



**October 24, 2018**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer  
Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Fiscal Year 2018-19 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 2018-19 Internal Audit Plan on August 27, 2018. 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 2018-19 Internal Audit Plan as an information item.

**Background**

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

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

**Discussion**

The OCTA Internal Audit Fiscal Year (FY) 2018-19 Internal Audit Plan (Plan) (Attachment A) reflects the status of each project.

During the first quarter of the FY, Internal Audit issued the results of an audit of project management contracts related to the Interstate 405 Improvement Project. The audit found that while project management consultants were procured in compliance with policy and contract amendments were approved by the Board of Directors on multiple occasions, amendments were back-dated outside the limits outlined in procedures. Also, while cost estimates were submitted to support amendments to increase the contract maximum obligation, management did not validate all the listed labor rates. Internal Audit also identified excessive use of labor classifications and a lack of controls over labor rate increases for personnel billed within these classifications. Finally, Internal Audit identified concerns related to oversight of consultant staff time. Recommendations were made to address these conditions, and management agreed and indicated that additional controls would be implemented.

Internal Audit also issued results of an audit of warranty administration. Based on the audit, controls over identification, processing, and reporting of warranty claims are adequate; however, one recommendation was made to document procedures used to derive the value of warranty labor. Management agreed with the recommendation and indicated that a formal process will be implemented.

A required audit of the State Transportation Improvement Program Planning, Programming and Monitoring Program for Fiscal Year 2015-16, completed by the professional accounting firm of BCA Watson Rice LLP, found that project funds were used in conformance with Article XIX of the California State Constitution.

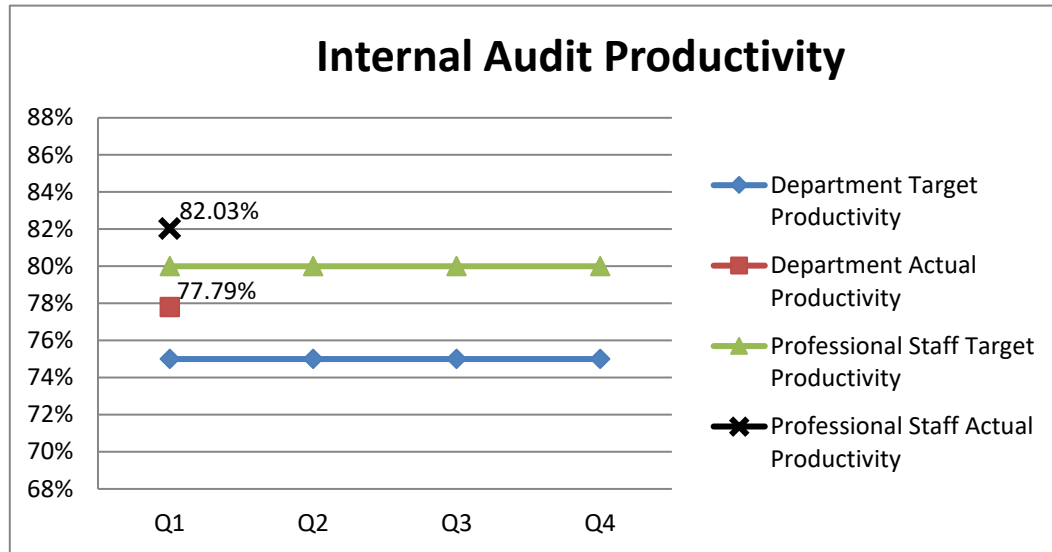
In addition to several ongoing audits, Internal Audit has procured the firm Kimley-Horn and Associates, Inc., to conduct the required State Triennial Performance Audits of OCTA, the Orange County Transit District, and Laguna Beach Municipal Transit Lines. These audits will commence in the coming weeks. In addition, Internal Audit is leading the procurement of an independent public accounting firm to perform annual financial audits and agreed-upon procedures reviews of OCTA and related agencies for the FYs ending June 30, 2019, 2020, and 2021.

