



ADMINISTRATIVE AND FINANCE COMMITTEE
THURSDAY, NOVEMBER 12, 2015 – 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, December 10, 2015, 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 – October 15, 2015 | 2 |
| 2. Adopt Proposed 2016 Committee Meeting Schedule | 6 |
| 3. Recommend the Board of Directors Receive and File Construction Progress Report No. 41 through October 31, 2015 - sbX E Street Corridor BRT Project | 7 |
| 4. Receive and File Omnitrans’ Director of Finance Report on Price of Compressed Natural Gas | 16 |
| 5. Recommend the Board of Directors Receive and File Summary of Risk Assessment Results and Fiscal Year 2016 Internal Audit Workplan | 18 |

F. ADJOURNMENT

ITEM # E1

**ADMINISTRATIVE & FINANCE COMMITTEE
MINUTES, OCTOBER 15, 2015**

A. CALL TO ORDER

Board Chairman Sam Spagnolo called the regular meeting of the Administrative and Finance Committee to order at 8:00 a.m., Thursday, October 15, 2015.

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
Mayor Pro Tem Alan Wapner, City of Ontario

Committee Members Not Present

Council Member Ed Graham, City of Chino Hills – Committee 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
Samuel Gibbs, Director of Internal Audit Services
Jacob Harms, Director of Information Technology
Andres Ramirez, IPMO Manager
Jennifer Sims, Director of Procurement
Don Walker, Director of Finance
Wendy Williams, Director of Marketing/Planning
Mark Crosby, Loss Prevention Supervisor
Vicki Dennett, Executive Assistant to CEO/General Manager

B. ANNOUNCEMENTS/PRESENTATIONS

The next Committee Meeting is scheduled Thursday, November 12, 2015, at 8:00 a.m.

C. COMMUNICATIONS FROM THE PUBLIC

There were no comments 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 – August 13, 2015

M/S (Riddell/Wapner) that approved the Committee Minutes of August 13, 2015. Motion was unanimous by Members present.

2. Recommend to Board of Directors, Receive and File Construction Progress Report No. 40 through September 30, 2015 - sbX E Street Corridor BRT Project

IPMO Manager Andres Ramirez presented the Construction Progress Report No. 40 for the period through September 30, 2015.

Project Budget:	\$191.7 M
Expended to Date:	\$175.7 M
Estimate at Completion:	\$188.5 M
Lost Time Injuries:	Zero with over 488,000 MH worked. 424,000 for the Corridor 64,000 for the VMF

Vehicle Maintenance Facility:

- Achieved Substantial Completion on June 15, 2015.
- Final change order with contractor complete.
- Punch-list items and close-out documents are being wrapped up.

E Street Corridor:

- World Oil work is projected to commence next week and is scheduled to take 120 days.

10th to Highland:

- Notice to Proceed has been issued, and street work is scheduled to begin October 26, 2015.

PA System

- Design efforts continue. Projected to be presented for release by the Board in December 2015.

Traffic Signal Synchronization

- Phase 1 Traffic Signal timing coordination is complete.

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

3. Receive and File Omnitrans' Director of Finance Report on Forward Fuel Purchases for August 2015

Finance Director Don Walker reported that August was the twelfth month of the year-long hedging program. Omnitrans has experienced a total loss of \$128,385 for this recent twelve (12) month hedging program. Although we experienced a loss, the reduced cost of CNG on the spot market has provided Omnitrans with a \$402,531 below-budget saving in CNG fuel cost for the period covering July 2014 – August 2015. The CNG fuel budget was estimated at \$5.0 million for the fourteen (14) months, and the actual CNG fuel cost for the same time frame was \$4.6 million. Don explained the rationale behind not recommending continuation of the hedging program, as the price of LNG on the spot market is very low.

This item was received and filed by the Committee.

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

Finance Director Don Walker discussed this agenda item, stating that Committee Chair Ed Graham had recommended that this item remain on the agenda, even though the hedging program has ended, for monitoring the price of CNG.

Based on quoted prices of LNG from Morgan Stanley, Omnitrans would have lost \$7,078.50 for September and October. As the price of LNG remains low on the spot market, it is not recommended to enter into a hedge program at this time.

This item was received and filed by the Committee.

F. ADJOURNMENT

The Administrative and Finance Committee meeting adjourned at 8:13 a.m. The next Administrative and Finance Committee Meeting is scheduled Thursday, November 12, 2015, 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



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ITEM # E2

DATE: November 12, 2015

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

FROM: P. Scott Graham, CEO/General Manager

SUBJECT: PROPOSED 2016 COMMITTEE MEETING SCHEDULE

FORM MOTION

Adopt the proposed Administrative & Finance Committee Meeting Schedule for 2016. The proposed schedule is the same as the current 2015 schedule, which is 8:00 a.m., the second Thursday after the Omnitrans Board Meeting.

- January 14, 2016
- February 11, 2016
- March 10, 2016
- April 14, 2016
- May 12, 2016
- June 9, 2016
- July 14, 2016
- August 11, 2016
- September 15, 2016
- October 13, 2016
- November 10, 2016
- December 15, 2016

PSG:vd



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ITEM # E3

DATE: November 12, 2015

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 REPORT NO. 41 THROUGH
OCTOBER 31, 2015 - sbX E STREET CORRIDOR BRT PROJECT**

FORM MOTION

Receive and recommend to the Board of Directors for receipt and file Construction Progress Report No. 41 for the sbX E Street Corridor BRT Project through October 31, 2015.

BACKGROUND

This is Construction Progress Report No. 41 for the sbX E Street Corridor Project.

