



**May 12, 2021**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Review of Oversight Controls and Contract Compliance Related to the Bridgestone/Firestone Tire Lease and Services Agreement No. C-9-1354, Internal Audit Report No. 21-506

### **Overview**

The Internal Audit Department of the Orange County Transportation Authority has completed a review of oversight controls and contract compliance related to the Bridgestone American Tire Operations, LLC, tire lease and services agreement. Based on the review, the procurement of tire lease and services was handled in accordance with Orange County Transportation Authority procurement policies and procedures, and payments are properly reviewed and authorized by Orange County Transportation Authority staff. However, Bridgestone American Tire Operations, LLC, has not provided minimum staffing levels required by the contract, did not provide documents required to be submitted upon contract award, and was unable to provide certain required documents upon request. Additionally, contract requirements for torque re-check of new tires installed on ACCESS buses has not been implemented. Orange County Transportation Authority management has also not implemented monitoring controls to ensure contract compliance.

### **Recommendation**

Direct staff to implement four recommendations provided in the Review of Oversight Controls and Contract Compliance Related to the Bridgestone/Firestone Tire Lease and Services Agreement No. C-9-1354, Internal Audit Report No. 21-506.

### ***Background***

On January 13, 2020, after a competitive procurement process, a Blanket Purchase Order No. C-9-1354 (contract) with Bridgestone American Tire Operations, LLC (Bridgestone), was approved by the Board of Directors (Board). The contract is in an amount not to exceed \$10,245,764, for the five-year period from May 1, 2020 through April 30, 2025. Pricing includes a fixed rate per tire mile, and a fixed rate for tire disposal and painting steel wheels. In addition, a monthly labor charge is assessed to cover a minimum number of assigned Bridgestone staff that perform inspections, wheel changes, tire balancing, and make repairs to tires.

Minimum staffing required by the contract includes ten tire technicians and one leadsman. Each of the five bus bases is assigned two staff to cover a two-shift operation. Bridgestone is required to post a work schedule at each location reflecting shifts, hours, and employees assigned. Bridgestone staff perform regular and routine fleet checks of tire pressure and tread depth to ensure tires are inflated to recommended pressure and meet regulatory standards. The contract requires that Bridgestone re-check the torque on all wheels that have been removed and re-installed within 500 miles of installation. Bridgestone is required to provide properly trained employees to perform tire services and safely operate vehicles. Employees must be subjected to a criminal background check upon hire and must hold and maintain a valid California driver's license. Bridgestone is also responsible for complying with all applicable federal, state, and local laws and regulations pertaining to a drug and alcohol-free workplace, including an employee alcohol/drug testing program.

Safety specifications incorporated into the contract require Bridgestone to submit copies of safety-related policies, procedures, and programs to OCTA prior to mobilization on OCTA properties. In addition, upon OCTA request and within 72 hours, Bridgestone must provide copies of their weekly site safety inspection reports, training records for assigned staff, and monthly reports of assigned staff and recordable workplace injuries and illnesses. Finally, Bridgestone is required to promptly notify OCTA and submit an accident/incident investigation report to OCTA within 24 hours of any accidents/incidents that occur in the course of OCTA service.

### ***Discussion***

Bridgestone has not provided the minimum staffing required by the contract, and two Bridgestone employees worked several 17-hour shifts to cover shortages, which could present safety issues. Further, the assigned leadsman has worked

several technician shifts, leaving a gap in the supervision of work. In addition, Bridgestone has not provided weekly work schedules reflecting shifts, hours, and employees assigned to each of the bases, as required by the contract. Despite the staffing shortages, Bridgestone continued to bill the contracted fixed rate for the full staff complement. Internal Audit recommended management strengthen monitoring controls to ensure required staffing and work schedules are provided as required. Management should also consider actions to address violations of contract terms and consider adjustments to invoices to account for staffing shortages. Finally, management should evaluate whether 17-hour shifts worked by contractor staff present safety concerns that should be addressed. The Maintenance Department (Maintenance) management agreed and advised that the Contracts Administration and Material Management (CAMP) Department was engaged to formally address the noted contract violations and to explore adjustments to invoices to account for staffing shortages. Maintenance will continue to closely monitor the Bridgestone contract to ensure proper staffing levels are maintained, work schedules are posted and adhered to, and that all employee procedures are followed as specified in the terms of the contract. Maintenance will also work with OCTA's Health, Safety, and Environmental Compliance (HSEC) Department to ensure safe work practices are being followed by Bridgestone.

