

**Outstanding Audit Recommendations  
Audit Reports Issued Through  
March 31, 2025**

**ATTACHMENT B**

<b>Audit Issue Date</b>	<b>Report Number</b>	<b>Division/ Department/ Agency</b>	<b>Audit Name</b>	<b>Recommendation</b>	<b>Initiate Next Update</b>	<b>Management Response</b>	<b>Internal Audit Status</b>
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-25	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. <u>Update March 2023</u> : Management expects an updated Access Control Policy (Policy) to be completed soon, and updates to agreements with CTS providers are in process. <u>Update September 2023</u> : Significant progress has been made; however, monitoring controls outlined in the newly-developed Policy have not yet been implemented. <u>Update March 2024</u> : Monitoring controls related to access control have been implemented; however, further improvement is needed. <u>Update August 2024</u> : Management is updating distribution lists for the System Validation Report to ensure that appropriate managers receive the report and can validate access rights. Management expects improvements to be completed by October 2024. <u>Update March 2025</u> : In process.
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-25	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>Update August 2023</u> : Management is still in the process of transferring parts inventory to centralized CAMM control. <u>Update March 2024</u> : FM inventory from three of the five bases has been transferred to the centralized inventory system. <u>Update September 2024</u> : FM inventory for four bases has been transferred. Inventory from the last base should be transferred within six months. <u>Update March 2025</u> : In process.

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2/9/22	21-507	Operations and Finance and Administration Division (F&A)	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-25	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 payments that do not comply with contract terms and some vendors that do not have published list prices, required in order to validate discounts. <u>Update March 2024:</u> CAMM has hired a contract analyst to manage and review invoices and implement enhancements to invoice review. <u>Update September 2024:</u> Management has developed price validation procedures; however, the procedures are not being applied consistently on every invoice. Internal Audit encouraged staff to include documentation evidencing price validation in the invoice payment package. <u>Update March 2025:</u> In process.
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.	Jan-25	Management agreed to develop and implement a policy.	<u>Update February 2024:</u> Management has drafted requirements of an asset management system and plans to utilize a module of the FreshService system (system). Once implemented, an Asset Management Policy will be developed and implemented. <u>Update August 2024:</u> Management has launched the system and is in the process of collecting data for all computing assets. <u>Update February 2025:</u> Management has implemented systems to track and manage assets and will be finalizing an Asset Management Policy.

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5/31/23	23-509	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.	Jan-25	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.	<u>Update February 2024:</u> Management is working to build dashboards to identify vulnerabilities and a reporting system to monitor remediation efforts. Management estimates full implementation of this recommendation by June 2024. <u>Update August 2024:</u> The estimated completion date has been extended due to delays in procuring a consultant. The revised expected completion date is October 31, 2024. <u>Update February 2025:</u> Management has implemented a system to identify and track vulnerabilities across systems. A Vulnerability Policy is in draft and should be published soon.
5/31/23	23-509	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.	Jan-25	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.	<u>Update February 2024:</u> Management indicated they have begun to meet with departments that handle protected data to identify where the data is stored and who has access. Once completed, management plans to develop policies and processes to properly secure such data. In addition, management is working with Microsoft to implement a governance platform to control user access during the entire employment life cycle. Management estimates full implementation by April 30, 2025. <u>Update August 2024:</u> Management continues to work on identifying protected data and the users that should have access to the data. Work on implementing a governance platform is in progress and full implementation is expected by April 2025. <u>Update February 2025:</u> Management has implemented a user access review process and full implementation of a data protection and privacy program is expected in April 2025.
12/5/23	24-503	Executive Office	Transit Police Services (TPS)	Management should implement a process to evaluate, estimate, and document the methodology of assigning TPS costs on an annual basis. Management should also consider implementing a process to accumulate and report all costs of providing transit security.	Jun-25	Management will collaborate with the Orange County Sheriff's-Coroner Department to estimate and document contract costs on an annual basis. In addition, management will work with the Financial Planning and Analysis Department to ensure the ability for each department responsible for an aspect of providing or supporting TPS, to accumulate and consolidate transit security costs for a better understanding of the overall cost of transit security. Management will work with Financial Planning and Analysis to consolidate TPS associated costs and reporting by July 2024.	<u>Update August 2024:</u> Management is coordinating with Financial Planning and Analysis Department (FP&A) to implement a process to periodically review contract cost allocations for reasonableness and make adjustments as necessary. Management is also working with FP&A and Maintenance Resource Management to implement a process to accumulate all costs of providing transit security. <u>Update January 2025:</u> Management is working with FP&A and Maintenance Resource Management to periodically evaluate contract cost allocations and to accumulate all costs of providing transit security.

