



*July 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, Fourth 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 update is for the fourth quarter of the fiscal year.

### **Recommendation**

Receive and file the fourth 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 and the Board of Directors (Board) in the discharge of their 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 as of year-end. Staff hours, as

reflected in Attachment A, represent total hours available for audit activities and are budgeted by project as a preliminary estimate of the effort required to meet the audit objectives. Actual hours spent on audit activities exceeded budgeted hours by approximately 100 hours.

For the FY 2024-25 Plan year, Internal Audit completed 44 projects, including 14 audits, 28 price reviews, and two Buy America reviews. As of June 30, 2024, two planned audits and two contingency audits are in process and will be carried over to the FY 2025-26 Plan. A planned audit of OC Streetcar vehicles was not initiated and will not be carried over to the FY 2025-26 Plan to avoid interference with ongoing legal activities.

During the fourth quarter, Internal Audit issued results of an audit of real estate administration. Based on the audit, controls over real estate administration could be improved. Five recommendations were made to develop procedures for implementing timely fair market adjustments, improve documentation of approval for negotiated lease rates, document reviews of insurance requirements, develop procedures for periodic inspection of leased properties, and implement procedures for collection of late payment fees. Management agreed to implement the recommendations.

An audit of contracted fixed-route services provided by Keolis Transit Services, LLC, was also issued and found that procurements and amendments were handled in accordance with policies and procedures, and invoice review controls are in place and operating effectively; however, recommendations were made to improve monitoring of contract performance standards and to clarify bond and insurance requirements. Management agreed to implement the recommendations.

An audit of the project controls function within the Capital Programs Division was completed and concluded that project changes are properly documented and approved, invoices are properly reviewed and approved, and project master schedules, monthly progress reports, and capital action plans are timely prepared and distributed. One recommendation was made to improve verification of consultant-billed labor hours during invoice review. Management agreed and indicated the recommendation will be implemented.

Also, during the quarter, results of required triennial audits of OCTA, the Orange County Transit District (OCTD) and Laguna Beach Municipal Transit Lines (LBMTL) for FY 2021-22 through FY 2023-24 were issued. The audits are required by the Transportation Development Act and were performed by BCA Watson Rice, LLP. The audits found OCTA and OCTD in compliance with applicable sections of the California Public Utilities Code. LBMTL was found to have met all compliance requirements except for its failure to file the required

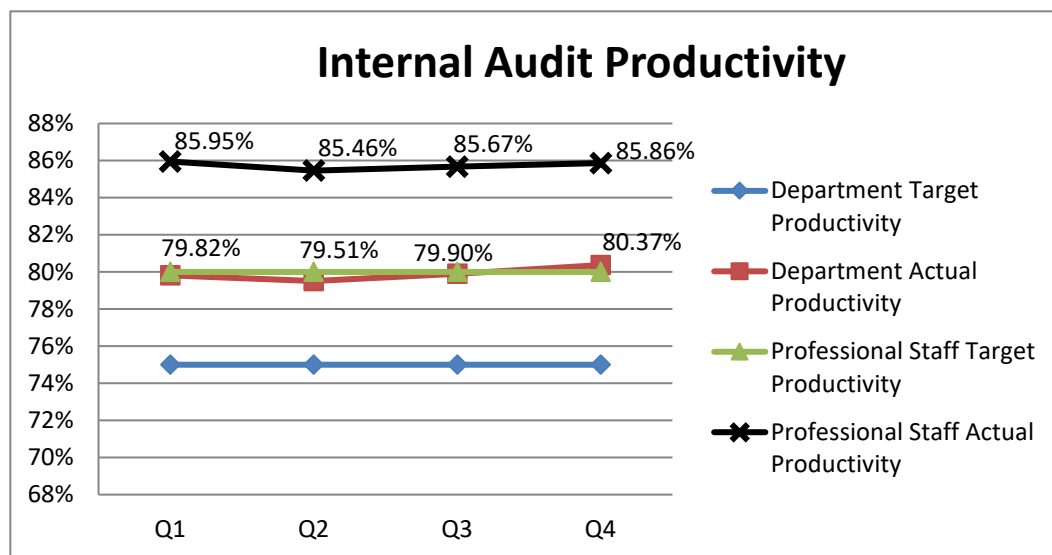
FY 2023-24 State Controller's Report within seven months of FY end. The audit of LBMTL offered three recommendations to improve implementation of its long-term goals and objectives, strengthen its reporting process, and ensure timely submissions to the State Controller's Office. Management will monitor implementation of these recommendations by LBMTL.

