



# **Orange County Transportation Authority**

---

**Triennial Performance Audit  
of OCTA as the  
Regional Transportation Planning Entity  
FY 2019 to FY 2021**

**April 2022**

**FINAL REPORT**

*Submitted by*  
**BCA Watson Rice, LLP**  
in association with  
**Altmayer Consulting, Inc.**



## TABLE OF CONTENTS

|   |    |
|---|----|
| 1. Executive Summary .....                  | 1  |
| 2. Background .....                         | 4  |
| 2. Objectives, Scope and Methodology.....   | 5  |
| 3. Audit Results .....                      | 7  |
| A. Program Compliance .....                 | 10 |
| B. Follow-up of Prior Recommendations ..... | 19 |
| C. Review of OCTA Functions .....           | 20 |
| D. Overall Conclusions .....                | 33 |



# 1. Executive Summary

## Background, Scope and Methodology

The California Public Utilities Code requires all Regional Transportation Planning Entities (RTPE) to conduct an independent Triennial Performance Audit in order to be eligible for Transportation Development Act (TDA) funding. The Orange County Transportation Authority (OCTA) selected BCA Watson Rice, LLP to conduct a Triennial Performance Audit of itself as the RTPE and operator, as well as the Laguna Beach Municipal Transit Lines (LBMTL) to which OCTA allocates funding. This Triennial Performance Audit covers a three-year period ending June 30, 2021.

This Triennial Performance Audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and in accordance with the processes established by the California Department of Transportation, as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*.

The methodology for this Triennial Performance Audit of OCTA as the RTPE included four tasks:

1. Project Initiation
2. Initial Review
3. Detailed Review
4. Documentation of Performance Audit Results

This Triennial Performance Audit included the following elements:

1. Compliance Requirements
2. Follow-up of Prior Recommendations
3. Review of OCTA Functions
4. Findings and Recommendations

## Key Challenges and Accomplishments

In March of 2020, the County of Orange and the State of California went into quarantine in response to the COVID-19 pandemic. The pandemic reshaped all aspects of how we work and travel with the long-term impacts for transit and transportation still unknown. With that backdrop, some of the key challenges faced by OCTA during the triennium include:



- During the initial stage of the pandemic, OCTA experienced significant reductions in ridership and, as a result, reductions in overall service levels. While both ridership and services levels have increased over time, they have not returned to pre-pandemic levels.
- OCTA saw a significant drop in fare revenue due to reduced ridership and service levels as well as beginning rear-door boarding which made fare collection difficult.
- OCTA experienced operational challenges that included scheduling, logistics and communication to their employees and the public.

It is also important to consider the accomplishments achieved by OCTA during the same three-year period. OCTA's accomplishments include:

- Foresaw as early as February of 2020 the potential for remote working and remote public meetings. OCTA's IT function ensured that all administrative employees had access to technology that would allow them to work from home, and the ability of the organization to continue to hold public meetings through virtual attendance.
- Continued core transit services and capital construction during the pandemic. As ridership resumed during the pandemic, OCTA was able to continue to increase service to both meet and drive demand.
- Did not lay off a single employee during the pandemic.
- Refined the budget process to re-evaluate financial and operational needs during the pandemic.
- Approved a plan to convert the OC Bus Fleet to 100% zero-emission technology by 2040.
- Continued progress on major capital projects including OC Streetcar and freeway improvements.

## **Compliance Requirements**

To determine OCTA's compliance with requirements of the Public Utilities Code, the audit team identified key compliance requirements, discussed compliance requirements with OCTA representatives, and gathered and reviewed evidence of compliance. OCTA was found to be in compliance with all applicable requirements evaluated as part of this Triennial Performance Audit.



## Follow-Up of Prior Recommendations

The prior TDA Triennial Performance Audit completed in 2019 included three recommendations related to OCTA's function as the RTPE. OCTA has adequately responded to and implemented each recommendation.

**Prior Recommendation No. 1:** Continue to Improve Compliance with PUC Requirements from Changes in State TDA Law.

**Action Taken:** OCTA documented the calculations used to determine the portion of the STA funds to be allocated for operations and capital, included the allocated amounts for operations and capital staff reports, updated the TDA Guidelines, and updated the LTF claim form.

**Prior Recommendation No. 2:** Maximize Local Support Revenues

**Action Taken:** OCTA continues to seek additional strategies to support farebox revenues for the bus system.

**Prior Recommendation No. 3:** Plan for Impacts of Longer Bus Lives and Clean Fleet

**Action Taken:** OCTA has approved a plan to convert the OC Bus Fleet to 100% zero-emission technology by 2040.

## Review of OCTA Functions

We reviewed the following OCTA's core functions:

- RTPE Administration and Management
- Transportation Planning and Regional Coordination
- Claimant Relationships and Oversight
- Marketing and Transportation Alternatives
- Grant Application and Management

## Overall Conclusions

We find OCTA, as the RTPE, to (1) be in compliance with the requirements of the Transportation Development Act, (2) have sufficiently implemented recommendations from the prior Triennial Performance Audit, and (3) have generally operated in an efficient, effective, and economical manner during the triennial audit period.



## 2. Background

The Orange County Transportation Authority (OCTA) was created in 1991 to consolidate the transportation planning and operating agencies within the County of Orange. OCTA performs two major functions which are subject to Caltrans Triennial Performance Audit requirements: regional transportation planning and the operation of a mass transit system.

