



AGENDA

Finance and Administration Committee Meeting

Committee Members

Michael Hennessey, Chairman
Richard Murphy, Vice Chairman
Andrew Do
Gene Hernandez
Steve Jones
Michelle Steel
Donald P. Wagner

Orange County Transportation Authority
Headquarters
550 South Main Street
Board Room – Conf. Room 07
Orange, California
Wednesday, July 24, 2019 at 10:30 a.m.

Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the OCTA Clerk of the Board, telephone (714) 560-5676, no less than two (2) business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

Agenda descriptions are intended to give members of the public a general summary of items of business to be transacted or discussed. The posting of the recommended actions does not indicate what action will be taken. The Committee may take any action which it deems to be appropriate on the agenda item and is not limited in any way by the notice of the recommended action.

All documents relative to the items referenced in this agenda are available for public inspection at www.octa.net or through the Clerk of the Board's office at the OCTA Headquarters, 600 South Main Street, Orange, California.

Call to Order

Pledge of Allegiance

Director Do

1. Public Comments

Special Calendar

2. Taxable Sales Forecast - California State University Fullerton - Anil Puri, Provost Emeritus and Director of the Woods Center for Economic Analysis Sam Kaur/Andrew Oftelie

Orange County Transportation Authority contracts with several economic specialists to provide an annual 30-year taxable sales forecast for Measure M2. The latest forecasts were received in Spring 2019. Anil Puri, Provost Emeritus and Director of the Woods Center for Economic Analysis from California State University Fullerton will provide an update on the annual forecast and economic outlook for Orange County to the Finance and Administration Committee.



Consent Calendar (Items 3 through 6)

All items on the Consent Calendar are to be approved in one motion unless a Committee Member or a member of the public requests separate action or discussion on a specific item.

3. Approval of Minutes

Approval of the minutes of the Finance and Administration Committee meeting of July 10, 2019.

4. Fiscal Year 2018-19 Internal Audit Plan, Fourth Quarter Update

Janet Sutter

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 fourth quarter of the fiscal year.

Recommendation

Receive and file the fourth quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2018-19 Internal Audit Plan as an information item.

5. Draft Fiscal Year 2019-20 Internal Audit Plan

Janet Sutter

Overview

At the direction of the Orange County Transportation Authority's Board of Directors, the Internal Audit Department develops and implements an annual risk-based Internal Audit Plan. Implementation of an annual Internal Audit Plan assists management in evaluating the effectiveness and efficiency of projects, programs, and operations, while ensuring that adequate controls and safeguards are in place to protect the Orange County Transportation Authority's assets and resources.

Recommendations

- A. Approve the Draft Fiscal Year 2019-20 Internal Audit Plan.
- B. Direct the Executive Director of Internal Audit to provide quarterly updates on the Fiscal Year 2019-20 Internal Audit Plan.



6. Agreement for Medical Clinic Services
Karen DeCrescenzo/Maggie McJilton

Overview

Medical services are required to ensure compliance with the State of California Department of Motor Vehicles commercial driver certifications, the Federal Transit Administration drug and alcohol testing, and the California Occupational Safety and Health Administration's medical evaluation requirements.

Recommendations

- A. Approve the selection of Cheshire Medical Corporation, doing business as ProCare Work Injury Center & Urgent Care, as the medical clinic to provide medical services to ensure compliance with the State of California Department of Motor Vehicles, Federal Transit Administration, and California Occupational Safety and Health Administration regulations.

- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-1165 between the Orange County Transportation Authority and Cheshire Medical Corporation, doing business as ProCare Work Injury Center & Urgent Care, in the amount of \$573,000, for a three-year initial term, effective August 1, 2019 through July 31, 2022, with one, two-year option term, to provide medical services.

Regular Calendar

There are no Regular Calendar items scheduled.

Discussion Items

- 7. Chief Executive Officer's Report**
- 8. Committee Members' Reports**
- 9. Closed Session**

There are no Closed Session items scheduled.



10. Adjournment

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, August 14, 2019**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

**Taxable Sales Forecast –
California State University
Fullerton – Anil Puri, Provost
Emeritus and Director of the
Woods Center for Economic
Analysis**

Economic Outlook and Forecasts

Anil Puri

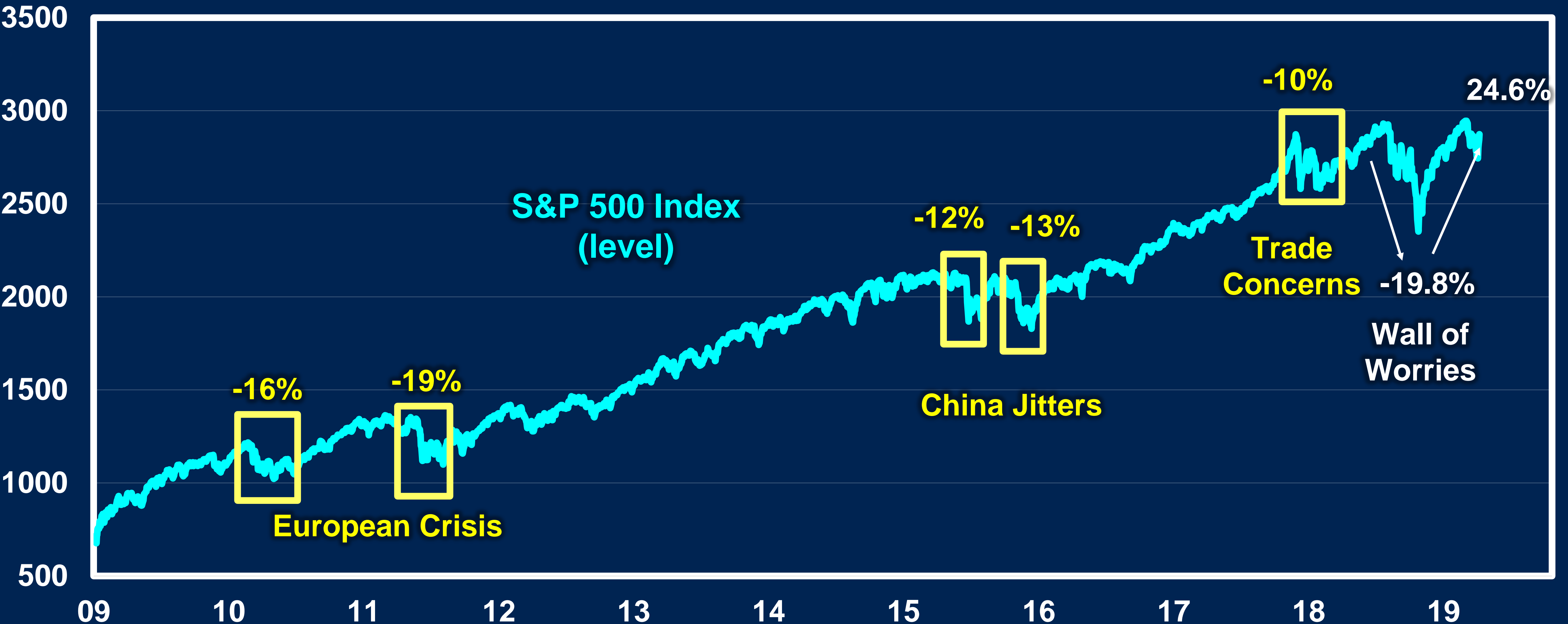
**Woods Center for Economic Analysis and Forecasting
Cal State Fullerton**

Orange County Transportation Authority
July 24, 2019



Long Cycle Expansion Woes

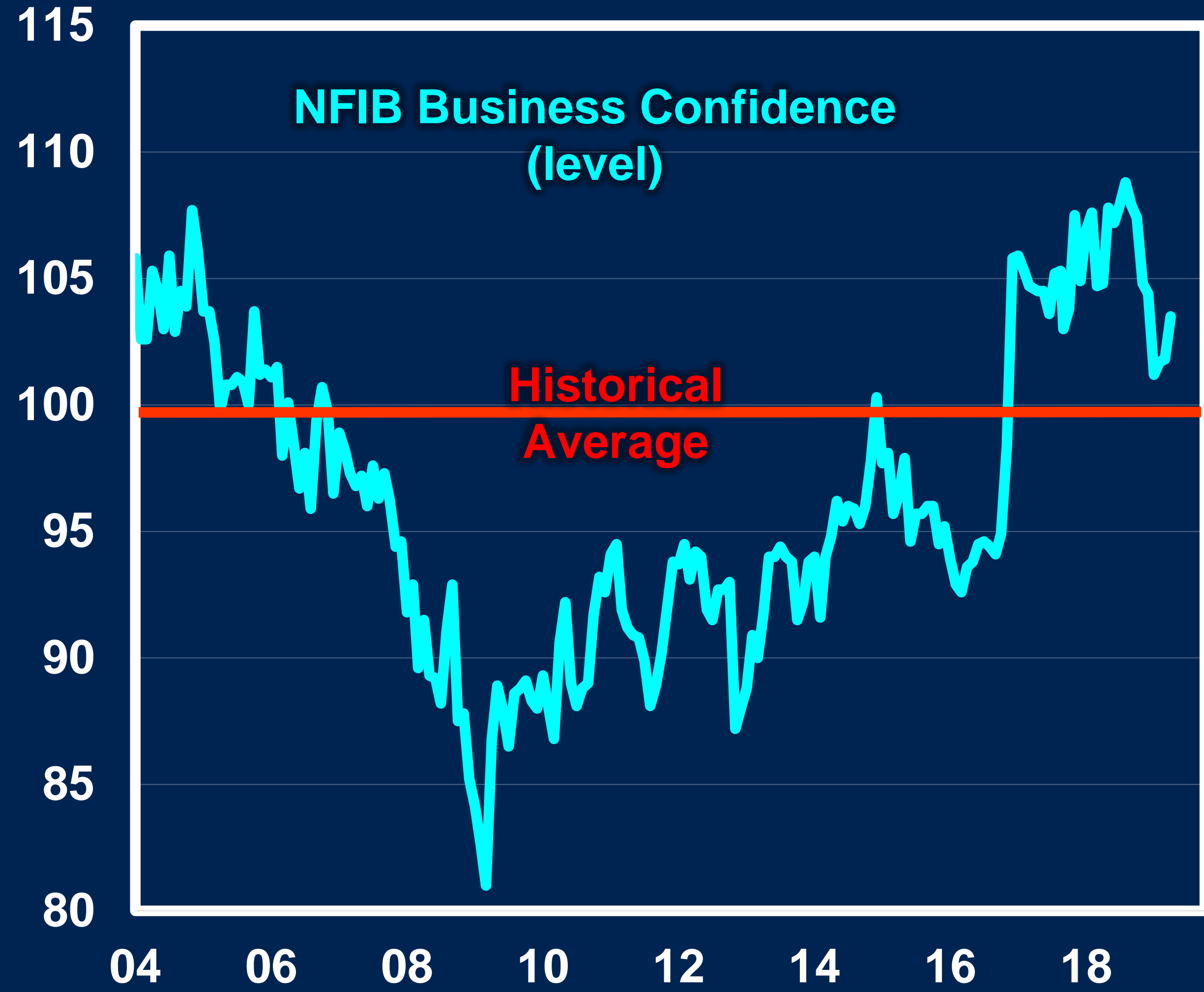
A Turbulent Equity Market: A Troubled Q4 Followed by best Q1 in 10 Years
(S&P500 Index, level)



Sentiment Still Generally Strong

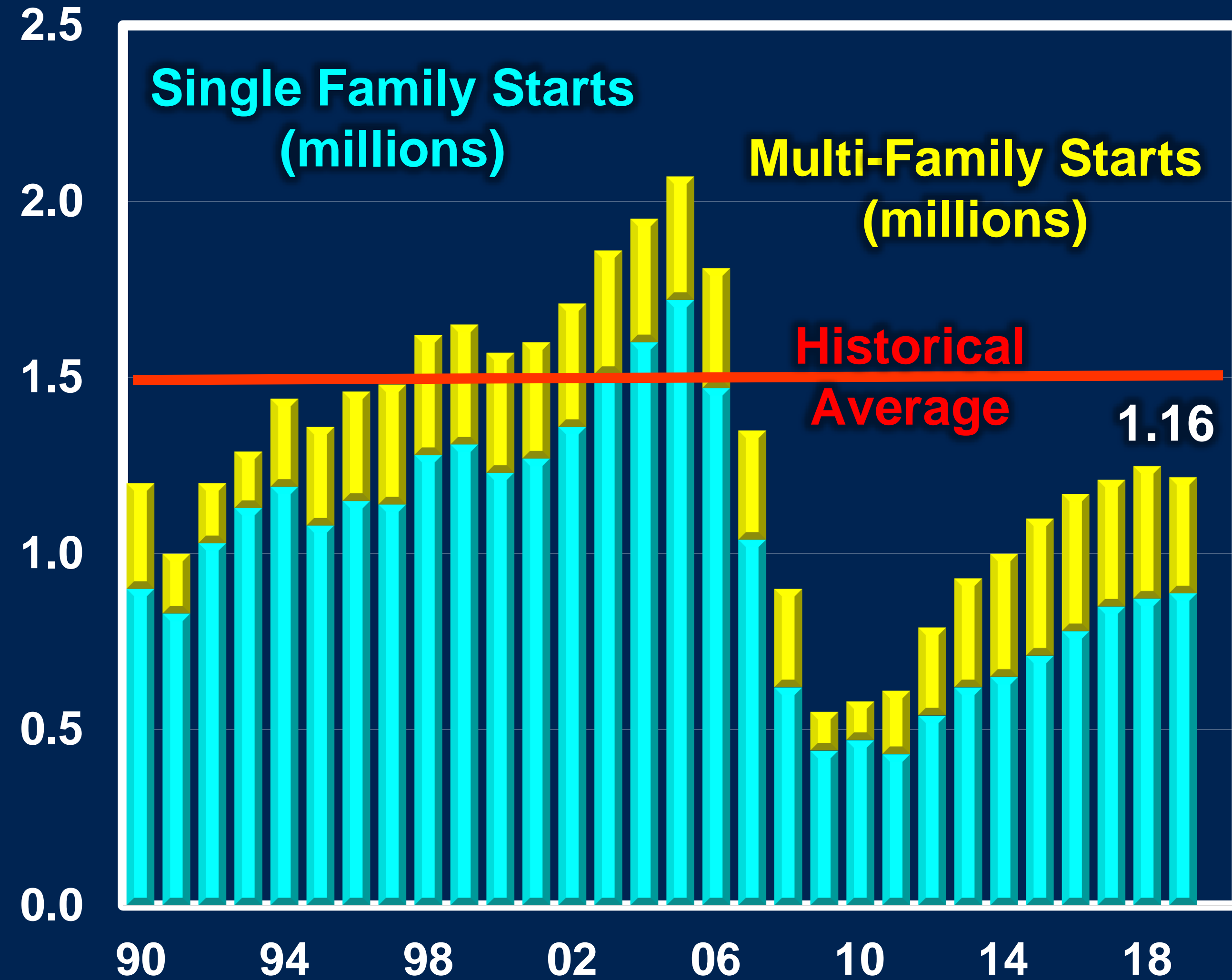
Particularly for Businesses (Large and Small); Less So for Consumers

(Conference Board, NFIB Survey, Index Level)



A Tough Year for Housing

Construction and Sales Languishing



Home Sales Suffered

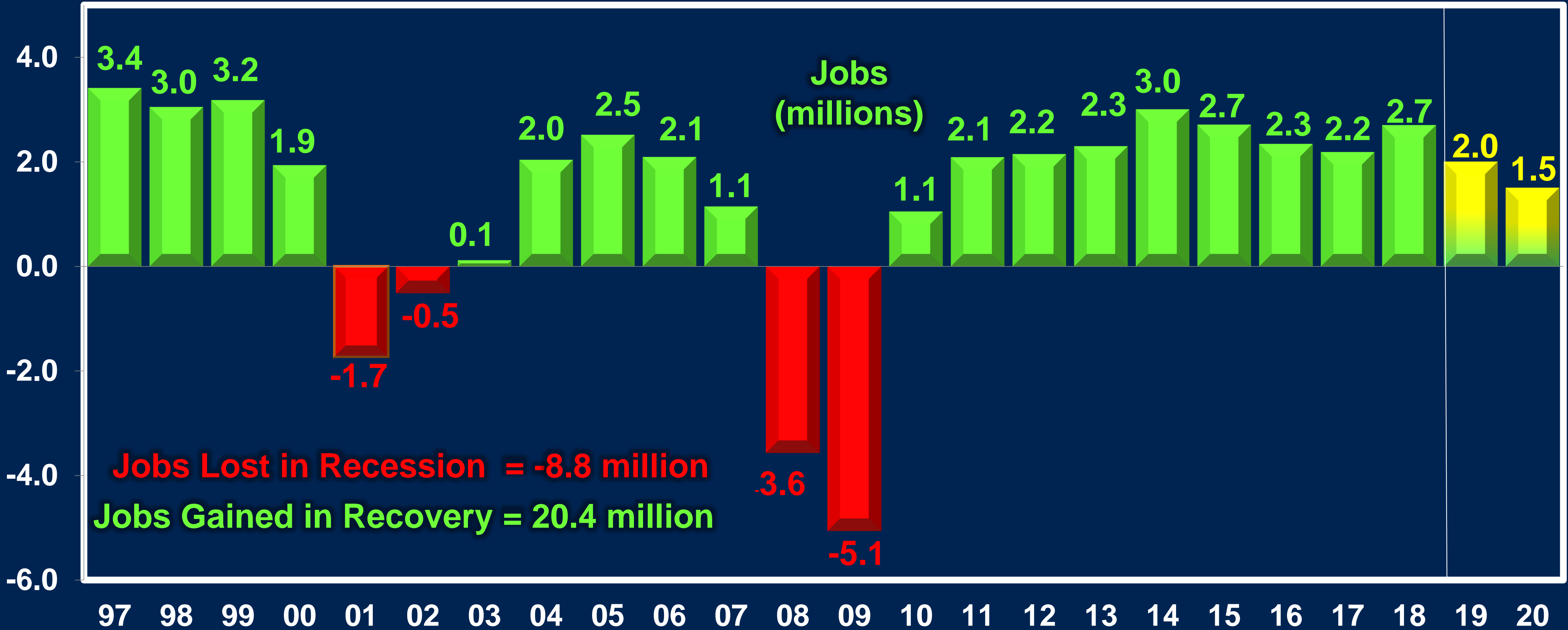
- Low Affordability
- Higher Mortgage Rates

