



Final Audit Report  
April 2016

# Orange County Transportation Authority

Triennial Performance Audit, FY 2013 - FY 2015



**MA and ASSOCIATES**  
Certified Public Accountants







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# Orange County Transportation Authority

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## Chapter 1

# Executive Summary

The Triennial Performance Audit (TPA) of the Orange County Transportation Authority (OCTA) covers the three-year period ending June 30, 2015. The California Public Utilities Code requires all recipients of Transportation Development Act (TDA) funding to complete an independent performance audit on a three-year cycle in order to maintain funding eligibility.

In September 2015, OCTA selected the independent consultant team of Ma and Associates/Moore & Associates, Inc. (“Audit Team”) to prepare Triennial Performance audits of itself as the Regional Transportation Planning Entity (RTPE) and the two transit operators to which it allocates funding. Ma and Associates is a Certified Public Accounting firm; Moore & Associates is a general consulting firm specializing in public transportation. Selection of the consultant team followed a competitive procurement process.

This chapter summarizes key findings and recommendations developed during the Triennial Performance Audit of OCTA for the period:

- Fiscal Year 2012/13,
- Fiscal Year 2013/14, and
- Fiscal Year 2014/15.

The purpose of this performance audit is to objectively evaluate the efficiency, economy, and effectiveness of OCTA as the RTPE. This performance audit was conducted in accordance with the standards and processes applicable to performance audits outlined in the *Government Auditing Standards*, issued by the Comptroller General of the United States and with the guidance contained in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, published by the California Department of Transportation (Caltrans). Our services were performed in accordance with the Statement on Standards for Consulting Services issued by the American Institute of Certified Public Accountants (AICPA). The findings and results of this performance audit and related recommendations and comments are contained within this report. We greatly appreciate the time and cooperation from management and staff during the performance audit.

The Triennial Performance Audit includes five elements:

1. Compliance requirements,
2. Follow-up of prior recommendations,
3. Analysis of internal goal setting and strategic planning efforts,
4. Review of Regional Transportation Planning Entity’s functions and activities, and
5. Findings and recommendations.

As the designated RTPE for Orange County, OCTA is responsible for a wide variety of actions supporting a continuous, comprehensive, and coordinated planning process in its area of jurisdiction, including the 34 cities and unincorporated areas of Orange County. OCTA is also responsible for administering TDA funds, including both State Transit Assistance (STA) funds and Local Transportation Funds (LTF). OCTA is



responsible for identifying regionally significant projects and developing funding strategies to address them.

OCTA was established by state law in 1991 to consolidate the transportation planning and operating agencies within Orange County. Today OCTA serves as both the Regional Transportation Planning Entity and the primary transit service provider for Orange County.

OCTA coordinates with federal, state, regional and local agencies to plan, fund, implement, and maintain transportation programs and services throughout Orange County. It is also responsible for providing coordinated, effective, and accountable multimodal transportation services within Orange County, including countywide bus and demand-response services; Metrolink rail service; the 91 Express Lanes; freeway, street, and road improvement projects; and motorist aid services. OCTA is also charged with regulating taxi operations.

### Test of Compliance

Based on our audit, we conclude that the Orange County Transportation Authority complies with all Transportation Development Act regulations in an efficient and effective manner. Therefore, no material findings specific to the compliance element have been developed.

### Status of Prior Recommendations

The prior audit – completed in 2013 by CH2M HILL in association with PMC for the three fiscal years ending June 30, 2012 – included four functional recommendations to improve PUC requirements.

1. Continue to improve compliance with PUC requirements.
  - a) Clarify reporting requirements for Article 4.5 claims and the required evaluation and findings, and document annual findings prior to approving Article 4.5 claims.  
**Status: Implemented.**
  - b) OCTA should require TDA Article 4 claimants to provide updates to prior audit recommendations as part of their annual TDA claim submittals as part of item 11 of OCTA's TDA guidelines.  
**Status: Implemented.**
  - c) Update and re-distribute the TDA Claim budget form to Laguna Beach to ensure that the form they use includes current requirements and references.  
**Status: Implemented.**
  - d) Ensure that all 16 performance measures listed in OCTA TDA guidelines are calculated and included in the TDA claims submitted by OCTD and Laguna Beach.  
**Status: Implemented.**

### Goal Setting and Strategic Planning

The most current Strategic Plan, adopted in April 2014, spans the years 2014 through 2019. The updated version seeks to integrate and ensure consistency between all plans of which OCTA is a part, including internal planning as well as regional, state, and local planning.

### Findings and Recommendations

Based on discussions with OCTA staff, analysis of program performance, and an audit of program compliance and function, the audit team submits no compliance or functional findings for the Orange County Transportation Authority.

## Chapter 2

# Performance Audit Scope and Methodology

The Triennial Performance Audit of the Orange County Transportation Authority covers the three-year period ending June 30, 2015. The California Public Utilities Code requires all recipients of Transportation Development Act funding to complete an independent performance audit on a three-year cycle in order to maintain funding eligibility.

In September 2015, OCTA selected the independent consultant team of Ma and Associates/Moore & Associates, Inc. (“Audit Team”) to prepare a TPA of itself as the RTPE and operator. This report focuses on OCTA as RTPE; a separate report examines its role as operator.

The TPA is designed to be an independent and objective evaluation of OCTA as a RTPE. Direct benefits of a TPA include providing RTPE management with information on the economy, efficiency, and effectiveness of its programs across the prior three years; helpful insight for use in future planning; and assuring legislative and governing bodies (as well as the public) that resources are being economically and efficiently utilized. Finally, the TPA fulfills the requirement of PUC 99246(a) that the RTPE designate an independent entity other than itself to conduct a performance audit of the activities of itself and each operator to which it allocates funds.

The audit was conducted in accordance with the processes established by the California Department of Transportation (Caltrans), as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, as well as *Government Audit Standards* published by the U.S. Comptroller General.

### Objectives

The Triennial Performance Audit has four primary objectives:

1. Assess compliance with TDA regulations,
2. Review actions taken by the RTPE to implement prior recommendations,
3. Evaluate the efficiency and effectiveness of the RTPE through a review of its functions, and
4. Provide sound, constructive recommendations for improving the efficiency and functionality of the RTPE.

### Scope

The Triennial Performance Audit is a systematic examination of performance evaluating the efficiency, economy, and effectiveness of the RTPE. The audit of OCTA included five related tasks:

1. Review of compliance with the TDA requirements and regulations.
2. Assessment of the implementation of recommendations presented in prior performance audits.
3. Analysis of OCTA’s internal goal setting and strategic planning functions.
4. Examination of the following functions:
  - Administration and Management,



- Transportation Planning and Regional Coordination,
  - Claimant Relationships and Oversight,
  - Marketing and Transportation Alternatives,
  - Grant Applications and Management, and
  - Management Control over Expenditure of Funds.
5. Recommendations to address opportunities for improvement based on analysis of the information collected and the review of the RTPE's core functions.

## Methodology

The methodology for the Triennial Performance Audit of OCTA as the RTPE included extensive review of documents relevant to the scope of the TPA, as well as information contained on OCTA's website ([www.octa.net](http://www.octa.net)). The documents reviewed included the following (spanning the full three-year period):

- Triennial Performance Audit reports for the prior review period (RTPE and operators);
- Annual budgets;
- Audited financial statements;
- State Controller Reports;
- TDA claim forms;
- 2015 Coordinated Public Transit—Human Services Transportation Plan for Orange County;
- OCTA 2014 - 2019 Strategic Plan;
- M2020 Plan;
- 2014 Long Range Transit Plan;
- Agency organizational charts;
- Board meeting minutes and agendas; and
- TDA and transit funding allocations to operators.

The methodology for this review also included on-site interviews at OCTA headquarters on November 24, 2015, and December 16 and 17, 2015. Staff interviewed as part of the site visits include the following:

- Darrell Johnson, CEO
- Kenneth Phipps, Deputy CEO, Executive Director, Human Resources;
- Beth McCormick, General Manager;
- Erin Rogers, Assistant General Manager;
- Cliff Thorne, Maintenance Manager;
- Curt Burlingame, Contracted Services Manager;
- Matt DesRosier, Manager of Health, Safety, & Environmental Compliance;
- Jim Beil, Executive Director, Capital Programs
- Janet Sutter, Executive Director, Internal Audit;
- Bryan Hanley, Manager, Operations Support;
- Joy Rosin, Section Manager, Operations Training;
- Bruce Petrozza, Manager, Contracts & Procurement;
- Jenny Cahill, Human Resources Manager, Interim Department Manager
- Ricco Bonelli, Internal Auditor;





- Cathy Foreman, Office Specialist, Procurement Team;
- Rene Vega, Section Manager, Revenue/Grant Administration;
- Dale Fuchs, Section Manager, Transit Division Contracted Services;
- Virginia Abadessa, Director, Contracts Administration and Materials Management;
- Meena Katakia, Manager, Capital Projects, Contracts Administration and Materials Management;
- Rose Casey, Director, Highway Programs;
- Ric Teano, Grant Specialist;
- Anthony Baruch, Budget Manager;
- Victor Velasquez, Department Manager for Financial Planning and Analysis;
- Kia Mortazavi, Executive Director, Planning;
- Kurt Brotcke, Director, Strategic Planning;
- Andrew Oftelie, Executive Director, Finance & Administration; Chief Financial Officer
- Mark Schaff, Principal Training Administrator, Learning & Development Group; and
- Ana Ripalda, Manager of Bus Operations.

