

**Outstanding Audit Recommendations
Third Quarter, Fiscal Year 2019-20**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
6/17/19	19-506	Human Resources and Organizational Development (HROD)	Construction Safety Program	The Internal Audit Department (Internal Audit) recommends that management further develop policies, procedures, and guidelines to provide a comprehensive, risk-based framework for monitoring contractor compliance with construction safety regulations.	Jun-20	Management concurs with the recommendation, and will further evaluate the safety specifications levels and make appropriate revisions to streamline the requirements of submittal deliverables for lower risk contracts. Management will also implement procedures to ensure safety-related training for project managers and safety reporting by applicable contractors.	Update March 2020: Management has made some progress to further develop the program by revising the commodity code listing and revising safety specifications, to reduce requirements; however, the Construction Safety Management Policy has not been updated to better reflect responsibilities, and a training program for project managers is still in development.
6/17/19	19-506	HROD	Construction Safety Program	Internal Audit recommends that management develop procedures for documenting and tracking safety activities. Documented activities, and follow-up of safety issues observed, should be retained and used to complete monthly activity reports.	Jun-20	Management concurs with the recommendation and will develop a tracking tool to document applicable construction safety activities and observations.	Update March 2020: Management has partially addressed this item by developing a system for documenting safety observations; however, the Construction Safety Management Policy has not been updated to reflect the safety observations system responsibilities, and a training program for project managers is still in development.
10/31/2019	19-513	Clerk of the Board (COB) and HROD	Board Member Compensation, Mileage Reimbursements, and Training	Internal Audit recommends management update policies and procedures to address all applicable payments and payees, to require training of all compensated persons representing the Orange County Transportation Authority (OCTA) on boards and/or committees, and to ensure proper communication of policies to Board of Directors (Board) members, and former Board members representing OCTA, on a periodic basis.	Jul-20	The policy will be revised and provided to all Board members and former Board members by December 2019, upon update, and annually thereafter. Revisions to the language in the Personnel and Salary Resolution (P&SR) will be made and presented for Board approval with the fiscal year (FY) 2020-21 budget.	Update March 2020 - The COB) has updated policy and pocedures and communicated to the Board of Directors. HROD has added language to the P&SR and will present these for Board approval with the FY 2020-21 budget.

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10/31/19	19-508	Capital Programs and Finance and Administration (F&A)	Oversight Controls and Contract Compliance related to the Orange Transportation Center Parking Structure Project	Internal Audit recommends that independent cost estimates (ICE's) be prepared prior to receipt of price and cost information from contractors. Internal Audit also recommends that project management instruct Construction Management consultants (CM's) to retain documentation evidencing scrutiny of force account costs, including credits. For future contracts, Internal Audit recommends contract language outlining labor costs paid on force account be clarified and enforced, with consideration for treatment of payroll insurance and taxes.	Apr-20	<p>Management agrees that an ICE should be prepared to support proposed contract change orders. The detailed ICE will then be used by the CM and the project manager (PM) to reconcile and determine the adequacy of any costs provided by the contractor. The CM will be required to document justification or source for individual line items in the ICE. CM's will also be reminded to assure that appropriate documentation is retained to support force account costs paid to, or credits taken from, the contractor.</p> <p>The Contracts Administration and Materials Management Department (CAMP) will work with legal counsel on language on how to treat payroll insurance and taxes for force account labor and to provide clarity to the contract provisions.</p>	
10/31/19	19-508	Capital Programs and F&A	Oversight Controls and Contract Compliance related to the Orange Transportation Center Parking Structure Project	<p>Internal Audit recommends that prime and sub-consultants be required to have an adequate labor timekeeping system.</p> <p>Management should remind consultants of the need to request amendments to add staff, labor rates, and other direct costs in a timely fashion.</p>	Apr-20	<p>Capital Programs will work with CAMP to include language in the Personnel Qualifications and Responsibilities section of future Request for Proposals to require both prime contractors and sub-consultants to have an adequate labor timekeeping system.</p> <p>During project kick-off meetings after contract execution, and in on-going meetings with the PM's, CAMP staff will emphasize the need for timely submission of requests for amendments.</p>	
10/31/19	19-508	External Affairs	Oversight Controls and Contract Compliance related to the Orange Transportation Center Parking Structure Project	Internal Audit recommends management develop and implement written procedures to outline roles and responsibilities of staff tasked with implementing operations and maintenance agreements, and performing ongoing oversight of agencies taking possession of assets built with federal funds.	Apr-20	Management agrees with the recommendation and is coordinating across all divisions within the agency to develop procedures that ensure adequate monitoring and oversight of federal facilities that are owned and maintained by an OCTA subrecipient.	
11/4/2019	20-502	F&A	Investments: Compliance, Controls, and Reporting January 1, 2019 through June 30, 2019	Internal Audit recommends the Treasury Department implement and document a more robust secondary review to ensure the accuracy of investment information presented to the Board.	May-20	Management has already implemented the use of a more robust review process by utilizing a checklist that validates each data input and is signed by the reviewing manager to ensure the integrity of the data for the Monthly and Quarterly Investment and Debt Reports.	

