



**April 24, 2019**

**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, Third 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 third quarter of the fiscal year.

**Recommendation**

Receive and file the third 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 third quarter of the FY, Internal Audit issued the results of an audit of the Interstate 5 (I-5) High Occupancy Vehicle (HOV) Improvement Project: Pacific Coast Highway (PCH) to San Juan Creek Road. Based on the audit, project consultants were procured in compliance with OCTA policy; however, some concerns were identified related to amendment processing. Also, invoices were generally paid in compliance with contract terms; however, one consultant was paid more than the contractually allowed amount for a specified task. Finally, while project progress is monitored and reported, a written Project Management Plan outlining the scope of work, constraints, and technical requirements of the project was not prepared as required.

Internal Audit also completed an audit of Rail Right-of-Way Maintenance and found program oversight controls to be adequate and determined that the contractor, Joshua Grading & Excavating, Incorporated, complies with contract terms.

Also, during the quarter, Internal Audit shared results of an audit by the Orange County Employee Retirement System auditors. The auditors concluded that OCTA payroll transmittals during the period from January 2016 through December 2017, were accurate and complete.

The California Department of Transportation (Caltrans), Division of Local Assistance, issued a letter on January 9, 2019, notifying OCTA of its determination of required corrective actions to be taken to address deficiencies identified in the Caltrans Incurred Cost Audit, issued April 26, 2016. OCTA has been asked to reimburse \$450,393 of right-of-way costs, revise policy and procedure manuals, and obtain staff training by May 2, 2019. Staff is working on responses to these final determinations.

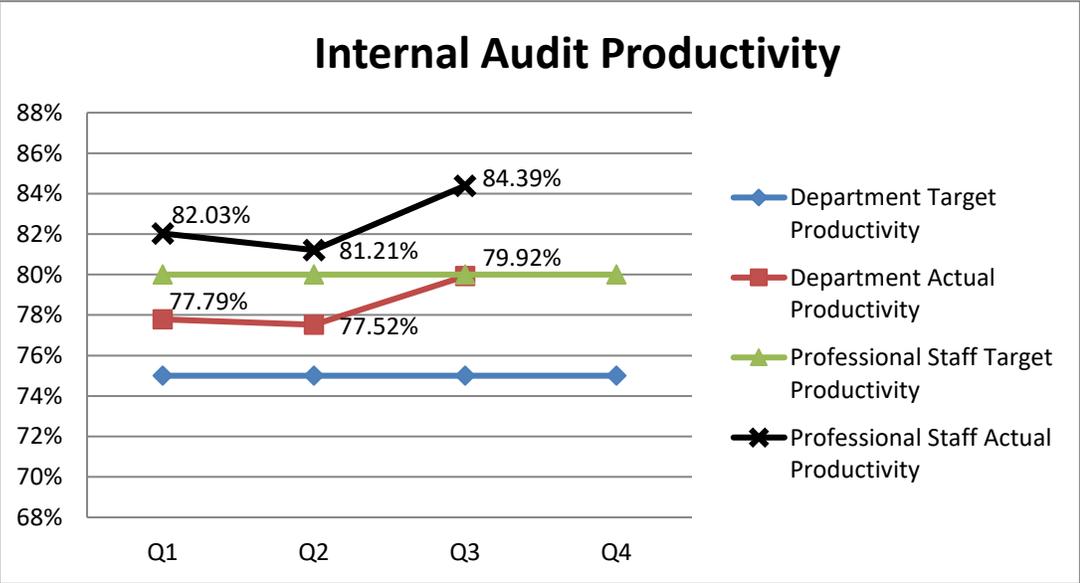
Vavrinek, Trine, Day & Company, LLP, OCTA's independent accounting firm, issued results of agreed-upon procedures applied to Measure M2 Local Fair Share funds provided to eleven cities, and Senior Mobility Program funds provided to four cities, for the FY ended June 30, 2018. Local Fair Share program reports included observations of ineligible Maintenance of Effort expenditures, allocation of unsupported indirect charges, reporting errors, insufficient interest allocation, and funded projects not reflected in Seven-Year Capital Improvement Program plans. Senior Mobility Program audits included observations relating to late submission of monthly reports, reporting errors, lack of evidence of competitive procurement of third-party vendors, missing contract provisions, and participant and trip eligibility. Staff is developing recommendations to the Board of Directors for actions to be taken to address some of the conditions identified and has agreed to follow-up with cities to confirm implementation of corrective actions proposed.

