



October 28, 2020

To: Finance and Administration

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Two handwritten signatures in blue ink are present. The first signature is larger and more prominent, appearing to be "Darrell E. Johnson". The second signature is smaller and more compact, appearing to be "Janet Sutter".

Subject: Employee Separations, Internal Audit Report No. 21-501

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of employee separations. Based on the audit, internal controls related to employee separations have been established and controls to ensure accurate final payroll processing are adequate. However, the Internal Audit Department recommends improvements in the employee off-boarding process, more consistent stale account reviews of system user access, and improved documentation and communication of employee exit survey results.

Recommendation

Direct staff to implement the recommendations provided in Employee Separations, Internal Audit Report No. 21-501.

Background

The supervisor of a separating employee completes the employee exit processing form on the employee's last day and sends the form to Human Resources (HR). HR then sends the form to the General Services Helpdesk, Information Systems (IS) Helpdesk, and the Security and Emergency Preparedness Department to cancel access to networks, equipment, building, and parking structure. HR also completes a Personnel Action Form and forwards it to the Payroll Department to initiate processing of the employee's final paycheck.

To identify factors in the workplace which promoted or inhibited employee satisfaction and performance of job duties, voluntarily separating employees are

asked if they would like to participate in an employee exit survey coordinated by an outside vendor.

On a quarterly basis, IS Department staff is scheduled to perform a stale account review to identify whether there are any active Orange County Transportation Authority system user accounts that should be deleted.

Discussion

The employee off-boarding process is dependent upon HR's timely distribution of employee exit processing forms to other departments for action. Omissions and delays in distribution of these forms were detected during testing, resulting in separated employees having continued network, equipment, building, and/or parking access, or in delays in the removal of such access. The Internal Audit Department (Internal Audit) recommended that the employee off-boarding process be improved and streamlined, with resumption of HR's suspended efforts to automate the employee exit processing form. HR responded that they would work with other departments to resume efforts to convert the employee exit processing form into an electronic form.

Quarterly stale account reviews are to be performed to determine if any system user accounts should be disabled or deleted; however, these reviews were not consistently performed. Internal Audit recommended that stale account reviews be performed quarterly to ensure that accounts associated with separated employees have been disabled or deleted. Management agreed, noting that they are also working to make the process more efficient.

Voluntarily separated employees are asked if they would like to participate in an employee exit survey administered by an outside vendor; however, the invitation to participate is not recorded. In addition, reports of exit survey results are not prepared and presented to management. Internal Audit recommended that invitations to participate in employee exit surveys be documented and that a procedure be developed to analyze and communicate exit survey results to management. HR agreed, noting that written procedures will be developed to cover the employee exit survey process and communication of the results.

Summary

Internal Audit has completed an audit of employee separations and has made three recommendations to improve the process.

Attachment

- A. Employee Separations, Internal Audit Report No. 21-501

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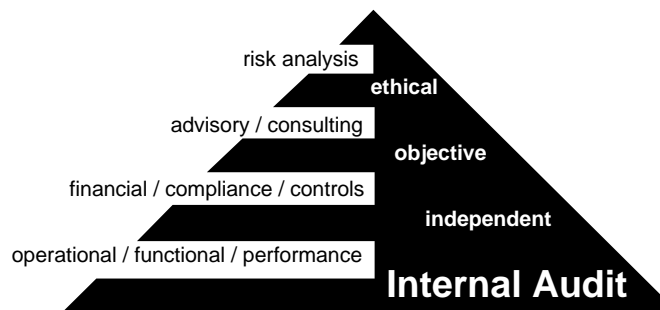
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Employee Separations

Internal Audit Report No. 21-501

October 12, 2020



Performed by

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Conclusion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of employee separations. Based on the audit, internal controls related to employee separations have been established, and controls to ensure accurate final payroll processing are adequate. However, Internal Audit recommends improvements in the employee off-boarding process, more consistent quarterly stale account reviews, and improved documentation and communication of employee exit survey results.

Background

Employee Exit Policy

The Employee Exit Policy establishes guidelines for processing all exiting employees, with the following objectives:

1. Effectively coordinate the return of OCTA property, processing of final pay, notification of benefit options, and resolution of pending accounting or business matter affecting the exiting employee;
2. Provide an opportunity for voluntarily separated employees to express their opinions about the work climate, job supervision, compensation and benefits, policies and procedures, training, and other factors which may impact employee morale and productivity; and
3. Identify factors in the workplace which promoted or inhibited employee satisfaction and performance of job duties during the period of employment, particularly those factors which may have caused the employee separation.

