

**Outstanding Audit Recommendations
Audit Reports Issued Through
September 30, 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. 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.	Jan-24	Management will work to document all processes and review assigned policies. SEP will make updates to the Physical Security Policy to address gate controls and create a 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 the Orange County Transportation Authority's (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. <u>Update September 2023:</u> Significant progress has been made; however, development of a Master Security Plan and a physical security training program are not yet complete. The contractor has experienced delays in producing these deliverables.
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 Contracted Transportation Services (CTS) providers and be communicated to OCTA staff. Management should also ensure secondary controls are operating as intended.	Jan-24	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. <u>September 2023:</u> Significant progress has been made; however, monitoring controls outlined in the newly-developed Access Control System Policy have not yet been implemented.

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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.	Feb-24	FM contracts for parts and supplies will be transferred to the Contracts Administration and Materials Management (CAMM) Department by July 2022. By February 2023, FM parts and supplies stored outside of CAMM'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 has completed transferring contracts to CAMM and a process to bring FM parts inventory into CAMM 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. <u>Updated August 2023:</u> Management is still in the process of transferring parts inventory to centralized CAMM control.
2/9/22	21-507	Operations and Finance and Administration (F&A) Division	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.	Feb-24	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 CAMM 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. CAMM has implemented an evaluation methodology to assign a percentage of the cost score for items not listed on the price summary sheet. Management and CAMM 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, CAMM staff needs to enhance its review of invoices for contracts that have been transferred to their control. <u>Update August 2023:</u> CAMM staff has implemented an invoice review checklist; however, Internal Audit identified some invoice payments that do not comply with contract terms and some vendors do not have published list prices, as referenced in the contracts and as required in order to validate discounts.

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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.	Oct-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.	<u>Update April 2023</u> : Management recovered the duplicate payment; however, invoice review procedures need to be further enhanced and staff receiving vehicles in the Ellipse system still do not physically verify receipt of the vehicles.
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.	Oct-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.	<u>Update April 2023</u> : General Services now allows only daily reservations and verifies eligibility to drive, as recommended; however, base management has not implemented a procedure to verify eligibility to drive. In some cases, the driver of the vehicle is still not being documented.
6/30/23	22-513	Operations	Follow-up: Independent Cost Estimates (ICE)	Maintenance Resource Management (MRM) should ensure proper oversight and monitoring of burn rate of towing services agreements. MRM should develop estimates to ensure funding is sufficient.	Jan-24	MRM reviews contract expirations, balances, and burn rates monthly using a spreadsheet located on the shared drive. In this case, towing services increased rapidly due to bus engine failures. Management will provide training and oversight of the tracking method and will explore adding a burn rate calculation to the invoice coversheet to provide information to invoice processors and approvers.	

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1/10/23	23-503	People and Community Engagement (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.	Jan-24	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.	<u>Update July 2023:</u> Management has begun generating weekly reports of all new hires that have not completed new-hire training within the required timeframes; however, responsibility for follow-up of these reports has not yet been established.
2/28/23	23-501	PACE	Workers' 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.	Feb-24	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.	<u>Update September 2023:</u> OCTA staff has begun reviewing temporary benefit calculations and settlement calculations with supporting documentation, paper transactions added to the check replenishment, and detailed information to support payments to the pharmacy provider; however, staff has not yet requested Intercare to submit listings of checks sent to OCTA, which should be reconciled to what OCTA has received and deposited.
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.	In Process.
5/8/23	23-508	Planning Division (Planning)	Measure M2 Comprehensive Transportation Funding Programs (CTFP) Project Audits	Management should enforce timely use of funds requirements or obtain Board of Directors' (Board) approval for exceptions to CTFP guidelines.	Nov-23	Management will consider either clarifying guidelines or seeking Board action on a case-by-case basis.	