A draft report was provided to OCTA for review and comment on February 11, 2016, at which time the RTPE was given the opportunity to address and comment on any issues. Discussions and/or details arising from that review were subsequently incorporated into this report.

The report is comprised of six chapters divided into three sections:

1. Executive Summary: A summary of the key findings and recommendations developed during the Triennial Performance Audit process.
2. Scope and Methodology: Discussion of the review methodology and pertinent background information.
3. Review Results: In-depth discussion of findings surrounding each of the subsequent elements of the review:
  - Compliance with statutory and regulatory requirements,
  - Progress in implementing prior recommendations,
  - Goal Setting and Strategic Planning,
  - Functional review, and
  - Findings and recommendations.



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## Chapter 3

# RTPE Compliance

This section examines the Orange County Transportation Authority's compliance with the State of California's Transportation Development Act as well as relevant sections of California's Public Utilities Commission code. An annual certified fiscal audit confirms TDA funds were apportioned in conformance with applicable laws, rules, and regulations. The RTPE considers full use of funds under CCR Section 6754(a) to refer to operating funds but not capital funds. The Triennial Performance Audit findings and related comments are delineated in Exhibit 3.1.

Compliance was determined through discussions with OCTA staff as well as a physical inspection of relevant documents, including the fiscal audits for each year of the triennium. Also reviewed were planning documents, Board actions, and other related documentation.

OCTA adheres to Transportation Development Act regulations in an efficient and effective manner.



**Exhibit 3.1 Transit Development Act Compliance Requirements**

REQUIREMENT	REFERENCE	COMPLIANCE	COMMENTS
<p>All transportation operators and city/county governments which have responsibility for serving a given area, in total, claim no more than those Local Transportation Fund moneys apportioned to that area.</p>	<p>PUC 99231</p>	<p>In compliance.</p>	<p>OCTA’s “TDA Guidelines for Administration of the Act and Preparation of Local Transportation Fund Claims and State Transit Assistance Fund Claims” includes specific provisions stating that OCTA may not authorize more TDA payments than the claimant is eligible to receive, nor allocate more than the amount of their maximum apportionment. Finance and Administrative Division personnel review claims to ensure allocations do not exceed authorized amounts.</p>
<p>The RTPe has adopted rules and regulations delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles (Article 3).</p>	<p>PUC 99233, 99234</p>	<p>In compliance.</p>	<p>These are contained within OCTA’s “TDA Guidelines for Administration of the Act and Preparation of Local Transportation Fund Claims and State Transit Assistance Fund Claims.”</p>
<p>The RTPe has established a Social Service Transportation Advisory Council (SSTAC). The RTPe must ensure that there is a citizen participation process that includes at least an annual public hearing.</p>	<p>PUC 99238, 99238.5</p>	<p>Not applicable.</p>	<p>While formation of an SSTAC is not required for Orange County per PUC 99238, OCTA does have two citizen advisory groups: the Special Needs Advisory Committee and the Citizens Advisory Committee. The Special Needs Advisory Committee is comprised of 34 members representing seniors and persons with disabilities. The Citizens Advisory Committee is comprised of 34 members representing all geographic areas of the county and a broad spectrum of interest.</p>

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REQUIREMENT	REFERENCE	COMPLIANCE	COMMENTS
<p>The RTPE has annually identified, analyzed, and recommended potential productivity improvements that could lower the operating costs of those operators within the RTPE’s jurisdiction. Recommendations include, but are not being limited to, those made in the performance audit.</p> <ul style="list-style-type: none"> <li>• A committee for the purpose of providing advice on productivity improvements may be formed.</li> <li>• The operator has made a reasonable effort to implement improvements recommended by the RTPE, as determined by the RTPE, or else the operator has not received an allocation that exceeds its prior year allocation.</li> </ul>	PUC 99244	In compliance.	The status of recommendations arising from the TDA Triennial Performance Audit are included as part of each operator’s LTF claim submittal.
<p>The RTPE has ensured that all claimants to whom it allocates TDA funds submit to it and to the State Controller an annual certified fiscal and compliance audit within 180 days after the end of the fiscal year.</p>	PUC 99245	In compliance.	<p>OCTA provided letters to the State Controller to verify submittal of annual certified fiscal and compliance audits for TDA claimants.</p> <p>FY 2012/13: December 30, 2013                      FY 2013/14: December 31, 2014                      FY 2014/15: December 29, 2015</p>
<p>The RTPE has designated an independent entity to conduct a performance audit of operators and itself (for the current and previous triennia). For operators, the audit was made and calculated the required performance indicators, and the audit report was transmitted to the entity that allocates the operator’s TDA moneys and to the RTPE within 12 months after the end of the triennium. If an operator’s audit was not transmitted by the start of the second fiscal year following the last fiscal year of the triennium, TDA funds were not allocated to that operator for that or subsequent fiscal years until the audit was transmitted.</p>	PUC 99246, 99248	In compliance.	<p>FY 2010 – FY 2012 Triennial Performance Audits were conducted by an independent entity. They were completed in May 2013, within 12 months after the end of the audit period.</p> <p>The FY 2013 – FY 2015 Triennial Performance Audits are also being conducted by an independent entity and are expected to be completed within 12 months after the end of the audit period.</p>
<p>The RTPE has submitted a copy of its performance audit to the Director of the California Department of Transportation. In addition, the RTPE has certified in writing to the director, that the performance audits of operators located in the area under its jurisdiction have been completed.</p>	PUC 99246	In compliance.	OCTA provided a transmittal letter to the California Department of Transportation dated May 24, 2013, submitting the OCTA, OCTD, and LBMTL audit reports to Caltrans.

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REQUIREMENT	REFERENCE	COMPLIANCE	COMMENTS
<p>The performance audit of the operator providing transportation services shall include, but is not limited to, a verification of the operator’s cost per passenger, operating cost per vehicle service hour, passengers per vehicle service mile, and vehicle service hours per employee, as defined in PUC Section 99247. The performance audit shall include, but is not limited to, consideration of the needs and types of passengers being served and the employment of part-time drivers and the contracting with common carriers of persons operating under a franchise or license to provide services during peak hours, as defined in subdivision (a) of PUC Section 99260.2.</p>	<p>PUC 99246</p>	<p>In compliance.</p>	<p>Both the FY 2010 – FY 2012 and the FY 2013 – FY 2015 Triennial Performance Audits of the Orange County Transit District and Laguna Beach Municipal Transit Lines include the required five key performance measures. Neither operator is precluded from hiring part-time drivers or contracting service during peak hours.</p>
<p>The RTPE has established rules and regulations regarding revenue ratios for transportation operators providing services in urbanized and new urbanized areas.</p>	<p>PUC 99270.1, 99270.2</p>	<p>Not applicable.</p>	<p>While none of OCTA’s operators serve “blended” (urbanized and rural) or newly urbanized areas, OCTA has established a farebox revenue ratio of 24.42 percent (including local support) for OCTD. LBMTL must qualify under the 50 percent expenditure limitation.</p>
<p>The RTPE has adopted criteria, rules, and regulations for the evaluation of claims filed under Article 4.5 of the TDA and the determination of the cost effectiveness of the proposed community transit services.</p>	<p>PUC 99275.5</p>	<p>In compliance.</p>	<p>OCTD includes a checklist regarding its Article 4.5 annual claims finding as part of its LTF claims submittal.</p>
<p>State Transit Assistance funds received by the RTPE are allocated only for transportation planning and mass transportation purposes.</p>	<p>PUC 99310.5, 99313.3, Prop 116</p>	<p>In compliance.</p>	<p>OCTA, on behalf of OCTD, is the sole recipient of STA funds in Orange County. STA funds may be used for capital and operating expenditures related to public transportation, community transportation, and rail service. A portion may also be used to subsidize transit fares for seniors and persons with disabilities.</p>

