



February 12, 2014

To: Finance and Administration Committee
From: Darrell Johnson, Chief Executive Officer
Janet Sutter, Executive Director
Internal Audit Department
Subject: Review of Employee Commuter Club Program

Overview

The Internal Audit Department has completed a review of the Commuter Club Program. Based on the review, controls over processing of Rideshare Additional Day Off awards and gift check awards are generally adequate; however, monitoring and system controls are not adequate and policy, procedures, training, and communication should be improved.

Recommendation

Direct staff to implement three recommendations offered in the Review of Employee Commuter Club Program, Internal Audit Report No. 14-507.

Background

The South Coast Air Quality Management District (SCAQMD) Rule 2202 provides employers with a menu of options to meet air quality standards mandated by the Federal Clean Air Act. SCAQMD Rule 2202 requires that employers of 250 or more employees at a single worksite participate in an Employee Commute Reduction Program (Rule 308) to ease traffic congestion and reduce emissions or invest in the SCAQMD's emission reduction efforts through the Air Quality Investment Program (Rule 311). Although it is less expensive to comply with regulations by simply paying fines, as the countywide transportation agency, management believes it is important to support and encourage employee commute reduction programs. Therefore, the Commuter Club Program (Program) was created to promote rideshare and alternative commuting among Orange County Transportation Authority employees following the provisions of Rule 308.

A web-based system, known as the Online Commuter Club Application (OCCA) is used to record and track commute data. Employees create a login and record their method of daily commute. Depending on the commute mode selected, employees earn points that can be redeemed for paid days off or \$25 gift check awards.

Discussion

The Internal Audit Department (Internal Audit) identified omissions in Program policy and procedures and several discrepancies between the available sources of information, SCAQMD guidelines, and practices of employees participating in the Program. For example, SCAQMD does not allow employers to earn credit for paid days off such as vacation or sick days. Program policy is silent on the topic; however, the OCCA system website does instruct employees that the category for these days should be "None". Internal Audit found that, in practice, many employees categorize these days as "Paid Day Off", resulting in the accumulation of points. Other discrepancies related to eligibility and qualifying activities are detailed in the report. Internal Audit recommended that management revise the policy and procedures to be consistent with SCAQMD rules. Management agreed to update the policy and procedures as appropriate.

The Program is an honor-based system whereby employees self-report their commute activity. Currently, there are no monitoring controls in place to detect errors or irregularities related to the Program. cursory review and sample testing identified concerns regarding employee eligibility and accuracy of reporting, including employees that entered commute modes for 29 or more days in a month and employees that received both reimbursement for Metrolink passes and accumulated points, which is contrary to policy. Internal Audit recommended that management adjust employee accounts for the identified errors and develop and implement monitoring controls to help identify errors or irregularities in the future. Management agreed and indicated that appropriate adjustments will be made and staff will look to modify the current system, build an in-house system, or purchase a new system that will include appropriate monitoring controls and reporting.

Internal Audit also found that the OCCA system does not provide adequate access or parameter controls. Multiple individuals are assigned administrator access to the system, resulting in the ability to adjust points earned. There is no audit trail in the system to identify the individual responsible for adjustments and no reporting of the adjustment transactions. Further, Internal Audit found instances in which the system erroneously awards points. Internal Audit recommended management strengthen existing system controls or develop a

new system with adequate access and parameter controls, audit trails, and exception reporting. Management agreed and indicated that steps have already been taken to update parameter controls, monitor audit trails, and limit administrative access to the system.

Summary

Based on the procedures performed, controls for issuing Rideshare Additional Day-off awards and gift check awards are generally adequate; however, policies, procedures, training, and communications require improvement, and monitoring and system controls should be strengthened.

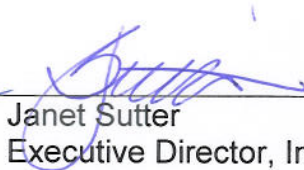
Attachment

- A. Review of Employee Commuter Club Program, Internal Audit Report No. 14-507

Prepared by:

Approved by:


Gabriel Tang
Principal Internal Auditor
714-560-5746


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

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Review of Employee Commuter Club Program

Internal Audit Report No. 14-507

February 5, 2014
Reissued



Internal Audit Team: Janet Sutter, CIA, Executive Director
Gabriel Tang, CPA, Principal Internal Auditor

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Employee Commuter Club Program
February 5, 2014**

Table of Contents

Conclusion 1
Background 1
Objectives, Scope and Methodology 2
Audit Comments, Recommendations, and Management Responses 4
 Program Policy and Procedures, Training, and Communication 4
 Monitoring Controls 5
 System Controls 6

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Employee Commuter Club Program
February 5, 2014**

Conclusion

The Internal Audit Department (Internal Audit) has completed a review of the Commuter Club Program. Based on the review, controls for issuing Rideshare Additional Day-off (RAD) and gift check awards are generally adequate; however, policies, procedures, training, and communications require improvement, and monitoring and system controls should be strengthened.

