

Outstanding Audit Recommendations
Audit Reports Issued Through
June 30, 2025

ATTACHMENT B

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
1/26/22	21-511	Executive Office	Physical Access Security	The Internal Audit Department (Internal Audit) recommends management develop and implement written policies, procedures, and protocols that address the timely issuance, termination, and use of badges. These procedures should be referenced in contracts with Contracted Transportation Services (CTS) providers and be communicated to Orange County Transportation Authority (OCTA) staff. Management should also ensure secondary controls are operating as intended.	Jul-25	Management is reviewing the issuance and termination of access badges in order to document processes. Management will work with other departments, including CTS, to advise of procedures for issuing and terminating access badges and encourage those departments to include procedures in their contracts, as appropriate. Additionally, management is currently reviewing and documenting procedures to ensure secondary controls are being utilized. Review and updating of procedures will conclude with the creation of a new Physical Access Policy to be completed by June 30, 2022.	<u>Update August 2022</u> : Management has not yet developed policies, procedures, and protocols to address timely issuance, termination, and use of access badges. <u>Update March 2023</u> : Management expects an updated Access Control Policy (Policy) to be completed soon, and updates to agreements with CTS providers are in process. <u>Update September 2023</u> : Significant progress has been made; however, monitoring controls outlined in the newly-developed Policy have not yet been implemented. <u>Update March 2024</u> : Monitoring controls related to access control have been implemented; however, further improvement is needed. <u>Update August 2024</u> : Management is updating distribution lists for the System Validation Report to ensure that appropriate managers receive the report and can validate access rights. Management expects improvements to be completed by October 2024. <u>Update March 2025</u> : Management responded that this effort is on hold due to the recent transition of the access control system to a new platform and the loss of two employees responsible for this effort.
2/9/22	21-507	Operations Division (Operations) and Finance and Administration Division (F&A)	Facilities Maintenance (FM) Operations	Management should enhance its invoice review process to ensure compliance with OCTA's Vendor Payment Policy and contract payment terms. Vendor mark-ups should be discontinued from time-and-expense contracts. For contracts related to the purchase of parts and materials only, any items not listed on the price summary sheet should include supporting cost documentation. If mark-ups are to be allowed on parts-and-materials contracts, the proposed mark-ups should be incorporated into the evaluation of costs during the vendor selection process.	Aug-25	Management will immediately begin working on enhancing the current invoice cover page to include a checklist that will require acknowledgement of review for sufficient detail as to quantity and rates of costs and justification. To address the issue of providing sufficient detail and complying with contract terms, the checklist being developed will improve oversight. In terms of discontinuing vendor mark-ups in time-and-expense contracts, management will work with the Contracts Administration and Materials Management (CAMP) Department to develop a solution that will address the issue of vendor mark-ups as well as incorporating an evaluation of cost, if mark-ups are allowed, during the vendor selection process.	<u>Update September 2022</u> : Management has enhanced the invoice checklist to include review for sufficient detail as to quantity and rates. CAMP has implemented an evaluation methodology to assign a percentage of the cost score for items not listed on the price summary sheet. Management and CAMP continue to explore options including discounts from price sheets and using fair market values to justify and validate price mark-ups. <u>Update March 2023</u> : FM has enhanced its invoice review; however, CAMP staff needs to enhance its review of invoices for contracts that have been transferred to their control. <u>Update August 2023</u> : CAMP staff has implemented an invoice review checklist; however, Internal Audit identified some payments that do not comply with contract terms and some vendors that do not have published list prices, required in order to validate discounts. <u>Update March 2024</u> : CAMP has hired a contract analyst to manage and review invoices and implement enhancements to invoice review. <u>Update September 2024</u> : Management has developed price validation procedures; however, the procedures are not being applied consistently. <u>Update March 2025</u> : Management has developed price validation procedures; however, the procedures are not being applied consistently.

