



ADMINISTRATIVE AND FINANCE COMMITTEE

THURSDAY, AUGUST 11, 2016– 8:00 A.M.

OMNITRANS METRO FACILITY

1700 WEST 5TH STREET

SAN BERNARDINO, CA 92411

The meeting facility is accessible to persons with disabilities. If assistive listening devices or other auxiliary aids or Limited English Proficiency services are needed in order to participate in the public meeting, requests should be made through the Recording Secretary at least three (3) business days prior to the Committee Meeting. The Recording Secretary's telephone number is 909-379-7110 (voice) or 909-384-9351 (TTY), located at 1700 West Fifth Street, San Bernardino, California. If you have comments about items on the agenda or other general concerns and are not able to attend the meeting, please mail them to Omnitrans at 1700 West Fifth Street, San Bernardino, California, Attention Board Secretary. Comments may also be submitted by email to BoardSecretary@omnitrans.org.

A. CALL TO ORDER

1. Pledge of Allegiance
2. Roll Call

B. ANNOUNCEMENTS/PRESENTATIONS

1. Next Committee Meeting: Thursday, September 15, 2016, 8:00 a.m.
Omnitrans Metro Facility Board Room

C. COMMUNICATIONS FROM THE PUBLIC

This is the time and place for the general public to address the Board for items that are not on the agenda. In accordance with rules applicable to meetings of the Administrative & Finance Committee, comments on items not on the agenda and on items on the agenda are to be limited to a total of three (3) minutes per individual.

D. POSSIBLE CONFLICT OF INTEREST ISSUES

Disclosure – Note agenda items contractors, subcontractors and agents, which may require member abstentions due to conflict of interest and financial interests. Board Member abstentions shall be stated under this item for recordation in the appropriate item.

N/A

E. DISCUSSION ITEMS

- | | |
|---|----|
| 1. Approve Administrative & Finance Committee Minutes – July 14, 2016 | 2 |
| 2. Recommend the Board of Directors Receive and File Construction Progress Report No. 49 through July 31, 2016 - sbX E Street Corridor BRT Project | 5 |
| 3. Receive and File Omnitrans' Director of Finance Report - Price of Compressed Natural Gas | 13 |
| 4. Recommend to Board and Directors, Receive and File Fiscal Year Ended June 30, 2016, Financial Audit Statement on Auditing Standards (SAS) 114 Letter | 15 |
| 5. Recommend to Board of Directors, Receive and File Summary of Risk Assessment Results and FY2017 Internal Audit Workplan | 19 |

F. ADJOURNMENT

ITEM # E1

**ADMINISTRATIVE & FINANCE COMMITTEE
MINUTES, JULY 14, 2016**

A. CALL TO ORDER

Acting Committee Chair John Roberts called the regular meeting of the Administrative and Finance Committee to order at 8:00 a.m., Thursday, July 14, 2016.

1. Pledge of Allegiance
2. Roll Call

Committee Members Present

Mayor Carey Davis, City of San Bernardino
Mayor Paul Eaton, City of Montclair
Council Member Pat Gilbreath, City of Redlands
Mayor Ray Musser, City of Upland
Council Member Dick Riddell, City of Yucaipa
Council Member John Roberts, City of Fontana
Mayor Pro Tem Sylvia Robles, City of Grand Terrace
Council Member Alan Wapner, City of Ontario

Committee Members Not Present

Council Member Ed Graham, City of Chino Hills – Chair
Supervisor Curt Hagman, County of San Bernardino

Others Present

Mayor Pro-Tem Sam Spagnolo, City of Rancho Cucamonga

OmniTrans Administrative Staff Present

P. Scott Graham, CEO/General Manager
Diane Caldera, Director of Operations
Jack Dooley, Director of Maintenance
Marge Ewing, Director of Human Resources/Safety & Security
Andres Ramirez, IPMO Program Manager
Jennifer Sims, Director of Procurement
Don Walker, Director of Finance
Wendy Williams, Director of Marketing/Planning
Omar Bryant, East Valley Maintenance Manager
Maurice Mansion, Treasury Manager
Ben Greenbeck, IT System Coordinator
Mark Crosby, Security & Emergency Preparedness Coordinator

B. ANNOUNCEMENTS/PRESENTATIONS

The next Committee Meeting is scheduled Thursday, August 11, 2016, at 8:00 a.m.

C. COMMUNICATIONS FROM THE PUBLIC

There were no communications from the public.

D. POSSIBLE CONFLICT OF INTEREST ISSUES

There were no conflict of interest issues identified.

E. DISCUSSION ITEMS

1. Approve Administrative & Finance Committee Minutes – June 9, 2016

M/S (Wapner/Spagnolo) that approved the Committee Minutes of June 9, 2016. Motion was unanimous by Members present.

2. Recommend the Board of Directors Receive and File Construction Progress Report No. 48 through June 30, 2016 – sbX E Street Corridor BRT Project

IPMO Program Manager Andres Ramirez presented this item. Pavement work is progressing; the east side of the street is completed and work is ongoing on the west side. The PA system contract has been awarded and the NTP will be issued later this month. The VMF final acceptance documents are being prepared for contract closeout. Budget hasn't changed; estimate at completion is \$188.6 million.

This item was received and filed, and will be forwarded to the Board of Directors for receipt and file.

3. Receive and File Omnitrans' Director of Finance's Report on Price of Compressed Natural Gas

Finance Director Don Walker presented this item, discussing the average cost of Omnitrans' fuel cost over the last 12 months of \$0.68 per gallon. It was budgeted at \$0.92 per gallon, resulting in a net savings of \$1.1 million over FY15-16. FY16-17 fuel costs are estimated at \$0.65 per gallon. Mr. Walker will continue to monitor and report to this committee.

This item was received and filed.

4. Recommend to Board of Directors, Approve New Position and Approve Position and Corresponding Budget Transfer

M/S (Wapner/Gilbreath) that recommended 1) Approve new position, Executive Staff Assistant, Level VI, and transfer associated costs for salary and benefits of \$82,474 (mid-point salary and benefits) for Fiscal Year 2017 from Miscellaneous Expense to Salary and Benefits in the Administration Cost Center; and 2) Authorize the transfer of the Administrative Secretary position and the corresponding budget from the Executive

Office to the Human Resources/Safety & Regulatory Compliance Department. Motion was unanimous by Members present.

5. Approval of the Re-evaluation of Existing Positions

M/S (Wapner/Musser) that recommended 1) Approve the re-evaluation of Operations Services Supervisor from Level VI to Level V, with a new title of Purchased Transportation Administrator, effective August 3, 2016; and 2) Approve the Paratransit Eligibility Technician removal from the represented Teamsters Union Local No. 166 to the Management Confidential classification, Level VIII. (The Union has concurred to this transfer.) Motion was unanimous by Members present.

6. Authorize Release – IFB-IPMO17-16 – Vehicle Maintenance Facility (VMF) Modification Work

M/S (Robles/Musser) that recommended the Board of Directors authorize the CEO/General Manager to release Invitation for Bids IFB-IPMO17-16 for the provision of Vehicle Maintenance Facility (VMF) Modification Work. Motion was unanimous by Members present.

F. ADJOURNMENT

The Administrative and Finance Committee meeting adjourned at 8:13 a.m.

The next Administrative and Finance Committee Meeting is scheduled Thursday, August 11, 2016, at 8:00 a.m., with location posted on the Omnitrans website and at Omnitrans' San Bernardino Metro Facility.

Prepared by:

Christine Vega, Administrative Secretary

ITEM # E2

DATE: August 11, 2016

TO: Committee Chair Ed Graham and
Members of the Administrative & Finance Committee

THROUGH: P. Scott Graham, CEO/General Manager

FROM: Andres Ramirez, Program Manager

**SUBJECT: CONSTRUCTION PROGRESS REPORTS NO. 49 THROUGH
JULY 31, 2016 - sbX E STREET CORRIDOR BRT PROJECT**

FORM MOTION

Receive and recommend to the Board of Directors for receipt and file Construction Progress Report No. 49 for the sbX E Street Corridor BRT Project through July 31, 2016.

BACKGROUND

This is Construction Progress Report No. 49 for the sbX E Street Corridor Project.

CONCLUSION

Receive and recommend to the Board of Directors for receipt and file Construction Progress Report No.49 for the sbX E Street Corridor BRT Project through July 31, 2016.

PSG:AR

Attachment

**sbX E Street Corridor
Bus Rapid Transit (BRT) Project
Construction Progress Report No. 49**

July 31, 2016

Prepared By:

**Omnitrans
Integrated Project Management Office**

Contractor: SBX Corridor - Griffith/Comet Joint Venture
VMF – USS Cal Builders

Contractor Contract No.: IPMO11-5

Omnitrans Program Manager: Andres Ramirez



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I. PROJECT STATUS SUMMARY

A. Project Description

The sbX E Street Corridor BRT Project is an Omnitrans transit improvement project that consists of three components.

E Street Corridor: A 15.7-mile-long Bus Rapid Transit corridor that will connect the northern portion of the City of San Bernardino with the City of Loma Linda. The sbX E Street Corridor Bus Rapid Transit (BRT) Project has evolved as the highest priority corridor identified in the System-Wide Transit Corridor Plan for the San Bernardino Valley.

Bus Purchase: In order to provide service to the E Street Corridor a total of fourteen 60' articulated buses will be purchased.

Vehicle Maintenance Facility Modifications: A 4.4-acre facility maintaining and servicing the Omnitrans' bus fleet, comprised of over 160 buses. Modifications to Omnitrans' facility include the demolition of a bus washing station, removal of abandoned underground fuel tanks and new construction of a bus washing system, a new Genset, a three-lane CNG fueling station, and re-configuring the bus parking area. Modifications to the maintenance building are made in order to accommodate Omnitrans' 60-foot articulated bus fleet.