CONCLUSION

Receive and recommend to the Board of Directors for receipt and file Construction Progress Report No.41 for the sbX E Street Corridor BRT Project through October 31, 2015.

PSG:AR

Attachment

**sbX E Street Corridor
Bus Rapid Transit (BRT) Project**

Construction Progress Report No. 41

October 31, 2015

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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 - A. Vehicle Maintenance Facility (VMF)
- IV. Safety
- V. Project Budget and Cost
- VI. Change Orders and Claims
 - A. VMF Change Orders

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:

City of San Bernardino Final Acceptance Work and World Oil Modifications:

- Work commence on October 19, 2015.
- Work about 15% complete.
- Scheduled to take 120 days.

10th to Highland:

- NTP issued for start of construction.
- Traffic control drawings have been submitted and approved by the City.
- Start of work has been delayed by submittal review process.
- Work scheduled to start on November 9, 2015.

PA System:

- Received 90% drawings and 60% specifications.
- Final design efforts continue.
- Bid package scheduled to be presented to Board in January for release.

Traffic Signal Synchronization

- Phase 1 Traffic Signal timing coordination is complete.
- Observation and adjustments started and will continue until next year.

Vehicle Maintenance Facility:

- Substantial Completion – June 15, 2015
- Negotiations for final completion and claims complete. Close out ongoing.
- Vacuum system, concrete patch, and removal of temporary canopy work being prepared for contract.

II. PROJECT SCHEDULE

The corridor work associated with the construction project is complete and revenue service was achieved as planned. Final City Acceptance, including World Oil, has commenced.

Following is the schedule status update as it pertains to the VMF:

A. Summary of Project Schedule – Vehicle Maintenance Facility (VMF)

Substantial completion was achieved on June 15, 2015 and the facility was placed into operation. Final completion and claims negotiations with the contractor have been completed.

III. REQUESTS FOR INFORMATION (RFIs), SUBMITTALS, AND NON-CONFORMANCE REPORTS (NCRs)

Vehicle Maintenance Facility (VMF)

Total RFIs – 259	Total Submittals – 432	Total NCRs – 20
Total Open – 0	Total Open – 0	Total Open – 0

IV. 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.

VMF – The project achieved substantial completion with 64,436 “no-lost time” hours.

V. PROJECT BUDGET AND COST

TOTAL PROGRAM BUDGET Budget as of September 30, 2015

Approved Budget	\$191,706,000
Cost to Date	\$175,873,989
Estimate to Complete	
Corridor Project	\$ 7,845,039
10 th to Highland	\$ 4,682,050
Estimate at Completion	\$188,401,078

VMF CORRIDOR PROJECT COSTS - AS OF September 30, 2015

	CURRENT AUTHORIZED	CURRENT INVOICES PAID	REMAINING CONTRACT BALANCE
STV Inc.	\$2,057,929	\$1,862,813	\$195,116
USS Cal Builders	\$14,498,151	\$14,275,031	\$223,120
Total	\$16,556,080	\$16,137,844	\$418,236

VMF CONTRACT TIME

Activity	Days	Date
Notice to Proceed		12/10/12
Calendar Days per Original Contract	425	02/08/14
CCO Time Extension to Date	241	10/7/14
Negotiated Time Extension	267	6/30/15
Total Revised Contractual Time	933	6/30/15
Calendar Days Completed as of June 15 Substantial	933	
Remaining Completion Days as of June 15 Substantial	45	
Forecasted Final Completion		10/31/15
Percent Time Elapsed	100%	

CHANGE ORDERS

VMF CONTRACT CHANGE ORDERS - As of September 30, 2015

Change Order Status	Amount
Approved Change Orders	\$3,952,439
Pending / Potential Change Orders	\$-81,500
Trends / Risks	\$300,000
Total	\$4,170,939