This Triennial Performance Audit covers a three-year period beginning July 1, 2018 and ending June 30, 2021. The California Public Utilities Code requires all Regional Transportation Planning Entities (RTPE) to conduct an independent Triennial Performance Audit in order to be eligible for Transportation Development Act (TDA) funding. In 2021, OCTA selected BCA Watson Rice, LLP to conduct a Triennial Performance Audit of itself as the RTPE and operator, as well as Laguna Beach Municipal Transit Lines (LBMTL).

This Triennial Performance Audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). GAGAS requires 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This Triennial Performance Audit was also conducted in accordance with the processes established by the California Department of Transportation, as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*.



## 2. Objectives, Scope and Methodology

The methodology for this Triennial Performance Audit of OCTA as the RTPE includes the following tasks:

1. Project Initiation
  - Project Kickoff Meeting
2. Initial Review
  - Follow-up on Prior Performance Audit Recommendations
  - Determine Compliance with Legal and Regulatory Requirements
  - Initial Review of RTPE Functions
3. Detailed Review
  - Review OCTA Functions
  - Review Management Performance
  - Review Internal Administration
4. Documentation of Performance Audit Results
  - Discuss Interim Findings
  - Prepare Draft Audit Report
  - Conduct Exit Interview
  - Present Results to OCTA Board and Policy Committees
  - Prepare and Deliver Final Report and Executive Summary

The following OCTA management team members were interviewed as part of the Triennial Performance Audit:

- Jennifer Bergener, Deputy CEO/COO
- Kia Mortazavi, Executive Director Planning
- James Beil, Executive Director Capital Programs
- Andrew Oftelie, Chief Financial Officer
- Maggie McJilton, Executive Director, Workforce Development
- Lance Larson, Executive Director, Government Relations
- Sean Murdock, Director Finance and Administration
- Al Gorski, Department Manager, Risk Management
- Ric Teano, Section Manager, Grants Development and Compliance
- Kurt Brotcke, Director, Strategic Planning
- Charlie Larwood, Department Manager, Planning and Analysis
- Adriann Cardoso, Department Manager, Programming
- Katrina Faulkner, Department Manager, Security and Emergency Preparedness



- Sam Kaur, Department Manager, Revenue Administration
- Victor Velasquez, Department Manager, Financial Planning and Analysis

OCTA Board members were given the opportunity to be interviewed as part of the Triennial Performance Audit.





### 3. Audit Results

The following sections provide information on the results of this OCTA Triennial Performance Audit.

#### Key Challenges and Accomplishments

In March of 2020, the County of Orange and the State of California went into quarantine in response to the COVID-19 pandemic. The pandemic reshaped all aspects of how we work and travel with the long-term impacts for transit and transportation still unknown. With that backdrop, some of the key challenges faced by OCTA during the triennium include:

- During the initial stage of the pandemic, OCTA experienced significant reductions in ridership and, as a result, reductions in overall service levels. While both ridership and services levels have increased over time, they have not returned to pre-pandemic levels.
- OCTA saw a significant drop in fare revenue due to reduced ridership and service levels.
- OCTA experienced significant operational challenges including:
  - Scheduling and route adjustments to adapt to reduced ridership. OCTA initially reduced service to the equivalent of a “Sunday Service” schedule and, over time, increased to adapt to increased ridership.
  - Logistical changes in operations including bus cleaning procedures, safety measures for the spacing of passengers, and supplying staff with Personal Protective Equipment including face shields and masks.
  - Communicating to the public about both schedule changes and safety requirements.
  - Developing a communications and operational protocol for positive COVID-19 cases among staff.
- OCTA suffered an initial reduction in sales tax revenues and the unpredictability of future revenues during the pandemic and beyond.
- The homeless within the County continued to adversely impact day-to-day operations and OCTA facilities.



- OCTA experienced labor market pressures with a tightening workforce combined with a high cost of living within the County.

It is also important to consider the accomplishments achieved by OCTA during the same three-year period. OCTA accomplishments include:

- Foresaw as early as February of 2020 the potential for remote working and even remote public meetings. OCTA's IT function ensured that all administrative employees had access to technology that would allow them to work from home, and the ability of the organization to continue to hold public meetings through virtual attendance.
- Continued core transit services during the pandemic. As ridership resumed during the pandemic, OCTA was able to continue to increase service to both meet and drive demand.
- Did not lay off a single employee during the pandemic.
- Refined the budget process to re-evaluate financial and operational needs during the pandemic.
- Approved a plan to convert the OC Bus Fleet to 100% zero-emission technology by 2040. The project will evaluate different types of technology ranging from hydrogen fuel-cell electric buses and plug-in battery-electric buses to determine which technology is more efficient and effective.
- Conducted a study to improve Beach Boulevard from La Habra to Huntington Beach. The study assessed existing conditions along with projected growth to develop solutions ranging from enhanced pedestrian, bicycle and transit facilities to improved signal synchronization.
- Completed a study on Bus Rapid Transit on Freeways looking at alternatives including identification of operating lanes, station locations, access ramps, and parking facilities.
- Developed Transit Supportive Design Guidelines to help integrate places with transit. The plan seeks to improve the community by better integrating the transit network and land use planning.
- Completed OC Active, a plan to prioritize the advancement of active transportation within the County, including biking and walking.