B. Summary Status Update

E Street Corridor:

10th to Highland:

- Good progress continues. Concrete work complete.
- East Side of Road
 - Base paving complete.
- West Side of Road
 - Grind and demo complete.
 - Cement treatment started.
- Final Completion Date is September 8, 2016.



Grind and compaction on E Street



Repaving on E Street



Grinding machine



Repaving machine

PA System:

- Contract awarded June 1 by Board of Directors.
- Contract being executed.

Traffic Signal Synchronization:

- Final Acceptance in progress with the City of San Bernardino.

Vehicle Maintenance Facility:

Contract Closeout

- As-builts being worked on by STV.
- Final acceptance to be issued.

Completion of Work Removed from Contract

- Solicitation has been prepared and is going to Board on August 3, 2015.
- Award planned for September 30 Board.
- Completion projected for February 2017.

II. PROJECT SCHEDULE

The three major components of the project (E Street Corridor, 60' Articulated Buses, and the Vehicle Maintenance) are complete and have been placed into operation. Additional components to the project (i.e. 10th to Highland, City Acceptance Work, the PA System, and the VMF Completion Work) are currently being worked on and are in different stages of progress. Projected completion dates are listed below:

| | Scheduled Completion | Projected Completion |
|-------------------------------------|----------------------|----------------------|
| E Street Corridor | | |
| City of SB Final Work / World Oil | February 2016 | Completed |
| 10 th to Highland | June 2016 | September 2016 |
| PA System | November 2016 | February 2017 |
| Vehicle Maintenance Facility | | |
| Completion Work | May 2016 | February 2017 |

III. SAFETY

The project team considers safety to be the utmost priority. As such, the entire project team works towards a “no-lost time” goal on a daily basis. Below is a breakdown of the hours achieved with zero lost time due to injuries:

| | Through June 2016 |
|--|-------------------|
| E Street Corridor | |
| Corridor Construction including final Work | 425,441 |
| 10 th to Highland | 15,297 |
| PA System | 0 |
| Vehicle Maintenance Facility | 64,436 |
| Total | 505,174 |

V. PROJECT BUDGET AND COST

The project continues to be within budget. We currently have zero open claims on the project. A breakdown of the project costs and projections is detailed in the following tables:

Total Project Budget Summary Budget as of June 30, 2016

| | |
|------------------------------|---------------|
| Approved Budget | \$191,706,000 |
| Cost to Date | \$183,278,791 |
| Estimate to Complete | |
| Corridor Project | \$ 2,507,086 |
| 10 th to Highland | \$ 2,991,918 |
| Estimate at Completion | \$188,777,795 |

| Budget By Contract Packages 30-Jun-2016 | | | | | | | | (Contract Award + Approved Changes) | | (Approved Current Budget- Committed) | Forecast | | |
|---|--------------------|----------------------------|-------------------------------|---------------------|---------------------------------------|----------------------|---------------------|---|---|--|---|----------------|---------------------------|
| | | | | | | | | | | | Potential Uses of Contingency | | |
| | PCGA Budget | Approved Current Budget | Authorized for Expenditure | Expended to Date | % of Approved Current Budget | Contracts Awarded | Approved Changes | Committed | Expenditure Authorization Remaining | Remaining Contingency | Pending Commitments/ Potential Changes | Trends/Risks | Estimate At Completion |
| BRT Construction | | | | | | | | | | | | | |
| Griffith/Comet JV | 90,780,000 | 84,637,000 | 87,760,263 | 81,238,395 | 96.2% | 64,937,853 | 16,365,742 | 81,303,595 | 6,456,668 | 3,333,405 | - | - | 81,303,595 |
| Art | | | 68,000 | 68,000 | | 68,000 | - | 68,000 | - | (68,000) | - | - | 68,000 |
| Other Direct Payments | | | 48,401 | 57,357 | | 57,357 | - | 57,357 | (8,956) | (57,357) | - | - | 57,357 |
| Delineators | | | | 70,991 | | 89,943 | (18,952) | 70,991 | (70,991) | (70,991) | - | - | 70,991 |
| PA System | | | | - | | 563,875 | - | 563,875 | (563,875) | (563,875) | 56,388 | - | 620,263 |
| Miscellaneous Work | | | | - | | 17,500 | - | 17,500 | (17,500) | (17,500) | 100,000 | 125,000 | 242,500 |
| | | | | | | | | | | | | | |
| BRT Design | | | | | | | | | | | | | |
| Parsons | 19,193,400 | 17,849,400 | 18,097,876 | 19,028,955 | 107.0% | 16,464,092 | 3,725,637 | 20,189,729 | (2,091,853) | (2,340,329) | (1,334,545) | - | 18,855,185 |
| PA System | | | | 67,500 | | 83,000 | - | 83,000 | (83,000) | (83,000) | 8,300 | - | 91,300 |
| Miscellaneous Work | | | | - | | - | - | - | - | - | - | - | - |
| | | | | | | | | | | | | | |
| VMF Construction - USS Cal Builders | 5,370,000 | 8,131,000 | 14,498,152 | 14,539,965 | 178.8% | 10,579,786 | 3,955,349 | 14,535,135 | (36,983) | (6,404,135) | 750,000 | - | 15,285,135 |
| | | | | | | | | | | | | | |
| VMF Design | | | | | | | | | | | | | |
| STV | 1,007,600 | 1,007,600 | 1,418,132 | 1,865,978 | 187.0% | 951,029 | 1,048,727 | 1,999,756 | (581,624) | (992,156) | - | - | 1,999,756 |
| Carlin Environmental | | | 27,800 | 18,380 | | 10,000 | 9,800 | 19,800 | 8,000 | (19,800) | - | - | 19,800 |
| | | | | | | | | | | | | | |
| Vehicles Design & Manufacturing-N.F. | 16,628,000 | 16,628,000 | 15,978,093 | 15,211,154 | 92.5% | 15,483,572 | (272,418) | 15,211,154 | 766,939 | 1,416,846 | - | - | 15,211,154 |
| Other Vehicle Equipment | | | 318,853 | 173,484 | | 318,853 | (145,369) | 173,484 | 145,369 | (173,484) | - | - | 173,484 |
| | | | | | | | | | | | | | |
| ROW Acquisition Services-SANBAG | 6,532,000 | 10,357,000 | 11,738,400 | 11,416,608 | 110.2% | 10,971,135 | 445,473 | 11,416,608 | 321,792 | (1,059,608) | - | - | 11,416,608 |
| | | | | | | | | | | | | | |
| 3rd Party Utilities Design & Reloc. | | 1,003,000 | 1,157,223 | 1,174,205 | 117.1% | 1,174,205 | - | 1,174,205 | (16,982) | (171,205) | 50,000 | - | 1,224,205 |
| | | | | | | | | | | | | | |
| Project Admin. And Management | | | | | | | | | | | | | |
| Jacobs | 6,638,000 | 6,632,000 | 11,852,647 | 12,969,303 | 195.6% | 3,898,769 | 9,070,534 | 12,969,303 | (1,116,656) | (6,337,303) | - | - | 12,969,303 |
| Other | | | | | | | | | | | | | |
| IPMO | 17,624,000 | 15,012,450 | 14,722,701 | 14,913,008 | 99.3% | 15,172,701 | (259,693) | 14,913,008 | (190,307) | 99,442 | - | - | 14,913,008 |
| Insurance | 1,113,000 | 1,112,000 | 500,000 | - | 0.0% | 500,000 | (500,000) | - | 500,000 | 1,112,000 | - | - | - |
| Legal-BB&K, County | 2,525,450 | 1,000,000 | 1,000,000 | 374,138 | 37.4% | 1,000,000 | (527,136) | 472,864 | 527,136 | 527,136 | - | - | 472,864 |
| In Kind Contributions | 8,080,550 | 8,080,550 | 8,080,550 | 8,401,239 | 104.0% | 8,401,239 | - | 8,401,239 | (320,689) | (320,689) | - | - | 8,401,239 |
| Survey | 1,464,000 | 1,463,000 | 464,000 | - | 0.0% | 25,000 | (25,000) | - | 464,000 | 1,463,000 | - | - | - |
| Start-Up | 720,000 | 720,000 | 700,000 | - | 0.0% | - | - | - | 700,000 | 720,000 | 700,000 | - | 700,000 |
| | | | | | | | | | | | | | |
| Sub-Total | 177,676,000 | 173,633,000 | 188,431,091 | 181,588,659 | 104.6% | 150,767,909 | 32,872,694 | 183,640,602 | 4,790,489 | (10,007,602) | 330,143 | 125,000 | 184,095,745 |
| Unallocated Contingency | 14,030,000 | 18,073,000 | 4,335,346 | | | | | 10,007,602 | | 8,065,398 | | | 7,610,255 |
| 10th to Highland Projected Costs | | | 4,606,687 | 1,690,132 | 36.7% | 3,901,000 | 96,863 | 3,997,863 | 608,824 | (3,997,863) | 634,187 | 50,000 | 4,682,050 |
| Remaining Unallocated Contingency | | | | | | | | | | | | | 2,928,205 |
| | | | | | | | | | | | | | |
| Total | 191,706,000 | 191,706,000 | 188,702,432 | 183,278,791 | 95.6% | | | | | | | | 191,706,000 |

