



June 26, 2024

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director,
Internal Audit

Subject: Orange County Employees Retirement System: Orange County
Transportation Authority Employer Audit

Overview

The Internal Audit Department of the Orange County Employees Retirement System has completed an employer audit of the Orange County Transportation Authority's payroll transmittal data and has concluded that, overall, controls are designed effectively and operating; however, auditors identified the need to correct payroll records for one premium pay item and recommended changes to the process for monitoring hours worked by extra help and rehired retirees to ensure compliance with employment law and Orange County Employees Retirement System Policy.

Recommendation

Receive and file an audit completed by the Internal Audit Department of the Orange County Employees Retirement System, Orange County Transportation Authority Employer Audit, Report Date: June 6, 2024, as an information item.

Background

The Orange County Transportation Authority (OCTA) submits employer and employee payroll contributions, as well as member information, to the Orange County Employees Retirement System (OCERS) for administration of its pension fund.

OCERS' Internal Audit Department (OCERS' auditors) periodically conducts employer audits to assess and test controls over payroll transmittals for employee and employer contributions. This audit covered the period from January 2022 through December 2023.

The audit began in November 2023, and results were presented to OCTA staff at an exit meeting held on March 19, 2024. The final report was issued on June 6, 2024.

Discussion

OCERS' auditors found that OCTA had over-collected contributions related to one vanpool incentive payment (VAN) item. The VAN item was changed to a non-pensionable pay item by OCERS' Board of Directors in June 2019. OCTA staff asserts that communication of this change was not received from OCERS until late 2023. OCERS staff asserts that communication was provided but has no evidence of such. To correct this issue, OCERS' Member Services gathered information on over-collected amounts and provided it to OCTA on May 30, 2024. OCTA payroll department staff processed refunds associated with the VAN pay item with the June 7, 2024, payroll run.

OCERS' auditors found that hours worked by extra help and rehired retirees were monitored using a period calculated from the date of hire, rather than on a fiscal or calendar year basis, as required by OCERS Policy. OCERS' auditors also identified one employee that was classified as extra help rather than a rehired retiree. OCTA Human Resources staff indicated that corrections will be implemented by July 31, 2024.

Summary

OCERS' auditors have completed an employer audit of OCTA's payroll transmittals.

Attachment

- A. Orange County Employees Retirement System Orange County Transportation Authority Employer Audit, Report Date: June 6, 2024, Internal Audit Department

Approved by:



Janet Sutter
Executive Director, Internal Audit
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