

Outstanding Audit Findings and Recommendations
Audit Reports Issued through June 30, 2017

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
10/3/14	N/A	Finance and Administration (F&A) and Transit	Performance Audit of the Orange County Transportation Authority's (OCTA) Continuity Plan	Auditors recommended that management update the Business Impact Analysis (BIA) and the Continuity of Operations Plan (Plan) to address the 13 weaknesses noted.	Jun-17	Management responded that efforts are underway to update certain portions of the BIA and the Plan. Also, at the direction of the F&A Committee Chairman, staff has agreed to specifically address each issue and planned corrective actions with the Security Working Group of the Board of Directors (Board). <u>Update September 2015:</u> Management has taken actions to adequately address seven of the thirteen weaknesses noted in the audit. The remaining six are expected to be corrected upon completion of the Threat and Hazard Identification and Risk Assessment project and the comprehensive revision of the BIA. The Internal Audit Department (Internal Audit) will follow-up on the remaining issues in one year. <u>Update September 2016:</u> Internal Audit requested update; management indicated that documents will not be completed until May 2017.	Bonelli	In Process
10/15/15	N/A	Human Resources and Operational Development (HROD)	Investigation and Limited Scope Review of Administration of the Deferred Compensation Plan and the Plan Revenue Reimbursement Account	Internal Audit recommends management formalize and document the plan governance structure and committee structure. Committee configuration should be reviewed and consideration given to appointing a member to represent employee groups participating in the plan. Committee members should be appointed and policies should be approved by OCTA.	Jun-17	The Investment Policy (IP) Statement will be formally approved and made available to participants electronically. Management will also post the quarterly meeting minutes, the quarterly reports, and the Account Policy. The committee composition will be included in the IP Statement, with consideration given to expanding the committee. These tasks will be completed by the end of calendar year 2015. <u>Update May 2016:</u> Management has not fully implemented all recommendations. Additional recommendations were provided to encourage management to research and implement best practices with regard to the Committee charter, the IP Statement, and Committee composition. <u>Update December 2016:</u> Management has partially implemented this recommendation; however, an updated IP statement and revisions to the Personnel and Salary Resolution (P&SR) are not yet complete.	Sutter	In Process

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10/15/15	N/A	HROD	Investigation and Limited Scope Review of Administration of the Deferred Compensation Plan and the Plan Revenue Reimbursement Account	Internal Audit recommends management: 1. Ensure committee members annually reaffirm the IP Statement. 2. Provide training and require committee members to monitor fees charged to the plan and its participants and, when applicable, attempt to negotiate fees to a reasonable level. 3. Exercise oversight of Benefit Funding Services Group (BFSG) to ensure all deliverables required by the agreement are provided. 4. Review invoices for compliance with the agreement terms and obtain proper approval before submitting to Nationwide Retirement Solutions (NRS) for payment.	Jun-17	1. The IP Statement will be annually reaffirmed by the committee. 2. BFSG will provide training to committee members on an annual basis and committee members will review annual reports provided by BFSG and will work with the Contracts Administration and Materials Management Department to negotiate fees if they are deemed unreasonable. 3. Management will ensure that OCTA receives all deliverables specified in the contract. Management will ensure that required annual fee reports are provided by BFSG. 4. BFSG will be required to include the appropriate certification language on all future invoices. All future BFSG invoices will be properly reviewed for compliance with the agreement terms and two authorized parties will approve the invoices before submitting to NRS for payment. <u>Update May 2016:</u> Management has taken some actions; however, additional recommendations were provided in order for management to properly address weaknesses. <u>Update December 2016:</u> Management has partially addressed recommendations; however a revised IP statement is pending and committee member training has not yet occurred.	Sutter	In Process