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REQUIREMENT	REFERENCE	COMPLIANCE	COMMENTS
<p>The amount received pursuant to Public Utilities Code Section 99314.3 by each RTPE for State Transit Assistance is allocated to the operators in the area of its jurisdiction as allocated by the State Controller’s Office.</p>	<p>PUC 99314.3</p>	<p>In compliance.</p>	<p>Laguna Beach receives local funding assistance in lieu of STA funds through a Memorandum of Understanding with OCTA.</p>
<p>Prior to making any allocation not directly related to public transportation services, or facilities provided for the exclusive use of pedestrians and bicycles, or any allocation for purposes of subdivision (f) fo Section 99400, the RTPE has annually:</p> <ul style="list-style-type: none"> <li>• Consulted with the Social Services Transportation Advisory Council (SSTAC) established pursuant to PUC Section 99238;</li> <li>• Identified transit needs of the jurisdiction which have been considered as part of the transportation planning process, including:                             <ul style="list-style-type: none"> <li>- An annual assessment of the size and location of identifiable groups likely to be transit-dependent or transit-disadvantaged,</li> <li>- Analysis of the adequacy of existing public transportation services and specialized transportation services to meet the needs of groups identified above, and</li> <li>- Analysis of potential alternative public transportation and specialized transportation services and service improvements that would meet all or part of the transit demand;</li> </ul> </li> <li>• Adopted or re-affirmed definitions of unmet transit needs and reasonable to meet;</li> <li>• Identified the unmet transit needs and those needs that are reasonable to meet; and</li> <li>• Adopted by resolution that there are no unmet transit needs, that there are no unmet needs that are reasonable to meet, or that there are unmet transit needs that are reasonable to meet.</li> <li>• If the RTPE has adopted a finding that there are unmet transit needs, including needs that are reasonable to meet, these needs have been funded before an allocation was made for streets and roads within the jurisdiction.</li> </ul>	<p>PUC 99401.5</p>	<p>Not applicable.</p>	<p>Per PUC 99232, all applicable TDA funds are allocated for public or specialized transit purposes.</p>



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## Chapter 4

# Prior Recommendations

This section reviews and evaluates the implementation of prior TPA recommendations. This objective assessment provides assurance the Orange County Transportation Authority has made quantifiable progress toward improving both the efficiency and effectiveness of its public transit program.

The prior performance audit – completed in 2013 by CH2M HILL in association with PMC for the three fiscal years ending June 30, 2012 – included four functional recommendations to improve PUC requirements.

1. **Improve compliance with PUC requirements related to claiming TDA funds by updating the TDA Guidelines.**

**Discussion:** Although OCTA was found to be substantially in compliance with all PUC requirements, the prior performance audit included recommendations that OCTA could take to improve compliance.

**Progress:** Each recommendation is discussed further below.

a. **Clarify reporting requirements for Article 4.5 claims and the required evaluation and findings, and document annual findings prior to approving Article 4.5 claims.**

**Discussion:** OCTA's TDA Guidelines define seven criteria that must be verified annually in approving the Article 4.5 claims for ACCESS, Special Agency Transportation Services, and the Senior Mobility Program. However, OCTD was not submitting the necessary evidence, and OCTA was not conducting the evaluation and making the required findings. The performance audit recommended improving compliance with PUC 99272.5 by:

- Requiring OCTD to submit the necessary information. Auditors also recommended OCTD authorizing staff initial item 9b (performance criteria, local match requirements, fare recovery ratios) in the Standard Assurances for Applicants.
- Making and documenting the required evaluation and findings. Auditors also recommended findings be documented in the Board resolution authorizing the allocations of Article 4.5 funds.

**Progress:** OCTA has created a checklist including all required findings that must be made for Article 4.5 claims. Beginning with the FY 2013/14 Annual LTF claim, a completed checklist with supporting documentation was required with all OCTD Article 4.5 claims. This checklist was submitted as Section 13 of the FY 2014/15 OCTD LTF annual claims submittal. Both claim submittals include initialed Standard Assurances.



**Status:** Implemented.

- b. Require FTA Article 4 claimants to provide updates to prior audit recommendations as part of their annual TDA claim submittals as part of item 11 of OCTA's TDA guidelines.

**Discussion:** PUC 99244 requires RTPes to identify, analyze, and recommend potential productivity improvements. The prior performance audit determined that OCTA could improve those oversight activities by requiring Article 4 claimants to provide updates to prior audit recommendations as part of their annual TDA claim submittals, including a description of actions taken to implement each prior recommendation and its current status.

**Progress:** OCTA began requiring a description of actions taken to implement each prior recommendation and current status with each operator's claim. OCTA requested this information from the City of Laguna Beach in January 2014, prior to recommendations for FY 2014/15 TDA allocations. This is included in OCTD's FY 2014/15 LTF claim form as Section 11 as well as in the City of Laguna Beach's FY 2014/15 LTF claim form.

**Status:** Implemented.

- c. Update and re-distribute the TDA Claim budget form to Laguna Beach to ensure that the form they use includes current requirements and references.

**Discussion:** The budget form that requires three years of operating revenue and cost data should be consistent for all transit claimants. Revisions include updating references to federal funds as FTA (instead of UMTA) which reflect federal statutes. OCTD's claim shows the FTA reference, but the Laguna Beach claim did not.

**Progress:** OCTA provided the City of Laguna Beach with an updated TDA Claim budget form to be used beginning with the FY 2013/14 claim. This form (identified as Schedule A) is the same as that submitted by OCTD as part of its LTF claim form. References to UMTA have been eliminated.

**Status:** Implemented.

- d. Ensure that all 16 performance measures listed in OCTA's TDA guidelines are calculated and included in the TDA claims submitted by OCTD and Laguna Beach.

**Discussion:** OCTA management agreed with the recommendation that all performance measures listed in OCTA's TDA guidelines should be calculated and included in the TDA claims submitted by OCTD and Laguna Beach.

**Progress:** Prior to the previous performance audit, OCTA updated its TDA guidelines. During the current audit period, OCTA worked to ensure all performance measures listed in the guidelines were included in each operator's claim. The OCTD FY 2014/15 LTF claim form included the 16 performance measures for the prior fiscal year as Section



12 of its submittal. The 16 performance measures were also included for the City of Laguna Beach in its FY 2014/15 LTF claim.

**Status:** Implemented.



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## Chapter 5

# Goal Setting and Strategic Planning

This chapter analyzes the Orange County Transportation Authority's goal setting and strategic planning process. In 2012, OCTA developed its original Strategic Plan to set the direction for OCTA across the next five years and form the basis for OCTA's two-year capital and operating budgets. The plan was designed to be updated every two years to incorporate recent developments into OCTA's budgets.

OCTA's strategic plan includes the following Vision:

*An integrated and balanced transportation system that supports the diverse travel needs and reflects the character of Orange County.*

The Vision is accompanied by the following Mission statement:

*Develop and deliver transportation solutions that enhance the quality of life and keep Orange County moving.*

The Mission and Vision are supported by a set of five core business goals with supporting objectives:

- **Mobility:** Deliver programs, projects, and services to improve the movement of people and goods throughout Orange County and the region.
  - **Travel time and speed:** Deliver infrastructure investments that accommodate growth while maintaining travel time and speed.
  - **Capacity and level of service:** Expand capacity to accommodate growth while sustaining level of service on roadways.
  - **Operational performance:** Improve operating performance on OCTA-operated modes of travel.
  - **Quality and ease of use:** Improve quality and ease of use of transportation systems.
- **Public Service:** Enhance customer satisfaction by understanding, connecting with, and serving our diverse communities and partners.
  - **Public awareness and perception:** Increase public awareness and improve perception of OCTA programs and services.
  - **Customer satisfaction:** Continually strive to improve customer satisfaction.
  - **Community engagement:** Continue to engage and educate the community in OCTA initiatives.
  - **Collaborative planning:** Build and sustain productive relationships and partnerships.
- **Fiscal Sustainability:** Ensure fiscal health through prudent financial management and by protecting and leveraging available revenue sources.
  - **Financial management:** Ensure OCTA's financial future through proper resource mobilization, prioritization of programs, the budgetary process, efficient management of resources, and exercising controls.



- Efficient operations: Ensure that division operations are efficient in terms of using as little resources as needed, and effective in terms of meeting customer requirements.
- External funding maximized: Seek and maintain external funding sources to help fund transportation programs and projects.
- Stewardship: Embrace responsible policies and practices designed to promote environmental sustainability and enhance the safety and quality of life in Orange County.
  - Project delivery: Develop a project reporting method for all capital programs focused on financial efficiencies and project schedule timelines.
  - Environmental sustainability: Consider environmental sustainability in planning and operations.
  - Safety: Encourage continual improvement in OCTA's safety and health programs.
- Organizational Excellence: Continue the tradition of being a high-performing organization through employee development and efficient business practices.
  - People development: Implement human capital management strategies and systems to achieve the overall mission, objectives, and success of OCTA while meeting the needs of employees and other stakeholders.
  - Process improvements: Improve OCTA's processes through a systematic and functional approach to optimize business processes and procedures to achieve increasingly efficient results.
  - Systems efficiencies: Increase alignment of systems and technology with OCTA business needs.

