

Outstanding Audit Recommendations
Audit Reports Issued Through
December 31, 2025

ATTACHMENT B

Audit Issue Date	Report Number	Division/Department/Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
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-26	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> The Orange County Transportation Authority (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. <u>Update August 2025:</u> Year end account balances are now being reported to Accounting, as recommended. The prior FSA administrator has provided a close-out worksheet and balance details. Payment of the balance due is expected in September 2025. While the new provider, Health Equity, is providing monthly details of activity and staff is comparing the activity to OCTA records, discrepancies noted, starting in January 2025, have yet to be resolved. <u>Update August 2025:</u> The closing account balance from the prior provider has not yet been received and management has implemented procedures to track activities and balances with the new provider, Health Equity; however, discrepancies dating back to January 2025 have yet to be resolved. <u>Update December 2025:</u> In Process.
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.	Feb-26	Management will develop policy and procedures for waiving damages and will improve documentation consistent with the new policy being developed.	<u>Update October 2025:</u> Management is in the process of finalizing a policy and approval thresholds for waivers of liquidated damages.
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.	Feb-26	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.	<u>Update October 2025:</u> Management is in the process of finalizing a policy to address penalty waivers. The contractor will also be required to include Corrective Action Plans for missed performance measures in future invoice packages.
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.	Oct-25	Management will consult with legal counsel and develop guidelines.	<u>Update December 2025:</u> Management will address this recommendation in the Measure 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.

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4/28/25	25-506	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.	Apr-26	Management indicated that an updated corridor appraisal is underway and will be used as the basis for calculating FMV increases. Management will also develop a procedure to memorialize steps taken and any source material used to determine FMVs, including decisions as to imposing such increases.	<u>Update November 2025:</u> 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.
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.	Apr-26	Management will develop procedures for documentation and approval of rate adjustments, or waivers of such, on a monthly basis. Negotiated adjustments to lease rates will be included in an amendment to the license agreement.	<u>Update November 2025:</u> 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.
4/28/25	25-506	Capital Programs	Real Estate Administration	Management should obtain documentation of the Risk Management Department's (RMD) 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.	Apr-26	Management will obtain a memo from the RMD each January to confirm insurance requirements for above-ground uses and utilities. For unique or unusual uses, or for improved properties, the RMD will be consulted to determine sufficiency of insurance requirements. Management will initiate and document discussions with licensees as to any changes needed to contract terms.	<u>Update November 2025:</u> 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.
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.	Apr-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.	<u>Update November 2025:</u> 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.

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4/28/25	25-506	Capital Programs	Real Estate Administration	Management should implement procedures to ensure late payment provisions of tenant agreements are enforced.	Apr-26	Management will obtain a report on tenants whose payments are 30 days late and will calculate fees based on the agreement and communicate this rate to the tenant and Accounts Receivable (AR) Department staff. At 90 days, staff will contact legal counsel to determine whether to pursue a lease or license violation and will document the process in tenant files.	Update November 2025: Management indicated that they receive monthly reports from AR 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.
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.	May-26	Management will work with other departments to identify a list of required reports subject to penalty and will incorporate the list in the next available amendment to the agreement. Management will also comply with agreement language as to preventable accidents and related penalties going forward. Finally, management will request the contractor conduct training sessions and will include a performance standard related to unclassified revenue percentage, with corrective measures, in the next contract.	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.
7/22/25	25-512	PACE	Oversight and Contract Compliance Related to Public Outreach Activities for the OC Streetcar Project	Management should train project managers (PM) on preparation of cost estimates and monthly monitoring of contract burn rate. Contracts Administration and Materials Management (CAMM) staff should enforce requirements to develop an independent cost estimate (ICE).	Jan-26	Management will implement the use of ICE forms and will launch a training program to address ICE preparation and monthly monitoring of contract burn rates. CAMM will enforce requirements for developing an ICE.	
7/22/25	25-512	PACE	Oversight and Contract Compliance Related to Public Outreach Activities for the OC Streetcar Project	Management should strengthen invoice review procedures to ensure compliance with contract terms and to ensure amendments to add personnel are timely processed.	Jan-26	Management will enhance its invoice review process to ensure charges align with approved contract terms, rates, personnel and service periods. Management will also improve documentation requirements for reimbursable expenses.	
7/22/25	25-512	PACE	Oversight and Contract Compliance Related to Public Outreach Activities for the OC Streetcar Project	Management should ensure required deliverables are obtained and outreach activities are evaluated. PMs should be reminded of their contract management responsibilities.	Jan-26	Management will implement training for PMs focused on contract management responsibilities. In addition, enhance reviews to ensure all required reports are submitted monthly and the information used to assess the effectiveness of public outreach efforts.	

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9/23/25	25-515	Operations	Right-of-Way (ROW) Maintenance	The ROW team should record daily field activities and reconcile daily reports of contractor activities to the monthly invoices received.	Mar-26	The ROW team began recording daily field activities in May 2025, and daily reports of contractor activities are now being retained and reconciled to monthly invoices received.	
9/24/25	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 PM should ensure invoice review checklists are properly utilized, an identified double billing is recovered, and ensure Accounts Payable staff correct retention issues identified.	Mar-26	The PM will ensure only approved subcontractors are utilized and that disposal costs are charged to the appropriate account.	
9/25/25	25-517	Operations	ROW Maintenance	Management should ensure procurement documents are complete and filed in a timely manner.	Mar-26	CAMM will conduct refresher training to review the evaluation process, as well as procedures for maintaining electronic contract files.	
11/19/25	26-504	Finance & Administration Division (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 Capital Programs staff to ensure all required information is obtained and verified prior to amendment processing. Management will also ensure the PM provides justification and supporting documentation for all other direct costs.	