing. <u>Update March 2012:</u> Management is in the process of hiring a consultant to update the ROW policies and procedures manual and to address insurance language.	Ng	Next follow-up September 2012.

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1/19/2011	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 the Orange County Local Transportation Agency (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	In process.
9/2/2011	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.	Sep-12	Concurrent with a future amendment to the agreement, contract language will be amended to outline the training and qualification requirements. <u>Update March 2012</u> : Contract language will be addressed at the next amendment which is scheduled for June 2012.	Dunning	Initiate next update September 2012
11/7/2011	09-024	Transit	Review of Fuel Controls	Internal Audit recommends that management implement controls and enhance policies and procedures to ensure fueling transactions are valid and authorized, and that appropriate monitoring and follow-up is performed.	Jul-12	There are a number of steps underway to address the findings in this audit; including: (1) Limiting overall access to the EJ Ward system (2) Ensuring a process is implemented to update contractor staff who are authorized to dispense fluids. (3) Ensuring that vehicle information transmitters are functioning on a daily basis. (4) Revising the procedure to fuel non-revenue vehicles, limiting those authorized to do so, and relying predominantly on vehicle service workers to accomplish this task. (5) Working with EJ Ward to discontinue the ability for anyone to fuel a vehicle unless valid employee badge and vehicle identification numbers are used. <u>Update February 22, 2012</u> : A verbal update was provided to the Finance & Administration Committee. Additional weaknesses were noted and all issues have not yet been addressed.	Bonelli	Initiate next update July 2012.
10/31/2011	N/A	Finance and Administration	Agreed Upon Procedures with respect to the OCTA and OCLTA Appropriations Limits Worksheets	In calculating both the OCTA and OCLTA appropriation limits for fiscal year 2010-11, staff used a population change factor of 1.03 rather than 1.01. The error had no impact because appropriations were well below the limit.	Jan-13	Management agreed to correct the error during the fiscal year 2011-12 budget process.	Vavrinek, Trine, Day & Co., LLP	

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through June 30, 2012)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
10/31/2011	N/A	Finance and Administration	Single Audit Report	Auditors noted that agreements between OCTA and federal subrecipients did not include required federal award information, such as the Catalog of Federal Domestic Assistance (CFDA) award title and number, American Recovery and Reinvestment Act (ARRA) information, award name, and federal agency.	Jan-13	Management agreed to correct the omissions and to include required information in future awards	Vavrinek, Trine, Day & Co., LLP	
10/31/2011	N/A	Finance and Administration	Single Audit Report	OCTA should modify its policies and procedures for accounting for compensated absences.	Jan-13	Only compensated absences for terminations will be reported in the General Fund. Additionally, an analysis of employees eligible for termination payments in future periods will be performed. Accounting procedures will be modified.	Vavrinek, Trine, Day & Co., LLP	
10/31/2011	N/A	Finance and Administration	Single Audit Report	OCTA should formally incorporate a procedure to evaluate the beginning equity impact of any change in accounting principles adopted during the current period.	Jan-13	Staff will include a procedure at year-end to review the impact on beginning fund equity of any changes in accounting principles.	Vavrinek, Trine, Day & Co., LLP	
10/31/2011	N/A	Finance and Administration	Single Audit Report	OCTA should identify to subrecipients the Award Identification at time of award. The information should include the CFDA number, award name, name of federal agency and whether the grant was funded from ARRA sources. In addition, OCTA should identify that the funds are ARRA at the time of disbursement.	Jan-13	OCTA has already taken steps to correct the omission of the CFDA number from the existing subrecipient reporting. Moving forward, OCTA will include all required information in the award report. In addition, OCTA will identify that the funds are ARRA at the time of disbursement (as appropriate).	Vavrinek, Trine, Day & Co., LLP	
10/31/2011	N/A	Finance and Administration	Management Letter	OCTA should reconcile the Additional Retiree Benefits Account (ARBA) Trust Account in a more timely manner.	Jan-13	Staff will reconcile the ARBA Trust Account within two weeks of receipt of the ARBA Statement.	Vavrinek, Trine, Day & Co., LLP	
10/31/2011	N/A	Finance and Administration	Management Letter	OCTA should require a <i>Service Organization Report (SOC 1, Type II report)</i> from Cofiroute on an annual basis or OCTA should perform periodic reviews of Cofiroute's internal controls.	Jan-13	OCTA will commence discussions with the operator to require that they provide this report.	Vavrinek, Trine, Day & Co., LLP	