#### Internal Audit Productivity

Internal Audit measures the productivity of the department by calculating a productivity ratio. The ratio, used broadly throughout the audit industry, measures the amount of time auditors spend on audit projects versus time spent on administrative duties. Productivity goals are established for both the professional staff and for the department as a whole. Because the Executive Director regularly participates in non-audit management activities such as planning and committee meetings, the department-wide target is set at

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

For the first quarter ended September 30, 2018, Internal Audit achieved productivity of 78 percent, and the professional staff achieved productivity of 82 percent.



Price Reviews

At the request of the Contracts Administration and Materials Management Department (CAMM), and consistent with OCTA procurement policy, Internal Audit conducts reviews of single bid procurements to ensure that CAMM handled the procurement in a fair and competitive manner. Internal Audit also reviews prices proposed by architectural and engineering firms, and sole source contractors, to ensure that the prices are fair and reasonable. Internal Audit makes recommendations to adjust proposed rates where they exceed the rates per review. During the first quarter, Internal Audit issued results of two price reviews.

Fraud Hotline

During the quarter ended September 30, 2018, Internal Audit received eight reports through OCTA’s Fraud Hotline, [www.ethicspoint.com](http://www.ethicspoint.com). Based on the nature of the complaints, all eight reports were referred to management for disposition. As part of the administration of the hotline, Internal Audit maintains documentation of each complaint and its disposition.

Internal Audit is committed to responding to all hotline complaints within eight business days. During the quarter ended September 30, 2018, Internal Audit made initial contact within two business days.

#### Findings and Recommendations Tracking

At the request of the Finance and Administration Committee, unresolved audit recommendations are included with the quarterly updates to the Plan 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.

During the quarter ended September 30, 2018, Internal Audit completed follow-up reviews of twelve unresolved audit recommendations. Nine recommendations had been appropriately addressed by management and were removed from the list (Attachment C). Three recommendations from the employee health benefits audit remain open to allow for implementation of new procedures. Follow-up of an additional two recommendations is in process at quarter end.

Five recommendations related to audits of the Interstate 405 Improvement Project project management contracts and warranty administration were added to the list. In addition, one recommendation resulting from follow-up of the contracted fixed-route operations audit was added to the list.

#### **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 2018-19 Internal Audit Plan, First Quarter Update
- B. Outstanding Audit Recommendations (Audit Reports Issued Through  
September 30, 2018)
- C. Audit Recommendations Closed During First Quarter, Fiscal Year 2018-19

**Prepared by:**



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**Orange County Transportation Authority  
Internal Audit Department  
FY 2018-19 Internal Audit Plan  
First Quarter Update**