Budget By Contract Packages 30-Sep-2015								(Contract Award + Approved Changes)	(Approved Current Budget- Committed)		Forecast		
										<i>Potential Uses of Contingency</i>			
	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	79,936,832	94.8%	64,937,853	16,257,774	81,195,627	6,564,636	3,441,373	159,493	-	81,355,120
Art			68,000	68,000		68,000	-	68,000	-	(68,000)	-	-	68,000
Other Direct Payments			48,401	143,892		143,892	-	143,892	(95,491)	(143,892)	-	-	143,892
Delineators				89,943		89,943	-	89,943	(89,943)	(89,943)	-	-	89,943
PA System				-		-	-	-	-	-	550,000	-	550,000
Miscellaneous Work				-		17,500	-	17,500	(17,500)	(17,500)	150,000	-	167,500
BRT Design													
Parsons	19,193,400	17,849,400	18,097,876	16,946,143	95.0%	14,464,092	3,705,727	18,169,819	(71,943)	(320,419)	(1,078,148)	-	17,091,671
PA System				19,500		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	14,386,328	176.9%	10,579,786	3,952,439	14,532,225	(34,073)	(6,401,225)	(71,500)	300,000	14,760,725
VMF Design													
STV	1,007,600	1,007,600	1,418,132	1,862,813	186.7%	951,029	1,048,727	1,999,756	(581,624)	(992,156)	25,000	-	2,024,756
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	15,192,458	92.4%	15,483,572	325,110	15,808,682	169,411	819,318	38,000	-	15,846,682
Other Vehicle Equipment			318,853	173,484		318,853	-	318,853	-	(318,853)	75,000	-	393,853
ROW Acquisition Services-SANBAG	6,532,000	10,357,000	11,738,400	11,150,525	107.7%	10,971,135	767,265	11,738,400	-	(1,381,400)	-	100,000	11,838,400
3rd Party Utilities Design & Reloc.		1,003,000	1,157,223	1,222,246	121.9%	1,106,117	-	1,106,117	51,106	(103,117)	50,000	-	1,156,117
Project Admin. And Management													
Jacobs	6,638,000	6,632,000	11,852,647	12,955,293	195.3%	3,898,769	9,198,560	13,097,329	(1,244,682)	(6,465,329)	25,000	-	13,122,329
Other													
IPMO	17,624,000	15,012,450	14,722,701	12,948,312	86.3%	15,172,701	-	15,172,701	(450,000)	(160,251)	(300,000)	-	14,872,701
Insurance	1,113,000	1,112,000	500,000	-	0.0%	500,000	-	500,000	-	612,000	(500,000)	-	-
Legal-BB&K, County	2,525,450	1,000,000	1,000,000	358,600	35.9%	1,000,000	-	1,000,000	-	-	-	-	1,000,000
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	439,000	1,438,000	-	-	25,000
Start-Up	720,000	720,000	700,000	-	0.0%	700,000	-	700,000	-	20,000	-	-	700,000
Sub-Total	177,676,000	173,633,000	188,431,091	175,873,989	101.3%	148,922,481	35,265,402	184,187,883	4,243,208	(10,554,883)	(868,855)	400,000	183,719,028
Unallocated Contingency	14,030,000	18,073,000	4,712,063					10,554,883		7,518,117			7,986,972
10th to Highland Projected Costs			4,682,050	-					4,682,050	-	4,632,050	50,000	4,682,050
Remaining Unallocated Contingency													3,304,922
Total	191,706,000	191,706,000	188,401,078	175,873,989	91.7%								191,706,000

10th-Highland													
Construction		3,929,550	3,929,550	-	0.0%	-	-	-	3,929,550	3,929,550	3,929,550	-	3,929,550
Design		-	-	-	0.0%	-	-	-	-	-	-	-	-
Permits		50,000	50,000	-	0.0%	-	-	-	50,000	50,000	-	50,000	50,000
Utility Relocation		-	-	-	0.0%	-	-	-	-	-	-	-	-
Project Admin. And Management		540,000	540,000	-	0.0%	-	-	-	540,000	540,000	540,000	-	540,000
In Kind Contributions		162,500	162,500	-	0.0%	-	-	-	162,500	162,500	162,500	-	162,500
Sub-Total	-	4,682,050	4,682,050	-	0.0%	-	-	-	4,682,050	4,682,050	4,632,050	50,000	4,682,050
Remaining Unallocated Contingency													3,304,922
Total	191,706,000	178,315,050	188,401,078	175,873,989	98.6%	148,922,481	35,265,402	184,187,883	8,925,258	(5,872,833)	3,763,195	450,000	188,401,078

39.12%	3,124,503.50
Remaining	4,862,468.63
10th to Highland	4,682,050.01
Difference	180,418.62

IPMO/sbX Project Cost Report
Period Ended 30-Sep-2015

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	\$ 80,238,666	94.8%	4,398,334	\$ 81,514,962	96.3%	\$ 859,493	\$ 82,374,455	\$ 2,262,545
Vehicle Maintenance Facility (VMF) Construction	\$ 8,131,000	\$ 8,131,000	\$ 14,386,328	176.9%	(6,255,328)	\$ 14,532,225	178.7%	\$ 228,500	\$ 14,760,725	\$ (6,629,725)
Vehicles - Design & Manufacturing	\$ 16,628,000	\$ 16,628,000	\$ 15,365,942	92.4%	1,262,058	\$ 16,127,535	97.0%	\$ 113,000	\$ 16,240,535	\$ 387,465
ROW Acquisition Services	\$ 10,357,000	\$ 10,357,000	\$ 11,150,525	107.7%	(793,525)	\$ 11,738,400	113.3%	\$ 100,000	\$ 11,838,400	\$ (1,481,400)
3rd Party Utilities Design & Relocation	\$ 1,003,000	\$ 1,003,000	\$ 1,222,246	121.9%	(219,246)	\$ 1,106,117	110.3%	\$ 50,000	\$ 1,156,117	\$ (153,117)
BRT Design	\$ 17,849,400	\$ 17,849,400	\$ 16,965,643	95.0%	883,757	\$ 18,252,819	102.3%	\$ (1,069,848)	\$ 17,182,971	\$ 666,429
VMF Design	\$ 1,007,600	\$ 1,007,600	\$ 1,881,193	186.7%	(873,593)	\$ 2,019,556	200.4%	\$ 25,000	\$ 2,044,556	\$ (1,036,956)
Other Professional, Technical & Management Services	\$ 34,020,000	\$ 34,020,000	\$ 34,663,444	101.9%	(643,444)	\$ 38,896,269	114.3%	\$ (775,000)	\$ 38,121,269	\$ (4,101,269)
Allocated Contingency (Construction Contract)	\$ -	\$ -	-		-	\$ -	0.0%	\$ -	\$ -	\$ -
SUB-TOTAL	\$ 173,633,000	\$ 173,633,000	\$ 175,873,989	101.3%	(2,240,989)	\$ 184,187,883	106.1%	(468,855)	183,719,028	(10,086,028)
Unallocated Contingency	\$ 18,073,000	\$ 18,073,000	\$ -		18,073,000	\$ -	0.0%	\$ -	\$ -	\$ 18,073,000
TOTAL	\$ 191,706,000	\$ 191,706,000	\$ 175,873,989	91.7%	15,832,011	\$ 184,187,883	96.1%	\$ (468,855)	\$ 183,719,028	\$ 7,986,972

ITEM # E4

DATE: November 12, 2015

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.