Housing Construction in Slow Lane

- Shortage of Labor and Developed Lots
- Higher Building Costs

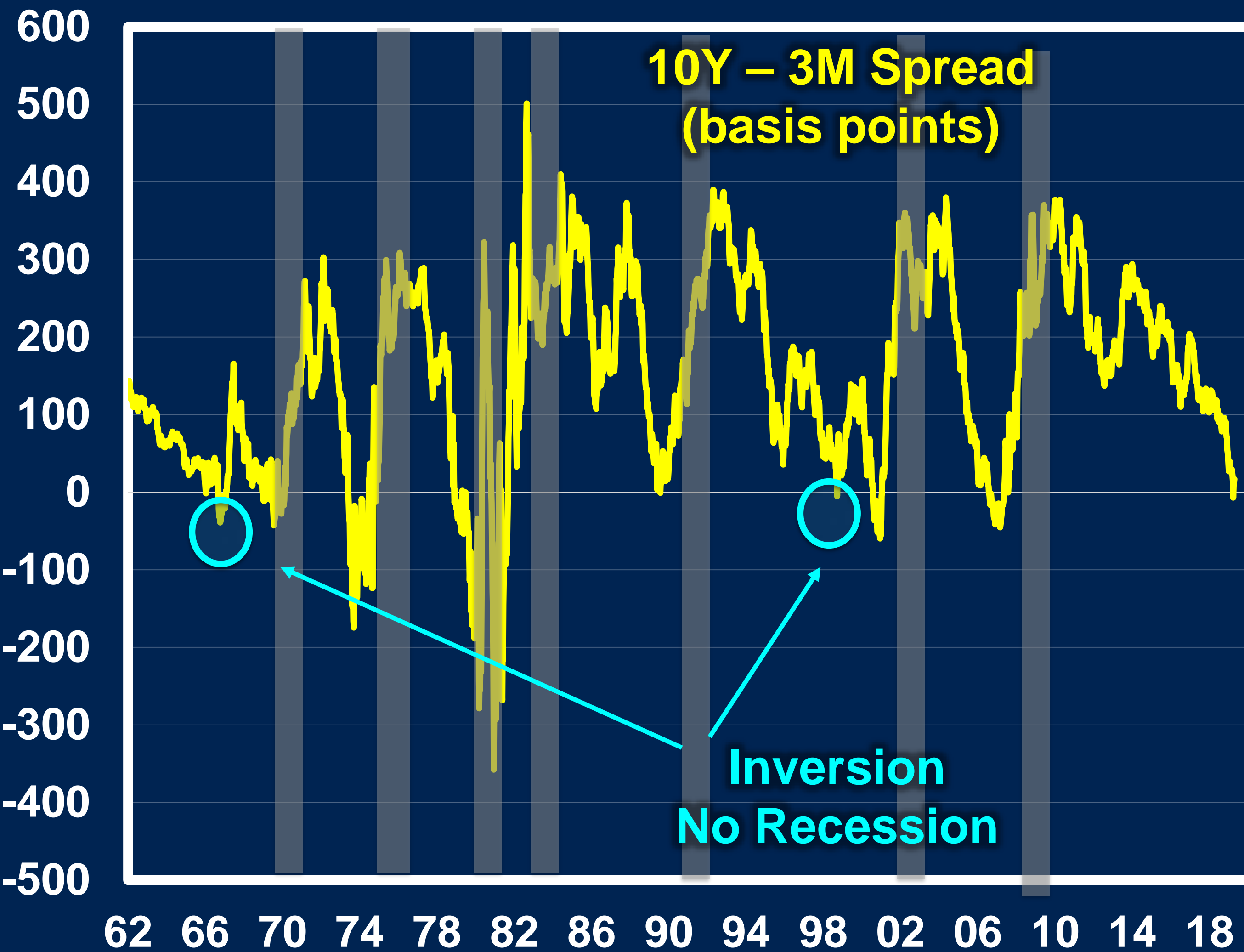
A Remarkable Labor Market

Job Growth in 2018 Surpassed the Last Two Years
(millions of employees)



Fear and Loathing of the Yield Curve

Yield Curve Inversions have Preceded All Post-War Recessions

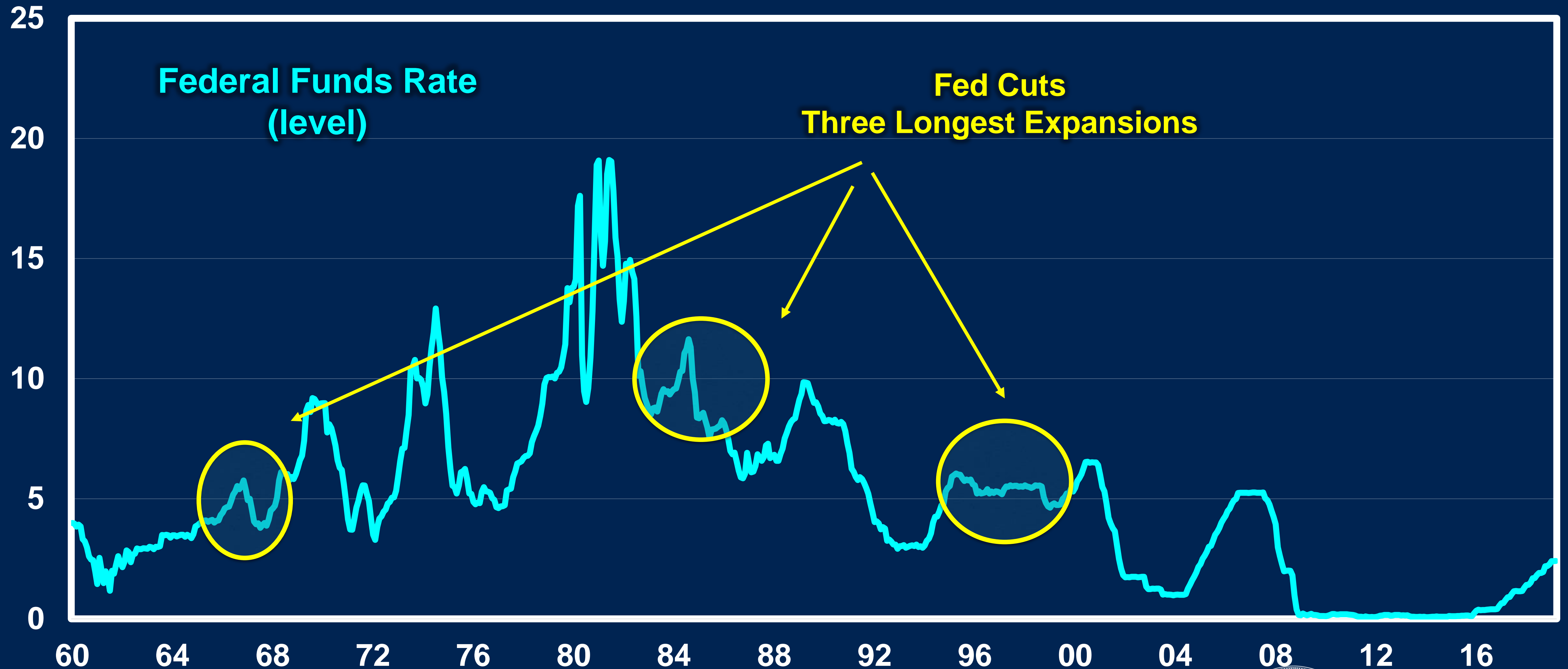


Don't Send the White Ravens...Yet

- Two False Signals (1967 and 1998)
- Worrisome if inversion long and deep
- Long Rates Depressed (from QE)

Bet on the Fed?

Uncertain How Nimble the Fed will Be if Outlook Clouds



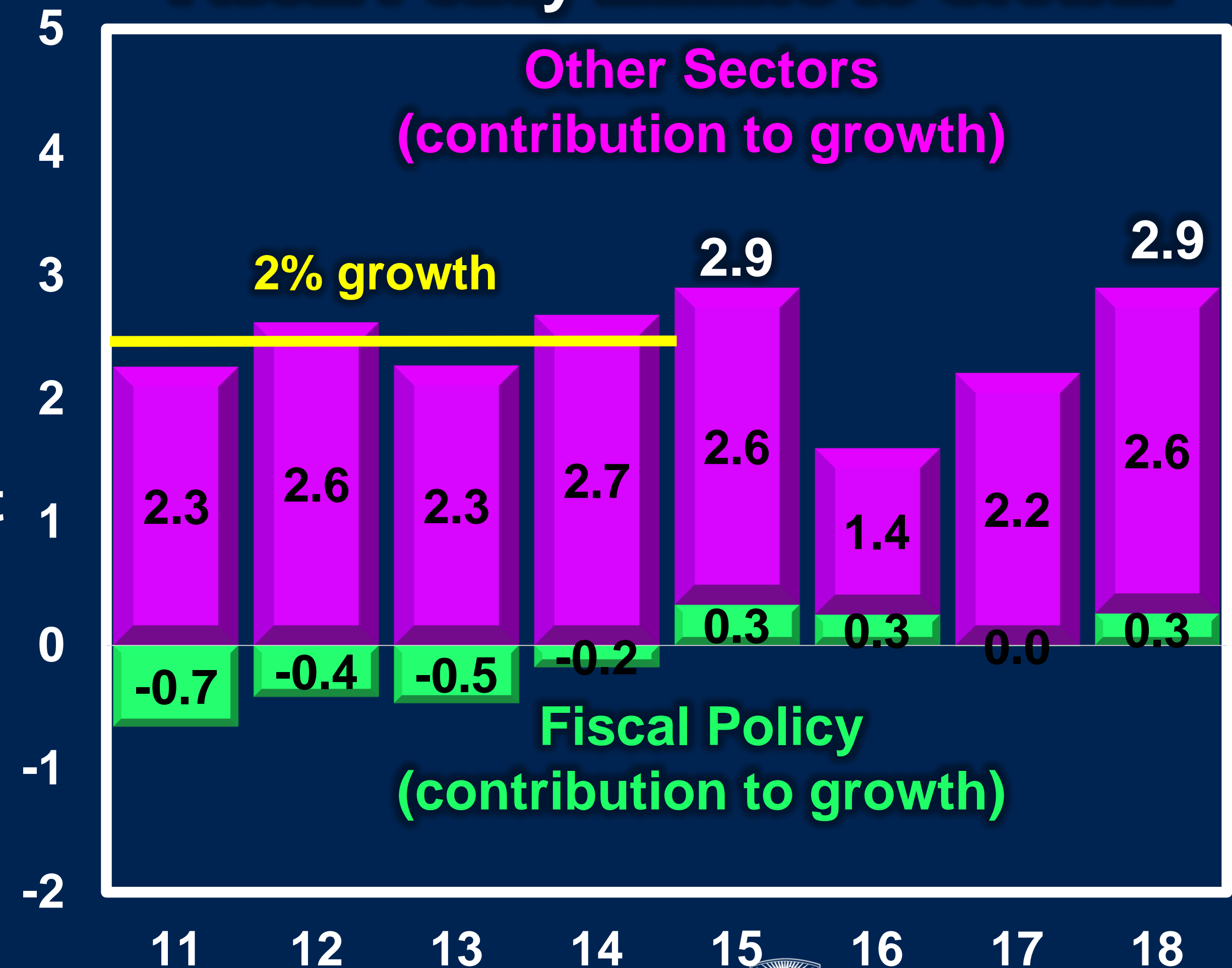
Fiscal Boost Will Fizzle Past this Fiscal Year

A Mountain of Deadlines Loom

Deal or No Deal?

- ✓ Debt Ceiling: Reauthorization by August
- ✓ Spending Caps: Expire in October
- ✓ If no Agreement, Sequester bites
- ✓ Reduction by \$125 bn. (10%) from Current

Fiscal Policy Matters to Growth



Orange County

Orange County

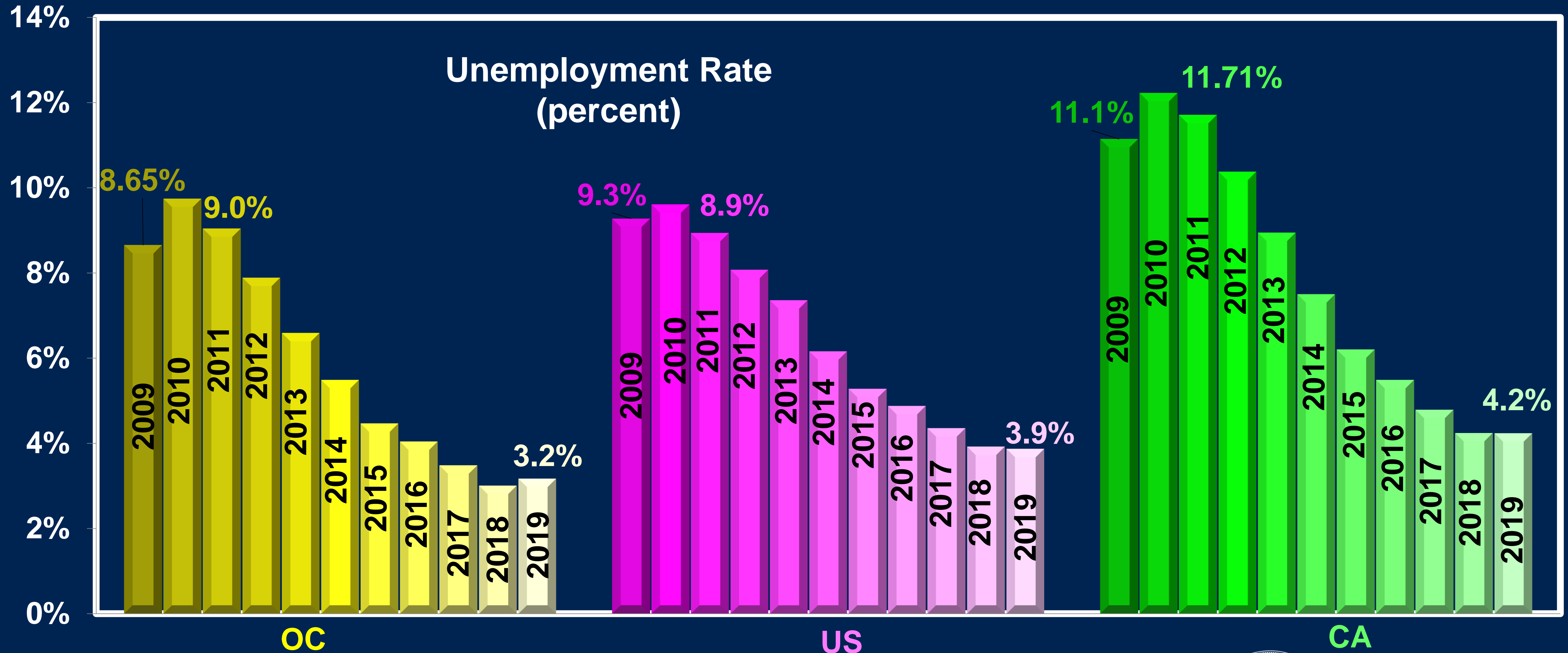
Growth has Slowed For US, CA and OC

...But More so for OC than the Nation and the State
(payroll employment, year-over-year percent change)



Unemployment Rates at Historical Lows

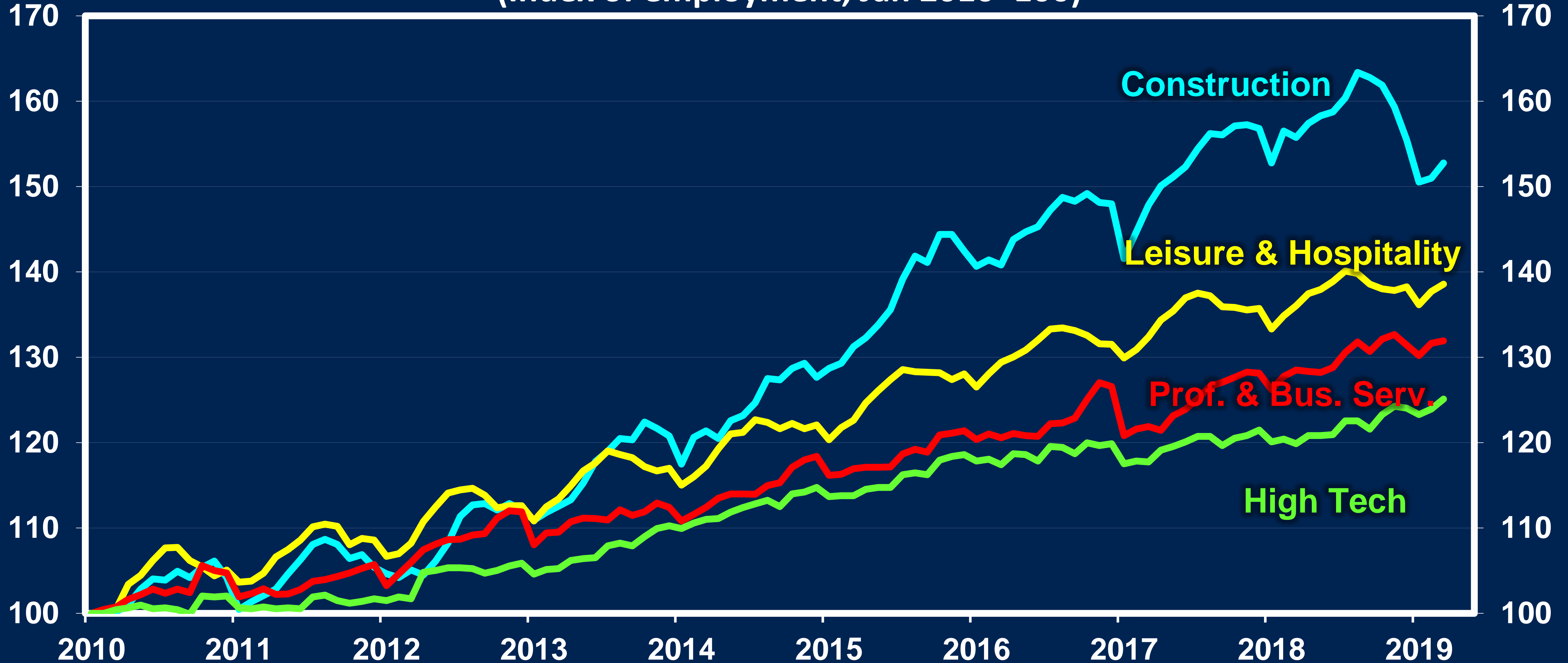
OC Unemployment is Lower than US and CA
(unemployment rates, percent)



Diversity of OC Economy is Key Factor

All Sectors Adding Jobs but Construction has Moderated since mid-2018

(Index of employment, Jan 2010=100)