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11/4/2019	20-502	F&A	Investments: Compliance, Controls, and Reporting January 1, 2019 through June 30, 2019	Internal Audit recommends that management revise the policy compliance schedule to evaluate all applicable investments in accordance with the policy. Also, if management intends to exempt debt reserve funds from diversification and maturity limits, the policy should be updated accordingly. Finally, the schedule should include information on indenture requirements and determination of compliance.	May-20	Management has already made a change to include cash equivalents in the compliance schedule. Management also agrees that additional clarification is required to expressly exempt debt service reserve funds from the policy and will make this change during the next update cycle. Finally, management will include information detailing indenture requirements and compliance going forward.	
12/5/2019	19-512	External Affairs	Bus Marketing	Management should revise practices to ensure that contracts for similar services are combined and contract terms are set for longer periods when recurring services are sought. Management should train staff and perform monitoring, to ensure procurements are not being designed to fall under approval thresholds.	Jun-20	Management concurs and has begun to implement practices to have longer terms and consolidate future contracts for similar services to support Bus Marketing needs. External consulting expertise will be procured to provide project management training. Management has also implemented a requisition process with added controls that will ensure procurements are not being designed to fall under approval thresholds.	
12/5/2019	19-512	External Affairs	Bus Marketing	Management should undergo training to reiterate the responsibilities of those charged with reviewing and approving invoices. Invoice Review Checklists should be blank and completed as invoices are reviewed.	Jun-20	Management has implemented a program controls function for all marketing and customer engagement contracts. This new function will ensure thorough and accurate reviews, approvals, and payments of contract invoices. Additionally, training will be provided.	
12/5/2019	19-512	External Affairs	Bus Marketing	Internal Audit recommends written procedures be reviewed with project managers and management require documented compliance with requirements. Documentation should include the source and support of stated evaluation criteria and related results.	Jun-20	Management will evaluate and update the current processes and procedures manual to reflect current needs and work environment to include the source and support of stated evaluation criteria and related results. It is expected that the new processes, procedures, and training will be completed by the end of December 2020.	

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12/20/2019	20-504	F&A	Corporate Credit Cards	Management should update policies to provide additional guidance for obtaining and documenting approvals.	Jun-20	Management will clarify procedures for the approval of business meals and purchase of complete tables. The procedures will also outline the acceptable forms of written authorization, such as interoffice memo, email, etc. Management anticipates implementing the changes in early January 2020.	
1/8/2020	20-503	F&A	Same-Day Taxi Service	For future procurements, Internal Audit recommended that management assess the likelihood of competition. Internal Audit also recommended that management ensure compliance with policy and procedures (P&P) or revise the P&P accordingly.	Jul-20	Management agreed to comply with the recommendation and will conduct an industry workshop with potential vendors to assess the likelihood of competition in the future. Management will also revise the P&P to require that staff follow the competitive negotiated procurement procedures when single proposals are received.	
2/18/2020	20-501	F&A	Patch Management Program (PMP)	The auditors offered one recommendation to expand the PMP to address all other operating systems hardware, software, and peripherals, and to incorporate all devices into the PMP. The auditors also offered four recommendations to further enhance the PMP by formalizing plans to address patch vulnerabilities, removing obsolete operating systems and software from the network, restricting users from installing unauthorized software, and developing test scripts to ensure system functionality after implementation of a patch.	Aug-20	Management agreed with the recommendations and indicated that progress has been made, and efforts will continue, to implement these improvements.	