



January 24, 2018

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Investigation and Limited Scope Review of the Senior Mobility Program Operated by the Korean American Senior Association

Overview

The Internal Audit Department has completed an investigation of a report received from Orange County Transportation Authority's Transit Division related to the Korean American Senior Association of Orange County's Senior Mobility Program. Specifically, the Transit Division raised concerns about compliance with program requirements for wheelchair accessibility and with the service plan. The Internal Audit Department confirmed that the Korean American Senior Association of Orange County had not made trips available to those requiring wheelchair accessibility and that some trips provided were not outlined in the current service plan agreement. The Internal Audit Department also identified unsupported costs charged to the program and non-compliance with the program's minimum age requirement.

Recommendation

Direct staff to implement proposed corrective action to terminate the funding agreement with the Korean American Senior Association of Orange County.

Background

The General Manager of Transit reported concerns about the Korean American Senior Association of Orange County's (KASA) Senior Mobility Program (SMP); specifically, whether KASA was equipped to provide services to those requiring wheelchair accessibility and whether KASA was providing trips to locations not outlined in their current service plan agreement.

Investigation and Limited Scope Review of the Senior Mobility Program Operated by the Korean American Senior Association *Page 2*

The SMP provides local funding to support community-based transportation service for seniors. Objectives include allowing local jurisdictions to develop and implement senior transportation services to serve their community and providing transit options for seniors which complement, rather than duplicate, Orange County Transportation Authority (OCTA) fixed-route and ACCESS paratransit services. For fiscal year (FY) 2016-17, OCTA provided \$101,121 in local funding to KASA. Due to concerns about program compliance, OCTA distributed only half of the expected funding, or \$51,460, to KASA for FY 2017-18.

Discussion

The Internal Audit Department (Internal Audit) confirmed that KASA violated the SMP requirement to provide wheelchair-accessible vehicles. During a 2016 site visit, Transit Division (Transit) staff observed that KASA had removed wheelchair lifts from vehicles donated by OCTA. When Transit staff reiterated the wheelchair-accessibility requirement, KASA submitted a signed Certification of Equivalent Service, indicating that services would be provided through an agreement with Yellow Cab Company; however, no such agreement was executed. In August 2017, OCTA donated another wheelchair-accessible vehicle; however, during a site visit the following month, KASA staff acknowledged that their drivers do not know how to operate the lift. Internal Audit recommended that management continue oversight activities and report any continued non-compliance to the Board of Directors (Board) for consideration as to future funding of the program. Management responded they are not confident that compliance can be ensured even with an enhanced level of oversight. Management is recommending that the agreement with KASA be terminated and that a 90-day termination notification be sent to KASA.

Internal Audit reviewed costs for a three-month period and identified unsupported and unallowable costs and errors in reporting of expenses. Several checks, ranging from \$100 to \$400, and totaling \$1,000, were made payable to KASA employees or to "cash" and were not accompanied by supporting documentation as to the expense. Under SMP guidelines, eligible costs include direct, program-related expenses and administrative (indirect) costs up to 10 percent. Internal Audit found that, instead of charging the allowable 10 percent mark-up, KASA is assessing administrative (indirect) costs directly to the SMP. Also, KASA's monthly report for June 2017 overstated SMP costs by \$1,564. Internal Audit recommended that management review with KASA the program guidelines for allowable costs, including requirements for adequate supporting documentation, and train KASA on monthly reporting requirements. Unsupported costs should be disallowed. Since management has withheld half of the annual allocation, management will deduct the overstated \$1,564 from the remaining disbursement. If support for the program is discontinued as

recommended, KASA will receive a portion of the funds left for the current fiscal year through the date of termination.

The age requirement to join KASA is currently set at 55 years and older; however, the SMP defines eligible participants as 60 years and older. To comply with SMP guidelines, KASA would be required to account for service costs related to participants 55 to 59 years old separately, and not include these costs in the SMP for reimbursement. KASA staff asserted this is not necessary because all participants are 60 years and older; however, Internal Audit identified at least four members under 60 years of age as of their last renewal date. Internal Audit recommended that management require KASA to develop procedures to ensure that SMP trips are only provided to individuals 60 years of age and older. Management responded that, if support for the program is continued, staff will monitor this during the site visits.

Internal Audit also confirmed that KASA provided trips to churches and buffets, which are outside their approved service plan. In addition, the total trips provided per trip sheets prepared in August 2017 did not agree to total trips reported by KASA on their monthly report. Internal Audit recommended that management disallow costs related to trips outside the service plan and instruct KASA to reconcile monthly reports to trips sheets prior to submittal. Management responded that, if support for the program is continued, OCTA staff will monitor this during site visits.

Summary

Internal Audit completed an investigation related to KASA's SMP and confirmed Transit's concerns about wheelchair accessibility and trips provided outside the service plan. Internal Audit also identified unsupported costs charged to the program and non-compliance with the program's 60-year minimum age requirement.

Attachment

- A. Investigation and Limited Scope Review of the Senior Mobility Program Operated by the Korean American Senior Association of Orange County

Prepared by:

Serena K. Ng

Serena Ng
Senior Manager, Internal Audit
714-560-5938

Approved by:

Janet Sutter

Janet Sutter
Executive Director, Internal Audit
714-560-5591