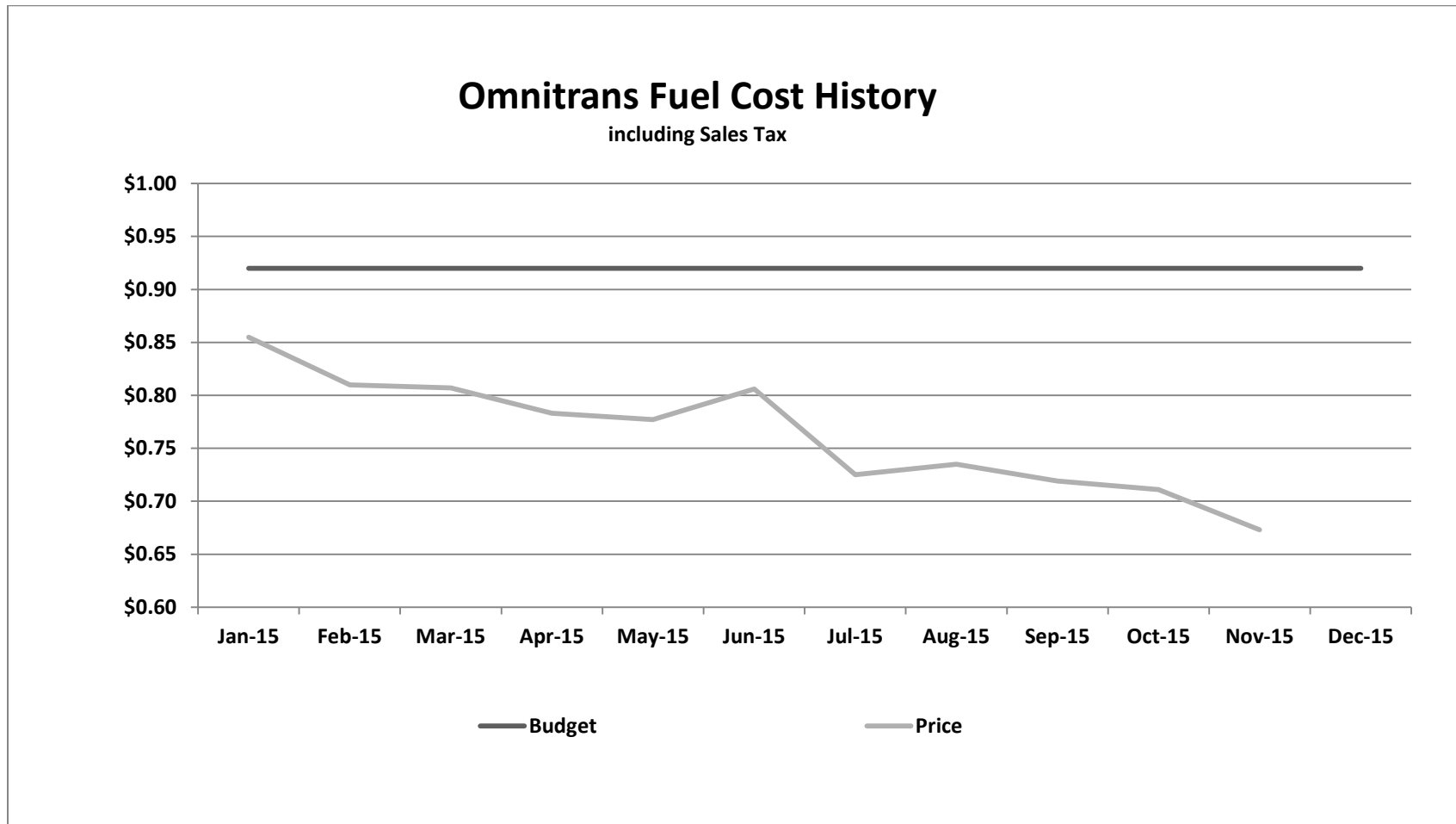
BACKGROUND

Omnitrans' most recent Forward Fuel Purchase Program ended August 31, 2015, whereby 181,500 gallons or 47% of our monthly natural gas usage for fuel was hedged at \$0.91 for twelve (12) months (Sep 2014 – Aug 2015). The Board of Directors authorized the CEO/General Manager to initiate another hedging program for up to twelve (12) months should the price of natural gas increase to or exceed \$0.92 per gallon budgeted for Fiscal Year 2016.

The price of natural gas on the open market continues to be lower than expected. Some analysts predict that as the weather turns colder, the demand for natural gas for heating will reduce the supply and cause the price to increase. However, technological advances in horizontal drilling and hydraulic fracturing will continue increase the supply.

The price of natural began a steady downward trend in January 2015, and has remained below average through November 2015. The chart below gives a history of Omnitrans fuel costs for the past eleven (11) months (Jan 2015 – Nov 2015). The fuel cost per gallon decreased from a high of \$0.855 in January 2015 to a low of \$0.673 for November 2015. The cost per gallon of fuel continues to be well below the \$0.92 per gallon budgeted for FY2016.

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.