| IPMO/sbX Project Cost Report | | | | | | | | | | |
|---|-----------------------|-------------------------|-----------------------|---------------|----------------------|-----------------------|---------------|----------------------|------------------------|--------------------------|
| Period Ended 30-Jun-2016 | | | | | | | | | | |
| | | | | | | | | | | |
| Description | Current Budget | Approved Current Budget | Expenditures | | Remaining Budget | Committed | | Estimate to Complete | Estimate at Completion | Budget Forecast Variance |
| | | | \$ | % | | | % | | | |
| BRT Construction | \$ 84,637,000 | \$ 84,637,000 | \$ 81,434,742 | 96.2% | 3,202,258 | \$ 82,081,317 | 97.0% | \$ 281,388 | \$ 82,362,705 | \$ 2,274,295 |
| Vehicle Maintenance Facility (VMF) Construction | \$ 8,131,000 | \$ 8,131,000 | \$ 14,539,965 | 178.8% | (6,408,965) | \$ 14,535,135 | 178.8% | \$ 750,000 | \$ 15,285,135 | \$ (7,154,135) |
| Vehicles - Design & Manufacturing | \$ 16,628,000 | \$ 16,628,000 | \$ 15,384,638 | 92.5% | 1,243,362 | \$ 15,384,638 | 92.5% | \$ - | \$ 15,384,638 | \$ 1,243,362 |
| ROW Acquisition Services | \$ 10,357,000 | \$ 10,357,000 | \$ 11,416,608 | 110.2% | (1,059,608) | \$ 11,416,608 | 110.2% | \$ - | \$ 11,416,608 | \$ (1,059,608) |
| 3rd Party Utilities Design & Relocation | \$ 1,003,000 | \$ 1,003,000 | \$ 1,174,205 | 117.1% | (171,205) | \$ 1,174,205 | 117.1% | \$ 50,000 | \$ 1,224,205 | \$ (221,205) |
| BRT Design | \$ 17,849,400 | \$ 17,849,400 | \$ 19,096,455 | 107.0% | (1,247,055) | \$ 20,272,729 | 113.6% | \$ (1,326,245) | \$ 18,946,485 | \$ (1,097,085) |
| VMF Design | \$ 1,007,600 | \$ 1,007,600 | \$ 1,884,358 | 187.0% | (876,758) | \$ 2,019,556 | 200.4% | \$ - | \$ 2,019,556 | \$ (1,011,956) |
| Other Professional, Technical & Management Services | \$ 34,020,000 | \$ 34,020,000 | \$ 36,657,688 | 107.8% | (2,637,688) | \$ 36,756,414 | 108.0% | \$ 700,000 | \$ 37,456,414 | \$ (3,436,414) |
| Allocated Contingency (Construction Contract) | \$ - | \$ - | | | - | \$ - | 0.0% | \$ - | \$ - | \$ - |
| SUB-TOTAL | \$ 173,633,000 | \$ 173,633,000 | \$ 181,588,659 | 104.6% | (7,955,659) | \$ 183,640,602 | 105.8% | 455,143 | 184,095,745 | (10,462,745) |
| Unallocated Contingency | \$ 18,073,000 | \$ 18,073,000 | \$ - | | 18,073,000 | \$ - | 0.0% | \$ - | \$ - | \$ 18,073,000 |
| 10th to Highland | \$ - | \$ 4,682,050 | \$ 1,690,132 | 36.1% | 2,991,918 | \$ 3,901,000 | 83.3% | \$ 2,991,918 | \$ 4,682,050 | \$ - |
| TOTAL | \$ 191,706,000 | \$ 191,706,000 | \$ 183,278,791 | 95.6% | \$ 13,109,259 | \$ 187,541,602 | 97.8% | \$ 3,447,061 | \$ 188,777,795 | \$ 7,610,255 |

ITEM # E3

DATE: August 11, 2016

TO: Committee Chair Ed Graham and
Members of the Administrative and Finance Committee

THROUGH: P. Scott Graham, CEO/General Manager

FROM: Donald Walker, Director of Finance

**SUBJECT: OMNITRANS' DIRECTOR OF FINANCE REPORT ON THE PRICE
OF COMPRESSED NATURAL GAS (CNG)**

FORM MOTION

Receive and file the Director of Finance's update on the price of compressed natural gas as recommended by Committee Chair Ed Graham at the Administrative and Finance Committee meeting on August 13, 2015.

BACKGROUND

The price of natural gas is budgeted at \$0.66 per gallon for Fiscal Year 2017 (FY2017). This price is \$0.26 or 28% lower than the previous fiscal year. The reason for the reduction is the introduction of pipeline gas to fuel our buses. The pipeline fueling project is underway and is expected to be completed in late January 2017.

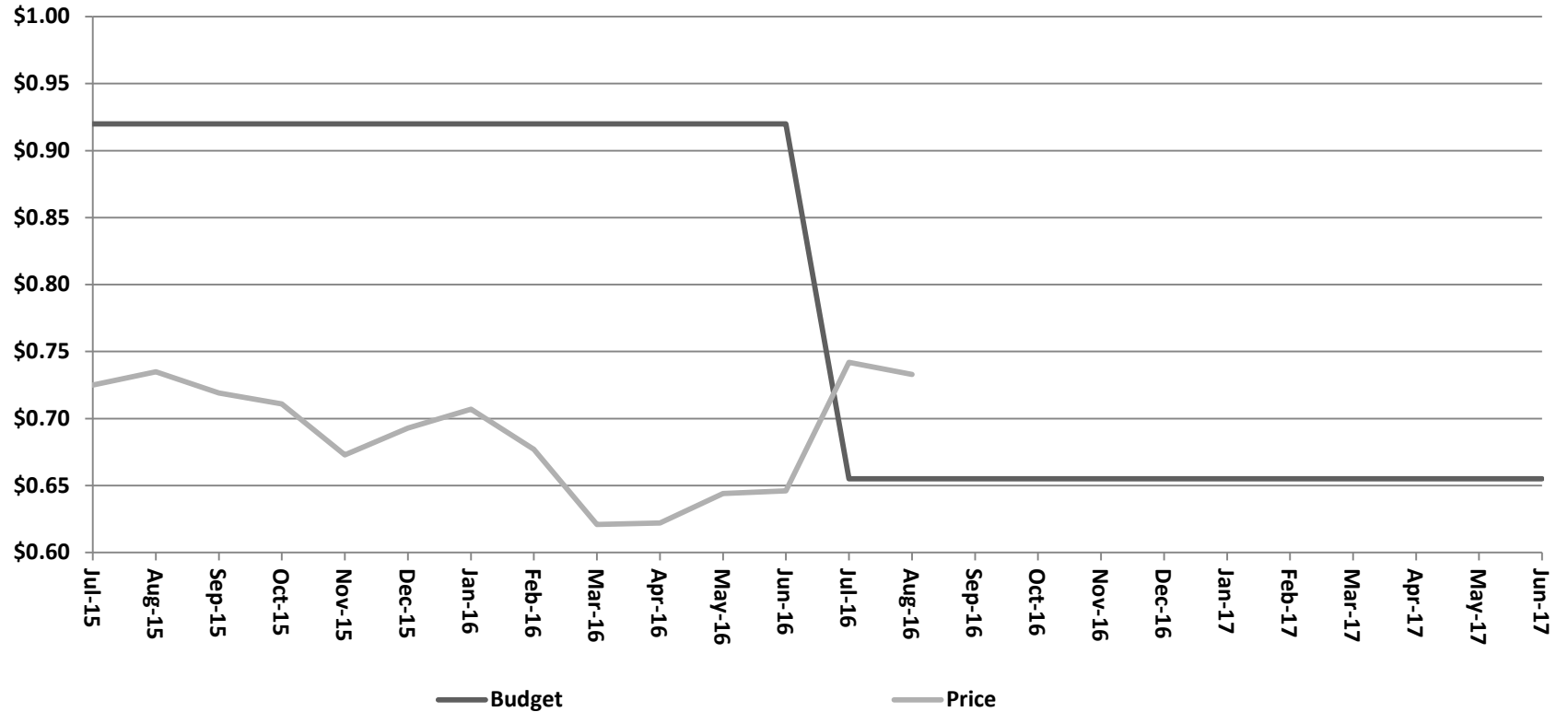
The budget for FY2017 was based on six (6) months of deliveries of liquefied natural gas (LNG) from our current supplier Applied LNG Technologies, and six (6) months of natural gas supplied by the pipeline gas. The total natural gas fuel budget is \$2,487,337 for FY2017 compared to \$4,376,301 for FY2016.

The preliminary numbers for July 2016 show natural gas cost \$272,020 against the budgeted amount of \$207,278. This is \$64,742 or 31% over budget for the month. It is expected that the cost per gallon of natural gas would exceed the budget in the first half of the fiscal year, and once the pipeline fueling infrastructure is operational, the cost will decrease accordingly.

The price per gallon Omnitrans will pay for August's deliveries is \$0.73 per gallon. The price is \$0.01 or 1.4% below the previous month of July. We will continue to monitor the price of natural gas on the open market to determine if and when it would be prudent to implement a new hedging program prior to the completion of the pipeline fueling project.

Omnitrans Fuel Cost History

including Sales Tax



PSG:DW

ITEM # _____ E4 _____

DATE: August 11, 2016

TO: Committee Chair Ed Graham and
Members of the Administrative and Finance Committee

THROUGH: P. Scott Graham, CEO/General Manager

FROM: Donald Walker, Director of Finance

**SUBJECT: OMNITRANS' FISCAL YEAR ENDED JUNE 30, 2016 FINANCIAL
AUDIT STATEMENT ON AUDITING STANDARDS (SAS) 114 LETTER**

FORM MOTION

Receive and forward to the Board of Directors to receive and file Vavrinek, Trine, Day & Co., LLP (VTD) SAS 114 letter for fiscal year ended June 30, 2016.

BACKGROUND

As a recipient of federal, state, and local funding, Omnitrans is required to have an annual audit conducted by independent auditors in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards. The audit also includes fifteen tasks contained in San Bernardino Associated Governments (SANBAG) Transportation Development Act 2005 Compliance Guide.

The SAS 114 letter is an AICPA (American Institute of CPAs) required communication letter for all financial statement audits. The purpose of the letter is to communicate to those charged with governance, such as the Board of Directors, Audit Committee, President, or Management, the scope of audit procedures performed, significant findings, and other information, such as disagreements with management, audit adjustments and significant estimates, that aren't communicated in the audited financial statements.

