

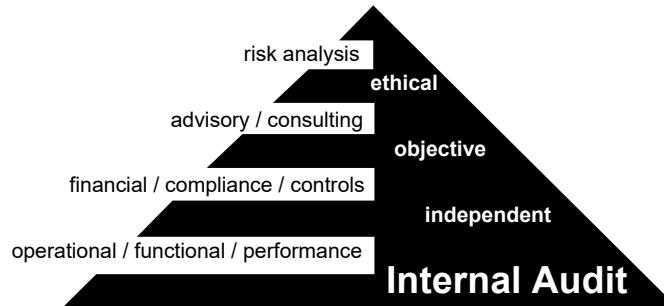
ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Employee Commuter Club Program

Internal Audit Report No. 26-505

December 19, 2025



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Conclusion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of the Employee Commuter Club Program. Based on the audit, system controls are adequate and functioning, and redemptions of points earned are accurately processed through payroll. However, operating and inventory controls related to identification and award of points earned and gift cards distributed need improvement and oversight controls, required by policy, have not been implemented. Four recommendations for improvement have been offered.

Background

The South Coast Air Quality Management District (SCAQMD) Rule 2202 provides employers with a menu of options to meet air quality standards mandated by the Federal Clean Air Act. SCAQMD Rule 2202 requires that employers of 250 or more employees at a single worksite participate in an Employee Commute Reduction Program (Rule 308) to ease traffic congestion and reduce emissions.

The Commuter Club Program (Program) was created to promote rideshare and alternative commuting among Orange County Transportation Authority (OCTA) employees following the provisions of SCAQMD Rule 308. The Program is administered by the Human Resources Department (HR) within the People and Community Engagement Division.

The Commuter Club Policy (Policy), dated January 24, 2023, was developed to provide guidelines and procedures pertaining to the Program. A web-based system known as the Commuter Club Application (CCA) is used to record and track commute data. Each Commuter Club member must read and acknowledge the Policy when registering to participate. Employees create a login and record their method of daily commute to receive Commuter Club points. Commuter Club entries must be submitted prior to the end of the following month and once submitted, can only be edited by a Program administrator.

Commuter Club participants earn a welcome bonus of 50 points upon joining the Program and are eligible to earn points for using alternative transportation. Additional points may be earned for using alternative transportation on Thursdays, on 13 or more days in a month, or during Rideshare Week and Bike-to-Work Week. Points may be redeemed for \$25 awards or for paid days off.

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Objectives, Scope, and Methodology

The objectives were to assess and test controls in place to ensure compliance with Policy and procedures related to the Program.

The methodology consisted of assessing and testing system and oversight controls over commuter club activities to ensure compliance with the Policy, reviewing system administrator rights to verify employee access is appropriately limited, testing system administrative edits for validity, testing a sample of Rideshare Additional Day-Off (RAD) and \$25 gift awards processed through the payroll system for accuracy, assessing and testing controls over processing of Rideshare Week bonuses, Bike-to-Work Week bonuses, quarterly bonus gift card awards, and raffle gift card draws to ensure compliance with Policy, procedures, and Internal Revenue Service (IRS) regulations.

The scope included Program activities from the Commuter Club Application and Lawson payroll system data during the period July 1, 2023, through September 30, 2025. Judgmental samples were selected with a bias for employees with a high number of daily entries in one month or with system administrator rights. In addition, the scope included a report listing employees with system administrator rights as of October 14, 2025, and all administrative edits during the period July 1, 2023, through August 30, 2025. The scope also included a judgmental sample of RAD days taken, with a bias for employees with five or more RAD days taken from July 1, 2023, through June 30, 2025, and \$25 gift award redemptions, with a bias for coverage throughout the scope period from July 1, 2023, through June 30, 2025, per the Lawson payroll system report. Lastly, the scope included all Rideshare Week activities and bonuses, Bike-to-Work Week activities and bonuses, quarterly bonus gift card awards, and raffle awards related to commuter activities during the period July 1, 2023, through June 30, 2025. Since the samples were non-statistical, any conclusions are limited to the sample items tested.

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.

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Audit Comments, Recommendations, and Management Responses

Monitoring of Commuter Club Activities

Periodic reviews of Program activities for compliance with Program rules are not performed as indicated in Policy.

Testing identified errors in employee entries of Program activities, resulting in points being earned in error. Internal Audit tested entries by ten employees and identified a total of 30 instances whereby by five employees recorded commute activity on a non-workday.

Recommendation 1:

Internal Audit recommends management implement periodic reviews of Program activities to ensure compliance with Policy.

Management Response:

Management concurs with this recommendation and will ensure compliance monitoring by implementing periodic reviews of Commuter Club activities in alignment with Policy requirements. Beginning immediately, reviews will be conducted twice annually - each November, one month following Rideshare Week, and each June, covering the previous six months.