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Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
10/31/2011	N/A	Finance and Administration	Management Letter	OCTA should perform periodic reviews to confirm access rights to the financial reporting systems and verify that employee access remains commensurate with job responsibilities.	Jan-13	IS will provide the Accounting Department with reports containing user access data to the financial reporting systems twice yearly. Accounting will perform a logical access review and any discrepancies will be documented and corrected.	Vavrinek, Trine, Day & Co., LLP	
10/31/2011	N/A	Finance and Administration	Management Letter	OCTA should consider implementing the following best practices: (1) passwords that expire after 90 days (2) automatic lockout after a specified number of failed login attempts, and (3) passwords that are complex.	Jan-13	Recommended password management practices will be in place by January 2012.	Vavrinek, Trine, Day & Co., LLP	
10/31/2011	N/A	Finance and Administration	Management Letter	While no formal time period is recommended, the risk assessment and cost/benefit analysis of both desktop and server patch management should be reviewed to ensure risks are adequately addressed.	Jan-13	IS will continue to follow its current practice of reviewing patches to determine the impact to OCTA business operations and will document this assessment. Emergency or out of band patches sent by any vendor will be attended to immediately. Other patches, of a less critical nature, will be applied on a quarterly basis.	Vavrinek, Trine, Day & Co., LLP	
1/23/2012	N/A	Transit	ACCESS Performance Measures: Special Request	Miles between road calls was calculated incorrectly. Community Transportation Services (CTS) staff responsible for preparing the report pulled the wrong numbers from a summary prepared by another staff. Internal Audit recommends the Report be sent to other CTS staff who prepare the underlying data for review and as a check for accuracy.	Jul-12	Management agrees and will implement this recommendation.	Ng	
1/23/2012	N/A	Transit	ACCESS Performance Measures: Special Request	CTS should establish a policy on penalty waivers that requires written justification of waivers and establishes an approval process.	Jul-12	CTS agrees. Additional information to adequately justify all penalty waivers will be included with monthly invoices and approved by the CTS Section Manager, CTS Department Manager, and Assistant General Manager of Transit.	Ng	
1/23/2012	N/A	Transit	ACCESS Performance Measures: Special Request	CTS staff should retain supporting documentation for numbers reported.	Jul-12	CTS agrees and will implement this recommendation.	Ng	

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

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Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
1/18/2012	12-503	Human Resources and Organizational Development (HROD)	Department of Motor Vehicles (DMV) Pull Notice Program	Management should centralize monitoring of DMV requirements for users of the DMV system to sign Information Security Statements and to re-certify annually. In addition, management should develop procedures to ensure timely deletion of users upon termination or change in duties.	Jul-12	Management concurs. The Health, Safety and Environmental Compliance section will develop a method to monitor the Information Security Statements (INF 1128) and the related recertifications. In addition, procedures will include a process to immediately deny access to users that have been terminated/reassigned, or users who have not submitted the INF1128 form and/or annual recertification.	Dunning	
1/18/2012	12-503	Human Resources and Organizational Development (HROD)	Department of Motor Vehicles (DMV) Pull Notice Program	Management should implement procedures to ensure suspension of car allowance payments upon suspension of the recipient's drivers license or amend the Personnel and Salary Resolution to redefine the purpose of the car allowance payments to better reflect intent.	Jul-12	Management will study the options and will either develop a process to suspend car allowance payments upon loss of driving privileges or redefine the purpose of the car allowance.	Dunning	
1/18/2012	11-503	Capital Programs	Contract and Project Management Controls: State Route 57 Improvement Projects	Management should adhere to standard procedures for obtaining approval of A&E contracts. Otherwise, management should obtain Board approval of revised amounts rather than excluding known costs. Also, If management needs a method to authorize consultant work prior to amendment execution, procedures with appropriate parameters should be developed and implemented. Otherwise, staff should not authorize consultant work and/or costs prior to amendment execution, and invoices for labor services or other direct costs that pre-date contract amendments should be questioned.	Jul-12	In the future, standard practice for selecting consultants to provide A&E services will be adhered to and related staff reports will not include not-to-exceed amounts. In addition, Capital Programs and Contract Administration and Materials Management (CAMM) staff will implement procedures in the first quarter of 2012 to address situations when consultant work needs to be authorized prior to amendment execution.	Ng	
1/18/2012	11-503	Capital Programs	Contract and Project Management Controls: State Route 57 Improvement Projects	If management determines that in certain circumstances and/or for certain contracts work must be authorized prior to amendment execution, then management should develop procedures and make any necessary adjustments to policy to address these situations. In addition, amendments should be executed in a more timely fashion.	Jul-12	Capital Programs and CAMM staff will implement procedures in the first quarter of 2012 to address situations when consultant work needs to be authorized prior to amendment execution.	Ng	

