



May 14, 2025

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit

Subject: Transportation Development Act, Triennial Performance Audits

Overview

Triennial performance audits have been conducted of the Orange County Transportation Authority, the Orange County Transit District, and the Laguna Beach Municipal Transit Lines for fiscal years 2021-22 through 2023-24. These audits are required by the Transportation Development Act. The audits found the Orange County Transportation Authority and the Orange County Transit District in compliance with applicable sections of the California Public Utilities Code.

The Laguna Beach Municipal Transit Lines was found to have met all compliance requirements with respect to applicable sections of the California Public Utilities Code except for filing its fiscal year 2023-24 State Controller's Report within seven months of the end of the fiscal year. The audit offered three recommendations to the City of Laguna Beach to improve implementation of its long-term goals and objectives, strengthen its reporting process, and to ensure timely submissions to the State Controller's Office.

Recommendations

- A. Receive and file the Triennial Performance Audit of the OCTA as the Regional Transportation Planning Entity, fiscal year 2021-22 to fiscal year 2023-24, as an information item.
- B. Receive and file the Triennial Performance Audit of the Orange County Transit District, fiscal year 2021-22 to fiscal year 2023-24, as an information item.

- C. Direct staff to monitor implementation of recommendations included in the Triennial Performance Audit of the City of Laguna Beach – Laguna Beach Municipal Transit Lines, fiscal year 2021-22 to fiscal year 2023-24.

Background

The California Public Utilities Code (PUC) Section 99246 requires that all transit operators and regional transportation planning entities (RTPE) have a triennial performance audit conducted of their activities.

A performance audit is a systematic process of evaluating an organization's effectiveness, efficiency, and economy of operation under management control. The objectives of the audit are to provide a means for evaluating an organization's performance, and to enhance performance by making recommendations for improvement. The audit measures performance against acceptable criteria and focuses on management's planning and control systems. In addition, the audit evaluates the adequacy of an organization's systems and the degree of compliance with established policies and procedures.

The audit approach consists of an assessment of compliance with PUC requirements, a follow-up review of prior performance audit recommendations, a review of transit operator and RTPE functions, and verification and review of performance indicators and trends.

The audits are conducted in accordance with the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities, September 2008 (third edition)*, published by the California Department of Transportation, and Generally Accepted Governmental Auditing Standards.

Discussion

Performance audits of the Orange County Transportation Authority (OCTA) as the RTPE, the Orange County Transit District (OCTD) and Laguna Beach Municipal Transit Lines (LBMTL) as transit operators, were conducted by BCA Watson Rice, LLP (BCA).

OCTA Triennial Performance Audit Results

The audit found OCTA, as the RTPE, complied with the requirements of the Transportation Development Act (TDA) and have generally operated in an efficient, effective, and economical manner during the triennial audit period. The audit report can be found in Attachment A.

OCTD Triennial Performance Audit Results

The audit concluded that OCTD was compliant with the requirements of the TDA and have generally functioned in an efficient, effective, and economical manner during the triennial audit period. The audit report can be found in Attachment B.

LBMTL Triennial Performance Audit Results

The audit concluded that the City of Laguna Beach (Laguna Beach) was compliant with TDA requirements except for failing to submit its State Controller's Report in a timely manner for FY 2024. Laguna Beach successfully addressed five of the six prior audit recommendations. BCA provided three recommendations for improvements to planning and reporting. The recommendations and management responses can be found in Section 7 of the report in Attachment C.

Summary

Triennial performance audits have been conducted of OCTA as the RTPE for the County of Orange, and OCTD and LBMTL as transit operators, for FYs 2021-22 through 2023-24. These triennial performance audits are required by the TDA and California PUC Section 99246.

Attachments

- A. Triennial Performance Audit of OCTA as the Regional Transportation Planning Entity FY 2022 to FY 2024
- B. Triennial Performance Audit of the Orange County Transit District FY 2022 to FY 2024
- C. Triennial Performance Audit of the City of Laguna Beach – Laguna Beach Municipal Transit Lines FY 2022 to FY 2024

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