



April 23, 2025

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Fiscal Year 2024-25 Internal Audit Plan, Third Quarter Update

Overview

The Orange County Transportation Authority Board of Directors adopted the Orange County Transportation Authority Internal Audit Department Fiscal Year 2024-25 Internal Audit Plan on July 22, 2024. This report provides an update on activities for the third quarter of the fiscal year.

Recommendation

Receive and file the third quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2024-25 Internal Audit Plan as an information item.

Background

The Internal Audit Department (Internal Audit) is an independent appraisal function, the purpose of which is to examine and evaluate the Orange County Transportation Authority's (OCTA) operations and activities to assist management in the discharge of its duties and responsibilities.

Internal Audit performs a wide range of auditing services that include overseeing the annual financial and compliance audits, conducting operational and contract compliance reviews, investigations, pre-award price reviews, and Buy America reviews. In addition, audits initiated by entities outside of OCTA are coordinated through Internal Audit.

Discussion

The OCTA Internal Audit Department Fiscal Year (FY) 2024-25 Internal Audit Plan (Plan) reflects the status of each project (Attachment A).

During the third quarter, Internal Audit issued results of an audit of compensation. Based on the audit, policies, procedures, and controls over employee compensation actions are in place and operating effectively; however, recommendations were made to strengthen controls to ensure compliance with the temporary salary increases policy and to improve documentation supporting incentive calculations and cell phone allowance. Management agreed to ensure sufficient support for temporary salary increases, incentive calculations, and cell phone allowance assessments are maintained on file.

An audit of the agreement with Cofiroute USA, LLC (Cofiroute) for operation of the 91 Express Lanes was also issued and concluded that, while management exercises oversight of Cofiroute, improvements are necessary. Recommendations were made to enforce all contract requirements, develop and implement procedures for penalty waivers, improve performance reporting, and enhance invoice review controls. Management agreed and will implement the recommendations.

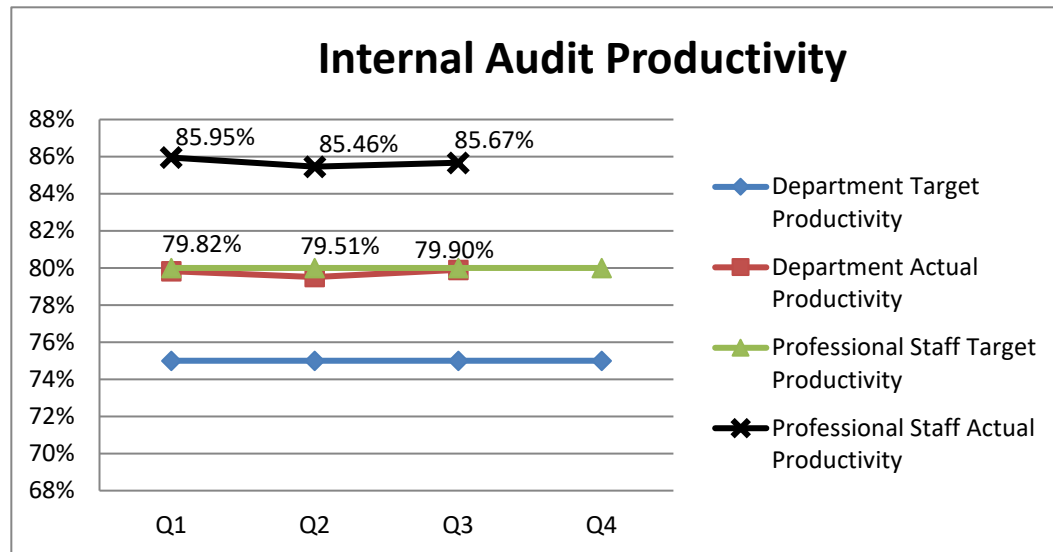
Also, during the quarter, the semi-annual audit of investments was completed and found OCTA complied with its debt, investment, and reporting policies and procedures; however, one recommendation was made to accurately identify variable and floating rate securities in monthly reports. Management agreed to enhance its review process to ensure accuracy in future reports.

Finally, an audit of transit field supervision was issued. The audit found that field supervision activities are effectively performed and recorded and comply with guidelines and standards set by management.

