



October 8, 2014

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Review of Administrative Employee Training and Employee Educational Reimbursement

Overview

Based on the review, the Internal Audit Department has concluded that policies, procedures, and controls are generally adequate; however, three recommendations have been offered to improve administration of employee training, to update and improve the Employee Training Policy, and to improve compliance with educational reimbursement program provisions.

Recommendation

Direct staff to implement three recommendations offered in the Review of Administrative Employee Training and Employee Educational Reimbursement, Internal Audit Report No. 14-510.

Background

The Training and Development Department (Department) of the Human Resources and Organizational Development Division is responsible for administrative employee training and for administration of the Employee Educational Reimbursement Program.

The educational reimbursement program provides for reimbursement of educational expenses to employees who satisfactorily complete pre-approved educational courses at accredited institutions. The Orange County Transportation Authority will reimburse expenses up to a maximum of \$2,000 per fiscal year.

Discussion

The Department is assigned responsibility for the standardization of authority-wide training; however, it does not operate with this authority. As a result, there are no uniform guidelines for the identification and development of training programs, centralized oversight of mandatory training, or procedures for evaluation of the effectiveness of training programs. The Internal Audit Department (Internal Audit) recommended that management enhance policy and procedures for administrative employee training to allow the Department to exercise oversight and institute standardization of training programs. Management agreed and indicated that updates to policy, procedures, and guidelines for training programs are underway.

The Employee Training Policy (Policy) includes restrictions and requirements that are not enforced. Internal Audit recommended that management update the Policy to reflect intended procedures and develop oversight controls to ensure compliance. Management agreed and indicated that a new Policy will be implemented by January 1, 2015.

The Employee Educational Reimbursement Program Policy requires employees to submit requests for reimbursement within the first two weeks of the course start date and to submit documentation of course completion within six weeks of the course completion date. However, over one-third of the reimbursements reviewed did not meet these timeframes. Internal Audit recommended that management develop and implement guidelines for approval of exceptions to program requirements. Management agreed and suggested that communications will be improved to ensure employees are informed of the requirements, and that guidelines for approval of exceptions will be implemented by January 1, 2015.

Summary

Based on the review, Internal Audit has concluded that policies, procedures, and controls are generally adequate; however, three recommendations have been offered to improve administration of employee training, to update the Policy and to improve compliance with educational reimbursement program provisions.

Attachment

- A. Review of Administrative Employee Training and Employee Educational Reimbursement, Internal Audit Report No. 14-510

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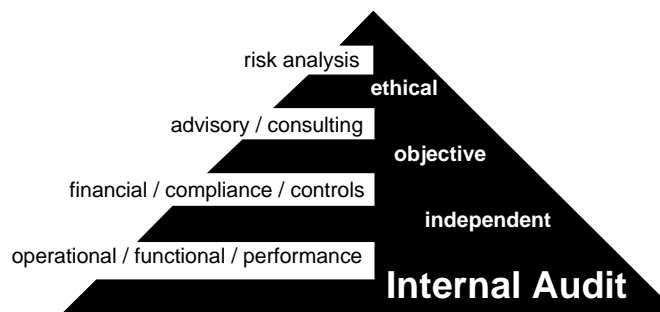
Orange County Transportation Authority Internal Audit Department



Review of Administrative Employee Training and Employee Educational Reimbursement

Internal Audit Report No. 14-510

September 24, 2014



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Conclusion

The Internal Audit Department (Internal Audit) has completed a review of administrative employee training and employee educational reimbursement. Based on the review, Internal Audit has concluded that policies, procedures, and controls are generally adequate; however, three recommendations have been offered to improve administration of employee training, to update the Training Policy (Policy), and to improve compliance with educational reimbursement program provisions.

Background

The Training and Development Department (Department) of the Human Resources and Organizational Development Division is responsible for administrative employee training and administration of the employee educational reimbursement program. Staffing includes a section manager, two administrators, one office specialist, an extra help office specialist and an intern. Coach operator and maintenance employee training is administered by the Transit Division.

