



October 24, 2018

To: Finance and Administration Committee

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

Subject: ACCESS Service, Internal Audit Report No. 18-514

Overview

The Internal Audit Department has completed an audit of ACCESS services provided by MV Transportation, Inc. Based on the audit, the reservation and scheduling process, invoice approval procedures, and drug and alcohol program monitoring are adequate. However, improvements to contract amendment policies, calculation of call center hold-times, and monitoring of preventive maintenance, performance bond requirements, and farebox revenue reconciliations are recommended.

Recommendation

Direct staff to implement five recommendations provided in ACCESS Service, Internal Audit Report No. 18-514.

Background

The Orange County Transportation Authority (OCTA) and MV Transportation, Inc. (MV) entered into Agreement No. C-2-1865 (contract), with an initial term of July 1, 2013 through June 30, 2017, and a contract maximum obligation (contract maximum) of \$156,690,376. Under the contract, MV provides management and operating services for ACCESS paratransit. OCTA pays MV a fixed monthly rate plus a variable rate per revenue vehicle hour (RVH), and OCTA pays for supplemental service by Yellow Cab of Greater Orange County (Yellow Cab) on a per-trip basis.

The contract establishes performance standards including standards for on-time performance, passengers per revenue vehicle hour, missed and excessively late trips, valid complaints, accident reporting, preventive maintenance, miles

between road calls, and call center maximum hold times. Penalties and/or incentives are applied based on MV's achievement of these standards.

Discussion

In April 2018 staff processed an amendment to the contract that obligated OCTA to additional costs totaling \$513,333 that were not subject to Board of Directors (Board) approval. Under current policy, amendments that increase the contract maximum by \$250,000 or more require Board approval; however, the policy does not address amendments to pricing that result in increased costs of \$250,000 or more, but can be accommodated within the contract maximum. In addition, the value of the amendment to compensate MV for increased call volume for Same Day Taxi (SDT) reservations was overstated. Staff prepared two estimates for \$513,333 and \$270,400. The higher estimate was based on total reservationists needed to field SDT calls and the lower estimate was based on additional reservationists needed to field calls after volume increased beyond the level originally anticipated in the contract. The Internal Audit Department (Internal Audit) recommended management consider updating policies to require Board approval for amendments to contract pricing that result in additional costs of \$250,000 or more. In addition, management should ensure the validity of cost assumptions and document the reason for the cost estimate selected when valuing amendments. Management agreed to consider a policy change and to implement changes to process for preparing and selecting cost estimates.

With regard to performance standards, Internal Audit found MV's calculation of the call center maximum hold-time performance standard (standard) to be flawed. The standard requires 98 percent of calls to be answered within five minutes, with a \$5,000 penalty when the percentage is 94.1 to 96 percent, increasing to a \$10,000 penalty when the percentage is less than 94 percent. MV staff prepares the calculation using data from an OCTA-purchased system. However, when calculating performance, MV staff include SDT calls answered in five minutes or more as being answered within five minutes, resulting in an overstatement of performance. In April 2018, MV reported that 96.07 percent of calls were answered within five minutes; however, when properly calculated, the percentage was 95.73 percent, which should have triggered a \$5,000 penalty. Internal Audit recommended that management instruct MV to correct the calculation and implement oversight controls to periodically validate the data and the calculation. Management agreed to correct the calculation and enhance monitoring procedures.

Internal Audit also found that OCTA staff had not performed monthly preventative maintenance inspections (PMI) reviews for seven months, including five consecutive months in 2017. The contract requires that PMI be performed

at required intervals, and OCTA staff typically reviews the records of about 20 vehicles per month to monitor PMI performance. Internal Audit recommended that staff consistently perform monthly monitoring of PMI. Management agreed to perform consistent inspections going forward.

Internal Audit also observed that the performance bond provided by MV for the initial four-year term was insufficient to meet contract requirements. Internal Audit recommended that management review performance bonds provided at contract inception and ensure that the bonds meet contract requirements. Management agreed with the recommendation and advised that a third-party vendor has recently been retained to review bond and insurance documentation for compliance with contract terms.

Finally, Internal Audit noted that staff's monitoring of ACCESS fare revenues should be improved. Internal Audit recommended that management enhance procedures to include monitoring of coupons collected by both MV and Yellow Cab and to require investigation of variances exceeding a stated threshold. Management agreed to implement these recommendations.

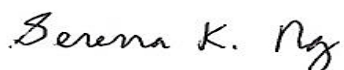
Summary

Internal Audit has completed an audit of ACCESS service and offered five recommendations for improvement.

Attachment

A. ACCESS Service, Internal Audit Report No. 18-514

Prepared by:



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

Approved by:



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