Another important portion of the letter is the presentation of any passed journal entries. These are entries that were not posted to the audited financials, because, in total, they have no material effect on the financial statements, but are presented to you in this letter in order to bring to your attention other known errors that were found during the audit.

In short, it is the responsibility of VTD is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, and is in conformity with Generally Accepted Accounting Standards.

The audit includes obtaining an understanding of Omnitrans and its environment, including internal control, and risk of material misstatements. Material misstatements may result from:

1. Errors
2. Fraudulent financial reporting
3. Misappropriation of assets
4. Violation of laws or governmental regulations

If any member of the Administrative and Finance Committee or the Board of Directors is aware of matters that have a material bearing on the financial statements taken as a whole (such as those listed above in items 1 – 4), please contact Roger Alfaro at (909) 466-4410 or email at ralfaro@vtcdcpa.com by September 1, 2016.

PSG:DW

Attachments: VTD's SAS 114 Letter



May 23, 2016

To the Board of Directors
Omnitrans
San Bernardino, California

We are engaged to audit the financial statements of Omnitrans for the year ended June 30, 2016. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibility under U.S. Generally Accepted Auditing Standards, Government Auditing Standards, and the Uniform Guidance

As stated in our engagement letter dated April 29, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider Omnitrans' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether Omnitrans' financial statements are free of material misstatements, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with the Uniform Guidance, we will examine, on a test basis, evidence about Omnitrans' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on Omnitrans' compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on Omnitrans' compliance with those requirements.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to 1) Management's Discussion and Analysis, 2) Schedule of Changes in the Net Pension Liability and Related Ratios, and 3) Schedule of Contributions, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the Schedule of Expenditures of Federal Awards and Schedule of Proposition 1B Unspent Funds and Cash Disbursements, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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Omnitrans
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We have not been engaged to report on the introductory section or the statistical section, which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

Planned Scope, Timing of the Audit, and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.


If any member of the Board is aware of matters that have a material bearing on the financial statements taken as whole (such as those described in items 1-4), please contact me at (909) 466-4410 or by email at ralfaro@vtdcpa.com by September 1, 2016.

We will generally communicate our significant findings at the conclusion of the audit. However, some matters should be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit in May 2016 and issue our report in December 2016. Roger Alfaro is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

This information is intended solely for the use of the Board of Directors and management of the Omnitrans and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,


Roger Alfaro, Partner
Of Vavrinek, Trine, Day & Co., LLP

RA:gbl

ITEM # E5

DATE: August 11, 2016

TO: Committee Chair Ed Graham and
Members of the Administrative and Finance Committee

THROUGH: P. Scott Graham, CEO/General Manager

FROM: Samuel Gibbs, Director of Internal Audit Services

**SUBJECT: SUMMARY OF RISK ASSESSMENT RESULTS AND
FY 2017 INTERNAL AUDIT WORKPLAN**

FORM MOTION

Receive and forward to the Board for receipt and file the results from the risk assessment and the FY 2017 Internal Audit Workplan.

BACKGROUND

The Department of Internal Audit Services was approved by the Omnitrans Board of Directors on January 9, 2008. Internal Audit Services has been providing services to Omnitrans since April 2008. One of the responsibilities assigned to the Director of Internal Audit Services is to conduct a risk assessment of the Agency annually and develop a workplan which includes audit engagements and activities for mitigation of risk.

ANALYSIS

Internal Audit Services helps Omnitrans accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The workplan outlines the audit activities to mitigate the potential risk identified by the assessment and summary of the interviews. Mitigation will consist of a mixture of audit engagements, strengthening of internal controls, and an evaluation of policies and procedures.

PSG:SJG

Attachment



Omnitrans Department of Internal Audit Services

Internal Audit Report 15-06

Risk Assessment and FY 2017 Workplan

Auditor Name: Samuel Gibbs, PhD

Audit Date: June 1, 2016

Risk Assessment
July 2016

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INTERNAL AUDIT ATTRIBUTES

Purpose

Mission

Omnitrans established the Department of Internal Audit Services (DIAS) to strengthen internal controls and to promote the economy, efficiency and effectiveness of Omnitrans operations. The mission of the DIAS is to provide independent, objective assurances of Omnitrans' operations. The DIAS will help Omnitrans accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, controls, and the governance processes. The DIAS shall carry out independent and objective audits and reviews to accomplish its mission.

Goals and Objectives

DIAS is an internal service organization which assists Omnitrans management in ensuring:

- Omnitrans operates in accordance with Omnitrans procedures and applicable laws and regulations.
- Risks are appropriately identified and managed.
- Programs, plans and objectives are achieved.
- Adequate and effective systems of internal controls are in place.
- Important financial, managerial and operating information is accurate, reliable, and timely.
- Omnitrans' contract and contract change order audits are conducted in a timely manner.
- Quality and continuous improvement are fostered in Omnitrans' control process.
- Significant legislative or regulatory issues impacting Omnitrans are recognized and addressed appropriately.
- Omnitrans' assets and resources are adequately safeguarded, and Omnitrans' operations are managed economically, efficiently and effectively.

DIAS participates and cooperates with management to ensure that Omnitrans successfully achieves its mission.

Organizational, Independence, Structure, and Resources

DIAS is given complete independence by Omnitrans' executive management in using its resources, in selecting an area to be audited and the methodology to be used, and in determining the conclusions and recommendations resulting from its work. The Director of DIAS reports directly to the Chief Executive Officer/General Manager with a dotted line to the Administrative and Finance Committee of the Board of Directors.

DIAS shall submit written audit reports to the CEO/General Manager, and to the Board of Director's Administrative and Finance Committee, as needed.

All Omnitrans departments, programs, functions, systems, contracts and activities are subject to audits by DIAS. DIAS shall initiate audits activities based on assessed risk, legislative mandates and regulations, and in the response to requests from Omnitrans Board of Directors, CEO/General Manager, and department directors. DIAS auditors and staff shall have complete and unrestrictive access to all books, records, documents, reports, plans, contracts, and other relevant materials, as well as to all Omnitrans personnel and its third party contractors. Omnitrans management and staff shall cooperate fully with DIAS auditors during discharge of their duties, to include prompt reply to DIAS audit reports findings and recommendations, in accordance with Omnitrans procedures for audit resolution and follow-up.

RISK ASSESSMENT

Standards of Audit Practices

DIAS auditors, in conducting this risk assessment, adhered to the professional standards set forth in the Government Audit Standards promulgated by the Comptroller of the United States, and the International Institute of Internal Auditors (IIA), (e.g. *Standards for Professional Practice*).

What is Risk?

Risk can be defined as the combination of the probability of an event and its consequences. In simple terms, risk can be seen as a combination of the chance that something may happen and the degree of damage or loss that may result if it does occur.

What is Risk Management?

Risk management is the process of recognizing risk and developing methods to both minimize and manage the risk. This approach requires the development of a method to identify, prioritize, treat (deal with), control and monitor risk exposures. In risk management, the process is followed where the risks are assessed against the likelihood (chance) of them occurring and the severity or amount of loss or damage (impact) which may result if they do happen.

The annual internal audit risk assessment is intended to demonstrate:

- The breadth and depth of audit activities addressing financial, operational, strategic, hazards, and compliance of the Agency in relationship to the associated risk;
- Accountability for our resources; and
- The progress in our efforts to continually improve the Agency's Internal Audit program.

It is the intent to convey a current sense of the Agency's internal control environment and the extent to which controls are being assessed by regular audit activities, addressed proactively through advisory services, or investigated as a result of issues raised.

Frequency Performed

Risk assessments shall be performed annually, or as directed by the Administrative and Finance Committee of the Board of Directors, or the CEO/General Manager. Audit engagements will be conducted according to the potential for weakened internal control or increased risk.

Process and Methodology

The process will involve consideration of all potential risks facing Omnitrans in pursuing its strategies with risks broken down into appropriate headings (e.g. strategic, operational, financial, human resources, legal/regulatory and technological), and identified with the operating departments.

All risks should be clearly defined together with the controls that currently exist to manage them. An assessment of the adequacy of the present control system will avoid duplication of resources because several of the identified risks may already prove to be effectively controlled.

Risk will be determined by performing the following evaluations:

- Interview of the director and all key personnel in each operating department.
- A recap of all previous internal and external audits over the last 24 months.
- The use of self-assessment risk review list of questions provided by the FTA specifically designed to address risk in transit.
- A review of the Agency's strategic objectives.

It is important that the internal systems and procedures in place are adequate to manage the identified risk. Where control weaknesses are identified, these should be noted so that the proposed action is taken to remedy such weaknesses.

Internal Audit Services will undertake the identification of risks. Input will be obtained from the individual operating departments to ensure that all risks have been taken into account, and important risk and control issues have not been overlooked.

RISK DOMAINS

The risks facing the Agency today can be classified into domains that Enterprise Risk Management (ERM) recognizes:

Strategic:

The Strategic domain is risk related to the ability of the organization to grow and expand. Examples include customer relations, ridership, planned growth, new projects, and any change in governance structure as a result of planned growth. This process includes an evaluation of the alignment of the Agency's strategies to the actual activities of the Agency; additionally, how will the strategies and activities be measured? The 2017-2020 Strategic Plan has been tied to the Agency's Management plan. The FY 2017 Management Plan provides a set of actions to align the efforts of the Omnitrans' Senior Leadership Team in its decision-making and execution of strategies to the multi-faceted needs and desires of the region. It is an example of the type of strategic business actions used to improve business operations. This involves evaluating products and services, examining labor performance, procurement costs, delivery processes and customer satisfaction. The CEO/General Manager and the Senior Leadership Team (SLT) interpreted the 4-year Strategic Plan into the 12-month Management Plan for implementation in FY2017. It serves as the basis for evaluation of progress and performance on the Strategic Plan in FY 2017. The Management Plan also aligns with the agency's Short Range Transit Plan for Fiscal Years 2015 – 2020 (*Omniconnects*).