Finally, an external quality assurance review was completed of Internal Audit and found that Internal Audit’s quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Generally Accepted Government Auditing Standards for the period January 1, 2016 through December 31, 2018. The peer review team also provided a management letter with two suggestions to further strengthen the internal quality control system. Both suggestions have been implemented.

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 third quarter ended March 31, 2019, Internal Audit achieved productivity of 80 percent, and the professional staff achieved productivity of 84 percent.



### Price Reviews

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

### Fraud Hotline

Internal Audit is responsible for administering the OCTA Fraud Hotline. The Ethicspoint fraud hotline system allows reporters to file complaints anonymously through either the Internet or using a toll-free phone number. Complaints may also be received in person, by phone, or by mail directly to Internal Audit. To ensure proper recordkeeping, all complaints are recorded in the Ethicspoint system, regardless of how the complaint is received.

During the quarter ended March 31, 2019, Internal Audit received ten complaints. Based on the nature of the complaints, seven were referred to management for follow-up and disposition, one reporter was referred to the appropriate outside agency, and one investigation was conducted. One of the ten complaints was not decipherable.

Internal Audit is committed to responding to all hotline complaints within eight business days. During the quarter ended March 31, 2019, 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 March 31, 2019, Internal Audit completed follow-up reviews of nine unresolved audit recommendations. Eight recommendations had been appropriately addressed by management and were removed from the list (Attachment C).

Three recommendations related to the I-5 HOV Improvement Project: PCH to San Juan Creek Road audit were added to the list. Also added is a summary item to track observations made during audits of selected cities' compliance with the Measure M ordinance and guidelines for Local Fair Share and Senior Mobility Program funding.

***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, Third Quarter Update
- B. Outstanding Audit Recommendations (Audit Reports Issued Through March 31, 2018)
- C. Audit Recommendations Closed During Third Quarter, Fiscal Year 2018-19

**Prepared by:**



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**Orange County Transportation Authority  
Internal Audit Department  
FY 2018-19 Internal Audit Plan  
Third 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	443	8	In Process
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	198	(18)	In Process
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	36	24	
<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	95	105	
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	78	82	
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	77	43	Complete 2-7-19
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	78	163	25 Reports Received
Automated Workpaper Solution	FY19-103	System updates/training related to automated workpaper solution.	Workpaper System	40	16	24	
<b>Internal Audits</b>							
<b>Clerk of the Board</b>							
Board Compensation and Ethics Compliance	FY19-5XX	Review procedures and record-keeping 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	389	(89)	In Process
Construction Safety	FY19-5XX	Assess the adequacy of policies, procedures, and controls related to the Construction Safety Program function.	Operational	200	376.5	(177)	In Process