- Initiated the Making Better Connections study to redesign the current bus system. This three-year project begins with two years of planning and analysis. The third year will be focused on implementation.
- Began the process for the development of an update to their Long-Range Transportation Plan to be completed in 2022.
- Added four additional sheriff's deputies and a sergeant to serve as homeless liaison officers to interact with the homeless on its buses and facilities. The goal is to assist these homeless individuals with local applicable services and housing.
- Continued progress on major capital projects including:
  - OC Streetcar which began initial utility relocation in 2018, track installation beginning in 2020 and with an expected opening in 2024.
  - Improvements to the following freeways funded through Measure M:
    - Interstate 5 Santa Ana Freeway including improvements from: State Route (SR)-73 to El Toro Road (under construction); SR-57 and SR-55 (completed in 2021); Interstate (I)-405 and SR-55 (final design process); and El Toro Road Interchange (environmental phase).
    - Interstate 405 San Diego Freeway including the widening of the San Diego Freeway (I-405) between SR-73 and I-605. The project will improve 16 miles of I-405 between the SR-73 freeway in Costa Mesa and I-605 near the L.A. County line.
    - State Route 91 including widening from SR57 to SR-55 (environmental and planning stages).
    - Interstate 605 including improving the local interchange at Katella Avenue (environmental phase).
  - Street Projects including signal synchronization.



## A. Program Compliance

This section of the report presents the results of the compliance review of OCTA as the RTPE. The following tasks were performed to complete the compliance review.

- **Identified Key Compliance Requirements** for OCTA as defined in the Public Utilities Code, the California Code of Regulations, and other relevant state and federal laws and compliance requirements.
- **Discussed Compliance Requirements with OCTA Representatives** to determine if identified requirements are a direct responsibility of OCTA, and to gain an understanding of compliance systems and procedures.
- **Gathered and Reviewed Evidence of Compliance** to provide objective evidence of compliance.

The exhibit on the following pages shows the key compliance requirements identified, the results of our compliance review, and comments including how compliance was reviewed and determined.

**Conclusion** – OCTA is in compliance with all applicable requirements evaluated as part of this Triennial Performance Audit.



| Exhibit 1:<br>Compliance Requirements and Compliance Review Results |  |               |   |
|---|--|---------------|---|
| PUC Code Section  | Requirement  | Compliance    | Comments  |
| 99231   | 1. All transportation operators and city or county governments which have responsibility for serving a given area, in total, claim no more than those Local Transportation Fund (LTF) monies apportioned to that area. | In Compliance | OCTA updates its TDA Guidelines for the Administration of the Act & Preparation of Local Transportation Fund and State Transit Assistance Fund Claims (TDA Guidelines) annually. The Guidelines provide a timeline beginning in January requiring OCTA to submit an annual transactions report to the State Controller including a summary of the apportionment and use of LTF and STA revenues in the County.<br><br>OCTA furnishes each agency an estimate of the revenues to be available for apportionment and allocation during the following fiscal year. This apportionment is approved by the Board of Directors. In April, claimants file for LTF and STA funding with OCTA. In December, Certified fiscal and compliance audits are due to TPA and State Controller. The audit report includes a certification of compliance with the TDA. Additionally, each eligible agency must submit an Annual Financial Audit Report. |
| 99233 and 99234   | 2. 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.   | In Compliance | OCTA updates its TDA guidelines annually. The TDA Guidelines state as follows "Beginning fiscal year 2009-10, no LTF funds were allocated for pedestrian and bicycle facilities (BPF) throughout the county as directed by OCTA Board of Directors.<br><br>Currently, the TDA requires the allocation of 2% of available funds to cities and counties for facilities for bicycles and pedestrians. Existing law provides that a city or county may expend up to 5% of its bicycle and pedestrian allocation to supplement moneys  |



| Exhibit 1:<br>Compliance Requirements and Compliance Review Results |  |                |   |
|---|--|----------------|---|
| PUC Code Section  | Requirement  | Compliance     | Comments  |
|   |  |                | <p>from other sources to fund bicycle safety education programs, as long as this amount is not used to fully fund the salary of any one person.”</p> <p>Since OCTA, as the TPA for Orange County, is responsible for administering the TDA, all Article 3 claims are filed for those claimants by OCTA on claim forms designed by OCTA. The TPA has the discretion of lowering or eliminating the percent allocable to any claimant if it finds that the funds could be used to a better purpose in meeting the public transit needs of the county.</p> |
| 99238 and 99238.5   | <p>3. The RTPE has established a social services transportation advisory council (SSTAC). The RTPE must ensure that there is a citizen participation process which includes at least an annual public hearing.</p>   | Not Applicable | <p>PUC Section 99232 and PUC 99238 provide that a SSTAC is not required in a county that had a population of 500,000 or more as of 1970. OCTA does maintain an Accessible Transit Advisory Committee that advises OCTA about issues that relate to OCTA's fixed-route and paratransit services for customers with special transportation needs. This function is managed by Public Outreach within OCTA.</p>  |
| 99244   | <p>4. The RTPE has annually identified, analyzed and recommended potential productivity improvements which could lower the operating costs of those operators which operate at least 50 percent of their vehicle service miles within the RTPE's jurisdiction. Recommendations include, but are not 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> </ul> | In Compliance  | <p>OCTA's TDA Guidelines requires each operator to submit actions taken to address triennial performance audit recommendations as part of their annual TDA claim submittals. In addition, operators must submit performance measures separated by mode of service to evidence key performance trends. This data allows OCTA to conduct a trend analysis to evaluate the efficiency and effectiveness of each operator.</p>  |