Operational:

The Operational domain (the term operation in this case is not referring to vehicle operations) is derived from the organization's core business, including its systems, practices, policies, and procedures. Examples include procurement and planning policies. The Senior Leadership Team has developed a dashboard that includes strategic initiatives taken from the Fiscal Year 2017 Management Plan. The strategic initiatives will be reviewed monthly in the Senior Leadership Team Meeting. Progress of the strategic initiatives will be reported to the Board of Directors quarterly.

Financial:

The Financial domain deals with risk related to the organization's ability to acquire, raise, or access capital, as well as the costs associated with the transfer of risk (insurance and the use of consultants). Examples might include federal, state, and local funding. The Financial domain also includes the activities associated with securing funds that are passed through the Agency to a sub-recipient. Additionally, the Agency has to determine the risk appetite versus the potential savings for all forms of insurance. Finance has to determine and maintain the right risk management strategy for a public agency while optimizing the potential savings. Staff continues to look for cost cutting opportunities by evaluating all aspects of administration and operations.

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The objective as outlined in the annual management plan is to increase fare box recovery by reducing operating cost without negatively impacting service and operations.

Human Resources:

The Human Resources domain relates to the risk related to recruiting, retaining and managing the workforce. Examples include workers' compensation, FMLA, employee turnover, absenteeism, and discrimination. The Agency has placed emphasis on succession planning, skills inventory, training, and development to improve the internal applicant base. The average age of the Agency's workforce is 52. Human Resources has adopted a plan to address the retirement of key personnel. The ultimate goal is to develop new innovative programs to attract and retain quality employees. Success will be measured by the Agency's ability to keep service on the street and reduce lost service and unplanned overtime.

Legal/Regulatory:

The Legal/Regulatory domain is risk related to transit statutory and regulatory compliance. Examples include the changes in internal policies as a result of the changes in the FTA Circular 4220.1F, and adherence to changes in reporting filtered down to the Agency from the FTA. The Agency presently receives direction from the county's legal staff and Burke, Williams, and Sorensen (B,W&S). Attention will be paid to change in the Agency's JPA as well as federal, state, and local regulations requiring changes to the Agency's operating policies. The FTA has placed emphasis on Buy America, Procurement best practices, construction project management, and management of grants three years or older. The Agency will make a transition from County Counsel to either contract or in-house counsel in FY 2017. On the horizon is the need for legal representation for the inclusion of rail operations.

Technological:

The Technology domain is risk associated with equipment, devices, and reporting systems. Examples include new fare box recovery equipment and the continued integration of the Enterprise Resource Planning (ERP) system. The Department of Internal Audit Services will assess additional vulnerability associated with a complex information technology department. The Internal Audit Department will continue to assess the institutionalization of the ERP system. A strategy is being considered that will address required change management to address SAP concerns. This fiscal year Internal Audit will work with the Director of Information Technology to develop a Disaster Recovery Plan (DRP) and a Business Continuity Plan (BCP). The DRP and BCP are expensive to implement, but are very necessary. The goal is to ensure the Agency has a process for continued services in a crisis. Technology optimization is also strategically important. The Optimization of technologies is to increase efficiencies and improve services to internal and external customers.

Scheduled Audit Engagements for FY 2017

Risk can be mitigated by conducting audit engagements or involvement in the following areas:

- Sub-recipient grants oversight
- Succession Planning, including performance management and employee development, and the workforce development program opportunities
- Disaster Recovery Plan
- Business Continuity Plan
- Grant Process Management
- San Bernardino Transit Center (SBTC) continued monitoring, safety and security
- Annual Risk Assessment for FY2018
- Procurement Policies and Procedures
- Buy America Pre-Award and Post-Delivery Audits
- Joint Powers Agreement (JPA) changes to Omnitrans
- Consolidated Transportation Service Agency (CTSA)
- Capital Inventory Valuation (being added to NTD reporting in FY 2017)

Strategic

Future Funding and Growth - The Agency has to determine strategies for future funding and growth. The Agency is addressing methods for cost containment/reductions to optimize current funding to maximize efficiencies. For example, the installation of pipeline CNG stations, and the continued strategy to convert all new Access vehicles to CNG. Staff will continue to look for ways to reduce cost while providing quality service. Some examples of both cost saving and environmental initiatives are: monitoring the electrical usage, water conservation, drought tolerant landscaping, and solar at some of the facilities. The goal is to increase fare box recovery by reducing operating costs without negatively impacting our services and operations. This approach optimizes funding opportunities while maintaining fiscal stewardship. Additionally, changes to the Agency's Joint Powers Agreement (JPA) will allow for the exploration of a transportation tax.

Operational

Service Optimization - The development of strategies to address the optimization of service levels during a recovering or static economy. Omnitrans will be introducing additional express services, as well as looking at opportunities for public-private involvement in circulator routes. Service optimization includes the continued high level of service at the SBTC, the submission of the Small Starts grant for the West Valley Connector Corridor (WVCC), and continued assessment of the current routes. As the Agency addresses the decline in ridership that is being experienced by transit agencies across the country; staff will look for incorporating alternative modes of connectivity such as the Uber, Lyft, and other first mile initiatives.

Buy America Pre Award and Post Delivery Audits - The Agency has a fixed fleet replacement strategy that outlines the replacement of 15 buses each year (as funding availability allows). Omnitrans has selected New Flyer of America Inc. in Winnipeg, Canada and Crookston, MN as the preferred manufacturer to manufacture fifteen (15) 40' CNG buses. Federal Transit Administration (FTA) regulations require that Omnitrans complete a pre-award audit of the bus manufacturer to determine if they comply with the Buy America requirements outlined in 49 CFR Part 661 and 49 CFR Part 663. Post-delivery audits are also required to ensure compliance with the FTA Buy America requirements. Because of funding availability the delivery anticipated for the beginning of FY 2017 is thirteen (13) coaches. The thirteen (13) vehicles will be manufactured at the New Flyer of America Inc. plant in Anniston, Alabama. There will be required site visits to the Anniston plant and comprehensive reviews of the onsite inspection documentation.

Procurement System Review (PSR) - Internal Audit will work with the Procurement Department to ensure staff is staying current with FTA Procurement requirements. As changes to the FTA circular are received, staff will be trained on the most efficient way for the Agency to incorporate the changes into best practices. Procurement is working with the department directors and project managers to update the Procurement Policies to reflect best business practices and maintain the proper levels of compliance. Regular audits of the Agency's Procurement Policies will ensure adequate compliance on the FTA future Procurement System Reviews (PSR).

Contract Administration - DIAS will conduct regular random audits of the administration of active contracts. Additionally, there will be reviews of the change order process and the resolutions to submitted change orders. There are safeguards added to SAP to ensure that the internal controls are in place to monitor the approval process and the release of proceeds associated with contracts. Manual backups are also implemented to provide a work around for SAP, when needed. When manual backups are used, the expenditures will not exceed the contract amount. The results of the 2016 Triennial Review identified the need for follow-up with the process for performing cost and price analysis for every procurement action including contract modifications. Regular reviews of this process will ensure the training conducted is yielding the desired results.

Site Visit I St. and Feron St. - Internal Audit will conduct follow-up reviews and visits to assess proper monitoring of the safety and security and drug and alcohol compliance audits for the contract provider MV Transportation. Consideration will be given to the relocation of Feron St. to an Agency-owned site, since it is currently located on leased property.

Bus Ride - Take a monthly bus ride and monitor rider perception, customer service, driver behavior, and the Agency's image. The results from the bus rides are fed into an ad hoc group, which is tasked with making the necessary adjustments. The ad hoc group will continue to meet regularly to monitor results, conduct comparison audits on the reliability of the Trapeze system, adjust TransitMaster data, and validate the data for reporting to the National Transit Database (NTD). Each week a member of the Senior Leadership Team takes a bus ride to assess our system through the eyes of the rider (customer). These rides include a review of the condition of the coaches, customer service, and direct discussions with riders. The highlights from the rides are discussed at that week's Senior Leadership Team Meeting, and necessary changes are implemented.

Human Resources

Communication - The communication channels deal with the strategies for disseminating information internally and externally. The Agency is obligated to communicate policy and procedures consistently across all departments, and have effective methods to ensure important information affecting all employees is communicated. Critical information must be communicated to the CEO/GM and the Board of Directors effectively and in a timely manner. Communication to external stakeholders is also critical. This communication is achieved through the website, monthly newsletter, blogs, Facebook, and public hearings. Leaders at every level of the Agency also ensure that important information is communicated to subordinates by having weekly meetings, monthly one-on-ones, and tailgate meetings in Maintenance. The Agency also holds quarterly meetings to communicate updates.

Succession Planning and Management Development - Succession planning is a strategy to recognize and promote internal growth and development at every level of the organization. The succession planning process requires full participation of each department director to "cultivate leadership", identify potential talent, provide growth opportunities, and assign tasks of increasing responsibility. Counseling, encouragement, and direction by a Director are critical to ensure

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success. The Leadership Action Program (LAP) provides a forum for employees to hone their management skills, while exploring cost saving initiative for the Agency. Other opportunities include the Disney Leadership Course, APTA leadership programs and seminars, as well as the California Transit Association's committee participation.

The FTA awarded Omnitrans a \$340,000 grant to conduct workforce development, which served as an opportunity to introduce transit to unemployed or under-employed individuals. As the result of conducting classes for 180 participants, the Agency hired 11 coach operators and two employees to work in other departments. Additionally, an internship program was implemented, which provided the opportunity for every department in the Agency to hire interns for 288 hours each. The program allowed for undergraduate and graduate interns to be exposed to transit, as they provide support to those departments. Progress reports are maintained on each intern and a lunch meeting with the project team is conducted monthly. Presently there are eighteen (18) interns (which includes two interns paid for by a local community church).

