

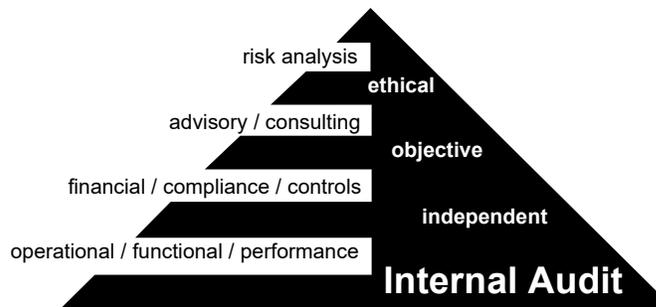
ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Comprehensive Transportation Funding Programs

City of San Clemente Community-Based Transit/Circulators Program San Clemente Rideshare Services Project No. 16-SCLM-CBT-3841 Operations and Maintenance

May 8, 2023



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Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the operating subsidy provided under Project Number 16-SCLM-CBT-3841, City of San Clemente (City) San Clemente Rideshare Services (Project), awarded by the Orange County Local Transportation Authority (OCLTA) under the Comprehensive Transportation Funding Programs (CTFP) Community-Based Transit/Circulators Program.

Based on the audit:

- Costs charged to the Project were reasonable, allocable, and adequately supported.
- The City's accounting and cash management procedures were adequate to ensure that Project funds were used only for costs chargeable to the Project.
- The City established and maintained separate cost centers for the Project.
- The City submitted quarterly ridership reports to OCLTA within three months of year end, as required by the CTFP guidelines.
- The City did not provide required Americans with Disabilities Act (ADA) qualified services from Project inception in January 2017 through March 2018. Effective April 1, 2018, the City procured a contract with Butterfli Technologies, Incorporated (Butterfli), to provide rides utilizing wheelchair-accessible vehicles. OCLTA awarded additional Project V grant funds under Cooperative Agreement No. C-9-1723 (agreement), for funding of these services.

Background

Community-Based Transit/Circulators Program (Project V)

On November 16, 2016, the OCLTA entered into an agreement with the City to provide an operating subsidy to support San Clemente Rideshare Services, in an amount not to exceed \$914,400 for up to seven years. The Project provides a community-based transit service to enable the existing users of bus routes 191 and 193 to maintain their existing mobility capabilities through a ridesharing transit service. Under the agreement, the operating subsidy is no more than \$9 per boarding or 90 percent of operations and maintenance costs up to \$130,629, whichever is less. The City agreed to provide at least ten percent in matching funds and any excess cost over the annual cap. Transportation services are provided by Lyft, Inc., under an agreement with the City.

Costs submitted for reimbursement from January 2018 through September 2020 totaled \$402,395, of which \$362,156 was funded by the CTFP and \$40,239 was funded by the City. During the same period, the City incurred an additional \$374,307.82 in costs that exceeded the annual boarding funding cap of \$130,629.

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Objectives, Scope, and Methodology

The objectives were to determine whether:

1. Costs charged to the Project were reasonable, allocable, eligible, and adequately supported.
2. The Project complied with competitive contracting requirements.
3. The accounting and cash management procedures were adequate to ensure that Project funds were used only for costs chargeable to the Project and were tracked separately within the accounting system.
4. Quarterly ridership reports were submitted to OCLTA within three months of year end as required by the CTFP guidelines and the Project met the minimum standard of boardings per revenue vehicle hour, in accordance with the agreement.
5. Records and documentation related to the Project were adequately maintained.

The scope was limited to funding provided from January 2018 through September 2020, for the Project. The methodology included the following procedures:

1. We reviewed the agreement with the City to obtain an understanding of the Project and CTFP requirements.
2. We obtained and reviewed contracted operator procurement files to verify evidence of competitive bid procedures.
3. We inquired of management and identified fund accounting procedures used by the City to account for Measure M2 revenues and expenditures.
4. We reviewed Project financial records to determine that proper accounting and cash management procedures were followed by the City.
5. We obtained a detailed listing of Project expenditures and haphazardly sampled 12 invoices out of 33 invoices for review. We determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved timeframe and in accordance with the agreement and CTFP requirements. Since the sample was non-statistical, conclusions are limited to the sample items tested.
6. We reviewed the quarterly ridership reports to determine whether the reports were properly supported and submitted to OCLTA within three months of year end, as required by the CTFP guidelines and met the minimum standard of boardings per revenue vehicle hour in accordance with the agreement.
7. We reviewed documentation supplied by the transportation service provider evidencing that ADA-accessible vehicles are utilized and reviewed trip sheet documents evidencing that services are being provided to those with disabilities.

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

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Detailed Results

Our audit disclosed the following:

Compliance with Competitive Contracting Requirements

We reviewed documentation evidencing that competitive contracting requirements were complied with.

Separate Project Fund

The City recorded operating costs of the Project in the General Fund under the vendor code 027327 for Lyft, Inc., and maintained manual schedules detailing monthly charges.

Accounting and Cash Management Procedures

The City established adequate controls to ensure that Project funds were used only for approved Project costs. Costs charged to the Project were reviewed and approved by the project manager. Payments from OCLTA were tracked separately within the accounting system.

Project Costs and City Documentation

Costs submitted for reimbursement from January 2018 through September 2020 totaled \$402,395, of which \$362,156 was funded by the CTFP and \$40,239 was funded by the City. During the same period, the City incurred an additional \$374,308 in costs that exceeded the funding cap. Internal Audit haphazardly sampled and tested 12 out of 33 invoices during the period totaling \$272,987 and determined that expenditures charged to the Project were reasonable, allocable, and adequately supported.

Quarterly Ridership Report

We reviewed four quarterly ridership reports and determined that reports were properly supported and submitted to OCLTA annually, within three months of year-end, as required by CTFP guidelines. The program did not meet the ridership requirement of ten boardings per revenue vehicle hour from January 2019 through September 2019. Recognizing the uniqueness of the City's rideshare program, the OCLTA Board of Directors approved changes to the agreement that removed the ridership performance standard effective September 1, 2019.

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ADA Compliance

The City did not provide required ADA qualified services from Project inception in January 2017 through March 2018. Effective April 1, 2018, the City procured a contract with Butterfli to provide wheelchair-accessible on demand services and OCLTA awarded additional Project V grant funds, under an agreement for funding of these services.

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Audit Comment, Recommendation, and Management Response

Non-Compliance with ADA Requirements

The City rideshare program did not comply with ADA requirements during the period January 2017 through March 2018. CTFP guidelines require agencies to comply with ADA requirements as a condition of funding.

The City received another Project V grant from OCLTA in December 2018 to provide funding for ADA equivalent services. Starting April 1, 2018, the City contracted with a third-party provider to provide rides utilizing wheelchair-accessible vehicles. OCLTA staff withheld payments to fund the rideshare program until June 2019.

Recommendation 1:

Internal Audit recommends the City implement controls to ensure compliance with ADA requirements for current and future CTFP projects.

Management Response:

The City corrected the initial issue to comply with the ADA requirements. Staff will review future contracts to ensure ADA compliance in accordance with any grant requirements.