



**March 22, 2017**

**To:** Finance and Administration Committee

**From:** Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Orange County Transportation Authority Policies and Procedures,  
Internal Audit Report No. 17-507

### **Overview**

The Internal Audit Department has completed an audit of Policies and Procedures. Based on the audit, the Orange County Transportation Authority Policies and Procedures are approved as required; however, recommendations were made to enhance controls to ensure timely updates and communications of new and revised policies and procedures, as well as improved tracking of policies and procedures.

### **Recommendation**

Direct staff to implement three recommendations provided in Orange County Transportation Authority Policies and Procedures, Internal Audit Report No. 17-507.

### **Background**

The General Services Department within the Finance and Administration Division is responsible for maintenance of all Orange County Transportation Authority (OCTA) policies and procedures. The Records Administrator, who is also designated as the Policies and Procedures Coordinator (PPC), is responsible for ensuring that policies follow guidelines and are reviewed, approved, and posted to the intranet. The PPC maintains a master listing of all policies and hard copy files with documentation evidencing review and approval.

The OCTA Policies and Procedures policy outlines the guidelines for the formatting, updating, communicating, and approving of all policies and procedures. These guidelines require policies to be reviewed and updated every two years. Policies must also be approved at the appropriate level. While some policies ultimately require Board of Directors (Board) approval, others may

require review by legal counsel, finance, external affairs, etc., depending on the content. Upon completion, policies are posted to the intranet.

***Discussion***

New and updated procedures are posted to the intranet; however, Internal Audit recommended management implement a more robust communications plan to ensure affected employees are notified. Management agreed and indicated that procedures have been updated to require an e-blast notification be sent to administrative employees each time a policy is created or updated. For employees located at the bases, notification will be provided via digital signage.

At the time of this audit, twenty four percent of all policies reflected effective dates over two years, despite a requirement to review and update policies on a bi-annual basis. Internal Audit recommended management implement procedures for notifying division managers and performing follow-up to ensure policies are updated as required. Management agreed and proposed procedures for notification and follow-up.

The master list of policies requiring Board approval is incomplete and contained inaccuracies with regard to the last revision date. Internal Audit recommended management implement controls to help ensure the accuracy and completeness of the master list of policies and procedures. Management agreed and outlined procedures for ensuring all policies are identified and tracked, including implementation of an automated system for creating, distributing, and managing policies.

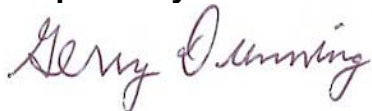
***Summary***

The Internal Audit Department has completed an audit of OCTA Policies and Procedures.

***Attachment***

- A. Orange County Transportation Authority, Policies and Procedures, Internal Audit Report No. 17-507

**Prepared by:**



Gerry Dunning  
Senior Internal Auditor, Internal Audit  
714-560-5875

**Approved by:**



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

# ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



## Orange County Transportation Authority Policies and Procedures

### Internal Audit Report No. 17-507

March 9, 2017



**Performed by:** Gerry Dunning, CIA, CISA, CFE, Senior Internal Auditor  
Janet Sutter, CIA, Executive Director Internal Audit

**Distributed to:** Andrew Oftelie, Executive Director, Finance and Administration  
Sean Murdock, Director Finance and Administration  
Lori Parsel, Section Manager, General Services  
Kathy O'Connor, Records Administrator, General Services

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Policies and Procedures  
March 9, 2017**

**Table of Contents**

Conclusion .....	1
Background.....	1
Objectives, Scope, and Methodology .....	1
Audit Comments, Recommendations and Management Responses.....	3
Communication of Policies and Procedures.....	3
Timeliness of Policies and Procedures Updates .....	3
Board Approved Policies Tracking .....	4

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Policies and Procedures  
March 9, 2017**

## **Conclusion**

The Internal Audit Department (Internal Audit) has completed an audit of controls in place to ensure proper development, update, and communication of policies and procedures. Based on the audit, policies and procedures are approved as required; however, recommendations were made to enhance controls to ensure timely update and communication of new and revised policies and procedures; as well as improved tracking of policies and procedures.

