

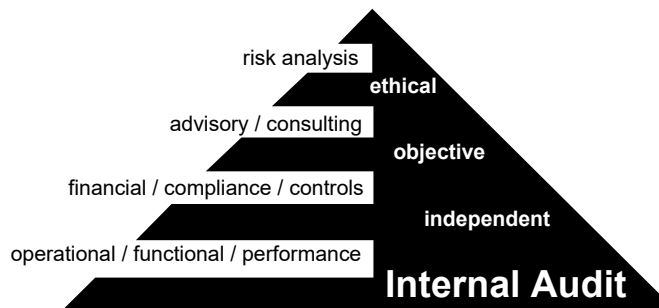
ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



OC Vanpool Program

Internal Audit Report No. 24-505

January 18, 2024



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Conclusion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of the OC Vanpool Program (program). Based on the audit, controls are adequate and operating. Program staff has developed, documented, and implemented standard operating procedures to ensure program requirements are met and vanpool providers comply with their agreements.

Background

The purpose of the program is to provide commuters with a convenient and cost-effective transportation option. There are currently 137 active vanpools and 37 employers participating in the program. The program offers a monthly incentive of \$400 to qualified vanpool groups to offset vanpool expenses. Vanpools that seat eight to 15 passengers and achieve an 85 percent or higher monthly occupancy qualify for a \$500 subsidy. Program participants share the costs of the vehicle rental, fuel, and parking costs. OC Vanpool Program Guidelines (Guidelines) outline qualifications of the program, including worksite destination, occupancy, and monthly usage requirements. Each passenger of a vanpool must sign an electronic Participation Agreement (PA), agreeing to abide by the Guidelines. OCTA program staff, within the Operations Division, have developed standard operating procedures to ensure program requirements are met and vanpool providers comply with their agreements.

OCTA utilizes TripSpark RidePro (system), a web-based tracking system, for recording, tracking, and reporting vanpool activities, as well as vanpool vehicle information. The system enables the ongoing exchange of information between vanpool groups, vehicle providers, and employers. Vanpool vehicle providers record information about assigned program vehicles, and vanpool drivers/coordinators record ridership and expense data in the system. For a vanpool to remain qualified they must submit ridership and expense reports into the system by the 10th of every month and achieve a monthly seat occupancy of at least 50 percent. If the monthly seat occupancy drops below the 50 percent requirement for three consecutive months, the vanpool becomes ineligible for a subsidy in the following month. The subsidy is suspended until the 50 percent occupancy requirement is achieved.

OCTA is responsible for program implementation, including contracting with the vanpool providers, and providing a subsidy to offset vehicle costs for qualified vanpools. OCTA utilizes Section 5307 funds from the Federal Transit Administration to cover the subsidy payments by collecting and reporting annual passenger and vehicle miles traveled and expenses incurred in the operation of each vanpool.

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On April 13, 2020, the Board of Directors authorized the Chief Executive Officer to negotiate and execute Agreement No. C-9-1698 with Enterprise, Agreement No. C-0-2156 with AVR Vanpool, and Agreement No. C-0-2157 with Green Commuter, to provide vanpool program services, in an aggregate amount of \$12,923,121, for a five-year initial term, with two, two-year option terms. The agreements include invoice requirements, vehicle requirements, and maintenance plan requirements.

Objectives, Scope, and Methodology

The objectives were to assess and test controls over program subsidy payments and compliance with contract terms, and program Guidelines.

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.¹ 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 haphazard sample of invoices for compliance with selected key contract terms and evidence of review and approval by program staff, reviewing a haphazard sample of system occupancy reports to confirm that vanpools not meeting the occupancy requirement were not paid the subsidy, and testing a haphazard sample of vanpools to ensure subsidy requirements were met, amounts paid were accurate, and lease costs complied with vanpool provider agreements. Internal Audit tested a haphazard sample of vanpools at start-up to ensure compliance with Guidelines and to verify passengers had signed a PA. Internal Audit also tested a haphazard sample of Quarterly Maintenance and Vehicle Mileage and Model Year Program Reviews with supporting documentation to ensure compliance with contract terms and evidence of appropriate monitoring by OCTA program staff. Since the samples were non-statistical, any conclusions are limited to the sample items tested.

¹ 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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The scope was limited to program activities during the period September 1, 2021 through October 31, 2023, and did not include information for use in the monthly and annual reporting to the National Transit Database (NTD). The NTD data, including data from the vanpool system, is reviewed annually by OCTA's independent financial statement auditor when applying agreed-upon procedures to NTD reporting.

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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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Noteworthy Accomplishments

Program staff has developed, documented, and implemented standard operating procedures to ensure program requirements are met and vanpool providers comply with their agreements. Program staff perform quarterly reviews to ensure vanpool providers comply with vehicle and maintenance requirements, verify that vanpools qualify to participate in the program, and exercise controls to ensure the accuracy of subsidy amounts. These activities demonstrate a commitment to integrity and customer focus.