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5/8/23	23-508	Planning	Measure M2 CTFP Project Audits	Management should perform follow-up with the County of Orange and the cities of Costa Mesa, Laguna Beach, and San Clemente on actions taken to address recommendations, including repayment of overcharges and duplicate charges by the City of Laguna Beach.	Nov-23	Direction to management provided in staff report. Management written response not required.	
6/5/23	23-513	Finance	Lost and Found Operations	Management should enhance controls to ensure found cash and checks/money orders received are properly recorded and reconciled to deposits and general ledger entries.	Dec-23	Management will enhance controls of found cash and checks/money orders received for auctioned items and will do so by improving tracking procedures through the internal database application. Management will also ensure staff works in collaboration with the Accounting and Financial Reporting Department to ensure accurate recording and reconciliation of deposits to the general ledger.	
6/13/23	23-514	PACE	Customer Information Center (CIC) Services: Alta Resources, Agreement No. C-0-2698	Management should improve timeliness of invoice review, approval, and processing and enforce requirements for contractor certification of invoices.	Dec-23	Management has advised the project manager and will implement oversight procedures to ensure timeliness of invoice processing and inclusion of required contractor certification by July 1, 2023.	
6/13/23	23-514	PACE	CIC Services: Alta Resources, Agreement No. C-0-2698	Management should review changes to key personnel and process amendments in a timely manner.	Dec-23	Management will implement procedures to ensure timely processing of amendments by July 1, 2023.	

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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.	Nov-23	Management agreed to develop and implement a policy.	
5/31/23	22-514	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.	Nov-23	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.	
5/31/23	22-515	F&A	OCTA's Cybersecurity Program	Management should update OCTA's Business Impact Analysis with direct input from the Cybersecurity Office and use results to inform the development, implementation, and maintenance of an updated Continuity of Operations Plan (COOP) and Disaster Recovery Plan (DRP), and test the DRP annually.	Nov-23	Management responded they are currently working with the Security and Emergency Preparedness Department to review and update the COOP. Management plans to create playbooks to further improve the business continuity and disaster recovery processes to ensure business requirements are met.	
5/31/23	22-514	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.	Nov-23	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.	

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5/31/23	22-514	F&A	OCTA's Cybersecurity Program	Management should strengthen third-party security management by requiring third-party consultants working with OCTA data to be subject to the same training as OCTA employees and be required to acknowledge OCTA information technology and cybersecurity policies. In addition access reviews of these third-party consultants should be conducted.	Nov-23	Management agreed and proposed additional security queries of vendors on a periodic basis, as well as development and implementation of a process to ensure all consultants working with OCTA data receive cybersecurity training and follow the same policy requirements as OCTA employees.	
8/7/23	23-505	PACE	Life Insurance Benefits	Management should amend the Personnel and Salary Resolution (PSR) to accurately outline and/or reference age-related benefit reductions and should consult legal counsel about a resolution to the Coach Operator Collective Bargaining Agreement (CBA) language that does not disclose age-related deductions or benefits provided to spouse/domestic partner and children. Management should also consult legal counsel to determine if undisclosed reductions to benefits paid should be corrected.	Feb-24	Management indicated that a reference to the employee Benefits Guide, which outlines age-related reductions, will be included in the Fiscal Year 2024-2025 PSR. Management agreed to include a section on the age-related reductions applicable to Coach Operator Assault and Robbery Insurance, in the 2023 Coach Operator Benefits Guide. Management stated that legal counsel has advised that age-related benefit reductions disclosed in the Coach Operator Benefits Guide represent sufficient disclosure.	
8/7/23	23-505	PACE	Life Insurance Benefits	Management should develop procedures to ensure that benefit entries into the payroll system are reviewed for accuracy and the monthly invoice process be enhanced to include reconciliation of premiums collected versus premiums paid.	Feb-24	Management agreed to enhance procedures to include the review of benefit entries and reconciliation of premiums collected versus premiums paid and investigate variances.	