To reinforce accountability, employees who submit erroneous entries more than twice may be subject to suspension from the Commuter Club Program in accordance with the Policy. The Commuter Club software application also includes system warnings advising users that any violation of Program procedures may result in loss of points, termination of membership and related benefits, and disciplinary action up to and including separation of employment.

In addition, we are taking steps to transition the administration of the Program to a third-party provider to further enhance oversight and operational integrity.

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Special Events, Quarterly Bonuses, and Raffles

Errors were made in the identification of employees eligible for special event bonuses, quarterly gift card awards, and raffles. In addition, there are no inventory controls in place over gift cards purchased and distributed in connection with the Program and awards are not taxed as required by the IRS.

Internal Audit tested the award of special event bonus points and quarterly participation gift card awards and identified errors, as follows:

- Contrary to Policy, flex days were not identified as an alternative transportation method during the 2023 Rideshare Week. As a result, 19 eligible employees were not awarded all bonus points earned.
- Contrary to Policy, employees travelling by vanpool, Metrolink, and zero-emission vehicles were not identified as qualified participants during 2024 Rideshare Week. As a result, 52 eligible employees were not awarded bonus points earned.
- Manual errors related to special events resulted in two employees being awarded 200 bonus points twice, four employees being awarded 25 to 150 unearned bonus points, and one eligible employee not being awarded 25 bonus points earned.
- Manual errors related to identification of employees eligible to receive a gift card and/or participate in quarterly gift card raffles, resulted in 43 eligible employees not being included, and 23 ineligible employees being included.

Gift cards are purchased using a purchasing card and no record of inventory or distribution of the gift cards is maintained. Further, according to IRS regulations, these awards should be subject to income tax.

Recommendation 2:

Internal Audit recommends management implement controls to improve the accuracy of identification of employees eligible for awards. Management should also reevaluate the method for distributing monetary awards to ensure compliance with IRS regulations.

Management Response:

Management concurs with this recommendation. To improve the accuracy and consistency of identifying employees eligible for special event bonuses, quarterly awards, and raffle participation, we are implementing enhanced review and verification controls. Special event bonus calculations, which are completed manually outside the Commuter Club application, will now be prepared by the Program Administrator and reviewed and approved by the administrator's manager prior to entry. After points are entered into the system, a report will be generated and reviewed and signed off by the manager to confirm accuracy and completeness.

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Based on Internal Audit's findings, we are currently making corrections to ensure that eligible employees who did not receive earned bonus points for past special events have the appropriate points applied to their accounts. Points that were awarded in error are also in the process of being removed. We are communicating directly with all affected employees as these corrections are completed.

To address issues related to gift card awards, we are transitioning all monetary awards to be processed through payroll, which will ensure proper tax withholding and compliance with IRS regulations. While gift card raffles that have already occurred cannot be corrected retroactively, the new process will eliminate the use of physical gift cards going forward, thereby resolving the inventory control concerns. These actions will strengthen internal controls, improve accuracy in award administration, and ensure compliance with both Policy requirements and IRS regulations.

Administrative Adjustments

Program system administrator adjustments to employee entries made after submission were not documented.

Testing identified 20 instances whereby a Program system administrator made changes to employee entries after submission. None of the changes were supported by documentation describing the changes made and reason. Most of the changes were made to an account held by the Program administrator.

Recommendation 3:

Internal Audit recommends management implement system controls to prevent Program system administrators from editing their own activities and implement procedures requiring documentation of administrative changes be retained.

Management Response:

Management concurs with this recommendation. The system has been updated to prevent Program system administrators from editing their own entries. In addition, a formal procedure is being implemented requiring that any administrative adjustments be fully documented, including the nature of the change and the justification. This documentation will be retained to ensure transparency, accountability, and proper oversight of all administrative actions, and will be reviewed as part of the biennial review as referenced in Response No. 1 above.

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Commuter Club Policy Update

The Commuter Club Policy has not been updated since January 24, 2023, contrary to the OCTA Policies and Procedures Policy that requires update of all policies every two years. In addition, the Policy should be expanded to include descriptions of all Program events and awards, and eligibility rules.

Recommendation 4:

Internal Audit recommends management update the Policy in accordance with OCTA requirements.

Management Response:

Management concurs with the recommendation. The Policy is being updated. The revised Policy will be more streamlined, concise, and easier to read, which will help staff correctly and consistently administer the Program. The update will also include a comprehensive description of all Program events and awards, as well as clearly define eligibility rules. These enhancements will strengthen the clarity, usability, and effectiveness of the Policy moving forward.

In addition, we will initiate a procurement process to solicit consultant services to assist with a comprehensive review of the overall Program and to identify opportunities for improvement. Engagement of a consultant will depend on the receipt of reasonable and responsive proposals. Any proposed Program modifications that require approval from the SAQMD will be submitted accordingly, and all approved changes will be incorporated into future updates to the Policy.