ATTACHMENT C

Audit Recommendations Closed During
Fourth Quarter, Fiscal Year 2025-26

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Internal Audit Status Comments
4/23/25	N/A	Planning Division	Measure M2 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.	Update December 2025: Management will address this recommendation in the Measure M2 (M2) Eligibility Guidelines scheduled to be presented to the Board of Directors in April 2026. Upon approval, staff will communicate the updates to local jurisdictions. April 2026: Measure M Local Fair Share Guidelines were approved by the Board in April 2026 and the guidelines shared with cities during the 2026 M2 Eligibility Workshop.
4/28/25	25-506	Capital Programs Division (Capital Programs)	Real Estate Administration	Management should implement standards for the conduct and documentation of fair market valuations (FMV) 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.	Update November 2025: Management responded that procedures have been updated and staff will document all steps in determining FMV calculations and retain documentation of rate negotiations through a memo each January. The rail corridor appraisal is still underway and one license is currently under review. The recommendation will remain open, pending confirmation of the new procedures. Update April 2026: Management identified and prioritized leases requiring review for FMV adjustments in January 2026 and, in February 2026, obtained an updated rail corridor appraisal for properties along the Pacific Electric Right-of-Way (ROW). Management provided evidence of analysis and FMV adjustement of one lease effective in April 2026 and has established a plan to review the remaining properties.
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.	Update November 2025: Management responded that procedures have been updated and staff will document all steps in determining rate adjustments and decisions as to final rates. Procedures indicate that adjustments will be memorialized through an amendment to the license agreement. Since June 2025, there have been no negotiated rate adjustments; as such, the recommendation will remain open, pending testing to confirm the process. Update April 2026: Management provided evidence of two negotiated lease rate adjustments that were communicated to the Executive Director prior to his approving the agreements.
4/28/25	25-506	Capital Programs	Real Estate Administration	Management should obtain documentation of the Risk Management Department's 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.	Update November 2025: Management responded that procedures have been updated and staff will obtain a memo each January from the Risk Manager (RM) to confirm minimum requirements for above-ground leases and underground utilities. Staff will also consult the RM regarding any unique or unusual uses and will separately address improved properties. Staff sent a memo in August 2025 to the RM outlining minimum insurance requirements; however, the memo did not request review and/or concurrence from the RM. Finally, two licenses lacking insurance requirements have not been updated. Update April 2026: Management has obtained written directions from the RM outlining minimum insurance requirements and language to be included in agreements. Any deviation from the requirements will be separately addressed with the RM.
4/28//25	25-506	Capital Programs	Real Estate Administration	Management should implement procedures to ensure late payment provisions of tenant agreements are enforced.	Update November 2025: Management indicated that they receive monthly reports from Accounts Receivable (AR) staff outlining tenants that are 30 days or more late in making payment. Revised procedures indicate that management will calculate late fees and provide amounts to AR; however, this procedure has not been implemented. Also, procedures state that legal counsel will be consulted regarding tenants that are 90 days or more late; however, no evidence of these discussions and the directions provided were on file and invoices from legal counsel do not reflect the discussions. Update April 2026: Management provides the monthly Delinquent Rent Payment Report, indicating the value of accrued late fees and sends the report to legal counsel to obtain consensus on waiver of such late fees.

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5/14/25	25-510	Operations Division (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.	Update December 2025: Management has requested an amendment to finalize the required reports listing, plans to include a revision to the definition of accidents in the upcoming amendment, and will request that the contractor conduct training on unclassified revenue at the next safety meeting. Update June 2026: Management has amended the contract to identify reports subject to the penalty assessment. Management also provided WAVE card training to contractor employees.
9/23/25	25-515	Operations	ROW Maintenance	The ROW team should record daily field activities and reconcile daily reports of contractor activities to the monthly invoices received.	Update April 2026: Staff now records daily field activities in a log retained in a shared department drive. Staff also saves the contractor daily reports for reconciliation to invoices.
9/23/25	25-516	Operations	ROW Maintenance	Management should ensure subcontractors are authorized under the respective contracts and disposal costs are charged to the correct project. The project manager should ensure invoice review checklists are properly utilized, an identified double billing is recovered, and ensure Accounts Payable Department staff correct retention issues identified.	Update April 2026: Management has amended contracts to add overtime rates, other direct costs, and subcontractor schedules and/or pricing. Management also moved disposal costs to the OC Streetcar project, as recommended, and deducted double-billed costs from the contractor's July 2025 invoice. Management now utlizes an invoice review checklist and verifies that submitted information complies with the terms of the contract.
9/23/25	25-517	Operations	ROW Maintenance	Management should ensure procurement documents are complete and filed in a timely manner.	Update April 2026: Management provided training to staff on file documentation and reviews procurement files at the time of execution to ensure completeness.
10/1/2025	26-502	Finance & Administration Division (F&A)	Investments: Compliance, Controls, and Reporting January through June 30, 2025	Management should strengthen controls to ensure all investments are reflected in monthly reports.	Update April 2026: Staff now reconciles Treasury records to the cash account listing maintained by Accounting staff on a quarterly basis.
10/13/2025	25-516	F&A	Warranty Administration	Management should develop and document procedures for deriving standard labor hours consumed for both in-house and vendor repair work. Labor rates should be calculated in accordance with agreements with the bus manufacturer's and should be updated annually.	Update April 2026: Management has implemented procedures to ensure labor hours and rates used for claims are consistently derived and properly supported. Labor rates are updated annually in accordance with manufacturer agreements and labor hours are based on a standard repair schedules or historical information.
10/13/2025	25-517	F&A	Warranty Administration	Management should implement procedures for more frequent follow-up of outstanding claims.	Update April 2026: Management has implemented procedures for monthly reviews of open claims and escalation protocols for claims exceeding 60 days with adequate documentation and support.
10/13/2025	25-518	F&A	Warranty Administration	Management should revise the method of valuing warranty work related to add-on systems to better reflect actual savings achieved.	Update April 2026: Management revised the methodology for valuing warranty work related to add-on systems to reflect actual vendor repair costs rather than full replacement value.