PSG:DW



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ITEM # E5

DATE: November 12, 2015

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
FISCAL YEAR 2016 INTERNAL AUDIT WORKPLAN**

FORM MOTION

Receive and forward to the Board of Directors for receipt and file the results from the risk assessment and the FY 2016 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 2016 Workplan

Auditor Name: Samuel Gibbs, PhD
Audit Date: July 1, 2015

Risk Assessment
July 2015

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INTERNAL AUDIT ATTRIBUTES

Purpose

Mission

Omnitrans has 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. The DIAS will help Omnitrans accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and 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 on 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, plan 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? A strategic plan has been tied to the Agency's Management plan. The launch of the sbX Green line, Vehicle Maintenance Facility (VMF), and San Bernardino Transit Center (SBTC) has revealed the potential for other selective alternatives. The FY2015-2020 Short Range Transit Plan (SRTP) has outlined a plan for service changes, which includes express services, and Bus Rapid Transit (BRT) lite. The San Bernardino to Montclair express service (route 290) will be implemented September 2015. The successes and lessons learned will help with the implementation of additional express services.

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 2016 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 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. 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. Additionally, potential financial risk could be associated with any change to the cash allocation from SANBAG. The Agency's financial position is affected by the management of a proper balance on the Incurred But Not Reported (IBNR) allocation. It is imperative to determine the proper confidence level (assigning the reserves needed to minimize financial risks for potential occurrences).

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 year old. A plan is being developed to address the retirement of key personnel.

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, revised March 18, 2013. The Agency presently receives direction from the county's legal staff and Burke, Williams, and Sorensen (B,W&S). Additionally, close attention will be paid to change in federal, state, and local regulations. The FTA has placed emphasis on Buy America, Procurement best practices, construction project management, and management of grants three years or older.

Technological:

The Technology domain is risk associated with equipment, devices, and reporting systems. Examples include new fare box recovery equipment and the implementation of a new 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 new ERP system. A strategy is being considered that will address required change management to address SAP concerns. The Agency is considering adding staff dedicated to maintaining the system, rather than investing in consultants every time adjustments are needed. Additionally, the assessment will include an evaluation of the efficiency realizations relative to the implementation objectives. With the launch of the sbX and the future opening of the SBTC in September 2015, the Agency is using some new technology for the first time. Some of the new technology includes Ticket Vending Machines (TVM), Traffic Signal Prioritization (TSP), active Public Address System (PAS), and in coach Wi-Fi. The lessons learned from the sbX and SBTC implementations will be useful for future BRT and BRT-lite projects.

Recommended Areas for Audit Engagements

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
- Information technology
- Grant Process
- West Valley Connector Corridor (WVCC)
- San Bernardino Transit Center (SBTC) launch and monitoring, safety and security
- Preparations for a potential Financial Management Oversight (FMO) review from the FTA
- Procurement System Review (PSR)
- Buy America Pre-Award and Post-Delivery Audits
- Construction document control and security

Strategic

Future Funding and Growth - The Agency has to determine strategies for future funding and growth. The out years after FY 2015 will have some uncertainties. The Agency is addressing methods for cost containment/reductions to optimize current funding to maximize efficiencies. For example, the feasibility study on pipeline CNG, and the conversion of the 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.

Operational

Service Optimization - The development of strategies to address the optimization of service levels during a recovering or static economy. The launching of the sbX Green Line and other future premium services has changed the way service delivery is viewed. Changes will be implemented changing the approach from a radius delivery network to a grid delivery network. Instead of tweaking the system in small bits and pieces: the system is being evaluated in a more comprehensive manner, integrating the fixed routes with the sbX services. Reliability has to be maintained as demand increases and service remains flat. In 2001, the Omnitrans Board of Directors established a standard for resource allocation amongst routes and services. The standard was re-confirmed in the FY2015-FY2020 Short-Range Transit Plan, as new resources are added, they should be added such that Omnitrans moves to 65% productivity-oriented service and 35% coverage-oriented services. Omnitrans will be introducing additional express services, as well as look at opportunities for public-private involvement in circulator routes.

Quality Management Process and QA Site Visits - During the construction phase and substantial completion of the sbX project, a comprehensive quality program was developed to measure and monitor quality control. A member of the quality assurance (QA) team was in the field daily monitoring the quality of the work performed by the contractor and the Construction Management Services (CMS). Moving forward, the function of the QA Manager will be to assist the Integrated Project Management Office (IPMO) team with any construction activities and the West Valley Connector Corridor (WVCC) project. The QA Manager will conduct onsite quality audits and report the results monthly. DIAS will monitor the QA activities, which will include periodic reviews. The Agency will use oncall consultants to fill any needs for QA services. A QA Manager will be hired full-time once we progress to the stage in upcoming projects where full time services are needed. Until that time, the Director of Internal Audit will attend meetings and stay updated on the progress.

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 funds 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

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CFR Part 661 and Part 663. Post-delivery audits are also required to ensure compliance with the FTA Buy America requirements.

Procurement System Review - The Agency's procurement process was audited by the FTA in April 2013, and there were 60 elements reviewed, 32 were deemed non-deficient, 22 deficient and six (6) not applicable. Of the 22 deficiencies, three were singled out as needing immediate attention. All deficiencies from the April 2013 review were addressed. The Department of Internal Audit Services will continue to randomly evaluate the effectiveness of the procurement processes and provide support to ensure that the controls are strengthened. The corrective action in 2014 included updated training for staff. It is recommended the changes implemented in 2013 and 2014 are reviewed for compliance and understanding. An additional series of training should be conducted in FY 2016 to ensure staff is current. Compliance will be achieved in this area by the continuing performance of random audits using the guidelines provided by the FTA for a PSR. Procurement System Review audits will include follow-up on procurement contracts. Spot checks, checklists, proper price and price/cost analysis will be reviewed. Training will be recommended in any area where deficiencies are discovered.