At the time of audit, Bridgestone had not complied with requirements for submission of documents to be provided upon contract award and prior to mobilization on OCTA property. Bridgestone was also unable to provide copies of weekly site safety inspection reports, staff training records, and monthly staffing and recordable injuries reports within 72 hours of request by Internal Audit. In addition, an accident/incident report was not submitted by Bridgestone, as required, for an incident that occurred on November 22, 2020. The incident involved damage to OCTA equipment caused by a Bridgestone technician. OCTA facilities maintenance staff estimated the cost to repair the equipment at \$600; however, reimbursement had not yet been requested. Finally, per contract terms, Bridgestone is required to keep a reserve supply of tires adequate to ensure proper service at each of the bus bases. Bridgestone staff acknowledged that, due to staffing shortages, tire inventories were not being maintained. Internal Audit recommended that OCTA management review and enforce all contract terms. In addition, management should monitor to ensure tire inventories are maintained so that timely service can be provided at each of the bus bases. Finally, management should seek reimbursement from Bridgestone for the damaged equipment. Maintenance agreed and immediately worked with Bridgestone and HSEC to ensure all required safety documentation was provided. Maintenance has advised Bridgestone of the requirement to maintain all documentation pertaining to safety inspections, training, staffing,

and recordable injuries. Maintenance will monitor for compliance. Finally, Bridgestone has committed to provide documented tire inventory levels to Maintenance each month.

The contract requires Bridgestone to re-check torque on all wheels that have been removed and re-installed, within 500 miles of installation. This service is currently not performed on ACCESS vehicles. A process for creation of a work order in the MV Transit maintenance system had not been implemented and, as a result, these re-checks are not performed on ACCESS vehicles. Internal Audit recommended management collaborate with Bridgestone and MV Transit to develop a process to ensure that wheel torque is re-checked as specified in the contract. Maintenance agreed and has requested that Bridgestone re-torque the wheels on the entire fleet at the Irvine Construction Circle Base to ensure all wheels are torqued to specification. Maintenance has also asked that Bridgestone maintain documentation of all re-torque occurrences at the Irvine Construction Circle Base and provide monthly reports to the Maintenance Project Manager.

OCTA has not implemented controls to monitor Bridgestone's compliance with requirements for employee qualifications and regulations pertaining to a drug and alcohol-free workplace. Internal Audit recommended management implement monitoring controls to ensure Bridgestone complies with contract requirements for employee qualifications and regulations pertaining to a drug and alcohol-free workplace. Maintenance agreed and indicated that Bridgestone will be required to provide an on-boarding checklist that documents that background checks are conducted and qualifications requirements are met. Maintenance will also implement monitoring controls to ensure Bridgestone complies with regulations pertaining to a drug and alcohol-free workplace.

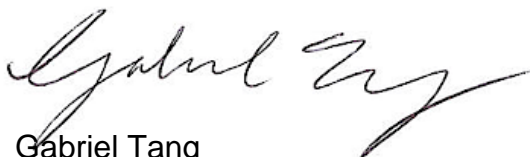
### ***Summary***

Internal Audit has completed an audit of oversight and contract compliance controls related to the contract with Bridgestone tire lease and services, and has offered four recommendations for improvement.

***Attachment***

- A. Review of Oversight Controls and Contract Compliance Related to the  
Bridgestone/Firestone Tire Lease and Services Agreement No. C-9-1354,  
Internal Audit Report No. 21-506

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