Internal Audit Productivity

Internal Audit measures the productivity of the department by calculating a productivity ratio. The ratio, used broadly throughout the audit industry, measures the amount of time auditors spend on audit projects versus time spent on administrative duties. Productivity goals are established for both the professional staff, and for the department as a whole. Because the executive director regularly participates in non-audit management activities such as planning and committee meetings, the department-wide target is set at 75 percent. The target for internal audit professional staff, not including the executive director, is 80 percent.

As of the third quarter, ended March 31, 2025, Internal Audit has achieved productivity of 79.90 percent, and the professional staff have achieved productivity of 85.67 percent.



Price Reviews

At the request of the Contracts Administration and Materials Management (CAMM) Department, and consistent with OCTA's procurement policy, Internal Audit applies agreed-upon procedures (AUP) to single-bid procurements to ensure that CAMM handled the procurement in a fair and competitive manner. Internal Audit also applies AUPs to prices proposed by architectural and engineering firms and sole source contractors to ensure that the prices are fair and reasonable. During the third quarter, Internal Audit issued results of ten price reviews.

Internal Audit Quality Assurance/Management

During the quarter, an external quality assurance, or peer review, was conducted and found that Internal Audit's quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Generally Accepted Government Auditing Standards for the period January 1, 2022 through December 31, 2024. The independent peer review team, provided through the Association of Local Government Auditors, complimented Internal Audit for achieving high productivity while maintaining quality of work.

Fraud Hotline

During the quarter ended March 31, 2025, Internal Audit received two reports through OCTA's Fraud Hotline, www.ethicspoint.com. One complaint was referred to Human Resources for investigation and the second complaint was referred to customer relations for follow-up. As part of the administration of the hotline, Internal Audit maintains documentation of each complaint and its disposition.

Internal Audit is committed to responding to all hotline complaints within eight business days. During the quarter ended March 31, 2025, Internal Audit made initial contact within two business days.

Findings and Recommendations Tracking

At the request of the Finance and Administration Committee, unresolved audit recommendations are included with the quarterly updates to the Plan (Attachment B). Internal Audit includes the findings and recommendations generated internally, as well as those provided by regulatory auditors and OCTA's independent financial statement auditors.

During the quarter ended March 31, 2025, Internal Audit completed follow-up reviews of ten outstanding recommendations and concluded that three had been adequately addressed (Attachment C). The remaining seven recommendations from the audits of cybersecurity, Transit Police Services, flexible spending accounts, and investments have not yet been fully implemented and will be reviewed again in six months. Follow-up review of another nine recommendations, related to four audits, is still in process as of quarter-end. Seven recommendations were added to the listing as a result of audits issued during the quarter, as summarized above.

Summary

Internal Audit will continue to implement the Plan, report on performance metrics, follow up on outstanding audit recommendations, and report progress on a quarterly basis.

Attachments

- A. Orange County Transportation Authority Internal Audit Department
Fiscal Year 2024-25 Internal Audit Plan, Third Quarter Update
- B. Outstanding Audit Recommendations, Audit Reports Issued Through
March 31, 2025
- C. Audit Recommendations Closed During Third Quarter, Fiscal Year 2024-25

Approved by:



Janet Sutter
Executive Director, Internal Audit
714-560-5591

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2024-25 Internal Audit Plan
Third Quarter Update**

ATTACHMENT A

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Mandatory External Independent Audits							
Annual Financial Audits and Agreed-Upon Procedures (AUP) Reviews	FY25-001 through FY25-005	Coordinate and report on annual financial and compliance audits and AUP reviews for FY 2023-24.	Financial	425	306	119	In Process
External Regulatory Audits	FY25-006	Coordinate and report on audits by regulatory or funding agencies.	Compliance	40	1	39	
State Triennial Review	FY24-007	Procure independent audit firm and coordinate and report on results of the required State Triennial Performance audits of the Orange County Transportation Authority (OCTA), Orange County Transit District, and Laguna Beach Municipal Transit Lines.	Compliance	220	152	68	In Process
Internal Audit Department Projects							
Risk Assessment and Annual Audit Plan	FY25-100	Preparation of the annual audit plan, quarterly updates to the audit plan, and periodic assessment of risk throughout the year, including monitoring the audit results of related entities.	Audit Plan and Updates	180	50	130	
Quality Assurance and Self-Assessment	FY25-101	Update of Internal Audit Policies & Procedures to reflect Generally Accepted Government Auditing Standards (GAGAS). Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with GAGAS.	Quality Assurance	160	199	(39)	
Fraud Hotline Activities	FY25-102	Administrative duties related to maintenance of the OCTA Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	120	23	97	7 Reports Received
Peer Review	FY25-103	Participate in peer reviews of other internal audit agencies in exchange for reciprocal credit towards required peer review of OCTA's Internal Audit Department for calendar years 2022, 2023, and 2024. Report results of peer review to the Finance and Administration (F&A) Committee and the Board of Directors (Board).	Peer Review	160	71	89	Issued 2-27-25
Automated Workpaper Solution	FY25-104	System updates/training related to automated workpaper solution.	Workpaper System	40	9	31	
Internal Audits							
Organization-Wide							
Legal Services	FY25-503	Assess and test contract compliance and invoice review controls related to the contract with Woodruff and Smart for legal services.	Compliance	200	140	60	Issued 9-9-24
Express Lanes Program							
Operations and Management	FY24-508	Assess and test selected oversight, contract compliance, and/or invoice review controls related to the provision of services by Cofiroute USA, LLP.	Operational/ Compliance	200	433	(233)	Issued 2-3-25