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1/19/16	N/A	Transit	City of Santa Ana, Senior Mobility Program (SMP)	Internal Audit recommends management: 1. Develop program guidelines, including definition of allowable trip types, requirements for revenue reporting, acceptable allocation of costs, and retention of supporting documentation. 2. Amend cooperative agreements to include detailed information on program requirements. 3. Provide training to cities and exercise oversight to ensure compliance with the Ordinance, cooperative agreements, and program guidelines.	Oct-17	Management will review the current agreement language and scopes of work for each SMP and revise to address the collection and recording of program fees/revenue. In addition, the SMP monthly report template will be revised to specifically document fares/revenue received, the source of city contributions, and documentation to identify how revenues collected are used to support the program. During the annual visit, staff will review the process used to collect and report fares/revenues received. <u>Update August 2016</u> : Management has addressed parts 1 and 2 of the recommendation. Since the new monitoring/site visits will not begin until September 2016, part 3 will remain open. <u>Update April 2017</u> : Management has provided training to cities and agencies and has performed site visits. However, since a few monitoring/site visit checklists were not filled out completely and accurately, and some of the supporting documents on file did not provide adequate support to address the checklist items, Internal Audit will follow-up on this part of the recommendation in six months.	Ng	Initiate next update October 2017

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2/29/16	FY15-515	Capital Programs	Oversight Controls, Contract Compliance, and Billings Related to the Bristol Street Widening Project	Internal Audit recommends management request the City of Santa Ana (City) strengthen controls over timekeeping and periodically review supporting documentation to ensure accuracy of labor charges to the project. Management should also consider disallowing sub-consultant markups through update of contract language in cooperative agreements.	Jul-17	The gas tax agreement will be amended to require the City to certify that its quarterly reconciliation report of actual expenses versus monthly payment requests, including labor hours charged, are true and correct. Staff will review a sample of supporting documents to verify actual expenses and that labor hours billed are supported by time sheets on file. The gas tax agreement will be amended to specifically disallow sub-consultant markups. <u>Update September 2016:</u> The amendment has not been executed due to the City's disagreement with certain terms. After the amendment is executed, staff will review a sample of supporting documentation from quarterly reconciliation reports. <u>Update January 2017:</u> Amendment No. 6 was executed to require that the quarterly reconciliation reports include supporting documentation, as well as certification that the City has deducted all sub-consultant markup costs. Since staff will begin periodically reviewing a sample of supporting documentation to verify labor and other costs charged now that the amendment is executed, Internal Audit will return in six months to assess staff's review of costs charged.	Ng	Initiate next update in July 2017

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2/29/16	FY15-515	Capital Programs	Oversight Controls, Contract Compliance, and Billings Related to the Bristol Street Widening Project	Internal Audit recommends that management design and implement a cost review process that includes review of a sample of City costs charged to the gas tax agreement. Internal Audit also recommends management instruct the City to correct its quarterly reconciliation reports and implement procedures to reconcile City reports with OCTA records.	Jul-17	Staff will periodically sample supporting documentation for costs charged to verify the charges are project-related, supported, and reasonable. Also, the City will be instructed to correct quarterly reconciliation reports based on these audit findings and staff will reconcile each quarterly report with records of payments made under the gas tax agreement. <u>Update September 2016:</u> After the amendment is executed, staff will review a sample of supporting documentation from the City's quarterly reconciliation reports. As of follow-up review, the City made an attempt to adjust its quarterly reconciliation report but did not implement the adjustment fully and correctly; therefore, Internal Audit will keep the recommendation open and ask management to provide suggestions to the City on how to correct its quarterly reconciliation reports. <u>Update January 2017:</u> The City has corrected the overstatement of funding received in the Revised 2nd Quarter 2016 Report. Since staff will begin periodically reviewing a sample of supporting documentation to verify costs charged now that Amendment 6 is executed, Internal Audit will return in six months to assess staff's review of costs charged.	Ng	Initiate next update in July 2017
4/4/16	FY15-513	F&A, Capital Programs	Accounts Payable (AP)	Internal Audit recommends management provide training to ensure consistent enforcement of policies and procedures by AP staff and advise department staff responsible for the exceptions of OCTA's policies and procedures.	Jun-17	The AP supervisor meets bi-weekly with staff and has included training on AP procedures and responsibilities and has/will communicate to departments responsible for the related exceptions as to OCTA's Policies and Procedures. <u>Update January 2017:</u> During the course of the follow-up review, Internal Audit identified additional instances of violations of the Payment Request Policy and the Payment Authorization Policy. Four recommendations were made to F&A and Capital Programs related to the use of Payment Requests for payments against contracts for goods/services not authorized by the contract at the time the expenses were incurred.	Bonelli	In Process