Employee Separation Process

Human Resources (HR) receives notification of voluntary separations from the employee, the employee's supervisor or base staff, or the Orange County Employees Retirement System. HR emails the employee exit processing form (exit form) to the supervisor or base staff. The separating employee is asked to complete the Voluntary Resignation form if he or she has not already provided a written notification. For involuntary separations, the Labor and Employee Relations section will either work directly with the employee's supervisor or allow the HR Business Partner to handle the paperwork.

HR asks voluntarily separating employees if they would like to participate in an exit interview to go over benefits and exit questions and/or an exit survey coordinated by an outside vendor. HR mails exit package containing benefits information to involuntarily separated employees at their last known home address.

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On the employee's last day, the direct supervisor is expected to complete the exit form and send the form to HR for processing. HR then sends the form to Payroll, General Services Helpdesk, Information Systems (IS) Helpdesk, and the Security and Emergency Preparedness Department (SEP), to deactivate or disable access to the computer network and applications, as well as building and parking access. The form is also sent to the Clerk of the Board for Form 700 filing. HR also completes a Personnel Action Form and forwards it to Payroll to initiate processing of the employee's final paycheck.

When IS receives the exit form, IS opens a Helpdesk ticket in the Crow Canyon system, that includes a series of tasks to be performed. The tasks include disabling the employee's active directory (AD) account, removing all HP-UX systems for the existing account, removing the user from the local admin and remote desktop user group, disabling building access, removing the employee's profile from Lync, Exchange, and Office 365, and disabling or terminating access to certain applications. Staff typically changes the account password to allow managers to access data for a period of time, disables the AD account when the manager indicates that access is no longer needed, and then deletes the AD account after around 90-180 days. On a quarterly basis, staff performs a stale account review to determine if there are accounts that should be deleted.

When General Services receives the exit form for an employee that works at the Orange administrative office, staff emails a request to property management to remove the employee's parking access. Staff also updates a parking list that is later compared to the property management's parking reports to ensure that terminated employees are no longer on the report.

SEP becomes aware of employee separations through receipt of exit forms and base personnel status change forms, as well as through the IS Helpdesk tickets. SEP also receives weekly reports of employee terminations. SEP staff deactivates the separated employee's building access badge in the Lenel system.

Payroll files the Personnel Action Forms associated with separations for the next payroll run. Staff calculates the leave payouts based on the criteria for administrative and union employees in the Personnel & Salary Resolution and the applicable union agreements.

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Objectives, Scope, and Methodology

The objective was to assess, and test internal controls related to employee separations.

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.
- Risk Assessment
 - OCTA identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.
- Control Activities
 - OCTA deploys control activities through policies that establish what is expected and procedures that put policies into action.
- Information and Communication
 - OCTA internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.
- Monitoring
 - OCTA selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.

The methodology included testing for evidence of internal controls over employee separations, including evidence of IS' completion of quarterly stale account reviews, SEP's receipt of weekly termination reports, and employee exit surveys for voluntarily separating employees. Internal Audit tested a sample of 40 employee separations for compliance with the Employee Exit Policy and evidence of internal controls, including IS Helpdesk ticket creation and account access removal, removal of building and parking access, and issuance of final paycheck with leave payouts. Testing included determining whether IS Helpdesk tickets were created by the next day after involuntary separations and within 10 days of voluntary separations, and whether building access badges were deactivated the next day after involuntary separations and within one week after voluntary separations (10 days for voluntary separations prior to mid-January 2019).

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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The scope was limited to employee separations and excluded recruitment and promotions. The scope excluded internal controls over Form 700 filing notifications, as Form 700 filings will be the subject of another audit. Testing of employee separations was limited to a judgmental sample of 40 employee separations occurring from July 1, 2018 to July 16, 2020, and was designed to cover administrative and union employees with a bias toward more recent separations. Since the sample was 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

Employee Off-Boarding Process

The employee off-boarding process is dependent on HR's timely distribution of exit forms to other departments for processing. Omissions and delays in distribution of these forms were detected during testing. HR management indicated that creation of an automated exit form began several months ago; however, the effort had been suspended due to COVID-19. Currently, HR distributes the exit form via email to the IS and General Services Helpdesks as well as to SEP.