| Exhibit 1:<br>Compliance Requirements and Compliance Review Results |  |               |  |
|---|--|---------------|--|
| PUC Code Section  | Requirement  | Compliance    | Comments   |
|   | <ul style="list-style-type: none"> <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 which exceeds its prior year allocation.</li> </ul>   |               | <p>In addition, each year within its Comprehensive Business Plan, OCTA provides an evaluation and analysis of fixed-route and paratransit services.</p> <p>OCTA also includes public participation as part of its analytical obligations. OCTA has two committees that focus on transit issues:</p> <p><b>Accessible Transit Advisory Committee</b> – This committee advises on transit issues that relate to fixed-route and paratransit services for customers with special transportation needs.</p> <p><b>Citizens Advisory Committee</b> – This committee participates in helping examine traffic solutions, providing input to transportation studies and communicating with their constituencies.</p> |
| 99245   | 5. The RTPE has ensured that all claimants to whom it allocates TDA funds submits to it and to the state controller an annual certified fiscal and compliance audit within 180 days after the end of the fiscal year.  | In Compliance | As part of its TDA Guidelines, OCTA requires claimants to submit annual fiscal and compliance audits within 180 days after the end of the fiscal year.   |
| 99246 and 99248   | 6. The RTPE has designated an independent entity to conduct a performance audit of operators and itself (for the current and previous triennial). 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 money, and to the RTPE within 12 months after the end of the triennium. If the operator's audit was not transmitted by the start of the second fiscal year following the last fiscal year | In Compliance | <p>Previous Triennial Performance Audit by an independent entity of OCTA and the operators was completed and calculated the required performance indicators, and the audit report was transmitted to OCTA within 12 months after the end of the triennium.</p> <p>Current triennial audit by an independent entity of OCTA and the operators in process and will include calculations of the required performance</p>  |



| Exhibit 1:<br>Compliance Requirements and Compliance Review Results |  |               |   |
|---|--|---------------|---|
| PUC Code Section  | Requirement  | Compliance    | Comments  |
|   | of the triennium, TDA funds were not allocated to that operator for that or subsequent fiscal years until the audit was transmitted.   |               | indicators, and the audit report will be transmitted to OCTA within 12 months after the end of the triennium.   |
| 99246(c)  | 7. 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.  | In Compliance | Previous triennial audit by an independent entity of OCTA and the operators was completed and reports transmitted to the California Department of Transportation prior to June 30, 2019.<br><br>Current triennial audit by an independent entity of OCTA and the operators are in process and expected to be completed and submitted to the California Department of Transportation prior to June 30, 2022.   |
| 99246(d)  | 8. The performance audit of the operator providing public transportation services shall include a verification of the operator's cost per passenger, operating cost per vehicle service hour, passenger per vehicle service mile, and vehicle service hours per employee, as defined in Section 99247. The performance audit shall include 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 section 99260.2. | In Compliance | Previous triennial audit of operators included include a verification of the operator's cost per passenger, operating cost per vehicle service hour, passenger per vehicle service mile, and vehicle service hours per employee; and 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.<br><br>Current triennial audit of operators will include a verification of the operator's cost per passenger, operating cost per vehicle service hour, passenger per vehicle service mile, and vehicle service hours per employee; and consideration of the needs and types of passengers being served |





| Exhibit 1:<br>Compliance Requirements and Compliance Review Results |  |                |  |
|---|--|----------------|--|
| PUC Code Section  | Requirement  | Compliance     | Comments   |
|   |  |                | 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.  |
| 99270.1 and 99270.2   | 9. The RTPE has established rules and regulations regarding revenue ratios for transportation operators providing services in urbanized and newly urbanized areas.   | Not Applicable | OCTA's TDA Guidelines establish rules for revenue ratios for the transit operators. OCTD is subject to a 20% urban farebox recovery ratio (per provisions of SB 508), which could include local support revenues. LMBTL is not subject to this ratio but must qualify under the 50% expenditure limitation provision of the TDA.   |
| 99275.5   | 10. 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. | In Compliance  | <p>OCTA has designated OCTD as the Consolidated Transportation Services Agency and is the only eligible claimant of Article 4.5 funding. OCTA's TDA Guidelines sets forth the criteria OCTA must use to make annual findings prior to approving claims. OCTD files its annual Article 4.5 claim for community transit services and must find the following:</p> <ul style="list-style-type: none"> <li>• The community transit service is responding to a demonstrated need by those persons who cannot use fixed route service.</li> <li>• The service is integrated with existing transit services, if appropriate.</li> <li>• The claimant has prepared an estimate of revenues, operating costs, and boardings.</li> </ul> |



