



October 14, 2015

To: Finance and Administration Committee

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

Subject: Fiscal Year 2015-16 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 2015-16 Internal Audit Plan on July 27, 2015. 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 2015-16 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, investigations, pre-award price reviews, and Buy America reviews. Audits initiated by entities outside of OCTA are coordinated through Internal Audit.

Discussion

The OCTA Internal Audit Fiscal Year (FY) 2015-16 Internal Audit Plan (Plan) (Attachment A) reflects the status of each audit project.

During the first quarter of the FY, Internal Audit issued the Review of Investments: Compliance, Controls, and Reporting for the period January 1 through June 30, 2015, concluding that OCTA complied with its debt, investment, and reporting policies and procedures.

A required audit of the State Transportation Improvement Program Planning, Programming and Monitoring Program for FY 2012-13, conducted by professional accounting firm BCA Watson Rice, LLP was issued and found that project funds were used in conformance with Article XIX of the California State Constitution.

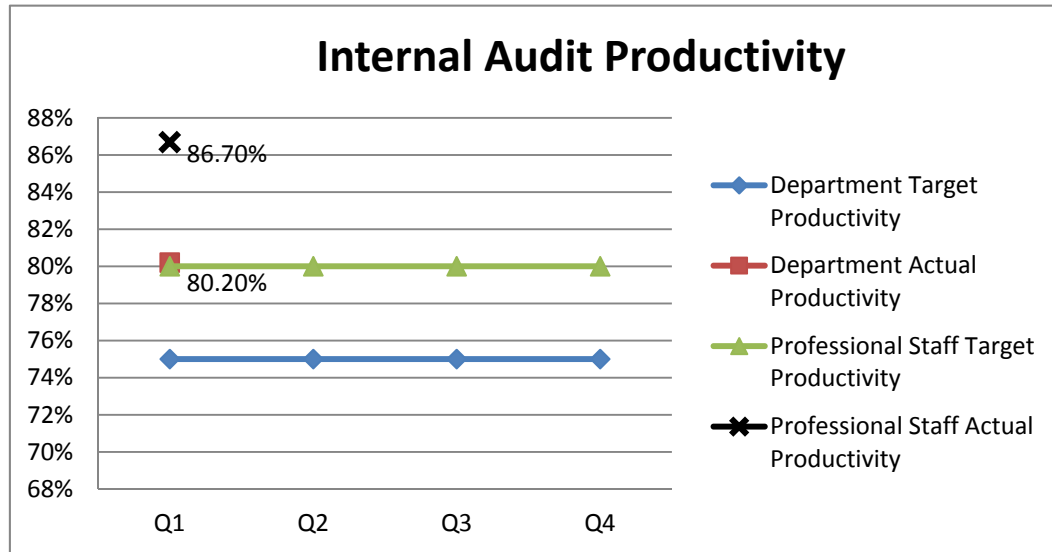
Audits by the State Controller's Office of Proposition 1B funds awarded under the Highway Railroad Crossing Safety Account, the Countywide Traffic Light Synchronization Program, and the State-Local Partnership Program were completed. The audits found that OCTA complied with applicable procurement requirements, that project costs incurred and reimbursed were in compliance with program guidelines, procedures, and agreements, and that project deliverables were consistent with the project scope, schedule, and benefits as described in the respective baseline agreements.

The primary focus of Internal Audit as of September 30, 2015, and in the ensuing months, will be to provide coordination of the annual financial and compliance audits.

