

**Outstanding Audit Recommendations
Audit Reports Issued Through
March 31, 2026**

ATTACHMENT B

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
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.	Apr-26	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.
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.	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.	<u>Update November 2025</u> : 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.	<u>Update December 2025</u> : 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.
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.	<u>Update April 2026</u> : In process.
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 (PM) should ensure invoice review checklists are properly utilized, an identified double billing is recovered, and ensure Accounts Payable Department 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.	<u>Update April 2026</u> : In process.
9/23/25	25-517	Operations	ROW Maintenance	Management should ensure procurement documents are complete and filed in a timely manner.	Mar-26	The Contracts Administration and Materials Management Department will conduct refresher training to review the evaluation process, as well as procedures for maintaining electronic contract files.	<u>Update April 2026</u> : In process.

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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.	Mar-26	Management will review all accounts and implement a systematic process to ensure all investments are reflected going forward.	Update March 2026: In process.
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.	Apr-26	Management agrees and will develop procedures as recommended. Effective June 2025, staff updated labor rates to align with formulas in accordance with agreements.	
10/13/2025	25-517	F&A	Warranty Administration	Management should implement procedures for more frequent follow-up of outstanding claims.	Apr-26	Management agrees and will implement written procedures requiring follow-up of all open claims every 30 days. Claims unresolved after 90 days will be escalated to the manager.	
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.	Apr-26	Management agrees and will revise its approach to valuing this work. Full unit replacement costs will no longer be used where repair details are not provided. Recovery will only be counted when itemized repair costs are available.	
11/19/25	26-504	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 PM provides justification and supporting documentation for all other direct costs.	

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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.	
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.	
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.	
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.	
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.	

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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.	
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 reimbursement, 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 project managers (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 CAMM to develop a process for timely identification of PMs with responsibility 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.	