

Outstanding Audit Recommendations
Audit Reports Issued Through
June 30, 2022

ATTACHMENT B

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
4/27/21	21-506	Operations	Review of Oversight Controls and Contract Compliance: Bridgestone-Firestone (Bridgestone) Tire Lease and Services, Agreement No. C-9-1354	The Internal Audit Department (Internal Audit) recommended management strengthen monitoring controls to ensure required staffing and work schedules are provided as required. Management should also consider actions to address violations of contract terms and consider adjustments to invoices to account for staffing shortages. Finally, management should evaluate whether 17-hour shifts worked by contractor staff present safety concerns that should be addressed.	Sep-22	Management agreed and advised that the Contracts Administration and Materials Management (Camm) Department was engaged to formally address the noted contract violations and to explore adjustments to invoices to account for staffing shortages. Management will continue to closely monitor the contract to ensure proper staffing levels are maintained, work schedules are posted and adhered to, and all employee procedures are followed as specified in the terms of the contract. Management will work with the Orange County Transportation Authority's (OCTA) Health, Safety, and Environmental Compliance (HSEC) Department to ensure safe work practices are being followed by Bridgestone.	<u>Update December 2021:</u> Management obtained credit from Bridgestone for the missed work shifts noted during the audit; however, staffing shortages have persisted and no formal action has been taken to address the failure to meet contract requirements or to obtain credits for the missed work shifts. <u>Update June 2022:</u> Internal Audit performed follow-up and closed out the recommendation; however, subsequent to the follow-up review, it was discovered that some documents provided to Internal Audit had been altered. As a result, an additional follow-up will be performed in September.
7/15/21	21-510	Executive Office	Administrative Controls Related to Conflict of Interest Code Form 700 Statement of Economic Interests	Internal Audit recommends management establish and implement a procedure to identify contractors, including those identified by Internal Audit, serving in roles that would otherwise be performed by a designated OCTA employee and require filing. Management should also identify Transit Police Services (TPS) and Real Property consultant staff that should be filing and include them in the eDisclosure system so that they may file, as required.	Jul-22	Management will work with legal counsel and Camm to develop a process to identify consultants required to file. Both TPS and Real Property consultant staff will be included in this process.	<u>Update March 2022:</u> Management has reviewed the suggestion to include real property and TPS with legal counsel. Based on that review, real-property consultants will be removed and TPS officers with a rank of captain and above will be required to file. A process has been developed to review scopes of work for positions that should be required to file form 700s and will be implemented in the new fiscal year.

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7/15/21	21-510	Executive Office	Administrative Controls Related to Conflict of Interest Code (COI) Form 700 Statement of Economic Interests	Internal Audit recommends management reconcile the designated positions list with COI code filing requirements in the Human Resources (HR) system. Management should also consider adding the Financial Analyst in Treasury and Public Finance as a designated position.	Jul-22	Management will review the active designated position titles in the HR system and deactivate position codes, where applicable, or add the COI codes as appropriate. In addition, HR will create new position codes for the Financial Analyst job series in Treasury and Public Finance and attach the COI code for the entire job family.	Update March 2022: HR reconciled position codes in the HR system with the designated positions list and corrected the discrepancies from the audit. HR added the COI code to the Financial Analyst series; however, Internal Audit noted that the employee in that position was never added to the eDisclosure filing system. As a result, this employee was never sent a request to file. Internal Audit recommended that HR work with Clerk of the Board to develop and implement a process to ensure that all employees working in newly designated positions are added to the eDisclosure system and notified to file.
12/23/21	22-502	People and Community Engagement (PACE)	Employee Incentive Benefit Programs	Internal Audit recommends that HR follow up to ensure all discrepancies in vanpool days reported between payment request forms, the OC Vanpool system, and the Commuter Club system are resolved prior to approving payment of incentives.	Jun-22	HR will follow up on any discrepancies of the vanpool days between payment request forms, the OC Vanpool system, and the Commuter Club system and ensure the discrepancies are resolved before the coordinator approves payment requests.	In Process