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, 2015, Internal Audit achieved productivity of 80 percent, and the professional staff achieved productivity of 87 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. When the value of recommended adjustments can be estimated, Internal Audit tracks and reports these savings, as noted below. During the quarter ended September 30, 2015, Internal Audit conducted seven pre-award agreed-upon procedures reviews and recommended price adjustments, as indicated below:

Quarter	Price Reviews Recommended Adjustments
1	\$ 2,620,544
2	
3	
4	
Total	\$

Fraud Hotline

During the quarter ended September 30, 2015, Internal Audit received six reports through OCTA's Fraud Hotline, www.ethicspoint.com. Four reports

were referred to OCTA management and/or customer relations for proper disposition, and two reports were investigated by Internal Audit. One of the two reports could not be substantiated. The investigation of the second report resulted in identified weaknesses and a draft report has been issued and is awaiting management response. 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, 2015, 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, 2015, Internal Audit performed follow-up of nine unresolved audit recommendations. Seven of the recommendations were appropriately addressed by management and were removed from the list. Two other recommendations were not yet fully implemented by management and will be reviewed again in six to twelve months. One recommendation resulting from follow-up review activities was added to the list.

Summary

Internal Audit will continue to implement the Plan, monitor performance metrics, and report the status on a quarterly basis.

Attachments

- A. Orange County Transportation Authority Internal Audit Department
Fiscal Year 2015-16 Internal Audit Plan, First Quarter Update
- B. Unresolved Audit Findings and Recommendations (Audit Reports
Issued Through September 30, 2015)

Prepared by:



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**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2015-16 Internal Audit Plan
First Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours to Date	Under (Over)	Status (Date Issued)	External Auditor
Mandatory External Independent Audits								
Annual Financial Audit	FY16-001	Develop scope of work and procure independent audit services for Fiscal Year (FY) 2016-17, FY 2017-18, and FY 2018-19, and coordinate annual financial and compliance audits for FY 2015-16.	Financial	425	48	377	In Process	Vavrinek, Trine, Day & Co.
Annual Transportation Development Act (TDA) Audits	FY16-004	Coordination of required annual audits of the recipients of TDA Funds for FY 2015-16.	Compliance	12		12		Vavrinek, Trine, Day & Co.
State Triennial Audit	FY16-005	Procure external audit firm and coordinate the State Triennial Performance audit for FY ended 2013, 2014, and 2015.	Compliance	120	66		In Process	
California Department of Transportation (Caltrans) Incurred Cost Audit	FY16-006	Coordinate Incurred Cost Audit initiated by Caltrans for funding of various highway and grade separation projects.	Compliance	56	6		In Process	
Internal Audit Department Projects								
Risk Assessment and Annual Audit Plan	FY16-100	Annual preparation of the audit plan, quarterly updates to the audit plan, periodic assessment of risk throughout the year, including the monitoring of audit results of related entities.	Audit Plan and Updates	180	28	152	Ongoing	
Quality Assurance and Self-Assessment	FY16-101	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		180		
Fraud Hotline	FY16-102	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	250	107	143	Ongoing	6 Reports Received
Automated Workpaper Solution	FY16-103	Purchase, training, and implementation of a new automated workpaper solution.	Automated Workpaper Solution	230	153	77	In Process	
Peer Review Participation	FY16-104	Participation on peer reviews of other internal audit departments in exchange for reciprocal credit towards peer review of the Orange County Transportation Authority's (OCTA) Internal Audit.	Peer Review	120		120		
Internal Audits								
Human Resources and Organizational Development								
Benefits: Health Insurance Plans and Health Savings Accounts	FY16-5XX	Review controls in place to ensure proper enrollment, accounting, and compliance with laws, regulations, policies, and procedures.	Operational	300		300		
Storm Water Pollution Prevention Plan	FY16-5XX	Review oversight controls, policies, and procedures to ensure compliance with Environmental Protection Agency regulations.	Compliance	220		220		