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10/31/16	N/A	F&A	Fiscal Year 2015-16 Management Letter	Vavrinek, Trine, Day & Co. LLP auditors made four recommendations related to enhancements to information systems security.	Jan-18	Management responded that recommendations would be evaluated and implemented as appropriate.	Tang	
1/4/17	FY17-502	F&A	Payment Card Industry/Data Security Standard (PCI-DSS) Compliance	Management should evaluate resources and controls to ensure full compliance and develop a proposal to achieve compliance and/or provide a reasonable approach moving forward. Management should implement oversight controls to assess the accuracy, timeliness, and sufficiency of Cofiroute USA's (Cofiroute) PCI DSS compliance information.	Jul-17	Management will take the following actions: (1) engage a third party PCI Security Assessor to perform Self-Assessment Questionnaires (SAQ) going forward; (2) assess the remediation items identified in the SAQ and address items that fall into existing security improvement efforts; (3) perform a yearly assessment of Cofiroute's PCI DSS compliance information; (4) undergo a review to determine if OCTA should take the steps necessary to become fully PCI compliant; (5) continue to allocate and prioritize resources to cybersecurity risks while addressing PCI compliance concerns.	Dunning	
1/4/17	FY17-502	F&A	PCI-DSS Compliance	Management should implement procedures to ensure that quarterly network scans are performed and remediation efforts are identified and addressed accordingly. Management should also implement procedures for oversight and monitoring of Cofiroute's activities and incorporate their system scan results into submissions to American Express.	Jul-17	Management agrees with Internal Audit's recommendation and will implement procedures to ensure quarterly network scans are performed. Management will also identify items to be remediated and implement them based on risk and cost. Management will allocate resources to perform periodic assessments of Cofiroute's PCI DSS compliance information.	Dunning	
2/15/17	FY16-509	F&A	Budget Development, Monitoring, and Reporting	Procedures should be developed and documented for the budget development and transfer processes. Management should also ensure project variances exceeding the threshold are investigated in accordance with the budget to actual reporting procedures, or alternatively clarify the investigation requirements in such procedures.	Aug-17	Management agrees with the recommendation and will re-evaluate and document all salary and benefit budget assumptions at a lower level of detail. Also, management will ensure project variances exceeding the threshold continue to be investigated in accordance with the budget to actual reporting procedures, and will clarify investigation requirements in such procedures.	Ng	

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2/15/17	FY16-509	F&A	Budget Development, Monitoring, and Reporting	Management should implement procedures to ensure that changes to salary grade levels are based on reasonable and consistent methodologies and that documentation is maintained. Changes should also be communicated to management prior to seeking Board approval.	May-18	HR management will ensure that P&SR changes are communicated to management prior to seeking Board approval. During the budget process, salary grade level changes to the P&SR will be presented to the Executive Steering Committee prior to Board approval. Current documentation methods for classification salary grade changes will be reviewed to determine the best practice for documenting these actions. HR is in the process of obtaining a compensation and market salary data system. This system will be utilized to enhance data collection, consistency, and documentation. <u>Update June 2017</u> : Internal Audit found that recommended upgrades to a job family were not supported by the data collected and stated criteria and documentation supporting grade change recommendations requires improvement. As such, this recommendation will remain open.	Ng	Initiate next update in May 2018
2/15/17	FY16-509	F&A	Budget Development, Monitoring, and Reporting	Management should clarify the Position Control Policy (Policy) with regard to Board approved positions, develop procedures to ensure that the total number of employees does not exceed the Board-approved number, and obtain Chief Executive Officer (CEO)-approval for dual-filled positions. Management should also develop controls to ensure compliance with the Policy.	Aug-17	The Policy will be reviewed and revised to clarify the approval process by the OCTA Board. Current procedures will be reviewed to determine if further action is required to ensure the total number of employees do not exceed the Board approved number. In addition, recruitments that will result in a dual-fill will require the authorization of the CEO.	Ng	
2/15/17	FY16-509	F&A	Budget Development, Monitoring, and Reporting	Actual budgeted amounts should be shown on the Sole Source List. For services that could be performed by multiple vendors, the budget package should provide an explanation and justification for using the selected vendors.	Aug-17	Management agrees with Internal Audit's recommendation and will show the actual budgeted amount for software and hardware maintenance when the Sole Source List is presented to the Board for approval. Management also will develop a budget justification for emergency malware support in the budget package.	Ng	

