Outstanding Audit Recommendations
Audit Reports Issued Through
June 30, 2026

ATTACHMENT B

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
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-26	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.	Update November 2025: Management developed a list of tenants whose use "most likely" requires inspection and indicated inspections will be performed "as needed". According to a log provided by management, some properties have been inspected by a consultant; however documentation of these inspections is not on file. Under revised practices, it is not clear how "most likely" is to be defined or how often "as needed" will be, and inspection reports are not prepared as recommended. Update April 2026: Management maintains an "inspection log" indicating inspections have been performed; however, the consultant performing the inspections still does not prepare reports, as recommended.
11/19/25	26-504	Finance and Administration (F&A)	State Route 55 Improvement Project between Interstate 405 and Interstate 5 Design and Construction Management	Controls over amendment processing should be strengthened to ensure labor rates are validated and compliant with contract provisions, amendments comply with effective dating procedures, and other direct cost estimates are reasonable and supported.	May-26	Management will provide refresher training to reinforce amendment processing procedures and will collaborate with Captial Programs Division staff to ensure all required information is obtained and verified prior to amendment processing. Management will also ensure the Project Manager (PM) provides justification and supporting documentation for alll other direct costs.	Update May 2026: In process.
12/19/25	26-505	People and Community Engagement (PACE)	Employee Commuter Club Program	Management should implement periodic reviews of program activities to ensure compliance with policy.	Jun-26	Management agrees and will ensure compliance monitoring is performed twice annually. Management is taking steps to transition administration of the program to a third-party provider to further enhance oversight and operational integrity.	Update June 2026: In process.
12/19/25	26-505	PACE	Employee Commuter Club Program	Management should implement controls to ensure the accuracy of identification of employees eligible for awards. Management should also reevaluate the method for distributing monetary awards to ensure compliance with Internal Revenue Service (IRS) regulations.	Jun-26	Management agrees and will implement enhanced review and verification controls. Management will also correct the errors identified in the audit. To address IRS regulations, management will transition all monetary awards to be processed through payroll.	Update June 2026: In process.

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12/19/25	26-505	PACE	Employee Commuter Club Program	Management should implement system controls to prevent program system administrators from editing their own activities and implement procedures requiring documentation of administrative changes to be retained.	Jun-26	Management agrees and affirms that the system has been updated to prevent system administrators from editing their own entries. In addition, a formal procedure is being implemented to document and retain support for all administrative actions.	Update June 2026: In process.
12/19/2025	26-506	PACE	Employee Commuter Club Program	Management should update the Commuter Club Policy to include descriptions of all program events and eligibility rules.	Jun-26	Management agrees and is updating the policy as recommended.	Update June 2026: In process.
2/10/2026	26-507	Clerk of the Board (COB) Department	Board Member Compensation, Mileage Reimbursements, and Training Requirements	Management should implement procedures for timely notification and regular follow-up with all applicable Board Members of expiring training. In addition, management should comply with policy requiring compensation be withheld until evidence of training is obtained.	Aug-26	Management agrees and is in the process of updating policy and procedures to provide timely notification of required and expiring training. Staff will return to the Board of Directors (Board) with an updated policy to address compensation withholding.	
2/10/2026	26-507	COB Department	Board Member Compensation, Mileage Reimbursements, and Training Requirements	Management should obtain Board Member input and approval of the policy relating to eligibility to receive mileage reimbursements. Consideration should be given to ensuring the policy is consistently applied.	Aug-26	Management agrees and will return to the Board with an updated policy to address mileage reimbursement.	