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Capital Programs								
Bristol Street Widening	FY15-515	Assess oversight controls and contract compliance with related cooperative agreements for the Bristol Street widening.	Compliance	300	163	137	In Process	
Project Controls	FY16-5XX	Assess and test operating controls of the project controls function within the Capital Projects Division.	Compliance	200		200		
Planning								
Competitive Transportation Funding Program Projects	FY16-5XX	Review selected projects for compliance with Measure M Ordinance, policies, and procedures.	Compliance	80		80		
Transit Operations								
Equipment Assignment, Tracking, and Reporting	FY16-5XX	Assess and test controls in place over the assignment, tracking, and reporting of vehicles.	Internal Control	180		180		
Finance and Accounting								
Treasury	FY16-501	Semi-annual review of investments compliance, controls, and reporting.	Compliance	200	105	95	Issued 8-27-15	
Grant Closeouts	FY16-502	As-needed financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40	44	(4)	Issued 8-6-15	
Budget Development and Monitoring	FY16-XXX	Review and test controls in place over the preparation, monitoring, and reporting related to the annual OCTA budget.	Operational	300		300		
Accounts Payable	FY15-513	Review adequacy of controls over the accounts payable operation.	Operational	300	191	109	In Process	
Information Systems								
Technology and User Support	FY16-503	Review procedures in place for handling and tracking of request for in-house technology support.	Operational	200	195	5	In Process	
Contract Administration & Materials Management								
Price Reviews	PR16-XXX	Cost and price analyses as required by OCTA procurement policies and procedures.	Price Review	1,000	459	542	6 Reports Issued	
Buy America	FY16-XXX	Pre-award and post-delivery reviews to ensure vendors and OCTA are in compliance with federal Buy America requirements.	Compliance	250		250		
Bidder Protest Process	FY16-504	Review and test compliance with policies and procedures for bidder protests.	Operational	150	84	66	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
External Affairs								
Customer Relations	FY16-5XX	Review in-house Customer Relations operation.	Operational	240		240		
Public Outreach - West County Connectors Project	FY16-5XX	Review of oversight controls and contract compliance related to agreement for public outreach.	Compliance	200		200		
Unscheduled Reviews and Special Requests								
Unscheduled Reviews and Special Requests	FY16-800	Time allowed for unplanned audits and requests from the Board of Directors and management.	Varies	240	6	234		
Monitoring Activities								
Measure M Taxpayer Oversight Committee	FY15-601	Coordination of audit activities with the Audit Subcommittee of the Measure M Taxpayer Oversight Committee.	Administrative Support	120	19	101		
Capital Asset Inventory Observation	FY16-602	At the request of Finance and Administration Division, observe and apply limited procedures related to the bi-annual capital asset inventory counts.	Non-Audit Service	60		60		
Bus Base Inspections and Inventory Testing	FY15-602	Participation in annual bus base inspections.	Non-Audit Service	32		32		
Follow-up Reviews								
Follow-up Reviews and Reporting	FY15-700	Follow-up on audit findings and recommendations.		300	189	111		
Total Audit Project Planned Hours (A)				6,485	1,862	4,623		

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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
Internal Audit Administration								
Board of Directors and Board Committee Meetings				280	44	237		
Executive Steering Committee and Agenda Meetings				180	33	148		
Internal Audit Department Staff Meetings				150	10	140		
Other Administration				1,500	373	1,127		
			Total Hours (B)	8,595	2,321	6,274		
			Department-Wide Target Efficiency (A/B)	75%				
			Department-Wide Actual Efficiency (A/B)	80%				
			Professional Staff Target Efficiency	80%				
			Professional Staff Actual Efficiency	87%				

