



November 11, 2020

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Audit of Banking Services and Agreement with Bank of the West,
Internal Audit Report No. 20-507

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of banking services and Agreement No. C-7-2159, with Bank of the West. Based on the audit, controls, policies, and procedures over banking activities are generally adequate and operating, and Bank of the West is in compliance with the agreement. The Internal Audit Department offered two recommendations to further enhance controls related to bank-authorized signers and bank statement analyses.

Recommendation

Direct staff to implement two recommendations provided in the Audit of Banking Services and Agreement with Bank of the West, Internal Audit Report No. 20-507.

Background

The Orange County Transportation Authority (OCTA) utilizes Bank of the West (BoW) for daily commercial banking services, under Agreement No. C-7-2159 (Agreement). These services include deposits of 91 Express Lanes receipts, credit sales of bus passes, farebox collection deposits, issuance of employee payroll, payments to vendors, and investment activities. The Agreement, executed on August 31, 2018, is for a five-year period, with a maximum obligation of \$277,000. The Agreement lists specific pricing for each OCTA account, as well as fees for various banking services.

OCTA's control environment related to banking services includes policies and procedures, segregation of duties, and system access controls for banking services.

OCTA policy states that individuals authorizing vendor payments are responsible for ensuring that charges comply with contract terms, such as unit fees. With regard to bank service fees, rather than generate an invoice, BofW provides an Analyzed Business Account Statement (Statement), that lists the fees for services provided. The fees are automatically deducted from OCTA's account balance. The Statements are reviewed and approved by authorized personnel. Bank reconciliations of all BofW accounts are also performed monthly, and variances are investigated.

User access controls are in place to restrict banking services to key personnel based on their job duties. The BofW Deposit Account Signature Card lists the names of OCTA personnel authorized to conduct business on behalf of OCTA. For online banking services, the level of access assigned to each user is based on job duties. Two users are required to execute wire transfer and Automated Clearing House transactions.

Discussion

The current process for reviewing the monthly BofW Statements includes an evaluation of the fees charged to determine whether total fees are consistent from month to month, and variances are investigated. Staff asserted that a detailed review of the unit fees charged, compared to the Agreement, is performed annually, however, these reviews are not documented. The Internal Audit Department (Internal Audit) recommended that management develop procedures to document the monthly and annual review processes. Management agreed and stated they would develop a procedure to document the monthly and annual review processes and include evidence of any investigations conducted.

The BofW Signature Card (Signature Card), that lists the names of personnel authorized to conduct business on behalf of OCTA, was not updated in a timely manner. Per the Signature Card, authorized individuals can conduct transactions on all current and future OCTA accounts, including signing checks, and withdrawal of cash or transfer of funds. The Deputy Chief Executive Officer retired on March 14, 2020; however, the Signature Card was not updated until April 14, 2020. Internal Audit recommended that management implement a procedure to ensure timely updates to the Signature Card and explore options to further enhance the control environment related to cash withdrawals by authorized personnel. Management agreed and indicated they would develop a

procedure to ensure timely update of the Signature Card and would work with BofW to implement tools to further enhance controls over cash withdrawals, if available.

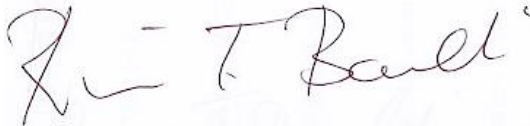
Summary

Internal Audit has completed an audit of banking services and the Agreement with BofW and has made two recommendations to enhance controls.

Attachment

- A. Audit of Banking Services and Agreement with Bank of the West, Internal Audit Report No. 20-507

Prepared by:



Ricco Bonelli
Principal Internal Auditor
714-560-5384

Approved by:



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