

Outstanding Audit Recommendations
Audit Reports Issued Through June 30, 2018

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Status
1/4/17	17-502	Finance and Administration (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.	Sep-18	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 the Orange County Transportation Authority (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. <u>Update August 2017:</u> Management has not achieved compliance or fully implemented an approach to address non-compliance. <u>Update April 2018:</u> Management plans to make appropriate changes to the environment and has targeted the 3rd quarter of 2018 to become PCI compliant. Internal Audit estimates progress towards completion is 10%.	Initiate next update Sep 2018
1/4/17	17-502	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.	Sep-18	Management agrees with the Internal Audit Department's (Internal Audit) 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. <u>Update August 2017:</u> Quarterly scans are not performed and submitted as management continues to assign resources to areas of non-compliance. <u>Update April 2018:</u> Management has targeted the third quarter of 2018 to be compliant with PCI scanning and remediation requirements. Internal Audit estimates progress towards completion is 25%.	Initiate next update Sep 2018

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8/30/17	17-508	F&A	Contracted Fixed-Route Operations	Internal Audit recommends that Contracts Administration and Materials Management (CAMP) develop procedures for monitoring of performance bond requirements and certificates of insurance to ensure that performance bonds are appropriately adjusted with amendments and insurance requirements are met.	Aug-18	CAMP concurs with this recommendation and has taken steps proactively to review and track bond and insurance documentation for compliance to ensure contract requirements are met. OCTA's Risk Management Department recently procured insurance brokerage services and the scope of work includes a requirement for insurance review and certificate tracking system for all contracts. OCTA will seek to include an additional feature related to monitoring bond value adjustments as an enhancement to this service. Update April 2018: Management has been working with the provider to set up the new system to review and track bond and insurance documentation for compliance; however, not all documents have been loaded into the system.	Initiate next update Aug 2018
10/19/17	17-506	Human Resources and Organizational Development (HROD)	Employee Health Benefits	Management should develop and implement written procedures to ensure that all qualified Health Savings Account (HSA) enrollees receive their employer-paid contribution. Further, OCTA should make the required HSA contributions, plus reasonable interest, to the employees identified in the audit.	Oct-18	The contributions have been remediated and processed to the two employee HSA's. Reasonable interest will be calculated and deposited. As these transactions are processed as payroll earnings, benefits will work with payroll to establish written procedures. Update April 2018: A report has been created that will assist in auditing contributions for eligible participants. A written procedure will be established in collaboration with payroll.	Initiate next update Oct 2018
10/19/17	17-506	HROD	Employee Health Benefits	Management should develop a written policy and procedures for collection of premiums in arrears.	Oct-18	The participant that owed \$1,336.40 as of December 2016, has paid this amount to OCTA. Management will work on a written policy and procedure to collect unpaid medical premiums. Update April 2018: Management is working on a written policy and procedure to collect unpaid medical premiums.	Initiate next update Oct 2018

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10/19/17	17-506	HROD	Employee Health Benefits	Management should seek Board of Directors (Board) member input and clarify the policy to address benefits eligibility for Board members that receive cash payments in-lieu of health benefits from the public entity they serve.	Oct-18	Management will consider revisions to the FY 2018-2019 (FY19) P&SR to clarify the policy. The FY19 P&SR will be presented for Board approval in June 2018, along with the annual budget. Update April 2018: Management will consider revisions to the FY19 P&SR to clarify the policy. It will be presented for Board approval in June 2018, along with the annual budget.	Initiate next update Oct 2018
1/15/18	18-503	F&A	Purchasing Cards	The purchasing card administrator should enhance oversight procedures to include analysis of transaction activity and review of any transactions exceeding \$2,500.	Jul-18	The purchasing card administrator will enhance oversight procedures to include analysis of all cardholder's monthly transaction activity exceeding \$2,500.	Not yet due
1/15/18	18-503	F&A	Purchasing Cards	Management should implement controls to ensure compliance with procedures or consider revising procedures to allow certain employees, who purchase food items on a regular basis, to do so without executive approval on each receipt.	Jul-18	Management agrees to revise the Business Expenses Policy to include modifications to the current procedure. The modifications will be as follows: Require executive approval on each receipt for food item purchases, except for food purchased by the Clerk of the Board for Board and Committee meetings and new employee orientation conducted by HROD. Modifications to the Business Expenses Policy will be completed by March 31, 2018.	Not yet due

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1/15/18	18-503	F&A	Purchasing Cards	Four of the 24 designated approving officials are not department managers or directors, as required by procedures. Internal Audit recommends management replace these approving officials with either a department manager or a director, or revise procedures to reflect intended practices.	Jul-18	Management has reviewed the recommendation and agrees to update the Purchasing Card User Guide Policies and Procedures to include section managers as approving officials. The Purchasing Card User Guide Policies and Procedures will be updated and posted on OCTA Today no later than January 31, 2018.	Not yet due
3/6/18	18-504	Capital Programs	Metrolink Control Point Fourth Project	Internal Audit recommends management review with Metrolink staff the process for procuring contractors for OCTA projects to ensure compliance with regulatory guidelines and best practices.	Sep-18	Management agrees. Metrolink should follow its internal policies and procedures to solicit requests for proposals to issue a Contract Task Order (CTO) from their on-call bench of consultants or contractors to obtain competitive proposals. Additionally, Metrolink should document how a CTO is determined to be the most appropriate procurement method and include records of negotiation. Metrolink also needs to verify the proposed work is allowable in the scope of work for the contract. OCTA will follow-up with Metrolink on OCTA projects to inquire how services will be procured prior to procurement activities.	Not yet due

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3/12/18	N/A	Planning & Transit	Measure M City Audits: Local Fair Share and Senior Mobility Program, Year Ended 2017	Observations were made relating to the classification of Maintenance of Effort expenditures, indirect charges not properly supported, errors in reporting of amounts on required activity reports and annual expenditure reports, and service contractor procurement. Internal Audit recommends management follow-up with the cities to ensure corrective action has been taken.	Sep-18	Management will follow-up with the cities to ensure appropriate actions have been taken to address observations.	Not yet due
4/16/18	18-506	Transit	Fleetwatch Fluid Management System	To enhance controls over access to Fleetwatch, Internal Audit recommended management reduce the number of administrators and power users in the system and implement procedures for periodic review of user access rights	Oct-18	Management agreed to develop procedures and will re-evaluate the current number of administrators and power users in the system.	Not yet due

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5/3/18	18-508	Clerk of the Board	Brown Act Compliance	Management should provide additional training to staff and/or enhance procedures to ensure agendas are posted in a timely manner.	Nov-18	Management has implemented enhanced checklist procedures and provided staff training to ensure compliance.	Not yet due