

**Outstanding Audit Recommendations
Audit Reports Issued Through
December 31, 2022**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
7/15/21	21-510	Executive Office	Administrative Controls Related to Conflict of Interest Code Form 700 Statement of Economic Interests	The Internal Audit Department (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.	Jan-23	Management will work with legal counsel and the Contracts Administration and Materials Management (CAMP) Department 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. <u>Update August 2022:</u> Management has implemented a process effective July 1, 2022, for identifying new contractors that should file a Form 700. Internal Audit will return in six months to test the process.
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.	Jan-23	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.	<u>Update August 2022:</u> Updates to security plans, policies, and procedures have not yet been prepared and are expected to be completed between August and December 2022.

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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.	Jan-23	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.	<u>Update August 2022:</u> Management proposed language for inclusion in the agreements with CTS providers. Some language related to request for access card issuance and termination was included in the agreement with First Transit for ACCESS service, executed in October 2021. Additional language will be included in an amendment to the ACCESS service agreement, expected to be executed in late August 2022. For the contracted fixed-route service provider, management has included language in a recently released request for proposals. A fully executed contracted is expected by July 2023.
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.	Jan-23	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.	<u>Update August 2022:</u> Management has not yet developed policies, procedures, and protocols to address timely issuance, termination, and use of access badges coordinated through OCTA. Management indicated that, while an Access Control Policy was originally expected to be completed by June 30, 2022, it has taken longer than expected due to the need to update the Physical Security Policy first.

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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".	Jan-23	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.	<u>Update August 2022:</u> The audit identified overtime and annual support charges not allowed by the contract. Management obtained an invoice credit for the overtime charges and obtained a receipt for \$20,375, to support part of the \$29,146 in annual support billings. Management is working to obtain a receipt to substantiate the remaining charges and intends to execute an amendment with Climatec to address provision of other direct costs.
2/9/22	21-507	Operations Division (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.	Feb-23	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.	<u>Update September 2022:</u> Management and CAMM have completed transferring contracts to CAMM, however, they are working to determine which items will be inventoried and which items will be ordered as needed. This is an ongoing process. In terms of FM parts inventory, a process to bring these items into the CAMM inventory system for proper storage and issuance has been established and is on track to be completed by February 2023. As stated in the original response, the current asset management system is not capable of assigning all costs to work orders. A new system will be implemented in mid-2023.

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2/9/22	21-507	Operations and Finance and Administration Division (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.	Feb-23	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.	<u>Update September 2022:</u> Management is working on enhancing the invoice checklist to include a requirement for acknowledgement of review for sufficient detail as to quantity and rates of costs and justification. CAMM has implemented an evaluation methodology to assign a percentage of the cost score for items not listed on the price summary sheet. Management and CAMM continue to explore options including discounts from price sheets and using fair market values to justify and validate price mark-ups.
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.	Feb-23	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.	<u>Update September 2022:</u> The Plan is on a schedule to be reviewed every two years. The posted plan is currently under review to include the latest laws and regulations. Further, capital needs assessments are now formally documented.
6/29/22	22-508	F&A	Revenue Vehicle Procurement Audit	Management should 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.	To be initiated January 2023.

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6/29/22	22-508	Operations	Revenue Vehicle Procurement Audit	Management should 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.	To be initiated January 2023.
7/13/22	22-505	CAMM and Capital Programs	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	Management should reconsider use of a schedule of values (SOVs) in firm-fixed priced contracts and initiate amendments in a timely manner. Management should also recover identified overbillings and unallowable charges and disallow payments for services not allowed by the SOVs.	Jan-23	Management agreed to amend the contract to remove the use of SOVs and agreed to recover identified overbillings but indicated that unallowable charges for services by an engineering manager will not be recovered as these services were requested by management	
7/13/22	22-505	CAMM	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	Management should enhance controls over escalation when adding new staff, and ensure that the pricing of amendment values is based on the original contract or proposal rates.	Jan-23	Management agreed to enhance controls over escalation when adding new staff and to ensure pricing of amendment values is based on contract rates.	
7/13/22	22-505	Capital Programs	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	Management should recover overbillings and require all subconsultants to submit timesheets, and enforce advance approval requirements.	Jan-23	Management will recover overbillings and missing timesheets will be obtained, and the timesheet requirement will be enforced. Advance approval for overtime work will be obtained.	
7/13/22	22-505	Capital Programs	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	Project Controls should resume preparing its monthly status summary reports, in accordance with procedures.	Jan-23	Management is assessing any required revisions to procedures to effect efficient use of Project Controls resources. Going forward, Project Controls will prepare monthly, or quarterly, summary reports depending on the specific project needs and complexity.	

