

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Same-Day Taxi Service

Internal Audit Report No. 20-503

January 8, 2020



Performed by: Serena Ng, CPA, Senior Manager
Janet Sutter, CIA, Executive Director

Serena K. Ng

Distributed to: Jennifer Bergener, Chief Operating Officer
Andrew Oftelie, Chief Financial Officer
Beth McCormick, Virginia Abadessa, Sean Murdock,
Johnny Dunning, Victor Velasquez, Pia Veasapen, Jack Garate,
Russell Henry, Kevin Quon

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Same-Day Taxi Service
January 8, 2020**

Table of Contents

Conclusion	1
Background	1
Objectives, Scope, and Methodology	3
Audit Comment, Recommendation, and Management Response.....	5
Procurement of Same-Day Taxi Service.....	5

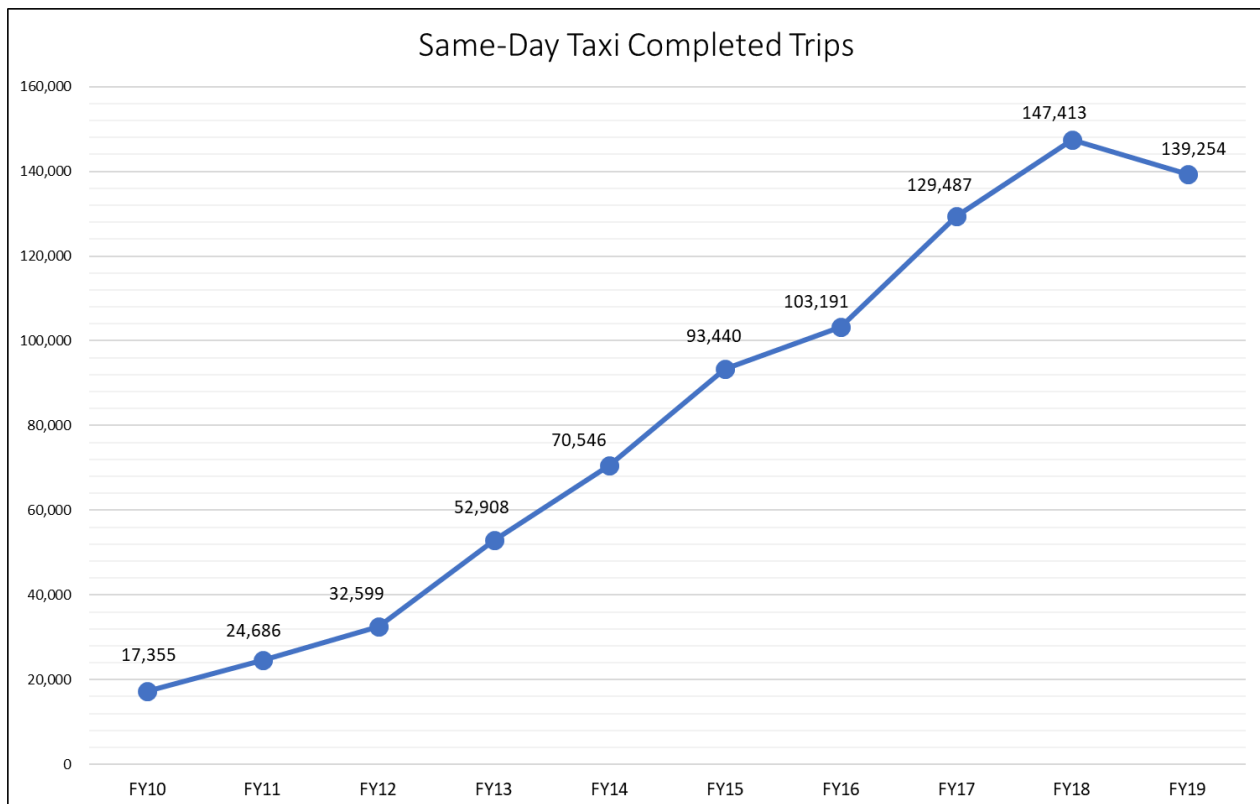
**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Same-Day Taxi Service
January 8, 2020**

Conclusion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of same-day taxi service. Based on the audit, program and contract oversight controls and invoice review controls are adequate and functioning, and Yellow Cab of Greater Orange County (Yellow Cab) complies with contract terms. One recommendation was made to improve procurement of this service in the future.

Background

On October 25, 2004, the OCTA Board of Directors (Board) approved a Paratransit Growth Management Plan that included initiation of a same-day taxi service for OC ACCESS¹ eligible customers. Under the Same-Day Taxi Program, OCTA subsidizes up to five miles of a taxi trip for ACCESS eligible customers. The customer pays \$3.60 for up to five miles, plus any additional costs above the five-mile trip. Rides are scheduled the same day through calls or a mobile application (app). The hours of operation and request are 6am to 8pm daily. Same-day taxi ridership has increased significantly over the years, as shown below:



¹ ACCESS is OCTA's curb-to-curb paratransit service for people unable to use regular bus service due to a disability.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Same-Day Taxi Service
January 8, 2020

OCTA and Yellow Cab entered into Agreement No. C-8-1440 to provide same-day taxi services, with Yellow Cab providing vehicles, drivers, maintenance, and associated services, and with Cabco Yellow, Inc., named as a subcontractor. The contract term runs from September 1, 2018 through August 31, 2020, with two, one-year option terms, and a maximum obligation of \$5,032,613. Under the payment terms, OCTA pays a subsidy rate for each approved trip. The contract establishes five performance standards related to on-time performance, valid complaints, accident reporting, call center telephone hold time, and non-compliance to driver requirements. Incentives and/or penalties are applied based on Yellow Cab's achievement of performance standards. The contract also includes requirements related to insurance coverage, driver background investigations, driver records, and vehicle preventive maintenance inspections.

