



November 13, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Board Member Compensation, Mileage Reimbursements, and Training, Internal Audit Report No. 19-513

Overview

The Internal Audit Department has completed an audit of compliance with regulations, policies, and procedures governing compensation and mileage reimbursements to members of the Board of Directors. Based on the audit, controls to ensure compliance with regulations, policies, and procedures are adequate; however, one recommendation was made to enhance policy and procedures to address all payments and payees, and to be consistent with regulations.

Recommendation

Direct staff to implement one recommendation provided in Board Member Compensation, Mileage Reimbursements, and Training, Internal Audit Report No. 19-513.

Background

To ensure compliance with Public Utilities Code Section 130108.5 and Government Code Sections 53232 and 53234 through 53237.5, the Orange County Transportation Authority (OCTA) has developed written policy and procedures for compensation, mileage reimbursements, and required training for members of the Board of Directors (Board). Policies and procedures are outlined in the Personnel and Salary Resolution (P&SR), the Policy for Compensation, Reimbursement of Expenses, and Mandatory Training for Members of the Board of Directors (Policy), and desk procedures developed by the Clerk of the Board (COB) for processing payments and tracking training.

Board members, and former Board members representing OCTA on outside agency boards, may receive compensation in the amount of \$100 per day, not to exceed \$500 per month, for attending OCTA-related business activities. Board members, except County of Orange Supervisors, also receive mileage reimbursement for travel to/from OCTA business activities.

Each Board member is required to receive at least two hours of training in general ethics principles and ethics laws relevant to public service within the first year of taking office and every two years thereafter, and at least two hours of sexual harassment prevention training and education within the first six months of taking office and every two years thereafter. OCTA provides information on training available to members of the Board at least once, in writing, prior to assuming office and every two years thereafter. The COB maintains copies of training certificates.

Discussion

The P&SR, Policy, and desk procedures should be enhanced to address all payments and payees, and to be consistent with regulations. Internal Audit recommends that management update policies and procedures to address all applicable payments and payees and to require training of all compensated persons representing OCTA on boards and/or committees. Further, Internal Audit recommends that the Policy be provided to Board members, and former Board members representing OCTA, upon update and on a periodic basis. Management agreed and indicated that procedures will be updated and distributed, and the P&SR will be updated and presented for Board approval with the fiscal year 2020-21 budget.

Summary

Internal Audit has completed an audit of Board member compensation, mileage reimbursements, and training, and offered one recommendation for improvement to policy and procedures.

Attachment

- A. Board Member Compensation, Mileage Reimbursements, and Training,
Internal Audit Report No. 19-513

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ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Board Member Compensation, Mileage Reimbursements, and Training

Internal Audit Report No. 19-513

October 31, 2019



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**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Board Member Compensation, Mileage Reimbursements, and Training
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INTERNAL AUDIT DEPARTMENT
Board Member Compensation, Mileage Reimbursements, and Training
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Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of compliance with regulations, policies, and procedures governing compensation and mileage reimbursements to members of the Board of Directors. Based on the audit, controls to ensure compliance with regulations, policies, and procedures are adequate; however, one recommendation was made to enhance written policy and procedures.

Background

Regulations, Policy, and Procedures

To ensure compliance with Public Utilities Code Section 130108.5, and Government Code Sections 53232 and 53234 through 53237.5, the Orange County Transportation Authority (OCTA) has developed written policies and procedures for compensation, mileage reimbursements, and required training for members of the Board of Directors (Board). Policies and procedures are outlined in the Personnel and Salary Resolution (P&SR), the Policy for Compensation, Reimbursement of Expenses, and Mandatory Training for Members of the Board of Directors (Policy), and desk procedures developed by the Clerk of the Board (COB) for processing payments and tracking training.

Compensation and Reimbursement of Expenses

Board members, and former Board members representing OCTA on outside agency boards, may receive compensation in the amount of \$100 per day, not to exceed \$500 per month, for attending OCTA-related business activities. Board members, except County of Orange Supervisors, also receive mileage reimbursement for travel to/from OCTA business activities.

Ethics Training and Sexual Harassment Prevention Training and Education

Each member of the Board of Directors is required to receive at least two hours of training in general ethics principles and ethics laws relevant to public service within the first year of taking office and every two years thereafter, and at least two hours of sexual harassment prevention training and education within the first six months of taking office and every two years thereafter.

OCTA provides information on training available to members of the Board at least once, in writing, prior to assuming office and every two years thereafter. The COB maintains copies of training certificates.

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Objectives, Scope, and Methodology

The objectives were to evaluate and test controls in place to ensure compliance with regulations, policies, and procedures related to Board member compensation, mileage reimbursement, and training.

According to Generally Accepted Government Auditing Standards (GAGAS), internal control, in the broadest sense, encompasses the plans, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal controls significant within the context of the audit objectives were evaluated as part of this audit.

The methodology consisted of review of OCTA policies and procedures for consistency and compliance with relevant regulations and verification that policies are communicated to Board members; evaluation and testing of controls over the tracking and processing of Board member compensation and mileage reimbursements; and evaluation and testing of controls to ensure compliance with training requirements.

The scope was limited to regulations, policies and procedures related to Board member compensation, mileage reimbursement, and training. The scope did not include review of Board member benefits or travel expense reimbursements as these processes are included in other audits. Testing included a haphazard sample of eight months during fiscal years (FY) 2018 and 2019 of Board member compensation and mileage reimbursements to ensure compliance with regulations, policies, and procedures. Since the sample was non-statistical, any conclusions are limited to the sample items tested. The scope also included tracing training documentation for all Board members to the Board Members Ethics Training and Sexual Harassment Prevention Training and Education logs for FYs 2017-18 and 2018-19, to determine the completeness of logs and compliance with requirements.

We 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. 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 Comment, Recommendation, and Management Response

Policy and Procedures

The P&SR, Policy, and desk procedures should be enhanced to address all payments and payees, and to be consistent with regulations, as follows:

- The Policy addresses Board member compensation and reimbursement of expenses, but not former Board member compensation and reimbursement of expenses (e.g. when assigned to represent OCTA on outside agency boards);
- The P&SR does not address Board member, or former Board member, compensation;
- The written Policy is not provided to Board members (and applicable former Board members representing OCTA) when revised and/or on a periodic basis;
- The Policy does not require former Board members representing OCTA on outside agency boards to obtain required training.

Recommendation 1:

Internal Audit recommends that management update policies and procedures to address all applicable payments and payees, and to require training of all compensated persons representing OCTA on boards and/or committees, and to ensure proper communication of policies to Board members, and former Board members representing OCTA, on a periodic basis.

Management Response (COB):

Management concurs with Internal Audit's recommendation. The Policy will be revised and provided to all applicable Board members and former Board members by December 2019, upon update, and annually thereafter.

Revisions to the language in the P&SR will be made and presented for Board approval with the FY 2020-21 budget.