| Exhibit 1:<br>Compliance Requirements and Compliance Review Results |  |               |   |
|---|--|---------------|---|
| PUC Code Section  | Requirement  | Compliance    | Comments  |
|   |  |               | <ul style="list-style-type: none"> <li>The claimant is in compliance with fare recovery, performance requirements, and local match requirements.</li> <li>The claimant has been submitting an annual certified fiscal audit.</li> <li>The operator honors the federal Medicare identification card as sufficient identification for reduced fares for senior citizens.</li> <li>The operator honors identification cards issued by another transit operator as sufficient identification for reduced fares for disabled veterans and other persons with disabilities.</li> </ul>  |
| 99310.5 and 99313.3 and Proposition 116                             | 11.State transit assistance funds received by the RTPE are allocated only for transportation planning and mass transportation purposes. (Since the June 5, 1990 passage of Proposition 116, state transit assistance funds may no longer be used for street and road purposes, as had been permitted in certain classes under PUC Section 99313.3. | In Compliance | <p>OCTA is the sole recipient of STA funding in the County. The OCTD is eligible to receive funding from the STA Fund for providing public transportation services throughout Orange County. In order to receive these funds, the OCTD, as the public transit and community transit services operator, files claims with the OCTA. These STA funds may be used for both operating and capital expenditures of public transit operators. The claim filing process for the STA Fund consists of completing the STA Fund Certification, and preparing a staff report and resolution that must be approved by the OCTA Board of Directors.</p> <p>OCTA performs the calculations identified in PUC 99314.6 to ensure OCTA meets the STA Operators</p> |



| Exhibit 1:<br>Compliance Requirements and Compliance Review Results |  |                |  |
|---|--|----------------|--|
| PUC Code Section  | Requirement  | Compliance     | Comments   |
|   |  |                | Qualifying criteria per the TDA statute. In the event OCTA is not in compliance with the STA Operators Qualifying Criteria as identified in PUC 99314.6 of the TDA statute, OCTA will note such finding in a staff report to the OCTA Board of Directors.  |
| 99314.3   | 12.The amount received pursuant to Public Utilities Code, Section 99314.3; by each RTPE for state transit assistance (STA) is allocated to the operators in the area of its jurisdiction as allocated by the State Controller’s Office.  | In Compliance  | OCTD is the only recipient of STA revenue in the County. STA funds are included in the Formula Allocation process (FAP) for distribution to OCTD. OCTA and the City of Laguna Beach have agreed that Laguna Beach Municipal Transit Lines will receive local funding assistance in lieu of STA funds.  |
| 99401.5   | 13.If TDA funds are allocated to purposes not directly related to public or specialized transportation services or facilities for exclusive use of pedestrian and bicycles, the transit-planning agency has annually: <ul style="list-style-type: none"> <li>• Consulted with the Social Services Transportation Advisory Council (SSTAC) established pursuant to the Public Utilities Code Section 99238;</li> <li>• Identified transit needs, including:</li> <li>• Groups who are transit-dependent or transit-disadvantaged;</li> <li>• Adequacy of existing transit services to meet the needs of groups identified; and</li> <li>• Analysis of potential alternatives to provide transportation services.</li> <li>• Adopted or re-affirmed definition of “unmet transit needs” and “reasonable to meet”.</li> </ul> | Not Applicable | PUC Section 99232 and PUC 99238 provide that an SSTAC is not required in a county that had a population of 500,000 or more as of 1970. OCTA does maintain an Accessible Transit Advisory Committee that advises OCTA about issues that relate to OCTA’s fixed-route and paratransit services for customers with special transportation needs. This function is managed by Public Outreach within OCTA. |



| Exhibit 1:<br>Compliance Requirements and Compliance Review Results |   |               |  |
|---|---|---------------|--|
| PUC Code Section  | Requirement   | Compliance    | Comments   |
|   | <ul style="list-style-type: none"> <li>Identified the unmet transit needs or there are no unmet transit needs, or there are unmet transit needs that are reasonable to meet.</li> <li>If a finding is adopted that there are unmet transit needs, these needs must have been funded before an allocation was made for streets and roads.</li> </ul>   |               |  |
| California Code of Regulations, Section 6642                        | <p>14. The RTPE has caused an audit of its account and records to be performed for each fiscal year by the county auditor or a certified public accountant. The RTPE must transmit the audit report to the State Controller within 12 months of the end of the fiscal year in accordance with the Basic Audit Program and Report Guidelines for the California Special Districts prescribed by the State Controller. The audit shall include a determination of compliance with the TDA and accompanying rules and regulations. Financial statements may not commingle the state transit assistance fund, the local transportation fund, or other revenues or funds of any city, county or other agency. The RTPE must maintain fiscal and accounting records and supporting paper's for at least four years following fiscal year close.</p> | In Compliance | <p>Crowe LLP, a firm of licensed Certified Public Accountants, conducted the audit of OCTA's financial statements for FYs 2019, 2020 and 2021. Vavrinek, Trine, Day &amp; Co., LLP, a firm of licensed Certified Public Accountants, conducted the audit of OCTA's financial statements for FY 2018. The Comprehensive Annual Financial Report was submitted to the State Controller within 12 months of the end of each fiscal year.</p> <p>FY 2019: October 31, 2019<br/>           FY 2020: November 16, 2020<br/>           FY 2021: November 22, 2021</p> <p>OCTA also maintains fiscal and accounting records and supporting papers for at least four years following the fiscal year close.</p> |



## B. Follow-up of Prior Recommendations

As part of this Triennial Performance Audit, we reviewed the FY 2016-2019 Triennial Performance Audit Report. The prior Triennial Performance Audit completed in April 2019 included three applicable findings related to OCTA's RTPE function.<sup>1</sup>

**Prior Recommendation #1:** Continue to Improve Compliance with PUC Requirements from Changes in State TDA Law.

**Action Taken:** OCTA documented the calculations used to determine the portion of the STA funds to be allocated for operations and capital. OCTA now includes the allocated amounts for operations and capital in the staff reports. Additionally, OCTA updated the TDA Guidelines to reflect the operator qualifying criteria. Finally, OCTA updated the LTF claim form to be consistent with TDA statutory requirements.

