

Outstanding Audit Recommendations
Audit Reports Issued Through March 31, 2019

| Audit Issue Date | Report Number | Division/ Department/ Agency | Audit Name | Recommendation | Initiate Next Update | Management Response and Status | Internal Audit Status |
|-------------------------|----------------------|---|--|---|-----------------------------|---|---|
| 7/12/18 | 18-505 | Capital Programs | Interstate-405 (I-405) Improvement Project: Project Management Contracts | The Internal Audit Department (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 six 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 the Orange County Transportation Authority's (OCTA) 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. | Update April 2019: Management has not implemented sufficient controls. While language on labor classifications has been added to the standard agreement templates, the existing contracts have not been amended to incorporate the new requirements. Internal Audit identified multiple staff that have been billed for over six continuous months on the two program management contracts but have not been added as named staff. Also, while one contractor has begun confirming in its invoices that there are no rate increases greater than the contract escalation rate, OCTA staff is not monitoring compliance by the consultants. |
| 10/10/18 | 18-514 | Operations Division (Operations) and Finance and Administration (F&A) | ACCESS Service | Internal Audit recommends that management consider a policy update that requires Board of Directors (Board) approval for amendments that obligate OCTA to additional costs exceeding \$250,000, even when the increase can be accommodated within the contract maximum. Internal Audit also recommends that staff ensure the validity of consultant assumptions before relying on them to derive cost estimates. Finally, the justification and responsibility for selecting between various cost estimates should be documented and approved | Apr-19 | Management to consider a policy change to require Board approval for amendments where individual tasks may increase beyond \$250,000. Regarding the recommendation for staff to ensure the validity of consultant assumptions before relying on them to derive cost estimates, management agrees to comply. Lastly, management agrees that the justification and responsibility for selecting between various cost estimates should be documented and approved in writing by the project manager. | April 2019: Follow-up review in process. |
| 10/10/18 | 18-514 | Operations | ACCESS Service | Internal Audit recommends that management instruct MV Transportation, Inc. (MV) to correct the calculation of percentage of calls answered within five minutes. Further, management should increase oversight of the performance standard by periodically validating the data and the calculation. | Apr-19 | Management will correct the calculation of percentage of calls answered within five minutes. In addition, management will enhance procedures for monitoring the calculation of percentage of calls answered within five minutes. | April 2019: Follow-up review in process. |

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| 10/10/18 | 18-514 | Operations | ACCESS Service | Internal Audit recommends that staff consistently perform monthly monitoring of preventative maintenance inspections. | Apr-19 | Management agrees with the finding and will perform consistent inspections of preventive maintenance records to ensure compliance with all regulatory agencies and contract requirements. | April 2019: Follow-up review in process. |
| 10/10/18 | 18-514 | F&A | ACCESS Service | Internal Audit recommends that management review performance bonds at contract inception to ensure that the bonds meet the contract requirements. When amendments to increase the contract amount are executed, management should ensure that the bonds are increased accordingly. | Apr-19 | CAMM has recently implemented services from a third-party vendor, Insurance Tracking Services, Inc. (ITS), to review bond and insurance documentation for compliance to ensure contract requirements are met. CAMM management will review the bond amount in the ITS system following amendment execution to ensure accuracy of the bond requirements, as well as the bond amount provided. | April 2019: Follow-up review in process. |
| 10/10/18 | 18-514 | Operations and F&A | ACCESS Service | Internal Audit recommends that management enhance procedures for monitoring of ACCESS fare revenue. Procedures should include monitoring of coupons collected by both MV and Yellow Cab, reconciliation of MV's daily coupon count sheets to the farebox reconciliation document, and investigation of variances exceeding a stated threshold. | Apr-19 | Management agrees to enhance procedures for monitoring of ACCESS fare revenue and coupons collected by both MV and Yellow Cab. In addition, management will continue to reconcile count sheets to the farebox reconciliation report and will establish a threshold for researching variances. | April 2019: Follow-up review in process. |
| 11/28/18 | 18-512 | F&A | Interstate 5 (I-5) High Occupancy Vehicle (HOV) Improvement Project: Pacific Coast Highway (PCH) to San Juan Creek Road | Internal Audit recommends management enforce procurement policy or update the policy to include parameters for back-dating of formal amendments. Management should also remind staff that amendments should be requested in a timely fashion to ensure processing before contracts expire | May-19 | Management agrees to enforce the current policy regarding processing of formal amendments. CAMM management will conduct training for CAMM staff and review the requirements for processing formal amendments. Staff is also working with the general counsel's office to address the changes in contract templates to eliminate any conflicts related to the interpretation of the "effective dates". CAMM also plans to conduct training for OCTA staff on the amendment process in 2019 through the Procurement 101 training series. | Not yet due. |

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| 11/28/18 | 18-512 | F&A | I-5 HOV Improvement Project: PCH to San Juan Creek Road | Internal Audit recommends that changes to firm fixed pricing of individual tasks, as established in contracts, be made through the amendment process. Management should ensure amendments needed for additional services are requested and processed in a timely manner. | May-19 | Management agrees with the recommendation to request amendments for changes to firm fixed pricing of individual tasks, as established in contracts which were procured with price as a factor. Management will reinforce with staff the need to request and process amendments for additional services in a timely manner. | Not yet due. |
| 11/28/18 | 18-512 | F&A | I- 5 HOV Improvement Project: PCH to San Juan Creek Road | Management should either update its Program Management Procedures to reflect state and federal requirements or enhance controls to ensure that projects comply with all procedures identified in the manual. | May-19 | Management agrees with the recommendation and will review the relevant procedures from the Program Management Procedures Manual with staff to ensure that projects are in compliance. Project managers will ensure that project management plans are prepared for each project. | Not yet due. |
| 3/12/19 | N/A | Planning and F&A | Measure M (M2) City Audits: Local Fair Share and Senior Mobility Program | M2 Local Programs staff should review observations with legal counsel and develop recommendations for the Boards' consideration. In addition, Planning and F&A staff should monitor implementation of corrective action by cities. | Sep-19 | Staff will review observations and make recommendations for the Boards' action. Staff will follow-up with the cities to verify implementation of corrective actions. | Not yet due. |