<b>Audit Activity</b>	<b>Project Number</b>	<b>Description</b>	<b>Primary Audit Type</b>	<b>Planned Staff Hours</b>	<b>Staff Hours To Date</b>	<b>Over (Under)</b>	<b>Status (Date Issued)</b>
<b>Mandatory External Independent Audits</b>							
Annual Financial Audits and Agreed-Upon Procedures Reviews	FY19-001 through FY19-004	Procure independent financial audit firm and coordinate and report on annual financial and agreed-upon procedures reviews for fiscal year 2018-19.	Financial	450	90	360	
State Triennial Audit	FY19-007	Procure independent audit firm and coordinate and report on the required State Triennial Performance audits of the Orange County Transportation Authority (OCTA), Orange County Transit District, and Laguna Beach Municipal Transit Lines.	Compliance	180	42	138	
Federal Triennial Audits	FY19-006	Coordinate and report on results of the required Federal Transit Administration's Triennial Review.	Compliance	80		80	
External Regulatory Audits	FY19-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60	10	50	
<b>Internal Audit Department Projects</b>							
Risk Assessment and Annual Audit Plan	FY19-100	Preparation of the annual audit plan, quarterly updates to the audit plan, and periodic assessment of risk throughout the year, including monitoring the audit results of related entities.	Audit Plan and Updates	200	78	122	
Quality Assurance and Self-Assessment	FY19-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with Government Auditing Standards.	Quality Assurance	160	5	155	
Peer Review	FY19-104	Participate in peer reviews of other internal audit agencies in exchange for reciprocal credit towards required peer review of OCTA's Internal Audit. Report results of peer review to Finance and Administration Committee and the Board of Directors (Board).	Peer Review	120	4	116	
Fraud Hotline Activities	FY19-102	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	240	18	222	
Automated Workpaper Solution	FY19-103	System updates/training related to automated workpaper solution.	Workpaper System	40	5	35	
<b>Internal Audits</b>							
<b>Clerk of the Board</b>							
Board Compensation and Ethics Compliance	FY19-5XX	Review procedures and recordkeeping processes evidencing compliance with Assembly Bill 1234.	Compliance	180		180	
<b>Express Lanes Program</b>							
Master Custodial Agreement	FY19-5XX	Review and test activities related to the Master Custodial Agreement between OCTA, Riverside County Transportation Commission, and the Bank of the West for tracking and deposit of revenues and transponder deposits.	Compliance	300		300	
<b>Human Resources and Organizational Development</b>							
Recruiting and Employment	FY19-503	Review procedures, controls, and effectiveness of recruiting and employment operations.	Operational	300	10	290	
Construction Safety	FY19-5XX	Assess the adequacy of policies, procedures, and controls related to the Construction Safety Program function.	Operational	200		200	

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<b>Capital Programs</b>							
Interstate 405 (I-405) Improvement Project: Project Management Contract	FY18-505	Assess and test contract compliance and oversight controls of project management services provided for the I-405 Improvement Project.	Compliance	40	19	22	
Interstate 5 (I-5) Improvements: Pacific Coast Highway (PCH) to San Juan Creek (SJC) Road	FY18-512	Assess adequacy of contract compliance, oversight, and reporting controls related to the I-5 Improvement Project between PCH and SJC Road.	Internal Control	240	261	(21)	
City of Orange Parking Expansion	FY19-5XX	Review of the Orange Parking Expansion project, including project administration, oversight controls, and contract compliance.	Internal Control	300		300	
<b>Planning</b>							
Comprehensive Transportation Funding Programs Projects	FY18-513	Review selected projects for compliance with Measure M2 Ordinance, policies, and procedures.	Compliance	100	313.5	(214)	
<b>Operations</b>							
Right-of-Way (ROW) Maintenance	FY19-502	Evaluate the ROW maintenance program and oversight controls and contract compliance related to the agreement for ROW maintenance.	Compliance	240	138	102	
<b>Transit Operations</b>							
Coach Operator Scheduling	FY19-5XX	Review the coach operator scheduling process, including use of the HASTUS application.	Operational	300		300	
ACCESS Service	FY18-514	Review and test compliance with key contract provisions, with consideration of program effectiveness and efficiency.	Operational	240	268	(28)	
<b>Finance and Accounting</b>							
Treasury	FY19-501	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	200	95	105	
Grant Closeouts	FY18-511	As-needed, required financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40	21	20	
Mobile Ticketing	FY19-504	Assess and test controls for mobile ticketing revenue collection and recording.	Internal Control	240		240	
Renewable Natural Gas Credits	FY19-5XX	Review and test compliance with the agreement with Element Markets for renewable gas credits.	Compliance	180		180	
<b>Information Systems</b>							
Patch Management	FY19-5XX	Assess the adequacy of the patch management program.	Operational	120		120	