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7/13/22	22-505	CAMM	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	CAMM should develop procedures to ensure adequate insurance coverage by consultants throughout the contract term. If CAMM continues to use a third party as part of the monitoring process, then the contract should outline appropriate standards and timelines for follow-up activities.	Jan-23	CAMM will ensure that the agreement with the third party vendor includes performance metrics outlining follow-up timelines. CAMM will also implement procedures for progressive actions if insurance certificates are not received. Further, CAMM will send notification to all vendors reminding them of the process for submission of insurance documents.	
8/10/22	22-510	Clerk of the Board	Administration of Public Records Act Requests	Management should update the website and written procedures to outline all available methods of requesting documents and times for in-person viewing of records.	Feb-23	Management agrees and has updated the website and will update procedures, as recommended.	
8/23/22	22-512	Operations and F&A	Non-Revenue Vehicle Purchases and Assignment	Invoice review procedures should be enhanced to include validation of all charges. In addition, Accounts Payable should recover the identified duplicate payment and updated policies to reflect whether a three-way match process is allowable for vehicle purchases. Accounts Payable should consistently confirm the three-way match prior to payment and individuals who receive vehicles in the system should physically verify their delivery.	Feb-23	Management will implement an invoice review checklist to ensure sufficient detail is provided and verified. The policy will be updated to allow for the three-way match process and Accounts Payable will consistently confirm the match prior to payment. Staff receiving vehicles in the system will be required to physically verify receipt going forward. Finally, Accounts Payable will recover the duplicate payment identified.	
8/23/22	22-512	Operations and F&A	Non-Revenue Vehicle Purchases and Assignment	Management should enhance controls to ensure employees' eligibility to drive prior to granting a vehicle reservation. Management should re-evaluate whether employees should be allowed to reserve vehicles for weeks at a time. Finally, all relevant information should be reflected in the reservation system.	Feb-23	Management will work toward an automated solution for determining eligibility or develop an internal solution. Related policies will be updated as appropriate. Also, multi-day reservations will no longer be allowed and all reservation information will be entered into the system.	

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8/23/22	22-512	CAMM	Non-Revenue Vehicle Purchases and Assignment	CAMM should obtain all needed support and documentation for non-revenue vehicles purchased using state contracts. CAMM should also consider negotiating option pricing with the dealers.	Feb-23	CAMM will include all documentation in the contract file for future purchases using state contracts. Also, CAMM will negotiate option pricing prior to contract award, and will document these efforts.	
9/30/22	23-502	F&A	Investments: Compliance, Controls and Reporting January 1 through June 30, 2022	Management should maintain documentation addressing all potential violations flagged by the system and consider updating the module to flag only violations of OCTA's policy.	Mar-23	Management has worked with the vendor to update the module to address items flagged as non-compliant in error.	
9/30/22	23-502	F&A	Investments: Compliance, Controls and Reporting January 1 through June 30, 2022	Management should enhance secondary review of monthly reports to ensure accuracy of security classifications listed in the bond proceeds and debt service reserve fund portfolios.	Mar-23	Management has updated asset labels and will enhance secondary review of these reports.	
10/25/22	23-513	CAMM	Independent Cost Estimates (ICEs)	CAMM should ensure ICEs include adequate detail support and are submitted in accordance with policies. CAMM should provide training to advise project managers that pricing should not be solicited directly from vendors and provide information on how and where to obtain pricing data for proper development of estimates.	Apr-23	Management will ensure all ICEs include adequate detail and will revise policies to address the appropriate timelines for submission of ICEs. Also, CAMM will conduct training, as recommended.	
10/25/22	23-513	F&A	ICEs	Management should develop tools to ensure proper oversight and management of the identified consulting services contract. This should include regular monitoring of contract burn rate and development of reasonable estimates to ensure funding is sufficient to achieve objectives.	Apr-23	Management agrees and will develop tools to ensure proper oversight of these services. Staff managing the contract will be required to attend procurement training to improve understanding of policies and to facilitate improved contract management in the future.	

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11/16/22	22-511	CAMM	Right-of-Way (ROW) and Appraisal Services and Activities	Management should perform and document a price or cost analysis, as required, when contract pricing amendments are made. In addition, increases to rates already agreed-upon should be denied.	May-22	Management will ensure a cost or price analysis is performed and documented, as required, and will ensure there are no changes to rates already agreed-upon. Staff will also be provided a referresher training on how to conduct rate avlidation and document rate reasonableness.	
11/16/22	22-511	Capital Programs	ROW and Appraisal Services and Activities	Management should update policies to clarify procedures for determining settlement authorities.	May-22	Management will work with legal counsel to incorporate language into policies to address the recommendation.	