



**January 25, 2023**

**To:** Finance and Administration Committee

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

Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Administrative Employee Mandatory Training and Employee Educational Reimbursements, Internal Audit Report No. 23-503

### **Overview**

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of administrative employee mandatory training and employee educational reimbursements. Based on the audit, controls over administrative employee mandatory training and administration of educational reimbursements should be improved. The Internal Audit Department offered two recommendations to address overpayments of educational reimbursements to improve controls.

### **Recommendation**

Direct staff to implement two recommendations provided in Administrative Employee Mandatory Training and Employee Educational Reimbursements, Internal Audit Report No. 23-503.

### **Background**

The Learning and Development Department (LDD) within the People and Community Engagement Division is responsible for all administrative employee learning and development activities. The LDD is also responsible for administration of the employee educational reimbursement program for all Orange County Transportation Authority (OCTA) staff.

The Employee Training Policy (Training Policy) identifies guidelines for OCTA employees regarding training purpose, definition, approval, performance, and compensation. For an OCTA administrative employee to be eligible for an annual merit increase they must be in a current state of compliance with all mandatory

training. The Halogen training system (training system) is used to track administrative employee compliance with mandatory training.

The Educational Reimbursement Program Policy (Educational Reimbursement Policy) allows eligible employees to receive reimbursement of educational and training expenses. For an employee to be eligible for reimbursement they must be in good standing, have completed their initial six months of employment, and have satisfactorily completed approved courses at accredited educational institutions. For graded courses, a grade "C" or better is required and for non-graded courses, a letter or certificate acknowledging course completion is required. As of June 19, 2022, with approval of the Fiscal Year 2022-2023 Personnel and Salary Resolution, an eligible employee may be reimbursed up to a maximum of \$5,250 per calendar year. If an employee's eligible expenses exceed the \$5,250 limit, the unpaid balance is eligible for reimbursement in each succeeding calendar year they are employed at OCTA. All requests for reimbursement are made through the OCTA Apps Store (Apps Store).

### ***Discussion***

Testing of educational reimbursements made to 22 employees identified two employees that were reimbursed twice for the same course and four employees that received reimbursement without evidence of a certificate of completion from the educational institution. In addition, the Apps Store, which is used to record reimbursement activity, reflected payments were made to three employees that were not actually made because the employee had already reached the maximum allowed for the calendar year. For all three of the employees, the excess eligible amounts were also not recorded in the log maintained for purposes of tracking for reimbursement in the following calendar year. Additionally, the Internal Audit Department (Internal Audit) tested payments made to 31 employees during the 2021 calendar year and identified seven employees that were reimbursed over the \$3,675 maximum allowed for that calendar year. Overpayments ranged from a low of \$238 to a high of \$2,948. Internal Audit recommended management improve controls to prevent overpayments and duplicate payments of educational reimbursements, and to ensure adequate documentation is on file and authorized payments are made or adequately tracked for reimbursement in the following period. Management agreed and indicated that controls to address the recommendations will be implemented by March 31, 2023.

Newly hired administrative employees are required to take certain training courses within a specified time of hire. Internal Audit found that training system data for eight of ten employees tested indicated that not all required training was obtained. In addition, all administrative employees are required to take certain

annual training classes. To enforce this requirement, employees who do not take all required training classes are not eligible to receive an annual merit increase. Internal Audit reviewed training system records for 44 employees and identified six that lacked evidence that all mandatory annual training was obtained. Five of the six employees received a merit increase. Internal Audit recommended management implement monitoring controls to ensure all mandatory training is obtained within required timeframes and merit increases are withheld for employees who do not comply with annual training requirements. Management agreed and indicated that controls will be implemented by March 31, 2023.


***Summary***

Internal Audit has completed an audit of administrative employee mandatory training and employee educational reimbursements and has offered two recommendations, which management agreed to implement or otherwise address.

