

**Audit Recommendations Closed During  
First Quarter, Fiscal Year 2024-25**

**ATTACHMENT C**

<b>Audit Issue Date</b>	<b>Report Number</b>	<b>Division/ Department/ Agency</b>	<b>Audit Name</b>	<b>Recommendation</b>	<b>Internal Audit Status Comments</b>
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.	<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 (MSP) 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 MSP and a physical security training program are not yet complete. The contractor has experienced delays in producing these deliverables. <u>Update March 2024</u> : A final draft of the MSP was delivered in November 2023 but has not been finalized, and signed/accepted by the Chief Executive Officer. A training program has been implemented starting in the first quarter of 2024. <u>Update August 2024</u> : The MSP was finalized and accepted by the Chief Executive Officer on July 27, 2024.
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.	<u>Update February 2024</u> : Management's response indicated that staff is currently conducting an off-cycle review to update timely use of funds requirements and contract award verbiage, and that presentation of the revisions to the Board has been delayed to spring 2024. <u>Update July 2024</u> : Management updated CTFP guidelines to revise timely use of funds requirements, allowing for encumbrance dates to be reset at each phase of a project. Board approval of the revised guidelines was obtained in May 2024.
5/8/23	23-508	Planning	Measure M2 CTFP Project Audits	Management should perform follow-up with the County of Orange (County) 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.	<u>Update February 2024</u> : Management response indicated staff was in communication with the City of Laguna Beach to recover amounts due related to overcharges and indirect cost charges and to recalculate indirect costs; however, no evidence of communication was provided and city staff indicated no communications have occurred. Follow-up with the County and other cities has been performed. <u>Update July 2024</u> : Management provided evidence of follow-up with cities and has obtained repayment of overcharges and duplicate charges from Laguna Beach.
5/31/23	23-509	Finance and Administration Division (F&A)	Orange County Transportation Authority (OCTA) 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.	<u>Update February 2024</u> : Management has compiled a list of third-party vendors, along with contact information for each, and has developed a questionnaire for distribution to vendors. The Information Systems (IS) cybersecurity team will review responses and follow-up accordingly. This process will be repeated annually. In addition, IS has implemented a process to ensure all consultants/vendors receive and acknowledge cybersecurity training prior to being granted credentials in OCTA. Management estimates 75 percent progress to-date and full completion by March 2024. <u>Update August 2024</u> : Management provided evidence of communications with vendors and receipt and review of vendor responses.
8/7/23	23-505	People and Community Engagement Division (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.	<u>Update February 2024</u> : Management responded that enhanced procedures have been implemented; however, since VOYA has not provided invoices for January and February 2024, Internal Audit was unable to confirm new procedures are being performed. <u>Update August 2024</u> : Management has implemented the new procedures for validating premium invoice payments and is reviewing system entries as recommended.

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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	<u>Update February 2024:</u> Management responded that controls to ensure timely system updates have been implemented and will reconcile premiums to payroll deductions; however, since VOYA has not provided invoices for January and February 2024, Internal Audit was unable to confirm new control procedures are being performed. <u>Update August 2024:</u> Management has updated its invoice process to include a three-way reconciliation between the invoice template-calculated premiums, the Human Resources Information System-calculated premiums, and the Lawson system Paycheck Deduction Report.
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.	<u>Update March 2024:</u> The project manager now verifies that remittances include required certification language and details as to bonuses. Also, management has documented procedures for a semi-annual verification of a sample of underlying advertising contracts. However, since these procedures have not yet been implemented, Internal Audit will follow-up again in six months to confirm procedures. <u>Update September 2024:</u> Management is enforcing requirements for contractor certification on invoices and reporting of bonuses. Management has also implemented a semi-annual verification process for advertising contracts to review advertising sales, insertion date, and quantity.
11/14/23	24-502	Operations Division (Operations)	Cooperative Agreements with Regional Center of Orange County (RCOC) and My Day Counts (MDC)	Management should reconsider the current arrangement with MDC and, if continued, should amend contracts with RCOC and MDC to obligate RCOC to pay OCTA for pass-through amounts and to ensure disputed amounts are charged to MDC. Evaluation of per-trip subsidy amounts should include consideration of the pass-through payments going forward. Also, pass-through payment arrangements should be approved by the Board going forward. Management should also consider recovering from MDC amounts paid by OCTA for which RCOC reimbursement was not obtained.	<u>Update September 2024:</u> The pass-through arrangement with MDC has been discontinued.
11/14/23	24-502	Operations and F&A	Cooperative Agreements with RCOC and MDC	Accounts Payable (AP) staff should ensure that invoices are properly authorized and verify that invoices are applied to the current agreement, and Accounts Receivable staff should ensure invoices are created against the current agreement. Operations should review invoices from MDC and reconcile trips before submitting invoices for payment.	<u>Update September 2024:</u> Refresher training on correct signature authority has been provided to AP staff, and a system control has been implemented to issue a warning when an invoice is posted to an expired agreement. In addition, Operations implemented new billing procedures to perform data reconciliation in advance of payment to MDC.
12/5/23	24-503	Executive Office	Transit Police Services (TPS)	Management should ensure annual work plans are developed and documented as required by the contract.	<u>Update August 2024:</u> An annual work plan for 2024 was developed and documented as outlined in the contract.
12/5/23	24-503	Executive Office	TPS	Management should strengthen controls over canine-related expense tracking and ensure all eligible costs are identified and submitted for grant reimbursement. Management should also review fiscal year (FY) 2022-23 eligible expenses that were not submitted and request reimbursement.	<u>Update August 2024:</u> Management claimed and received \$11,889.05, in grant reimbursement for costs not previously claimed. The recommendation to improve tracking of grant-reimbursable expenses is no longer applicable, as the Transportation Security Administration Canine Program was defunded by Congress as of April 30, 2024.

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1/15/24	23-504	F&A	AP Operations	Management should separate the ability to create or edit vendors from the ability to process payments, require a Computer Access Request form for all user access requests, enhance the annual accounting system access review, and restrict the number of users granted administrative rights in the accounting system.	<u>Update August 2024</u> : Management has developed a policy to ensure access requests are reviewed by Accounting Department management for approval. The number of system administrators has been reduced and segregation of duties is now being enforced as recommended.
1/15/24	23-504	F&A	AP Operations	Management should review and update the Payment Request (PR) Policy, as necessary, and consider updating the PR form to include a checklist and details as to the types of allowable payments. Project managers should also be reminded of the proper use of PR's and staff should not process exceptions without approval.	<u>Update August 2024</u> : Management updated the PR Policy and the PR Form (PRF) to increase the PR threshold amount to \$5,000, and additional clarity was provided to the exception category descriptions. Further, the PRF has been enhanced to include a checklist for payment type and a drop-down box for exception categories when the payment request amount is over \$5,000. The PR Policy was distributed to all project managers.
3/13/24	24-509	F&A	Investments: Compliance, Controls, and Reporting: July 1 through December 31, 2023	Internal Audit recommends management utilize month-end bank statements when preparing monthly reports.	<u>Update August 2024</u> : Management is now reconciling the report amounts to the bank statements.
3/13/24	24-509	F&A	Investments: Compliance, Controls, and Reporting: July 1 through December 31, 2023	Internal Audit recommends OCTA discontinue paying fees associated with accounts whose portfolio values are not automatically updated in the Clearwater system.	<u>Update August 2024</u> : Beginning in March 2024, Clearwater excluded the portfolio values of these accounts from its calculation of fees.