



January 8, 2020

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer
Janet Sutter, Executive Director
Internal Audit Department

Subject: Bus Marketing, Internal Audit Report No. 19-512

Overview

The Internal Audit Department has completed an audit of bus marketing activities. Based on the audit, compliance with procurement and invoice review procedures should be improved and documentation of marketing programs should be enhanced. The Internal Audit Department has made three recommendations to improve compliance and to better document marketing program efforts and effectiveness.

Recommendation

Direct staff to implement three recommendations provided in Bus Marketing, Internal Audit Report No. 19-512.

Background

The Internal Audit Plan for Fiscal Year (FY) 2018-19 included an audit of bus marketing. The audit was identified at the annual risk assessment meeting between the Internal Audit Department (Internal Audit) and the Executive Director of External Affairs.

The Marketing and Customer Engagement Department (Department) is responsible for public communications related to bus operations and marketing of bus and Metrolink promotions and programs, such as the Angels Express service, OC Flex, and mobile ticketing. Bus marketing project managers use a combination of internal support staff and competitively-procured consultants to implement marketing projects and programs.

During FY 2018-19, expenditures for bus marketing communications and promotions were approximately \$1.1 million.

A documented Marketing Plan, including the purpose, goals and objectives, target audience, timeline, and evaluation criteria, for each marketing project/program is required.

Discussion

Evaluation of procurement activities of the Department noted that contracts are frequently issued for short, one to two-year terms, and for values just below the threshold requiring Board of Directors' approval. In addition, multiple contracts with the same firm were issued during overlapping time periods. Internal Audit recommended management revise practices to combine contracts for similar services and issue contracts for recurring services for longer time periods. Management agreed and indicated that practices are being revised, project management training will be obtained, and additional controls over the procurement process have been implemented.

Internal Audit also identified weaknesses in the invoice review process, including the use of pre-typed invoice review checklists. Several invoices lacked required information and/or included costs not covered by the contracts. Internal Audit recommended that management provide training to project managers responsible for invoice review and approval. Management agreed and indicated that a program controls review has been implemented effective November 2019, and project management training will be provided.

Finally, Internal Audit found that compliance with Department procedures for development, execution, and approval of marketing programs was not always documented and evident. Internal Audit recommended written procedures be reviewed with project managers and documentation, including source and support for program evaluation criteria and results, be maintained. Management agreed to update procedures accordingly and to provide training.

Summary

Internal Audit has completed an audit of bus marketing activities and has offered three recommendations for improvement.

Attachment

A. Bus Marketing, Internal Audit Report No. 19-512

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