

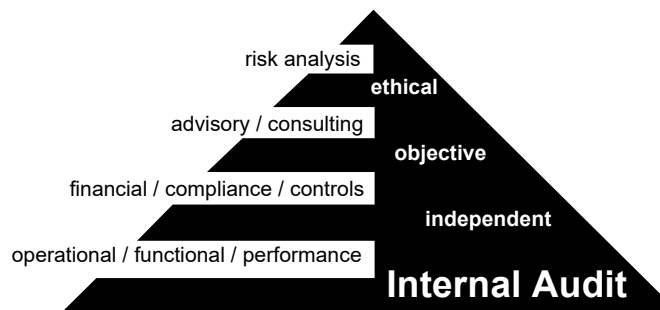
ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Lost and Found Operations

Internal Audit Report No. 23-513

June 5, 2023



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Lost and Found Operations
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Conclusion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of lost and found operations. Based on the audit, controls are generally adequate and operating; however, one recommendation has been made to improve controls over handling and recording of cash and check deposits.

Background

The Lost and Found Office (LFO) is part of the General Services Department and is staffed with two administrative specialists, with oversight by a section manager. The LFO is responsible for storing, returning, and disposing of all articles that are found on OCTA property pursuant to California Civil Code 2080.6, and in accordance with the OCTA Lost and Found Policy (Policy). The Operations Division and contracted service providers are responsible for retrieving lost articles found on OCTA property and buses and providing articles to the LFO.

Items are forwarded in locked bags to the LFO via courier each day. LFO staff sort, tag, and record items into the Lost and Found database (database). Individuals submit inquiries about lost items through online forms or by calling customer service. Inquiries are recorded in the database and LFO staff attempt to match items received to inquiries made. If a match is identified, the customer is notified that he/she may retrieve the item at the LFO after reasonably establishing ownership.

Items valued at \$250 or more that remain unclaimed after 90 days will be sold at public auction. The auction service provides the LFO staff with details of bid wins. Bid winners pick up items at the LFO and payment, typically cashier's check or money order, is collected and recorded in the Public Surplus system. The bill of sale and related payment are stored in a safe until deposited. Items valued at less than \$250, or phones, tablets, and computers that may contain personally identifiable information are not auctioned but are donated to qualified charities, disposed of, or turned in to recycling centers certified in electronic data removal, as appropriate.

If money is found on OCTA property, the LFO staff will document the sum, assign a reference number, and keep it in a locked safe until deposited. Cash under \$15, or for whom an owner cannot be identified, may be transferred to OCTA's general fund after one year from the date the money is found if unclaimed. Cash totaling \$15 or more, for which the owner's identity is known, is required to be held for three years. After three years, OCTA must post notice once a week for two consecutive weeks in a newspaper of general circulation. The money becomes the property of OCTA on a date that is 45 days after the first publication of the notice if it is not claimed by the owner.

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LFO staff prepares a Monthly Lost and Found Tracking Report which includes information such as the date, the number of found items received for that day, the number of customer inquiries received for the day, and whether or not items were identified, any customer comments were received, and any found cash/auction fund deposits were made.

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Objectives, Scope, and Methodology

The objectives were to determine the adequacy of controls and activities related to lost and found operations.

According to Generally Accepted Government Auditing Standards (GAGAS), 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.
- Control Activities
 - OCTA selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

The methodology consisted of review of the Policy, observation of the LFO office and staff activities on April 11, 2023, and testing a haphazard sample of items stored at the LFO against tag numbers and descriptions recorded in the database; testing of all Monthly Lost and Found Tracking Reports for evidence of proper completion and tracing of deposits noted on the reports to the detailed trial balance and Public Surplus Sold and Paid Report for auctioned items; testing the annual unclaimed cash process to ensure compliance with Policy; and testing to determine that LFO staff and the section manager have signed Code of Conduct forms on file. Since samples were non-statistical, any conclusions are limited to the sample items tested.

The scope period was from July 1, 2022 through March 31, 2023, and April 11, 2023, for observation.

We conducted this performance audit in accordance with GAGAS. 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.

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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Audit Comment, Recommendation, and Management Response

Monitoring and Recording of Deposits

Staff did not consistently record deposits for auctioned items in the Public Surplus system, and do not reconcile the amounts recorded to deposits made to the general ledger. In addition, two deposits recorded on the monthly tracking report were not recorded to the proper general ledger account.

Recommendation 1:

Internal Audit recommends management enhance controls to ensure found cash and checks/money orders received are properly recorded and reconciled to deposits and general ledger entries.

Management Response:

Management agrees with the recommendation to enhance controls of found cash and checks/money orders received for auctioned items and will do so by improving tracking procedures through the LFO internal database application. Management will also ensure the LFO staff works in collaboration with the Accounting and Financial Reporting Department to ensure accurate recording and reconciliation of LFO deposits to the general ledger.