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12/23/21	22-502	PACE and F&A	Employee Incentive Benefit Programs	Internal Audit recommends HR consider obtaining and retaining supporting documentation when changing providers charged with collecting information in support of incentive payments. In addition, the Contracts Administration and Materials Management (CAMM) Department should ensure that a complete audit clause is reflected in all purchase orders (PO).	Jun-22	The new Wellness provider has the functionality to retain and report on information in support of incentive payments in the event that OCTA changes providers. Once CAMM was made aware that a system glitch existed that partially cut off the audit clause from some or all POs, CAMM staff worked directly with OCTA's Information Systems Department to identify the root cause and correct the issue. Additionally, now CAMM reviews the General Provisions on each PO to verify that all clauses have printed in their entirety and are included.	In Process
12/23/21	22-502	PACE	Employee Incentive Benefit Programs	Internal Audit recommends HR obtain signed Metrolink Corporate Quick Card Incentive Program Request forms from all participating employees without a form on file. Additionally, HR should consider requesting periodic re-certifications by participating employees to ensure that they understand and acknowledge program requirements.	Jun-22	HR will obtain signed Metrolink Corporate Quick Card forms from all active Metrolink commuters who do not have one on file. HR will also request recertification of participating employees on an annual basis.	In Process
3/2/22	Not Applicable	Planning and Operations	Measure M2 City Audits	Crowe LLP issued results of agreed-upon procedures applied to selected cities to determine compliance with Measure M2 Ordinance and guidelines for Local Fair Share and Senior Mobility Program funds.	Aug-22	Staff was directed to follow-up with cities to confirm actions taken, as indicated in management responses.	

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1/26/22	21-511	Executive Office	Physical Access Security	Internal Audit recommends Security and Emergency Preparedness Department (SEP) management develop, maintain, and test a comprehensive, appropriate, and up-to-date set of physical security plans, policies, and procedures based on evaluation of the organization using risk rating methodologies and assessments. A written Access Control Policy and related procedures should be developed and published, and management should address requirements included in the Physical Security Policy for implementing gate controls at all facilities. Finally, management should implement a regular training program to inform employees as to security policies, procedures, and protocols.	Jul-22	Management will work to document all processes and review assigned policies. SEP will make considerable updates to the Physical Security Policy to address gate controls and create an OCTA Physical Access Control policy. These updates will be completed by June 30, 2022. A "Record of Changes" section has been added to security plans to document reviews and updates. Management has hired a consultant to review OCTA policies, procedures, and security plans. The consultant will provide recommendations on program improvements, conduct a new Threat and Vulnerability Assessment, provide a new written security plan, and create a security training program to include curriculums for all employees. Management will implement a training program within 12 months.	In Process
1/26/22	21-511	Executive Office	Physical Access Security	Internal Audit recommends management define and document responsibilities, policies, and procedures related to physical access security and incorporate appropriate language in the Contracted Transportation Service (CTS) provider contracts. Written procedures for coordination with OCTA should be provided to CTS. Management should consider permitting CTS providers with access to Lenel system reports and/or notifications of access breaches and events.	Jul-22	During the review process of current policies, management will include language and definitions to provide clear delineation of duties. In the interim, and starting immediately, management will provide copies to the CTS project manager outlining equipment inspections and current states of functionality of security equipment. Policy review and creation will be completed by June 30, 2022. Afterward, language changes to CTS contracts will be addressed through contract amendments. Contract language will also address OCTA's expectation of CTS providers for event or incident response. This shall be fully implemented by September 30, 2022, or by contract execution.	In Process

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1/26/22	21-511	Executive Office	Physical Access Security	Internal Audit recommends management develop and implement written policies, procedures, and protocols that address the timely issuance, termination, and use of badges. These procedures should be referenced in contracts with CTS providers and be communicated to OCTA staff. Management should also ensure secondary controls are operating as intended.	Jul-22	Management is reviewing the issuance and termination of access badges in order to document processes. Management will work with other departments, including CTS, to advise of procedures for issuing and terminating access badges and encourage those departments to include procedures in their contracts as appropriate. Additionally, management is currently reviewing and documenting procedures to ensure secondary controls are being utilized. Review and updating of procedures will conclude with the creation of a new physical access policy to be completed by June 30, 2022.	In Process
1/26/22	21-511	Executive Office	Physical Access Security	Internal Audit recommends management implement invoice review controls and enforce contract requirements. Overpayment of overtime should be recovered, along with charges for support fees that are not covered by the contract. Costs incurred that are not on the contract price listing should be accompanied by receipts or other supporting documentation and should be reimbursed "at cost".	Jul-22	A more comprehensive review process will be implemented immediately, including notification to the vendor that supporting documentation must be provided with all invoices. Overpayments are in the process of being recaptured, and an amendment to the contract is being issued to address Other Direct Costs that were not itemized in the original contract.	In Process