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5/31/23	22-513	F&A	OCTA's Cybersecurity Program	Management should adopt and implement a policy that governs asset management and associated activities.	Aug-25	Management agreed to develop and implement a policy.	<u>Update February 2024:</u> Management has drafted requirements of an asset management system and plans to utilize a module of the FreshService system (system). Once implemented, an Asset Management Policy will be developed and implemented. <u>Update August 2024:</u> Management has launched the system and is in the process of collecting data for all computing assets. <u>Update February 2025:</u> Management has implemented systems to track and manage assets and will be finalizing an Asset Management Policy.
5/31/23	23-509	F&A	OCTA's Cybersecurity Program	Management should implement a comprehensive vulnerability management program that includes identifying, assessing, prioritizing, remediating, and/or documenting vulnerabilities as "accepted risks" in a timely manner.	Aug-25	Management agreed and indicated that the current Vulnerability Policy will be enhanced and all issues will be remediated or documented as "accepted risks" in a timely manner going forward.	<u>Update February 2024:</u> Management is working to build dashboards to identify vulnerabilities and a reporting system to monitor remediation efforts. Management estimates full implementation of this recommendation by June 2024. <u>Update August 2024:</u> The estimated completion date has been extended due to delays in procuring a consultant. The revised expected completion date is October 31, 2024. <u>Update February 2025:</u> Management has implemented a system to identify and track vulnerabilities across systems. A Vulnerability Policy is in draft and should be published soon.
5/31/23	23-509	F&A	OCTA's Cybersecurity Program	Management should strengthen the data protection and privacy program by adopting a comprehensive policy, designating an individual to define and communicate data and privacy requirements, and perform user access reviews at least every 90 days for all internal employees and third party contractors that have OCTA user accounts and/or access to internal resources.	Aug-25	Management committed to implementing a comprehensive data protection and privacy program for all protected data and to designate the cybersecurity manager as the individual responsible to define and communicate data and privacy requirements. In addition, management agreed to implement user access reviews at least every 90 days.	<u>Update February 2024:</u> Management indicated they have begun to meet with departments that handle protected data to identify where the data is stored and who has access. Once completed, management plans to develop policies and processes to properly secure such data. In addition, management is working with Microsoft to implement a governance platform to control user access during the entire employment life cycle. Management estimates full implementation by April 30, 2025. <u>Update August 2024:</u> Management continues to work on identifying protected data and the users that should have access to the data. Work on implementing a governance platform is in progress and full implementation is expected by April 2025. <u>Update February 2025:</u> Management has implemented a user access review process and full implementation of a data protection and privacy program is expected in April 2025.

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12/5/23	24-503	Executive Office	Transit Police Services (TPS)	Management should implement a process to evaluate, estimate, and document the methodology of assigning TPS costs on an annual basis. Management should also consider implementing a process to accumulate and report all costs of providing transit security.	Jun-25	Management will collaborate with the Orange County Sheriff's Department to estimate and document contract costs on an annual basis. In addition, management will work with the Financial Planning and Analysis (FP&A) Department to ensure the ability for each department responsible for an aspect of providing or supporting TPS, to accumulate and consolidate transit security costs for a better understanding of the overall cost of transit security. Management will work with FP&A to consolidate TPS associated costs and reporting by July 2024.	<u>Update August 2024:</u> Management is coordinating with FP&A to implement a process to periodically review contract cost allocations for reasonableness and make adjustments as necessary. Management is also working with FP&A and Maintenance Resource Management to implement a process to accumulate all costs of providing transit security. <u>Update January 2025:</u> Management is working with FP&A and Maintenance Resource Management to periodically evaluate contract cost allocations and to accumulate all costs of providing transit security. <u>Update June 2025:</u> Follow-up in process.
12/5/23	24-503	Executive Office	TPS	Management should implement procedures to document agreements for enhanced services, including the type, time, and place of services, and obtain a cost estimate for services. Management should reconcile invoices for special services to these documents and obtain support, or include in the contract, the rates to be charged prior to authorizing payment.	Jun-25	Management will establish procedures to better document the estimates, agreed cost, and occurrence of special services performed. Management will also seek rates for services to be documented in annual contract amendments moving forward with the 2024-2025 TPS contract amendment. Work should conclude by May 2024.	<u>Update August 2024:</u> Management has obtained annual cost estimate memos from TPS that document each type of enhanced service, the overtime billing rates by position, and the estimate of hours and positions required for each service; however, the contract requires documentation of the type, time, and place for each of these services, as scheduled, along with a cost estimate. Management should obtain a memo with all of the required information for each of the scheduled services. <u>Update January 2025:</u> Management has developed a template to document special service activities and will implement it immediately. <u>Update June 2025:</u> Follow-up in process.
5/29/24	24-511	People and Community Engagement (PACE)	Flexible Spending Account (FSA) Program	Management should implement a process for regular tracking of custodial account contributions, distributions, and running account balance and ensure the balance is updated for purposes of financial reporting.	May-25	Management will create a process to ensure the balance is updated and reported to accounting at the end of each fiscal year. In addition, a process will be established to regularly track account balance and activities.	<u>Update February 2025:</u> OCTA has transitioned to a new FSA administrator as of January 2025. Management will create a process for regular tracking of the account with the new provider, Health Equity, Inc. <u>Update June 2025:</u> Follow-up in process.
9/13/24	25-502	F&A	Investments: Compliance, Controls, and Reporting January 1 through June 30, 2024	Management should update the Treasury manual to reflect current practices.	Sep-25	Management will update the manual as recommended.	<u>Update March 2025:</u> Management is working to update the manual and related policies.