**Orange County Transportation Authority  
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<b>Contract Administration and Materials Management (CAMP)</b>							
Price Reviews	PR19-XXX	Cost and price analyses as requested by OCTA's CAMP Department.	Price Review	750	138	612	
Buy America	FY18-XXX	Pre-award and post-delivery reviews to ensure vendors and OCTA are in compliance with federal Buy America requirements.	Compliance	80		80	
Warranty Administration	FY18-510	Assess adequacy of controls in place for tracking and recording of warranty repairs and credits.	Internal Control	80	182	(102)	
<b>External Affairs</b>							
Bus Marketing	FY19-5XX	Review Bus Marketing program; assess and test oversight controls and contract compliance over contracts for bus marketing, public outreach, etc.	Compliance	240		240	
<b>Unscheduled Reviews and Special Requests</b>							
Unscheduled Reviews and Special Requests	FY19-5XX	Time allowed for unplanned audits, coordination of external agency audits, and requests from the Board and management.	Varies	240		240	
<b>Monitoring Activities</b>							
Measure M Taxpayer Oversight Committee (TOC)	FY19-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60	6	54	
Metrolink Audit Activities	FY19-602	Obtain and review audit results of Metrolink activities	Non-Audit Service	40	1	39	
Bus Base Inspections	FY19-603	At the request of the Transit Division, participation on annual base inspection teams.	Non-Audit Service	40	27	13	
<b>Follow-up Reviews</b>							
Follow-up Reviews and Reporting	FY19-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-up	320	83	237	
<b>Total Audit Project Planned Hours (A)</b>				<b>6,600</b>	<b>1,813</b>	<b>4,787</b>	



Orange County Transportation Authority  
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<b>Internal Audit Administration</b>							
Board and Committee Meetings				180	32	148	
Executive Steering and Agenda Setting Meetings				180	31	149	
Internal Audit Staff Meetings				150	17	134	
Other Administration				1,500	335	1,165	
			<b>Total Hours (B)</b>	<b>8,610</b>	<b>2,228</b>	<b>6,383</b>	
			<b>Department Target Efficiency (A/B)</b>	75%	78%		
			<b>Target Efficiency - Professional Staff</b>	80%	82%		

**Outstanding Audit Recommendations  
Audit Reports Issued Through September 30, 2018**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status (for recommendations outstanding over 1 year)	Internal Audit Status
1/4/17	17-502	Finance and Administration (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.	Sep-18	Management will 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 the Orange County Transportation Authority (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. <b>Update September 2018:</b> Third-party PCI compliance was completed on September 27, 2018.	<b>August 2017:</b> Management has not achieved compliance or fully implemented an approach to address non-compliance. <b>April 2018:</b> Management plans to make appropriate changes to the environment and has targeted the 3rd quarter of 2018 to become PCI compliant. Internal Audit estimates progress towards completion is 10 percent. <b>September 2018:</b> In process
1/4/17	17-502	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.	Sep-18	Management agrees with the Internal Audit Department's (Internal Audit) 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. <b>Update September 2018:</b> All quarterly scans are completed and uploaded to Trustwave.com for storage and auditing purposes to establish that quarterly scans are being done. Semiannual reviews, an annual onsite visit, and quarterly scan reviews are done for Cofiroute. Trustwave.com is used to submit and store scans and Security Assessment Questionnaires.	<b>Update August 2017:</b> Quarterly scans are not performed and submitted as management continues to assign resources to areas of non-compliance. <b>Update April 2018:</b> Management has targeted the third quarter of 2018 to be compliant with PCI scanning and remediation requirements. Internal Audit estimates progress towards completion is 25 percent. <b>September 2018:</b> In process