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Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
1/18/2012	11-503	Capital Programs	Contract and Project Management Controls: State Route 57 Improvement Projects	CAMM should perform cost analysis of rates included in amendments to A&E agreements. The cost analysis should include review of labor rates and documentation should be maintained to describe the review performed. Where the reasonableness of other direct cost rates is not reviewed or cannot be readily determined, CAMM should negotiate these items at cost.	Jul-12	CAMM agrees to conduct a review of labor rates and, where reasonable, other direct costs for all contract amendments. The amendments will include the names and labor rates of key personnel plus other labor categories and labor rates that may be needed during the course of the work. CAMM will request documentation from the consultant showing the payment records of the personnel to be added. Regarding other direct costs, reimbursement will be at the actual cost with supporting documentation or at reviewed unit rates.	Ng	
1/18/2012	11-503	Capital Programs	Contract and Project Management Controls: State Route 57 Improvement Projects	Consultant contracts should not be used to purchase items for Caltrans or OCTA staff when they are not necessary, reasonable, or required in the contract. When developing the scope of work in Request for Proposals with field office requirements, the requirements should be assessed for reasonableness and there should be direction on the final ownership and disposition of computers, furniture, and equipment.	Jul-12	Computers will not be purchased for the California Department of Transportation and OCTA staff use in field offices. The desktop computer and laptops that have been purchased through the State Route 57 construction management contracts will be made available for project personnel to use in the field office and out on the construction job site. In addition, Capital Programs will work with CAMM to ensure that final ownership and disposition of field office furniture and equipment will be noted in the scope of work as the responsibility of the consultant. The consultant will determine the most cost-effective method of furnishing and equipping the office by evaluating both purchase and lease options.	Ng	
3/1/2012	12-507	Finance and Administration	Corporate Credit Cards	Internal Audit recommends that policies be enhanced to address follow-up for reimbursement of personal expenses.	Sep-12	The Corporate Credit Card Policy will be updated to include a requirement that reconciliations submitted without reimbursement for personal expenses incurred be accompanied by a request to set up an Accounts Receivable for the balance due. Also, the Tablet Policy will be updated to provide guidance on actions to be taken when a program participant terminates or is no longer eligible to participate in the program. If a reimbursement is due to OCTA, the policy will also include a provision requiring the program administrator to send a request to the Accounts Receivable Section to invoice the participant for the balance due.	Ng	