Take it with a Grain of Salt

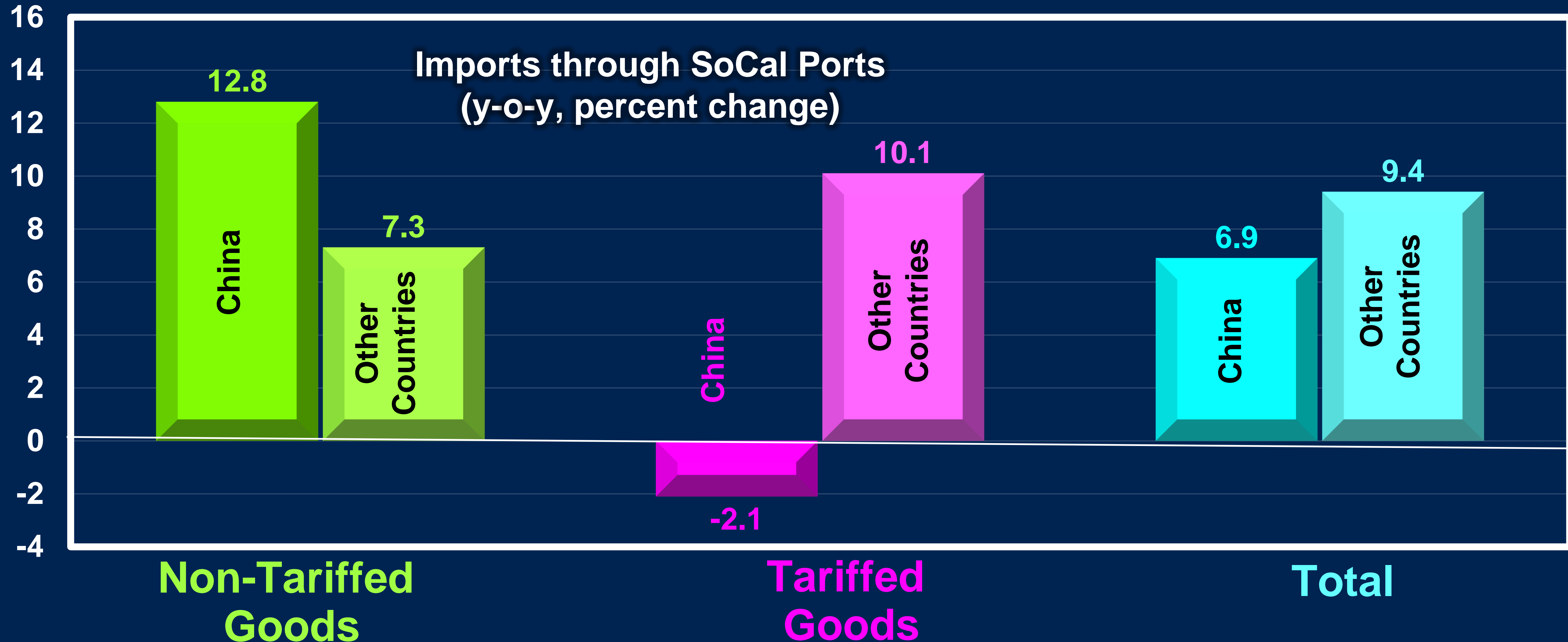
2019: Weaker Job Growth Throughout SoCal, but Data are Suspect
(job growth, average annual rate, percent)



China Tariffs are Starting to Bite

Import Growth has Shifted to non-Tariffed Countries

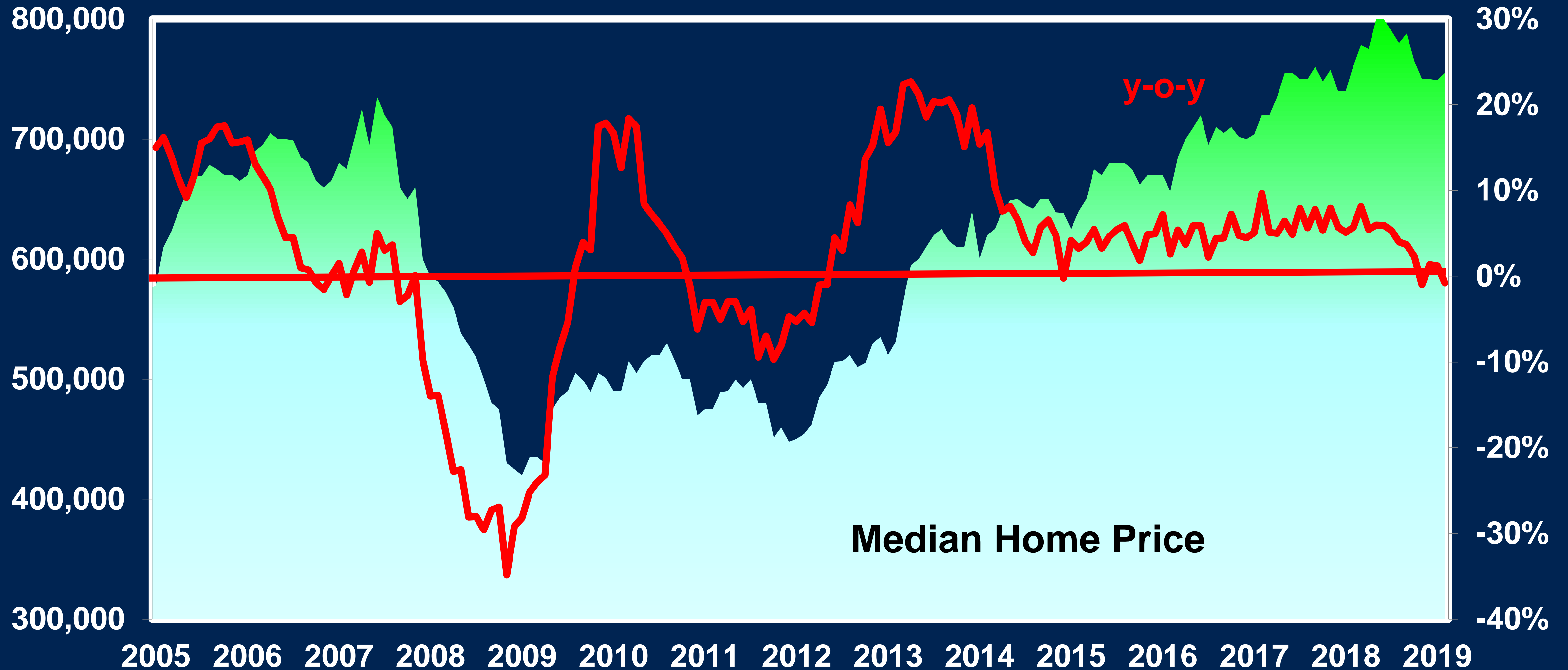
(y-o-y percent change in volume, Q4:2018 imports through Ports of LA and LB)





Home Price Growth Has Softened

(Corelogic median home price, level and y-o-y percent change)



Moderating Price Growth Throughout SoCal

Home Prices are Above Pre-Recession Levels for LA and OC
 (Corelogic, annualized average growth in median prices, percent)

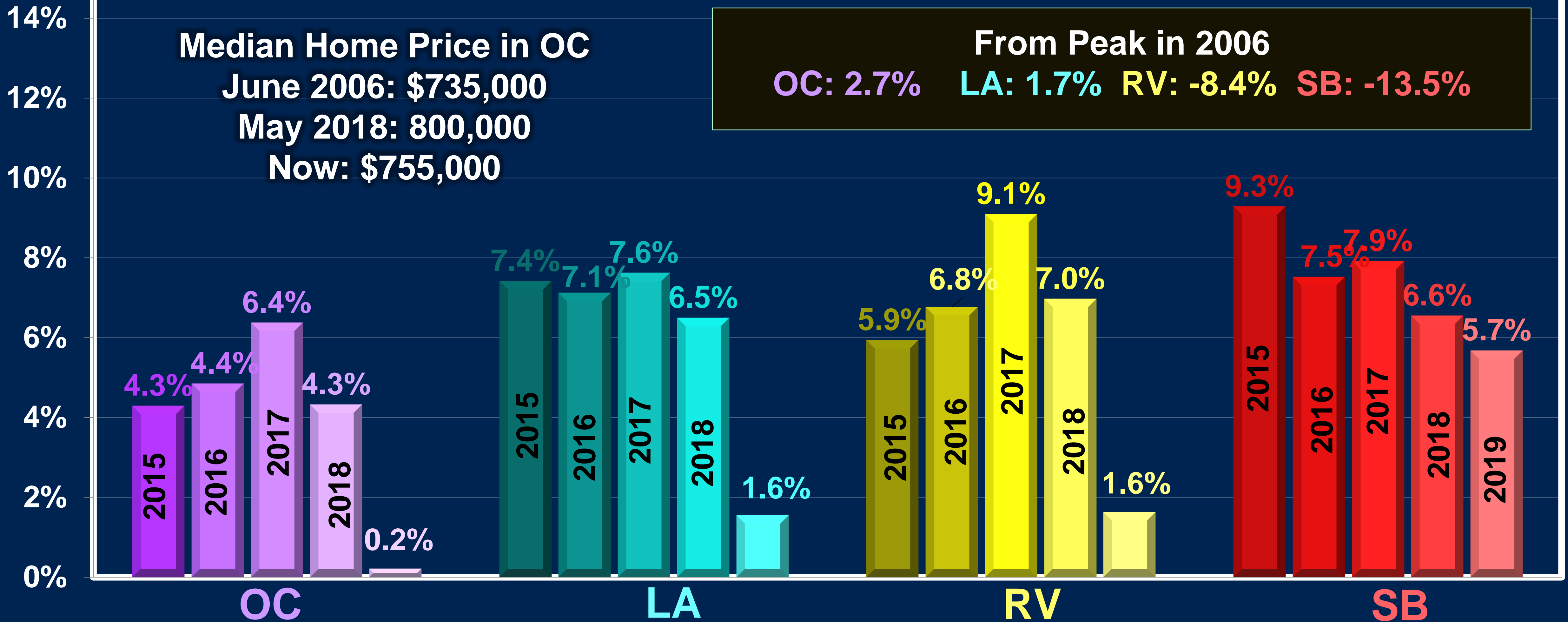
Median Home Price in OC

June 2006: \$735,000

May 2018: 800,000

Now: \$755,000

From Peak in 2006
 OC: 2.7% LA: 1.7% RV: -8.4% SB: -13.5%



Local Business Outlook Has Moderated

Few Business are Planning Cuts

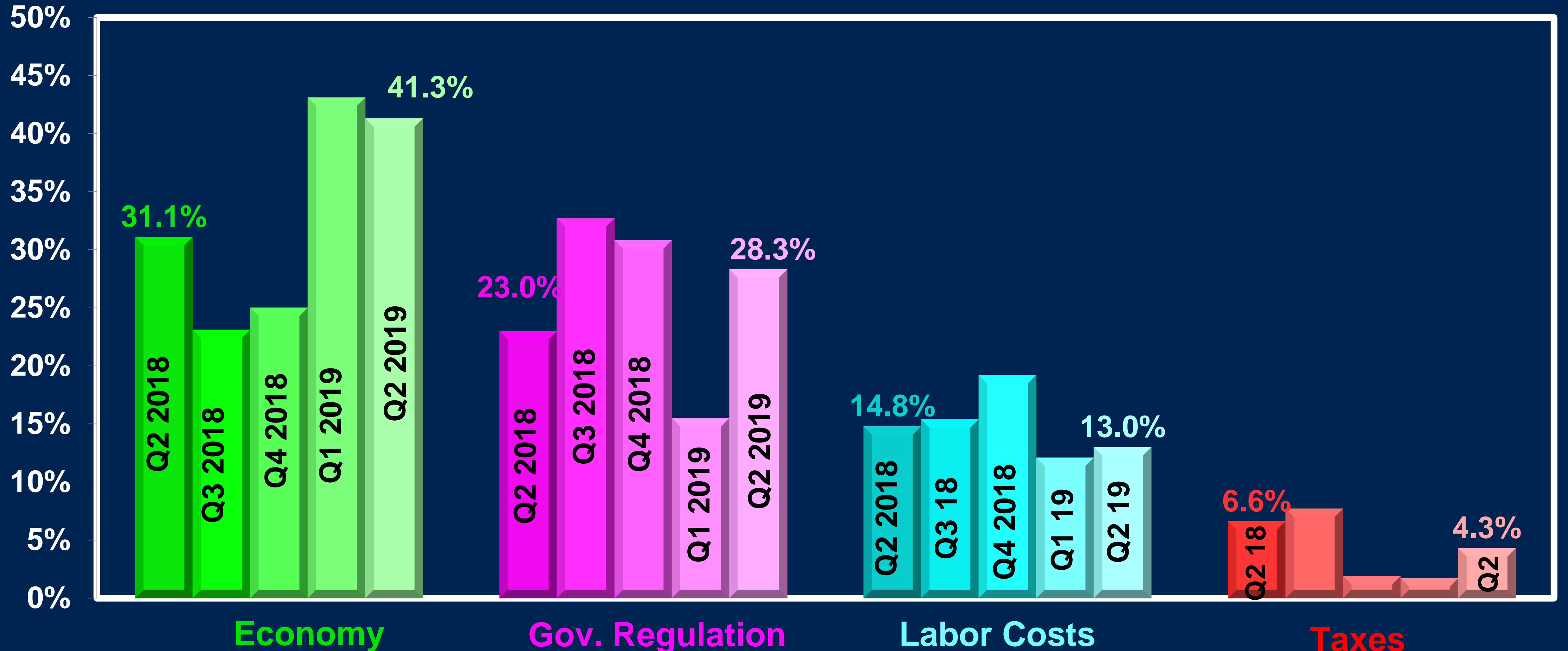
(Orange County Business Executives Survey, percent of respondents)



Biggest Concerns: Economy

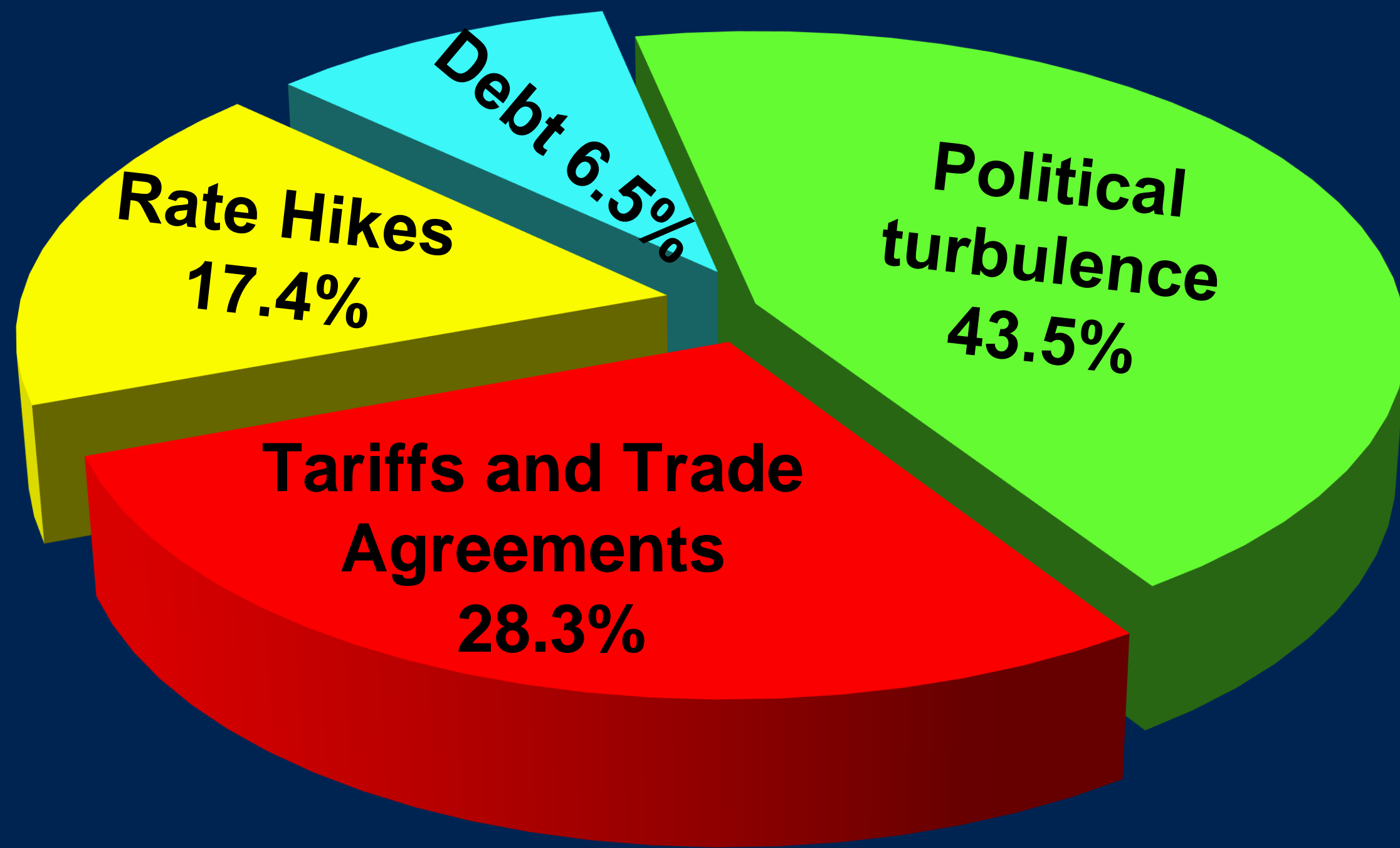
Regulations and Labor Costs are Next Biggest Concerns

(Orange County Business Executives Survey, percent of respondents)