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through September 30, 2015)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
3/26/2014	14-509	General Services	Review of Purchase Order (PO) Issuance and Oversight	The Internal Audit Department (Internal Audit) recommends that General Services review invoiced pricing for compliance with Purchase Order (PO) pricing terms. PO's should be amended to include all required items and their negotiated prices.	Dec-15	General Services will add language to PO's to cover items that were not included in the original scope of work. <u>Update November 2014</u> : General Services has not yet fully implemented this recommendation. <u>Update June 2015</u> : General Services has recently renewed PO's and is planning to implement a semi-annual review of invoices to assess if new, recurring purchased items need to be added to the price list. As a result, Internal Audit will return in six months.	Ng	Initiate next update in December 2015
5/29/2014	14-511	Finance and Administration (F&A)	Review of the OCTA Store	Internal Audit recommends management ensure that the new system is designed to provide appropriate segregation of duties and that access is limited as appropriate. Detailed records of the access levels should be maintained and periodically reviewed for appropriateness. Procedures should be developed to address system access assignments and related controls to prevent and/or detect suspicious transactions.	Dec-15	The replacement point of sale system is expected to be fully implemented by the end of the calendar year. The new system will resolve access controls by providing multiple layers of administration functions allowing management the ability to turn on, or turn off, posting abilities to match the levels of access required by staff. Procedures will be developed to outline access assignments and secondary reviews and approval, where appropriate. Records of access levels will be maintained and periodically reviewed by management. <u>Update December 2014</u> : Management plans to build controls into the new system that is expected to be implemented in January 2015. <u>Update June 2015</u> : System implementation has been rescheduled to July 31, 2015. As such, follow-up will be performed again in six months.	Dunning	Initiate next update in December 2015
9/24/2014	14-510	Human Resources and Occupational Development (HROD)	Review of Administrative Employee Training and Educational Reimbursement	Internal Audit recommends management enhance policy and procedures for administrative employee training to allow the department to exercise oversight and institute standardization of training programs.	Oct-15	To start, departments within the HROD Division will create guidelines for the identification, development, and procurement of training, especially mandatory training, as this comprises the bulk of the training provided. Once that has been accomplished, Training and Development will reach out to other individual departments that provide training with the guidelines. Management anticipates that the first step can be accomplished by January 1, 2015. <u>Update April 2015</u> : Management has issued a revised training policy and intends to implement oversight to ensure follow-up is performed with employees that require training. Management also intends to implement a form to be used to help standardize training classes that are implemented and/or purchased by departments. Since recommendation has not been fully implemented, Internal Audit will return in six months.	Dunning	Initiate next update in October 2015

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(Audit Reports Issued Through September 30, 2015)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
9/24/2014	14-510	HROD	Review of Administrative Employee Training and Educational Reimbursement	Testing found that over one-third of the requests for reimbursement and subsequent submission of evidence of course completion were submitted outside the required timeframes. Internal Audit recommends management develop and implement guidelines for approval of exceptions to program requirements. Exceptions should be documented, approved, and occur infrequently.	Oct-15	Management supports a more rigid adherence to the policy than has been followed in the past. Currently, management is developing a communication strategy to educate employees on the required timeframes and the consequences for failure to submit paperwork in a timely manner. We anticipate that the communication strategy should be complete by January 1, 2015. Guidelines for the approval of exceptions to program requirements will also be in place by January 1, 2015. <u>Update April 2015</u> : Management has updated the educational reimbursement policy to outline procedures for exceptions and to reiterate due dates for requests for reimbursement. Since new procedures were recently implemented, Internal Audit will return in six months to review for the adequacy of implementation.	Dunning	Initiate next update in October 2015
9/26/2014	15-503	Clerk of the Board (COB)	Review of the Administration of Public Records Requests	Internal Audit recommends that management revise policies and procedures to: (1) include guidance for handling of public records requests from the media; (2) ensure that the recorded date of a public records request is the date of submission; (3) ensure retention of emails and/or mail records supporting notification to requestors that a time extension is required and/or records are available; and (4) include guidelines and authorities for the waiving of fees related to public records requests.	Nov-15	Management agrees and will revise the policies and procedures to reflect consistency with the handling of public records requests. These revisions will address guidelines and authorities for waiving fees. Also management will ensure that the recorded date of a public records request is the date of receipt by the Orange County Transportation Authority (OCTA), within standard business hours. The COB's office will retain evidence of e-mails/mail records to support notification to requestors that a time extension is available or that records are available. A "Month-End Review" procedure has been implemented, which will help to reconcile the documentation of emails and/or mail records which support notification to requestors for all completed requests on the log for that month. Additionally, internal department procedures have been developed to outline this process. <u>Update May 2015</u> : Parts 1, 3, and 4 have been implemented. Internal Audit identified additional exceptions related to recording the date of requests; as a result, Part 2 will be followed up on in six months.	Ng	Initiate next update in November 2015