Testing of 40 separated employees found that HR lost one exit form, did not distribute another, and delayed distribution of two other exit forms, resulting in separated employees having continued network, building, and/or parking access, or in delays in the removal of such access. In addition, one voluntarily separated employee still had building access, and three voluntarily separated employees had building access for over a week after separation. One of the three voluntarily separated employees continued to have parking access three months after separation. Two involuntarily separated employees had building access for two days after separation, and another involuntarily separated employee's building access had been removed but staff couldn't determine the date of deactivation. Finally, there were multiple IS Helpdesk tickets with open assignments, including disabling of AD accounts and removal of applications.

Recommendation 1:

Internal Audit recommends that the employee off-boarding process be improved and streamlined. HR should resume efforts to convert the exit form into an electronic form. Digital signoffs should be required from IS, SEP, and General Services to confirm removal of separated employees' network, building, and parking access. Consideration should be given to incorporating the IS Helpdesk ticket assignments into the electronic exit form; thus, eliminating the need to create a ticket. Management should also establish requirements for more timely removal of access for involuntarily separated employees due to the higher risk.

Management Response:

HR will work with IS and all departments involved in the exit process, to resume its efforts to convert the exit form into an electronic form. Involuntarily separated Administrative employees will not be included in the electronic form due to the need for timely processing and confidentiality. Involuntarily separated represented employees can be included in the electronic form because they go through a progressive discipline process which is complete by the time the exit process is initiated. Written guidelines will be developed for the removal of access for involuntarily separated Administrative employees.

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Review of Active Directory Accounts

The IS Department has implemented a quarterly stale accounts review process to determine if any AD accounts need to be disabled or deleted; however, these reviews have not been consistently performed.

Only four quarterly stale account reviews were performed in the last two years. Stale accounts reviews are a key monitoring control to ensure that the AD account associated with a separated employee is disabled or deleted.

When an employee separates, the IS Department typically changes the password to allow manager access, then disables the AD account when manager access is no longer needed. The account is ultimately deleted after 90 to 180 days. During the audit, Internal Audit identified five separated employees with active AD accounts without subsequent password changes, allowing them continued access to the network ranging from one month to six months after separation, as of the audit test date.

Recommendation 2:

Internal Audit recommends that staff perform the quarterly stale accounts review consistently to ensure that accounts associated with separated employees have been disabled or deleted.

Management Response:

Management agrees with the recommendation and Information Systems staff will perform the stale accounts review on a quarterly basis. Information Systems is currently in the process of transitioning the stale accounts review responsibility from the Cybersecurity Project Manager over to the Operations Project Manager that now oversees the security initiatives from the operational perspective.

Our first meeting for this transition was held on August 11, 2020. Since then, our Operations Project Manager has had two working meetings with our System Administrators not only reviewing the stale accounts, but also developing methods to make the process less time consuming and more efficient.

Employee Exit Surveys

HR indicated that voluntarily separated employees are asked if they would like to participate in an employee exit survey administered by an outside vendor. However, HR does not maintain evidence that employees were invited to participate. As a result, Internal Audit was unable to determine whether employees declined to participate or had not been extended an invitation.

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Employee exit surveys are intended to provide an opportunity for employees to express their opinions about the work climate and for OCTA to identify factors in the workplace that promoted or inhibited employee satisfaction and performance of job duties. However, reports of exit survey results are not prepared and presented to management to ensure action on any identified trends and/or common factors causing employee separation.

Recommendation 3:

Internal Audit recommends that employee exit surveys be sent to all voluntarily separating employees, and the invitation be documented.

Additionally, HR should develop and implement a procedure for analyzing and communicating exit survey results and presenting trends and common factors to executive management. The procedure should be incorporated into the Employee Exit Policy.

Management Response:

HR will send employee exit surveys to all voluntarily separating employees when contact information is provided. HR will document the invitation to participate in the exit survey. HR will develop a written procedure for the employee exit survey process and will make any necessary changes to the Employee Exit Policy.

HR will communicate exit survey results to executive management twice a year and will incorporate that process into the above-mentioned written procedure.