The Agency is scheduled for a Procurement System Review (PSR) starting on August 24, 2015, which will review the corrective action taken from the prior PSR in 2013.

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.

Contract Management - The Agency is in the final phase of closing out the corridor portion and the Vehicle Maintenance Facility (VMF) of the sbX project; therefore, contract management remains a critical component of delivering a successful project. It is critical to managing all of the contracts according to the original document and in accordance to federal guidelines.

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 Agency 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 adjustment 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 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 is critical to ensure success. An internal leadership program is the Leadership Action Program. 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. The Agency hired 11 coach operators and two employees in other departments. Additionally, an internship program was implemented for operations (contracts services), using resources from the workforce development grant.

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.

Workers' Compensation and Incurred But Not Reported (IBNR) Activities - A follow-up audit will be performed to review compliance with law and regulations for workers' compensation and surveys will be conducted to find methods to reduce workers' compensation claims. An audit of the workers' compensation process was conducted in 2009, and the Agency was managing the process effectively. This process will be audited again to ensure that the Third Party Administrator (TPA) is providing the proper guidance to assist in the Agency's efforts to reduce claims and cost. The Agency is in the second year with a new TPA.

Employee Recreation Club (ERC) - Conduct ongoing random and routine audits on the ERC activities and financial management process.

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 process 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, is 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.

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 a quarterly basis.

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.

Fuel Audit - Conduct a review of fuel use and management of the Forward Fuel Purchase Program. Additionally, all transactions for the Forward Fuel Purchase Program will be subject to random and routine audits as deemed necessary by the CEO/General Manager or the Administrative and Finance Committee of the Board of Directors.

Fuel prices are presently showing a downward trend for the first part of 2015. However, future prices remain unpredictable. Also of concern is the availability and dependability of Liquefied Natural Gas. Omnitrans presently is under contract with one of the two available sources to Southern California. The hedge program and the pursuit of alternative fuel strategies were monitored during FY 2015. Staff is making the determination whether after the fuel hedge expires, if it is still of value to enter into another hedge program. The price of Liquefied Natural Gas (LNG) has been on a downward trend. The Agency is also exploring the feasibility of pipeline CNG. Once the Agency converts to pipeline, the hedge program may no longer be necessary. Additionally, the Access fleet is being converted from petroleum gas to CNG. These changes will contribute to reduced costs and a continued commitment to cleaner air. Although the plans are to convert as many vehicles as possible to CNG, as the transition is taking place, there will still be vehicles which use unleaded gas. California Air Resources Board (CARB) has

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created “Fuels Under the Cap” regulations (AB 32). This hidden CARB fee could cause some increase in gas prices. Additionally, the unleaded gas price has seen dips and spikes.

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 TEAM. 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 2015, Omnitrans was in compliance with all ARRA and IPERA requirements. This review will be conducted again for FY 2016 in the fall of 2015.

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).

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

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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) - The SBTC is scheduled for operation on September 8, 2015. SANBAG was the lead agency on the construction phase of the SBTC project. Omnitrans' staff has a role in monitoring the progress and ensuring that the finished product fits the needs of the Agency. The focus is on cleanliness, safety, and connectivity. The close out phase of the SBTC project is ongoing and Internal Audit and Finance has a role as the oversight for the project. SANBAG is considered a sub-recipient for the FTA-funded portion of this project. A review will be conducted to assess how the budget versus construction cost has affected the project.

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. 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 research 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 over 80 % 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.

Reduction of Non-Revenue Vehicles - Non-revenue vehicles are used by the Maintenance Department, general Agency business, and for Coach Operators to drive to and from the routes (for relief purposes). The goal is to reduce the coach operator's relief vehicles by five (5) by doing relief and splits at the SBTC.

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

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

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.

Risk Assessment - An updated risk assessment will be conducted in late May 2016 or no later than early July 2016.

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 (RESD) for disposition of the property. The RESD advertised the property to governmental agencies. The property must be offered to governmental agencies for at least 60 days. An original offer was made on the property and later retracted. The Director of Finance is working with the RESD to offer the property a second time. 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 2015

Engagements	Findings, Recommendations and Outcomes	Follow-Up
<p>Sub-Recipient Grant Oversight and Sight Visits</p>	<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 conducted site visits of all sub-recipients, which were completed by July 31, 2015.</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, and Victor Valley Transit Agency.</p>	<p>Ongoing FY 2016</p>
<p>Armor Transport Services</p>	<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 .4% variance on \$250,000. This is about a \$1,000.00 variance on \$250,000.00 worth of transactions, which was well under the +/- 3% tolerance. The total variance for the entire nine months under review was plus \$728.55 or .09% on transactions of \$738,057.75, which was well under the +/- 3% tolerance.</p>	<p>Ongoing FY 2016</p>
<p>Employee Recreation Club (ERC)</p>	<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</p>	<p>Ongoing FY 2016</p>

