



**July 28, 2021**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director  
Internal Audit Department

*For*  
*[Signature]*

**Subject:** Administrative Controls Related to Conflict of Interest Code and California Form 700 Statement of Economic Interests, Internal Audit Report No. 21-510

### **Overview**

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of administrative controls related to the Conflict of Interest Code and California Form 700 Statement of Economic Interests filing process. Based on the audit, internal controls related to coordination of California Form 700 Statement of Economic Interests by designated employees are in place; however, the Internal Audit Department recommended a process be established for evaluation and identification of contractors as designated filers, and improvements be made in the identification and reporting of designated positions and notification of leaving office filing requirements.

### **Recommendation**

Direct staff to implement three recommendations provided in Administrative Controls Related to Conflict of Interest Code and California Form 700 Statement of Economic Interests, Internal Audit Report No. 21-510.

### **Background**

The Political Reform Act prohibits a public official from using his or her official position to influence a governmental decision in which he or she has a financial interest. Every state and local agency must adopt a Conflict of Interest (COI) Code that identifies all officials and employees within the agency who make governmental decisions based on the positions they hold. To help identify potential conflicts of interest, the law requires public officials and employees in

designated positions in a COI Code to report their financial interests on a California Form 700 Statement of Economic Interests (Form 700 statement).

The Clerk of the Board utilizes the eDisclosure system to electronically notify designated filers. Once notified, filers are provided a link through which they may file.

### ***Discussion***

OCTA does not currently have a process for evaluating whether certain contractors should be required to file Form 700 statements. Currently, general counsel, Transit Police Services, and Real Property consultants are the only consultant groups on the designated positions list; however, none of the Transit Police Services staff or Real Property consultant staff are identified in the eDisclosure system and requested to file. In addition, the COI designated positions list includes several positions that appear equivalent to contracted positions provided by program management consulting firms, as well as Information Systems staff provided under a personnel contract. The Internal Audit Department (Internal Audit) also noted that contracted investment managers and financial advisors are not included. Internal Audit recommended management implement a procedure to identify contractors that should be included in the designated positions list and identify which specific Transit Police Services and Real Property consultant staff should be filing. Management responded that, in coordination with legal counsel and the Contracts Administration and Materials Management Department, a process will be developed.

The designated positions list that is provided to the Board of Directors (Board) each year identifies designated employees at the position title; however, in the Human Resources (HR) system, some position codes with the same position title are associated with different filing requirements. In addition, a Financial Analyst in the Treasury and Public Finance Department, who has the authority to direct investments, is not included as a designated filer. Internal Audit recommended that the designated positions list provided to the Board be reconciled and updated to reflect actual filing requirements, as reflected in the HR system, and that the Financial Analyst be included as a designated filer. Management agreed to review designated position titles, deactivate unused position codes, or add the COI coding requirement, to be consistent with the designated positions list. Management also agreed to attach the COI coding requirement to the entire Financial Analyst job family within Treasury and Public Finance.

Employees terminated involuntarily or without notice are not given notification to file leaving office forms. Notification was also not provided to several voluntarily separated employees. Internal Audit recommended development of a procedure to provide leaving office notifications to employees terminated involuntarily or without notice, as well as enhancement of existing controls for voluntary separations. Management agreed to adjust procedures as necessary, using the separating employee's email and forwarding address from the electronic employee exit form and mailing paper Form 700 statements when notified of the separation after departure.

***Summary***

Internal Audit made three recommendations to establish a process for evaluation and identification of contractors as designated filers, improve the identification and reporting of designated positions, and improve the notification of leaving office filing requirements.

***Attachment***

- A. Administrative Controls Related to Conflict of Interest Code and California Form 700 Statement of Economic Interests, Internal Audit Report No. 21-510

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