



January 25, 2023

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Administrative Employee Mandatory Training and Employee Educational Reimbursements, Internal Audit Report No. 23-503

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of administrative employee mandatory training and employee educational reimbursements. Based on the audit, controls over administrative employee mandatory training and administration of educational reimbursements should be improved. The Internal Audit Department offered two recommendations to address overpayments of educational reimbursements to improve controls.

Recommendation

Direct staff to implement two recommendations provided in Administrative Employee Mandatory Training and Employee Educational Reimbursements, Internal Audit Report No. 23-503.

Background

The Learning and Development Department (LDD) within the People and Community Engagement Division is responsible for all administrative employee learning and development activities. The LDD is also responsible for administration of the employee educational reimbursement program for all Orange County Transportation Authority (OCTA) staff.

The Employee Training Policy (Training Policy) identifies guidelines for OCTA employees regarding training purpose, definition, approval, performance, and compensation. For an OCTA administrative employee to be eligible for an annual merit increase they must be in a current state of compliance with all mandatory

training. The Halogen training system (training system) is used to track administrative employee compliance with mandatory training.

The Educational Reimbursement Program Policy (Educational Reimbursement Policy) allows eligible employees to receive reimbursement of educational and training expenses. For an employee to be eligible for reimbursement they must be in good standing, have completed their initial six months of employment, and have satisfactorily completed approved courses at accredited educational institutions. For graded courses, a grade "C" or better is required and for non-graded courses, a letter or certificate acknowledging course completion is required. As of June 19, 2022, with approval of the Fiscal Year 2022-2023 Personnel and Salary Resolution, an eligible employee may be reimbursed up to a maximum of \$5,250 per calendar year. If an employee's eligible expenses exceed the \$5,250 limit, the unpaid balance is eligible for reimbursement in each succeeding calendar year they are employed at OCTA. All requests for reimbursement are made through the OCTA Apps Store (Apps Store).

Discussion

Testing of educational reimbursements made to 22 employees identified two employees that were reimbursed twice for the same course and four employees that received reimbursement without evidence of a certificate of completion from the educational institution. In addition, the Apps Store, which is used to record reimbursement activity, reflected payments were made to three employees that were not actually made because the employee had already reached the maximum allowed for the calendar year. For all three of the employees, the excess eligible amounts were also not recorded in the log maintained for purposes of tracking for reimbursement in the following calendar year. Additionally, the Internal Audit Department (Internal Audit) tested payments made to 31 employees during the 2021 calendar year and identified seven employees that were reimbursed over the \$3,675 maximum allowed for that calendar year. Overpayments ranged from a low of \$238 to a high of \$2,948. Internal Audit recommended management improve controls to prevent overpayments and duplicate payments of educational reimbursements, and to ensure adequate documentation is on file and authorized payments are made or adequately tracked for reimbursement in the following period. Management agreed and indicated that controls to address the recommendations will be implemented by March 31, 2023.

Newly hired administrative employees are required to take certain training courses within a specified time of hire. Internal Audit found that training system data for eight of ten employees tested indicated that not all required training was obtained. In addition, all administrative employees are required to take certain

annual training classes. To enforce this requirement, employees who do not take all required training classes are not eligible to receive an annual merit increase. Internal Audit reviewed training system records for 44 employees and identified six that lacked evidence that all mandatory annual training was obtained. Five of the six employees received a merit increase. Internal Audit recommended management implement monitoring controls to ensure all mandatory training is obtained within required timeframes and merit increases are withheld for employees who do not comply with annual training requirements. Management agreed and indicated that controls will be implemented by March 31, 2023.

Summary

Internal Audit has completed an audit of administrative employee mandatory training and employee educational reimbursements and has offered two recommendations, which management agreed to implement or otherwise address.

Attachment

- A. Administrative Employee Mandatory Training and Employee Educational Reimbursements, Internal Audit Report No. 23-503

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