Finally, results of the Orange County Local Transportation Authority's (OCLTA) compliance with the Measure M2 Ordinance for the year ended June 30, 2024, and results of agreed-upon procedures (AUP) applied to determine selected jurisdictions' compliance with the Measure M2 Ordinance for the year ended June 30, 2024, were issued by the independent accounting firm, Crowe LLP. Results were presented to the Finance and Administration Committee, the Board, and the Audit Subcommittee of the Taxpayers Oversight Committee.

### Internal Audit Productivity

Internal Audit measures the productivity of the department by calculating a productivity ratio. The ratio 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 Board 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 set at 80 percent.

As of the fourth quarter, Internal Audit achieved department productivity of 80.37 percent, and the professional staff achieved productivity of 85.86 percent.



### Price Reviews

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

### Fraud Hotline

During the quarter ended June 30, 2025, Internal Audit received one report through OCTA's fraud hotline, however, the complaint lacked sufficient information to conduct follow-up. As part of the administration of the hotline, Internal Audit maintains documentation of each complaint and its disposition.

### 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 June 30, 2025, Internal Audit completed follow-up reviews of 13 outstanding recommendations and concluded that ten had been adequately addressed (Attachment C). Three recommendations, from audits of physical access security, Facilities Maintenance operations, and investment manager contracts, have not yet been fully implemented and will be reviewed again within six months. Follow-up review of three other recommendations is in process as of the quarter-end. Nine recommendations were added to the listing resulting from audits issued during the quarter, as summarized above.

### **Summary**

The Orange County Transportation Authority Internal Audit Department Fiscal Year 2024-25 Internal Audit Plan is being closed out. Four projects that are in process have been carried forward to the FY 2025-26 Plan.

***Attachments***

- A. Orange County Transportation Authority Internal Audit Department  
Fiscal Year 2024-25 Internal Audit Plan, Fourth Quarter Update
- B. Outstanding Audit Recommendations, Audit Reports Issued Through  
June 30, 2025
- C. Audit Recommendations Closed During Fourth 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  
Fourth Quarter Update**

**ATTACHMENT A**

<b>Audit Activity</b>	<b>Project Number</b>	<b>Description</b>	<b>Primary Audit Type</b>	<b>Planned Staff Hours</b>	<b>Staff Hours To Date</b>	<b>Under (Over)</b>	<b>Status (Date Issued)</b>
<b>Mandatory External Independent Audits</b>							
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	414	11	Complete
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	222	(2)	Complete
<b>Internal Audit Department Projects</b>							
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	196	(16)	
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	8 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	109	51	Issued 2-27-25
Automated Workpaper Solution	FY25-104	System updates/training related to automated workpaper solution.	Workpaper System	40	10	30	
<b>Internal Audits</b>							
<b>Organization-Wide</b>							
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

**Orange County Transportation Authority  
Internal Audit Department  
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Fourth Quarter Update**

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<b>Express Lanes Program</b>							
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
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	
<b>People and Community Engagement</b>							
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	384	(204)	In Process
<b>Capital Programs</b>							
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	304	(64)	Issued 6-10-25
Real Estate Administration	FY25-506	Assess and test real estate administration and controls, including management of contracts.	Operational	240	379	(139)	Issued 4-28-25
<b>Operations</b>							
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	352	(32)	Issued 5-14-25
Field Supervision	FY25-508	Evaluate and test field supervision activities for compliance with policies and procedures.	Operational	240	302	(62)	Issued 2-19-25

