

Outstanding Audit Recommendations
Audit Reports Issued Through September 30, 2018

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status (for recommendations outstanding over 1 year)	Internal Audit 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. Update September 2018: Third-party PCI compliance was completed on September 27, 2018.	August 2017: Management has not achieved compliance or fully implemented an approach to address non-compliance. April 2018: 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 percent. September 2018: In process
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. Update September 2018: All quarterly scans are completed and uploaded to Trustwave.com for storage and auditing purposes to establish that quarterly scans are being done. Semiannual reviews, an annual onsite visit, and quarterly scan reviews are done for Cofiroute. Trustwave.com is used to submit and store scans and Security Assessment Questionnaires.	Update August 2017: Quarterly scans are not performed and submitted as management continues to assign resources to areas of non-compliance. Update April 2018: 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 percent. September 2018: In process

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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. Update Oct 2018: Written procedures have been developed.	October 2018: To allow for implementation of these new procedures, Internal Audit will perform follow-up procedures in six months.
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. Update Oct 2018: Written procedures have been developed.	October 2018: To allow for implementation of these new procedures, Internal Audit will perform follow-up procedures in six months.
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 Fiscal Year 2018-2019 (FY19) Personnel and Salary Resolution (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. Update Oct 2018: The Board approved changes to P&SR, and changes were made to the Policy for Compensation, Benefits, Reimbursement of Expenses and Mandatory Training for Members of the Board of Directors.	October 2018: To allow for implementation of these new procedures, Internal Audit will perform follow-up procedures in six months.
7/12/18	18-505	Capital Programs	Interstate 405 (I-405) Improvement Project: Project Management Contracts	Internal Audit recommends that management validate labor rates to payroll registers for staff included in the cost estimates that are not part of the contract or amendment. In addition, new staff appearing on cost estimates should be added to the contract concurrently.	Jan-19	As a part of preparing amendments, procurement staff will validate labor rates of all proposed staff provided with the consultants' cost estimates using either payroll registers and/or a job offer letter issued to the personnel. Additionally, new staff appearing on cost estimates will be added to the contract if it is anticipated they will be working in this classification for six months or more.	Not yet due

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7/12/18	18-505	Capital Programs	I-405 Improvement Project: Project Management Contracts	Internal Audit recommends management comply with procedures on the effective dating of amendments.	Jan-19	Management acknowledges that the procedures as written for back dating letter amendments need to be revised. The procurement department will update the Procurement Manual to agree with current practices.	Not yet due
7/12/18	18-505	Capital Programs	I-405 Improvement Project: Project Management Contracts	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.	Jan-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 6 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 OCTA's 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.	Not yet due
7/12/18	18-505	Capital Programs	I-405 Improvement Project: Project Management Contracts	Internal Audit recommends management address the extent to which OCTA managers should be involved in initiating promotions of consultant staff. In addition, the procurement department should process amendments in accordance with requests or reject requests if there is disagreement about the requested action. Regarding the sub-consultant staff, management should implement controls to ensure only hours worked are billed. At a minimum, management should require approval of timesheets by Mott MacDonald (MM) supervisory staff.	Jan-19	Management will instruct staff not to request any promotions of consultant staff. With respect to processing amendments as requested by project managers, procurement staff will continue to conduct the due diligence on all requisitions and review each request for clarity and reasonableness. Clarifications and/or concurrence will be sought from project managers prior to executing contract amendments. Management will require approval of timesheets by MM supervisory staff as recommended. Reimbursements to OCTA for hours billed but confirmed as not worked will be obtained. The sub-consultant employee referred to has been removed from this assignment and is in the process of being removed from the contract. MM will review timesheets signed and certified by all sub-consultant personnel who work full-time at OCTA offices and will agree to the level of effort and performance of duties by the sub-consultant.	Not yet due

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8/22/18	18-510	F&A	Warranty Administration	Management should formalize procedures for developing warranty claim values and maintain documentation to support the labor rates and labor hour estimates used.	Feb-19	Management will establish a formal process for internal and external repairs and utilize internal labor rates established by OCTA's Financial Planning and Analysis Department.	Not yet due
9/12/18	17-508 Follow-up	F&A	Contracted Fixed-Route Operations Follow-up	The required amount for the performance bond for the First Transit, Inc. contract had been entered incorrectly in the Insurance Tracking Services, Inc. (ITS) tracking system. Internal Audit recommends that the Contracts Administration and Materials Management Department (CAMM) check ITS' input of the required amount for performance bonds for non-construction contracts with bond requirements.	Mar-19	CAMM agrees with the recommendation and is verifying that all the bond and insurance information is complete and accurate and a monitoring process is developed. CAMM has set a deadline of October 31 to complete this review and have a monitoring process in place.	Not yet due