



June 28, 2023

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director,
Internal Audit Department

Subject: Customer Information Center Services: Alta Resources,
Agreement No. C-0-2698, Internal Audit Report No. 23-514

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of Customer Information Center services, including procurement, oversight, contract compliance, and invoice review controls related to Agreement No. C-0-2698 with Alta Resources, for these services. Based on the audit, the procurement of Alta Resources was handled in accordance with Orange County Transportation Authority procurement policies and procedures. Alta Resources maintains insurance coverage and meets performance standards outlined in the contract, invoiced amounts are supported, mathematically correct, approved, and in accordance with the contract and payment authorization policy, and management exercises oversight of Alta Resource's activities. However, recommendations have been made to improve the timeliness of processing contract amendments and invoices for payment.

Recommendation

Direct staff to implement two recommendations provided in Customer Information Center Services: Alta Resources, Agreement No. C-0-2698, Internal Audit Report No. 23-514.

Background

The Marketing and Customer Engagement Department within the People and Community Engagement Division is responsible for overseeing the operation of the Customer Information Center (CIC). The Orange County Transportation Authority (OCTA) entered into Agreement No. C-0-2698 with Alta Resources (Alta) to manage and operate the CIC. The contract was effective July 1, 2021,

for a period of three years, with two, two-year option terms. The maximum obligation of the contract is \$2,980,440.

Alta provides invoices supported by system reports of call volume and operator statistics. The project manager documents review of invoices, utilizing an Invoice Review Checklist, and the department manager signs and approves invoices for payment, before forwarding to Accounts Payable for processing.

Discussion

The Internal Audit Department (Internal Audit) identified significant delays in invoice review and processing. In addition, some invoices lacked the required contractor certification. Internal Audit recommended management improve timeliness of invoice review and enforce requirements for contractor certification of invoices. Management agreed and indicated that enhanced oversight procedures will be implemented.

Internal Audit also identified a significant delay in the request for contract amendment to reflect a change in contractor key personnel. Internal Audit recommended management review changes to key personnel and process related contract amendments in a timely manner. Management agreed to implement additional procedures.

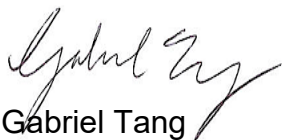
Summary

Internal Audit has completed an audit of OCTA's Customer Information Center services and has offered two recommendations, which management agreed to implement or otherwise address.

Attachment

- A. Customer Information Center Services: Alta Resources, Agreement No. C-0-2698, Internal Audit Report No. 23-514

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ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Customer Information Center Services: Alta Resources, Agreement No. C-0-2698

Internal Audit Report No. 23-514

June 13, 2023



Audit Team:

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**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Customer Information Center Services:
Alta Resources, Agreement No. C-0-2698
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**ORANGE COUNTY TRANSPORTATION AUTHORITY
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Conclusion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of OCTA's Customer Information Center (CIC) services, including procurement, oversight, contract compliance, and invoice review controls related to Agreement No. C-0-2698 (contract) with Alta Resources (Alta) for these services. Based on the audit, the procurement of Alta was handled in accordance with OCTA procurement policies and procedures, Alta maintains insurance coverage and meets performance standards outlined in the contract, invoiced amounts are supported, mathematically correct, approved, and in accordance with the contract and payment authorization policy, and management exercises oversight of Alta's activities. However, recommendations have been made to improve the timeliness of processing contract amendments and invoices for payment.

Background

The Marketing and Customer Engagement Department within the People and Community Engagement Division is responsible for overseeing the operation of the CIC. OCTA entered into the contract with Alta to manage and operate the CIC. The contract is effective July 1, 2021, for a period of three years, with two, two-year option terms. The maximum obligation of the contract is \$2,980,440.

Alta staff receive and record customer complaints, comments, and compliments related to fixed-route bus service, OC ACCESS operations, 91 Express Lanes, Freeway Service Patrol, and all other services and programs provided by OCTA. Alta staff assists customers with trip itineraries, processes pass sales orders, and answers questions regarding OCTA's Reduced Fare Identification Program. Calls to OCTA administrative offices and lost and found inquiries are also handled by Alta staff. Day-to-day operations are administered by key personnel identified in the contract.