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3/8/17	N/A	Planning, Transit	Measure M Agreed-Upon Procedures Reports	Staff should monitor implementation of auditor recommendations included in the Measure M Agreed-Upon Procedures Reports.	Sep-17	<u>Note:</u> Multiple recommendations were made to the County of Orange (County) and several cities related to the Local Fair Share, Senior Mobility Program, and Senior Non-Emergency Medical Transportation Program. The County and city management responses are included with the reports and follow-up with the County and applicable cities will be performed by OCTA staff.	Sutter	
3/9/17	FY17-507	F&A	OCTA Policies & Procedures	Management should update procedures to include a communications plan to ensure that employees expected to comply with policies are properly notified. Communication should occur, as appropriate, for both new and revised policies.	Sep-17	Management agrees with the recommendation and has taken steps to ensure communication is made to all employees when new policies are created or existing policies are updated.	Dunning	
3/9/17	FY17-507	F&A	OCTA Policies & Procedures	Management should implement procedures to notify division management of expiring policies. Follow-up should be performed to ensure policies are reviewed and updated in a timely manner.	Sep-17	Management agrees with the recommendation and will take steps to ensure that policies are updated on the mandated two year cycle.	Dunning	
3/9/17	FY17-507	F&A	OCTA Policies & Procedures	Management should implement controls to help ensure the accuracy and completeness of the master list of policies and procedures.	Sep-17	Management agrees with the recommendation and will implement procedures to ensure that the master list of policies and procedures is maintained with accuracy and completeness.	Dunning	

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4/12/17	FY17-504	F&A	Investment Management Service Contracts	Management should ensure compliance with procurement policies and ensure that decisions to accept deviations from the RFP are documented, along with the calculations and methodologies used when cost estimates are prepared by staff. Documentation on file should justify the reasons for changes to the RFP after proposals are received and the value of the cost proposal estimate should translate to the value of the contract issued. Finally, management should consider developing a policy with guidelines for the use of OCTA's logo by vendors, staff-provided testimonials, or staff participation in vendor case studies for marketing purposes.	Oct-17	CAMM will ensure an ICE is provided as required and will re-enforce this requirement with staff during meetings and training exercises. Likewise, CAMM will remind staff that project managers may not conduct direct negotiations without CAMM staff being present. If the evaluation committee recommends for award a pricing model and methodology that differs from the RFP, the contract administrator will be required to clearly indicate such in the procurement memo along with the reason for the recommendation. CAMM management will ensure that staff understands the need for documentation which demonstrates the method for calculating final pricing as well as how the pricing criteria was scored. Additionally, contracts will be issued consistent with the cost estimate on file. Documentation will be required in the contract file if a contract is issued in an amount that varies greatly from the cost estimate. Lastly, management agrees to consider developing a policy with guidelines for the use of OCTA's logo by vendors, staff-provided testimonials, or staff participation in vendor case studies for marketing purposes.	Tang	
4/12/17	FY17-504	F&A	Investment Management Service Contracts	Internal Audit recommends that management review and update the investment management agreements to include appropriate and applicable contract clauses.	Oct-17	CAMM agrees to work with Treasury to review the current investment manager agreements and update them to include applicable clauses.	Tang	