***Attachment***

- A. Administrative Employee Mandatory Training and Employee Educational Reimbursements, Internal Audit Report No. 23-503

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# ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



## Administrative Employee Mandatory Training and Employee Educational Reimbursements

### Internal Audit Report No. 23-503

January 10, 2023



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## **Conclusion**

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA), has completed an audit of administrative employee mandatory training and employee educational reimbursements. Based on the audit, controls over administrative employee mandatory training and administration of educational reimbursements should be improved. Internal Audit offered two recommendations to improve controls.

## **Background**

### Learning and Development Department

The Learning and Development Department (LDD) within the People and Community Engagement Division, is responsible for all administrative employee learning and development activities. The LDD also functions as an internal consultant to other divisions, providing customized training, competency assessments, professional development, and assistance with acquiring and building training. The LDD is also responsible for administration of the employee educational reimbursement program for all OCTA staff.

### Employee Training Policy

The Employee Training Policy (Training Policy) identifies guidelines for OCTA employees regarding training purpose, definition, approval, performance, and compensation. The Training Policy defines mandatory training as training required by federal, state, or local law, or a contract signed by OCTA. The responsibility for identifying laws or contracts mandating training is divided by department; for example, the Health, Safety and Environmental Compliance Department is required to identify mandatory safety training. Examples of mandatory training include Alcohol and Drug Awareness, Fire Extinguisher, and Workplace Harassment and Violence Prevention. For an OCTA administrative employee to be eligible for an annual merit increase, they must be in a current state of compliance with all mandatory training. The Halogen training system (training system) is used to track administrative employee compliance with mandatory training.

### Educational Reimbursement Program Policy

The Educational Reimbursement Program Policy (Educational Reimbursement Policy) allows eligible employees to receive reimbursement of educational and training expenses. For an employee to be eligible for reimbursement they must be in good standing, have completed their initial six months of employment, and satisfactorily completed approved courses at accredited educational institutions. For graded courses, a grade "C" or better is required, or, for non-graded courses, a letter or certificate acknowledging course

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completion is required. As of June 19, 2022, with approval of the Fiscal Year 2022-2023 Personnel and Salary Resolution, an eligible employee may be reimbursed up to a maximum of \$5,250 per calendar year. If an employee's eligible expenses exceed the \$5,250 limit, the unpaid balance is eligible for reimbursement in each succeeding calendar year they are employed at OCTA.

The Educational Reimbursement Policy outlines the criteria and supporting documents required for expense reimbursement. Employees are required to submit evidence of acceptance into the educational institution and obtain course approval from the LDD. Within six weeks of course completion, the employee must submit their grade notification or certificate, along with original receipts, to the LDD. If an employee fails to submit materials within the required parameters, it is left to the discretion of the Executive Director of People and Community Engagement to approve or deny the request. All requests for reimbursement are made through the OCTA Apps Store (Apps Store). The LDD is responsible for verifying supporting documents for compliance with the Educational Reimbursement Policy, and for preparing a payment request. Approved reimbursements are forwarded to Accounts Payable for processing.

## **Objectives, Scope, and Methodology**

The objectives were to assess and test the adequacy of controls related to the administration of employee training and educational reimbursements, and to determine compliance with policies.

According to Generally Accepted Government Auditing Standards (GAGAS), internal control is the system of processes that an entity's oversight body, management, and other personnel implement to provide reasonable assurance that the organization will achieve its operational, reporting, and compliance objectives. The five components are control environment, risk assessment, control activities, information and communication, and monitoring.<sup>1</sup> The components and principles that were evaluated as part of this audit are:

- Control Environment
  - OCTA demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
- Control Activities
  - OCTA selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

The methodology consisted of testing a judgmental sample of 22 employees with educational reimbursement requests per the Apps Store for proper documentation,

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<sup>1</sup> See U.S. Government Accountability Office publication, "Standards for Internal Control in the Federal Government," available at <http://www.gao.gov/products/GAO-14-704G>, for more information.