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through September 30, 2015)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
5/13/2015	15-503 Follow-up	COB/Transit Division (Transit)	First Follow-up, Review of the Administration of Public Records Requests	Internal Audit recommends that management document effective procedures for handling bus video requests, including the process for download and retrieval of video, to ensure efficient processing of requests.	Nov-15	This recommendation was identified during a follow-up review. As a result, the recommendation was communicated through a memo to management and a formal response will not be required until Internal Audit performs follow-up of this recommendation in six months.	Ng	
10/3/2014	N/A	F&A and Transit	Performance Audit of OCTA's 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.	Sep-16	Management responded that efforts are underway to update certain portions of the BIA and the Plan. Also, at the direction of the Finance and Committee Chairman, staff has agreed to specifically address each issue and planned corrective actions with the Security Working Group of the Board of Directors. <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. Internal Audit will follow-up on the remaining issues in one year.	Bonelli	Initiate next update in September 2016.
10/30/2014	N/A	F&A	Single Audit Report on Federal Awards, Fiscal Year (FY) 2014	Auditors identified one significant deficiency related to monitoring procedures and oversight of Federal Section 5316 and 5317 sub-recipients. Specifically, procedures for invoice review and site visits of sub-recipients were inadequate to ensure that billings reflected only authorized activities and costs.	Jan-16	Management responded that as of May 2014, OCTA has implemented enhanced invoice review and approval procedures for the Federal Section 5316 and 5317 programs. Also, management procured the services of a consultant to help strengthen the sub-recipient monitoring process.	Tang	
10/30/2014	N/A	F&A	Management Letter	Auditors recommended that OCTA review procedures with applicable staff to ensure all payments are properly authorized and reviewed.	Jan-16	Management agreed and indicated that training will be performed.	Tang	

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through September 30, 2015)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
10/30/2014	N/A	F&A	Management Letter	Auditors noted errors in some of the historical data obtained from Cofiroute, USA (Cofiroute). The data is used to determine the net realizable value of the 91 Express Lanes violations outstanding in excess of 90 days. As a result, an audit adjustment was proposed, and auditors recommended that OCTA strengthen procedures over violations receivables estimates.	Jan-16	Management agreed and indicated that Cofiroute has implemented additional controls to ensure the integrity of the data, and OCTA staff has developed review procedures to identify significant data variances.	Tang	
12/19/2014	N/A	Planning Division and Transit	Measure M2 Agreed-Upon Procedures Reports for FY 2014	Internal Audit recommended that staff monitor implementation of auditor recommendations related to the classification of Maintenance of Effort (MOE) expenditures, allocation of interest, provisions of contracts with third party service providers, and timeliness of monthly activity reporting.	Jan-16	Management agreed to monitor the cities' (Orange, Seal Beach, and Westminster) implementation of these recommendations. <u>Update June 2015</u> : The recommendations on classification of MOE expenditures, allocation of interest, and provisions of contracts with third party service providers have been addressed. The cities are still in violation of the reporting deadlines and management has not implemented monitoring and/or follow-up procedures to ensure timely reporting from the cities; therefore, this recommendation on timeliness of reporting will be followed up in six months. Management indicated in July 2015 that monitoring and enforcement controls will be implemented starting in August 2015.	Tang	Initiate next update in January 2016
12/23/2014	N/A	HROD	Limited Scope Review of Recruitment, Selection, and Compensation	Internal Audit recommends that procedures be developed to ensure that newly created job descriptions are properly scrutinized to ensure consistency and equity.	Feb-16	Management agrees and the Human Resources manager will review any newly created job descriptions to ensure consistency and equity. <u>Update August 2015</u> : During the follow-up review, Internal Audit identified two reclassifications of employees to new positions at higher salary grades with job descriptions that require the same or less experience than the prior positions. The current Job Families listing is outdated and inconsistent with the Personnel and Salary Resolution. Therefore, Internal Audit kept this recommendation open and further recommended that the Job Families listing be updated periodically and posted on-line and that review of new job descriptions include a review of all existing job descriptions within the same job family for consistency and equity.	Ng	Initiate next update in February 2016.