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8/7/23	23-505	PACE	Life Insurance Benefits	Management should implement procedures to ensure accuracy, completeness, and timely submission of claim forms, and monitor timeliness of claim payments. Management should also consider further efforts to determine whether interest applied to proceeds complies with California law.	Feb-24	Management stated they would request claim payment confirmations and track submission of claim forms regularly and will continue to request documentation for interest applied to proceeds in compliance with California law.	
8/7/23	23-505	PACE	Life Insurance Benefits	Management should implement controls to properly coordinate the timing of annual premium updates and calculation and processing of invoices to ensure accuracy. Additionally, management should reconcile the employee payroll deductions for supplemental life insurance with the payroll system data detailing premiums paid to VOYA and investigate any variances	Feb-24	Management indicated they would implement controls for timely annual premium updates and reconcile payroll deductions to premiums paid.	
8/31/23	23-516	PACE	Bus Advertising Revenue Program	Management should implement controls to verify accurate and complete reporting of revenues, enforce reporting requirements, monitor free advertisements, and require the contractor to certify statements and the project manager to document reviews.	Feb-24	Management agreed to implement oversight procedures effective December 1, 2023.	
8/31/23	23-515	F&A	Oversight Controls and Contract Compliance Related to the Anaheim Canyon Metrolink Station Project	Management should enhance controls to ensure all procurements exceeding the stated thresholds are presented as regular calendar items, as required.	Feb-24	CAMM will send a communication to all executive directors to reiterate the policy and will submit information to the Chief Financial Officer ahead of weekly agenda setting meetings to identify items that should be placed on the regular calendar based on their value.	

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8/31/23	23-515	Capital Programs and F&A	Oversight Controls and Contract Compliance Related to the Anaheim Canyon Metrolink Station Project	Extra work should not be authorized until a Change Directive (CD) has been issued to the construction contractor. Management should also ensure all documentation to validate pricing is included in Contract Change Order (CCO) back-up files. Management should also ensure contract files include final amendment proposals and support for Other Direct Costs (ODC). Labor rates of sole proprietors should be validated and amendment proposals for fixed price contracts should include employee names rather than labor categories.	Feb-24	Management will remind the construction management teams that extra work shall not begin until a CD has been documented and issued to the contractor. Also, project staff will review construction CCOs to ensure backups include all relevant documentation to validate pricing. CAMM will develop procedures to validate rates of sole proprietors and will conduct training on the process. CAMM will ensure final, signed cost proposals are on file and, for fixed price contracts, will encourage consultants to identify named personnel.	
8/31/23	23-515	F&A	Oversight Controls and Contract Compliance Related to the Anaheim Canyon Metrolink Station Project	Management should not authorize work until contract authority has been obtained. Management should consistently obtain payroll registers for all staff billed under labor classifications and should obtain cost support for any ODC billed but not listed in the contract. Management should also require construction managers (CM) to prepare quantity sheets to support billed CCO items.	Feb-24	Management will remind project and CM teams to ensure that vendors do not submit invoices for work not yet authorized, and that all documentation requirements for payment are met. Should a deviation be required, pre-approval from the OCTA project manager and CAMM contract manager will be documented and included in the invoice or payment application before being processed.	
9/11/23	24-501	F&A	Investments: Compliance, Controls and Reporting, January 1, 2023 through June 30, 2023	Treasury should prepare daily cash forecasts on a timely basis and the Treasury manager should perform all steps on the checklist prior to presenting the investment reports to the F&A Committee. All forecasts, checklists, worksheets, and reports that require manager review should include a date stamp, such as the Foxit software approval stamp, to evidence timely review.	Mar-24	Management agreed to complete and electronically date stamp daily cash reports and ensure that checklists are signed and electronically date stamped to evidence timely review.	

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9/11/23	24-501	F&A	Investments: Compliance, Controls and Reporting, January 1, 2023 through June 30, 2023	Treasury should provide monthly investment reports to the F&A Committee within 45 days of quarterly month end, consistent with the benchmark outlined in the government code for quarterly reports.	Mar-24	Management agreed to target taking the final monthly report of each quarter to the F&A Committee within 45 days of the end of the quarter.	