



September 14, 2022

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Non-Revenue Vehicle Purchases and Assignment, Internal Audit Report No. 22-512

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of non-revenue vehicle and accessory purchases and assignment. Based on the audit, purchases complied with most policies and procedures; however, recommendations have been made to improve controls related to invoice review, ensure motor pool vehicle reservations comply with all policy requirements, and ensure documentation is obtained to verify pricing when utilizing state contracts.

Recommendation

Direct staff to implement three recommendations provided in Non-Revenue Vehicle Purchases and Assignment, Internal Audit Report No. 22-512.

Background

The non-revenue vehicle fleet consists of vehicles that are required to conduct the business of the Orange County Transportation Authority (OCTA). The fleet includes operator relief vehicles, special purpose vehicles, motor pool vehicles, and 24-hour assigned vehicles, as well as utility vehicles used at operating bases.

A fleet of motor pool vehicles are assigned to the administrative office and the directly operated base locations for employees to use for business purposes. In order to use a motor pool vehicle, employees must possess a valid driver's license and be enrolled in the Department of Motor Vehicles' Employer Pull Notice Program. At the administrative office, the General Services section

(General Services) grants an employee's access to the reservation system after verifying the employee's eligibility to drive. Once access is granted, employees can make reservations directly through the system. At the bus bases, maintenance supervisors make the reservations in the system on behalf of staff requesting use of a vehicle. All employees using the motor pool vehicles must complete a travel sheet, indicating mileage and fuel levels.

Recently, OCTA has been purchasing vehicles using State of California contracts. The purchased vehicles are delivered to the maintenance specialty shop at the Santa Ana Bus Base. If equipment needs to be added to the vehicles, a vehicle upfitting vendor performs the work.

Discussion

Two invoices from the vehicle upfitting vendor included charges higher than allowed by contract, and one invoice, for \$6,623.86, was mistakenly paid twice. Additionally, while the contract allows for items not specifically listed to be billed at cost plus markup as well as labor charges, none of the invoices including such charges were accompanied by cost documentation and detail sufficient to validate contract compliance. Non-revenue vehicles ordered through a purchase order are paid after a three-way system match of the purchase order, receipt, and invoice; however, the invoice review policy does not specifically allow this process. Clerks are being instructed to receive the vehicles in the system without actually seeing the vehicles, and two vehicles were paid for without being received in the system. Management agreed to enhance invoice review, update the invoice review policy, require staff receiving vehicles to physically verify receipt, consistently confirm the three-way match prior to invoice payment, and to recover the identified duplicate payment.

Verification of an employee's eligibility to drive motor pool vehicles is not performed in accordance with the policy, which requires verification of eligibility prior to allowing a reservation. In addition, instances were identified where employees were allowed to reserve vehicles for multiple days or weeks at a time, contrary to policy, which states that motor pool vehicles are intended for same-day use. Finally, the bases enter data from the travel sheets into the system and discard the sheets; however, review found that all data, including the identity of the employee that reserved the vehicle, is not always reflected in the system. The Internal Audit Department (Internal Audit) recommended controls be enhanced to ensure that an employee's eligibility to drive is verified prior to granting a reservation and that all reservation information is reflected in the system prior to discarding travel sheets. In addition, management should re-evaluate whether employees should be allowed to reserve motor pool

vehicles for weeks at a time. Management agreed to implement enhancements and indicated that multi-day reservations will no longer be allowed.

For several purchases made using State of California contract pricing, the agreement files did not contain documentation evidencing that the price obtained matched the State of California contract terms. While the State of California contract allows for options to be added at dealer cost plus ten percent, cost documentation needed to verify the accuracy of these charges is not obtained, and options were actually priced higher than, or at, the manufacturer's suggested retail price in several instances. For one purchase, the dealer did not submit a vendor quote to support significant charges related to upfitting a vehicle. Internal Audit recommended that CAMM obtain all needed documentation for non-revenue vehicles purchased using State of California contracts and consider negotiating option pricing with the dealers. Management agreed to include all required support and documentation in the agreement file and negotiate option pricing for future procurements.

Summary

Internal Audit has completed an audit of non-revenue vehicle purchases and assignment and has offered three recommendations, which management agreed to implement or otherwise address.

Attachment

- A. Non-Revenue Vehicle Purchases and Assignment, Internal Audit Report No. 22-512

Prepared by:



Serena Ng
Senior Manager, Internal Audit
714-560-5938

Approved by:



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