**Orange County Transportation Authority  
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Fourth Quarter Update**

<b>Audit Activity</b>	<b>Project Number</b>	<b>Description</b>	<b>Primary Audit Type</b>	<b>Planned Staff Hours</b>	<b>Staff Hours To Date</b>	<b>Under (Over)</b>	<b>Status (Date Issued)</b>
<b>Finance and Administration</b>							
Treasury	FY25-502 FY25-511	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	250	364	(114)	2 Reports Issued
Budget Development and Monitoring	FY25-514	Assess and test controls over budget development, monitoring, and reporting.	Operational	240	414	(174)	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	607	94	28 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
<b>Unscheduled Reviews and Special Requests</b>							
Unscheduled Reviews and Special Requests	FY25-800	Time allowed for unplanned audits and requests from the Board or management.	Varies	180	5	175	
<b>Monitoring Activities</b>							
Measure M2 Taxpayer Oversight Committee (TOC)	FY25-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	50	33	17	
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	
<b>Follow-Up Reviews</b>							
Follow-Up Reviews and Reporting	FY25-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-Up	320	448	(128)	
<b>Total Audit Project Planned Hours</b>				<b>6,697</b>			



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

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
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**Contingency Audits: Internal Audit**

Warranty Administration	FY25-516	Assess the adequacy and effectiveness of internal controls in place for identifying, tracking, and recording of warranty repairs and credits.			47		
Right-of-Way (ROW) Maintenance	FY25-515	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.			122		
<b>Total Audit Project Actual Hours (A)</b>					<b>6805</b>		

**Internal Audit Administration**

Board and Committee Meetings				180	145	36	
Executive Steering and Agenda Setting Meetings				170	106	64	
Internal Audit Staff Meetings				150	157	(7)	
Other Administration				1,500	1255	245	
<b>Total Hours (B)</b>				<b>8,697</b>	<b>8,467</b>		

**Department Efficiency (A/B)** 80.37%  
**Efficiency - Professional Staff** 85.86%

**Outstanding Audit Recommendations**  
**Audit Reports Issued Through**  
**June 30, 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	The Internal Audit Department (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 Orange County Transportation Authority (OCTA) staff. Management should also ensure secondary controls are operating as intended.	Jul-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> : Management responded that this effort is on hold due to the recent transition of the access control system to a new platform and the loss of two employees responsible for this effort.
2/9/22	21-507	Operations Division (Operations) and Finance and Administration Division (F&A)	Facilities Maintenance (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.	Aug-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 the Contracts Administration and Materials Management (CAMP) Department 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. CAMP has implemented an evaluation methodology to assign a percentage of the cost score for items not listed on the price summary sheet. Management and CAMP 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, CAMP staff needs to enhance its review of invoices for contracts that have been transferred to their control. <u>Update August 2023</u> : CAMP 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> : CAMP 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. <u>Update March 2025</u> : Management has developed price validation procedures; however, the procedures are not being applied consistently.

**Outstanding Audit Recommendations**  
**Audit Reports Issued Through**  
**June 30, 2025**

<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>
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.	Aug-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.
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.	Aug-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.	Aug-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.

**Outstanding Audit Recommendations**  
**Audit Reports Issued Through**  
**June 30, 2025**

<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>
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 Department to estimate and document contract costs on an annual basis. In addition, management will work with the Financial Planning and Analysis (FP&A) 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 FP&A to consolidate TPS associated costs and reporting by July 2024.	<u>Update August 2024:</u> Management is coordinating with 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. <u>Update June 2025:</u> Follow-up in process.
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. <u>Update June 2025:</u> Follow-up 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. <u>Update June 2025:</u> Follow-up 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.	Sep-25	Management will update the manual as recommended.	<u>Update March 2025:</u> Management is working to update the manual and related policies.

**Outstanding Audit Recommendations**  
**Audit Reports Issued Through**  
**June 30, 2025**

<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>
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.	Oct-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.	Update April 2025: Management will finalize contract amendments to limit key personnel to two individuals by the end of April and will validate key personnel annually during the investment policy update process, starting in June 2025.
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.	
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.	

**Outstanding Audit Recommendations**  
**Audit Reports Issued Through**  
**June 30, 2025**

<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>
2/3/25	24-508	Express Lanes Programs	Agreement No. C-9-1177 with Cofiroute USA, LLC for 91 Express Lanes Operations	Management should utilize an invoice review checklist to ensure all contract requirements have been met and should include all invoice back-up in the invoice package submitted to Accounts Payable (AP).	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.	
4/23/25	N/A	Planning Division	Measure M 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.	
4/28/25	25-506	Capital Programs	Real Estate Administration	Management should implement standards for the conduct and documentation of fair market valuations (FMVs) 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.	Oct-25	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.	
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.	Oct-25	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.	
4/28/25	25-506	Capital Programs	Real Estate Administration	Management should obtain documentation of Risk Management Department's (RMDs) 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.	Oct-25	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.	

