



January 22, 2025

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director,
Internal Audit

Subject: Employee Compensation, Internal Audit Report No. 25-507

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of employee compensation. Based on the audit, policies, procedures, and controls over employee compensation actions are in place and operating effectively; however, recommendations have been made to strengthen controls to ensure compliance with the Temporary Salary Increases Policy and to improve documentation supporting incentive calculations and annual determination of the cellular allowance.

Recommendation

Direct staff to implement two recommendations provided in Employee Compensation, Internal Audit Report No. 25-507.

Background

Salary adjustment actions for administrative employees include merit increases, promotions, and in-family reclassifications, equity adjustments, temporary salary increases, and union step increases. Administrative employees may also qualify for a special performance award, a non-base building lump sum award that recognizes exceptional achievement. As a union employee progresses to the next step, his or her rate is increased in accordance with the respective union agreement.

Administrative employees are provided with an allowance for business use of personal cellular devices, and executive employees are provided with a monthly automobile allowance. The Transportation Communications Union agreement includes a bonus for equipment parts and stock room clerks based on set

percentages for all hours worked during the year. The Maintenance Agreement includes a one-time signing bonus payment, as well as productivity incentives.

Discussion

There were several instances of temporary salary increases that did not comply with the Temporary Salary Increases Policy (Policy), which limits temporary salary increases to five percent per salary grade and to 180 days unless extended through written authorization of the Chief Executive Officer (CEO). Extension memos approved by the CEO were not obtained for several employees, and one employee's ten percent temporary increase was not reduced to five percent after a reclassification resulted in an only one-salary grade difference. Internal Audit recommended that management strengthen controls to ensure compliance with the policy. Management stated that signed documents related to the temporary increases were not saved and agreed to remind staff of the importance of saving all signed memos in the employee files.

Documentation to support the maintenance productivity incentive calculations and annual review of the cellular allowance could be improved. Internal Audit recommended that management retain documentation supporting numbers used in the productivity incentive calculations and annual determination of the cellular allowance. Management agreed to retain documentation supporting productivity incentive calculations and annual review of the cellular allowance.

Summary

Internal Audit has completed an audit of employee compensation and offered two recommendations for improvement.


Attachment

A. Employee Compensation, Internal Audit Report No. 25-507

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