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12/5/23	24-503	Executive Office	TPS	Management should implement procedures to document agreements for enhanced services, including the type, time, and place of services, and obtain a cost estimate for services. Management should reconcile invoices for special services to these documents and obtain support, or include in the contract, the rates to be charged prior to authorizing payment.	Jun-25	Management will establish procedures to better document the estimates, agreed cost, and occurrence of special services performed. Management will also seek rates for services to be documented in annual contract amendments moving forward with the 2024-2025 TPS contract amendment. Work should conclude by May 2024.	<u>Update August 2024:</u> Management has obtained annual cost estimate memos from TPS that document each type of enhanced service, the overtime billing rates by position, and the estimate of hours and positions required for each service; however, the contract requires documentation of the type, time, and place for each of these services, as scheduled, along with a cost estimate. Management should obtain a memo with all of the required information for each of the scheduled services. <u>Update January 2025:</u> Management has developed a template to document special service activities and will implement it immediately.
3/11/24	24-506	Operations	College Pass Program	Agreements should be amended to accurately reflect all responsibilities and requirements for program operation, and management should enforce agreement requirements. Management should also develop, document, and implement procedures for administration of the program, including procedures for verifying the reasonableness of enrollment data provided by colleges for invoicing purposes and timely preparation of invoices. Management should implement procedures developed in December 2023, to monitor and collect outstanding receivables.	Mar-25	Management agrees that the agreements need to be more specific to each college, and procedures need to be formalized to administer the program beyond the pilot phase. Management will review and enhance agreement language by August 31, 2024. In addition, management will ensure the documentation and implementation of specific procedures for each aspect of program administration and will outline specific responsibility area(s) for program implementation and oversight by September 30, 2024.	<u>Update September 2024:</u> Management has updated agreements with some colleges; however, the agreement with Golden West College has not been tailored to address its annual fee structure. Agreements with the remaining colleges are in the process of update. Procedures for administration and oversight of the program are also underway. <u>Update March 2025:</u> In process.
3/11/24	24-506	Operations	College Pass Program	Internal Audit recommends management update agreements to include requirements for security, inventory, distribution, and reporting of paper passes and implement monitoring controls to ensure colleges are complying with the requirements. Management should also strengthen controls to ensure all college bus passes are properly coded in the system.	Mar-25	Management will develop improved controls and a formal procedure for paper pass distribution to ensure proper security, accurate coding, reporting, and reconciliation, and amend agreements to include the procedures.	<u>Update September 2024:</u> Management has developed paper pass procedures and incorporated these into four out of seven agreements. The remaining three agreements are in the process of being updated. Management has also strengthened controls to ensure passes are properly coded, and to monitor usage. <u>Update March 2025:</u> In process.
5/29/24	24-511	People and Community Engagement (PACE)	Flexible Spending Account (FSA) Program	Management should implement a process for regular tracking of custodial account contributions, distributions, and running account balance and ensure the balance is updated for purposes of financial reporting.	May-25	Management will create a process to ensure the balance is updated and reported to accounting at the end of each fiscal year. In addition, a process will be established to regularly track account balance and activities.	<u>Update February 2025:</u> OCTA has transitioned to a new FSA administrator as of January 2025. Management will create a process for regular tracking of the account with the new provider, Health Equity, Inc.

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8/1/24	24-512	Operations	OC ACCESS Service	Management should revise the performance standards exhibit in the contract to reflect the correct 5,000-mile Preventative Maintenance Interval and adjust the miles in the penalty column accordingly. Management should also enforce prior approval requirements for repair or replacement of major mechanical components.	Feb-25	Management will amend the contract as recommended and will reiterate the prior approval requirements with First Transit.	<u>Update March 2025</u> : In process.
8/1/24	24-512	Operations	OC ACCESS Service	Management should implement a secondary review of the accident log to ensure all accidents are correctly classified.	Feb-25	Management will create and implement a formal review report and confirm the receipt and classification of each incident.	<u>Update March 2025</u> : In process.
8/1/24	24-512	Operations	OC ACCESS Service	Management should perform inspections in accordance with the established frequency schedule.	Feb-25	Management will perform inspections in accordance with the established frequency schedule and will implement a review to confirm that inspections have taken place.	<u>Update March 2025</u> : In process.
8/1/24	24-512	F&A	OC ACCESS Service	Management should enforce the requirement to include "Approval to Pay Invoice" in the email subject line when forwarding an invoice for payment, or should revise the policy to remove this requirement.	Feb-25	Management will remove this requirement from the policy.	<u>Update March 2025</u> : In process.
9/13/24	25-502	F&A	Investments: Compliance, Controls, and Reporting January 1 through June 30, 2024	Management should update the Treasury manual to reflect current practices.	Mar-25	Management will update the manual as recommended.	<u>Update March 2025</u> : Management is working to update the manual and related policies.
10/10/24	25-501	Capital Programs	Interstate 5 (I-5) Improvement Project: Oso Parkway to Alicia Parkway	Management should enforce pre-approval requirement for Other Direct Costs (ODC) not included in the contract schedule.	Apr-25	The project manager will remind the consultant that ODCs not included in the contract schedule require pre-approval and contract language will be updated to clarify who will provide the prior approval.	