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2/9/22	21-507	Operations	Facilities Maintenance (FM) Operations	Internal Audit recommends management implement a perpetual inventory system to track purchasing activity and maintain inventory of all parts and supplies. Purchasing, storage, issuance, and disposal activities should be centralized and include controls to ensure proper authorization for purchases, physical security of inventory items, and proper assignment of costs to work orders.	Aug-22	FM contracts for parts and supplies will be transferred to CAMM by July 2022. By February 2023, FM parts and supplies stored outside of CAMM's control will be brought into the inventory system for proper storage and issuance. The current Enterprise Asset Management (EAM) system is not capable of assigning all costs to FM work orders; however, a new EAM system is being implemented and should be capable of properly assigning costs to work orders. The new EAM system is estimated to be fully implemented in mid-2023.	
2/9/22	21-507	Operations and F&A	FM Operations	Management should enhance its invoice review process to ensure compliance with OCTA's Vendor Payment Policy and contract payment terms. Vendor mark-ups should be discontinued from time-and-expense contracts. For contracts related to the purchase of parts and materials only, any items not listed on the price summary sheet should include supporting cost documentation. If mark-ups are to be allowed on parts-and-materials contracts, the proposed mark-ups should be incorporated into the evaluation of costs during the vendor selection process.	Aug-22	Management will immediately begin working on enhancing the current invoice cover page to include a checklist that will require acknowledgement of review for sufficient detail as to quantity and rates of costs and justification. To address the issue of providing sufficient detail and complying with contract terms, the checklist being developed will improve oversight. In terms of discontinuing vendor mark-ups in time-and-expense contracts, management will work with CAMM to develop a solution that will address the issue of vendor mark-ups as well as incorporating an evaluation of cost, if mark-ups are allowed, during the vendor selection process.	

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2/9/22	21-507	Operations	FM Operations	Internal Audit recommends management ensure that bonus eligibility determinations are in line with the criteria outlined in the Transportation Communications Union/International Association of Machinists and Aerospace Workers collective bargaining agreement (CBA) for facilities technicians.	Aug-22	The bonus incentive Letter of Agreement was removed from the CBA during recent negotiations. The new CBA was approved by the Board of Directors on February 7, 2022.	
2/9/22	21-507	Operations	FM Operations	Management should update the FM Plan (Plan) on a periodic basis and document the results of the annual assessments of OCTA building structures.	Aug-22	Management will ensure that the Plan is reviewed and updated periodically and will ensure that capital needs assessments are formally documented beginning with the annual assessment from 2021.	
6/29/22	22-508	Finance and Administration Division (F&A)	Revenue Vehicle Procurement Audit	Internal Audit recommends management update and expand policies and procedures to fully address revenue vehicle cooperative procurements, including allowable methods of solicitation, approval thresholds, and basis of award. In addition, management should enhance documentation to reflect requirements for use of agency contracts.	Dec-22	CAMM will update the cooperative procurement procedures to include a specific process for revenue vehicle procurements and apply the request for proposal method and corresponding thresholds rather than the request for quote procurement method previously used. Moving forward, CAMM will also document in the contract file the rationale, as well as validation that the contract was awarded on a competitive basis and did not restrict competition.	
6/29/22	22-508	Operations	Revenue Vehicle Procurement Audit	Internal Audit recommends management revise the Scope of Work (SOW) for in-plant inspection service agreements to include a requirement for preparation of a Resident Inspector Report that complies with Federal Transit Administration Buy America requirements.	Dec-22	Although in-plant inspection service SOWs do include providing a written record of all vehicle construction activities, management concurs with the recommendation to revise the SOWs for in-plant inspection service agreements to include a requirement for a formal Resident Inspector Report. Management will pursue amendments to the current in-plant inspection service agreements.	