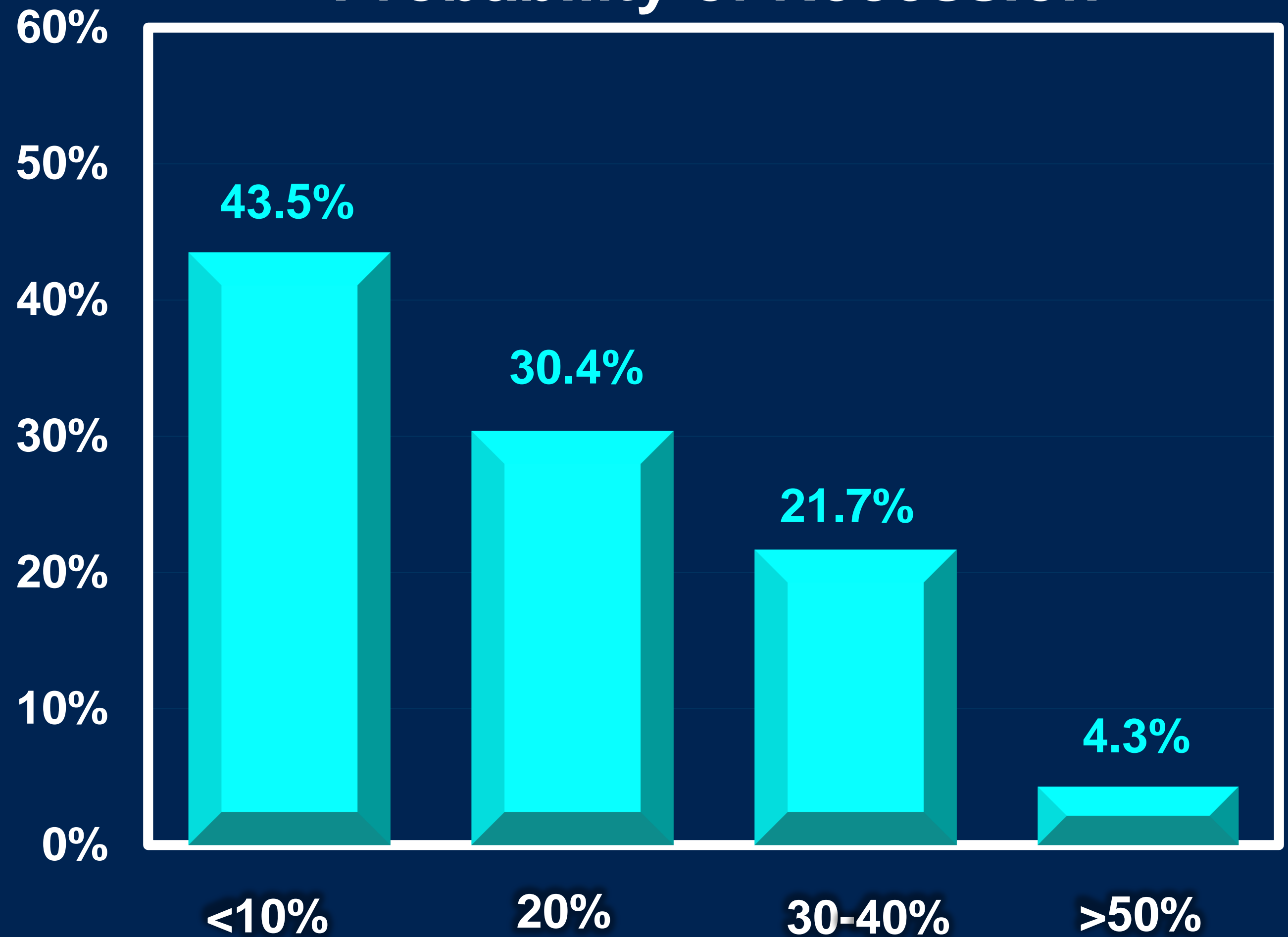


Biggest Threats and Probability of Recession

Biggest Threat to US Economy Political Uncertainty and Trade

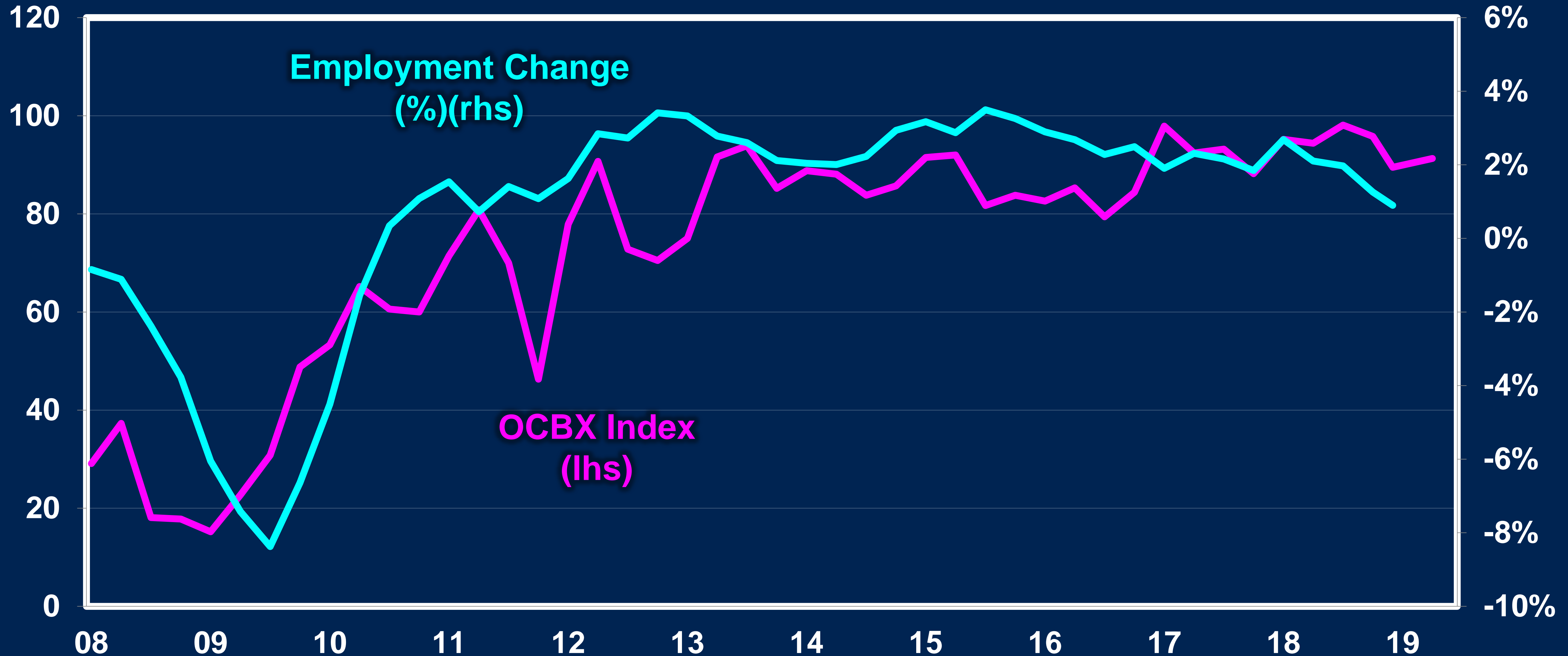


Probability of Recession



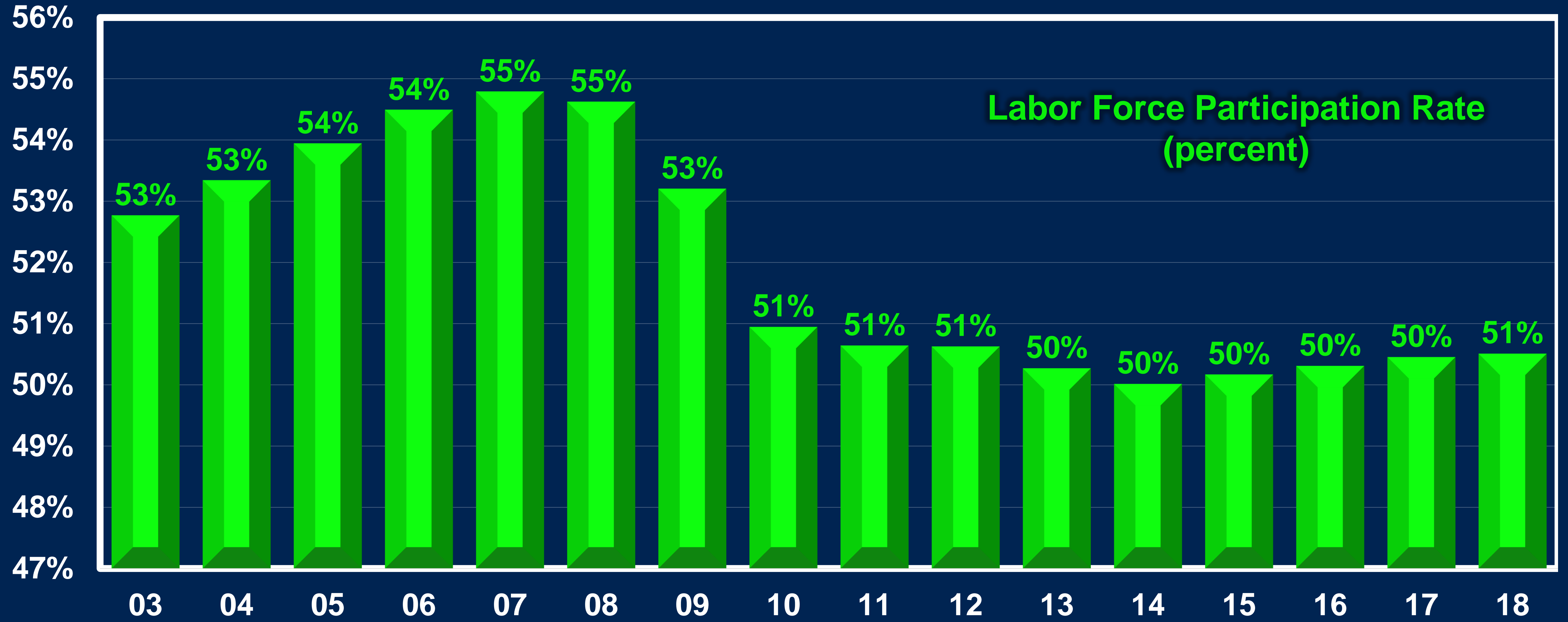
OCBX Index: Optimism Rebounded for Q2:2019

...Which Means Employment Will Be Revised Upward
(WCEAF OCBX Index, level)



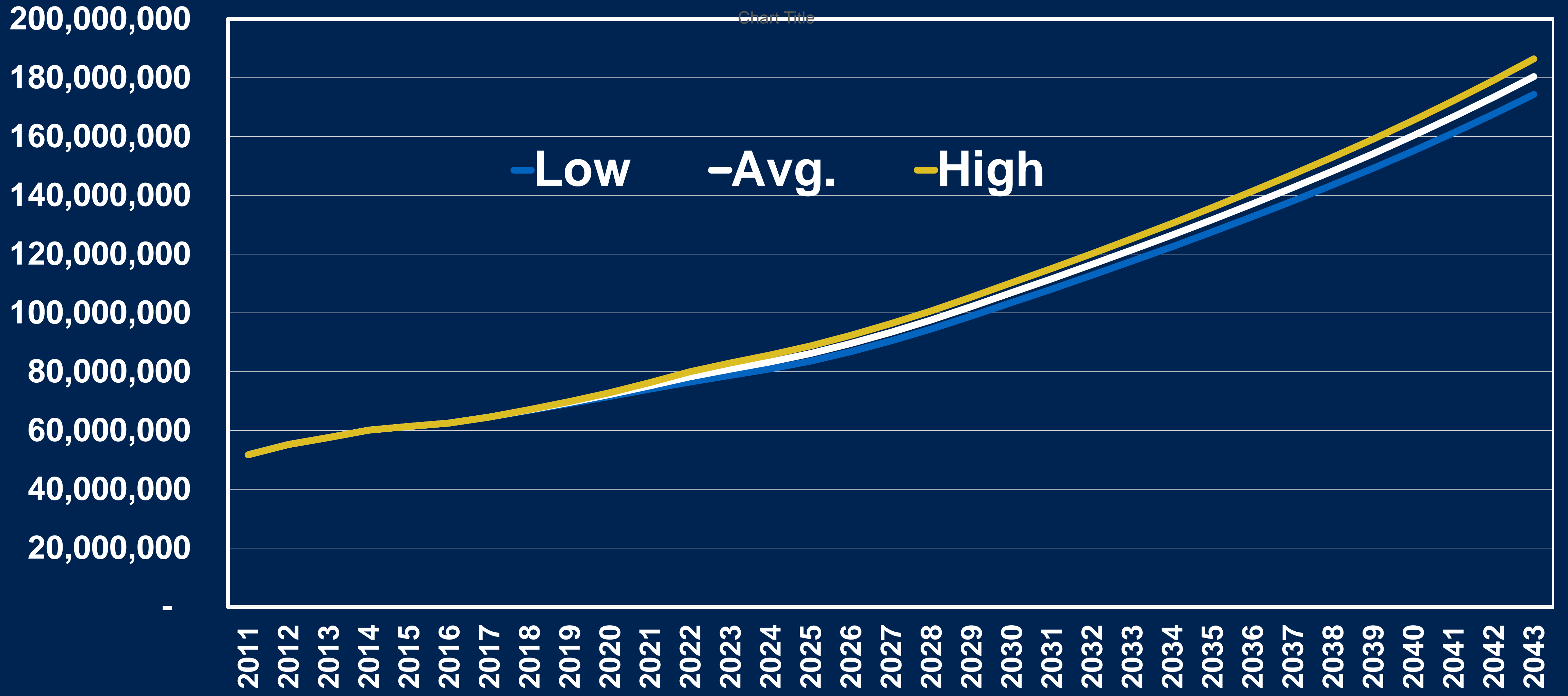
Room to Grow

OC Labor Force Participation Rate Has Edged Up but More Can Join
(labor force participation rate, percent)



Orange County Taxable Sales

(In thousands of dollars)



Thank You





MINUTES

Finance and Administration Committee Meeting

Committee Members Present

Michael Hennessey, Chairman
Richard Murphy, Vice Chairman
Andrew Do
Steve Jones
Michelle Steel

Staff Present

Darrell E. Johnson, Chief Executive Officer
Ken Phipps, Deputy Chief Executive Officer
Laurena Weinert, Clerk of the Board
Gina Ramirez, Deputy Clerk of the Board
Cassie Trapesonian, Assistant, General Counsel
OCTA Staff and Members of the General Public

Committee Members Absent

Gene Hernandez
Donald P. Wagner

Call to Order

The July 10, 2019 regular meeting of the Finance and Administration Committee was called to order by Committee Chairman Hennessey at 10:33 a.m.

Pledge of Allegiance

Committee Vice Chairman R. Murphy led in the Pledge of Allegiance.

1. Public Comments

No public comments were received.

Special Calendar

2. Taxable Sales Forecast - Chapman University - Raymond Sfeir, Ph.D., Professor of Economics

Sean Murdock, Director of Finance and Administration, announced that the binder provided to the Members contains previous sales tax forecasts from the three universities and Muni-Services. He also stated staff is in the process of setting up a link to where the Members can review an electronic version of each forecast online.

Mr. Murdock provided a brief biography and introduced Dr. Raymond Sfeir, Ph.D., of Chapman University. Dr. Sfeir presented a comprehensive PowerPoint presentation and highlighted the following areas:

- Housing Starts;
- Investment Spending;
- Household Debt Service Payments as a Percentage of Disposable Income;



2. (Continued)

- Real Gross Domestic Product (GDP);
- Change in Payroll Employment;
- Job Growth, California; and
- Payroll Employment.
- Orange County Economic Outlook:
 - Job Growth;
 - Manufacturing Jobs;
 - Employment by Industry, Orange County; and
 - Unemployment Rate.
- Orange County Housing Outlook:
 - Two-Bedroom Apartment Rent;
 - Apartment Rent to Median Family Income;
 - Unsold Inventory – Orange County;
 - Months to sell Inventory;
 - Residential Building Permits – Orange County;
 - Single-Family Homes as a Percentage of Total Residential Building Permits;
 - Median Single-Family Home Price;
 - Factors Affecting Consumer Spending;
 - Orange County Consumer Sentiment;
 - Total Population Orange County; and
 - Taxable Sales Orange County.
- Challenges:
 - Net Population Outflow and Destination Out of California; and
 - Home Ownership Affordability.

A lengthy discussion ensued on the following:

- Median income has not kept up with the cost of housing.
- The definition of GDP.
- How the forecast between 2018 and 2019 differs.
- New tax laws lowered the rate for corporations.
- GDP impacts consumer consumption.
- Uncertainty for consumers and corporations.
- Tariffs imposed on other countries affect consumers and companies.
- The unemployment rate is at a historic low.



Consent Calendar (Items 3 through 5)

3. Approval of Minutes

A motion was made by Director Do, seconded by Director Jones, and declared passed by those present, to approve the minutes of the Finance and Administration Committee meeting of June 26, 2019.

4. Amendment to the 91 Express Lanes Three-Party Operating Agreement

A motion was made by Director Do, seconded by Director Jones, and declared passed by those present, to authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Agreement No. C-3-1529 among the Orange County Transportation Authority, Riverside County Transportation Commission, and Cofiroute USA, LLC, in an amount not to exceed \$3,437,496, for six, one-month optional extension periods from July 1, 2021 through December 31, 2021, for continued operating services on the 91 Express Lanes.

5. Amendment to Agreement for System Manager and Business Analyst Support

A motion was made by Director Do, seconded by Director Jones, and declared passed by those present, to authorize the Chief Executive Officer to negotiate and execute Amendment No. 3 to Agreement No. C-4-1559 between the Orange County Transportation Authority and Carpe Datum to exercise the two-year option term of the agreement, effective September 1, 2019 through August 31, 2021, in the amount of \$383,984, to provide system manager and business analyst support. This will increase the maximum obligation for a total contract value of \$1,398,192.

Regular Calendar

6. Orange County Transportation Authority Investment and Debt Programs Report - May 2019

Darrell E. Johnson, Chief Executive Officer, (CEO), provided opening comments and introduced Sean Murdock, Director of Finance and Administration.

Mr. Murdock stated Committee Chairman Hennessey requested an update to the Investment and Debt Programs Report at the March 2019 Finance and Administration Committee meeting. He referenced Attachment A, A1, which shows the revised dashboard, as well as highlighted the asset-backed securities, the four investment objectives, which are principle, liquidity, diversification, and return.



6. (Continued)

Director Do inquired on how the Orange County Transportation Authority (OCTA) has the actual sales tax numbers, and Chapman University only has a forecast.

Mr. Murdock stated that OCTA's actuals are based on what staff receives from the State of California, and Chapman University requested data from various government reporting agencies so there may be a delay in receiving actual numbers.

Following the discussion, no action was taken on this receive and file information item.

Discussion Items

7. Status of Agreement No. C-8-1911 with Crowe LLP

Committee Chairman Hennessey pulled this item and announced that the issue was resolved, and no discussion is needed.

8. Chief Executive Officer's Report

- On July 9th, an email was sent to the Board of Directors with a "digital toolkit" containing all OCTA's marketing materials for the Orange County (OC) Fair Express.
- On Saturday, July 13th, OCTA is hosting a kick-off event for the OC Fair Express at the Anaheim Regional Transportation Intermodal Center from 9:30 a.m. to 11:00 a.m. The OC Fair Express will be in service from nine locations throughout Orange County on Saturdays and Sundays through August 11th.

9. Committee Members' Reports

There were no Committee Members' Reports.

10. Closed Session

There were no Closed Session items scheduled.



11. Adjournment

The meeting adjourned at 11:18 a.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, July 24, 2019**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

ATTEST

Gina Ramirez
Deputy Clerk of the Board

Michael Hennessey
Committee Chairman



July 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, Fourth 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 fourth quarter of the fiscal year.

Recommendation

Receive and file the fourth 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, and agreed-upon procedures reviews. 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 audit project as of year-end. Thirteen projects were completed during the year and six more are in progress. One project has not been initiated and will be carried over to the FY 2019-20 Plan.

For the Plan year, Internal Audit completed 42 projects, including 29 pre-award agreed-upon procedure reviews (price reviews), 12 internal audits, and one Buy America review. Internal Audit also underwent an external quality assurance review, as required by Generally Accepted Government Auditing Standards, for the period January 1, 2016 through December 31, 2018, and received an unqualified opinion.

During the fourth quarter, Internal Audit issued results of an audit of mobile ticketing operations. The audit concluded that controls over revenue collection, recording, reconciliation, and invoice review are adequate, and the contractor complies with contract terms. Two recommendations were made to improve system access controls and to develop written policies and procedures. Management agreed and indicated that recommendations will be implemented.

An audit of recruitment and employment operations was also completed and found that controls to ensure compliance with recruitment policies are generally adequate and functioning; however, a few instances of non-compliance with requirements were noted. Internal Audit also identified situations that should be addressed in policies and procedures and cited policy violations related to relocation costs. Finally, the audit outlined concerns about the removal of a requirement for bus service workers to hold a commercial driver license. Management agreed to implement three recommendations related to these observations.

The compliance, controls, and reporting audit of investments for the period July 1, 2018 through December 1, 2018, included two recommendations related to errors in reporting, monitoring of the ten percent threshold for asset-backed securities, and secondary review of daily holding reports. Management agreed with the recommendations and indicated corrective actions were taken.

