



March 27, 2024

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: College Pass Program, Internal Audit Report No. 24-506

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed a review of the College Pass Program. Based on the audit, grant compliance controls are adequate; however, two recommendations have been made to improve contract language, establish invoice and collection controls, and develop and enforce controls over paper passes.

Recommendation

Direct staff to implement two recommendations provided in the College Pass Program, Internal Audit Report No. 24-506.

Background

The Marketing and Customer Engagement (MCE) Department within the People and Community Engagement (PACE) Division is responsible for administration and oversight of the College Pass Program (Program) and works with Finance and Administration (F&A) Division staff on invoicing, data warehousing, and grant revenue management.

OCTA has entered into ten agreements with all nine Orange County community colleges and the Rancho Santiago Canyon Community College District Continuing Education to provide bus passes to registered full-time and part-time students.

Students can generate a mobile ticket by downloading the OC Bus Mobile Ticketing Application (mobile App) to their smartphone, or colleges can encode the student's identification (ID) card, allowing them to swipe their college ID card

to board the bus. Not all colleges have implemented the infrastructure for activation of student ID cards. Several of the colleges were provided an inventory of 30-day paper passes for distribution to students during the pandemic for essential travel needs, and more recently, to distribute to students that do not have a smartphone or in the event the mobile App is not functioning properly.

Boarding activity is captured through the farebox on the bus, as well as through the mobile App. Boarding activity is available in OCTA's data warehouse for performance analysis, reporting, and billing purposes.

Discussion

Agreements do not include sufficient, accurate information outlining requirements and responsibilities for participation in the Program. In addition, enrollment information used to prepare invoices is not validated for reasonableness, invoices are not prepared promptly, and amounts due are not collected timely. Internal Audit recommended management amend agreements to accurately reflect all responsibilities and requirements for Program operation, and implement procedures for administration of the Program, including verification of enrollment data used for invoicing purposes, timely preparation of invoices, and collection of outstanding receivables. Management concurred and agreed to enhance agreement language by August 31, 2024, and implement oversight controls by September 30, 2024. Management also responded that accounts receivable procedures have been implemented to more effectively monitor and collect outstanding receivables.

The MCE Department has provided several colleges with paper 30-day college bus passes; however, agreements do not address requirements for security, inventory, distribution, or reporting controls. At the time of the audit, none of the colleges had instituted paper pass inventory and reconciliation controls. Over the last few years, passes valued at approximately \$398,000 have been provided to these colleges. Internal Audit recommended management update agreements to include requirements for security, inventory, distribution, and reporting of paper passes and implement monitoring controls to ensure colleges are complying with the requirements. Management should also strengthen controls to ensure all college bus passes are properly coded in the system. Management concurred with the recommendation and agreed to develop improved controls and a formal procedure for paper pass distribution to ensure proper security, accurate coding, reporting, and reconciliation, and to amend agreements to include the procedures.

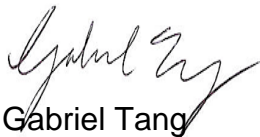
Summary

Internal Audit has completed an audit of the College Pass Program and has offered two recommendations, which management agreed to implement or otherwise address.

Attachment

- A. College Pass Program, Internal Audit Report No. 24-506

Prepared by:



Gabriel Tang
Principal Internal Auditor
714-560-5746

Approved by:



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