The educational reimbursement program is an employee benefit that provides for reimbursement of educational expenses to eligible employees who satisfactorily complete pre-approved courses at accredited institutions. The Orange County Transportation Authority (OCTA) will reimburse expenses up to a maximum of \$2,000 per fiscal year. Approximately 50 employees take advantage of this benefit at an annual cost of about \$100,000.

Objectives, Scope, and Methodology

The objective of this review was to evaluate the adequacy of, and compliance with, policies, procedures, and controls related to administrative employee training and employee educational reimbursement.

The scope of the review included activities during the period of July 1, 2011 through March 31, 2014. The scope did not include coach operator or maintenance employee training which is administered by the Transit Division. The review methodology included, but was not limited to, review of policies and procedures, interviews with applicable staff and management, and testing of educational reimbursement payments for compliance with program requirements.

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 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 of Employee Training

While a centralized Department has been established for administrative employee training, in practice, various individual departments identify, develop, deliver, and monitor employee training without coordination or oversight from the Department. The Department is assigned responsibility for the standardization of authority-wide training; however, it does not operate with this authority. As a result, there are no uniform guidelines for the identification and development of training programs, centralized oversight of mandatory training, or procedures for evaluation of the effectiveness of training programs.

Recommendation 1:

Internal Audit recommends management enhance policy and procedures for administrative employee training to allow the Department to exercise oversight and institute standardization of training programs.

Management Response:

Management concurs; policy and procedures for administrative employee training should be enhanced to allow the Training and Development Department to provide centralized oversight and institute standardization of training programs. At this time, uniform guidelines for the identification and development of training programs, mandatory training, and evaluation of the effectiveness of training are being developed.

As a first step, the departments within the Human Resources and Organizational Development (HROD) division will create guidelines for the identification, development, and procurement of training, especially mandatory training, as this comprises the bulk of the training done at OCTA. Once that has been accomplished, Training and Development will reach out to other individual departments that currently develop and deliver training with the guidelines. Management anticipates that the first step can be accomplished by January 1, 2015.

Employee Training Policy

The Employee Training Policy (Policy) includes restrictions and requirements that are not enforced. For example, the Policy restricts training opportunities to employees with a “satisfactory” or “outstanding” performance rating. According to management, this is not the intent and this provision is not enforced. Also, the Policy includes contradictory guidance regarding supervisor approval of employee training classes. The Policy states that supervisor approval must be documented and include detail as to who will pay for the training and whether the training time will be compensated. Later in the Policy, it

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states that supervisors and their employees can determine how approval of training is to be handled. Again, management has indicated that these procedures are not followed in practice.

Recommendation 2:

Internal Audit recommends management update the Policy to reflect intended procedures and develop oversight controls to ensure compliance.

Management Response:

Management concurs that intended procedures should be accurately reflected in the Employee Training Policy. The policy is currently being revised to reflect accurate restrictions on training and guidance regarding supervisor approval of employee training classes, as well as detail regarding compensation for training. Quarterly meetings have been put in place to provide oversight and ensure compliance with the procedures. Management expects that the new policy should be signed and in place by January 1, 2015.

Employee Educational Reimbursement Program Policy Compliance

The Employee Educational Reimbursement Program Policy states that eligible employees must submit a request for reimbursement within the first two weeks of the course start date and submit evidence of satisfactory completion of the course within six weeks of the completion date.

Testing found that over one-third of the requests for reimbursement and subsequent submission of evidence of course completion were submitted outside the required timeframes. Some requests and/or supporting documents were received over four months late.

Recommendation 3:

Internal Audit recommends management develop and implement guidelines for approval of exceptions to program requirements. Exceptions should be documented, approved, and occur infrequently.

Management Response:

Management concurs that guidelines for the approval of exceptions to program requirements should be well documented and occur infrequently.

Management supports a more rigid adherence to the policy than has been followed in the past. Currently, management is developing a communication strategy to educate employees on the required timeframes and the consequences for failure to submit

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paperwork in a timely manner. We anticipate that the communication strategy should be complete by January 1, 2015. Guidelines for the approval of exceptions to program requirements will also be in place by January 1, 2015.