



January 12, 2022

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director,
Internal Audit Department

Subject: Employee Incentive Benefit Programs, Internal Audit Report No. 22-502

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of employee incentive benefit programs. Based on the audit, staff generally complied with policies and procedures and related internal controls were in place; however, recommendations were made to enhance controls over the vanpool and Metrolink incentive programs and to ensure the accessibility of supporting documentation for Wellness incentive payments.

Recommendation

Direct staff to implement three recommendations provided in Employee Incentive Benefit Programs, Internal Audit Report No. 22-502.

Background

The Orange County Transportation Authority (OCTA) offers a number of employee incentive programs aimed at encouraging good health and use of alternate transportation methods. The scope of this audit was limited to employee vanpool incentives, Metrolink incentives, Wellness and gym member incentives, and coronavirus (COVID-19) vaccine incentives. Employees are not eligible for the vanpool incentive if they ride less than 13 days per month, or if their vanpool's subsidy is suspended due to sustained low ridership defined as less than 50 percent occupancy in three consecutive months. For the Metrolink Incentive Program, employees submit a Metrolink Corporate Quick Card-Incentive Program Request form (Metrolink form) to Human Resources (HR) and once approved, are given a Corporate Quick Card to retrieve Metrolink tickets from the vending machines. Under the 2020-2021 Wellness Program,

employees were required to complete a Personal Wellbeing Assessment and then could earn dollars for annual physical and dental exams, competitions/challenges, and quarterly physical activity. The Orange County Transportation Authority is currently offering a taxable \$50 incentive to employees who get the COVID-19 vaccine.

Discussion

The Internal Audit Department (Internal Audit) identified discrepancies between the vanpool days reported in payment request forms, the OC Vanpool system, and the Commuter Club system, for ten of 40 incentive payments tested. In addition, several employees did not enter their vanpool commute into the Commuter Club system, as required by policy. While HR validates the number of vanpool days in the payment request forms to the OC Vanpool and Commuter Club systems and sends inquiries to the vanpool coordinators about any discrepancies, HR does not follow up to ensure that the discrepancies have been corrected. Internal Audit recommends that HR follow up to ensure all discrepancies in vanpool days reported are resolved prior to approving payment of incentives. Management agreed to implement the recommendation.

HR was unable to provide supporting documentation for certain Wellness incentive payments from the last fiscal year, due to a change in the Wellness portal provider. Internal Audit also discovered that the audit clause was cut off in the purchase order (PO) issued to the prior Wellness portal provider, and the information was not readily available. Further research indicated that all POs executed from March 2019 through July 2020 were missing the audit clause. Internal Audit recommended that HR ensure that documentation obtained from employees by the Wellness portal provider that supports incentive payments made is retained and/or available and that the Contracts Administration and Materials Management (CAMM) Department ensure a complete audit clause is reflected in all POs. HR indicated that the new Wellness provider has the functionality to retain information supporting incentive payments in the event of a change in provider. CAMM had already worked to correct the audit clause issue and now reviews each PO to verify that all clauses have printed in their entirety.

HR did not have Metrolink forms on file for six of ten employees tested. By signing the Metrolink form, employees acknowledge that passes are exclusively for their use and are non-transferable, subsidies over the Internal Revenue Service allowed amount are taxable, and passes must be used to commute a minimum number of days per month or per week, as applicable based on the type of pass purchased. Internal Audit recommended HR obtain signed Metrolink forms from all participating employees and consider requesting periodic

re-certifications. HR agreed to obtain the signed Metrolink forms and will request annual recertifications from participating employees.

Summary

Internal Audit made three recommendations to enhance controls over the vanpool and Metrolink programs and ensure the accessibility of supporting documentation for Wellness incentive payments.

Attachment

- A. Employee Incentive Benefit Programs, Internal Audit Report No. 22-502

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Employee Incentive Benefit Programs

Internal Audit Report No. 22-502

December 23, 2021



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Conclusion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of employee incentive benefit programs. Based on the audit, staff generally complied with policies and procedures over employee incentive programs and related internal controls were in place; however, Internal Audit made recommendations to enhance controls over the vanpool and Metrolink incentive programs and to ensure the accessibility of supporting documentation for Wellness incentive payments.