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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	Complete 7-12-18
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	310	(70)	Complete 11-29-18
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	63	237	In Process
<b>Planning</b>							
Comprehensive Transportation Funding Programs Projects	FY18-513	Review selected projects for compliance with Measure M2 Ordinance, policies, and procedures.	Compliance	100	314.5	(215)	Complete 10-8-18
<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	423	(183)	Complete 1-14-19
<b>Transit Operations</b>							
Coach Operator Scheduling	FY19-5XX	Review the coach operator scheduling process, including use of the HASTUS application.	Operational	300	217	83	In Process
ACCESS Service	FY18-514	Review and test compliance with key contract provisions, with consideration of program effectiveness and efficiency.	Operational	240	278	(38)	Complete 10-10-18
<b>Finance and Accounting</b>							
Treasury	FY19-501	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	200	347	(147)	Complete 10-8-18
Grant Closeouts	FY18-511	As-needed, required financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40	32	8	Complete 8-1-18
Mobile Ticketing	FY19-504	Assess and test controls for mobile ticketing revenue collection and recording.	Internal Control	240	396	(156)	In Process
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  
Internal Audit Department  
FY 2018-19 Internal Audit Plan  
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Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Over (Under)	Status (Date Issued)
<b>Contract Administration and Materials Management (Camm)</b>							
Price Reviews	PR19-XXX	Cost and price analyses as requested by OCTA's Camm Department.	Price Review	750	592	158	18 Reports Issued
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	95	(15)	Complete 8-22-18
Warranty Administration	FY18-510	Assess adequacy of controls in place for tracking and recording of warranty repairs and credits.	Internal Control	80	182	(102)	Complete 2-20-19
<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	2	239	
<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	20	40	
Metrolink Audit Activities	FY19-602	Obtain and review audit results of Metrolink activities	Non-Audit Service	40	13	28	
Bus Base Inspections	FY19-603	At the request of the Transit Division, participation on annual base inspection teams.	Non-Audit Service	40	37	3	
<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	245	76	
<b>Total Audit Project Planned Hours (A)</b>				<b>6,600</b>	<b>5,367</b>	<b>1,233</b>	

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

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Over (Under)	Status (Date Issued)
<b>Internal Audit Administration</b>							
Board and Committee Meetings				180	107	73	
Executive Steering and Agenda Setting Meetings				180	96	85	
Internal Audit Staff Meetings				150	88	63	
Other Administration				1,500	1,071	429	
			<b>Total Hours (B)</b>	<b>8,610</b>	<b>6,728</b>	<b>1,882</b>	
			<b>Department Target Efficiency (A/B)</b>	75%	80%		
			<b>Target Efficiency - Professional Staff</b>	80%	84%		

**Outstanding Audit Recommendations  
Audit Reports Issued Through March 31, 2019**

<b>Audit Issue Date</b>	<b>Report Number</b>	<b>Division/ Department/ Agency</b>	<b>Audit Name</b>	<b>Recommendation</b>	<b>Initiate Next Update</b>	<b>Management Response and Status</b>	<b>Internal Audit Status</b>
7/12/18	18-505	Capital Programs	Interstate-405 (I-405) Improvement Project: Project Management Contracts	The Internal Audit Department (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 six 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 the Orange County Transportation Authority's (OCTA) 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.	<b>Update April 2019:</b> Management has not implemented sufficient controls. While language on labor classifications has been added to the standard agreement templates, the existing contracts have not been amended to incorporate the new requirements. Internal Audit identified multiple staff that have been billed for over six continuous months on the two program management contracts but have not been added as named staff. Also, while one contractor has begun confirming in its invoices that there are no rate increases greater than the contract escalation rate, OCTA staff is not monitoring compliance by the consultants.
10/10/18	18-514	Operations Division (Operations) and Finance and Administration (F&A)	ACCESS Service	Internal Audit recommends that management consider a policy update that requires Board of Directors (Board) approval for amendments that obligate OCTA to additional costs exceeding \$250,000, even when the increase can be accommodated within the contract maximum. Internal Audit also recommends that staff ensure the validity of consultant assumptions before relying on them to derive cost estimates. Finally, the justification and responsibility for selecting between various cost estimates should be documented and approved	Apr-19	Management to consider a policy change to require Board approval for amendments where individual tasks may increase beyond \$250,000. Regarding the recommendation for staff to ensure the validity of consultant assumptions before relying on them to derive cost estimates, management agrees to comply. Lastly, management agrees that the justification and responsibility for selecting between various cost estimates should be documented and approved in writing by the project manager.	<b>April 2019:</b> Follow-up review in process.
10/10/18	18-514	Operations	ACCESS Service	Internal Audit recommends that management instruct MV Transportation, Inc. (MV) to correct the calculation of percentage of calls answered within five minutes. Further, management should increase oversight of the performance standard by periodically validating the data and the calculation.	Apr-19	Management will correct the calculation of percentage of calls answered within five minutes. In addition, management will enhance procedures for monitoring the calculation of percentage of calls answered within five minutes.	<b>April 2019:</b> Follow-up review in process.