**Outstanding Audit Recommendations  
Audit Reports Issued Through September 30, 2018**

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10/19/17	17-506	Human Resources and Organizational Development (HROD)	Employee Health Benefits	Management should develop and implement written procedures to ensure that all qualified Health Savings Account (HSA) enrollees receive their employer-paid contribution. Further, OCTA should make the required HSA contributions, plus reasonable interest, to the employees identified in the audit.	Oct-18	The contributions have been remediated and processed to the two employee HSA's. Reasonable interest will be calculated and deposited. As these transactions are processed as payroll earnings, benefits will work with payroll to establish written procedures. <b>Update April 2018:</b> A report has been created that will assist in auditing contributions for eligible participants. A written procedure will be established in collaboration with payroll. <b>Update Oct 2018:</b> Written procedures have been developed.	<b>October 2018:</b> To allow for implementation of these new procedures, Internal Audit will perform follow-up procedures in six months.
10/19/17	17-506	HROD	Employee Health Benefits	Management should develop a written policy and procedures for collection of premiums in arrears.	Oct-18	The participant that owed \$1,336.40 as of December 2016, has paid this amount to OCTA. Management will work on a written policy and procedure to collect unpaid medical premiums. <b>Update April 2018:</b> Management is working on a written policy and procedure to collect unpaid medical premiums. <b>Update Oct 2018:</b> Written procedures have been developed.	<b>October 2018:</b> To allow for implementation of these new procedures, Internal Audit will perform follow-up procedures in six months.
10/19/17	17-506	HROD	Employee Health Benefits	Management should seek Board of Directors (Board) member input and clarify the policy to address benefits eligibility for Board members that receive cash payments in-lieu of health benefits from the public entity they serve.	Oct-18	Management will consider revisions to the Fiscal Year 2018-2019 (FY19) Personnel and Salary Resolution (P&SR) to clarify the policy. The FY19 P&SR will be presented for Board approval in June 2018, along with the annual budget. <b>Update April 2018:</b> Management will consider revisions to the FY19 P&SR to clarify the policy. It will be presented for Board approval in June 2018, along with the annual budget. <b>Update Oct 2018:</b> The Board approved changes to P&SR, and changes were made to the Policy for Compensation, Benefits, Reimbursement of Expenses and Mandatory Training for Members of the Board of Directors.	<b>October 2018:</b> To allow for implementation of these new procedures, Internal Audit will perform follow-up procedures in six months.
7/12/18	18-505	Capital Programs	Interstate 405 (I-405) Improvement Project: Project Management Contracts	Internal Audit recommends that management validate labor rates to payroll registers for staff included in the cost estimates that are not part of the contract or amendment. In addition, new staff appearing on cost estimates should be added to the contract concurrently.	Jan-19	As a part of preparing amendments, procurement staff will validate labor rates of all proposed staff provided with the consultants' cost estimates using either payroll registers and/or a job offer letter issued to the personnel. Additionally, new staff appearing on cost estimates will be added to the contract if it is anticipated they will be working in this classification for six months or more.	Not yet due

**Outstanding Audit Recommendations  
Audit Reports Issued Through September 30, 2018**

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7/12/18	18-505	Capital Programs	I-405 Improvement Project: Project Management Contracts	Internal Audit recommends management comply with procedures on the effective dating of amendments.	Jan-19	Management acknowledges that the procedures as written for back dating letter amendments need to be revised. The procurement department will update the Procurement Manual to agree with current practices.	Not yet due
7/12/18	18-505	Capital Programs	I-405 Improvement Project: Project Management Contracts	Internal Audit recommends that management develop and implement appropriate controls to ensure labor classifications are only used as intended and all labor rates are held to contract escalation limits. Invoices should be monitored to ensure staff working steadily on the project are added to the contract in a timely manner.	Jan-19	Management agrees with the recommendation to develop and implement controls regarding the use of labor classifications. Staff that works, or is proposed to work, on a continuous basis for a period of 6 months or more will be added as named personnel to the contract. Labor classifications will continue to be utilized for staff working temporarily on the project. Additionally, management will require that consultants receive approval from OCTA's project manager in writing prior to adjusting the salary of individuals within labor classifications at a rate greater than the contractually allowable escalation rate for named personnel.	Not yet due
7/12/18	18-505	Capital Programs	I-405 Improvement Project: Project Management Contracts	Internal Audit recommends management address the extent to which OCTA managers should be involved in initiating promotions of consultant staff. In addition, the procurement department should process amendments in accordance with requests or reject requests if there is disagreement about the requested action. Regarding the sub-consultant staff, management should implement controls to ensure only hours worked are billed. At a minimum, management should require approval of timesheets by Mott MacDonald (MM) supervisory staff.	Jan-19	Management will instruct staff not to request any promotions of consultant staff. With respect to processing amendments as requested by project managers, procurement staff will continue to conduct the due diligence on all requisitions and review each request for clarity and reasonableness. Clarifications and/or concurrence will be sought from project managers prior to executing contract amendments. Management will require approval of timesheets by MM supervisory staff as recommended. Reimbursements to OCTA for hours billed but confirmed as not worked will be obtained. The sub-consultant employee referred to has been removed from this assignment and is in the process of being removed from the contract. MM will review timesheets signed and certified by all sub-consultant personnel who work full-time at OCTA offices and will agree to the level of effort and performance of duties by the sub-consultant.	Not yet due