Program management staff reviews driver credentials for all new drivers placed into service and performs monthly reviews of driver licenses and pull notices due to expire that month. Staff also performs quarterly reviews of drug and alcohol program monitoring, Telephone Device for the Deaf (TDD) test calls, and vehicle maintenance records. Reports of these reviews are copied to department management.

Financial Planning and Analysis (FP&A) staff prepares invoices using dashboard reports pulling in Trapeze system data, mobile app trip reports from Yellow Cab, and performance standard information provided by program management and Yellow Cab. Mobile app trips are booked using Yellow Cab's mobile app technology and do not run through Trapeze. After the invoice is fully developed, FP&A sends the invoice to Yellow Cab for concurrence, and Yellow Cab then sends a bill. FP&A assembles the whole invoice package and routes it for signature approval. Invoices are reviewed by management and approved in accordance with payment authorization levels, and the authorized invoices are sent to Accounts Payable for payment.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Same-Day Taxi Service
January 8, 2020

Objectives, Scope, and Methodology

The objectives were to evaluate contract compliance for the Yellow Cab contract and assess internal controls related to procurement, program and contract oversight, and invoicing.

According to Generally Accepted Government Auditing Standards (GAGAS), internal control is the system of processes that an entity's oversight body, management, and other personnel implement to provide reasonable assurance that the organization will achieve its operational, reporting, and compliance objectives. The five components are control environment, risk assessment, control activities, information and communication, and monitoring.² The components and principles that were evaluated as part of this audit are:

- Control Environment
 - Management establishes, with Board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
 - OCTA demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
- Risk Assessment
 - OCTA specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.
 - OCTA identifies and assesses changes that could significantly impact the system of internal control.
- Control Activities
 - OCTA selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
 - OCTA deploys control activities through policies that establish what is expected and procedures that put policies into action.
- Information and Communication
 - OCTA obtains or generates and uses relevant, quality information to support the functioning of internal control.

The methodology consisted of testing compliance with procurement policies and procedures, testing compliance with key contract terms and evidence of related monitoring controls, testing performance standards and the related incentives and penalties, assessing invoice review controls and testing invoices for compliance with policies and contract provisions, and reviewing same-day taxi customer surveys.

The scope is limited to same-day taxi service and the current contract with provider Yellow Cab. The scope excluded ACCESS service and the prior contract for the service. The scope included selected procurement policies, contract requirements for insurance

² See U.S. Government Accountability Office publication, "Standards for Internal Control in the Federal Government," available at <http://www.gao.gov/products/GAO-14-704G>, for more information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Same-Day Taxi Service
January 8, 2020

coverage and driver background checks, the last same-day taxi customer survey and the upcoming survey, and all invoices and performance standards from contract inception through June 2019, including a test of five mobile app customers per month for ACCESS eligibility. The scope also included program management's periodic reviews of driver credentials, drug and alcohol program monitoring, vehicle maintenance records, and TDD calls, from contract inception through October 2019. The judgmental sample of driver background checks was selected to capture drivers permitted at different times based on permit numbers, and the judgmental sample of mobile app customers for ACCESS eligibility was selected to capture different customers. Since the samples are non-statistical, any conclusions are limited to the sample items tested.

We conducted this performance audit in accordance with GAGAS. 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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Same-Day Taxi Service
January 8, 2020**

Audit Comment, Recommendation, and Management Response

Procurement of Same-Day Taxi Service

Procurement file information noted that, during the procurement, it was determined that only two taxicab providers in Orange County had fleet sizes sufficient to meet the Scope of Work (Scope). One of these two companies inquired as to whether the Scope could be bifurcated geographically. Staff's answer referred to standard Request for Proposal language that allows OCTA to award to one or more offerors; however, no change to the Scope was made. After receiving only one proposal, procurement staff inquired as to why the second company had not proposed. The company then confirmed that the scope of the commitment prevented them from competing.

Additionally, Procurement Policies and Procedures (P&P) for evaluation committee composition, interview, and proposal evaluation were not employed, since only one proposal was received. Also, the staff recommendation for award was not placed on the regular calendar at the Board committee meeting, as required by P&P.

Recommendation 1:

For future procurements, Internal Audit recommends that management assess the likelihood of competition based on the number of taxi providers with a sufficient, available fleet to meet the required service levels. In addition, Internal Audit recommends that management ensure compliance with P&P or revise the P&P accordingly.

Management Response (Contracts Administration and Materials Management Department):

Contracts Administration and Materials Management Department (CAMP) agrees to comply with the recommendation to assess the likelihood of competition based on the number of taxi providers with a sufficient, available fleet to meet the required service levels for future same-day taxi service procurements. To accomplish this, staff will conduct an industry workshop with potential vendors to assess the likelihood of competition recognizing that this industry is rapidly evolving.

The current practice when receiving a single proposal is for the contract administrator, the project manager, and a subject matter expert or a stakeholder to meet to evaluate the single proposal and may conduct an interview. This practice was followed in this instance. For future instances where only a single proposal is received, CAMP agrees to implement Internal Audit's recommendation to revise the P&P to require staff to follow the same procedures as a competitive negotiated procurement.