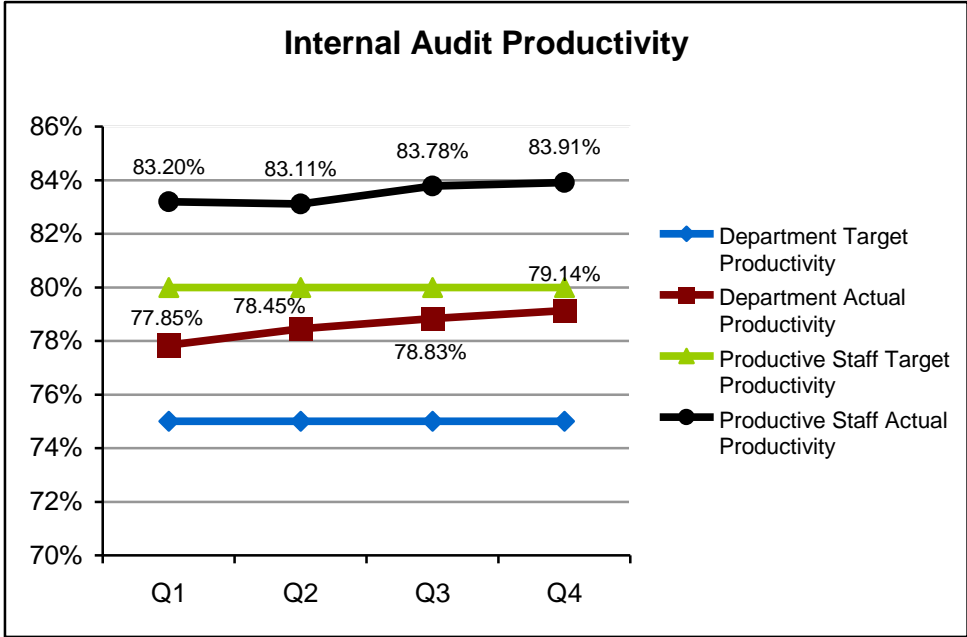
Finally, an audit of the Construction Safety Program (Program) was issued, concluding that the Program could be improved by enhancing policies and procedures, developing a training program, refining the process for identifying applicable contractors, and formalizing the process for documenting safety activities and reporting. Management responded that the Program will be revised to address the reported observations.

Also, during the quarter, Internal Audit provided results of the FY 2015-16 through FY 2017-18 State Triennial Performance Audits (STP Audits) of OCTA and Laguna Beach Municipal Transit Lines (LBMTL). The STP Audits found OCTA and the Orange County Transit District in compliance with all Transportation Development Act regulations and provided seven recommendations for consideration. The auditors also found LBMTL in compliance and offered three recommendations.

Internal Audit Department 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.

By the quarter ended June 30, 2019, Internal Audit had achieved cumulative productivity of 79 percent, and the professional staff achieved cumulative productivity of 84 percent.



Price Reviews

At the request of the Contracts Administration and Materials Management Department (CAMM), and consistent with OCTA's procurement policy, Internal Audit conducts reviews of single bid procurements to ensure that CAMM handled the procurement in a fair and competitive manner. Internal Audit also reviews prices proposed by architectural and engineering firms and sole source contractors to ensure that the prices are fair and reasonable. Internal Audit makes recommendations to adjust proposed rates where they exceed the rates per review. During the fourth quarter, Internal Audit completed 11 price reviews. For the year ended June 30, 2019, a total of 29 price reviews were issued.

Fraud Hotline

Internal Audit is responsible for administering the OCTA Fraud Hotline. The fraud hotline system allows reporters to file complaints anonymously through the internet or by calling 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 June 30, 2019, Internal Audit received six reports. Four reports were customer complaints and were referred to management for disposition. Two complaints did not involve OCTA; one reporter was given contact information for the applicable agency and information from the second reporter was communicated to the internal audit department of the subject agency.

Outstanding Audit Recommendations Tracking

At the request of the Finance and Administration Committee, a listing of outstanding audit recommendations is included with the quarterly updates to the Plan as Attachment B.

Management will begin enforcing a one percent threshold for fare revenue variances on July 1, 2019, when the contract amendment is effective. Management has not implemented a procedure to monitor coupons collected by Yellow Cab.

For the quarter ended June 30, 2019, Internal Audit completed follow-up reviews of five outstanding audit recommendations from the ACCESS Service audit. Four of the recommendations were adequately addressed by management and were closed out and one had not yet been implemented. Follow-up of another three recommendations, from the Interstate 5 Improvement Project audit, are in

process. Eleven recommendations were added to the listing based on the audits summarized above in the Discussion section of this report.

Summary

The OCTA Internal Audit FY 2018-19 Plan is being closed-out. Projects that are in process, and one project that has not been initiated, will be carried forward to the OCTA Internal Audit FY 2019-20 Plan. Internal Audit will continue to perform follow-up of all outstanding findings and recommendations.

Attachments

- A. Orange County Transportation Authority Internal Audit Department Fiscal Year 2018-19 Internal Audit Plan, Fourth Quarter Update
- B. Outstanding Audit Recommendations, Audit Reports Issued Through June 30, 2019
- C. Audit Recommendations Closed During Fourth Quarter, Fiscal Year 2018-19

Prepared by:



Janet Sutter
Executive Director, Internal Audit
714-560-5591

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2018-19 Internal Audit Plan
Fourth Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Over (Under)	Status (Date Issued)
Mandatory External Independent Audits							
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	520	(70)	Complete
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	246	(66)	Complete April 2019
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	54	6	
Internal Audit Department Projects							
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	148	52	
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	122	39	
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	103	137	31 Reports Received
Automated Workpaper Solution	FY19-103	System updates/training related to automated workpaper solution.	Workpaper System	40	38	2	
Internal Audits							
Clerk of the Board							
Board Compensation and Ethics Compliance	FY19-513	Review procedures and record-keeping processes evidencing compliance with Assembly Bill 1234.	Compliance	180	32	148	In Process
Express Lanes Program							
Master Custodial Agreement	FY19-514	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	2	298	In Process
Human Resources and Organizational Development							
Recruiting and Employment	FY19-503	Review procedures, controls, and effectiveness of recruiting and employment operations.	Operational	300	393	(93)	Complete 4-9-19
Construction Safety	FY19-506	Assess the adequacy of policies, procedures, and controls related to the Construction Safety Program function.	Operational	200	571	(371)	Complete 6-17-19

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2018-19 Internal Audit Plan
Fourth Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Over (Under)	Status (Date Issued)
Capital Programs							
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	FY19-508	Review of the Orange Parking Expansion project, including project administration, oversight controls, and contract compliance.	Internal Control	300	182	119	In Process
Planning							
Comprehensive Transportation Funding Programs Projects	FY18-513	Review selected projects for compliance with Measure M2 Ordinance, policies, and procedures.	Compliance	100	315	(215)	Complete 10-8-18
Operations							
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
Transit Operations							
Coach Operator Scheduling	FY19-505	Review the coach operator scheduling process, including use of the HASTUS application.	Operational	300	386	(86)	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
Finance and Accounting							
Treasury	FY19-501 FY19-507	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	200	372	(172)	Complete 10-8-18 and 4-30-19
Grant Closeouts	FY18-510 FY19-510	As-needed, required financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40	42	(2)	Complete 8-13-18
Mobile Ticketing	FY19-504	Assess and test controls for mobile ticketing revenue collection and recording.	Internal Control	240	407	(167)	Complete 4-5-19
Renewable Natural Gas Credits	FY19-511	Review and test compliance with the agreement with Element Markets for renewable gas credits.	Compliance	180	125	55	In Process
Information Systems							
Patch Management	FY19-5XX	Assess the adequacy of the patch management program.	Operational	120		120	

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2018-19 Internal Audit Plan
Fourth Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Over (Under)	Status (Date Issued)
Contract Administration and Materials Management (Camm)							
Price Reviews	PR19-XXX	Cost and price analyses as requested by OCTA's Camm Department.	Price Review	750	944	(194)	29 Reports Issued
Buy America	FY19-509	Pre-award and post-delivery reviews to ensure vendors and OCTA are in compliance with federal Buy America requirements.	Compliance	80	95	(15)	Complete 2-20-19
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 8-22-18
External Affairs							
Bus Marketing	FY19-512	Review Bus Marketing program; assess and test oversight controls and contract compliance over contracts for bus marketing, public outreach, etc.	Compliance	240	136	104	In Process
Unscheduled Reviews and Special Requests							
Unscheduled Reviews and Special Requests	FY19-800	Time allowed for unplanned audits, coordination of external agency audits, and requests from the Board and management.	Varies	240	9	232	
Monitoring Activities							
Measure M Taxpayer Oversight Committee (TOC)	FY19-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60	48	12	
Metrolink Audit Activities	FY19-602	Obtain and review audit results of Metrolink activities	Non-Audit Service	40	14	27	
Bus Base Inspections	FY19-603	At the request of the Transit Division, participation on annual base inspection teams.	Non-Audit Service	40	37	3	
Follow-up Reviews							
Follow-up Reviews and Reporting	FY19-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-up	320	350	(30)	
Total Audit Project Planned Hours (A)				6,600	6,974	(374)	

Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2018-19 Internal Audit Plan
Fourth Quarter Update

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Over (Under)	Status (Date Issued)
Internal Audit Administration							
Board and Committee Meetings				180	148	32	
Executive Steering and Agenda Setting Meetings				180	128	52	
Internal Audit Staff Meetings				150	110	40	
Other Administration				1,500	1,452	48	
			Total Hours (B)	8,610	8,812	(202)	
			Department Target Efficiency (A/B)	75%	79%		
			Target Efficiency - Professional Staff	80%	84%		

**Outstanding Audit Recommendations
Audit Reports Issued Through June 30, 2019**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
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.	Jul-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. Update July 2019: Following Internal Audit's April update, management implemented monitoring controls, processed amendments to consultant agreements to add applicable staff, and is requiring both consultants to confirm on invoices that there have been no rate increases greater than the contract escalation rate, based on their own internal monitoring.	Update April 2019: 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 enhance procedures for monitoring of ACCESS fare revenue. Procedures should include monitoring of coupons collected by both MV Transportation, Inc. (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.	Oct-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.	Update June 2019: Management will begin enforcing a 1 percent threshold for fare revenue variances on July 1, 2019, when the contract amendment is effective. Management has not implemented a procedure to monitor coupons collected by Yellow Cab.
11/29/18	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. Management will conduct training for Contracts Administration and Materials Management (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.	In Process

**Outstanding Audit Recommendations
Audit Reports Issued Through June 30, 2019**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
11/29/18	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.	In Process
11/29/18	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.	In Process
3/12/19	N/A	Planning Division (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 Board of Directors' (Board) 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.
4/5/19	19-504	F&A	Mobile Ticketing Operations	Controls should be implemented to ensure timely removal of system access upon employee termination.	Oct-19	Information Systems management agrees to put procedures in place to ensure timely removal of system access upon employee termination or reassignment.	Not yet due.
4/5/19	19-504	F&A	Mobile Ticketing Operations	Written policies and procedures should be developed for mobile ticketing operations and activities.	Oct-19	Management agrees with the recommendation and will develop policies and procedures to ensure proper identification and assignment of responsibilities, and continuity of operations in the absence of key staff.	Not yet due.
4/9/19	19-503	Human Resources and Organizational Development (HROD)	Recruitment and Employment	Internal Audit recommended management develop and implement detailed procedures that address all recruitment steps and reconsider whether to hire applicants with pending license suspensions or implement monitoring controls.	Oct-19	Management is in the process of revamping its procedures to address all recruitment steps, including procedures specific to coach operator and maintenance employee recruitments. Procedures will be developed to address the screening, hiring, and monitoring of applicants with pending license suspensions, pending criminal cases, and unfavorable or missing references, consistent with California law.	Not yet due.

**Outstanding Audit Recommendations
Audit Reports Issued Through June 30, 2019**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
4/9/19	19-503	HROD	Recruitment and Employment	Internal Audit recommended management enhance procedures to ensure offers of relocation are properly approved and adequately documented. Management should also implement monitoring controls to enhance compliance with recruitment policies and procedures.	Oct-19	A Reimbursement of Relocation Expenses Procedure has been provided to staff. In addition, template language has been developed to insert into any candidate offer letter that includes relocation expenses. The offer letter requires the candidate's signature and acknowledges receipt of, and agreement with, the Relocation Expenses Policy, which includes a payback provision. Management will determine the best means to implement controls to ensure compliance with policy.	Not yet due.
4/9/19	19-503	HROD	Recruitment and Employment	Since service workers are required to operate buses, even on a limited basis, Internal Audit recommends that management reconsider the removal of the commercial driver license requirement. Alternatively, management should issue a formal directive to base management that service workers should never be asked or allowed to drive buses outside base property.	Oct-19	Management will update the Commercial Driver License (CDL) and Renewal Policy, to address the licensing of all Maintenance employees including what is required for each position. For positions that do not require a CDL, the policy will state those individuals shall not operate a vehicle outside of the base property. The policy changes will be tailgated, and Maintenance employees will sign an acknowledgement receipt of the policy. In addition, the policy will be included in new Maintenance employee orientation. Policy update, tailgating, and distribution will be completed within 30 days.	Not yet due.
4/30/19	19-507	F&A	Investments: Compliance, Controls and Reporting July 1, 2018 - December 31, 2018	Internal Audit recommends that additional training be provided on the preparation of investment worksheets and reports. Also, Internal Audit recommends that Treasury use custodial statements as the basis for preparing the reports or, if Clearwater book values are used for reporting, that reconciliations be performed and documented.	Oct-19	Management agrees with the recommendation. In the future, if Clearwater book values are used for reporting, then staff will reconcile any differences between Clearwater book values and custodial statement book values. In addition, staff has already provided additional training and modified the review process in order to improve the reporting process going forward.	Not yet due.
4/30/19	19-507	F&A	Investments: Compliance, Controls and Reporting July 1, 2018 - December 31, 2018	Internal Audit recommends Treasury implement controls to monitor the ten percent threshold for asset-backed securities and ensure secondary review of daily holding reports is performed as required.	Oct-19	Staff has worked with Clearwater and is already using a report which segregates mortgage and asset-backed securities so that the ten percent threshold on asset-backed securities can be monitored. In addition, staff has reviewed balances for asset-backed securities for all investment managers during the period and all investment managers were in compliance. In addition, a process has been put in place to ensure secondary review of the daily holdings reports is performed.	Not yet due.

**Outstanding Audit Recommendations
Audit Reports Issued Through June 30, 2019**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
4/1/19	N/A	Operations, Planning, and F&A	Fiscal Year (FY) 2016-18 Transportation Development Act (TDA) Performance Audit OCTA	Kimley Horn provided seven recommendations for consideration. The recommendations focused primarily on continuing existing efforts to enhance reporting processes, increase ridership, maximize revenues, improve documentation of the farebox recovery ratio, and planning for impacts of longer bus lives and clean fleet requirements. Kimley Horn also offered recommendations to improve paratransit services by performing recurring route efficiency reviews and considering alternative contracting models for the service.	Oct-19	Management agreed to continue existing efforts and consider recommendations for enhancements.	Not yet due.
4/1/19	N/A	F&A	FY 2016-18 TDA Performance Audit Laguna Beach Municipal Transit Lines (LBMTL)	Direct staff to monitor implementation of recommendations included in the FY 2016-18 Triennial Performance Audit of LBMTL.	Oct-19	Staff will monitor implementation of recommendations by LBMTL.	Not yet due.
6/17/19	19-506	HROD	Construction Safety Program	Internal Audit recommends that management further develop policies, procedures, and guidelines to provide a comprehensive, risk-based framework for monitoring contractor compliance with construction safety regulations.	Dec-19	Management concurs with the recommendation and will further evaluate the safety specifications levels and make appropriate revisions to streamline the requirements of submittal deliverables for lower risk contracts. Management will also implement procedures to ensure safety-related training for project managers and safety reporting by applicable contractors.	Not yet due.
6/17/19	19-506	HROD	Construction Safety Program	Internal Audit recommends that management develop procedures for documenting and tracking safety activities. Documented activities, and follow-up of safety issues observed, should be retained and used to complete monthly activity reports.	Dec-19	Management concurs with the recommendation and will develop a tracking tool to document applicable construction safety activities and observations.	Not yet due.


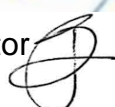
**Audit Recommendations Closed During
Fourth Quarter, Fiscal Year 2018-19**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Management Response
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 Orange County Transportation Authority (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.	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. Update June 2019: Changes to operational and management contracts that obligate OCTA to additional costs, without changing the contract maximum, will be reported to the Board in the quarterly procurement status reports as regular items.
10/10/18	18-514	Operations	ACCESS Service	Internal Audit recommends that staff consistently perform monthly monitoring of preventative maintenance inspections (PMI).	Management agrees with the finding and will perform consistent inspections of preventive maintenance records to ensure compliance with all regulatory agencies and contract requirements. Update June 2019: Newly-drafted procedures state that reviews of PMI records will be conducted on a monthly basis. Management consistently performed the PMI reviews during the follow up period.
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.	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. Update June 2019: As of follow up review, the performance bond provided by the contractor meets the contract requirement.
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.	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. Update June 2019: The flaw in the calculation has been removed, with requests for Same Day Taxi (SDT) trips going to the new SDT contractor instead of MV. Management has implemented a review process of performance standards, including the call center standards, for five randomly selected days; however, there is no documentation retained for these reviews. The recommendation will be closed; however, Internal Audit verbally recommended that management retain documentation of its review of performance standards.



July 24, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department 

Subject: Draft Fiscal Year 2019-20 Internal Audit Plan

Overview

At the direction of the Orange County Transportation Authority's Board of Directors, the Internal Audit Department develops and implements an annual risk-based Internal Audit Plan. Implementation of an annual Internal Audit Plan assists management in evaluating the effectiveness and efficiency of projects, programs, and operations, while ensuring that adequate controls and safeguards are in place to protect the Orange County Transportation Authority's assets and resources.

Recommendations

- A. Approve the Draft Fiscal Year 2019-20 Internal Audit Plan.
- B. Direct the Executive Director of Internal Audit to provide quarterly updates on the Fiscal Year 2019-20 Internal Audit Plan.

Background

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

Discussion

Internal Audit is presenting the Draft Fiscal Year 2019-20 Internal Audit Plan (Audit Plan) for the Board's approval. The Audit Plan was developed from

an enterprise-wide risk assessment. The Audit Plan will be implemented using Internal Audit staff, on-call consultants, an independent financial audit firm, and other firms, as needed.

Fiscal Impact

The Audit Plan has been developed within the resources available in the adopted budget for fiscal year 2019-20.

Summary

The Audit Plan has been developed to support the Board and OCTA management in the discharge of their duties and responsibilities to safeguard assets of OCTA while ensuring those assets are used in an efficient and effective manner.

Attachment

- A. Draft Fiscal Year 2019-20 Internal Audit Plan

Prepared by:



Janet Sutter
Executive Director, Internal Audit
714-560-5591

ORANGE COUNTY TRANSPORTATION AUTHORITY Internal Audit Department



Draft Fiscal Year 2019-20 Internal Audit Plan



Janet Sutter, CIA, CFE
Executive Director, Internal Audit
(714) 560-5591

550 South Main Street
P.O. Box 14184
Orange, CA 92863-1584

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Draft Fiscal Year 2019-20
Internal Audit Plan

Table of Contents

Mission of the Internal Audit Department	1
Internal Audit Department Activities.....	1
Fiscal Year 2018-19 Accomplishments	3
Fiscal Year 2019-20 Goals	4
Internal Audit Organization.....	5
Internal Audit Plan Development	7
Conclusion	9
Risk Assessment by Program/Project/Contract/Function.....	Appendix A
Fiscal Year 2019-20 Internal Audit Plan	Appendix B

DRAFT

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Draft Fiscal Year 2019-20
Internal Audit Plan

Mission of the Internal Audit Department

The mission of the Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) is to assist management and the Board of Directors (Board) in the effective discharge of their duty and responsibility to safeguard the assets of OCTA, while ensuring those assets are used in an efficient and effective manner. To this end, Internal Audit serves as an independent appraisal function to examine and evaluate OCTA's operations, activities, internal controls, compliance, opportunities, and risks.