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10/11/24	25-504	F&A	Investment Manager Contracts	Management should remind investment managers of contract requirements for replacement of key personnel and implement a procedure to periodically validate key personnel.	Oct-25	Management will remind investment managers of the contract requirement and will work to limit the designation of key personnel to those employees who work directly with OCTA staff. We will also implement a process to periodically validate key personnel.	Update April 2025: Management will finalize contract amendments to limit key personnel to two individuals by the end of April and will validate key personnel annually during the investment policy update process, starting in June 2025.
3/14/25	25-511	F&A	Investments: Compliance, Controls, and Reporting July 1 through December 31, 2024	Management should enhance controls to ensure variable and floating rate securities are properly reflected in monthly investment and debt reports.	Sep-25	Management will enhance its review process to ensure accuracy of future reports.	
1/7/25	25-507	PACE	Employee Compensation	Management should strengthen controls to ensure compliance with the Temporary Increases Policy.	Jul-25	Responsible staff have been reminded of the importance of saving documents in the employee files. Management will review files of employees currently receiving temporary increases and ensure required documentation is on file.	
1/7/25	25-507	F&A	Employee Compensation	Management should retain documentation supporting productivity incentive calculations and annual determination of cell phone allowance.	Jul-25	Management will ensure documentation is retained and on file to support incentive calculations and determination of the annual cell phone allowance.	
2/3/25	24-508	Express Lanes Programs	Agreement No. C-9-1177 with Cofiroute USA, LLC for 91 Express Lanes Operations	Management should enhance oversight to ensure the vendor is held accountable to contract requirements and develop policy and procedures to address the parameters and authorization thresholds for waiving liquidated damages.	Aug-25	Management will develop policy and procedures for waiving damages and will improve documentation consistent with the new policy being developed.	
2/3/25	24-508	Express Lanes Programs	Agreement No. C-9-1177 with Cofiroute USA, LLC for 91 Express Lanes Operations	Management should strengthen enforcement of contract requirements related to performance measures and reporting. Management should also develop a policy and procedures to address parameters and authorization levels for waiving penalties.	Aug-25	Management will enhance documentation of monthly standards assessment and review for agreed-upon penalties. Management will also develop policy and procedures to address the parameters and thresholds for penalty waivers.	
2/3/25	24-508	Express Lanes Programs	Agreement No. C-9-1177 with Cofiroute USA, LLC for 91 Express Lanes Operations	Management should adjust monthly status reports to properly reflect results against standards as outlined in the agreement.	Aug-25	Management agrees and has updated the report format starting with the November 2024 report, to reflect standards as outlined in the agreement.	