Background

The South Coast Air Quality Management District (SCAQMD) Rule 2202 provides employers with a menu of options to meet air quality standards mandated by the Federal Clean Air Act. SCAQMD Rule 2202 requires that employers of 250 or more employees at a single worksite participate in an Employee Commute Reduction Program (Rule 308) to ease traffic congestion and reduce emissions, or, invest in the SCAQMD's emission reduction efforts through the Air Quality Investment Program (Rule 311). The Commuter Club Program (Program) was created to promote rideshare and alternative commuting among Orange County Transportation Authority (OCTA) employees following the provisions of Rule 308.

The Program is administered by a designated Employee Transportation Coordinator in the General Services Department of the Finance and Administration Division. In addition to salary costs to administer the Program, costs over the last three fiscal years have ranged from \$111,747 to \$151,749. Alternatively, costs related to participation in Rule 311 would have ranged from \$56,645 to \$59,646, over the same period. The Program has not achieved the average vehicle ridership performance target, as set by SCAQMD Rule 2202; however, additional strategies and incentives are developed each year to increase participation. The following table compares costs that were incurred under Rule 308 to fees that would have been paid if OCTA chose the Rule 311 alternative:

	2011	2012	2013
RAD Certificates	\$76,013	\$94,049	\$111,626
Gift Check Reward	\$33,125	\$37,350	\$37,625
Administrative Filing Fee	\$2,609	\$2,646	\$2,498
Total Cost – Rule 308	\$111,747	\$134,045	\$151,749
Alternative Fees – Rule 311	\$56,645	\$59,646	\$59,106

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Employee Commuter Club Program
February 5, 2014**

Management Comments

Although it is less expensive to comply with Rule 308 by simply paying the fines, as the county-wide transportation agency, management believes it is important to support and encourage these types of programs. To support OCTA's mission to develop and deliver transportation solutions to enhance the quality of life and keep Orange County moving, OCTA offers a number of commuter programs to its employees to ensure public transportation or alternative modes of transportation are utilized. The programs are considered to be an employee benefit, and demonstrate leadership in the County of Orange that OCTA supports the goal of promoting alternative modes of transportation amongst its employees. Management asserted that a review is underway to find more cost-effective measures to deliver these programs.

Commuter Club Program

A web-based system known as the Online Commuter Club Application (OCCA) is used to record and track commute data. Employees create a login and record their method of daily commute. For each day that an employee uses alternative transportation including carpool, bus, walking, or biking to work, they earn 5 points. Bonus points may be earned for using alternative transportation on Thursdays and/or for walking, biking, or taking the bus 13 days or more in one month. During promotions such as Bike-to-Work Week and Rideshare Week, employees that participate can earn up to 500 additional points. Employees utilize points earned for paid days off or for \$25 gift checks. A RAD award may be redeemed for 500 points, up to a maximum of 4 days per year. Employees may redeem unlimited \$25 gift checks at 150 points each.

Objectives, Scope and Methodology

The objective was to evaluate system and monitoring controls and to assess compliance with OCTA policies, procedures, and SCAQMD Rule 2202.

The review methodology consisted of:

- Interview of applicable personnel to obtain an overview of the process and related controls;
- Review of OCTA guidelines and procedures related to the Program;
- Review of SCAQMD Rule 2202, Rule 308, and Rule 311;
- Review and testing of data obtained from the OCCA to identify unusual activity and to test, on a sample basis, for compliance with policies and procedures.
- Testing of a sample of transactions input by system administrators to determine validity.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Employee Commuter Club Program
February 5, 2014

- Testing of a sample of RAD and \$25 gift certificate awards issued to determine compliance with policies and procedures.

The scope included Program activities since inception of the Program in 2004 through October 31, 2013.

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Employee Commuter Club Program
February 5, 2014**

Audit Comments, Recommendations, and Management Responses

Program Policy and Procedures, Training, and Communication

Written policy and procedures for the Program were first issued in May 2013. In addition, the Program website includes a Frequently Asked Questions (FAQ) page and the OCCA system contains basic information related to input. Internal Audit identified omissions in the policy and procedures and several discrepancies between the available sources of information and guidelines provided by the SCAQMD, Rule 2202, and actual practices of employees participating in the Program as follows:

- The policy does not address the ability for an employee working a flexible schedule to earn points on their day off (flex day). SCAQMD Rule 2202 allows credit for days when an employee does not commute as a result of working a flexible work schedule and the OCCA system includes a category for “Paid Day Off” indicating that this category is to be used for flex days. In practice, it appears that employees earn points for flex days using this category.
- The policy is silent as to regularly scheduled days off, paid holidays, and vacation days. SCAQMD Rule 2202 does not allow employers to earn credit for regularly scheduled days off (that are not the result of a flexible schedule) or paid days off. The OCCA system includes instruction to employees that the category for these days should be “None”; however, review of system activity identified many employees who input weekends, holidays, and vacation days as a “Paid Day Off” and earn points.
- In practice, employees who receive a car allowance are ineligible for the Program; however, the policy states that these individuals may earn bonus points for participating during promotional weeks such as Rideshare Week and Bike-to-Work Week.
- SCAQMD Rule 2202 allows commutes in a zero emission vehicle to qualify for credit as an alternative commute mode; however, the policy is silent on this and the system is not designed to allow employees to enter this type of commute mode.
- The FAQ’s section of the Program website states that all employees are eligible to enroll and earn points; however, the policy states that employees who earn a car allowance or participate in the Metrolink reimbursement or vanpool programs are not eligible. The OCCA system instructs employees in the vanpool program to enter their commute category as “carpool”, which results in the accumulation of points, rather than the “vanpool” category that does not result in an accumulation of points. In practice, it appears that employees use the appropriate “vanpool” category.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Employee Commuter Club Program
February 5, 2014**

Recommendation 1:

Internal Audit recommends management revise the policy and procedures, FAQ's, and Program website to be consistent with SCAQMD Rule 2202 and to ensure complete and accurate information regarding the Program is readily available.