Internal Audit Department Activities

Internal Audit is responsible for examining and evaluating financial, administrative, and operational activities of OCTA, and supplying management with information to assist in its control of assets and operations for which it is responsible.

Internal Audit provides a wide range of auditing services including annual financial and compliance audit oversight, operational reviews, compliance reviews, internal control assessments, investigations, pre-award and post-delivery Buy America reviews, and price reviews. In addition, all audits initiated by entities outside of OCTA are coordinated through Internal Audit.

Internal Audit measures the efficiency 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 the professional audit staff and for the department. The department-wide target includes all professional staff and the Executive Director. For fiscal year (FY) 2019-20, Internal Audit set a department-wide target productivity ratio of 75 percent and a professional audit staff productivity ratio of 80 percent. Because the Executive Director is required to regularly participate in non-audit management activities such as executive planning and committee meetings, the department ratio is set lower than that of the professional staff.

The Government Accountability Office (GAO) broadly defines audits as financial, attestation, or performance audits. Financial audits, including financial statement audits, are assessments of, and assurance about, an entity's financial condition, operating results, or other defined financial criteria. Attestation engagements are both financial and non-financial and result in varying degrees of assurances about specific subject matter. Agreed-upon procedures price reviews, performed by Internal Audit, are an example of attestation engagements whereby Internal Audit applies procedures to specific elements of contractor price proposals.

Internal Audit's efforts, however, are focused primarily on the third category of audits, performance audits, as defined by the GAO. Performance audit objectives vary widely and include review of internal controls, assessment of compliance with laws, regulations, policies and procedures, and assessments of program effectiveness, economy, and efficiency. To more accurately define the objectives of these performance audits, Internal Audit categorizes audit projects in a more descriptive manner as indicated below. It is important to note, however, that most audit projects include objectives consistent with one or more of these audit types.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Draft Fiscal Year 2019-20
Internal Audit Plan

Compliance – Compliance audits are performed to ensure that the terms and conditions of contracts, grants, memorandums of understanding, or other agreements are being followed and that there is compliance with Board-adopted policies and procedures, management policies and procedures, and applicable regulatory requirements.

Price Review – Price reviews refer to the agreed-upon procedures reviews performed for architectural and engineering price proposals or sole source proposals to determine if proposed pricing is fair and reasonable. Agreed-upon procedure reviews are also performed on single bid procurements to determine whether the Contracts Administration and Materials Management Department (CAMM) complied with policies and procedures to ensure a fair and competitive process. The procedures are performed based on an agreement with CAMM.

Buy America Review – Buy America reviews refer to the pre-award and post-delivery agreed-upon procedures reviews of vehicle purchases in accordance with federal Buy America laws. The procedures are performed based on an agreement with CAMM.

Financial - Financial audits focus on verification of financial transactions and balances. Financial audits include the financial statement audits of OCTA and related legal entities, as well as other attestation audits performed by an independent certified public accounting firm, to ensure compliance with the Measure M2 (M2) ordinance or other legally mandated requirements.

Internal Control – Internal control reviews are performed to assess whether controls in place are adequate to protect the assets and resources of OCTA and to ensure compliance with laws, regulations, and policies.

Operational - An operational audit is performed to evaluate current operating procedures to determine if they provide for an adequate control environment and to assess whether processes are efficient and effective ways to accomplish the goals of the project, program, or activity. Operational audits generally include elements of both an internal control review and a compliance review.

Internal Audit also performs other activities outlined in the Internal Audit plan as follows:

Monitoring – These activities include providing information to the Audit Subcommittee of the Taxpayers Oversight Committee (TOC) to assist in their duty to exercise oversight of the expenditure of M2 funds, participation in annual Transit Division bus base inspections, and observation of biennial capital asset inventory counts. Internal Audit also monitors results of audits issued related to Metrolink activities.

Follow-Up Activities – These activities are undertaken to determine whether audit recommendations have been implemented or otherwise satisfactorily addressed.

Investigations – Investigative activities that are performed in response to a complaint or allegation received through OCTA's Fraud Hotline.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**

Draft Fiscal Year 2019-20
Internal Audit Plan

Fiscal Year 2018-19 Accomplishments

- Completed 12 audit projects, resulting in 24 recommendations for improvement to policies, procedures, and/or internal controls. Also, at the request of CAMM, completed 29 agreed-upon procedures reviews of architectural and engineering, sole source, or single bid proposals and one post-delivery Buy America review related to the purchase of six, 40-foot alternative fuel buses manufactured by New Flyer, Inc.
- Passed an external quality assurance (peer) review conducted by the Association of Local Government Auditors, in accordance with Generally Accepted Government Auditing Standards (Standards). The peer review team recognized Internal Audit for its organized and easy-to-follow audit workpapers, its well-documented policies and procedures, and its highly skilled and experienced staff.
- Prepared a scope of work and made recommendations to the Finance and Administration (F&A) Committee on the selection of an independent certified public accounting firm to perform financial and agreed-upon procedures reviews of OCTA starting in FY 2018-19.
- Procured an audit firm to conduct the required FY 2015-16 through FY 2017-18 State Triennial Performance Audits of OCTA, the Orange County Transit District, and the Laguna Beach Municipal Transit Lines, and coordinated the audits.
- Exceeded both the department-wide productivity goal of 75 percent and the professional audit staff productivity goal of 80 percent.
- Provided written quarterly updates to the F&A Committee on the status of audit projects and activities and provided these updates no later than 30 days following quarter-end.
- Conducted follow-up of management's implementation of audit recommendations within six months of report issuance or earlier.
- Provided administration of OCTA's Fraud Hotline and reviewed 32 complaints received during the FY. Referred complaints to management and/or appropriate outside agencies, and conducted investigations of allegations, where appropriate.
- Provided assistance to the Audit Subcommittee of the TOC including, but not limited to, design of agreed-upon procedures for testing compliance with M2 Local Fair Share, Project U Senior Mobility Program, and Senior Non-Emergency Medical Transportation Program expenditures, and for evaluation of the M2 status report. Also, reported results of annual audits and agreed-upon procedures reviews as they relate to M2.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Draft Fiscal Year 2019-20
Internal Audit Plan

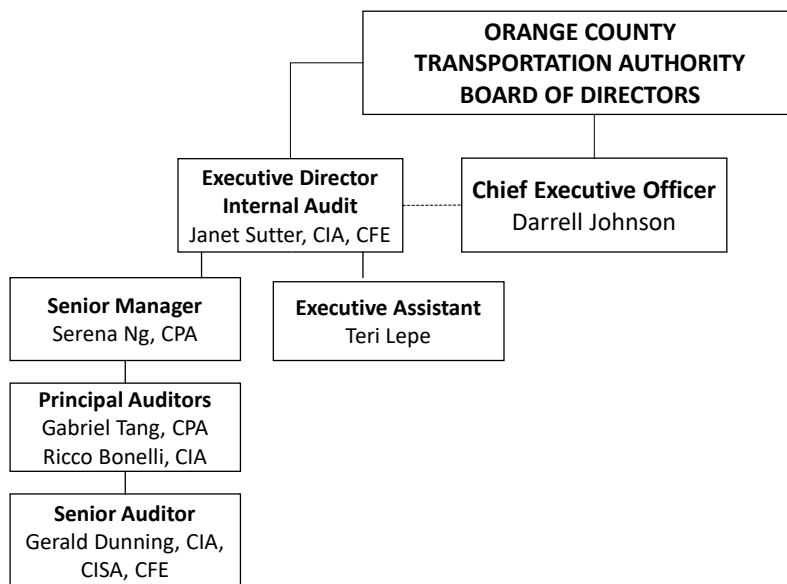
Fiscal Year 2019-20 Goals

- Implement the FY 2019-20 Internal Audit Plan and provide quarterly updates on the status of audit projects and activities no later than 30 days after quarter-end.
- Conduct agreed-upon procedures reviews, at the request of CAMM, of all architectural and engineering price proposals exceeding \$150,000, to establish the reasonableness of proposed rates. Also, apply agreed-upon procedures to sole source proposals exceeding \$50,000, single bid procurements, and vehicle purchases in accordance with Buy America laws.
- Evaluate and update Internal Audit policies, procedures, and practices to ensure compliance with the Standards, which have been revised and are effective for all audits initiated after July 1, 2019.
- Coordinate and report the results of the required Federal Transit Administration's Triennial Review.
- Achieve a department-wide productivity ratio of at least 75 percent and professional staff productivity ratio of at least 80 percent.
- Conduct follow-up of management's implementation of audit recommendations within six months of report issuance or earlier, and report results as part of the quarterly updates to the Internal Audit Plan.
- Assist the Audit Subcommittee of the TOC with the design and update of agreed-upon procedures for M2-related audits and provide progress updates and results of all M2-related audits.
- Perform Internal Audit's annual internal Quality Assurance and Self-Assessment review by March 31, 2020, and make any noted improvements to Internal Audit's processes, policies, and procedures.
- Provide administration of the OCTA Fraud Hotline; provide initial contact response to all reports within two business days.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**
Draft Fiscal Year 2019-20
Internal Audit Plan

Internal Audit Organization

Standards provide a framework for government auditors in the areas of transparency, independence, accountability, and quality. These Standards require that auditors be independent in both mind and appearance with respect to the entities for which they perform audit services. Internal Audit has established policies and procedures to comply with the Standards and OCTA has established an internal audit function that is organizationally independent. As indicated below, Internal Audit reports functionally to the Board, and administratively to the Chief Executive Officer:



Risk Assessment Process

It is the responsibility of OCTA management to identify, assess, and manage risk. It is Internal Audit’s responsibility to facilitate the identification and assessment of risk, and to monitor and report on how well risks are being managed by OCTA. All organizations face risks, which are defined as those events, actions, or inactions that could cause key business objectives not to be achieved. To mitigate and manage these risks, an organization typically implements internal controls, anticipates and plans for disruptions, develops risk management programs, and engages in other risk mitigation activities.

The key business objective of OCTA is imbedded in its mission statement to “*Develop and deliver transportation solutions to enhance quality of life and keep Orange County moving.*” Delivering these “*transportation solutions*” are several core business units of OCTA, including Transit, Planning, and Capital Programs Divisions. These business units are supported by administrative functions, and all these services are delivered through a variety

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Draft Fiscal Year 2019-20
Internal Audit Plan

of projects, programs, and activities. With a budget exceeding \$1 billion, OCTA delivers transportation solutions through numerous channels, with a variety of stakeholders, with the assistance of the private sector, and for the benefit of diverse customers.

Recognizing both the number and size of OCTA's projects, programs, and activities, as well as the constraints of Internal Audit resources, Internal Audit maximizes its effectiveness by engaging in an annual risk assessment process to establish the priorities of the department for the upcoming fiscal year.

Risk Assessment Methodology

Internal Audit established the architecture of the Risk Assessment by first identifying all OCTA projects, programs, contracts, and functions (auditable entities). Internal Audit then identified six categories of risks and assigned weightings as follows:

Financial and Compliance Risks (20%) – The magnitude of financial exposure to OCTA and the degree of regulatory oversight and/or the volume of regulation with substantial fines, penalties, or other sanctions for noncompliance.

Security and Safety Risks (15%) – The impact of a security breach to OCTA customers, contractors, employees, or the public, and the degree of severity (catastrophic, significant, moderate, or minimal) resulting from incidents or accidents.

Operational and Strategic Risks (15%) – The impact severity of a disruption in the operation of this OCTA project or program on Orange County travelers, and the significance of this project or program to OCTA's strategic success.

Image and Reputation Risks (15%) – The intensity of public interest and awareness, and the visibility of the project, program, or function to the media.

Complexity of Operations (15%) – The number of individuals, departments, contractors, information systems, and manual processes involved in the delivery of this project or program, and the degree to which transactions require professional judgment or technical expertise.

Time Since Last Audit (20%) – The length of time since the last audit or review was conducted and the results of that review.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**
Draft Fiscal Year 2019-20
Internal Audit Plan

Internal Audit then developed the following assigned ratings for each risk:

Risk Rating	Description
4.0 – 5.0	High Risk
3.0 – 3.9	Moderate to High Risk
2.1 – 2.9	Moderate Risk
1.6 – 2.0	Low to Moderate Risk
1.0 – 1.5	Low Risk

Following are examples of the Risk Assessment results for four different auditable entity types:

Auditable Entity	Audit History	Audit Requirement	Time Since & Results of Last Audit						Weighted Average Risk
			20%	20%	15%	15%	15%	15%	
Project Controls	2016	No	1	5	1	4	3	4	3
Purchasing Cards	2018	No	1	1	1	2	4	1	1.6
ACCESS Eligibility	2015	No	1	4	3	4	5	3	3.3
Buy America Compliance	2018	Yes	As Needed						N/A

Following the risk assessment of each of approximately 250 auditable entities within OCTA, Internal Audit summarized the results on the heat chart in Appendix A. The heat chart translates the numerical risk ratings of each auditable entity into a more visually appealing format. Auditable entities that require an audit, either by regulation or at the direction of the Audit Subcommittee of the TOC, are not risk rated, and are reflected as “Required”.

Internal Audit Plan Development

The FY 2019-20 Internal Audit Plan (Audit Plan), Appendix B, calls for approximately 8,600 Internal Audit hours, exclusive of vacation, sick, holiday, and continuing professional education hours. Of the 8,600 hours, approximately 2,000 relate to administrative activities, including Board and committee meeting attendance, Internal Audit staff meetings, and other

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Draft Fiscal Year 2019-20
Internal Audit Plan

administrative tasks. The purpose of including these hours is to monitor and measure Internal Audit's productivity.

The Audit Plan includes 590 hours for mandatory audit activities, including hours anticipated to coordinate, review, and report on the results of the Federal Triennial Review, other regulatory agency audits, and required financial audits and agreed-upon procedures reviews performed by OCTA's independent public accounting firm. Approximately 640 hours are anticipated for internal audit projects and non-audit activities, such as the annual risk assessment and audit planning process, quality assurance and self-assessment activities, administration and investigation of complaints received through OCTA's Fraud Hotline, and updates to audit policies, procedures, and workpaper templates.

The Audit Plan also includes 750 hours for price review services and 200 hours for Buy America review services. While requests for price reviews are unpredictable, this budget is based on both the extent of current procedures and the volume of requests in prior years. Hours for Buy America services assume two requests for review will be received during the year.

The Risk Assessment developed by Internal Audit is the primary, but not absolute, means by which Internal Audit prioritizes and selects audit projects. There remain other factors that are not considered in the Risk Assessment. For example, some high-risk auditable entities are not selected because they are projects in their infancy and it would be more suitable to perform an audit after the project is better underway. Other high-risk auditable entities are not selected because of Internal Audit's knowledge of related review activities, such as the upcoming Federal Triennial Review. Knowledge of this control review activity reduces the likelihood that audits of the Disadvantaged Business Enterprise program or Drug and Alcohol Program will be selected, since these areas are included in the Federal Triennial Review. Other subjective factors that affect the selection of audit projects include knowledge about external or regulatory auditor interest, project or program failures or successes, consideration of the impact to individual departments and/or divisions, and staffing resources.

The proposed FY 2019-20 Audit Plan includes operational audits of revenue vehicle maintenance, corporate credit cards, and interagency revenue agreements with the Southern California Regional Rail Authority and the Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency. Also, audits of oversight controls and contract compliance related to provision of Same-Day Taxi Service, monitoring and reporting of Measure M2 Comprehensive Transportation Funding Programs activities, and project controls related to the Interstate 5 Project have also been added. Finally, audits of compliance with the requirements for medical certification of safety-sensitive employees, and administration of the Department of Motor Vehicle Pull Notice program have been selected.

Each of the planned projects, along with projects carried over from the prior year Audit Plan, is reflected at Appendix A, along with a brief description and the estimated staff hours required for the audit.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**

Draft Fiscal Year 2019-20
Internal Audit Plan

Conclusion

The Audit Plan seeks to align limited audit resources with risk throughout the organization while considering prior audit effort and other factors, as identified in Appendix B. Internal Audit will continue to refine the Risk Assessment to include emerging OCTA projects, programs, contracts, and functions. Internal Audit will also continue to assess the risk ratings and weightings included to most accurately reflect the risk profile of the organization and to allow the greatest coverage of that risk in the annual audit planning process.