**Prior Recommendation #3:** Maximize Local Support Revenues

**Action Taken:** OCTA has continued to seek additional strategies to support farebox revenues for the bus system. OCTA augments farebox revenue with local revenues but seeks additional local funds to support farebox revenue. While this is an ongoing process, OCTA has stated that this continues to be a priority and, therefore, we concluded that OCTA has adequately addressed this recommendation.

**Prior Recommendation #5:** Plan for Impacts of Longer Bus Lives and Clean Fleet

**Action Taken:** OCTA has approved a plan to convert the OC Bus Fleet to 100% zero-emission technology by 2040. Under this plan OCTA will evaluate different types of technology ranging from hydrogen fuel-cell electric buses and plug-in battery-electric buses to determine which technology is more efficient and effective.

---

<sup>1</sup> The prior Triennial Performance Audit combined the audit for both OCTA and OCTD into one report. The Audit included seven recommendations, three of which are applicable to OCTA as the RTPE. For purposes of this report, we listed the applicable recommendations in their original numbers.



## C. Review of OCTA Functions

The following OCTA functions were included as part of this Triennial Performance Audit:

1. RTPE Administration and Management
2. Transportation Planning and Regional Coordination
3. Claimant Relationships and Oversight
4. Marketing and Transportation Alternatives
5. Grant Application and Management

For each function, the team:

- **Reviewed Key Documents** for each major functional area including organization charts, mission objectives, goals, policy and procedures manuals, operating budgets, any internal or outside reports or studies related to the areas under review, and other pertinent documents related to the organization and operations of the functional area. In addition, the team reviewed Board of Director and applicable committee meeting agendas and minutes, annual budgets, annual reports, Comprehensive Business Plans and other planning documents, and regulatory reporting documents.
- **Identified Organizational Changes** to determine whether any significant changes to OCTA's organizational structure have occurred in the three years under review. If significant changes have occurred, the team assessed the effects and determined the impact on the major functional areas under review during the current audit period.
- **Interviewed Pertinent OCTA Officials** relevant to each major functional area and identify the goals and objectives of each major functional area. These interviews included discussing accomplishments made over the past three years towards achieving stated goals and objectives, identifying opportunities for improved economy and efficiency in operations, status of prior audit findings and recommendations and other compliance information as appropriate to the interviewee.

The following sections provide the results for each of the functional review areas.



## 1. RTPE Administration and Management

This section presents the results of the review of OCTA's administration and management functions.

### Budget Formulation

Budget formulation is the process of determining the resources necessary for OCTA to carry out its programs, perform its mission and achieve its strategic objectives and goals. The process is more than the preparation of a legal document that appropriates funds for a series of line items, it also has political, managerial, planning, communication, and financial dimensions. A good budget process:

- Incorporates a long-term perspective.
- Establishes linkages to the authority's mission and its organizational goals.
- Focuses budget decisions on results and outcomes and aids in operational planning.
- Involves input from the Board, management, key stakeholder, and the public and communicates the priorities of the authority.

These key characteristics of good budgeting make clear that the budget process is not simply an exercise in balancing revenues and expenditures one year at a time but is strategic in nature. The budget process should encompass a multi-year financial and operating plan that allocates resources based on identified goals. A good budget process moves beyond the traditional concept of line-item expenditure control, providing incentives and flexibility to managers that can lead to improved program efficiency and effectiveness.<sup>2</sup>

The following sections provide an overview of OCTA's budget development process relative to each of the elements identified as part of a good budget process.

#### ***Long-Term Perspective***

OCTA starts the financial cycle by updating its financial forecast based on known parameters and future assumptions. Each year, OCTA updates its 20-Year

---

<sup>2</sup> Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting, National Advisory Council on State and Local Budgeting Government Finance Officers Association, June 1998



Comprehensive Business Plan. This Plan is a tool to assist OCTA in implementing its strategic goals. The Plan utilizes financial modeling and input from each of OCTA's divisions to develop a comprehensive study of economic influences and programmatic needs over a twenty-year horizon.

Additionally, OCTA updates its Long-Range Transportation Plan (LRTP) approximately every four years, the last one being completed in 2018. OCTA is currently preparing an update for 2022. The LRTP is a 20-year plan that is adopted by the Board and prioritizes the highway and transit infrastructure projects and transit services for the County. The goal of the plan is to anticipate future growth in population, employment and housing and continue to improve the transportation system to accommodate this development.

The OCTA Board of Directors (Board) is comprised of 18 individuals that represent Orange County and is responsible for directing and overseeing OCTA. The Board approves the budget by June 30 of each fiscal year. The annual budget establishes the legal level of appropriation for OCTA and includes operating, capital, regional funding, and other components necessary to implement the policy directions contained in previously Board adopted long-term plans such as the LRTP.

### ***Linkages to Organizational Goals***

At the beginning of its budget, OCTA sets forth its strategic planning framework that provides a detailed approach to address the needs of the County's transportation system. This framework provides the structure used for the development of the annual budget. These documents include the Long-Range Transportation Plan, the Comprehensive Business Plan, and the Transit Master Plan. Additionally, at the beginning of the calendar year, the Board and CEO develop a list of key initiatives that prioritize what the Authority will focus on in the coming fiscal year.