OCTA's Vision and Mission are also reflected in the values adopted by OCTA:

- Integrity: We deliver as promised and do so ethically, fairly, and with transparency.
- Customer Focus: We treat our customers with care, consideration, and respect, providing friendly and reliable professional service responsive to their needs.
- Can-do Spirit: We tackle challenges with innovation, vision, and strategic thinking.
- Communication: We provide consistent, timely, and reliable information in an open, honest, and straightforward manner.
- Teamwork: We work well together from a sense of shared purpose and mutual respect.

The most current Strategic Plan, adopted in April 2014, spans the years 2014 through 2019. The updated version seeks to integrate and ensure consistency between all plans of which OCTA is a part, including internal planning as well as regional, state, and local planning. The sources used in the development of the current Strategic Plan include:

- SCAG Regional Transportation Plan,
- OCTA Budget,
- OCTA Comprehensive Business Plan,
- OCTA Comprehensive Annual Financial Report,
- OCTA M2020 Plan (September 2012),
- Bus Capital Improvement Plan,



- Short Range Transit Plan,
- Transit System Study (2012),
- 2013 State Route 91 Implementation Plan,
- OCTA Long Range Transportation Plan,
- OCTA Federal Legislative Platform, and
- OCTA State Legislative Platform.

The Strategic Plan includes three categories of performance measures to track achievements:

- 1) **Division Performance Measures:** Specific performance measures were assigned to OCTA divisions as part of the Strategic Plan. While updating the Plan, staff identified modifications to the performance measures.
- 2) **Chief Executive Officer's Initiatives:** Developed on an annual basis through a series of workshops in accordance with the Chairman's Initiatives. These initiatives beget an annual Action Plan for the calendar year. Progress is reported to the Board on a quarterly basis.
- 3) **Chairman's Initiatives:** Developed on an annual basis for the Chairman of the OCTA Board of Directors. These initiatives highlight key strategies and targets for the calendar year.



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## Chapter 6

# Functional Review

A functional review of the Orange County Transportation Authority determines the effectiveness and efficiency of the following functional activities:

- Administration and Management,
- Transportation Planning and Oversight,
- Claimant Relationships and Oversight,
- Marketing and Transportation Alternatives,
- Grant Applications and Management, and
- Management Control over Expenditure of Funds.

### Administration and Management

The Orange County Transportation Authority is the Regional Transportation Planning Entity for Orange County. As the designated RTPE for Orange County, OCTA is responsible for a wide variety of actions which support a continuous, comprehensive, and coordinated planning process in its area of jurisdiction including the 34 cities and unincorporated areas of Orange County.

OCTA was established by state law on June 20, 1991 to consolidate the transportation planning and operating agencies within Orange County. Today OCTA serves as both the Regional Transportation Planning Entity and the primary transit service provider for Orange County. With its creation, the Authority assumed the responsibilities of several formerly separate agencies: the Orange County Transportation Commission (OCTC), the Orange County Transit District (OCTD), the Consolidated Transportation Services Agency (CTSA), the Service Authority for Freeway Emergencies (SAFE), the Orange County Local Transportation Authority (OCLTA), and the Orange County Congestion Management Agency (CMA). OCTA is also the Orange County Service Authority for Abandoned Vehicles (SAAV), which was established subsequent to the consolidation.

OCTA works with federal, state, regional, and local agencies to plan, fund, implement, and maintain transportation programs and services throughout Orange County. In addition to transit, these services include the 91 Express Lanes; freeway, street and road improvement projects; motorist aid services; and regulation of taxi operations.

OCTA is responsible for administering Transportation Development Act funds, including both State Transit Assistance funds and Local Transportation Funds, working with and allocating those funds to eligible claimants, and handling grant applications and managing approved grants. OCTA sets programming policies for federal, state, and local funding sources for eligible transit, highway, pedestrian, bicycle and other transportation projects and administers Calls for Projects to allocate funds to local agencies for projects that are consistent with public mobility needs and regulatory guideline.

State funding sources include the State Transportation Improvement Program (STIP), Proposition 1B, and TDA Article 3. Federal sources include the Regional Surface Transportation Program (RSTP), Congestion Mitigation and Air Quality (CMAQ) Improvement Program, MAP-21 Transportation



Alternatives Program (previously Transportation Enhancement). The largest source of local funding is Measure M2, an extension of Measure M that provides funding for transit, freeways, and streets, as well as environmental clean-up. During the audit period, OCTA was also responsible for closing out projects funded by the American Recovery and Reinvestment Act (ARRA).

The regional planning landscape in Southern California is unique with respect to how responsibility for particular activities has been assigned. The Southern California Association of Governments (SCAG) is the designated Metropolitan Planning Organization (MPO) for a six-county region (Imperial, Los Angeles, Orange, Riverside, San Bernardino, and Ventura). As the MPO, SCAG is responsible for coordinating land-use and transportation planning efforts within its jurisdiction. Among its core efforts are:

- Compass Blueprint Planning,
- Regional Comprehensive Plan,
- Regional Transportation Plan (RTP), and
- Federal (formerly Regional) Transportation Improvement Program (FTIP).

Responsibility for development of the Compass Blueprint, RTP, and FTIP would normally fall under the purview of the RTPE (i.e., OCTA) in other regions (such as San Diego County). Though OCTA and SCAG may appear to serve the same function regarding Orange County, SCAG's focus is on Orange County as one part of the six-county region, while OCTA's focus is solely on Orange County.

This audit report focuses on OCTA's role as a regional transportation planning entity. Its function as a transit operator is covered in a separate audit report.

A Chief Executive Officer manages OCTA in accordance with the directions, goals, and policies approved by the Board. OCTA is currently organized in eight divisions that report directly to the Chief Executive Officer, as shown in Figure 6.1. The divisions are:

- Executive Office,
- Transit Division,
- Planning Division,
- Capital Programs Division,
- Finance and Administration Division,
- Human Resources and Organizational Development Division,
- External Affairs Division, and
- Government Relations Division.

In addition, an Internal Audit Division reports directly to the Board of Directors, while the Clerk of the Board reports directly to the Chief Executive Officer.

The following charts reflects OCTA's structure at the end of FY 2014/15.



Exhibit 6.1 Organizational Chart - OCTA (FY 2014/15)

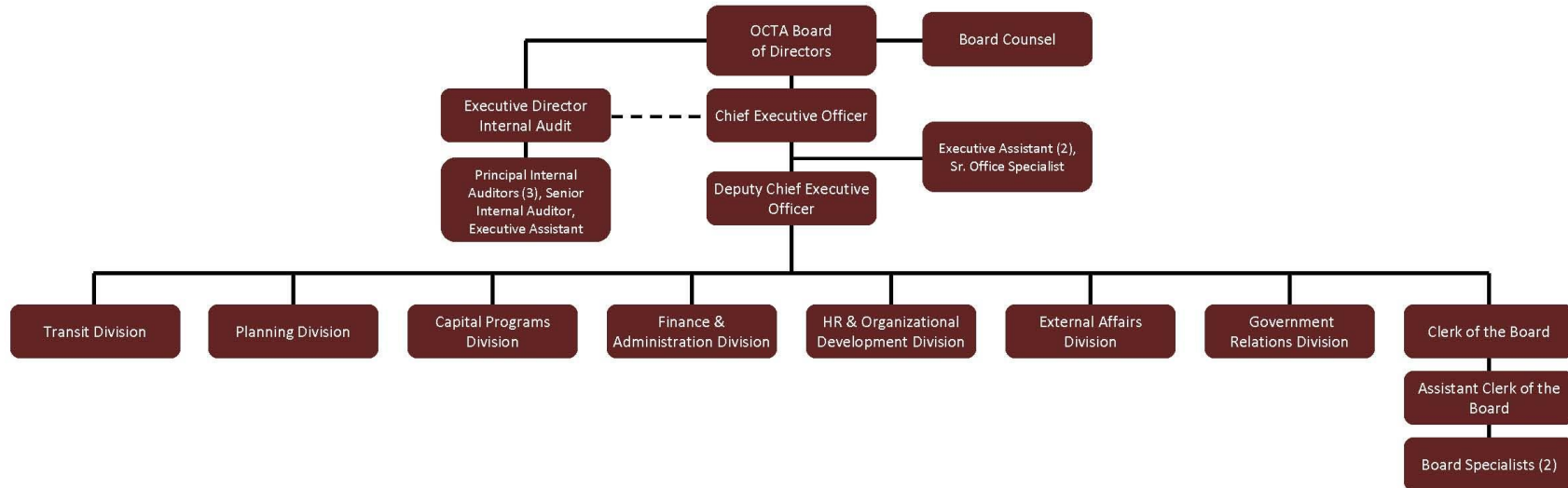


Exhibit 6.2 Organizational Chart – Transit (FY 2014/15)

