

**Outstanding Audit Recommendations
Audit Reports Issued Through
March 31, 2023**

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 the Security and Emergency Preparedness (SEP) Department management develop, maintain, and test a comprehensive, appropriate, and up-to-date set of physical security plans, policies, and procedures based on evaluation of the organization using risk rating methodologies and assessments. A written Access Control Policy and related procedures should be developed and published, and management should address requirements included in the Physical Security Policy for implementing gate controls at all facilities. Finally, management should implement a regular training program to inform employees as to security policies, procedures, and protocols.	Jul-23	Management will work to document all processes and review assigned policies. SEP will make considerable updates to the Physical Security Policy to address gate controls and create an Orange County Transportation Authority (OCTA) Physical Access Control Policy. These updates will be completed by June 30, 2022. A "Record of Changes" section has been added to security plans to document reviews and updates. Management has hired a consultant to review OCTA policies, procedures, and security plans. The consultant will provide recommendations on program improvements, conduct a new Threat and Vulnerability Assessment, provide a new written security plan, and create a security training program to include curriculums for all employees. Management will implement a training program within 12 months.	<u>Update August 2022:</u> Updates to security plans, policies, and procedures have not yet been prepared and are expected to be completed between August and December 2022. <u>Update March 2023:</u> Certain policy updates are in process. Development of an updated Master Security Plan has been delayed and is now expected to be complete by the end of 2023.

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1/26/22	21-511	Executive Office	Physical Access Security	Internal Audit recommends management define and document responsibilities, policies, and procedures related to physical access security and incorporate appropriate language in the Contracted Transportation Service (CTS) provider contracts. Written procedures for coordination with OCTA should be provided to CTS. Management should consider permitting CTS providers with access to Lenel system reports and/or notifications of access breaches and events.	Jul-23	During the review process of current policies, management will include language and definitions to provide clear delineation of duties. In the interim, and starting immediately, management will provide copies to the CTS project manager outlining equipment inspections and current states of functionality of security equipment. Policy review and creation will be completed by June 30, 2022. Afterward, language changes to CTS contracts will be addressed through contract amendments. Contract language will also address OCTA's expectation of CTS providers for event or incident response. This shall be fully implemented by September 30, 2022, or by contract execution.	<u>Update August 2022:</u> Management proposed language for inclusion in the agreements with CTS providers. Some language related to request for access card issuance and termination was included in the agreement with First Transit for ACCESS service, executed in October 2021. Additional language will be included in an amendment to the ACCESS service agreement. For the contracted fixed-route service provider, management has included language in a recently released request for proposals. <u>Update March 2023:</u> Additional language will be included in an amendment to the OC ACCESS service agreement. The agreement with the new fixed-route provider should be completed by April 2023. Management is working with the Information Systems department to develop an online portal for access badge requests. Completion of the portal is expected by April 2023.
1/26/22	21-511	Executive Office	Physical Access Security	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 CTS providers and be communicated to OCTA staff. Management should also ensure secondary controls are operating as intended.	Jul-23	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 coordinated through OCTA. Management indicated that, while an Access Control Policy was originally expected to be completed by June 30, 2022, it has taken longer than expected due to the need to update the Physical Security Policy first. <u>Update March 2023:</u> Management expects an updated Access Control Policy to be completed soon, and updates to agreements with CTS providers are in process.