**Outstanding Audit Recommendations  
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8/22/18	18-510	F&A	Warranty Administration	Management should formalize procedures for developing warranty claim values and maintain documentation to support the labor rates and labor hour estimates used.	Feb-19	Management will establish a formal process for internal and external repairs and utilize internal labor rates established by OCTA's Financial Planning and Analysis Department.	Not yet due
9/12/18	17-508 Follow-up	F&A	Contracted Fixed-Route Operations Follow-up	The required amount for the performance bond for the First Transit, Inc. contract had been entered incorrectly in the Insurance Tracking Services, Inc. (ITS) tracking system. Internal Audit recommends that the Contracts Administration and Materials Management Department (CAMM) check ITS' input of the required amount for performance bonds for non-construction contracts with bond requirements.	Mar-19	CAMM agrees with the recommendation and is verifying that all the bond and insurance information is complete and accurate and a monitoring process is developed. CAMM has set a deadline of October 31 to complete this review and have a monitoring process in place.	Not yet due

**Audit Recommendations Closed During  
First Quarter, Fiscal Year 2018-19**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Management Response
1/15/18	18-503	Finance and Administration (F&A)	Purchasing Cards	Management should implement controls to ensure compliance with procedures or consider revising procedures to allow certain employees, who purchase food items on a regular basis, to do so without executive approval on each receipt.	Management agrees to revise the Business Expenses Policy to include modifications to the current procedure. The modifications will be as follows: Require executive approval on each receipt for food item purchases, except for food purchased by the Clerk of the Board (COB) for Board of Directors and Committee meetings and new employee orientation conducted by Human Resources and Organizational Deveopment. Modifications to the Business Expenses Policy will be completed by March 31, 2018. <b>Update August 2018:</b> The Business Expenses Policy was revised to modify when authorization of an executive is needed or not needed to purchase food.
1/15/18	18-503	F&A	Purchasing Cards	Four of the 24 designated approving officials are not department managers or directors, as required by procedures. Internal Audit recommends management replace these approving officials with either a department manager or a director, or revise procedures to reflect intended practices.	Management has reviewed the recommendation and agrees to update the Purchasing Card User Guide Policies and Procedures to include section managers as approving officials. The Purchasing Card User Guide Policies and Procedures will be updated and posted on OCTA Today no later than January 31, 2018. <b>Update August 2018:</b> The Purchasing Card User Guide Policies and Procedures has been revised to include section managers as approving officials.
1/15/18	18-503	F&A	Purchasing Cards	The purchasing card administrator should enhance oversight procedures to include analysis of transaction activity and review of any transactions exceeding \$2,500.	The purchasing card administrator will enhance oversight procedures to include analysis of all cardholder's monthly transaction activity exceeding \$2,500. <b>Update August 2018:</b> The recommendation was closed; however, an additional recommendation was made during the follow-up, as detailed below.
8/15/18	18-503 Follow-up	F&A	Purchasing Cards Follow-up	Internal Audit made three additional observations regarding the review of purchasing card transactions that exceed the \$2,500 single transaction limit: (1) A written first strike warning was not issued to a cardholder identified as having violated the transaction limit. (2) Transactions to purchase webinars, online, or local training were not identified as violations because the transactions were deemed to be "travel-related". (3) The purchasing card administrator does not document the date that the review of transaction exceeding \$2,500 is performed.	<b>Update October 2018:</b> The supplemental recommendations have been implemented.

