

**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. Update February 2019: 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. Update April 2019: 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. Update April 2019: 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.

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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. Update April 2019: 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. Update April 2018: A report has been created that will assist in auditing contributions for eligible participants. A written procedure will be established in collaboration with payroll. Update October 2018: Written procedures have been developed. Update April 2019: 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. Update April 2018: Management is working on a written policy and procedure to collect unpaid medical premiums. Update October 2018: Written procedures have been developed. Update April 2019: 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. Update April 2018: 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. Update October 2018: 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. Update April 2019: Management has modified the Board's "Certification of Health Insurance" form to reflect the Board's approved changes to Benefit Eligibility.

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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. Update April 2019: Management has contacted the City and communicated expectations and guideline requirements.
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