Management Response:

Management agrees with this recommendation. Management will revise all relevant policies and procedures, the FAQ's, and the Commuter Club website to be consistent with Rule 2202 and OCTA practices. In addition, all Commuter Club participants will be contacted to make them aware of the updated information regarding controls and procedures for the program. This communication will include instructions on how to input information into the system for flex days and paid days off.

Monitoring Controls

The Program is an honor-based system whereby employees self-report their commute activity. Currently, there are no monitoring controls in place to detect errors and irregularities related to the Program. cursory review and sample testing of activity during the period of fiscal year (FY) 2011 through FY 2013 identified concerns regarding employee eligibility and accuracy of reporting, as follows:

- Two employees entered alternative commute days and accumulated points for every Saturday and Sunday for a year or more.
- Twenty-five instances involving five employees that claimed alternative commute days and accumulated points on 29 or more days during a month.
- Employees who receive reimbursement for their Metrolink passes are not eligible to also earn points through the OCCA; however, during sample testing of 25 employees, Internal Audit identified three employees who received Metrolink reimbursement and earned Commuter Club points.
- One employee account that reflected alternative commute day entries for days prior to employment with OCTA.

Recommendation 2:

Internal Audit recommends that management develop and implement monitoring controls to help identify errors and irregularities in the future. Management should adjust employee accounts for the identified errors, as appropriate.

In addition, employees should receive clear communication and training related to the Program and the system of recording. Employees should sign an

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Employee Commuter Club Program
February 5, 2014

acknowledgement that includes disciplinary action, up to and including termination, for false reporting.

Management Response:

Management agrees with this recommendation. Management will modify the current system, build an in-house system, or purchase a new system that will include the capability of implementing appropriate monitoring controls. The updated system will have the capability of producing monthly reports which will be utilized as a cross check of the system to determine if reporting is reasonable and within the rules. The Commuter Club Administrator will be responsible for reviewing the monthly reports and will make management aware when activity appears questionable.

The Commuter Club Administrator will educate employees as they enter into the program on the rules and regulations, and perform periodic checks on the system. A policy acknowledgement form will be developed and distributed to all current commuter club members and new members will be required to sign the form as they enroll in the program. Additionally, management will undertake a more detailed review of past transactions to determine if points were inappropriately credited to employees. Management will adjust employee accounts for identified errors as appropriate. Management will also notify the supervisors of the employees that received a noticeably high amount of inappropriate points.

System Controls

The OCCA system does not provide adequate access and parameter controls, as detailed below:

- The system is not designed to allow inquiry-only access. All employees with a need to access the OCCA system for inquiry or review purposes are assigned full administrator rights, meaning these employees can perform manual adjustments to points. As of the review, 17 employees were assigned full, administrator access to the system.
- The system does not maintain an audit trail by user for manual adjustments made. The transactions are recorded; however, the user responsible for posting the transaction is not recorded in the system.
- Employees that participate in the Metrolink Reimbursement Program or the Vanpool Program are not eligible to earn points in the Commuter Club Program; however, they are required to enter in the OCCA system their commute method as "Train/ Reimbursement" or "Vanpool", as applicable. The system does not

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Employee Commuter Club Program
February 5, 2014

calculate 5 points per day for these days; however, the system erroneously awards these employees with 10 bonus points every Thursday.

- The system allows employees to repeatedly register in the system, resulting in the 50 point “Welcome Bonus” being added to their account multiple times. Internal Audit identified 21 employees that received Welcome Bonus points four or more times. Three employees earned more than 10 additional Welcome Bonuses.
- The system does not prevent new employees from entering commute data for dates prior to their start date.

Recommendation 3:

Internal Audit recommends that management either strengthen the existing system controls or develop a new system with adequate access and parameter controls, audit trails, and exception reporting.

Management Response:

Management agrees with this recommendation and has already taken steps to update parameter controls, monitor audit trails, and limit administrative access to the system.

Management has corrected the OCCA system to limit administrative access to only those responsible for updating and administering changes to the system. An audit trail was developed that tags the name of the user to any transactions made within the Commuter Club system. The erroneous awarding of points to Metrolink and Vanpool program participants for Thursdays has been corrected within the system. Additionally, employees can no longer repeatedly register with the Commuter Club program to receive multiple welcome bonuses. Management is currently in the process of updating the system to prevent users from entering commute data for dates prior to the actual employee start date. Management will continue to monitor the program and update parameter controls when necessary.