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10/11/24	25-504	F&A	Investment Manager Contracts	Management should remind investment managers of contract requirements for replacement of key personnel and implement a procedure to periodically validate key personnel.	Apr-25	Management will remind investment managers of the contract requirement and will work to limit the designation of key personnel to those employees who work directly with OCTA staff. We will also implement a process to periodically validate key personnel.	
10/11/24	25-504	F&A	Investment Manager Contracts	Management should improve the timeliness of invoice review, approval, and processing.	Apr-25	Management has implemented additional checks to ensure the timeliness of payments is carefully monitored.	
11/22/24	25-505	F&A	Purchasing Cards	Management should update procedures to prohibit cardholders from using personal PayPal accounts for business purchases and require all purchased items to be delivered to an OCTA address. Management should also follow-up with cardholders who purchased items in violation of procedures and remind Accounts Payable (AP) staff to verify approvals reflected on purchasing card packages.	May-25	Management will update procedures to prohibit use of personal accounts for purchasing card transactions and require items to be delivered to an OCTA address. The Purchasing Card Administrator will follow-up with cardholders identified as making prohibited transactions. Finally, AP staff will confirm purchasing card packages reflect appropriate approvals.	
3/14/25	25-511	F&A	Investments: Compliance, Controls, and Reporting July 1 through December 31, 2024	Management should enhance controls to ensure variable and floating rate securities are properly reflected in monthly investment and debt reports.	Sep-25	Management will enhance its review process to ensure accuracy of future reports.	
1/7/25	25-507	PACE	Employee Compensation	Management should strengthen controls to ensure compliance with the Temporary Increases Policy.	Jul-25	Responsible staff have been reminded of the importance of saving documents in the employee files. Management will review files of employees currently receiving temporary increases and ensure required documentation is on file.	
1/7/25	25-507	F&A	Employee Compensation	Management should retain documentation supporting productivity incentive calculations and annual determination of cell phone allowance.	Jul-25	Management will ensure documentation is retained and on file to support incentive calculations and determination of the annual cell phone allowance.	

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2/3/25	24-508	Express Lanes Programs	Agreement No. C-9-1177 with Cofiroute USA, LLC for 91 Express Lanes Operations	Management should enhance oversight to ensure the vendor is held accountable to contract requirements and develop policy and procedures to address the parameters and authorization thresholds for waiving liquidated damages.	Aug-25	Management will develop policy and procedures for waiving damages and will improve documentation consistent with the new policy being developed.	
2/3/25	24-508	Express Lanes Programs	Agreement No. C-9-1177 with Cofiroute USA, LLC for 91 Express Lanes Operations	Management should strengthen enforcement of contract requirements related to performance measures and reporting. Management should also develop a policy and procedures to address parameters and authorization levels for waiving penalties.	Aug-25	Management will enhance documentation of monthly standards assessment and review for agreed-upon penalties. Management will also develop policy and procedures to address the parameters and thresholds for penalty waivers.	
2/3/25	24-508	Express Lanes Programs	Agreement No. C-9-1177 with Cofiroute USA, LLC for 91 Express Lanes Operations	Management should adjust Monthly Status Reports to properly reflect results against standards as outlined in the agreement.	Aug-25	Management agrees and has updated the report format starting with the November 2024 report, to reflect standards as outlined in the agreement.	
2/3/25	24-508	Express Lanes Programs	Agreement No. C-9-1177 with Cofiroute USA, LLC for 91 Express Lanes Operations	Invoices do not meet all requirements of the agreement and complete invoice packages are not available in the accounts payable file.	Aug-25	Management will implement a checklist to be used during invoice review to ensure contract requirements are met and, as of June 2024, the complete invoice package is being submitted to AP as recommended.	