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2/9/22	21-507	Operations Division (Operations)	Facilities Maintenance (FM) Operations	Internal Audit recommends management implement a perpetual inventory system to track purchasing activity and maintain inventory of all parts and supplies. Purchasing, storage, issuance, and disposal activities should be centralized and include controls to ensure proper authorization for purchases, physical security of inventory items, and proper assignment of costs to work orders.	Aug-23	FM contracts for parts and supplies will be transferred to the Contracts Administration and Materials Management (CAMP) Department by July 2022. By February 2023, FM parts and supplies stored outside of CAMP's control will be brought into the inventory system for proper storage and issuance. The current Enterprise Asset Management (EAM) system is not capable of assigning all costs to FM work orders; however, a new EAM system is being implemented and should be capable of properly assigning costs to work orders. The new EAM system is estimated to be fully implemented in mid-2023.	<u>Update September 2022:</u> Management and CAMP have completed transferring contracts to CAMP, however, they are working to determine which items will be inventoried and which items will be ordered as needed. In terms of FM parts inventory, a process to bring these items into the CAMP inventory system for proper storage and issuance has been established and is on track to be completed by February 2023. As stated in the original response, the current asset management system is not capable of assigning all costs to work orders. A new system will be implemented in mid-2023. <u>Update March 2023:</u> Management is still in the process of implementing a centralized inventory system and expects that physical transfer of all inventory may take up to two years. Internal Audit will review status again in six months.
2/9/22	21-507	Operations and Finance and Administration (F&A) Division	FM	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-23	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 CAMP 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 is working to enhance the invoice checklist to include a requirement for acknowledgement of review for sufficient detail as to quantity and rates of costs and justification. 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, Materials Management staff needs to enhance its review of invoices for contracts that were transferred to their control. Materials Management should obtain supporting documentation for parts and materials not listed in the contracts.

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7/13/22	22-505	CAMM and Capital Programs	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	Management should reconsider use of a schedule of values (SOV) in firm-fixed priced contracts and initiate amendments in a timely manner. Management should also recover identified overbillings and unallowable charges and disallow payments for services not allowed by the SOVs.	Jul-23	Management agreed to amend the contract to remove the use of SOVs and agreed to recover identified overbillings but indicated that unallowable charges for services by an engineering manager will not be recovered as these services were requested by management.	<u>Update February 2023</u> : Management removed the SOVs from the contract and withheld \$160,712 in overbillings; however, management should recover overbillings that occurred from January to April 2022, prior execution of the agreement to remove SOVs.
7/13/22	22-505	CAMM	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	Management should enhance controls over escalation when adding new staff, and ensure that the pricing of amendment values is based on the original contract or proposal rates.	Jul-23	Management agreed to enhance controls over escalation when adding new staff and to ensure pricing of amendment values is based on contract rates.	<u>Update February 2023</u> : CAMM has developed procedures for adding named staff via offer letters; however, Internal Audit noted that controls to ensure accurate pricing of amendment values has not yet been adequately implemented.
7/13/22	22-505	Capital Programs	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	Management should recover overbillings and require all subconsultants to submit timesheets, and enforce advance approval requirements.	Jul-23	Management will recover overbillings and missing timesheets will be obtained, and the timesheet requirement will be enforced. Advance approval for overtime work will be obtained.	<u>Update February 2023</u> : Management deducted identified overbillings; however, recommendations to enforce advance approval requirements and obtain timesheets from all subconsultants has not yet been implemented.
8/23/22	22-512	Operations and F&A	Non-Revenue Vehicle Purchases and Assignment	Invoice review procedures should be enhanced to include validation of all charges. In addition, Accounts Payable should recover the identified duplicate payment and updated policies to reflect whether a three-way match process is allowable for vehicle purchases. Accounts Payable should consistently confirm the three-way match prior to payment and individuals who receive vehicles in the system should physically verify their delivery.	Feb-23	Management will implement an invoice review checklist to ensure sufficient detail is provided and verified. The policy will be updated to allow for the three-way match process and Accounts Payable will consistently confirm the match prior to payment. Staff receiving vehicles in the system will be required to physically verify receipt going forward. Finally, Accounts Payable will recover the duplicate payment identified.	In process.