### ***Focus on Results and Outcomes***

Service and program policies and plans translate broad goals into strategies for achieving goals. These policies and plans provide the basis for designing specific programs and services. The FY 2021 budget included a focus on the following key results for its programs:

- Measure M2 Program
  - Continue construction on the I-405 Improvement Project
  - Begin construction on the SR-55 project from I-405 to I-5
  - Seek external, state, and federal grant opportunities





- Transit
  - Restore fixed-route revenue hours subject to demand and public health considerations
  - Evaluate the introduction of the Near Zero Cummins engine
  - Install motorized security gates and access controls at bases
  - Modernize OCTA's Park and Ride facilities
- Rail Program
  - Utilize CARES Act funding to provide a demand-based approach to maintain Metrolink service on vital routes
  - Begin construction of the Placentia Metrolink station
  - Initiate final plans, for the Orange County Maintenance Facility project
- OC Streetcar
  - Expect production of eight vehicles and begin preliminary testing
  - Construction of the track and systems with expected completion in 2023
- Express Lanes
  - Launch a new redesigned website
  - Complete new back-office system
- Motorist Services
  - Transition FSP services for six service areas to new providers
  - Transition Call Box maintenance to new provider
  - Release new procurement for radio maintenance
  - Implement replacement Call Box TeleType solution

### ***Communication with Stakeholders***

OCTA's annual budget development process includes opportunities for public input at various stages. Initial opportunities for public comment occur early in the process when initial budget assumptions are presented to the Finance and Administrative Committee in March and then a preview again in April. The Finance and Administrative Committee conducts a workshop in May where public feedback and comment are again sought and the budget is further refined. Finally, the public is invited to participate in the final approval of the budget at the Board of Directors meeting in June.

### **Internal Controls**

Internal controls are processes and structures instituted by an agency to safeguard an organization and minimize risk to its objectives. Internal controls attempt to minimize and



mitigate risks and protect assets, ensure accuracy of financial and operational records, promote organizational efficiency, and encourage compliance with policies, rules, regulations, and laws. The internal control environment of an organization is established by top management and includes factors such as management's commitment to structure, accountability, ethical values, and well-documented policies and procedures. The internal control environment is the foundation for all other components of internal control, and it provides discipline and structure for an organization.

Effective programs of internal controls provide reasonable assurance that these objectives are met consistently. Internal controls play an important role in preventing and detecting fraud and protecting the organization's resources. Instituting and applying an effective internal control environment is a sign of proper governance and proactive management.

OCTA utilizes an Internal Audit Department to help ensure the success of operations at the Authority. The Internal Audit Department is responsible for examining and evaluating the Authority's financial, administrative, and operational activities. To ensure independence, the Internal Audit Department reports directly to the Board of Directors, but also works with the Chief Executive Officer on administrative matters. The Internal Audit Department develops an annual audit plan and provides quarterly updates on the plan to the Board of Directors. The plan includes a wide variety of auditing services including annual financial and compliance audit oversight, operational reviews, compliance reviews, internal control assessments, investigations, pre-award and post-delivery Buy America reviews, and price reviews.

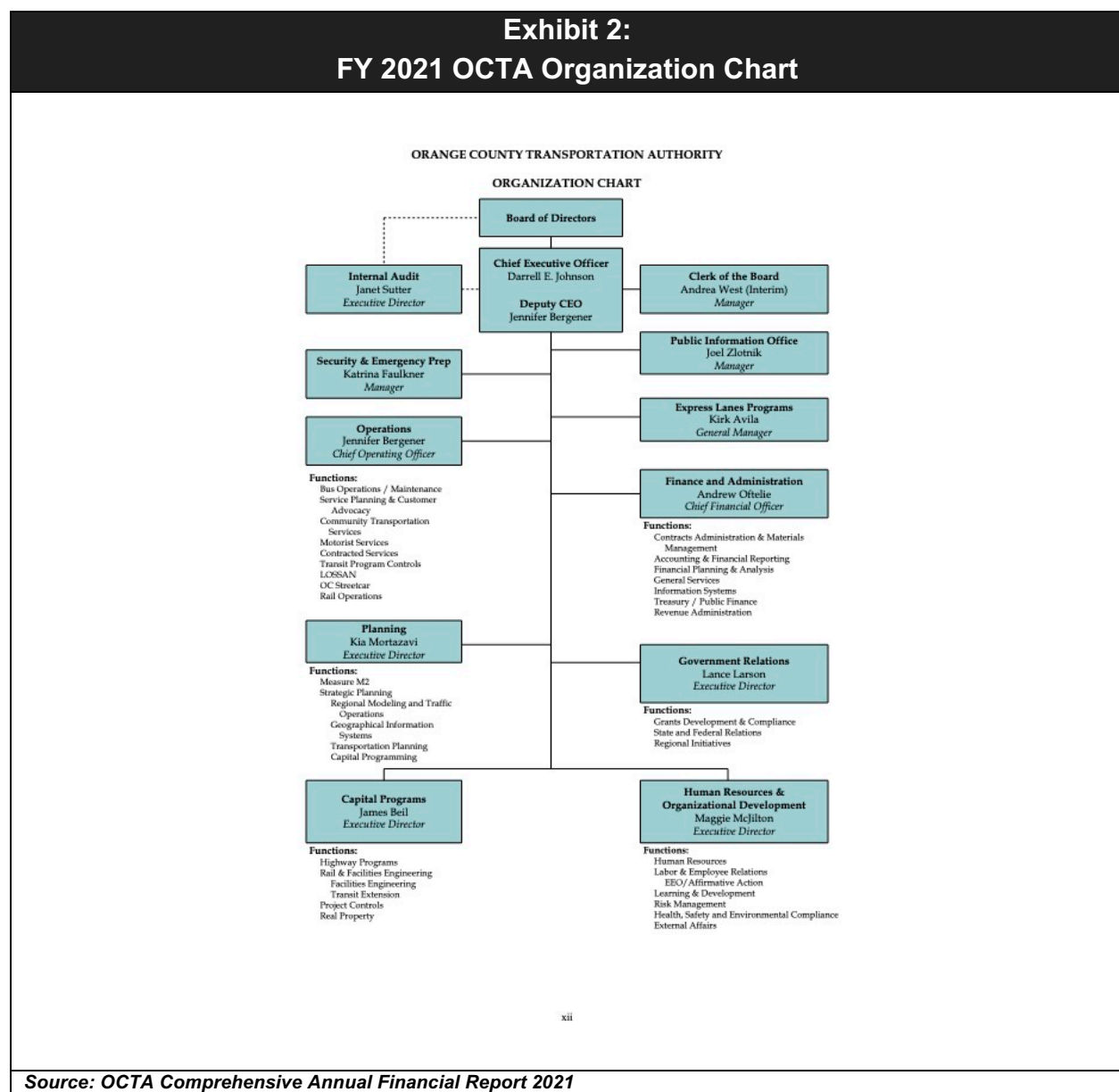
The Internal Audit Department also works with the Financial and Administration Committee of the Board (Committee). This Committee reviews the annual audit plan and quarterly reports of audit activity, reviews the effectiveness of the internal audit function, reviews all audit reports, and ensures there are not unjustified restrictions or limitations placed on the Internal Audit Department.