Background

Vanpool Program

An employee qualifies for the monthly vanpool incentive if he or she is approved for the OC Vanpool Program, is a registered member of the Commuter Club, does not receive an auto allowance or Commuter Club points, and adheres to the requirements. Vanpool participants are not eligible for the incentive if they ride less than 13 days per month, or if their vanpool's subsidy is suspended due to sustained low ridership defined as less than 50 percent occupancy in three consecutive months. The Chief Executive Officer authorized the suspension of the 50 percent occupancy requirement and reduction of the minimum trips from 13 to ten days, allowing days off due to COVID-19-related reasons being counted as days from March through June 2020 and December 2020, as well as allowing pre-scheduled vacation to count towards the minimum day requirement in December 2020. The Vanpool Program was suspended as of December 18, 2020, and resumed on July 1, 2021.

Metrolink Incentive Program

An employee qualifies for the Metrolink incentive if he or she rides Metrolink, is a registered member of the Commuter Club without opting for Commuter Club points, and does not have a pay grade of "X" or higher or has not been assigned a 24-vehicle. Employees submit a Metrolink Corporate Quick Card-Incentive Program Request form to Human Resources (HR) and once approved, are given a Corporate Quick Card to retrieve Metrolink tickets from the Metrolink ticket vending machines.

Wellness Program and Gym Membership Incentives

The 2020-2021 Wellness Program offered benefit-eligible employees an opportunity to earn an incentive up to \$250 during the fiscal year. Employees were required to complete a Personal Wellbeing Assessment and then could earn: \$25 each for an annual physical exam and annual dental exam, up to \$50; \$30 each for four competitions/challenges, up to \$120; and \$20 per quarter for physical activity performed and logged in at least nine of the 12 weeks, up to \$80. Employees fill out the assessment and upload proof of exam

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forms to the portal provided by the Wellness vendor. Benefit-eligible administrative employees are offered a \$35 monthly gym membership incentive with proof of payment, with payouts made quarterly. Employees upload receipts, invoices, or other proof of payment documentation to the Wellness portal. The Wellness portal vendor is responsible for reviewing and approving the submissions.

COVID Vaccine Incentive

OCTA is offering a taxable \$50 incentive to employees who get the COVID-19 vaccine. Employees submit an electronic Vaccine Verification Request form through SharePoint and attach the vaccine card or other proof of vaccination. Safety and Environmental Department staff logs vaccine information into a vaccination tracking spreadsheet and incentive payment information into a vaccination payment spreadsheet. Vaccine statistics are emailed to executive management on a weekly basis.

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Objectives, Scope, and Methodology

The objectives were to assess and test policies, procedures, and internal controls over employee incentive benefit programs.

According to generally accepted government auditing standards, internal control is the system of processes that an entity's oversight body, management, and other personnel implement to provide reasonable assurance that the organization will achieve its operational, reporting, and compliance objectives. The five components are control environment, risk assessment, control activities, information and communication, and monitoring.¹ The components and principles that were evaluated as part of this audit are:

- Control Environment
 - OCTA demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
- Control Activities
 - OCTA selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- Information and Communication
 - OCTA obtains or generates and uses relevant, quality information to support the functioning of internal control.

The methodology consisted of testing a judgmental sample of vanpool incentive payments for evidence of supporting documentation and participant eligibility, a judgmental sample of Wellness incentive payments for evidence of supporting documentation and compliance with program requirements, a judgmental sample of COVID-19 vaccine incentive payments for evidence of supporting documentation and eligibility requirements, and a judgmental sample of payments to Metrolink for consistency with supporting Metrolink app reports and evidence of enrollment forms. Internal Audit also confirmed that weekly emails on vaccine incentive statistics were sent consistently and excess transportation subsidies were included in employees' gross pay and taxed.

