

# ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



## Comprehensive Transportation Funding Programs

### County of Orange Community-Based Transit/Circulators Program Orange County Ranch Ride Project No. 16-ORCO-CBT-3822 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-ORCO-CBT-3822, Orange County (County) Ranch Ride (Project), awarded by the Orange County Local Transportation Authority (OCLTA) under the Comprehensive Transportation Funding Programs (CTFP) Community-Based Transit/Circulators Program. The County executed a subrecipient agreement with Rancho TMA, Inc. (RTMA), to administer, maintain, and manage the Project.

Based on the audit:

- Costs charged to the Project were reasonable, allocable, and adequately supported, except for amounts overcharged to RTMA by their contracted transportation service provider and used in reimbursement claims to the County. As a result of these overcharges, OCTA over-reimbursed the County \$90 for the third quarter of Fiscal Year 2020-21 (FY) 2020-21.
- The County's accounting and cash management procedures were adequate to ensure that Project funds were used only for costs chargeable to the Project.
- The County established and maintained separate cost centers for the Project.
- The County submitted quarterly ridership reports to OCLTA within two months of quarter end, as required by the cooperative agreement.
- RTMA's contracted transportation service provider, Lux Bus America Co. (Lux), utilizes Americans with Disabilities Act (ADA)-accessible vehicles and provides transportation services to those with disabilities.

## **Background**

### Community-Based Transit/Circulators Program (Project V)

On February 6, 2017, the OCLTA entered into Cooperative Agreement No. C-6-1309 (agreement) with the County to provide an operating subsidy to support the Orange County Ranch Ride shuttle service, in an amount not to exceed \$2,041,547, for up to seven years. The Project provides transit services to the communities of Ladera Ranch, Rancho Mission Viejo, and South County. Under the agreement, the operating subsidy is no more than \$9.00 per boarding or ninety percent of operations and maintenance costs, whichever is less. The County agreed to provide at least ten percent in matching funds. The County entered into a subrecipient agreement with RTMA for administration of the Project. Transportation services are provided by Lux under a contract with RTMA.

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Costs submitted for reimbursement during FY 2019-20 and FY 2020-21 totaled \$38,450, of which \$34,605 was funded by the CTFP and \$3,835 was funded by RTMA. During the same period, RTMA incurred an additional \$14,088 in costs that exceeded the \$9.00 per boarding funding cap.

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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 two months of the quarter end and the Project met the minimum standard of ten 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 during FY 2019-20 and FY 2020-21 for the Project.

The methodology included the following procedures:

1. We reviewed the agreement and the County's subrecipient agreement with RTMA 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 County 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 County.
5. We obtained a detailed listing of Project expenditures and selected all 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.
6. We reviewed the quarterly ridership reports to determine whether the reports were properly supported and submitted to OCLTA within two months of the quarter end and met the minimum standard of ten boardings per revenue vehicle hour in accordance with the agreement.

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7. We reviewed evidence 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.

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 County recorded operating costs of the Project in the Orange County Ranch Ride, Project V Fund (Fund 174). The RTMA recorded operating costs of the Project in their General Fund.

### Accounting and Cash Management Procedures

The County 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 County project manager. Payments from OCLTA were tracked separately within the accounting system.

### Project Costs and City Documentation

Costs submitted for reimbursement during FY 2019-20 and FY 2020-21 totaled \$38,450, of which \$34,605 was funded by the CTFP and \$3,835 was funded by RTMA. During the same period, RTMA incurred an additional \$14,088 in costs that exceeded the funding cap. Internal Audit tested all invoices during the period totaling \$52,538 and determined that expenditures charged to the Project were reasonable, allocable, and adequately supported, except for \$9,930 in overcharges by the contracted service provider. Lux, the contracted service provider, invoiced RTMA at rates higher than the rates agreed to by contract. These overcharges were then used as the basis for reimbursement claims to the County, and, ultimately, to OCLTA. Due to the funding caps outlined by the agreement, these overcharges did not impact the CTFP-funded amount except in the third quarter of FY 2020-21, by \$90.

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Quarterly Ridership Report

We reviewed three quarterly ridership reports and determined that reports were properly supported, submitted to OCLTA within two months of quarter end, and reflected that the minimum standard of ten boardings per revenue vehicle hour was met, in accordance with the agreement.

ADA Compliance

- We reviewed documentation evidencing that ADA-accessible vehicles are utilized and transportation services are provided to those with disabilities.

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**Audit Comment, Recommendation, and Management Response**

**Overbillings by the Transportation Service Provider**

Testing identified \$9,930 in overbillings by the contracted transportation service provider, Lux. Under the contract between RTMA and Lux the rate for a 22-seat mini-bus for five hours of service is \$550, with an additional hourly rate of \$95 per hour. However, review of 25 invoices for the period FY 2019-20 and FY 2020-21, noted that invoiced rates for the 22-seat mini-bus ranged from \$575 to \$1,200, with an additional hourly rate of \$115.

Due to funding caps in the agreement between OCTA and the County, the overcharges did not impact CTFP-funded amounts except in the third quarter of FY 2020-21, when OCLTA over-reimbursed the County \$90.

**Recommendation 1:**

Internal Audit recommends the County implement controls to ensure RTMA's contracted service provider is charging rates consistent with the contract.

**Management Response:**

The County agrees with the comment and recommendation.