**Outstanding Audit Recommendations**  
**Audit Reports Issued Through**  
**June 30, 2025**

<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>
4/28/25	25-506	Capital Programs	Real Estate Administration	Management should implement procedures for periodic inspection of properties to ensure compliance with agreement terms and to identify unauthorized uses. Inspections should be documented.	Oct-25	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.	
4/28/25	25-506	Capital Programs	Real Estate Administration	Management should implement procedures to ensure late payment provisions of tenant agreements are enforced.	Oct-25	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 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.	
5/14/25	25-510	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.	Nov-25	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.	
5/14/25	25-510	F&A	Contracted Fixed-Route Services	Management should confirm that the performance bond on file is binding and ensure that documentation of the review of the performance bond and insurance certificates is included in the agreement file.	Nov-25	Management has confirmed that the performance bond is binding and will obtain a rider removing the language requiring signature by OCTA. In addition, emails documenting review of the bond and insurance requirements have been included in the agreement file.	
6/10/25	25-513	Capital Programs	Project Controls	Staff should obtain timesheets to support labor hours charged. Exceptions to this requirement should be approved by the Capital Programs Executive Director.	Dec-25	Staff will implement the recommendation and will obtain Executive Director approval for any exceptions to invoice review requirements.	

<b>Audit Issue Date</b>	<b>Report Number</b>	<b>Division/ Department/ Agency</b>	<b>Audit Name</b>	<b>Recommendation</b>	<b>Internal Audit Status Comments</b>
2/9/22	21-507	Operations Division (Operations)	Facilities Maintenance (FM) Operations	The Internal Audit Department (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.	<u>Update September 2022</u> : Management has completed transferring contracts to the Contracts Administration and Materials Management (CAMP) Department and a process to bring FM parts inventory into CAMP 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. <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 CAMP 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> : Management has completed the transfer of all parts inventory to the centralized inventories at the bases.
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.	<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> : Agreements have been amended to accurately reflect responsibilities and requirements of program operations and management has implemented procedures for program administration and monitoring of outstanding receivables.
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.	<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> : Management has incorporated paper pass procedures into all agreements. A new rider validation system will replace paper passes with re-loadable smart cards in late summer 2025.
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 (PMI) and adjust the miles in the penalty column accordingly. Management should also enforce prior approval requirements for repair or replacement of major mechanical components.	<u>Update April 2025</u> : Management has amended the contract to reflect the correct 5,000-mile PMI interval and has adjusted the miles in the penalty column accordingly. Management has also reminded the contractor that authorization must be received before ordering parts or performing replacement or repairs of major mechanical components.
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.	<u>Update April 2025</u> : Management has implemented a monthly accident and incident review report that is distributed for secondary review and included as part of the invoice package.
8/1/24	24-512	Finance and Administration (F&A)	OC ACCESS Service	Management should perform inspections in accordance with the established frequency schedule.	<u>Update April 2025</u> : Management has developed a review checklist schedule that logs the dates of inspections and reviews to ensure performance with the established frequency schedule.



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

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.	<u>Update April 2025</u> : Management has revised the Invoice Review Policy to remove the requirement to include "Approval to Pay Invoice" in the subject line of emails.
10/10/24	25-501	Capital Programs	Interstate 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.	<u>Update April 2025</u> : Management will implement a process to remind consultants that ODCs not listed in the contract schedule require approval from the project manager prior to costs being incurred. No additional instances of this have been observed under the referenced contract.
10/11/24	25-504	F&A	Investment Manager Contracts	Management should improve the timeliness of invoice review, approval, and processing.	<u>Update April 2025</u> : Management has implemented an invoice tracking system to improve timeliness of invoice review, approval, and processing. All six invoices after implementation of the new process were paid timely.
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 Orange County Transportation Authority 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.	<u>Update June 2025</u> : Management has updated procedures as recommended and sent communication to cardholders identified as having purchased items in violation of procedures. AP staff have implemented procedures to document verification of proper approvals on purchasing card packages.