The scope was limited to the vanpool incentives, Metrolink incentives, Wellness and gym membership incentives, and COVID-19 vaccine incentives, and excluded allowances, reimbursements, and union payments. The scope included 40 vanpool incentive payments and ten payments made to Metrolink from July 2019 to September 2021, 40 Wellness and gym membership incentive payments paid from July 2020 to September 2021, and 40 vaccine incentive payments paid from the beginning of the program to September 2021. The judgmental sample of vanpool incentive payments was selected to provide coverage throughout the whole period, and the judgmental sample of Metrolink payments was selected to cover months in each year. The judgmental selection

¹ See U.S. Government Accountability Office publication, "Standards for Internal Control in the Federal Government," available at <http://www.gao.gov/products/GAO-14-704G>, for more information.

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of vaccine incentive payments was selected to provide proportional coverage of the different employee groups, and the judgmental selection of Wellness and gym membership incentive payments was selected to provide coverage of both types of incentives. Since the samples are non-statistical, any conclusions are limited to the sample items tested.

We conducted this performance audit 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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Audit Comments, Recommendations, and Management Responses

Follow-up of Discrepancies in Vanpool Days Logged

Internal Audit identified discrepancies in the vanpool days reported between payment request forms, the OC Vanpool system, and the Commuter Club system, for ten of 40 (25 percent) incentive payments. In addition, several employees did not enter their vanpool commute into the Commuter Club system, as required by policy.

Since employees are required to vanpool a minimum of 13 days per month to qualify for the incentive, HR validates the number of vanpool days in the payment request forms to the vanpool days reported in the OC Vanpool and Commuter Club systems and sends inquiries to the vanpool coordinators about any discrepancies; however, HR does not follow up to ensure that the discrepancies have been corrected. In two instances, days reported in the OC Vanpool system were lower than the minimum 13 days required to qualify for the incentive; however, the incentives were paid.

Recommendation 1:

Internal Audit recommends that HR follow up to ensure all discrepancies in vanpool days reported are resolved prior to approving payment of incentives.

Management Response (HR):

HR will follow up on any discrepancies of the vanpool days between payment request forms, the OC Vanpool system, and the Commuter Club system and ensure the discrepancies are resolved before the coordinator approves payment requests.

Inaccessibility of Documentation in Prior Wellness Portal

Employees submit proof of payment to receive the gym membership incentive and fill out a Personal Wellbeing Assessment and submit annual physical and dental exam forms to receive annual Wellness incentive dollars; however, HR could not provide documentation to support payments for the fiscal year 2020-21. HR changed providers and was not able to access documentation and had not obtained supporting documents prior to terminating the contract. In addition, the contract audit clause, requiring consultants make documentation available upon audit request, was cut off in the purchase order (PO) issued to the prior Wellness portal provider.

In researching this issue, Internal Audit found that all POs executed from March 2019 through July 2020, were also missing the audit clause.

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Recommendation 2:

Internal Audit recommends HR consider obtaining and retaining supporting documentation when changing providers charged with collecting information in support of incentive payments. In addition, the Contracts Administration and Materials Management (CAMM) Department should ensure that a complete audit clause is reflected in all POs.

Management Response (HR):

The new Wellness provider has the functionality to retain and report on information in support of incentive payments in the event that OCTA changes providers.

Management Response (CAMM):

Once CAMM was made aware that a system glitch existed that partially cut off the audit clause from some or all POs, CAMM staff worked directly with OCTA's Information Systems Department to identify the root cause and correct the issue. It was determined that the printing issue was a result of an Ellipse system upgrade that had been performed, which was then resolved by the system consultant through an update to the printing program. Additionally, now CAMM reviews the General Provisions on each PO to verify that all clauses have printed in their entirety and are included.

Metrolink Incentive Program Forms Not on File for All Participating Employees

HR did not have the Metrolink Corporate Quick Card-Incentive Program Request Forms (forms) for six of ten employees tested. By signing the forms, employees acknowledge that passes are exclusively for their use and non-transferable, subsidies over the Internal Revenue Service amount are taxed, and monthly passes must be used to commute to work at least 13 days per month and seven-day passes must be used at least three days per week.

Recommendation 3:

Internal Audit recommends HR obtain signed forms from all participating employees without a form on file. Additionally, HR should consider requesting periodic re-certifications by participating employees to ensure that they understand and acknowledge program requirements.

Management Response (HR):

HR will obtain signed Metrolink Corporate Quick Card forms from all active Metrolink Commuters who do not have one on file. HR will also request recertification of participating employees on an annual basis.