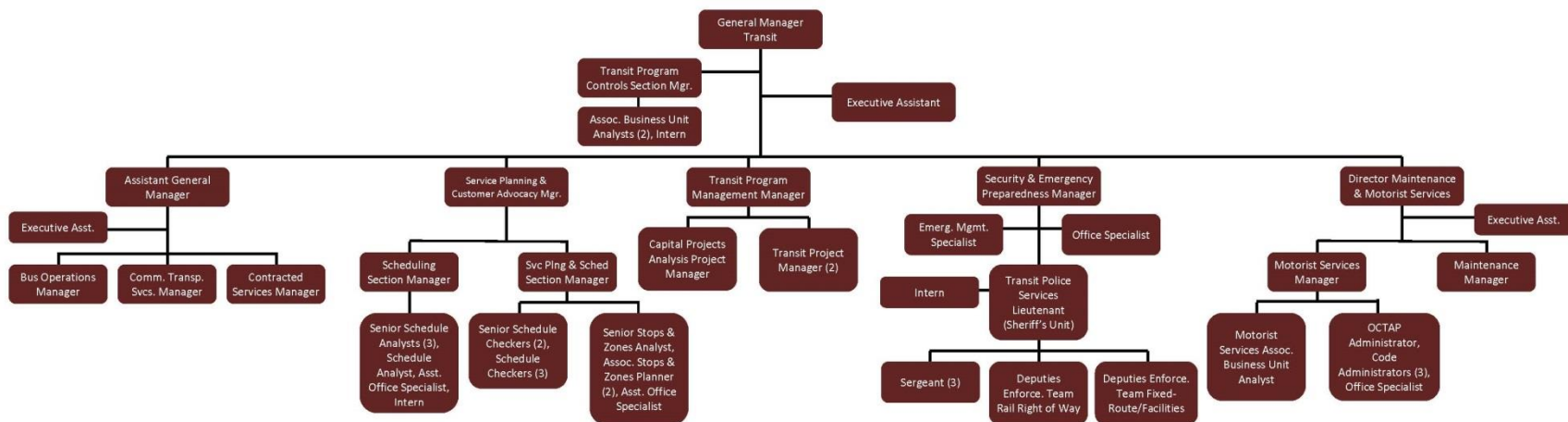




Exhibit 6.3 Organizational Chart – Planning (FY 2014/15)

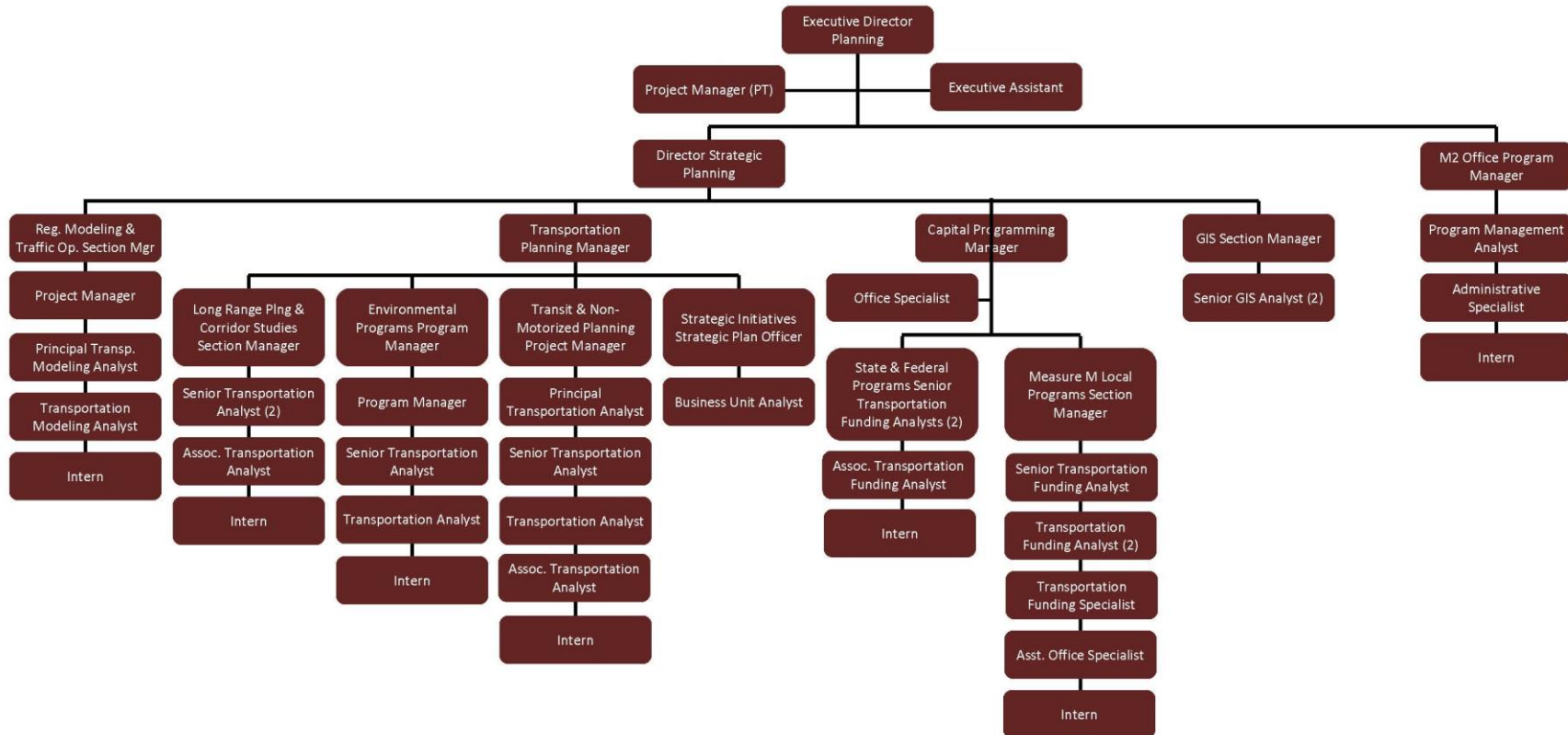




Exhibit 6.4 Organizational Chart – Capital Programs (FY 2014/15)

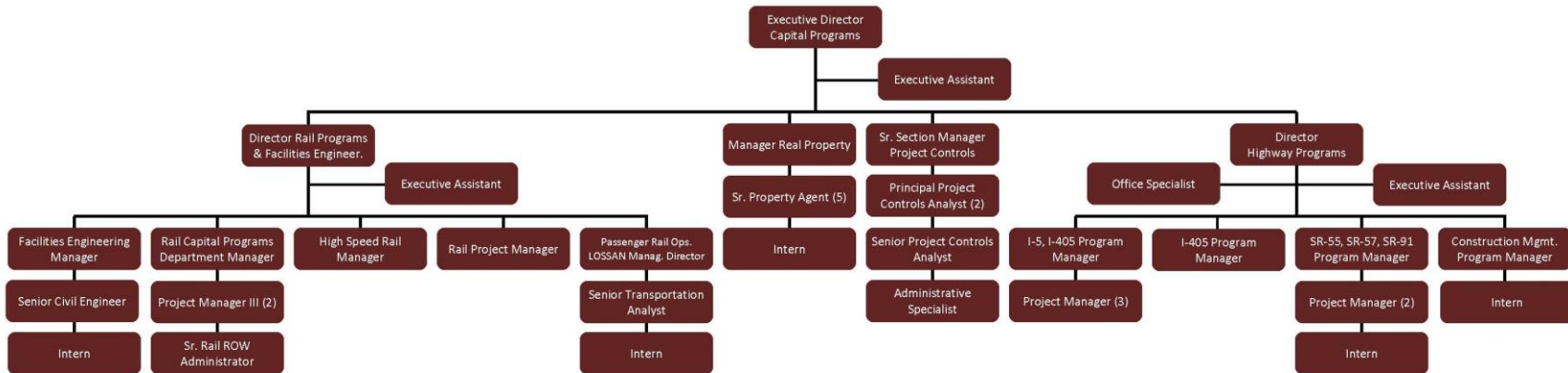


Exhibit 6.5 Organizational Chart – External Affairs (FY 2014/15)