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evidence of approval, and payment accuracy; testing of all employee reimbursement payments recorded in the accounting system for compliance with educational reimbursement limits; testing a judgmental sample of ten newly-hired administrative employees for evidence that mandatory training was obtained; and testing of a judgmental sample of 44 administrative employees for evidence that required annual training was obtained or that merit increases were withheld for non-compliance.

The scope was limited to mandatory training required of administrative employees during fiscal year (FY) 2020-21 and FY 2021-22, educational reimbursements requested by employees during FY 2020-21 and FY 2021-22, and payments made for educational reimbursement for calendar year 2021. The scope did not include testing of mandatory training provided to union employees, as this training is solely the responsibility of the Operations Division. Judgmental samples were selected with a bias for coverage during the scope period. Since the samples were non-statistical, any conclusions are limited to the sample items tested.

Internal Audit conducted this performance audit in accordance with GAGAS. 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. Internal Audit believes 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**

### **Administration and Monitoring of Educational Reimbursements**

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Controls over the administration and monitoring of educational reimbursements should be improved and the Apps Store used to record educational reimbursement activity should be enhanced to allow for accurate tracking of payments and roll-over amounts.

Testing of educational reimbursements made to 22 employees identified two employees that were reimbursed twice for the same course and four employees that received reimbursement without evidence of a certificate of completion from the educational institution. In addition, for three employees, the Apps Store reflected payments that were not processed, and the amounts were not recorded in the log maintained for purposes of tracking eligible reimbursements for future calendar years. Internal Audit also tested payments made to 31 employees and identified seven that were reimbursed over the \$3,675 maximum allowed for the 2021 calendar year. Overpayments ranged from a low of \$238 to a high of \$2,948.

#### **Recommendation 1:**

Management should improve controls to avoid duplicate reimbursements and to ensure all required documentation is on file prior to authorizing a reimbursement. The Apps Store should be updated to accurately reflect educational reimbursement submissions versus payments made and should be used to track eligible amounts for future calendar year reimbursement. To avoid confusion in the tracking of roll-over eligible amounts, management should consider aligning changes to educational reimbursement amounts to a calendar year basis. Management should also explore whether supporting documentation can be stored within the Apps Store or, at a minimum, improve organization of supporting documentation. Management should obtain reimbursement from employees that received duplicate payments and should address payments made to employees over the allowable educational reimbursement limit. Going forward, management should implement effective controls for monitoring employee educational reimbursement activities for compliance with the Educational Reimbursement Policy, including verification that payments have been processed accurately.

#### **Management Response:**

LDD agrees with the recommendation and will implement controls to address the recommendations by March 31, 2023. Management will also make arrangements to collect overpayments made to the two employees identified and will address payments to employees over the allowable reimbursement limit.

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**Mandatory Administrative Employee Training**

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Monitoring controls should be implemented to ensure administrative employees receive required new hire and annual training.

Newly-hired administrative employees are required to take certain training courses within a specified time of hire. The LDD provided data from the training system and Internal Audit reviewed records for ten employees for evidence that required new-hire training was obtained. Data for eight of the ten employees indicated that not all required training was obtained. The LDD subsequently obtained evidence from two employees that the missing training was taken and asserted that five other employees had been provided the training, but the evidence of training was stored in another area of the training system. The last employee had not received all required training.

In addition, all administrative employees are required to take certain annual training classes. To enforce this requirement, employees who do not take all required training classes are not eligible to receive an annual merit increase. Internal Audit reviewed the training records for 44 employees and identified six that lacked evidence that all mandatory annual training was taken. Five of the six employees received a merit increase.

**Recommendation 2:**

Management should implement monitoring controls to ensure all administrative employees obtain mandatory training within required timeframes. Management should also implement monitoring controls to ensure mandatory annual training is obtained and employee merit increases are withheld for non-compliance, as required by the Training Policy.

**Management Response:**

LDD agrees with the recommendation and will implement monitoring controls to ensure all new administrative employees obtain mandatory training within required timeframes. LDD will also implement monitoring controls to ensure mandatory annual training is completed by all administrative employees prior to merit increases and will meet with Human Resources Department staff to implement a process by March 31, 2023.