

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Orange County Transportation Authority Policies and Procedures

Internal Audit Report No. 17-507

March 9, 2017



Performed by: Gerry Dunning, CIA, CISA, CFE, Senior Internal Auditor
Janet Sutter, CIA, Executive Director Internal Audit

Distributed to: Andrew Oftelie, Executive Director, Finance and Administration
Sean Murdock, Director Finance and Administration
Lori Parsel, Section Manager, General Services
Kathy O'Connor, Records Administrator, General Services

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Policies and Procedures
March 9, 2017**

Table of Contents

Conclusion	1
Background.....	1
Objectives, Scope, and Methodology	1
Audit Comments, Recommendations and Management Responses.....	3
Communication of Policies and Procedures.....	3
Timeliness of Policies and Procedures Updates	3
Board Approved Policies Tracking	4

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Policies and Procedures
March 9, 2017**

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of controls in place to ensure proper development, update, and communication of policies and procedures. Based on the audit, policies and procedures are approved as required; however, recommendations were made to enhance controls to ensure timely update and communication of new and revised policies and procedures; as well as improved tracking of policies and procedures.

Background

The General Services Department within the Finance and Administration Division is responsible for maintenance of all Orange County Transportation Authority (OCTA) policies and procedures. The Records Administrator is also designated as the Policies and Procedures Coordinator (PPC), responsible for ensuring that policies follow guidelines and are reviewed, approved, and posted to the intranet. The PPC maintains a master listing of all policies and hard copy files with documentation evidencing review and approval of the policies.

The OCTA Policies and Procedures policy outlines the guidelines for the formatting, updating, communicating, and approving of all policies and procedures. These guidelines require policies to be reviewed and updated every two years. Policies must be approved at the appropriate level; some require Board of Directors (Board) approval, others require review by legal counsel, finance, external affairs, etc. depending on the content. Once completed, policies are posted to the intranet.

Objectives, Scope, and Methodology

The objectives were to assess the adequacy and effectiveness of controls to ensure proper development, update, and communication of OCTA policies and procedures.

The methodology consisted of testing a sample of policies and procedures for proper approval, timely update, and communication to applicable employees. Tests consisted of judgmental samples with a bias to obtain multi-divisional coverage. To test timely update to policies, all policies and the related revision dates as listed on the master list of policies and procedures were analyzed. A judgmental sample of policies not updated for over eight months past the two year requirement was selected for review of evidence of notification and follow-up with the respective divisions. For any judgmental samples, conclusions are limited to the sample items tested since sampling is non-statistical.

The scope was limited to OCTA policies and procedures, as reflected on the intranet and the master listing maintained by the PPC. For testing of Board approved policies, the scope was limited to policies approved by the Board during the period from January 2015 through December 2016.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Policies and Procedures
March 9, 2017**

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Policies and Procedures
March 9, 2017**

Audit Comments, Recommendations, and Management Responses

Communication of Policies and Procedures

Procedures do not include guidelines for communicating new and/or revised policies to employees. While all policies are posted to the intranet, a more robust communication should be made in order to ensure that employees affected by the policy are informed.

Recommendation 1:

Internal Audit recommends management update procedures to include a communications plan to ensure that employees expected to comply with policies are properly notified. Communication should occur, as appropriate, for both new and revised policies.

Management Response:

Management agrees with the recommendation and has taken the following steps to ensure communication is made to all employees when new policies are created or existing policies are updated. The OCTA Policies and Procedures (EO-GS-310.01OCTAPP) has been updated to include language that an e-blast notification will be sent to administrative employees each time a policy is created or updated. For employees located at the bases, OCTA will notify employees via digital signage.

Timeliness of Policies and Procedures Updates

At the time of the audit, twenty four percent of all policies reflected effective dates over two years, despite a requirement to review and update policies on a bi-annual basis. Notice to division managers and regular follow-up to ensure update of policies is not being performed.

Recommendation 2:

Management should implement procedures to notify division management of expiring policies. Follow-up should be performed to ensure policies are reviewed and updated in a timely manner.

Management Response:

Management agrees with the recommendation and will take the following steps to ensure that policies are updated on the mandated two year cycle. A list of policies requiring revision will be submitted to each Executive Director in January of each year and follow up will be done quarterly at Executive Steering Committee Meetings, which include all Executive Directors, to ensure that policies are maintained in compliance with the policy.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Policies and Procedures
March 9, 2017**

Board Approved Policies Tracking

The master list of Board-approved policies is incomplete and inaccurate with regard to the last revision date of policies listed.

Recommendation 3:

Management should implement controls to help ensure the accuracy and completeness of the master list of policies and procedures.

Management Response:

Management agrees with the recommendation and will take the following steps to ensure that the master list of policies and procedures is maintained with accuracy and completeness. On a quarterly basis, at Executive Steering Committee meetings, staff will ask Executive Directors for any new policies that have been or are in the process of being developed in order to ensure that all new policies and procedures are included in the Master List. In order to more effectively manage the maintenance of policies, General Services will be implementing an automated system to create, distribute, and manage policies and procedures. The system will help manage all aspects of policy maintenance, including templates, distribution, digital sign offs, tracking assignments, policy management, reports and logs, version history, and controlled access.