Summary of Audit Activities for FY 2015

Engagements	Findings, Recommendations and Outcomes	Follow-Up
	<p>of five dollars, and .25 % of the member’s pay (by payroll 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 on July 17, 2015 and the findings were as follows:</p> <ul style="list-style-type: none"> - Check stubs for all checks written since July 2014 until June 2015 were accounted for (checks 2045-2061), and all funds balanced. - Reviewed bank statements in the checkbook for June 2014 through June 2015, and matched the deposits to the deposit stubs. All deposits were made in a timely manner for the amounts listed on the stubs. - All recommendations from prior audits or reviews were complied with 100%. - A review of the minutes from the meeting held on February 21, 2015, indicated the ERC has 179 members. Also discussed in those minutes were ways to include West Valley in all ERC activities at the same level East Valley participates. - Terrence Gipson, President of the club, will be speaking with the vending machine vendor to request a healthier, fresher assortment of food in the machine. This helps to promote wellness in line with the objectives of the Agency. - Elections will be held on September 26, 2015. - For the past three years, the ERC hosted the annual Holiday Party. This year the Agency elected to host the seasonal event. Human Resources Safety & Regulatory Compliance is taking the lead on the coordination of the event. ERC members will be included in the committee meetings for input. - At the time of the 2014 review check # 2039, for \$75.60, had not cleared the bank yet. This check still had not cleared the bank and was voided. <p>There were no recommendations or material findings during this engagement. The full report is available upon request.</p>	

Summary of Audit Activities for FY 2015

Engagements	Findings, Recommendations and Outcomes	Follow-Up
<p>P-Card</p>	<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 June 2015; 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 follow:</p> <ul style="list-style-type: none"> - There was a question pertaining to hotel rates for a trip taken in February 2015. The host hotel was offering a rate Of \$450.00 per night; other hotel close to the host hotel had lower rates available. This raises the question of how to determine acceptable lodging rates (and when to stay at the host hotel or not for conferences). When this situation comes up again, the determination will be made on a case by case basis. Consideration will be given, if there is a benefit, to staying in the host hotel. - The travel expense document was changed to include language on how mileage is claimed when carpooling is done. The website and document have been updated. - There was travel where the expenses were paid for using the employee’s P-Card. The use of a P-Card for travel is acceptable. In the cases where a P-Card is use to pay for travel, the travel approval form and a travel expense report is still necessary. <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>	<p>Ongoing FY 2016</p>

Summary of Audit Activities for FY 2015

Engagements	Findings, Recommendations and Outcomes	Follow-Up
<p>SANBAG Triennial Review</p>	<p>The San Bernardino Associated Governments (SANBAG) engaged the PMC consultant team to conduct the Transportation Development Act (TDA) triennial performance audit of the six public transit operators under its jurisdiction. The performance audit serves to ensure accountability in the use of public transportation revenue. This performance audit was conducted for Omnitrans covering the most recent triennial period, fiscal years 2011-12 through 2013-14.</p> <p>The audit included a review of the following areas:</p> <ul style="list-style-type: none"> - Compliance with TDA Requirements - Status of Prior Audit Recommendations - System Performance Trends - Functional Review <p>The primary findings from the audit were:</p> <ul style="list-style-type: none"> - Omnitrans has complied with all applicable compliance requirements of TDA. - There are two prior audit recommendations being revised and carried forward for the next audit period and one new recommendation, as follows: <ol style="list-style-type: none"> 1. Identify challenges that staff have working with SAP and make best efforts to improve the program experience and make it as efficient and seamless, as possible (Prior audit recommendation, but revised and carried forward for next audit period) 2. Report performance against the FY2015-2020 Omnitrans Short Range Transit Plan, OmniConnects: Connecting People, Business & Community (New recommendation) <p>Find ways to increase sbX bus rapid transit ridership over time (Prior audit recommendation, but revised and carried forward for next audit period.)</p>	<p>Continue to monitor Internal Controls</p>
<p>I St. and Royal Coach Review</p>	<p>Omnitrans operates four facilities. The four facilities consist of two for fixed route operations and two for the Americans with Disabilities Act (ADA) Paratransit operations. Omnitrans owns the sites at West Valley, East Valley, and “I” Street in San Bernardino; the Feron street location is operating under a lease agreement. Additionally, a portion of the “I” street location is</p>	<p>As Needed in FY 2016</p>

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Engagements	Findings, Recommendations and Outcomes	Follow-Up
	<p>leased to Royal Coach Auto Body. All Omnitrans' properties are subject to regular inspections for safety, security, and Agency brand. The purpose of this review is to provide documentation for the inspection performed of the ADA Paratransit contractor, First Transit, and the permittee Royal Coach Auto Body.</p> <p>A rental agreement was signed by Omnitrans' CEO/GM Durand Rall on November 5, 2001, entering Juan Tapia/Royal Coach Auto Body (jointly and separately referred to as Permittee) into a month-to-month rental agreement. The initial amount was a deposit of \$425.00 and \$850.00 per month, and \$400.00 per month as fair share of utilities expense.</p> <p>The first amendment was issued June 16, 2004, and effective July 1, 2004, Amendment No. 1, adjusted the monthly rental to \$1,800.00 per month and the fair share of utility to \$650.00 per month. There were also adjustments to space and additional parking added for \$100.00, bring the total due monthly to \$2,550.00.</p> <p>Amendment No.2 was issued on June 23, 2008, and effective August 1, 2008. The monthly rental amount was adjusted to \$2,070.00, the fair share of utility was adjusted to \$747.50, spaces for additional parking remained at \$100.00, bringing the total due monthly to \$2,917.50.</p> <p>The adjustment from July 1, 2004 to August 1, 2008, was a 15% increase across the board. This would reflect an annual increase of 5% (non-compounded) for this period.</p> <p><u>Finding</u></p> <ul style="list-style-type: none"> - The appearance of the property during the business hours needed improvement. The contractor First Transit has opportunities to improve the condition of the physical property (trash on the ground and cleanliness). The property could use some refreshing such as paint. Royal Coach Auto Body has an opportunity to keep the front of their area cleaner (autos are scattered in front of the building sort of helter skelter). - Omnitrans' storage area behind the fence in the rear needs organizing and consideration should be given to whether we are storing items there in a manner that protects the asset. - There is a radio hanging from a hook in an area where there is regular use of water. This is a major safety issue. 	