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through June 30, 2012)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
3/1/2012	12-507	Finance and Administration	Corporate Credit Cards	Finance and Administration Division should instruct administrative staff to coordinate expense reimbursement submittals with the reconciliations of corporate cards to avoid errors or duplications in reimbursement.	Sep-12	Representatives from the Accounts Payable Section will be attending the next Administrative Assistant's quarterly meeting to clarify expectations related to the coordination of corporate card charges with expense reimbursement requests.	Ng	
3/1/2012	12-507	Finance and Administration	Corporate Credit Cards	Internal Audit noted a few practices and/or incidents that conflict with written policy: (1) Policy restricts the issuance of corporate cards to members of the Board and executive management; however, two cardholders do not meet this definition. (2) Monthly reconciliations of Board members' corporate cards did not consistently evidence authorization by the Deputy Chief Executive Office (CEO) as required. (3) Reconciliations are often submitted late because the corporate card statements are not received until a week or two after the statement date.	Sep-12	(1) The Corporate Credit Card Policy will be modified to expand eligibility with authorization of the CEO. (2) Responsibility for processing corporate cards within the Accounts Payable section has been transferred to a new staff member and compliance with the authorization requirement has been emphasized. (3) OCTA will retain the 14-day requirement for submitting reconciliations, but will transition to electronic statements to eliminate mailing delays.	Ng	
4/23/2012	N/A	Finance and Administration	Limited Scope Review of Consultant Selection for Professional Services for Rail Program Support	Internal Audit recommends management reconsider award of the related contract in light of the procedural violation.	Oct-12	The Finance and Administration and Capital Programs Divisions agree to reconsider award of the related contract and to reissue the solicitation	Bonelli	
5/9/2012	12-501	Finance and Administration	Investments: Compliance, Controls, and Accounting July 1 through December 31, 2011	Management should reconcile Debt and Investment Report language to terminology in the Investment Policy.	Nov-12	The Treasury/Toll Roads department concurs with the recommendation. During the next scheduled investment policy revision, the policy shall further define Bank Deposits to include Cash or Cash Equivalents and will be so reflected in the investment reports.	Tang	
5/25/2011	N/A	Finance and Administration	Performance Audit of the Revenue and Account Management Software (RAMS) System	Cofiroute should provide OCTA with a Service Organization Controls (SOC) report, as recommended by the American Institute of Certified Public Accountants.	Oct-12	OCTA will negotiate an amendment to the agreement with Cofiroute to include a requirement for Cofiroute to provide a SOC, Type II report and periodic updates.	Bonelli	

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

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Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
5/25/2011	N/A	Finance and Administration & Cofiroute	Performance Audit of the Revenue and Account Management Software (RAMS) System	Cofiroute should develop descriptions for "major" and "minor" changes and the required level of testing for each type of change.	Oct-12	Cofiroute has since updated the relevant IT Policy and procedure and such update is included in the Configuration Management version 2.0.	Bonelli	
5/25/2011	N/A	Finance and Administration & Cofiroute	Performance Audit of the Revenue and Account Management Software (RAMS) System	Cofiroute should perform a risk assessment.	Oct-12	Cofiroute will perform a risk assessment as part of Payment Card Industry compliance activities and will complete it by the end of the fiscal year, June 30, 2012.	Bonelli	
5/26/2011	N/A	Finance and Administration & Cofiroute	Performance Audit of the Revenue and Account Management Software (RAMS) System	Cofiroute should consider implementing additional preventative and/or detective control measures to protect personally identifiable information.	Oct-12	Cofiroute will discuss appropriate controls with OCTA and implement as applicable.	Bonelli	
5/26/2011	N/A	Finance and Administration & Cofiroute	Performance Audit of the Revenue and Account Management Software (RAMS) System	OCTA management should periodically review and monitor super-user's access profiles and activity within the RAMS system.	Oct-12	Cofiroute will update the policy and procedures to provide OCTA with a current list of users with privileged access on a regular basis for review, discussion and approval.	Bonelli	
6/27/2012	FY09-020	Finance and Administration	Telecommunications Equipment	IS management should continue to encourage employees to elect to receive a cell phone allowance in lieu of an OCTA cell phone and, in those instances where an OCTA issued cell phone is necessary, implement a process by which the employees' managers can also review and monitor activity to ensure personal usage is de minimis. Management may want to consider the time and resources necessary to properly enforce the cell phone reimbursement requirement and determine whether the cost outweighs the reimbursement benefit.	Dec-12	IS will discontinue the process of distributing the monthly cell phone bills and in its place take the following actions: (1) implement imports of cell phone records into the Avotus system so that the same direct oversight by supervisors and managers used for desk phones will be possible for cell phones. Estimated completion is June 1, 2012. (2) Continue to provide outreach to OCTA cell phone users to encourage the return of agency provided cell phones in exchange for the cell phone allowance.	Bonelli	