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8/23/22	22-512	Operations and F&A	Non-Revenue Vehicle Purchases and Assignment	Management should enhance controls to ensure employees' eligibility to drive prior to granting a vehicle reservation. Management should re-evaluate whether employees should be allowed to reserve vehicles for weeks at a time. Finally, all relevant information should be reflected in the reservation system.	Feb-23	Management will work toward an automated solution for determining eligibility or develop an internal solution. Related policies will be updated as appropriate. Also, multi-day reservations will no longer be allowed and all reservation information will be entered into the system.	In process.
8/23/22	22-512	CAMM	Non-Revenue Vehicle Purchases and Assignment	CAMM should obtain all needed support and documentation for non-revenue vehicles purchased using state contracts. CAMM should also consider negotiating option pricing with the dealers.	Feb-23	CAMM will include all documentation in the contract file for future purchases using state contracts. Also, CAMM will negotiate option pricing prior to contract award, and will document these efforts.	In process.
10/25/22	23-513	CAMM	Independent Cost Estimates (ICEs)	CAMM should ensure ICEs include adequate detail support and are submitted in accordance with policies. CAMM should provide training to advise project managers that pricing should not be solicited directly from vendors and provide information on how and where to obtain pricing data for proper development of estimates.	Apr-23	Management will ensure all ICEs include adequate detail and will revise policies to address the appropriate timelines for submission of ICEs. Also, CAMM will conduct training, as recommended.	
10/25/22	23-513	F&A	ICEs	Management should develop tools to ensure proper oversight and management of the identified consulting services contract. This should include regular monitoring of contract burn rate and development of reasonable estimates to ensure funding is sufficient to achieve objectives.	Apr-23	Management agrees and will develop tools to ensure proper oversight of these services. Staff managing the contract will be required to attend procurement training to improve understanding of policies and to facilitate improved contract management in the future.	
11/16/22	22-511	CAMM	Right-of-Way (ROW) and Appraisal Services and Activities	Management should perform and document a price or cost analysis, as required, when contract pricing amendments are made. In addition, increases to rates already agreed-upon should be denied.	May-23	Management will ensure a cost or price analysis is performed and documented, as required, and will ensure there are no changes to rates already agreed-upon. Staff will also be provided a refresher training on how to conduct rate validation and document rate reasonableness.	

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11/16/22	22-511	Capital Programs	ROW and Appraisal Services and Activities	Management should update policies to clarify procedures for determining settlement authorities.	May-23	Management will work with legal counsel to incorporate language into policies to address the recommendation.	
1/10/23	23-503	People and Community Engagement (PACE)	Administrative Employee Mandatory Training and Employee Educational Reimbursements	Management should improve controls to avoid duplicate reimbursements and to ensure all required documentation is on file. The system should be updated to accurately reflect payments and carryover amounts, and management should improve organization of supporting documentation. Management should obtain reimbursement from employees that received duplicate payments and should address payments made to employees over the allowable educational reimbursement limit. Going forward, management should implement effective controls for monitoring employee educational reimbursement activities for compliance with policy.	Jul-23	Management will implement controls to address the recommendations by March 31, 2023. Management will also make arrangements to collect overpayments made to the two employees identified and will address payments to employees over the allowable reimbursement limit.	
1/10/23	23-503	PACE	Administrative Employee Mandatory Training and Employee Educational Reimbursements	Management should implement monitoring controls to ensure all administrative employees obtain mandatory training within required timeframes. Management should also ensure mandatory annual training is obtained and employee merit increases are withheld for non-compliance, as required by policy.	Jul-23	Management will implement monitoring controls to ensure all new administrative employees obtain mandatory training within required timeframes. Management will also implement monitoring controls to ensure mandatory annual training is completed by all administrative employees prior to merit increases and will meet with Human Resources Department staff to implement a process by March 31, 2023.	

