



April 25, 2018

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer
Janet Sutter, Executive Director
Internal Audit

Subject: Investigation and Limited Scope Review of Take-Home Vehicle Assignment

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an investigation of a complaint alleging that a Transit Division manager used an agency-issued transponder for personal commuting and participated in the Commuter Club rideshare program, in violation of policy. The allegations were confirmed, and the details provided to management. During the investigation, control weaknesses related to the assignment of take-home vehicles and oversight of transponder use, as well as areas where oversight controls could be strengthened to better enforce compliance with policies and procedures, were identified and are reported herewith.

Recommendation

Direct staff to implement four recommendations provided in the Investigation and Limited Scope Review of Take-Home Vehicle Assignment.

Background

On February 15, 2018, a report was received alleging that an employee assigned a take-home vehicle was using an agency-issued transponder for personal commute trips and was participating in the Orange County Transportation Authority (OCTA) Commuter Club rideshare program, in violation of policy.

In accordance with the Board of Directors-approved Personnel and Salary Resolution, designated employees are provided an assigned vehicle, along with all related expenses (e.g. gas, maintenance, and wash services). Per policy, employees assigned a take-home vehicle are not eligible to participate in OCTA's Commuter Club program or to use Commuter Club pool vehicles.

Employees with take-home vehicles are required to log daily vehicle usage for purposes of Internal Revenue Service (IRS) reporting.

The OCTA Commuter Club is a rideshare incentive program that allows employees who carpool, or use other means of alternative transportation, to earn points to be used for paid days off and/or gift check awards. OCTA maintains a fleet of commuter pool vehicles for use by employees who are members of the Commuter Club. These vehicles may be used during business hours by employees who use alternative transportation and/or carpool to work and have a need to attend an off-site meeting and/or business appointment.

Discussion

The Internal Audit Department (Internal Audit) found that staff did not maintain detailed records of take-home vehicle assignments or require employees to acknowledge the rules and responsibilities of the assignment. In addition, policies were not cross-referenced and did not include all relevant information about use of the vehicle. Internal Audit recommended management enhance policies and procedures to include all relevant rules and requirements, and ensure that employees assigned a take-home vehicle are properly informed. Management agreed and indicated that policies will be improved and expanded.

In addition, procedures for monitoring toll road charges assessed to OCTA were not adequate to detect unauthorized activity. OCTA maintains a Toll Roads account and issues transponders, as needed, to revenue and non-revenue vehicles that need to travel for business using the toll roads. An analyst in the Transit Division receives activity statements, segregates charges by division, and makes payment. Internal Audit recommended that management revise procedures and require responsible departments to review and validate toll road fee charges and transponder assignments for appropriateness. Management agreed with the recommendation and indicated that this change will be implemented.

The investigation also revealed weaknesses in the collection and reporting of mileage log activity from employees assigned a take-home vehicle. Instructions about how to complete the mileage logs and who is required to complete a log under IRS rules are not provided. Internal Audit recommended management develop and distribute procedures, provide training to employees, and scan the mileage logs for obvious mistakes. Management agreed to implement these recommendations.

Finally, since employees assigned a take-home vehicle are not allowed to participate in the Commuter Club rideshare program, Internal Audit

recommended management implement system controls to prevent these employees from accessing the related website. Management agreed and indicated that this recommendation has been implemented.

Summary

Internal Audit has completed a limited scope review of take-home vehicle assignments and offered recommendations to improve controls.

Attachment

- A. Investigation and Limited Scope Review of Take-Home Vehicle Assignment

Prepared by:



Janet Sutter
Executive Director
714-560-5591