**Outstanding Audit Recommendations  
Audit Reports Issued Through March 31, 2019**

<b>Audit Issue Date</b>	<b>Report Number</b>	<b>Division/ Department/ Agency</b>	<b>Audit Name</b>	<b>Recommendation</b>	<b>Initiate Next Update</b>	<b>Management Response and Status</b>	<b>Internal Audit Status</b>
10/10/18	18-514	Operations	ACCESS Service	Internal Audit recommends that staff consistently perform monthly monitoring of preventative maintenance inspections.	Apr-19	Management agrees with the finding and will perform consistent inspections of preventive maintenance records to ensure compliance with all regulatory agencies and contract requirements.	<b>April 2019:</b> Follow-up review in process.
10/10/18	18-514	F&A	ACCESS Service	Internal Audit recommends that management review performance bonds at contract inception to ensure that the bonds meet the contract requirements. When amendments to increase the contract amount are executed, management should ensure that the bonds are increased accordingly.	Apr-19	CAMM has recently implemented services from a third-party vendor, Insurance Tracking Services, Inc. (ITS), to review bond and insurance documentation for compliance to ensure contract requirements are met. CAMM management will review the bond amount in the ITS system following amendment execution to ensure accuracy of the bond requirements, as well as the bond amount provided.	<b>April 2019:</b> Follow-up review in process.
10/10/18	18-514	Operations and F&A	ACCESS Service	Internal Audit recommends that management enhance procedures for monitoring of ACCESS fare revenue. Procedures should include monitoring of coupons collected by both MV and Yellow Cab, reconciliation of MV's daily coupon count sheets to the farebox reconciliation document, and investigation of variances exceeding a stated threshold.	Apr-19	Management agrees to enhance procedures for monitoring of ACCESS fare revenue and coupons collected by both MV and Yellow Cab. In addition, management will continue to reconcile count sheets to the farebox reconciliation report and will establish a threshold for researching variances.	<b>April 2019:</b> Follow-up review in process.
11/28/18	18-512	F&A	Interstate 5 (I-5) High Occupancy Vehicle (HOV) Improvement Project: Pacific Coast Highway (PCH) to San Juan Creek Road	Internal Audit recommends management enforce procurement policy or update the policy to include parameters for back-dating of formal amendments. Management should also remind staff that amendments should be requested in a timely fashion to ensure processing before contracts expire	May-19	Management agrees to enforce the current policy regarding processing of formal amendments. CAMM management will conduct training for CAMM staff and review the requirements for processing formal amendments. Staff is also working with the general counsel's office to address the changes in contract templates to eliminate any conflicts related to the interpretation of the "effective dates". CAMM also plans to conduct training for OCTA staff on the amendment process in 2019 through the Procurement 101 training series.	Not yet due.