Work Schedules and Flex - Conduct biannual follow-up reviews of individual work schedules by department. Reviews will address the following questions: 1) Are all employees working within core hours as defined by the department director? 2) Are the management confidential and represented employees working within the policies for each designation? This process will consist of a full audit annually and quarterly follow ups.

Employee Recreation Club (ERC) - Conduct ongoing random and routine audits on the ERC activities and financial management process. Internal Audit acts as a check and balance for the ERC, ensuring the activities are conducted in accordance to the by-laws. The events offered by the ERC must be presented to all employees in a fair transparent manner. The minutes from the ERC meeting as well as all upcoming events are posted on the ERC communication board in the Operation's break room.

Financial

Economic Conditions/Budgeting - Challenging economic conditions are always a genesis for fraudulent or unethical practices. In support of the required fraud examinations during our external audit, the DIAS will continue with the fraud detection element to every internal audit engagement. The Agency has strong internal controls in place and is always willing to address any weakened controls that are discovered. In a review of processes and procedures, or in normal interactions, there were no discoveries of fraudulent activities. It is a requirement that any indication of fraudulent activities, or activities that might cause the possibility of financial misstatement, are reported to the governance body immediately.

Transaction Flow Review - Select random transactions in accounts payable, accounts receivable, receiving, and procurement and follow the flow from beginning to end. The review will include monitoring who has access to that area, what the lines of authority are, and the process. Additionally, reviews of the payment process will be included in the follow up. The Agency has a good reputation for paying invoices on time; that process will require reviews to ensure best practices continue.

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Cycle Count/Inventory Control - A weekly assessment and recap of the previous week's cycle count will be performed. The normal full review will be conducted on an annual basis. Support is provided on a regular basis to ensure the minimum amount of deadline vehicles.

Inventory Control - A full review will be conducted annually to ensure that all processes for inventory management are being completed at both East Valley and West Valley. These processes include cycle counts Mon-Thurs., timely reconciliation, and proper reporting.

Grant Review and Update - Routine review of the grant process is needed to ensure the Agency is maximizing the funding options available. In addition, the grant process will be evaluated to ensure that all funds are drawn down as soon as the funds are available to the Agency. For example, the Treasury Manager is requesting federal reimbursement as soon as the Agency pays the invoice, and there is not more than 72 hours between when invoices are paid, and reimbursements are drawn down from the Transportation Electronic Award and Management (TRAMS) system. Follow up on FTA requirement for timely closeout of grants. The FTA considers it to be a best practice to have grants closed out after three years.

Grant Process - Construction grants such as the sbX project and the VMF project are subject to Improper Payments Elimination and Recovery Act (IPERA) reviews. The FTA has placed emphasis on grantees closing out grants that are over three years old. Internal Audit will work with the Treasury Manager to stay current on grant administration. Additionally, the Internal Auditor will review the execution of the quarterly FTA 1512 reporting requirements. All recipients of the American Recovery and Reinvestment Act (ARRA) grant funding are required to submit quarterly reports on progress in implementing their grants pursuant to the requirements of Section 1512 of the Recovery Act. Recipients submit reports through a central government wide reporting portal provided by the Recovery Act Accountability and Transparency Board, in coordination with the Office of Management and Budget (OMB). The reporting is done by the Treasury Manager and reviewed by another party assigned to provide oversight. In FY 2016, Omnitrans was in compliance with all ARRA and IPERA requirements. This review will be conducted again for FY 2017 in the fall of 2016. Grants are subject to IPERA review up to 24 months after the grant has been closed out.

Cash Accountability - Internal Audit and the Finance staff will conduct both quarterly and random audits of the cash collection and counting process for the fareboxes. The counting and deposit of these funds are performed by an outside vendor. Omnitrans' staff can monitor the process by matching the GFI reports to the bank deposit slips.

Petty Cash - Conduct biannual reviews of all petty cash funds. Review petty cash funds to ensure that transactions are conducted in accordance to the Agency's policy (approved 4-10-2006 and revised 12-15-2006).

P-Cards - Conduct biannual reviews of P-Card use within compliance of applicable laws, regulations, and Agency policy 3000.

Technology

IT Evaluation- The proposed engagements with IT will include the monitoring of IT security such as passwords, security levels, and segregation of duties (no one IT employee should have exclusive access to all levels of the IT infrastructure).

Disaster Recovery Plan (DRP) - The Disaster Recovery Plan is the plan followed by IT to recover information processing facilities, assets, and business areas after a crisis or disaster. The components of a DRP should include:

- Goals and requirements of each plan aspect
- Recovery time objectives by specific operation
- Disaster declaration procedure
 - Who declares the disaster? (Who is the offsite backup?)
 - How will people be notified?
- System recovery plan
- Network recovery plan
- Incident management

Due to the potential of being very expensive, there are alternate approaches. There are Hot Sites- equipped with exact configuration required to recover critical applications. This is available at a moment's notice but on a first-come-first served basis; Warm Site- equipped with some equipment but usually not with large computers. This will require time to fully configure the room with the necessary equipment; and Cold Site- This is an empty room with only electrical and environmental facilities. This requires the company to obtain the necessary computing and telecommunication equipment.

Business Continuity Plan (BCP) - The Business Continuity Plan is the plan followed by the business to function while systems are not available. Plans must be in place to conduct a Business Impact Analysis (BIA), which address the recovery point objectives and the recovery time objectives. This answers the question, how much data do we need access to, and how long is the maximum tolerable time to recovery.

Information Technology (IT) - Audit to review license and security levels on the network. An additional review will be performed addressing the safeguard of confidential information. The audit will be performed to measure the effectiveness of SAP implementations. Internal Audit will look into contracting an IT auditor to conduct system reviews.

Sub-Recipient Monitoring and Review - Sub-recipients are organizations who receive FTA funds passed to them through Omnitrans, which acts as the primary grantee. In this capacity, Omnitrans' staff is responsible for providing oversight to the sub-recipient. The Finance Department has an assigned representative who does follow up with the sub-recipients using site visits, checklists, and reports. Internal Audit will also conduct random visits to ensure the quality of the sub-recipient program.

San Bernardino Transit Center (SBTC) - Omnitrans took possession as the owner and operator of the San Bernardino Transit Center (SBTC) on September 8, 2015. Design and construction was overseen by the San Bernardino Associated Governments (SANBAG). Parsons Brinckerhoff served as construction manager on behalf of SANBAG for the facility. The San Bernardino Transit Center brings together 22

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bus bays to service 10 local and two freeway express Omnitrans bus routes, a San Bernardino Express (sbX) bus rapid transit line, and buses for the Victor Valley Transit Authority and Mountain Transit. The center also accommodates private shuttles, taxis and bicycles. This multimodal facility is intended to consolidate transit operations into a single downtown site, making connections more efficient and helping to spur redevelopment and revitalization efforts in downtown San Bernardino. The center is also prepared for the arrival of commuter rail transit. Currently Metrolink service connecting Los Angeles to San Bernardino currently terminates at the Santa Fe train depot. The San Bernardino Passenger Rail Project will extend that service one mile into the city's downtown and includes a passenger station adjacent to the transit center.

A component of delivering world class service to our customers throughout the system and particularly at the SBTC is having a strong perception of cleanliness, safety, and security. The perception of clean, safe and secure is tarnished when there is visible loitering, drugs, or panhandling. Regular assessments provide findings and recommendations to strengthen the perception at the SBTC and assist staff with delivering the desired world class facility.

Fare Pass Monitoring - Continue to audit the report to ensure that the overrides for fare passes are not excessive. Coach Operators have the ability to override the issuing of fare passes when the system fails to automatically produce a pass or when they need to initiate a test pass. Operations can track the amount of fare passes overridden by Coach Operators. The report is monitored for activity outside of the normal perimeters, which signals possible abuse. Internal Audit will continue to monitor quarterly because this is an area of significant exposure for the Agency.

Environmental Initiative - The Omnitrans Mission Statement states the Agency will service our customers in an environmentally friendly manner. Omnitrans' staff is committed to researching ways we can conserve water, reduce electricity usage, continuously take advantage of low emission vehicles, and recycle and salvage our waste appropriately. To this means, the Agency reclaims a percentage of the water used for the bus wash at both facilities; we have changed landscaping to drought tolerant designs; installed electric charging stations; and are researching the use of electric buses. Additionally, we will install pipeline CNG fueling stations at both East and West Valley in FY 2017.

Reduction of Non-Revenue Vehicles- The Agency is committed to reducing the number of non-revenue vehicles as another way to reduce operating cost. Additionally, assessments are in progress to determine the best options for the use of low emission vehicles. Staff is presently looking at the electric and CNG options.

Triennial Review Follow Up – The FY 2016 Triennial Review was conducted February 16 and 17th, 2016. The period under review was 2013, 2014, 2015 FTA activities. A draft report was received on March 18, 2016 and a Final report on April 20, 2016. Responses from the draft report were provided for nine (9) areas where deficiencies were highlighted: Technical Capacity, Maintenance, Americans with Disabilities Act (ADA), Title VI, Procurement, Disadvantaged Business Enterprise (DBE), Satisfactory Continuing Control, Public Comment on Fare Increases and Major Service Reduction, Drug-Free Workplace/Drug and Alcohol. From the final report there are nine (9) elements that require a response five (5) due on 5/23/2016, three (3) due in July 2016, and one due in August 2016. There will be continued follow up on the ADA and DBE elements.

Risk Assessment
July 2016

Preparation for Rail Service- After a quantitative review, estimating annual operations and maintenance costs and taking into account additional full time employees that would be needed to manage the new Redlands Passenger Rail Project (RPRP) service, the study concluded that Omnitrans was the best fit as the managing agency of the Maintenance of Equipment and Rail Operations. On November 4, 2015, the SANBAG Board of Directors authorized its Executive Director (or designee) to begin negotiations with Omnitrans to provide Maintenance of Equipment and Rail Operations services for the Redlands Passenger Rail Project (RPRP). SANBAG is working on an agreement to solidify the relationship, which is tentatively scheduled to be brought before both the Omnitrans and SANBAG Board of Director in the fall of 2016. Recruitment for Director of Rail operations will begin in the fall of 2016.