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
8/10/2015	N/A	HROD	First Follow-up, Limited Scope Review of Recruitment, Selection, and Compensation	Internal Audit recommends, for future hiring of internal candidates, that HR verify education and experience that were not reviewed in past background checks and are required to meet the qualifications of the new position.	Feb-16	This recommendation was identified during a follow-up review. As a result, the recommendation was communicated through a memo to management and a formal response will not be required until Internal Audit performs follow-up of this recommendation in six months.	Ng	
3/20/2015	15-505	Capital Programs	Review of Facilities Engineering Project Management	Management should improve controls to ensure Independent Cost Estimates (ICE) are prepared and dated prior to receipt of contractor's quotes.	Sep-15	Management agrees and the project manager will prepare an ICE at the time a change arises. To address instances where a contractor may assert a change, management will advise contractors to forward any cost documentation to CAMM so the ICE can be prepared independently by the project manager.	Dunning	In Process
5/18/2015	15-504	Capital Programs and F&A	Review of Oversight Controls and Contract Compliance Related to the State Route 91 Westbound Widening Project between State Route 57 and Interstate 5	Internal Audit recommends management: (1) Pursue recovery of \$13,942; (2) Identify other contracts with Sequoia as a sub-consultant and/or other sub-consultants with similar billing practices. For those contracts that allow these billing practices, contract language should be added to limit billings to consultant's incurred cost; (3) Reconcile discrepancies in supporting documents before authorizing invoices for payment; and (4) Ensure that invoice certifications match the language required by the contract.	Nov-15	(1) Management is recovering the \$13,942 through current invoice and billing cycles. (2) The Contracts Administration and Materials Management Department (CAMM) is identifying other contracts that have similar contract language and billing practices. Cost recovery and contractual changes will be implemented as needed. (3) Management will continue to reconcile discrepancies in supporting documents before authorizing invoices for payment. Management staff previously determined that the Time Sheet Verification form as used on the project did not correctly represent hours worked, and as a result, used the employee time sheet as the invoice support. However, as additional verification, management has requested the construction management consultant to verify the employee's time sheet using the employee's daily inspector diary log. (4) Management will continue to enforce the invoice certification requirements.	Ng	

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Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
5/18/2015	15-504	Capital Programs and F&A	Review of Oversight Controls and Contract Compliance Related to the State Route 91 Westbound Widening Project between State Route 57 and Interstate 5	Internal Audit recommends the following: (1) Project management should continue to emphasize requirements for processing staffing changes to consultants during project kick-off. (2) Project management should consider seeking recovery of amounts, and in the future, reject billings of labor for consultant staff that are not part of the contract. (3) CAMM should communicate on its website, procurement policies as well as significant changes to those policies.	Nov-15	(1) Management will continue to emphasize the requirements for processing staffing changes at project kick-off and throughout the course of the project. In addition, Capital Programs and CAMM will assess the current process and duration needed to review and execute staffing change amendments to determine if any change to processing procedures or to the 60-day effective date limits are necessary. Capital Programs and CAMM will continue to work internally, and with the consultant, to process timely amendments. (2) Management is recovering \$21,951 for billing prior to the effective date of July 19, 2013, through current invoice and billing cycles. (3) CAMM agrees to post on the CAMM NET website procurement policies with an effective date. If procurement policies change, a revision to the policies will be made and will be posted online along with a new effective date. In addition to this posting, CAMM will also add to the Tips for Doing Business section of the website, specific information about the letter amendment procedures, highlighting the 60-day effective date limit on staffing changes.	Ng	
5/18/2015	15-504	Capital Programs and F&A	Review of Oversight Controls and Contract Compliance Related to the State Route 91 Westbound Widening Project between State Route 57 and Interstate 5	Internal Audit recommends the following: (1) Management should ensure that a Project Management Plan (PMP) is prepared for each project. (2) Management should update procedures to require retention of monthly meeting minutes in project files.	Nov-15	(1) Project Management Procedures currently require a PMP from all consultants. However, this contract did not specifically include requirements for a PMP. (2) Retention of meeting minutes from Project Development Team meetings is not a document storage requirement. The meeting minutes are generally retained in the project file for use by the project team. These meeting minutes are retained, at a minimum, for the period required to close out the agreement and any associated contract claims. The minutes which were reviewed were from an earlier project development environmental approval phase that had been closed out. In addition, depending on need, monthly meetings may not always be held. Management will emphasize that the appropriate project meeting minutes continue to be saved in the project files until contract agreement closeout.	Ng	