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Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Toll Integrator System	FY25-5XX	Assess and test oversight, contract compliance, and invoice review controls related to the contract with Kapsch Trafficom USA, Inc., for the design, implementation, installation, operation, and maintenance of a toll collection system for the existing 91 Express Lanes and 405 Express Lanes.	Internal Control/ Compliance	220		220	
People and Community Engagement							
Compensation	FY25-507	Assess and test policies, procedures, and controls over employee compensation actions.	Operational	320	321	(1)	Issued 1-7-25
Public Outreach - OC Streetcar	FY25-512	Assess and test oversight controls, contract compliance, and invoice review controls related to the agreement for public outreach for the OC Streetcar project.	Internal Control/ Compliance	180	154	26	In Process
Capital Programs							
Interstate 5 (I-5) Improvement Project: Oso Parkway to Alicia Parkway	FY25-501	Assess and test oversight controls, contract compliance, and invoice review controls related to the I-5 Improvement Project: Segment 2 - Oso Parkway to Alicia Parkway.	Internal Control / Compliance	320	271	49	Issued 10-10-24
Project Controls	FY25-513	Assess and test operating controls of the project controls function within the Capital Programs Division.	Operational	240	121	120	In Process
Real Estate Administration	FY25-506	Assess and test real estate administration and controls, including management of contracts.	Operational	240	367	(127)	In Process
Operations							
OC ACCESS Service	FY24-512	Assess adequacy of oversight controls and test oversight, contract compliance, and invoice review controls related to the agreement with First Transit/TransDev for OC ACCESS transportation services.	Operational / Compliance	24	18	6	Issued 8-1-24
OC Streetcar Vehicles	FY25-509	Assess and test procurement, oversight, contract, and/or invoice review controls related to the contract with Siemens for OC Streetcar vehicles.	Operational / Compliance	280	21	259	ON HOLD
Contracted Fixed Route	FY25-510	Assess adequacy of oversight controls and compliance with key provisions of the agreement with Keolis North America, performance standards measurement and reporting, and invoice review controls.	Operational / Compliance	320	293	27	In Process
Field Supervision	FY25-508	Evaluate and test field supervision activities for compliance with policies and procedures.	Operational	240	302	(62)	Issued 2-19-25

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Finance and Administration							
Treasury	FY25-502	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	250	358	(108)	1 Report Issued
Budget Development and Monitoring	FY25-514	Assess and test controls over budget development, monitoring, and reporting.	Operational	240	151	89	In Process
Revenue Agreements	FY24-513	Assess and test controls over identification, tracking, and reporting of external revenue agreements.	Operational	60	61	(1)	Issued 7-24-24
Investment Management Contracts	FY25-504	Assess and test oversight, contract compliance, and invoice review controls related to short-term investment management services provided by Chandler Asset Management, MetLife, Payden & Rygel, and PFM Asset Management, LLC.	Operational / Compliance	180	102	79	Issued 10-11-24
Purchasing Cards	FY25-505	Assess and test controls over purchasing card activities.	Operational / Compliance	240	341	(101)	Issued 11-22-24
Price Reviews	PR25-XXX	As requested by the Contracts Administration and Materials Management (CAMM) Department, apply AUP to sole source, single bid, and architectural and engineering firm proposals.	Price Review	700	445	256	26 Reports Issued
Buy America	FY25-5XX	As requested by the CAMM Department, apply AUP to determine compliance with Buy America requirements.	Buy America	320	150	170	2 Reports Issued