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3/11/2026	26-508	Capital Programs	Mott MacDonald Group, Inc. Contracts for Program Management and Planning Support Services	Management should recover overbillings and establish a process to evaluate and enforce when consultant staff should be billed using a field overhead rate.	Sep-26	Management agrees and will recover $224,765 related to five of the six consultants cited in the report. One of the consultants identified will continue to utilize an office overhead rate, as that individual works primarily out of the consultant's home office. Going forward, staff will monitor consultant level of effort and work location to ensure billing remains consistent with the appropriate overhead rate.	
3/11/2026	26-508	Capital Programs	Mott MacDonald Group, Inc. Contracts for Program Management and Planning Support Services	Management should recover identified overbillings, negotiate and remove cell phone allowance from the contract schedule, reconsider the necessity of providing a vehicle allowance versus providing mileage reimbursements, and ensure per-diem costs associated with same-day travel comply with federal guidance.	Sep-26	Management agrees and will recover the identified overbillings and cell phone allowance payments. Regarding vehicle allowance, the identified allowance is for a vehicle that is being utilized by 11 different individuals. Regarding per-diem costs, management has confirmed that, in some cases, the subconsultant overbilled for per diem. Management will recover the overbillings associated with this issue and, going forward, will review per-diem claims to ensure compliance with federal requirements.	
3/11/2026	26-508	Capital Programs	Mott MacDonald Group, Inc. Contracts for Program Management and Planning Support Services	Management should require consultants to submit original, complete employee timesheets that reflect all hours worked.	Sep-26	Management agrees and will require consultants to submit complete timesheets.	

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3/30/2026	26-506	PACE	Contractor Safety Management Program	Management should consult with legal counsel and revise policy and safety specifications to align with expectations and develop methods to ensure all applicable PMs are aware of their responsibilities. In addition, management should develop a more effective method for identifying PMs to ensure training and/or instructions are provided timely.	Sep-26	Management agrees and will consult legal counsel to update policy and safety specifications. Following an update to the safety specifications, management will work with Contracts Administration and Materials Management (CAMM) to develop a process for timely identification of PMs with responsibilty for overseeing contractors assigned safety specifications. Management will develop appropriate tools and/or training to be provided to these PMs.	
3/30/2026	25-506	PACE	Contractor Safety Management Program	Management should develop and document procedures for use of the Origami system to record and track observations, including guidelines for classification of observations as "minor" or "major", as well as standards for timely entry of observations and documentation of follow-up procedures.	Sep-26	Management agrees and will develop a standardized procedure for use of the Origami system to record and track observations. Procedures will establish criteria for classifying observations and will define roles and responsibilities to ensure accountability throughout the process.	
4/8/2026	26-510	F&A	Investments: Monthly Reporting	Management should ensure monthly reports have been reviewed and approved prior to inclusion on committee and Board agendas.	Oct-26	Manageement agrees and will ensure documentation of formall approval prior to inclusion on committee and Board agendas.	
4/8/2026	26-510	F&A	Investments: Monthly Reporting	Management should enhance montly reports with references and explanatory notes.	Oct-26	Management agrees and will include the recommended references and footnotes.	
5/7/2026	26-501	Express Lanes Department	Toll Lanes Integrator System	Management should collect liquidated damages due or document and obtain approval for waiver of such damages.	Nov-26	Management agrees better documentation should be provided for all decisions regarding liquidated damages.	
5/7/2026	26-501	Express Lanes Department	Toll Lanes Integrator System	Management should collect penalties not assessed and ensure future penalities are collected through fee adjustments against invoice payments, in accordance with the contract.	Nov-26	Management agrees to collect penalties and is working with Kapsch Trafficom USA, Inc. to determine the correct amounts for both current and prior invoices.	

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5/7/2026	26-501	Express Lanes Department	Toll Lanes Integrator System	Management should not direct extra work prior to execution of an amendment authorizing such work.	Nov-26	Management agrees that additional work should not be performed prior to execution of an amendment to authorize the work.	
5/7/2026	26-501	Express Lanes Department	Toll Lanes Integrator System	Management should develop and implement an invoice review checklist to ensure alll invoice requirements are met. Management should also develop a method to independently obtain system data to support image review service charges.	Nov-26	Management agrees and has implemented an invoice checklist, as well as set up a process for verifying the number of image reviews.	
6/2/2026	26-512	COB Department	Ralph M. Brown Act Compliance	Management should work with Information Systems staff to obtain evidence of the timing of agendas posted to the electronic kiosk and evidence should be retained for a reasonable period.	Dec-26	Management agrees and will work with Information Systems staff to ensure evidence is captured and retained going forward.	