## **Background**

The General Services Department within the Finance and Administration Division is responsible for maintenance of all Orange County Transportation Authority (OCTA) policies and procedures. The Records Administrator is also designated as the Policies and Procedures Coordinator (PPC), responsible for ensuring that policies follow guidelines and are reviewed, approved, and posted to the intranet. The PPC maintains a master listing of all policies and hard copy files with documentation evidencing review and approval of the policies.

The OCTA Policies and Procedures policy outlines the guidelines for the formatting, updating, communicating, and approving of all policies and procedures. These guidelines require policies to be reviewed and updated every two years. Policies must be approved at the appropriate level; some require Board of Directors (Board) approval, others require review by legal counsel, finance, external affairs, etc. depending on the content. Once completed, policies are posted to the intranet.

## **Objectives, Scope, and Methodology**

The objectives were to assess the adequacy and effectiveness of controls to ensure proper development, update, and communication of OCTA policies and procedures.

The methodology consisted of testing a sample of policies and procedures for proper approval, timely update, and communication to applicable employees. Tests consisted of judgmental samples with a bias to obtain multi-divisional coverage. To test timely update to policies, all policies and the related revision dates as listed on the master list of policies and procedures were analyzed. A judgmental sample of policies not updated for over eight months past the two year requirement was selected for review of evidence of notification and follow-up with the respective divisions. For any judgmental samples, conclusions are limited to the sample items tested since sampling is non-statistical.

The scope was limited to OCTA policies and procedures, as reflected on the intranet and the master listing maintained by the PPC. For testing of Board approved policies, the scope was limited to policies approved by the Board during the period from January 2015 through December 2016.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Policies and Procedures  
March 9, 2017**

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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Policies and Procedures  
March 9, 2017**

## **Audit Comments, Recommendations, and Management Responses**

### **Communication of Policies and Procedures**

---

Procedures do not include guidelines for communicating new and/or revised policies to employees. While all policies are posted to the intranet, a more robust communication should be made in order to ensure that employees affected by the policy are informed.

#### **Recommendation 1:**

Internal Audit recommends management update procedures to include a communications plan to ensure that employees expected to comply with policies are properly notified. Communication should occur, as appropriate, for both new and revised policies.

#### **Management Response:**

Management agrees with the recommendation and has taken the following steps to ensure communication is made to all employees when new policies are created or existing policies are updated. The OCTA Policies and Procedures (EO-GS-310.01OCTAPP) has been updated to include language that an e-blast notification will be sent to administrative employees each time a policy is created or updated. For employees located at the bases, OCTA will notify employees via digital signage.

### **Timeliness of Policies and Procedures Updates**

---

At the time of the audit, twenty four percent of all policies reflected effective dates over two years, despite a requirement to review and update policies on a bi-annual basis. Notice to division managers and regular follow-up to ensure update of policies is not being performed.

#### **Recommendation 2:**

Management should implement procedures to notify division management of expiring policies. Follow-up should be performed to ensure policies are reviewed and updated in a timely manner.

#### **Management Response:**

Management agrees with the recommendation and will take the following steps to ensure that policies are updated on the mandated two year cycle. A list of policies requiring revision will be submitted to each Executive Director in January of each year and follow up will be done quarterly at Executive Steering Committee Meetings, which include all Executive Directors, to ensure that policies are maintained in compliance with the policy.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Policies and Procedures  
March 9, 2017**

**Board Approved Policies Tracking**

---

The master list of Board-approved policies is incomplete and inaccurate with regard to the last revision date of policies listed.

**Recommendation 3:**

Management should implement controls to help ensure the accuracy and completeness of the master list of policies and procedures.

**Management Response:**

Management agrees with the recommendation and will take the following steps to ensure that the master list of policies and procedures is maintained with accuracy and completeness. On a quarterly basis, at Executive Steering Committee meetings, staff will ask Executive Directors for any new policies that have been or are in the process of being developed in order to ensure that all new policies and procedures are included in the Master List. In order to more effectively manage the maintenance of policies, General Services will be implementing an automated system to create, distribute, and manage policies and procedures. The system will help manage all aspects of policy maintenance, including templates, distribution, digital sign offs, tracking assignments, policy management, reports and logs, version history, and controlled access.