DRAFT

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2019-20**

Division	Department/Functional Area	Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
Executive				
	Clerk of the Board			
	Public Records Requests		Low to Moderate	2014
	Form 700 Disclosures		Moderate	
	Brown Act Compliance		Low to Moderate	2018
	Board of Directors Compensation and Ethics Compliance		Moderate	
	Services of Legal Process		Low to Moderate	
	Legal Services			
	Woodruff, Spradlin, & Smart		Moderate	2015
	Security and Emergency Preparedness			
	Continuity of Operations/Emergency Response		Moderate to High	2014
	Emergency Operation Plans		Moderate to High	
	System Security and Emergency Preparedness Plan		Moderate	
	Physical Security - All Facilities		Moderate to High	
	Security Grants		Low to Moderate	
	Transit Police Services		Moderate	2017
	Express Lanes Program			
	Master Custodial Agreement		Moderate to High	
	Operations and Management		Moderate to High	
	Collections		Moderate to High	
	Building Leases		Low	
	Revenue Account Management System		Moderate to High	
	Riverside County Transportation Corridor Agreement		Moderate	
	Toll Lanes Integrator Services		Moderate	
	Ethics Program		Moderate	
	Public Information Office			
	Crisis Communications Plan		Moderate	
Capital Programs				
Highway Projects				
Interstate 5 (I-5) Improvements				
	I-5 (between State Route (SR)-57 and SR-55) - Measure M2 (M2) Project A		Moderate to High	
	I-5 (between Interstate 405 (I-405) and SR-55) - M2 Project B		Moderate	
	I-5 (South of El Toro Road) - M2 Project C			
	Pacific Coast Highway (PCH) to San Juan Creek Road		Moderate to High	2018
	Avenida Pico to Avenida Vista Hermosa		Moderate	
	Avenida Vista Hermosa to PCH		Moderate	
	SR-73 to El Toro Road			
	SR-73 to Oso Parkway		Moderate to High	
	Oso Parkway to Alicia Parkway		Moderate to High	
	Alicia Parkway to El Toro Road		Moderate to High	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2019-20**

Division	Department/Functional Area	Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
		I-5 Interchange Projects - M2 Project D		
		Ortega Highway Interchange	Moderate	
		El Toro Road Interchange	Low to Moderate	
		SR-57 Improvements - M2 Project G		
		Orangewood Avenue to Katella Avenue	Moderate	
		Lambert Road to Tonner Canyon Road	Low to Moderate	
		SR-55 Improvements - M2 Project F		
		I-405 to I-5	Moderate to High	
		SR-91 Improvements		
		Improvements from I-5 to SR-57 - M2 Project H	Moderate	2015
		Improvements from SR-57 to SR-55 - M2 Project I	Moderate	
		91 Express Lanes to SR-241 Toll Connector	Moderate to High	
		I-405 Improvements		
		Improvements from I-605 and SR-55 - M2 Project K		
		Design-Build Contract Management	High	2017
		Right-of-Way (ROW) Activities and Reporting	Moderate	
		Program Management Activities	High	2018
		I-405 Improvements between SR-55 and I-5-M2 Project L	Low to Moderate	
		Highway Project Management		
		Highway Project Management - Mott MacDonald	Moderate to High	2018
		Project Controls	Moderate to High	2016
		Real Estate Administration	Moderate	
		ROW Operations	Moderate to High	
		Facilities Engineering		
		Facilities Project Management	Moderate	2015
		Transit Security Operations Center	Moderate to High	
		Rail Programs and Facilities Engineering		
		Program Management Support: Rail Programs	Moderate to High	
		Local Initiatives		
		Project S: Go Local Fixed Guideway Projects		
		OC Streetcar Project	High	
		Passenger Rail Operations and Metrolink Expansion		
		City of Orange Parking Expansion	Moderate to High	2018
		Fullerton Transportation Center - Elevator Upgrades	Moderate	
		Placentia Metrolink Station Project	Moderate	
		Anaheim Canyon Station Improvements	Moderate	
		San Juan Capistrano Passing Siding	Moderate	
		San Juan Creek Bridge Replacement	Moderate	
		Control Point 4th St - Santa Ana	Low to Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2019-20**

Division Department/Functional Area Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
Planning		
M2 Program Management Office	Moderate	
Strategic Planning		
Transportation Planning		
M2 Environmental Mitigation Program		
Program Administration	Moderate	2013
Land Management Contracts	Moderate	
Habitat Restoration and Mitigation Funding Contracts	Moderate	
Transit and Non-Motorized Planning		
Bus Facilities Asset Management / Capital Plan	Moderate	
Fleet Outlook / Rollout Plan	Moderate	
Bikeway Master Plans	Low	
Transit Master Plan	Moderate	
Fullerton Park and Ride - Development Study	Low to Moderate	
Bristol Street Study	Low to Moderate	
Strategic Initiatives		
Strategic Plan - Development and Monitoring	Low to Moderate	
Performance Metrics	Low to Moderate	
Southern California Association of Governments Agreement / Workplan	Low to Moderate	
Geographic Information System Services	Low to Moderate	
State/Federal Programs		
State/Federal Improvement Program Funding Administration	Moderate	
Annual 5307 Program of Projects	Moderate	
Proposition 1B Project Monitoring	Moderate	
Calls for Projects	Low to Moderate	
Local Programs		
Measure M Eligibility	Moderate to High	2018
Comprehensive Transportation Funding Programs (CTFP)	Moderate	
Oversight and Reporting: CTFP	Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2019-20**

Division	Department/Functional Area	Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
M2 Local Projects				
		Project Q - Local Fair Share	Required	
		Project V - Community Based Transit Circulators	Moderate	
		Project W - Safe Transit Stops	Low to Moderate	
Operations				
Passenger Rail Operations & Metrolink				
		ROW Maintenance - Joshua Grading & Excavating	Moderate	2018
		Joint Powers Agreement Allocation Southern California Regional Rail Authority	Moderate to High	
		Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency		
		Managing Agency Contracts	Moderate	
Transit				
		OC Streetcar Operations	Moderate to High	
		Service Planning and Scheduling		
		National Transit Database (NTD) Reporting	Required	
		Coach Operator Scheduling	Moderate	
		Stops & Zones	Low to Moderate	2013
		Schedule Checkers	Low to Moderate	2013
		Service Change Implementation	Moderate	
		Bus Operations		
		Operator Bidding Process	Moderate to High	
		Overtime: Scheduled and Unscheduled	Moderate to High	
		Operations Training	Moderate	
		Field Supervision	Moderate	
		Central Communications	Moderate to High	
		Timekeeping System	Moderate	
		Uniform Allowance	Low	
		Contracted Services		
		ACCESS Eligibility	Moderate to High	2015
		Reduced Fare Program - ACCESS Riders	Moderate	
		Regional Center Day Programs	Moderate to High	
		Adult Day Health Care Program Agreements	Low to Moderate	2013
		Job Access and Reverse Commute and New Freedom Grant Administration	Moderate	
		Senior Mobility Program (M2 - Project U & Transportation Development Act-funded)	Required	Annual
		Senior Non-Emergency Medical Transportation (M2 - Project U)	As Required	2016
		First Transit - Contracted Fixed Route Operations	High	2017
		ACCESS Service	High	2018
		Same Day Taxi Service - Yellow Cab of North Orange County	Moderate to High	
		EZ Wallet Program	Moderate	
		Vanpool Operations	Moderate	2014
		OC Flex Operations	Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2019-20**

Division	Department/Functional Area	Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
Maintenance				
	Maintenance Employee Incentives		Moderate	
	Rolling Stock and Inventory Contracts		Moderate	
	Bridgestone/Firestone Tire Lease		Moderate	
	Trillium USA - Operate & Maintain Compressed Natural Gas Stations		Moderate	
	Cummins Cal Pacific		Moderate	
	Revenue Vehicle Maintenance		Moderate to High	
	Specialty Shop Maintenance		Moderate	
	Company Assigned Vehicles		Low to Moderate	
	Fuel Management		Moderate	2018
	Transit Technical Services		Moderate to High	
	Revenue Vehicle Purchase / Acceptance		Moderate	
	Non-Revenue Vehicle Purchase		Low to Moderate	
	Decommission and Auction of Retired Vehicles		Low to Moderate	
	Maintenance Resource Management		Moderate to High	
	Timekeeping		Low to Moderate	
	Equipment Assignments and Tracking		Low	2016
	Uniform Rental and Cleaning		Low to Moderate	
	Facilities Maintenance		Moderate	
	Maintenance Training		Low to Moderate	
Motorist Services				
	Freeway Service Patrol (M2 Project N)		Moderate	2013
	Call Box Program		Low to Moderate	
	511 Motorist Aid		Moderate	
Finance and Administration				
	Project U - Fare Stabilization		Moderate	
	Financial Planning and Analysis			
	Budget Development and Monitoring		Moderate to High	2017
	Comprehensive Business Plan		Moderate	
	Transit Performance Metrics		Moderate	2015
	Treasury and Public Finance			
	Investments			
	Investments - Compliance, Controls, and Reporting		Required	Semi-Annual
	Investment Management Service Contracts		Moderate to High	2017
	Endowment Funds		Moderate	
	Accounting and Financial Reporting			
	General Accounting		Moderate	
	Financial Reporting		Required	Annual
	Cost Allocation Plan		Low to Moderate	
	M2 Accounting and Reporting		Required	Annual
	Sales Tax Revenue Accounting		Low to Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2019-20**

Division	RISK ASSESSMENT	7 Year Audit History
Department/Functional Area		
Project/Program/Function		
Accounts Payable	Moderate	2016
Purchasing Cards	Low to Moderate	2018
Corporate Credit Cards	Low to Moderate	
Capital Assets	Moderate	
Pass Sales Program	Low to Moderate	2013
Payroll Operations	Moderate	
Administrative Employee Overtime	Moderate	2014
Payroll Garnishments	Low	
Farebox Revenue and Collection	Moderate	2015
Petty Cash Funds Administration	Low	
Banking Services	Moderate	
General Services		
Printing and Reprographics	Low to Moderate	
Records Management	Moderate	
Lease Management	Low to Moderate	
Employee Programs	Low	
Asset Management and Inventory	Moderate	
Internal Communications and OCTA Policies	Low	2017
Commuter Club Program	Low to Moderate	2014
Metrolink Reimbursement Program	Low to Moderate	
OCTA Store	Low to Moderate	2014
Lost and Found Operations	Low	
Revenue Administration		
GFI Farebox Operations	Moderate	2015
Mobile Ticketing Operations	Moderate	2019
Revenue and Revenue Sharing Contracts	Moderate to High	
Grant Administration & Accounting	Moderate to High	
STIP-PPM Compliance	As Required	2018
Transportation Development Act	Required	Annual
Subrecipient Monitoring	Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2019-20**

Division	Department/Functional Area	Project/Program/Function	RISK ASSESSMENT	7 Year Audit History
Contract Administration and Materials Management				
		Contract Amendments	Moderate to High	
		Independent Cost Estimates	Moderate	
		Proposal Evaluations	Low to Moderate	
		Protests	Low to Moderate	2015
		Small Purchases	Low to Moderate	
		Buy America Compliance	As Required	
		Purchase Order and Blanket Purchase Orders	Moderate	2014
		Maintenance Inventory Management	Moderate	
		Warranty Administration	Moderate	2018
		Disadvantaged Business Enterprise Program	Moderate	
		Inventory Contracts		
		Unleaded Fuel	Moderate	
		Diesel Fuel	Low to Moderate	
		Liquified Natural Gas Contract	Moderate	2015
		Renewable Natural Gas Credits Contract	Low to Moderate	2019
Information Systems				
		Applications		
		ITMS Radio System	Moderate to High	
		OCTA.net Website	Moderate to High	
		Application Infrastructure	Moderate to High	
		Database Systems	Moderate	
		Vendor Management	Moderate to High	
		Information Technology (IT) Systems & Security	Moderate to High	
		System Development and Acquisition	Moderate	
		Patch Management	Moderate to High	
		IT Operations (User Mgmt, Authentication, Access Controls)	Moderate to High	
		Technology Project Management	Moderate	
		Business Continuity/Disaster Recovery	Moderate	
		Change Management	Moderate	
		Payment Card Industry Compliance	Moderate	2017
		Incident Response Program	Moderate	
		Asset Management	Moderate	
		Operating Systems	Moderate	
		IT Contract Services	Moderate	
		Switch Data Center	Moderate to High	
Human Resources and Organizational Development				
Risk Management				
		Insurance Program Administration	Moderate	
		Liability Claims Management and Subrogation	Moderate to High	
		Worker's Compensation and Subrogation	Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2019-20**

Division	RISK ASSESSMENT	7 Year Audit History
Department/Functional Area		
Project/Program/Function		
Employment & Compensation		
Terminations	Low to Moderate	
Extra Help and Contract Staffing	Low to Moderate	
Recruitment and Employment	Moderate	2019
Compensation	Moderate to High	
Benefits		
Healthcare Plans	Moderate to High	2017
Coach Operator Healthcare	Moderate	
Maintenance Employee Healthcare	Moderate	
Protected Leave	Moderate to High	2014
Flexible Benefits	Low to Moderate	2013
Health Savings Account	Moderate	2017
Orange County Employees Retirement System	Moderate to High	
Teamsters Pension Fund Trust	Low to Moderate	
Employee Assistance Program	Low	
Deferred Compensation Plans	Moderate	
Wellness Program	Low	
Life Insurance Benefit	Low	
Alternative/Remote Work Program	Low to Moderate	
Employee and Labor Relations		
Labor Contracts	Moderate	
Unemployment Claims	Low	
Grievances	Low to Moderate	
Equal Employment Opportunity	Moderate	
Title VI Compliance	Moderate	
Medical Exams	Moderate	
Training & Development		
Training (Learning Management System)	Low to Moderate	2014
Educational Reimbursements	Low	2014
Safety and Environmental Compliance		
Drug and Alcohol Program	Moderate	
Construction Safety	Moderate to High	2019
Employee Safety	Moderate to High	
Motor Vehicle and Traffic Safety		
Pull Notice Program	Moderate	
Safety Specifications	Moderate	
NTD Accident Reporting	Low to Moderate	

**Orange County Transportation Authority
Internal Audit Department
Risk Assessment by Program/Project/Contract/Function
Fiscal Year 2019-20**

Division	Department/Functional Area	RISK ASSESSMENT	7 Year Audit History
Project/Program/Function			
Environmental Compliance Program			
Storm Water Pollution Prevention Program		Moderate to High	2017
Spill Prevention Countermeasure and Control Plan		Moderate to High	
Hazardous Waste Removal		Moderate to High	
Air Quality Management District Permitting and Compliance		Moderate to High	
Environmental Specifications - Contracts		Moderate	
Underground Storage Tank Removal Program		Moderate to High	
Safety Management Plan		Moderate	
External Affairs			
Marketing and Public Outreach			
Marketing and Customer Engagement			
Digital and Creative Services		Low to Moderate	2013
OCTA Bus Marketing		Moderate	
Bus Advertising Revenue Contracts		Low to Moderate	
Rideshare Program		Moderate	
Customer Engagement & Data Analytics			
Data Analytics / Performance Management		Moderate	2017
In-House Customer Relations		Low to Moderate	
Customer Information Center		Moderate	
Diversity Outreach and Economic Opportunity Programs		Low to Moderate	
Public Outreach			
Project Outreach Contract Management			
SR-91		Moderate	2019
I-5		Moderate	
SR-55		Moderate	
OC Streetcar Project		Moderate to High	
Grade Separation		Moderate	
I-405 Improvement Project		Moderate to High	
State and Federal Relations			
Lobbying Contracts		Low to Moderate	
Grants Development (Application and Oversight)		Moderate	
Subrecipient Monitoring		Moderate to High	

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2019-20 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Mandatory External Independent Audits				
Annual Financial Audits and Agreed-Upon Procedures Reviews	FY20-001 through FY20-004	Coordinate and report on annual financial and agreed-upon procedures reviews for fiscal year 2019-20.	Financial	450
Federal Triennial Review	FY20-006	Coordinate and report on results of the required Federal Transit Administration's Triennial Review.	Compliance	80
External Regulatory Audits	FY20-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60
Internal Audit Department Projects				
Risk Assessment and Annual Audit Plan	FY20-100	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
Quality Assurance and Self-Assessment	FY20-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with Generally Accepted Government Auditing Standards.	Quality Assurance	160
Fraud Hotline Activities	FY20-102	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	240
Automated Workpaper Solution	FY20-103	System updates/training related to automated workpaper solution.	Workpaper System	40
Internal Audits				
Clerk of the Board				
Board of Directors (Board) Compensation and Ethics Compliance	FY19-513	Assess and test controls in place to ensure compliance with Board compensation and training requirements.	Compliance	180
Express Lanes Program				
Master Custodial Agreement	FY19-514	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.	Operational	300

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2019-20 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Human Resources and Organizational Development				
Medical Exams	FY20-5XX	Assess and test controls to ensure compliance with Federal Motor Carrier Safety Administration regulations, policy, and procedures related to employee medical certifications.	Compliance	180
Department of Motor Vehicles (DMV) Pull Notice Program	FY20-5XX	Assess and test operation of the DMV Pull Notice Program.	Compliance	240
Capital Programs				
Interstate 5 (I-5) Project: State Route (SR) 55 to SR-57	FY20-5XX	Review of the I-5 Project: SR-55 to SR-57, including project administration, oversight controls, and contract compliance.	Internal Control / Compliance	300
City of Orange Parking Expansion	FY19-508	Review of the Orange Parking Expansion project, including project administration, oversight controls, and contract compliance.	Internal Control / Compliance	220
Planning				
Comprehensive Transportation Funding Programs (CTFP): Oversight and Reporting	FY20-5XX	Review of OCTA monitoring and reporting controls over CTFP projects.	Internal Control	240
Operations				
Coach Operator Scheduling	FY19-505	Review the coach operator scheduling process, including use of the HASTUS application.	Operational	80
Same-Day Taxi Service	FY20-5XX	Assess adequacy of oversight controls and contract compliance with key provisions of the agreement with Yellow Cab of Orange County for the provision of Same-Day Taxi Service.	Internal Control / Compliance	300
Revenue Vehicle Maintenance	FY20-5XX	Evaluate the adequacy of controls in place to ensure compliance with revenue vehicle maintenance standards and test for compliance with maintenance policy and procedures.	Operational	300

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2019-20 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Finance and Accounting				
Treasury	FY20-5XX	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	200
Grant Closeouts	FY19-510	As-needed, required financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40
Corporate Credit Cards	FY20-5XX	Evaluate the adequacy of controls over corporate credit cards and test for compliance with policy and procedures.	Operational	240
Banking Services - Bank of the West	FY20-5XX	Assess and test controls to ensure compliance with the agreement between OCTA and Bank of the West for banking services.	Operational / Compliance	240
Renewable Natural Gas Credits	FY19-511	Review and test compliance with the agreement with Element Markets for renewable gas credits.	Compliance	60
Interagency Revenue Agreements	FY20-5XX	Review and test activities related to the Interagency Fare Revenue Agreements between OCTA and Southern California Regional Rail Authority and Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency.	Operational	240
Information Systems				
Patch Management	FY19-5XX	Assess the adequacy of the patch management program.	Operational	120
Contract Administration and Materials Management (CAMM)				
Price Reviews	PR20-XXX	As requested by the Contracts Administration and Materials Management Department, apply agreed-upon procedures to Sole Source, Single Bid, and Architectural and Engineering firm proposals.	Price Review	800
Buy America	PR20-XXX	As requested by the Contracts Administration and Materials Management Department, apply agreed-upon procedures to determine compliance with Buy America requirements.	Buy America	200
External Affairs				
Bus Marketing	FY19-512	Review Bus Marketing program; assess and test controls related to bus marketing programs.	Operational / Compliance	160

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2019-20 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Unscheduled Reviews and Special Requests				
Unscheduled Reviews and Special Requests	FY20-800	Time allowed for unplanned audits, coordination of external agency audits, and requests from the Board and management.	Varies	240
Monitoring Activities				
Measure M Taxpayer Oversight Committee (TOC)	FY20-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60
Metrolink Audit Activities	FY20-602	Obtain and review audit results of Metrolink activities	Non-Audit Service	40
Capital Asset Inventory Observation	FY20-603	At the request of the Finance and Administration Department, observe and apply limited procedures related to the bi-annual capital asset inventory counts.	Non-Audit Service	80
Bus Base Inspections	FY20-604	At the request of the Transit Division, participation on annual base inspection teams.	Non-Audit Service	40
Follow-up Reviews				
Follow-up Reviews and Reporting	FY20-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-up	320
Total Audit Project Planned Hours (A)				6,650

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2019-20 Internal Audit Plan**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours
Internal Audit Administration				
Board and Committee Meetings				180
Executive Steering and Agenda Setting Meetings				180
Internal Audit Staff Meetings				150
Other Administration				1,500
			Total Hours (B)	8,660
			Department Target Efficiency (A/B)	75%
			Target Efficiency - Professional Staff	80%



July 24, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Agreement for Medical Clinic Services

A handwritten signature in blue ink, appearing to be "DJ", is written over the "From:" and "Subject:" lines of the memo.

Overview

Medical services are required to ensure compliance with the State of California Department of Motor Vehicles commercial driver certifications, the Federal Transit Administration drug and alcohol testing, and the California Occupational Safety and Health Administration's medical evaluation requirements.

Recommendations

- A. Approve the selection of Cheshire Medical Corporation, doing business as ProCare Work Injury Center & Urgent Care, as the medical clinic to provide medical services to ensure compliance with the State of California Department of Motor Vehicles, Federal Transit Administration, and California Occupational Safety and Health Administration regulations.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-1165 between the Orange County Transportation Authority and Cheshire Medical Corporation, doing business as ProCare Work Injury Center & Urgent Care, in the amount of \$573,000, for a three-year initial term, effective August 1, 2019 through July 31, 2022, with one, two-year option term, to provide medical services.