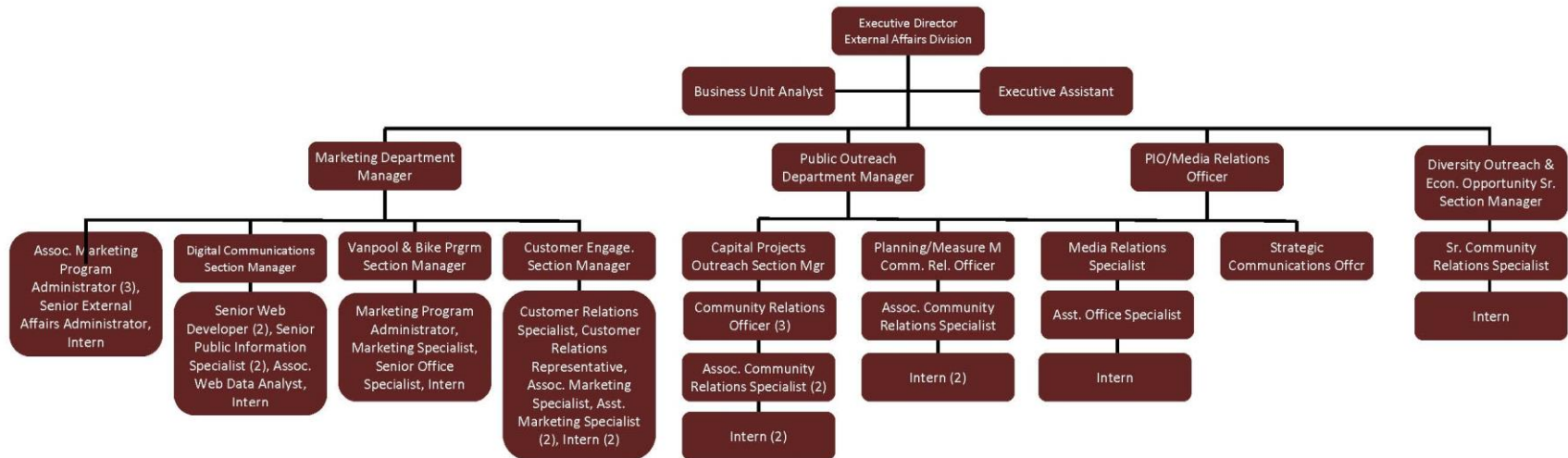




Exhibit 6.6 Organizational Chart – Finance & Administration (FY 2014/15)

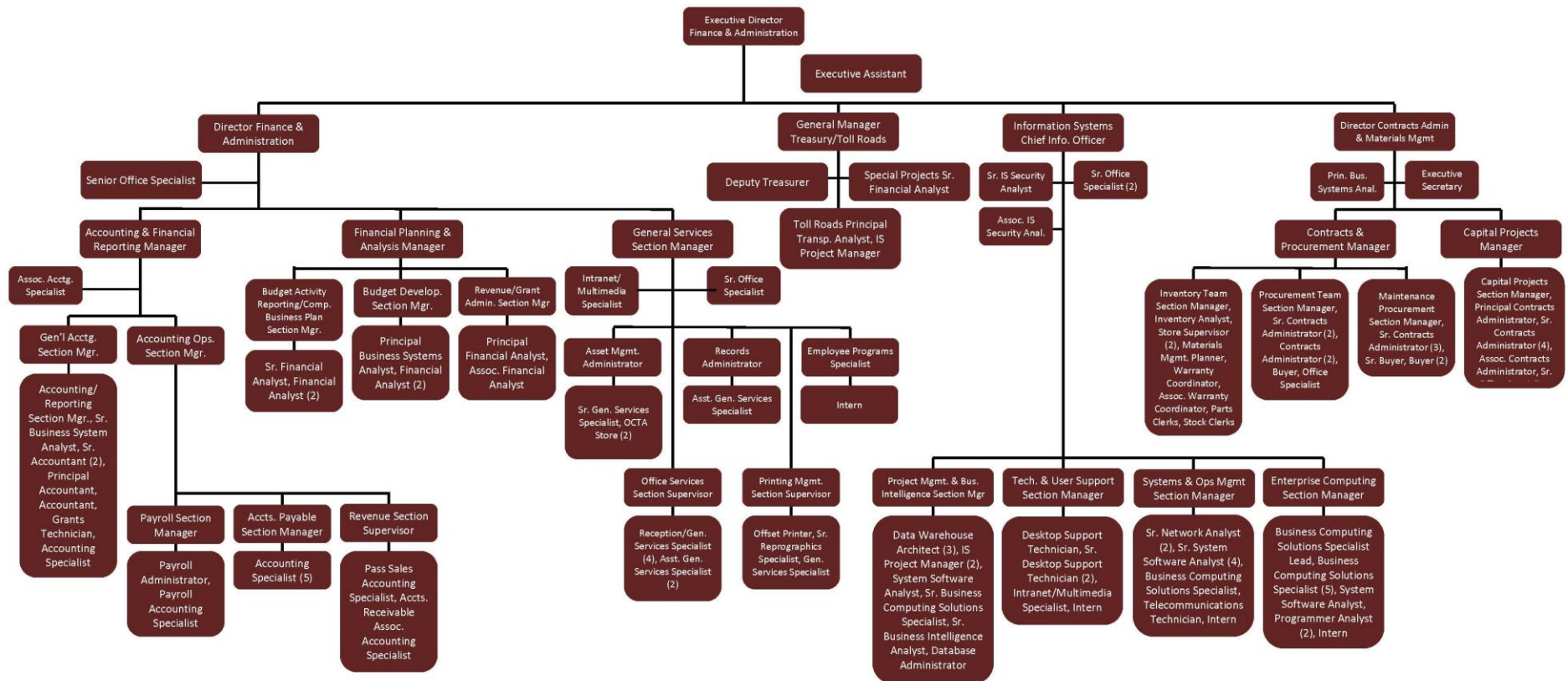




Exhibit 6.7 Organizational Chart – Human Resources & Organizational Development (FY 2014/15)

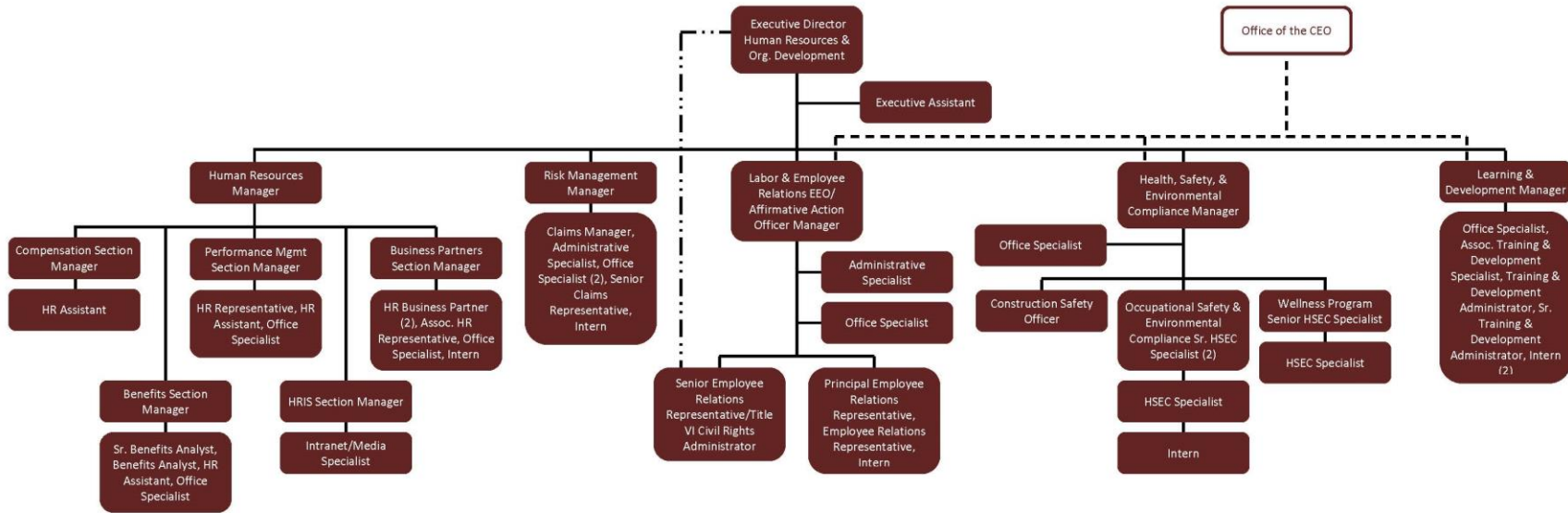
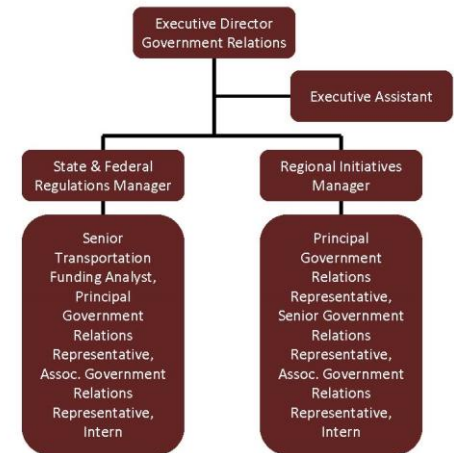


Exhibit 6.8 Organizational Chart – Government Relations (FY 2014/15)





## *OCTA Governing Board*

OCTA is governed by a Board composed of 18 individuals representing Orange County. The Board consists of the five Orange County Supervisors, ten city representatives selected by all of the cities within the County, two public members selected by these 15 Board Members, and a representative appointed by the Governor of California serving in an ex officio capacity.