Summary of Audit Activities for FY 2015

Engagements	Findings, Recommendations and Outcomes	Follow-Up
	<p><u>Recommendation(s)</u></p> <ul style="list-style-type: none"> - Recommendation is that the Omnitrans’ Maintenance Department surveys the conditions at I Street and prioritizes a list for painting, organization of the storage area, and any minor repairs. - Safety and security include training on their visits about unsafe conditions. - Re-evaluate the rental agreement with Royal Coach Auto Body. - Communicate to Royal Coach Auto Body the expectation for aesthetics and brand (image). 	

Summary of Audit Activities for FY 2015

Engagements	Findings, Recommendations and Outcomes	Follow-Up
<p>Procurement System Review (PSR)</p>	<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.IF, “<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 is scheduled for August 24, 2015 and will be concluded on August 26, 2015. An update on the PSR and any recommendations will be provided in future reports.</p>	<p>Randomly in FY 2016</p>
<p>Travel Expense Review</p>	<p>The Mission of Omnitrans is to provide the San Bernardino Valley with comprehensive public mass transportation services which maximize customer use, comfort, safety and satisfaction while efficiently using financial and other resources in an environmentally sensitive manner. The safeguarding of public dollars is a key factor in delivering on Omnitrans promise to stakeholders. One way the use of public funds is safeguarded is through routine review of travel expense for trips taken by staff in the execution of business. The CEO/GM requested a review of the travel process based on observations from documents which came across his desk.</p> <p><u>Finding</u></p> <ul style="list-style-type: none"> - There was an instance when a group of employees carpooled and claimed individual mileage reimbursements. Only the driver is eligible for reimbursement for mileage. The travel expense report form does not specifically indicate only the driver is eligible. - In some cases when the P-Card is used for travel, an expense report form is not completed, documenting the travel. Finance only files travel reimbursements for those transactions where there is an expense report form turned in. <p><u>Recommendation(s)</u></p> <ul style="list-style-type: none"> - That additional information is added to the travel form. In the window where the per mile reimbursement amount is 	<p>Ongoing FY 2016</p>

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Engagements	Findings, Recommendations and Outcomes	Follow-Up
	<p>indicated add “when carpooling only the driver qualifies”).</p> <ul style="list-style-type: none"> - When using a P-Card for any travel expense, a travel form is still required. 	
<p>Workforce Development</p>	<p>Omnitrans applied for an Innovative Transit Workforce Development Program Grant in June of 2012. The goal of the FTA program was to develop and introduce unemployed or under-employed individuals to a transit experience. The grant was awarded to Omnitrans in March of 2014 and needed to be used within 18 months. Omnitrans requested \$400,000 and was awarded \$340,000. The grant is not specific to Omnitrans; it is designed to address a regional transit need, which includes partnerships with the other six transit providers in the region. An internal team was assembled to establish a curriculum, design the scope of the training, hire instructors, acquire a coach simulator, and administer the grant. Site visits were made to Los Angeles Metro Transit Agency (LAMTA), who had been the recipient of prior FTA workforce grants and was awarded funds again. We learned quite a bit from their successes and failures. Since October 2014, the Bridge program has trained 180 participants, and in partnership with CSUSB, built a true to life coach simulator. The program is ongoing until September 2015.</p> <p>The outcomes to date from the Workforce development grant are:</p> <ul style="list-style-type: none"> - Obtained a Coach Simulator - Conduct classes for 180 participants - 39 made it past the first phase of the employment process - 11 hired at Omnitrans as Coach Operators - 9 found employment elsewhere after the class - 1 employed as a stops and stations employee - 1 employed at LAMTA - 1 hired by the security contractor - Hired two interns for the Operations Department 	<p>Closeout March 2016</p>
<p>IPERA</p>	<p>On July 22, 2010, the President signed into law the Improper Payments Elimination and Recovery Act (IPERA; Pub.L. 111-204). IPERA amended the Improper Payments Information Act of 2002 (IPIA; Pub. L. 107-300) and generally repealed the Recovery Auditing Act (Section 831, Defense Authorization Act, for FY 2002; Pub.L. 107-107). IPERA directed the Office of Management and Budget (OMB) to issue implementing guidance to agencies. As part of the IPERA initiative, the Federal Transit Administration (FTA) contracted Deloitte to conduct oversight review of grantees. Omnitrans was asked to provide information on three invoices, one from Parsons, and two from the Griffith/Comet Joint Venture (JV). Before forwarding the information to Deloitte, a line by line</p>	<p>None needed</p>

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Engagements	Findings, Recommendations and Outcomes	Follow-Up
	<p>internal review of each invoice was conducted. The review also required some analysis of each of the original contracts.</p> <p>All information was provided and the review was found to have no deficiencies. Full documentation available for review upon request.</p>	
<p>National Transit Database (NTD) Reporting</p>	<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 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>	<p>July 2016</p>

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Engagements	Findings, Recommendations and Outcomes	Follow-Up
Buy America	<p>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 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 May and June of 2015.</p> <p>During the months of October and November 2015, site visits will be conducted at the New Flyer assembly plant in Anniston Alabama, and post-production in Ontario, California. The purpose of the site visits is to validate compliance as outlined in the pre-production Buy America audit.</p>	December 2015
Fare Box Audits	<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>	Ongoing FY 2016