**Outstanding Audit Recommendations  
Audit Reports Issued Through March 31, 2019**

<b>Audit Issue Date</b>	<b>Report Number</b>	<b>Division/ Department/ Agency</b>	<b>Audit Name</b>	<b>Recommendation</b>	<b>Initiate Next Update</b>	<b>Management Response and Status</b>	<b>Internal Audit Status</b>
11/28/18	18-512	F&A	I-5 HOV Improvement Project: PCH to San Juan Creek Road	Internal Audit recommends that changes to firm fixed pricing of individual tasks, as established in contracts, be made through the amendment process. Management should ensure amendments needed for additional services are requested and processed in a timely manner.	May-19	Management agrees with the recommendation to request amendments for changes to firm fixed pricing of individual tasks, as established in contracts which were procured with price as a factor. Management will reinforce with staff the need to request and process amendments for additional services in a timely manner.	Not yet due.
11/28/18	18-512	F&A	I- 5 HOV Improvement Project: PCH to San Juan Creek Road	Management should either update its Program Management Procedures to reflect state and federal requirements or enhance controls to ensure that projects comply with all procedures identified in the manual.	May-19	Management agrees with the recommendation and will review the relevant procedures from the Program Management Procedures Manual with staff to ensure that projects are in compliance. Project managers will ensure that project management plans are prepared for each project.	Not yet due.
3/12/19	N/A	Planning and F&A	Measure M (M2) City Audits: Local Fair Share and Senior Mobility Program	M2 Local Programs staff should review observations with legal counsel and develop recommendations for the Boards' consideration. In addition, Planning and F&A staff should monitor implementation of corrective action by cities.	Sep-19	Staff will review observations and make recommendations for the Boards' action. Staff will follow-up with the cities to verify implementation of corrective actions.	Not yet due.

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

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Management Response
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.	Management will establish a formal process for internal and external repairs and utilize internal labor rates established by the Orange County Transportation Authority's (OCTA) Financial Planning and Analysis Department. <b>Update February 2019:</b> Management has established a formal process for stating claim values on internal and external repairs and now refers to the internal shop labor rate established by OCTA's Finance and Administration (F&A) Division when assessing claim values.
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.	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. <b>Update April 2019:</b> Internal Audit reviewed the only amendment with an increase in maximum obligation. All labor rates within the cost estimate were based on the contract rates or supported by payroll registers, as recommended. However, in a cursory review of the labor hours, Internal Audit identified a few instances of labor hours being estimated for staff that already had been projected as full-time staff in prior amendments. Internal Audit verbally recommended that management review estimated labor hours against prior staffing estimates to ensure that the estimated labor hours had not already been factored in prior amendments.
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.	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. <b>Update April 2019:</b> Contracts Administration and Materials Management (CAMM) procedures were modified to calculate the 60-calendar day retroactive period from the "Authorized Date" on the requisition. Since the F&A Committee had provided instruction that the effective date should not precede the consultant's request, Internal Audit verbally recommended that this criteria be added to the CAMM procedures.

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

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.	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. <b>Update April 2019:</b> Capital Programs management directed its managers not to request promotions of consultant staff. The consultant reimbursed OCTA for unsubstantiated hours related to the terminated sub-consultant.
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.	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 October 2018:</b> Written procedures have been developed. <b>Update April 2019:</b> Management has implemented procedures and processes to confirm that HSA enrollees receive their employer-paid contributions.
10/19/17	17-506	HROD	Employee Health Benefits	Management should develop a written policy and procedures for collection of premiums in arrears.	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 October 2018:</b> Written procedures have been developed. <b>Update April 2019:</b> Management has developed and implemented procedures and processes for collection of unpaid premiums.
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.	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 October 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>Update April 2019:</b> Management has modified the Board's "Certification of Health Insurance" form to reflect the Board's approved changes to Benefit Eligibility.

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

10/8/18	14-ORNG- STS- 3752	City of Orange	Financial and Compliance Audits of Eight Measure M2 Comprehensive Transportation Funding Program Projects	Internal Audit recommended that, in the future, the City of Orange (City) implement controls to ensure procurements fully comply with requirements and advise City staff of program guidelines requiring documentation of the decision to utilize local agency forces on these projects.	The City agreed and indicated that improvements will be made to ensure documentation is maintained to evidence compliance with requirements. OCTA's Planning Division staff will follow up with the City on these recommendations. <b>Update April 2019:</b> Management has contacted the City and communicated expectations and guideline requirements.
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