The OCTA Board meets on the second and fourth Monday of each month at 9:00 a.m. at OCTA Headquarters, 600 S. Main St. in Orange. The location is served by OCTA bus routes 53, 56, 83, and 453, with connecting bus service to the Orange Metrolink Station. All agenda documents are available for public review online at [www.octa.net](http://www.octa.net) or at the Clerk of the Board's office. All meetings are open to the public.

During the review period, the following individuals served on the Board of Directors of OCTA:

- Jeffrey Lalloway, City Council Member, City of Irvine (Chairman 2015)
- Lori Donchak, City Council, City of San Clemente, Vice Chair
- Lisa A. Bartlett, Orange County Supervisor
- Andrew Do, Orange County Supervisor
- Michael Hennessey, Public Member
- Steve Jones, Mayor Pro Tempore, City of Garden Grove
- Jim Katapodis, Mayor, City of Huntington Beach
- Gary A. Miller, City Council Member, City of Seal Beach
- Al Murray, City Council, City of Tustin
- Shawn Nelson, Orange County Supervisor (Chairman 2014)
- Miguel Pulido, Mayor, City of Santa Ana
- Tim Shaw, Mayor Pro Tempore, City of La Habra
- Todd Spitzer, Orange County Supervisor
- Tom Tait, Mayor, City of Anaheim
- Michelle Steel, Orange County Supervisor
- Frank Ury, Mayor, City of Mission Viejo
- Gregory T. Winterbottom, Public Member (Chairman 2013)
- Ryan Chamberlain, Caltrans District 12 Director, Governor's Ex Officio Member
- Patricia Bates, State Senator (R-Laguna Niguel) (Chairman 2011)
- Matthew Harper, State Assemblyman (R-Huntington Beach)
- John Moorlach, State Senator (R-Costa Mesa)
- Janet Nguyen, State Senator (R-Long Beach/Orange County)
- Gail Eastman, City Council (former), City of Anaheim
- Paul G. Glaab, City Council (former), City of Laguna Niguel (Chairman 2012)
- Jerry Amante, Mayor Pro Tempore (former), City of Tustin (currently Senior Vice President and General Counsel at Fling Spriggs Babb Core Strategies) (Chairman 2010)
- Bill Campbell, Orange County Supervisor (former)
- Carolyn Cavecche, Mayor (former), City of Orange (currently President and CEO of the Orange County Taxpayers Association)
- Larry R. Crandall, Mayor (former), City of Fountain Valley
- Lorri Galloway, City Council (former), City of Anaheim





- Peter Herzog, Mayor (former), City of Lake Forest
- Don Hansen, City Council (former), City of Huntington Beach (currently CEO of Regents Capital)
- Brent Green, Caltrans District 9 Director, Governor's Ex Officio Member

Board members serve on standing committees that reflect OCTA's roles and responsibilities, including:

- Executive Committee, which monitors overall activities at OCTA, develops policy and strategy recommendations, and reviews policy issues.
- Finance and Administration Committee, which reviews and provides recommendations on financial and administrative matters, including investments, debt financing, financial operations, human resources, risk management, and information systems.
- Legislative and Communications Committee, which evaluates and recommends strategies and action plans to advance OCTA priorities at various levels of government, and provides guidance on communications, community and customer relations, and marketing activities.
- Regional Planning and Highways Committee, which reviews the planning, programming, and delivery of regional planning and highway programs; provides recommendations on OCTA's compliance with federal, state, and regional planning and programming requirements; and reviews local agency eligibility and compliance with Measure M and Renewed Measure M (M2) safeguards and requirements.
- Transit Committee, which reviews and provides recommendations on bus and commuter rail operations, including ACCESS and other demand-response services.

Board members also represent OCTA on multi-agency advisory committees where OCTA has an interest, including:

- State Route 91 Advisory Committee, which was created by the state enabling legislation for OCTA's purchase of the State Route 91 toll road. The State Route 91 Advisory Committee also includes a voting representative from the Riverside County Transportation Commission (RCTC) and non-voting members from Caltrans Districts 8 and 12 and the San Bernardino Associated Governments (SANBAG).
- Riverside Orange Corridor Authority (ROCA), which develops and manages geotechnical studies for a proposed transportation and utility corridor linking Riverside and Orange counties. The committee includes representatives of RCTC, OCTA, the Foothill Eastern Transportation Corridor Agency, and Caltrans.

In addition, Board members represent OCTA and its interests on regional organizations and committees, including the Orange County Council of Governments, California Association of Councils of Governments, Southern California Regional Rail Authority, LOSSAN Corridor Agency, the Southern California Association of Governments, and the South Coast Air Quality Management District (AQMD).

As well as project-specific citizen input opportunities, OCTA has three standing citizens committees that meet regularly and provide input. The three standing citizens committees are:



- Citizens Advisory Committee (CAC), which provides input on traffic solutions and transportation studies. The 34 CAC members are selected by OCTA's Board of Directors to represent various interests from throughout the county.
- Special Needs Advisory Committee (SNAC), which advises OCTA about issues related to fixed route and demand response services for customers with special transportation needs. The SNAC recommends mechanisms for obtaining input from disabled and senior service users, communicates with stakeholders regarding service-related information, and assists with service evaluations.
- Taxpayer Oversight Committee (TOC), which monitors the use of M2 funds.

### *Agency Accomplishments*

Some of OCTA's accomplishments across the review period include:

- Completion of improvements to the Orange Freeway (SR 57) in 2014/2015.
- OCTA's Capital Projects Outreach Manager was named Member of the Year by WTS, with the agency's OC Bridges projects receiving the Innovative Transportation Solutions award.
- Receipt of an Achievement in Excellence in Procurement Award from the National Procurement Institute in FY 2014/15.
- Recognition as the Public Agency of the Year by the Association of California Cities in 2013/2014.
- Launch of OCTA's newly redesigned website in FY 2013/14.
- Receipt of two Protos Awards and four Awards of Excellence from the Public Relations Society of America for marketing, promotion, and outreach in FY 2012/13.

### *LOSSAN Leadership*

OCTA has recently taken on a leadership role with the Los Angeles – San Diego – San Luis Obispo (LOSSAN) Rail Corridor Agency, a joint powers authority that works to increase ridership, revenue, capacity, reliability, coordination and safety on the coastal rail line between San Diego, Los Angeles, and San Luis Obispo. Although coordination among Agency members has always been strong on the operations side, there has been little coordination in regards to ticketing, marketing, and other projects. OCTA is currently recruiting LOSSAN staff members.

### *Personnel*

OCTA feels that staffing levels for RTPe functions is sufficient. A current focus is succession planning to ensure institutional knowledge is not lost as experienced staff members retire. OCTA has backfilled some positions to allow replacements to work side-by-side with retiring staff for up to six months to transfer that knowledge.

Personnel evaluations are conducted annually. Many managers choose to meet with employees on a more regular basis (such as weekly or biweekly). An automated performance management system (Halogen Software) allows initial performance goals to be set at the time of hire. An introductory review is conducted after six months, then the staffer is placed on the annual review cycle.

OCTA offers both required training as well as training that goes above and beyond requirements. Professional development training includes leadership, management development, conference attendance, education tuition reimbursement, etc.



## Transportation Planning and Regional Coordination

The Southern California Association of Governments is the lead planning entity for the five-county region including Orange County. While SCAG prepares the Regional Transportation Plan (RTP), OCTA is responsible for a number of other county-wide planning efforts.

### *Long Range Transportation Plan*

Every four years, OCTA updates its Long Range Transportation Plan (LRTP). Its most recent update was conducted in 2014. The LRTP lays out the long-term outlook for transit, coordinating with the comprehensive business plan for the financial aspects.