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2/3/25	24-508	Express Lanes Programs	Agreement No. C-9-1177 with Cofiroute USA, LLC for 91 Express Lanes Operations	Management should utilize an invoice review checklist to ensure all contract requirements have been met and should include all invoice back-up in the invoice package submitted to Accounts Payable (AP).	Aug-25	Management will implement a checklist to be used during invoice review to ensure contract requirements are met and, as of June 2024, the complete invoice package is being submitted to AP as recommended.	
4/23/25	N/A	Planning Division	Measure M City Agreed-Upon Procedures Reports	Direct staff to consult with legal counsel, develop guidelines for allowable uses of Local Fair Share funds for "other transportation purposes" and provide communication to cities.	Oct-25	Management will consult with legal counsel and develop guidelines.	
4/28/25	25-506	Capital Programs	Real Estate Administration	Management should implement standards for the conduct and documentation of fair market valuations (FMVs) and require consultant firms to provide opinions of value in writing, including descriptions of the methodology and support for the rates used. Management should also develop and implement procedures to ensure FMVs and related adjustments are conducted and applied in accordance with agreement terms and policy requirements.	Oct-25	Management indicated that an updated corridor appraisal is underway and will be used as the basis for calculating FMV increases. Management will also develop a procedure to memorialize steps taken and any source material used to determine FMVs, including decisions as to imposing such increases.	
4/28/25	25-506	Capital Programs	Real Estate Administration	Management should comply with policy requiring documentation and approval of lease rate adjustments modified or not applied and should implement procedures to ensure lease amendments are processed to reflect negotiated rate adjustments.	Oct-25	Management will develop procedures for documentation and approval of rate adjustments, or waivers of such, on a monthly basis. Negotiated adjustments to lease rates will be included in an amendment to the license agreement.	
4/28/25	25-506	Capital Programs	Real Estate Administration	Management should obtain documentation of Risk Management Department's (RMDs) review and direction as to insurance requirements. In addition, management should consider reviewing and updating license agreements that do not contain insurance requirements or other standard terms and conditions.	Oct-25	Management will obtain a memo from the RMD each January to confirm insurance requirements for above-ground uses and utilities. For unique or unusual uses, or for improved properties, the RMD will be consulted to determine sufficiency of insurance requirements. Management will initiate and document discussions with licensees as to any changes needed to contract terms.	

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4/28/25	25-506	Capital Programs	Real Estate Administration	Management should implement procedures for periodic inspection of properties to ensure compliance with agreement terms and to identify unauthorized uses. Inspections should be documented.	Oct-25	Each January, management will review and identify tenants that require more recurrent inspections based on the specific site and the tenants' use of the property. Properties requiring more recurrent inspection will be documented in the tenant file and management will log inspections performed. Other 'as needed' or case-by-case inspections will be performed and documented in the tenant file.	
4/28/25	25-506	Capital Programs	Real Estate Administration	Management should implement procedures to ensure late payment provisions of tenant agreements are enforced.	Oct-25	Management will obtain a report on tenants whose payments are 30 days late and will calculate fees based on the agreement and communicate this rate to the tenant and Accounts Receivable Department staff. At 90 days, staff will contact legal counsel to determine whether to pursue a lease or license violation and will document the process in tenant files.	
5/14/25	25-510	Operations	Contracted Fixed-Route Services	Management should identify required reports to allow for monitoring and application of penalties in accordance with the agreement. Management should also comply with agreement language in determining whether accidents are considered preventable and apply penalties as required. Finally, management should consider options to improve contractor performance as to the unclassified revenue percentage.	Nov-25	Management will work with other departments to identify a list of required reports subject to penalty and will incorporate the list in the next available amendment to the agreement. Management will also comply with agreement language as to preventable accidents and related penalties going forward. Finally, management will request the contractor conduct training sessions and will include a performance standard related to unclassified revenue percentage, with corrective measures, in the next contract.	
5/14/25	25-510	F&A	Contracted Fixed-Route Services	Management should confirm that the performance bond on file is binding and ensure that documentation of the review of the performance bond and insurance certificates is included in the agreement file.	Nov-25	Management has confirmed that the performance bond is binding and will obtain a rider removing the language requiring signature by OCTA. In addition, emails documenting review of the bond and insurance requirements have been included in the agreement file.	
6/10/25	25-513	Capital Programs	Project Controls	Staff should obtain timesheets to support labor hours charged. Exceptions to this requirement should be approved by the Capital Programs Executive Director.	Dec-25	Staff will implement the recommendation and will obtain Executive Director approval for any exceptions to invoice review requirements.	