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2/28/23	23-501	PACE	Worker's Compensation Program	Management should add Intercare service providers to the contract as subconsultants and identify their rates and fees. Once rates are identified in the contract, management should implement controls to ensure rates invoiced by the subcontractors agree to the contract rates.	Aug-23	Management will work with Intercare and CMM to amend Intercare's contract, adding these providers and their rates / fees to it, and subsequently reviewing charges to ensure rates invoiced by them are consistent with the contract rates.	
2/28/23	23-501	PACE	Worker's Compensation Program	Management should implement a process to ensure adequate review and monitoring of monthly bank account details and reconciliations.	Aug-23	Management will work with Finance to ensure adequate review and monitoring of monthly bank account details and reconciliations.	
2/28/23	23-501	PACE	Worker's Compensation Program	Management should enhance monthly reviews of Intercare's check payments to include review of temporary benefit calculations and settlement calculations with supporting documentation. Management should also review paper transactions and reconcile Intercare's listing of checks sent to OCTA to what has been received and deposited. Checks received by OCTA should be deposited in a timely manner. Finally, management should request Intercare provide a detailed invoice from Express Scripts to support payments.	Aug-23	Management will enhance monthly reviews as recommended and will reconcile the listing of checks sent to what has been received and deposited. Management will also request Intercare provide detailed information for Express Scripts payments.	
2/28/23	23-501	PACE	Worker's Compensation Program	Management should request that Intercare standardize the calculation of temporary disability benefits. Intercare should instruct adjustors to use the first day of the beginning payroll period, instead of the pay period end date, in tallying the number of days of pay. Adjustors should also be instructed to consistently check for payment of light-duty and holidays before calculating temporary disability benefits. Finally, management should request Intercare recover the \$1,553.60 overpayment.	Aug-23	Management will request Intercare standardize calculations, instruct adjustors to affirm the pay period start and end dates and to consistently check for payment of light-duty and holidays before calculating benefits. Management will also request Intercare recover the overpayment.	

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3/10/23	23-512	CAMM	State and Federal Consulting Contracts	CAMM should ensure that procurements of state and federal contracts comply with all policy requirements.	Sep-23	CAMM will ensure evaluators complete evaluation forms and confirm scores to summary final scores and ensure all forms are on file, as required. CAMM will also ensure compliance with policy related to the number of evaluators required.	
3/20/23	23-510	Operations and CAMM	OC ACCESS Service Eligibility	Management should implement controls to ensure Medical Transportation Management, Incorporated (MTM) is providing key staff and qualified staff, as outlined in the contract. The process for notification, review, and update to MTM contract staffing should be improved to ensure that required staff is being provided, contract amendments to reflect staffing changes are processed timely, and access to OCTA's Trapeze system is terminated promptly upon termination of contract staff.	Sep-23	CAMM has processed the requisitions for key staffing changes and management will work with CAMM to amend the contract to update staff qualification requirements. Following the amendment, management will implement controls to ensure compliance. In addition, management will require MTM to provide notice of staff changes within 24 hours.	
3/28/23	23-507	F&A	Investments: Compliance, Controls, and Reporting July 1 through December 31, 2022	Management should consistently obtain secondary review of the monthly Investment and Debt Programs report and enhance review to include increased oversight over the presentation of individual securities.	Sep-23	Management has automated the process for creating the portfolio listing and will ensure this is not an issue going forward. Management will also enhance secondary review of monthly reports.	
3/29/23	23-508	F&A	Investments: Compliance, Controls, and Reporting July 1 through December 31, 2023	Management should add notes to Clearwater Holdings reports to address potential violations and ensure all notes are prepared in a timely manner.	Sep-23	Management will ensure notes are reflected in Clearwater as required.	

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3/30/23	23-509	F&A	Investments: Compliance, Controls, and Reporting July 1 through December 31, 2024	Management should reconcile all accounts, including zero-balance accounts and ensure timely approval of reconciliations.	Sep-23	Management has implemented a control to ensure all accounts are reconciled and the reconciliations are reviewed timely.	
3/31/23	23-510	F&A	Investments: Compliance, Controls, and Reporting July 1 through December 31, 2025	Internal Audit recommends management obtain detailed support for invoiced charges by the financial advisor and ensure that when a key personnel's classification is changed, and such change is acceptable to management, the contract is amended accordingly.	Sep-23	Management will amend contract for key personnel more timely going forward. Management also obtained detailed documentation to support charges identified.	