The LRTP update, known as Outlook 2035, forecasts needs and priorities for the 2035 horizon year. OCTA's LRTP feeds into the Regional Transportation Plan coordinated by SCAG, which is due to be updated in 2016. The LRTP serves as a local version of the RTP. Outlook 2035's first goal is delivery of projects and services identified as part of Orange County's voter-approved sales tax for transportation. The second goal is improving transportation system performance, thereby reducing congestion and increasing transit ridership.

Outlook 2035 identifies several project priorities including:

- New bus and streetcar service on high-demand corridors,
- Enhanced bus routes,
- 20 weekday Metrolink trains,
- 650 miles of bikeways,
- 820 lane-miles on the Master Plan of Arterial Highways (MPAH) network,
- 206 freeway carpool lane-miles,
- 236 tollway lane-miles, and
- 450 vanpools and station vans.

The information contained within the LRTP is integrated into a Short Range Transit Plan (SRTP), which is a scenario-based plan including operating and capital components such as service expansion and vehicle replacement. OCTA's most recent SRTP – the first one developed in several years – was also completed in 2014.

OCTA strives to build relationships with diverse communities through presentations, community meetings, outreach events, and conferences. The goal is to share information, identify mutual interests, and create future partnerships with your community by establishing ongoing communications.

### *Congestion Management Program*

As the designated Congestion Management Agency for Orange County, OCTA provides conformance monitoring and regular updates of Orange County's Congestion Management Plan (CMP), the result of the passage of Proposition 111 in 1990. While Assembly Bill 2419 offered an opportunity to opt out of the CMP process, OCTA's Board chose to continue with the program since CMP efforts support OCTA's Measure M Growth Management Program (GMP). The CMP is currently a requirement for local jurisdictions to receive Measure M2 funds.



## *Public Transit-Human Services Coordinated Transportation Plan*

OCTA's Public Transit-Human Services Coordinated Transportation Plan for Orange County was updated in May 2015. The 2015 Plan updates the prior 2008 Coordinated Plan. The Plan set forth the following four objectives:

1. Ensure compliance with federal law which requires the regular development of a Coordinated Plan;
2. Validate past or identify new unmet transportation needs and mobility gaps among target populations;
3. Facilitate dialogue between the public transit providers and human service agencies; and
4. Establish a list of prioritized strategies and projects by which to meet unmet needs and mobility gaps.

## *Claimant Relationships and Oversight*

OCTA allocates Article 4 Local Transportation Fund and State Transit Assistance funds to the Orange County Transit District and LTF funds to the City of Laguna Beach for its Laguna Beach Municipal Transit Lines program. Article 4.5 funds are also allocated to OCTD as the Consolidated Transportation Service Agency for Orange County. Article 3 funds are allocated to OCTA through the Orange County Auditor-Controller.

In 2014, OCTA updated its *Guidelines for Administration of the Act and Preparation of Local Transportation Fund Claims and State Transit Assistance Fund Claims*. These guidelines detail procedures and deadline for funding claims, outline priorities for fund allocations, and specify requirements for maintaining funding eligibility.

OCTA has two standing committees that provide input on transportation issues. The Special Needs Advisory Committee advises OCTA about issues relating to transit and paratransit services and assisting with special needs service evaluations. The Citizen's Advisory Committee provides input to transportation studies, particularly regarding traffic solutions.

## *Marketing and Transportation Alternatives*

Marketing materials focus on transportation and travel alternatives, including fixed-route bus and demand-response services, Metrolink, 91 Express Lanes, and rideshare and pass sales programs, as well as marketing, communications, and advertising activities. Outreach efforts conducted by OCTA include employer-targeted kits and materials designed to promote ridesharing activities among employees. OCTA offers a free Air Quality Management District Marketing Certification Class at least twice a year for employers with 250 employees or more, who must have a certified Employee Transportation Coordinator (ETC) in order to remain compliant with AQMD's Rule 2202.

Each year OCTA creates a marketing plan for each service mode. These plans guide budgeting for the coming year and include marketing plans for each individual service. OCTA utilizes social media, produces videos, and recently deployed new branding for the OC Bus. Targeted mailers are favored over broad marketing tactics for the OC Bus due to the size of the service area. Most materials produced are bilingual in English and Spanish. Materials are also sometimes produced in Vietnamese, Korean, and



Chinese. A key element of agency marketing is the [www.octa.net](http://www.octa.net) website, which was redesigned and relaunched during the audit period.

OCTA employs two in-house graphic designers and one in-house copywriter. The agency relies on contractors for about 50 percent of its marketing materials. Contract terms are usually for one year to minimize long-term commitments and provide flexibility during an uncertain funding environment. Marketing contracts are administered through CAMM, the Contracts Administration and Materials Management Department within OCTA.

### **Grant Applications and Management**

OCTA divides grant applications and management among two divisions. The Government Relations division works with legislators to get funding bills and allocations passed. This division also helps identify funding opportunities and develop grant proposals.

Grant specialists within the Finance division administer grants and coordinate grant applications from operators. OCTA is creating a new position to perform recipient compliance reviews.

Grants personnel utilize a set of grant policies and procedures as well as software systems for tracking. These systems include an Access database to track grants that have been awarded, a multi-functional system for budget reporting, and Excel models. OCTA is developing a centralized grant management system expected to be complete in summer 2016.

### **Management Control over Expenditure of Funds**

#### ***Local Transportation Fund***

LTF is derived from a ¼-cent state sales tax that is returned to each county based on actual taxable sales. In Orange County, funds are distributed under TDA Article 3, Article 4, and Article 4.5.

LTF is reviewed by an independent auditor on an annual basis as a special revenue fund of the Orange County Transportation Authority. The Annual Financial and Compliance Report evaluates OCTA's internal controls over financial reporting as well as tests of compliance regarding laws, regulations, contracts, grant agreements, etc.

#### ***State Transit Assistance Fund***

The STA Fund is also a source of TDA funds. STA funds are derived from sales tax on diesel fuel through the Public Transportation Account (PTA). Funds are allocated based on annual population estimates provided by the California Department of Finance.

The State Transit Assistance Fund is reviewed by an independent auditor on an annual basis as a special revenue fund of the Orange County Transportation Authority. The Annual Financial and Compliance Report evaluates OCTA's internal controls over financial reporting as well as tests of compliance regarding laws, regulations, contracts, grant agreements, etc.



### *Local Transportation Authority (LTA) Measure M1 Fund*

Measure M1 funds were generated by a local ½-cent sales tax approved by Orange County voters in 1990. Funding is allocated to freeways (43 percent), streets and roads (32 percent), and transit (25 percent). While Measure M1 sales tax collection ended in 2011, funds are still being drawn down.

The Measure M1 Fund is reviewed by an independent auditor on an annual basis as part of the Orange County Local Transportation Authority. The Annual Financial and Compliance Report evaluates OCLTA's internal controls over financial reporting as well as tests of compliance regarding laws, regulations, contracts, grant agreements, etc. In addition, OCTA publishes an annual report on its progress in implementing Measure M projects.

### *Local Transportation Authority (LTA) Measure M2 Fund*

Measure M2 funds are generated by a local ½-cent sales tax approved by Orange County voters in 2006. Measure M2 is a 30-year extension of Measure M1 beginning in 2011. Funding is allocated to freeways (43 percent), streets and roads (32 percent), and transit (25 percent).

The Measure M2 Fund is reviewed by an independent auditor on an annual basis as part of the OCLTA. The Annual Financial and Compliance Report evaluates OCLTA's internal controls over financial reporting as well as tests of compliance regarding laws, regulations, contracts, grant agreements, etc. In addition, OCTA publishes an annual report on its progress in implementing Measure M projects.

### *Measure M2 Bond Debt Service Fund*

OCTA also manages the M2 Bond Debt Service Fund, which handles principal and interest payments and debt service transactions for Measure M2.

The Measure M2 Debt Service Fund is reviewed by an independent auditor on an annual basis as part of the OCLTA. The Annual Financial and Compliance Report evaluates OCLTA's internal controls over financial reporting as well as tests of compliance regarding laws, regulations, contracts, grant agreements, etc.

### *Orange County Unified Transportation Trust (OCUTT) Fund*

The Orange County Unified Transportation Trust Fund is the designated fund for the accrual of interest from transit development projects as set forth in CCR Section 99301.6. Since 2004, it has been earmarked for project readiness activities.



## Chapter 7

# Findings and Recommendations

### Conclusions

We find the Orange County Transportation Authority, functioning as the RTPE, to be in compliance with the requirements of the Transportation Development Act. In addition, the entity generally functions in an efficient, effective, and economical manner.

### Findings and Recommendations

Following discussions with OCTA staff, analysis of program performance, and a review of program compliance and function, we identified no compliance or functional findings. As such, we offer no recommendations as a result of this Triennial Performance Audit.



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