Consolidated Transportation Service Agency (CTSA) - On December 2, 2015, the Omnitrans Board of Directors accepted the designation by SANBAG as a Consolidated Transportation Services Agency for the Valley Measure I Subarea for a five-year term. At that time, it was assumed that the transition of operations from Valley Transportation Services (VTrans) to Omnitrans would not become effective until the 2018 termination of VTrans' existing funding agreement with SANBAG. However, at its January 20, 2016 meeting, the VTrans Board took action to cease its CTSA services in the Valley area and terminate its contract with SANBAG. As a result of this action, SANBAG's obligation to provide future transfers of Measure I Valley area CTSA funds to VTrans ceases, VTrans is obligated to transfer unobligated CTSA Funds and records to SANBAG, and perform such other acts as are convenient or necessary to ensure an orderly transfer of Measure I Valley area CTSA function to Omnitrans. To ensure no loss of service to people served by the CTSA, SANBAG worked with Omnitrans to develop a funding agreement similar to the agreement SANBAG had with VTrans. The area occupied by the Planning Department in the Omnitrans administration building was vacated and VTrans staff moved on May 27, 2016. Omnitrans Human Resources staff is currently recruiting for a Director of Special Services.

Maintenance Parts Availability (SAP Tracking) - The proper on hand inventory of parts is critical for managing the amount of days a vehicle is out of service for maintenance. The SAP system is programmed to replenish parts according to velocity. The system will automatically adjust for seasonal peaks or shifts in parts' fail rates. The integrity of the inventory counts, cycle counts, and SAP system has to be monitored and adjusted for best results. The indicators for the effectiveness of the parts availability are the vehicle deadlines; how quickly buses can be repaired and returned to service.

Additional Engagements

Carry-forward audits (areas which will be addressed if time and resources allow)

This category will be dependent upon current audits that are incomplete at the end of the fiscal year end.

Other audit engagements to be complete this fiscal year if time and resources allow

Conflicts of Interest - A review will be conducted of current laws, regulations and policies and their application at the Agency.

Discipline and Termination - A review will be conducted of the discipline and termination process and compliance with applicable laws, regulations and policies.

Hiring Processes - A random review of the hiring process, and compliance with applicable laws, regulations and policies will be conducted.

Special Projects - Any activity deemed necessary by the CEO/GM or the Administrative and Finance Committee.

Follow-Up - Conduct reviews of completed audits to assess the progress and implementation of previously issued audit recommendations and management responses as required by the Professional Standards. Follow up on any material issues or deficiencies identified by internal or external engagements.

Real Estate Sale - Omnitrans Board of Directors authorized the Chief Executive Officer/General Manager to proceed with the disposition of the 28.8 acre property located in Rancho Cucamonga, California (Mid-Valley) in FY 2015. Additionally, the Board of Directors approved a professional services agreement between Omnitrans and the San Bernardino County Real Estate Services Department (RESO) for disposition of the property. The RESO advertised the property to governmental agencies. The property was offered to governmental agencies for at least 60 days. The property is in escrow. The FTA has authorized the reallocation of the proceeds from the sale of the property for additional transit-related enhancements.

Summary of Audit Activities for FY 2016

| Engagements | Findings, Recommendations and Outcomes | Follow-Up |
|---|--|--------------------|
| Sub-Recipient Grant Oversight and Sight Visits | <p>Sub-recipients are organizations which receive FTA funds passed to them through Omnitrans, which acts as the primary grantee. In this capacity, Omnitrans' staff is responsible for providing oversight to the sub-recipients. During the period under review, Omnitrans' staff provided oversight for 16 sub-recipients. The Finance Department has an assigned representative who does follow up with the sub-recipients using site visits, checklists, and reports. Internal Audit, the Treasury Manager, and the assigned staff from Finance concluded site visits of all sub-recipients by July 31, 2015. There were no findings or recommendations noted as a result of the site visits. The site visits for this fiscal year will be completed by August 31, 2016.</p> <p>The agencies or projects that are considered sub-recipients are: City of Needles, Inland Valley Recovery Services, City of Rialto-Metrolink Expansion Project, SANBAG-San Bernardino Intermodal Transit Center, Valley Transportation Services, Central City Lutheran Mission, Community Senior Services, LLUMC Adult Day Health Services, United Way Inland Empire, City of Yucaipa-Yucaipa Transit Center-Phase II, City of Chino-Chino Transit Center Phase II, City of Fontana-Transit Stop Access Improvements, City of Highland-Transit Stop Access Improvements, SANBAG-Downtown San Bernardino Passenger Rail Project, Pomona Valley Workshop, and Victor Valley Transit Agency.</p> | Ongoing in FY 2017 |
| Armor Transport Services | <p>Internal Audit and the Finance staff conduct both quarterly and random audits of the cash collection and counting process for the fare boxes. The cash and coin collected from the fare boxes amounts to about \$7.5 million a year. The counting and deposit of these funds are performed by an outside vendor. Omnitrans' staff can monitor the process by matching the GFI reports to the bank deposit slips. The last audit of the GFI reports to the bank deposit slips yielded a plus .6% variance on \$1,962,838. This is about an \$11,539.00 variance on \$1,962,838 worth of transactions, which was well under the +/- 3% tolerance.</p> | Ongoing in FY 2017 |
| Employee Recreation Club (ERC) | <p>The Employee Recreation Club (ERC) provides formal recreation for the employees and family members of employees of Omnitrans and is managed and operated independently of Omnitrans. The ERC has its own officers consisting of employees/members that are voted into office for a period of two years. The sources of income for the ERC are membership dues, collected by payroll deduction and paid to the club by a check from the Finance Department. Membership dues are an initial fee of five dollars, and .25 % of the member's pay (by payroll</p> | Ongoing in FY 2017 |

Summary of Audit Activities for FY 2016

| Engagements | Findings, Recommendations and Outcomes | Follow-Up |
|---------------|---|--------------------|
| | <p>deduction) not to exceed \$150.00 per year. The other income source is the revenue collected from the vending machines at West Valley, East Valley, and the San Bernardino Transit Center. The ERC sponsors about a dozen trips per year. The total cash amount collected from dues and vendor revenue, which is applied to recreational activity, is in excess of \$40,000 a year. Most trips are free of charge to members; family members and non-members are required to pay full price. The last review was conducted in February, 2016 and the findings were as follows:</p> <ul style="list-style-type: none"> - All recommendations from prior audits or reviews were complied with 100%. - Elections of officers were held on September 26, 2015. Vicki Owens was elected to replace Terrence Gipson as President. - In April of 2016 the Secretary resigned and a special election was held, which elected Brenda Oliver to fill the remaining term. <p>There were no recommendations or material findings during this engagement. The full report is available upon request.</p> | |
| P-Card | <p>The purpose of the P-Card audit is to provide a routine follow-up for the Agency that continues to look at P-Card transactions in relationship to the policy and procedures. A semi-annual review allows the Agency to detect quickly and correct any deviations from policy. Regular and routine follow-up is a method of improving internal controls for the process. The last Formal review was January 2016; a review of the P-Card transactions is in process and will be reported on the next update. The findings from the last review are as follows:</p> <ul style="list-style-type: none"> - Andre Ramirez, who is a Director and approves his own transactions, did not realize that he needed to sign as the approver and as the cardholder. - Jennifer Sims, who is a Director and approves her own transactions, did not realize that she needed to sign as the approver and as the cardholder. <p>In both cases the unsigned documents were signed and updated.</p> <p>It is recommended that the Department Directors continue to review closely and educate subordinates when needed, on the proper use of P-Cards.</p> | Ongoing in FY 2017 |

Summary of Audit Activities for FY 2016

| Engagements | Findings, Recommendations and Outcomes | Follow-Up |
|----------------------|---|--------------------|
| FTA Triennial | <p>The FY 2016 Triennial Review was conducted February 16 and 17th, 2016. The period under review was 2013, 2014, 2015 FTA activities. A draft report was received on March 18, 2016 and a Final report on April 20, 2016. Responses from the draft report were provided for nine (9) areas deficiencies were highlighted: Technical Capacity, Maintenance, Americans with Disabilities Act (ADA), Title VI, Procurement, Disadvantaged Business Enterprise (DBE), Satisfactory Continuing Control, Public Comment on Fare Increases and Major Service Reduction, Drug-Free Workplace/Drug and Alcohol. From the final report, there are nine (9) elements that required a response five (5) by 5/23/2016. Three (3) responses are due in July 2016, and one in September 2016. There will be continued follow up on the ADA and DBE elements. The response due in July was already sent to the FTA.</p> | September 30, 2016 |
| Force Passes | <p>Coach Operators have the ability to override the issuing of fare passes when the system fails to automatically produce a pass and to produce a test pass. Operation staff can track the amount of fare passes overridden by Coach Operators. The report is monitored for activity outside of the normal parameters, which signals possible abuse. Internal Audit will continue to monitor quarterly because this is an area of significant exposure for the Agency. Exceptions to normal activities are monitored by Internal Audit. During the period under review there is one operator who is being monitored to determine if his or her transactions are concerning. After further review it was determined that a consistent pattern did not exist.</p> | Ongoing in FY2017 |

