



May 22, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer
Janet Sutter, Executive Director
Internal Audit Department

Subject: Triennial Performance Audits

Overview

Triennial performance audits have been conducted of the Orange County Transportation Authority, the Orange County Transit District, and the Laguna Beach Municipal Transit Lines for fiscal years 2015-16 through 2017-18. These triennial performance audits are required by the Transportation Development Act. The audits found all three entities in compliance with applicable sections of the California Public Utilities Code.

Recommendations

- A. Direct staff to implement seven recommendations included in the Fiscal Year 2016-18 Triennial Performance Audit of the Orange County Transportation Authority.
- B. Direct staff to monitor implementation of recommendations included in the Fiscal Year 2016-18 Triennial Performance Audit of Laguna Beach Municipal Transit Lines.

Background

The California Public Utilities Code (PUC) requires that all transit operators and regional transportation planning entities (RTPE) have a triennial performance audit conducted of their activities.

A performance audit is a systematic process of evaluating an organization's effectiveness, efficiency, and economy of operation under management control. The objectives of the audit are to provide a means for evaluating an organization's performance and to enhance performance by making

recommendations for improvement. The audit measures performance against acceptable criteria and focuses on management's planning and control system. In addition, the audit evaluates the adequacy of an organization's systems and the degree of compliance with established policies and procedures.

The audit approach consists of an assessment of compliance with PUC requirements, a follow-up review of prior performance audit recommendations, a review of transit operator and RTPE functions, and verification and review of performance indicators and trends.

The audits are conducted in accordance with the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities, September 2008 (third edition)*, published by the California Department of Transportation, and with the efficiency, economy, and program results portion of the Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities and Functions."

Discussion

Performance audits of the Orange County Transportation Authority (OCTA) as the RTPE, and the Orange County Transit District (OCTD) and the Laguna Beach Municipal Transit Lines (LBMTL) as transit operators, were conducted by Kimley Horn and Associates, Inc. (Kimley Horn) and their subcontractor, Michael Baker International.

OCTA and OCTD Triennial Performance Audit Results

The consolidated triennial performance audit of OCTA and OCTD concluded that both operate in compliance with applicable PUC requirements, and that OCTA effectively accomplishes its Transportation Development Act (TDA) responsibilities. Kimley Horn provided seven recommendations for consideration. The recommendations focused primarily on continuing existing efforts to enhance reporting processes, increase ridership, maximize revenues, improve documentation of the farebox recovery ratio, and planning for impacts of longer bus lives and clean fleet requirements. Kimley Horn also offered recommendations to improve paratransit services by performing recurring route efficiency reviews and considering alternative contracting models for the service. Recommendations and management's responses can be found in Section 6 of the report at Attachment A.

LBMTL Triennial Performance Audit Results

The triennial performance audit of LBMTL concluded that the City of Laguna Beach operated in compliance with PUC requirements, made progress

implementing prior audit recommendations, and has adequate management controls. Kimley Horn provided three recommendations for consideration by LBMTL. The recommendations and management responses can be found in Section 6.2 of the report in Attachment B.

Summary

Triennial performance audits were conducted of OCTA as the RTPE for the County of Orange, for OCTD as a transit operator, and for LBMTL as a transit operator, for fiscal years 2015-16 through 2017-18. These triennial performance audits are required by the TDA and California PUC Section 99246.

Attachments

- A. FY16-FY18 TDA Performance Audit Orange County Transportation Authority
- B. FY16-FY18 TDA Performance Audit Laguna Beach Municipal Transit Lines

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