UNRESOLVED AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through September 30, 2015)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
4/28/2015	15-507	F&A and Transit	Review of Oversight Controls and Contract Compliance Related to Agreement No. C-3-1406 with Applied LNG Technologies (ALT), LLC	Internal Audit recommends that management develop and implement procedures to ensure invoice requirements are enforced and meter readings of liquified natural gas (LNG) tanks are recorded before and after delivery of fuel for purposes of verifying amounts later billed.	Nov-15	Since these requirements are included in the contract, CAMM sent ALT LLC a letter directing the firm to comply with the terms and conditions of the agreement. CAMM has revised its LNG fuel procedures to include the before and after meter readings. Review, approval, and payment of the LNG fuel invoices is conducted by Transit. Transit staff will ensure that all invoices from ALT LLC include the required certification statements and are accompanied by certified weighmaster tickets.	Bonelli	
5/11/2015	15-509	Transit	Review of the ACCESS Eligibility Process and Agreement No. C-0-1937 with C.A.R.E. Evaluators, LLC (C.A.R.E.)	Internal Audit recommends that management communicate OCTA data security standards to the contractor and amend the Agreement to include reference to the most recent standards. In addition, management should periodically assess the adequacy of data security measures. Finally, management should perform follow-up to ensure that C.A.R.E. management implements a periodic review of system access rights.	Nov-15	Staff will amend the contract at option renewal and will update data security standard requirements. Information Systems (IS) staff advised that a contractor has been retained to review the adequacy of OCTA data security measures. IS and Community Transportation Services (CTS) have agreed to have the contractor conduct an annual review of C.A.R.E.'s data security measures. In addition, C.A.R.E. has indicated they are developing an improved process for resetting staff passwords and are also implementing a new management report which will better document the status of system access rights. <u>Updated Response-July 2015</u> : The CARE contract has been updated to reflect new data security requirements and staffing requirements.	Tang	
5/11/2015	15-509	Transit	Review of the ACCESS Eligibility Process and Agreement No. C-0-1937 with C.A.R.E.	Internal Audit recommends that management enforce staffing requirements outlined in the agreement or amend the agreement to reflect current requirements.	Nov-15	CTS agrees with this recommendation and will revise the staffing requirements included in the C.A.R.E. contract as part of the amendment to exercise the final option term.	Tang	
6/19/2015	15-511	CEO	Review of Agreement No. C-4-1816 with Woodruff, Spradlin & Smart (WS&S) for Legal Services	Internal Audit recommends that management closeout the prior agreement and enforce invoice requirements.	Dec-15	Management will ensure that each invoice received from WSS going forward is certified per the requirements of the agreement and includes the contract number. WSS has also agreed to certify all future and prior invoices received by OCTA since the effective date of the new agreement. In addition, staff has closed out the prior agreement to ensure that no charges can be made to that agreement going forward. Staff has also ensured that all charges since the effective date of the new agreement, January 1, 2015, have been charged to the new agreement.	Tang	