Summary of Audit Activities for FY 2016

| Engagements | Findings, Recommendations and Outcomes | Follow-Up |
|--|---|------------------------|
| Procurement System Review (PSR) | <p>The Federal Transit Administration (FTA) contracted the consultant Leon Snead & Company to conduct a Procurement System review (PSR) of Omnitrans.</p> <p>FTA grantees use their own procurement procedures that reflect applicable State and local laws and regulations, providing that the process ensures competitive procurement and that the procurements conform to applicable Federal law, including 49 CFR Part 18, specifically Section 18.36 and FTA Circular 4220.1F, <i>“Third Party Contracting Requirements.”</i> Grantees will maintain a contract administration system that ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. A PSR was conducted for August 24, 2015 and concluded on August 26, 2015. The deficiencies noted were not widespread. Eleven of the 19 contracts files reviewed had no deficiencies. Two contract files had two or more deficiencies and another six files had only one. The final report from the FTA dated 10/29/2016 indicated all deficiencies were adequately addressed and the report closed.</p> <p>Internal Audit will continue to work with the Procurement staff to ensure that ongoing training is conducted in the previously deficient areas.</p> | Randomly in FY 2017 |
| SBTC | <p>Omnitrans took possession as the owner and operator of the San Bernardino Transit Center (SBTC) on September 8, 2015. Design and construction was overseen by the San Bernardino Associated Governments (SANBAG). Parsons Brinckerhoff served as construction manager on behalf of SANBAG for the \$25 million facility. The San Bernardino Transit Center brings together 22 bus bays to service 10 local and two freeway express Omnitrans bus routes, a San Bernardino Express (sbX) bus rapid transit line, and buses for the Victor Valley Transit Authority and Mountain Transit. The center also accommodates private shuttles, taxis and bicycles.</p> <p>A component of delivering world class service to our customers throughout the system and particularly at the SBTC is having a strong perception of cleanliness, safety, and security. The perception of clean, safe and secure is tarnished when there are visible loitering, drugs, or trashy elements. This assessment will address the findings and recommendations to strengthen the perception at the SBTC and assist staff with delivering the desired world class facility.</p> | Ongoing in FY2017 |

Summary of Audit Activities for FY 2016

| Engagements | Findings, Recommendations and Outcomes | Follow-Up |
|-------------|---|-----------|
| | <p data-bbox="451 237 802 268"><u>Ramifications/Implications</u></p> <ul data-bbox="500 310 1295 489" style="list-style-type: none"> - The perception of a clean, safe, and secure facility could be a motivator for riders to increase their frequency of use of the SBTC. - It appears that the positive perception is increasing the use of transit via the SBTC for school age children. <p data-bbox="451 531 716 562"><u>Recommendation(s)</u></p> <ul data-bbox="500 604 1295 1150" style="list-style-type: none"> - The Senior Leadership Team (SLT) has been very visible at the SBTC at various times throughout the day (including early mornings and late evenings). This is very important to improving customer service and assessing customer needs. This also strengthens the attitude of employees witnessing the attention directed to ensure the facility is world class. - Continue with the weekly bus rides by the SLT. Although the focus of the weekly bus rides is system-wide, a lot of focus has been on the SBTC. - The SLT visibility at the SBTC is a wonderful way to hear directly from the customer how we can better serve them. As we learn from customers at the SBTC, this information might also be very valuable for improving customer service across the entire system. <p data-bbox="451 1192 906 1224"><u>Actions Items and Final Comments</u></p> <ul data-bbox="500 1266 1295 1873" style="list-style-type: none"> - The remedy for the bus turn-out is still pending resolution. Yellow dots have been placed strategically to guide the drivers through the turn successfully without going too far right or left. Additionally, it would be helpful when a driver is witnessed navigating the turn unsuccessfully, that Operations is notified, so the driver could receive additional training. - The Billy Goat (pavement vacuum) has been deployed and seems to be very effective in keeping the walkways free of trash and cigarette butts. - Based on feedback from drivers, the Maintenance team will adjust turning radius on coach 196 and monitor to improve this coach's ability to navigate the turnout at the SBTC. - Having the presence of a Transit Supervisor at the SBTC has been very helpful to customers. The visibility reduces incidents and the supervisor assists with directing | |

Summary of Audit Activities for FY 2016

| Engagements | Findings, Recommendations and Outcomes | Follow-Up |
|-------------------|---|-------------------|
| | customers to the appropriate routes. | |
| Petty Cash | <p>Omnitrans created a Petty Cash Fund to allow for quick and unpredicted small purchases to be made with little or no disruption to business. According to written Policy and Procedures which were updated after the recommendations of the April 2009 audit, the Petty Cash Fund is distributed throughout the agency as follows: \$ 600.00 in Operations (East Valley); \$ 500.00 in Maintenance (East Valley); \$ 500.00 in Facility Maintenance (East Valley); \$ 200.00 in Human Resources (East Valley); \$ 100.00 in Marketing; \$ 1000.00 in Finance; and \$ 600.00 in the front desk change fund (for Marketing) in Finance. The total Petty Cash fund in the General Ledger account Number 10101 and 10102 is 3,500.00. The policy calls for the Finance department to periodically audit the Petty cash balances and to maintain a log of the audits.</p> <p>The appropriate diligence is applied to the Petty Cash process by each department and their designated custodians of the funds. These findings were a result of actual reviews conducted on each department's Petty Cash fund. There are no material findings. Since the last review the Finance department has implemented the updated procedures to reflect the proper allocations of fund by department. All departments are following the procedures as updated by Finance. All petty funds for every department are managed and administered in the East Valley offices. During this review it was determined that the procedure required further updating to reflect the changes since last review period.</p> <p><u>Finding</u></p> <ul style="list-style-type: none"> - Total variance for the five departments in the east valley centers that were reviewed was a \$0.01 shortage. - All other procedures are being followed according to the Finance procedures approved April 10, 2006 and revised on December 15, 2006. Exceptions are the amounts in each fund and the location of the funds (see recommended changes to the procedures) - The total variance between the two tills at the San Bernardino Transit Center that were reviewed was \$2.45. One of which tills did not properly refund a pass correctly. Instead of voiding the original pass and selling a new pass to the rider; the clerk exchanged passes with the rider and collected the difference between the passes. This off | Ongoing in FY2017 |

Summary of Audit Activities for FY 2016

| Engagements | Findings, Recommendations and Outcomes | Follow-Up |
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| | <p>balanced the till when doing the audit because the original pass had not been sold, but in the system the original pass was counted as sold.</p> <ul style="list-style-type: none"> - In the Operations department there was a reimbursement of \$260.07, which is well over the \$100 petty cash reimbursement limit. The Operations department also failed to provide a receipt for a reimbursement of \$5.85. - In the Human Resources Department, the petty cash limit was raised from \$200 to \$500. - The \$600 in the change fund (stored in Finance) was not included in the audit because it is not designated as petty cash. This put the petty cash total at \$2700 not \$3300. | |
| Surplus Vehicles | <p>On November 5, 2014, the Board of Directors approved offering fully depreciated capital assets to JPA member entities or other governmental entities first, then to 501(c)(3) organizations in “<i>As Is Condition</i>” prior to sale at public auction. Consideration will be given to each JPA member entity on a first-come, first served basis. All requests need to be made within 30 days of the posting of the assets available for disposal. Requests can be made to the CEO/General Manager by telephone or e-mail using the appropriate form. After the assets have been offered to JPA members for 30 days, the list will be made available for 501(c)(3) organizations for 30 days. At the end of the combined 60 day period, the remaining assets will be disposed of by the Maintenance department at auction.</p> <p>The selection of the 501(c)(3) organizations will be taken from the eligibility list, which is on a first come first served basis. 501(c)(3) organizations are added to the list once a formal request is received on the organization’s letterhead.</p> <p>The process is facilitated and managed by the Internal Audit Department, the disposal of assets is conducted by Maintenance, and the final approval to provide assets to any entity is made by the CEO/GM.</p> | |
| National Transit Database (NTD) Reporting | <p>The National Transit Database has implemented annual data reporting requirements for all FTA grantees. It is important to ensure the data we report is valid and reliable. The Director of Internal Audit chairs an ad hoc committee, which consists of a representative from each of the departments reporting NTD information. The objectives of the committee are to discuss the information reported, review deficiencies, monitor results, and work with IT to establish solutions when the data is flawed.</p> | Ongoing in FY2017 |

Summary of Audit Activities for FY 2016

| Engagements | Findings, Recommendations and Outcomes | Follow-Up |
|-------------------------------|--|---------------------------|
| <p>Buy America</p> | <p>Omnitrans has selected New Flyer of America Inc., in Winnipeg, Canada and Crookston, MN, as the preferred manufacturer to manufacture thirteen (13) 40' CNG buses. Federal Transit Administration (FTA) regulations require that Omnitrans complete a pre-award audit of the bus manufacturer to determine if they comply with the Buy America requirements outlined in 49 CFR Part 661 and Part 663.</p> <p>Summary Findings</p> <p>Based upon a review of New Flyer's production capability, production methods, location of final assembly, domestic contents, compliance with FMVSS requirements, and compliance with technical specifications, it was determined that New Flyer of America Inc. meets FTA Buy America Pre-Award Audit requirements for the production of buses for Omnitrans. The review also found that New Flyer plans to comply with all of Omnitrans' technical specifications.</p> <p>The Buy America audit requirements are met by conducting audits during three phases of the production process:</p> <ul style="list-style-type: none"> - Pre-award - During assembly - Post assembly (post-production) <p>The pre-award phase was conducted in January and February of 2016.</p> <p>During the months of May and June 2016, site visits were conducted at the New Flyer assembly plant in Anniston Alabama, and post-production in Ontario, California. The purpose of the site visits was to validate compliance as outlined in the pre-production Buy America audit.</p> | <p>September 2016</p> |
| <p>Fare Box Audits</p> | <p>Random weekly audits are conducted at both East Valley and West Valley of the fare boxes. A coach is randomly selected at the end of the day, the fare box is probed, and the cash and coin counted is matched against the GFI report. All discrepancies are checked for faulty fare boxes, missed data, or potential fraud.</p> | <p>Ongoing in FY 2017</p> |