Discussion

The Human Resources and Organizational Development Division oversees the medical evaluations for new and existing employees requiring the State of California Department of Motor Vehicles (DMV) medical examinations (exams) and driver certifications, the Drug and Alcohol compliance program in accordance with the Federal Transit Administration (FTA), and medical evaluations required for safety-sensitive employees that are in the Orange County Transportation Authority's (OCTA) Hearing Conservation Program, Respiratory Protection

Program, and/or the Bloodborne Pathogens Program as required under the California Occupational Safety and Health Administration (Cal/OSHA) regulations.

To comply with DMV requirements for a commercial driver's license, coach operators, mechanics, service workers, supervisors, and other employees required to hold a commercial driver's license must undergo a physical exam and functional capacity test to ensure they are medically fit to operate a bus. Physical exams must be performed by a medical professional certified by the National Registry of Certified Examiners in order to certify and sign the appropriate DMV forms. Cal/OSHA requires audiometric evaluations, medical clearances for respirator use, and Hepatitis B vaccination services for safety-sensitive employees to mitigate exposure to harmful levels of noise or risk of hearing loss, airborne contaminants, and bloodborne pathogens.

Under the Department of Transportation (DOT) and the FTA rules, OCTA is required to conduct drug and alcohol tests for its safety-sensitive employees throughout the employment process, including pre-employment testing, random testing, post-accident testing, and testing in the case of reasonable suspicion. Above and beyond the FTA rules, OCTA enforces its drug and alcohol-free workplace commitment by requiring non-safety-sensitive employees to go through probable cause drug and alcohol testing if there is reason to believe a non-safety-sensitive employee is impaired by, or under the influence of, alcohol or any other controlled substance. With the largest concentration of OCTA's employees being safety-sensitive, it is critical that OCTA maintain compliance with the FTA rules and have capabilities to perform evidential breath testing, specimen collection, and test analysis as required, 24 hours a day, seven days a week (24/7).

Currently, medical services are provided using two different scopes of work through Golden West Medical Center (Golden West) and Gary A. Linnemann, MD, Inc., doing business as (dba) Pacific Medical Clinic (Pacific Medical). Each clinic has been utilized with an emphasis on certain services. For example, Pacific Medical has been the primary provider for DOT physical exams and Golden West has been the primary provider for drug and alcohol testing and fit-for-duty exams. For the new procurement, the two scopes of work were consolidated into one scope of work to make administering the program more manageable, as well as more convenient for employees to get all services from one clinic. With this new approach, an employee will only be required to visit a single provider for all their medical exams, as well as drug and alcohol screening requirements.

Procurement Approach

The procurement was handled in accordance with OCTA’s Board of Directors (Board)-approved procedures for professional and technical services. Various factors were considered in the award for professional and technical services. Award is recommended to the firm offering the most comprehensive overall proposal considering such factors as prior experience with similar projects, staffing and project organization, work plan, as well as cost and price.

On April 15, 2019, Request for Proposals (RFP) 9-1165 was issued electronically on CAMM NET. The project was advertised in a newspaper of general circulation on April 15 and 22, 2019. A pre-proposal conference was held on April 22, 2019, with attendees representing two clinics. Two addenda were issued to make available the pre-proposal conference registration sheets and presentation and to respond to written questions.

On May 20, 2019, two proposals were received. An evaluation committee consisting of OCTA staff from Contracts Administration and Materials Management, Human Resources, Safety and Environmental Compliance, Risk Management, Bus Operations-Administration, and Maintenance-Administration departments met to review all proposals received.

The proposals were evaluated based on the following evaluation criteria and weightings:

- Qualifications of the Firm 20 percent
- Staffing and Project Organization 25 percent
- Work Plan 35 percent
- Cost and Price 20 percent

Several factors were considered in developing the evaluation criteria weightings. Staff assigned the highest weighting to work plan as the clinic must demonstrate its ability to perform all the services specified in the scope of work, as well as comply with the procedures and forms developed by OCTA, DOT, and DMV. The clinic must describe how it will process the requested services, certify and train its personnel, and communicate information in a time-sensitive manner. Staffing and project organization was weighted at 25 percent as the clinic’s staff must demonstrate extensive experience and knowledge to ensure the quality of services provided, as well as compliance with DOT and FTA by providing proof of required certifications and licenses. Additionally, the clinic must demonstrate that it has adequate staff to provide medical services in a timely manner. Qualifications of the firm was weighted at 20 percent to emphasize the importance of the medical clinic’s relevant experience and compliance with regulations set by DOT and FTA for all parties involved. Cost was weighted at

20 percent to ensure competitiveness in pricing and that OCTA receives value for the services provided.

On May 30, 2019, the evaluation committee reviewed the proposals based on the evaluation criteria and conducted interviews with both clinics listed below in alphabetical order:

Firm and Location

Cheshire Medical Corporation dba ProCare Work Injury Center &
Urgent Care (ProCare)
Irvine, California

Pacific Medical
Santa Ana, California

On June 11, 2019, the evaluation committee conducted interviews and site visits with both clinics. The interviews were conducted at each clinic's facility and consisted of a site tour, as well as a mock physical exam and drug and alcohol test for a new employee, followed by a question and answer segment. The firms' primary physicians, project managers, and key team members had an opportunity to present each team's qualifications and respond to the evaluation committee's questions. Questions were related to functional capacity testing, respiratory protection medical evaluations, audiometric testing equipment, sleep apnea assessments, turnaround time for drug and alcohol tests, and patient wait times. In addition, each team was asked specific clarification questions related to its proposal.

At the conclusion of the interviews, the clinics were requested to submit a best and final offer (BAFO) as the descriptions of the required services were revised for clarification. In addition, the clinics were asked to provide clarification regarding the specimen testing and vision tests. Each firm made adjustments to its rates at this time.

After considering the responses to the questions asked during the interviews and the information provided in the BAFOs, the evaluation committee reviewed the preliminary ranking and made adjustments to individual scores. As a result, the rankings changed.

Based on the evaluation of the written proposals and the information obtained from the interviews and BAFOs, the evaluation committee recommends ProCare for consideration of the award. The following is a brief summary of the proposal evaluation results.

Qualifications of the Firm

ProCare and Pacific Medical have experience providing occupational medical services as required by the scope of services. Both clinics have designated areas and equipment for physical exams and audiometric, vision, and breath alcohol tests. In addition, both facilities provide 24/7 service for drug and alcohol tests and are properly equipped and organized in accordance with FTA regulations. Furthermore, both clinics have processes in place to ensure proper handling of the specimens when they are sent to the laboratories for analysis.

ProCare has been providing occupational medical services since 1983 and has offices in the cities of Huntington Beach and Irvine with 27 employees. The location proposed for this effort is the City of Irvine office, with the office in the City of Huntington Beach as a backup. The clinic has provided medical services to FedEx, City of Santa Ana Police Department, City of Tustin, and Orange County Sanitation District, and currently provides worker injury care as a subcontractor to OCTA's contract for workers' compensation administration services. ProCare utilizes a web portal, which is accessible to clients 24/7, to ensure accurate and prompt reporting. With the web portal, ProCare can electronically send DOT exam results directly to the DMV, which results in a more streamlined process, quicker turnaround, and eliminates the need for coach operators, mechanics, service workers, supervisors, and other employees required to hold a commercial driver's license to go to the DMV themselves. In addition, the web portal will eliminate the need for OCTA to rely solely on the clinic's emails for drug and alcohol and physical exam results, resulting in a more streamlined and efficient process. The clinic also has a physical therapy room to accommodate the coach operator's chair for functional capacity exams. ProCare proposed three subcontractors for sleep apnea and laboratory drug testing services.

Pacific Medical was originally founded in 1982 and was later incorporated in 1993. The clinic has a single location in the City of Santa Ana with 17 employees and provides industrial injury care and occupational health screening services. The clinic's clients include the City of Santa Ana, County of Orange, City of Westminster Police Department, and United States Postal Service. In addition, Pacific Medical has been providing medical clinic services to OCTA since 1997. Although Pacific Medical mentioned implementing an occupational practice management software and updated website, it did not elaborate on the benefits of these improvements. As one of the incumbent clinics, Pacific Medical has a coach operator's chair, provided by OCTA, on site to conduct functional capacity exams. The clinic proposed a subcontractor for laboratory drug testing services.

Staffing and Project Organization

Both clinics proposed medical teams with relevant experience and provided copies of current certifications and licenses. Additionally, each clinic's medical staff responded to the evaluation committee's questions and demonstrated an understanding of OCTA's requirements and knowledge of applicable regulations and procedures.

ProCare's chief medical officer and owner is proposed as the primary physician with over 36 years of experience. In addition, the medical director is proposed as a backup to provide additional physician care. Prior to joining ProCare in 2006, the medical director founded St. Jude's Fullerton Hospital Occupational Medicine Department. Both physicians are authorized to sign the Medical Examination Report and Medical Examiner's Certificate. The proposed project manager has been with the clinic for six years and will handle day-to-day management and communications. The key medical staff will also be supported by two physician assistants who are licensed health care providers that are able to diagnose and treat patients under the supervision of a physician. Additionally, the physician assistants are authorized to sign the Medical Examination Report and Medical Examiner's Certificate. Having multiple individuals authorized to sign the medical reports and certificates will ensure that the medical services are performed and completed in a timely manner so that OCTA employees can efficiently start or return to work with the proper required documentation.

Pacific Medical's medical director and owner has over 30 years of experience and is proposed as the primary physician to administer the physical exams and is authorized to complete and sign the Medical Examination Report and Medical Examiner's Certificate. A per diem physician is proposed to provide backup to the primary physician; however, the per diem physician is utilized no more than 40 hours a year and is not authorized to sign medical reports and certificates. Pacific Medical did not offer a contingency plan if the primary physician becomes unexpectedly unavailable and how the clinic would ensure no delay in services. The proposed project manager has been with the clinic for two years and will be responsible for ensuring all medical assistants are fully trained and certified and that OCTA's requirements are met. The proposed medical staff also includes eight medical assistants that handle entry-level administrative and clinical tasks.

Work Plan

ProCare and Pacific Medical discussed their approaches for providing the required medical clinic services. During the site visits, both clinics demonstrated the steps involved in performing physical exams, as well as drug and alcohol tests in accordance with DMV, FTA, and Cal/OSHA requirements, which included collecting samples, administering the breath alcohol test, and conducting hearing and vision tests. Each clinic maintains records of the annual

calibration certificates of its equipment. For physical exams, both clinics indicated that they follow proper protocols to ensure patient safety.

ProCare discussed its methods for meeting the requirements of the scope of work. While the clinic provided a general overview in its written proposal, ProCare was more detailed about its approach during the site visit. Along with ensuring that its equipment is calibrated and certified annually, the clinic's staff regularly calibrates the breath alcohol machine every month and audiometric machine every day. The clinic recently updated its audiometric machine to a computerized system last year, which reduces human error. For physical exams, ProCare indicated that it would use the job descriptions provided by OCTA as a checklist to conduct the functional capacity tests. The clinic also mentioned that it already has job descriptions for safety-sensitive employees as part of providing work injury care for OCTA. For the drug tests, ProCare securely stores samples in a designated refrigerator located in a designated area clearly marked as a restricted area. ProCare indicated that the average wait time for a patient to be seen is five to ten minutes and that the overall examination and testing process is approximately one hour.

Pacific Medical presented a work plan that addressed all the elements of the scope of work. The clinic detailed its approach step-by-step from the time a patient arrives to when OCTA is notified of the results. In addition to the annual certified calibrations of its equipment, Pacific Medical regularly calibrates the breath alcohol machine every two weeks and audiometric machine every week. Physical exams must include functional capacity testing to ensure that new and existing employees meet the minimum physical requirements of a particular position. Although patients are asked to squat, bend, and turn, they are not asked to kneel, which is a requirement in the specified job descriptions. In addition, the clinic did not indicate that it refers to a checklist or the job descriptions provided by OCTA to ensure a patient meets the functional capacity requirements. Pacific Medical has a designated refrigerator to store samples, which is located in the front office; however, there was no clear signage that it was a restricted area. Pacific Medical indicated that patients wait approximately ten to 15 minutes before being seen and that the entire examination and testing process takes about one hour.

Cost and Price

Cost was weighted at 20 percent of the overall score. Both firms provided itemized pricing for services as requested for the entire term of the agreement. Price scores were based on a formula which assigned the higher score to the clinic with the lower average per unit cost and scored the other clinic's total average per unit cost based on its relation to the lower average per unit cost. The average per unit cost is based on various itemized services, which were refined through the BAFO request.

Although ProCare did not propose the lower rates, ProCare's proposed rates are within industry standards as determined through market research conducted by OCTA staff with various clinics and agencies to establish average industry rates. As an example, the cost of a physical exam ranges from \$100 to \$150 and ProCare's proposed rate for a physical exam is \$95, while Pacific Medical proposed \$38 per physical exam.

While both firms proposed to comply with the scope of work requirements, the value-added benefits and efficiencies resulting from ProCare's technology solutions, availability of a wider pool of medical professionals, and the clinic's streamlined approach to servicing clients outweigh the higher price.

Procurement Summary

Based on the evaluation of the written proposals, the firms' qualifications, and the information obtained from the interviews and BAFOs, the evaluation committee recommends the selection of ProCare as the top-ranked firm to provide medical clinic services.

Fiscal Impact

The project was approved in OCTA's Fiscal Year 2019-20 Budget, Human Resources and Organizational Development, Account No. 1141-7519-A2312-DWA, and is funded with local funds.

Summary

Staff is recommending the Board authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-1165 between the Orange County Transportation Authority and Cheshire Medical Corporation, doing business as ProCare Work Injury Center & Urgent Care, in the amount of \$573,000, for a three-year initial term, with one, two-year option term, for medical clinic services.

Attachments

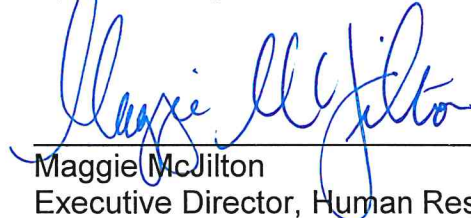
- A. Review of Proposals, RFP 9-1165 Medical Clinic Services
- B. Proposal Evaluation Criteria Matrix, RFP 9-1165 Medical Clinic Services
- C. Contract History for the Past Two Years, RFP 9-1165 Medical Clinic Services

Prepared by:



Karen DeCrescenzo
Department Manager,
Human Resources
714-560-5547


Approved by:



Maggie McJilton
Executive Director, Human Resources
and Organizational Development
714-560-5824



Matt DesRosier
Department Manager, Safety and
Environmental Compliance
714-560-5854



Virginia Abadessa
Director, Contracts Administration
and Materials Management
714-560-5623

Review of Proposals

RFP 9-1165 Medical Clinic Services

Presented to Finance and Administration Committee - July 24, 2019

2 clinics proposed, 2 clinics were interviewed, 1 clinic is being recommended

Overall Ranking	Proposal Score	Firm & Location	Sub-Contractors	Evaluation Committee Comments	Average Per Unit Cost
1	72	Cheshire Medical Corporation dba ProCare Work Injury & Urgent Care Irvine, California	Snore Experts Phoenix Sleep Solutions MedTox Laboratories, Inc.	Highest-ranked firm. Experience providing occupational medical services for various public agencies. Facility is properly equipped and organized. Currently providing work injury care as a subcontractor under Orange County Transportation Authority's workers' compensation administration services contract. Proposed primary physician has over 36 years of experience. Proposed two physicians authorized to sign the medical exam reports and certificates. Proposed medical staff has required certifications and licenses. Proposed medical staff includes two physician assistants that are also authorized to sign the medical exam reports and certificates. Discussed approach for performing physical exams and drug and alcohol tests. Demonstrated compliance with Department of Motor Vehicles (DMV), Federal Transit Administration (FTA), and the California Occupational Safety and Health Administration (Cal/OSHA) requirements. Provided a tour of the facility and conducted a mock exam. Received positive responses from references. Proposed per unit rates within industry standards.	\$74
2	69	Gary A. Linnemann, MD, Inc. dba Pacific Medical Clinic Santa Ana, California	Clinical Reference Laboratory, Inc.	Experience providing occupational medical services for various public agencies. Currently providing medical clinic services to OCTA. Facility is properly equipped and organized. Proposed primary physician has over 30 years of experience. Primary physician is the only one authorized to sign the medical exam reports and certificates. Proposed medical staff has required certifications and licenses. Proposed medical staff includes eight medical assistants. Detailed approach for performing physical exams and drug and alcohol tests. Demonstrated compliance with DMV, FTA, and Cal/OSHA requirements. Provided a tour of the facility and conducted a mock exam. Received positive responses from references. Proposed lower per unit rates.	\$28

Evaluation Panel:

- Internal:
 Contracts Administration and Materials Management (1)
 Human Resources (1)
 Safety and Environmental Compliance (1)
 Risk Management (1)
 Bus Operations-Administration (1)
 Maintenance-Administration (1)

Proposal Criteria

- Qualifications of the Firm
 Staffing and Project Organization
 Work Plan
 Cost and Price

Weight Factors

- 20%
 25%
 35%
 20%

**PROPOSAL EVALUATION CRITERIA MATRIX
RFP 9-1165 Medical Clinic Services**

Cheshire Medical Corporation dba ProCare Work Injury Center & Urgent Care							Weights	Overall Score
Evaluator Number	1	2	3	4	5	6		
Qualifications of Firm	4.0	4.0	4.0	4.0	4.0	4.0	4	16.0
Staffing/Project Organization	4.0	4.0	4.0	4.0	4.0	4.0	5	20.0
Work Plan	4.0	4.0	4.0	4.0	4.0	4.0	7	28.0
Cost and Price	1.9	1.9	1.9	1.9	1.9	1.9	4	7.6
Overall Score	71.6	71.6	71.6	71.6	71.6	71.6		72

Gary A. Linnemann, MD, Inc. dba Pacific Medical Clinic							Weights	Overall Score
Evaluator Number	1	2	3	4	5	6		
Qualifications of Firm	3.5	3.0	3.5	3.5	3.0	3.5	4	13.3
Staffing/Project Organization	3.0	3.0	2.5	2.5	2.5	3.0	5	13.8
Work Plan	3.5	3.0	3.5	3.0	3.0	3.0	7	22.2
Cost and Price	5.0	5.0	5.0	5.0	5.0	5.0	4	20.0
Overall Score	73.5	68.0	71.0	67.5	65.5	70.0		69

CONTRACT HISTORY FOR THE PAST TWO YEARS
RFP 9-1165 Medical Clinic Services

Prime and Subconsultants	Contract No.	Description	Contract Start Date	Contract End Date	Subconsultant Amount	Total Contract Amount
Cheshire Medical Corporation dba ProCare Work Injury Center & Urgent Care						
Contract Type: Time-and-Expense	None	N/A	N/A	N/A	N/A	\$ -
Subconsultants: N/A						
Sub Total						\$ -
Gary A. Linnemann, MD, Inc. dba Pacific Medical Clinic						
Contract Type: Time-and-Expense	C-6-1321	Medical Clinic Services	August 1, 2016	September 30, 2019	N/A	\$ 235,000
Subconsultants: N/A						
Sub Total						\$ 235,000