The contract outlines performance standards and requires monthly executive reports to be provided. An OCTA project manager oversees activities, and reviews monthly executive reports of performance.

The contract includes a fixed monthly cost for supervisory staff, office space, utilities, equipment, internet, and profit, and monthly variable costs based on call volume. Alta provides an invoice supported by system reports of call volume and operator statistics. The project manager documents review of invoices, utilizing an Invoice Review Checklist, and the department manager signs and approves invoices for payment, before forwarding to Accounts Payable for processing.

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Objectives, Scope, and Methodology

The objectives were to assess and test procurement, oversight, contract compliance, and invoice review controls related to the provision of services by Alta.

According to Generally Accepted Government Auditing Standards (GAGAS), internal control is the system of processes that an entity's oversight body, management, and other personnel implement to provide reasonable assurance that the organization will achieve its operational, reporting, and compliance objectives. The five components are control environment, risk assessment, control activities, information and communication, and monitoring.¹ The components and principles that were evaluated as part of this audit are:

- Control Environment
 - OCTA demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
- Control Activities
 - OCTA deploys control activities through policies that establish what is expected and procedures that put policies into action.
- Information and Communication
 - OCTA internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.

The methodology consisted of testing compliance with selected procurement policies and procedures, testing compliance with key contract requirements, including selected performance measure requirements and reporting requirements, testing invoices for compliance with policy and contract provisions, and inquiry and testing of evidence of oversight controls.

The scope was limited to the contract with Alta. The scope included testing of all invoices paid and a judgmental sample of monthly executive reports from July 2021 through March 2023. The scope also included testing of a haphazard sample of Customer Relationship Management / Case Management System comment reports and evidence of call record requests provided by the project manager for the same period. Since the sample is non-statistical, any conclusions are limited to the sample items tested.

¹ See U.S. Government Accountability Office publication, "Standards for Internal Control in the Federal Government," available at <http://www.gao.gov/products/GAO-14-704G>, for more information.

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We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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Audit Comments, Recommendations, and Management Responses

Delays in Invoice Review and Processing

Internal Audit identified delays in invoice review and processing by management.

Per the contract, "OCTA shall remit payment within thirty (30) calendar days of the receipt and approval of each invoice." During invoice testing, Internal Audit noted that 15 out of 17 invoices tested were paid beyond 30 calendar days after receipt of the invoice. Delays in payment ranged from 50 to 258 days after invoice receipt.

In addition, four of 17 invoices tested lacked required certification from the contractor that "a) The invoice is a true, complete and correct statement of reimbursable costs and progress; b) The backup information included with the invoice is true, complete and correct in all material respects; c) All payments due and owing to subcontractors and suppliers have been made; d) Timely payments will be made to subcontractors and suppliers from the proceeds of the payments covered by the certification and; e) The invoice does not include any amount which Alta intends to withhold or retain from a subcontractor or supplier unless so identified on the invoice."

Recommendation 1:

Internal Audit recommends management improve timeliness of invoice review, approval and processing and enforce requirements for contractor certification of invoices.

Management Response:

Management has advised the project manager and will implement oversight procedures effective July 1 to ensure timely payment of invoices and inclusion of the required contract certification statement.

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Delay in Contract Amendment for Key Personnel Change

Internal Audit identified a delay in the request for contract amendment to reflect a change in key personnel.

Per the contract, “Should the services of any key person become no longer available to consultant, the resume and qualifications of the proposed replacement shall be submitted to OCTA for approval as soon as possible, but in no event later than seven (7) calendar days prior to the departure of the incumbent key, person, unless consultant is not provided with such notice by the departing employee. OCTA shall respond to consultant within seven (7) calendar days following receipt of these qualifications concerning acceptance of the candidate for replacement.”

Alta’s project manager retired as of December 31, 2022, and a replacement was promoted on January 23, 2023. Alta management reached out to the Project Manager to discuss the replacement on January 10, 2023, however, a formal meeting did not take place until February 23, 2023. The requisition to replace the key personnel was not entered until March 23, 2023, and due to delays in providing sufficient information to process the amendment, the contract amendment was not executed until May 24, 2023.

Recommendation 2:

Internal Audit recommends management review changes to key personnel, and request contract amendments in a timely manner.

Management Response:

Management agrees and will implement a procedure to ensure timely processing of contract amendments effective July 1.