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2024-25 Internal Audit Plan
Third Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Unscheduled Reviews and Special Requests							
Unscheduled Reviews and Special Requests	FY25-800	Time allowed for unplanned audits and requests from the Board or management.	Varies	180	4	176	
Monitoring Activities							
Measure M2 Taxpayer Oversight Committee (TOC)	FY25-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	50	12	38	
Metrolink Audit Activities	FY25-602	Review/monitor audit results of Metrolink activities.	Non-Audit Service	8		8	
Capital Asset Inventory Observation	FY24-604	At the request of the F&A Division, observe and apply limited procedures related to the bi-annual capital asset inventory counts.	Non-Audit Service	20	15	5	
Follow-Up Reviews							
Follow-Up Reviews and Reporting	FY25-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-Up	320	350	(30)	
Total Audit Project Planned Hours (A)				6,697	5238	1,459	

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Fiscal Year 2024-25 Internal Audit Plan
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Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Internal Audit Administration							
Board and Committee Meetings				180	111	70	
Executive Steering and Agenda Setting Meetings				170	89	81	
Internal Audit Staff Meetings				150	130	21	
Other Administration				1,500	989	511	
Total Hours (B)				8,697	6,556		
Department Target Efficiency (A/B)				75%	79.90%		
Target Efficiency - Professional Staff				80%	85.67%		

Contingency Audits: Internal

Warranty Administration	FY25-5XX	Assess the adequacy and effectiveness of internal controls in place for identifying, tracking, and recording of warranty repairs and credits.
Right-of-Way (ROW) Maintenance	FY25-5XX	Assess and test the adequacy and effectiveness of controls related to maintenance of the railroad ROW and the contract with Joshua Grading and Excavating Incorporated.

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

ATTACHMENT B

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
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.

Outstanding Audit Recommendations
Audit Reports Issued Through
March 31, 2025

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
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.

Outstanding Audit Recommendations
Audit Reports Issued Through
March 31, 2025

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
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.

Outstanding Audit Recommendations
Audit Reports Issued Through
March 31, 2025

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
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.

Outstanding Audit Recommendations
Audit Reports Issued Through
March 31, 2025

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
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.	

Outstanding Audit Recommendations
Audit Reports Issued Through
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Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
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.	

Outstanding Audit Recommendations
Audit Reports Issued Through
March 31, 2025

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
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.	

**Audit Recommendations Closed During
Third Quarter, Fiscal Year 2024-25**

ATTACHMENT C

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Internal Audit Status Comments
5/31/23	23-509	Finance and Administration (F&A)	OCTA's Cybersecurity Program	Management should update OCTA's Business Impact Analysis with direct input from the Cybersecurity Office and use results to inform the development, implementation, and maintenance of an updated Continuity of Operations Plan (COOP) and Disaster Recovery Plan (DRP), and test the DRP annually.	<u>Update February 2024</u> : Management indicated that an initial portion of the disaster recovery runbook of core infrastructure applications has been completed and that a tabletop exercise of the incident response plan is planned for June 2024. Management will obtain an updated COOP and update its disaster systems recovery plans accordingly and implement annual testing of data and critical systems recovery by July 2024. <u>Update August 2024</u> : An updated COOP was delivered in May 2024 and management is updating the recovery runbook to restore applications. A tabletop exercise was completed in June 2024. Full implementation is expected by September 30, 2024. <u>Update February 2025</u> : Management has completed the Disaster Recovery Runbook for Servers and Applications document, with recovery priorities for servers and will conduct the next tabletop exercise in the May/June 2025 timeframe.
9/9/24	25-503	F&A, People and Community Engagement, and Executive Office	Agreement No. C-4-1816 with Woodruff & Smart for Legal Services	Management should enhance invoice review controls to include verification that pre-approval of legal subcontractors was obtained as required.	<u>Update March 2025</u> : Management has updated invoice review procedures to include verification that pre-approval letters are on file for subcontractors.
9/13/24	25-502	F&A	Investments: Compliance, Controls, and Reporting January 1 through June 30, 2024	Management should implement a process to periodically update revenue estimates.	<u>Update March 2025</u> : Management has implemented a process to periodically update revenue estimates.