**Audit Recommendations Closed During  
First Quarter, Fiscal Year 2018-19**

3/6/18	18-504	Capital Programs	Cooperative Agreement with Metrolink for the Control Point Fourth Project	Internal Audit recommends management review with Metrolink staff the process for procuring contractors for Orange County Transportation Authority (OCTA) projects to ensure compliance with regulatory guidelines and best practices.	Management agrees. Metrolink should follow its internal policies and procedures to solicit requests for proposals to issue a Contract Task Order (CTO) from their on-call bench of consultants or contractors to obtain competitive proposals. Additionally, Metrolink should document how a CTO is determined to be the most appropriate procurement method and include records of negotiation. Metrolink also needs to verify the proposed work is allowable in the scope of work for the contract. OCTA will follow-up with Metrolink on OCTA projects to inquire how services will be procured prior to procurement activities. <b>Update September 2018:</b> Management has implemented procedures to be actively involved in the CTO selection process. Management has also updated the language on future cooperative agreements with Southern California Regional Rail Authority.
4/16/18	18-506	Transit	Fleetwatch Fluid Management System	To enhance controls over access to Fleetwatch, Internal Audit recommended management reduce the number of administrators and power users in the system and implement procedures for periodic review of user access rights	Management agreed to develop procedures and will re-evaluate the current number of administrators and power users in the system. <b>Update October 2018:</b> The number of administrators has been reduced to four, and there are no longer any power users. In addition, the policy now includes a procedure to perform an annual review of the administrative access rights and an annual review of the master list of users authorized to fuel.
5/3/18	18-508 Brown Act	COB	Brown Act Compliance	Management should provide additional training to staff and/or enhance procedures to ensure agendas are posted in a timely manner.	Management has implemented enhanced checklist procedures and provided staff training to ensure compliance. <b>Update September 2018:</b> COB has implemented an enhanced checklist and provided training at a staff meeting.
8/30/17	17-508	F&A	Contracted Fixed-Route Operations	Internal Audit recommends that Contracts Administration and Materials Management (CAMP) develop procedures for monitoring of performance bond requirements and certificates of insurance to ensure that performance bonds are appropriately adjusted with amendments and insurance requirements are met.	CAMP concurs with this recommendation and has taken steps proactively to review and track bond and insurance documentation for compliance to ensure contract requirements are met. OCTA's Risk Management Department recently procured insurance brokerage services and the scope of work includes a requirement for insurance review and certificate tracking system for all contracts. OCTA will seek to include an additional feature related to monitoring bond value adjustments as an enhancement to this service. <b>Update April 2018:</b> Management has been working with the provider to set up the new system to review and track bond and insurance documentation for compliance; however, not all documents have been loaded into the system. <b>Update September 2018:</b> The recommendation was closed; however, an additional recommendation was made during the follow-up, as detailed in Attachment B.
3/12/18	N/A	Planning & Transit	Measure M City Audits: Local Fair Share and Senior Mobility Program, Year Ended 2017	Observations were made relating to the classification of maintenance of effort expenditures, indirect charges not properly supported, errors in reporting of amounts on required activity reports and annual expenditure reports, and service contractor procurement. Internal Audit recommends management follow-up with the cities to ensure corrective action has been taken.	Management will follow-up with the cities to ensure appropriate actions have been taken to address observations. <b>Update July 2018:</b> Staff has followed up with the cities and obtained letters addressing the observations.