## **Organization and Reporting Structure**

An organization's structure should be aligned to focus on its core functions and strive to reduce organizational inefficiencies. The structure should reflect the priorities of the organization, facilitate effective service delivery, promote proactive problem solving, ensure consistency of direction and management control, minimize obstacles and barriers to performance, and stimulate a culture of shared accomplishment and teamwork.



OCTA is a multi-dimensional organization responsible for serving the transportation and transit needs for the entire County. The legislation creating OCTA gives it the authority to establish the organizational structure but requires OCTA to have a transit construction unit for public mass transit guideway projects (construction role), an operating unit responsible for the operation of bus and public mass transit guideway routes (operations role), and a transportation planning and programming unit (RTPE role). The following exhibit shows OCTA’s organization structure for FY 2022.





Organizational stability is important for OCTA to maintain the appropriate focus on achieving its mission and key goals. Major reorganizations can be disruptive and detract from this focus as energy and effort and, in general, should occur infrequently and be supported by very clear analysis and rationale for the changes. Over the course of the triennium, OCTA did not have any major reorganizations of its structure.

## **Management Controls over the Expenditure of Funds**

It is critical for management to implement controls over the expenditure of funds to provide reasonable assurance that the objectives of the authority will be achieved. Effective controls can include ensuring the budgets are linked to short- and long-term planning goals, and diligent budget monitoring.

OCTA has developed a series of planning tools to ensure its objectives are clearly defined. Through the LRTP, the CBP, and the Board and CEO Initiatives and Action Plan (more fully described below), the Authority sets forth short and long-term objectives that are connected to key funding sources. These tools allow for the development of a budget that is linked directly to the Authority's goals.

Once the budget is developed and approved, OCTA utilizes a series of internal tools to ensure that monies allocated to specific programs and departments is spent accordingly:

- On a monthly basis, the Finance and Administration Department (F&A) conducts a budget-to-actuals analysis for departmental and major project expenses. The goal is to identify unexpected levels of spending. Where the potential for overspending is identified, F&A works with the applicable project manager to evaluate the cause and if any corrective action is required.
- F&A also provides contract oversight of any operator contracts more than \$1 million to ensure that burn rates and overall contract expenditures are within the expected level of expenses over the life of the contract.
- On a quarterly basis, both the Finance and Administration Committee and the Board is presented with a budget-to-actuals report. The intent is to provide transparency and accountability for budgetary expenditures with a focus on ensuring major projects and categories of expenses are being spent according to budget. If necessary, the Authority will present to the Board for approval a mid-year budget adjustment to allocate additional monies to a project, allowing the Board and the public an opportunity to provide input.



The foregoing structure is well designed to ensure that the expenditure of funds are used consistent with the goals and long-term objectives of the authority as well as the restrictions set forth in various types of funds (e.g., State Transit Assistance Program, Orange County Unified Transportation Trust, and Measure M).

**Conclusion:** OCTA's administrative and management structure and processes provide an effective framework for the Authority to achieve its organization's goals.

## 2. Transportation Planning and Regional Coordination

The planning and programming needs related to transportation in the County are unique and diverse. The County's transportation system includes a vast freeway network, high occupancy vehicle and toll lanes, a Master Plan of Arterial Highways, extensive fixed-route and demand response bus services, commuter rail, and active transportation including bicycle and pedestrian facilities. OCTA is responsible for the planning and coordination of the County transportation system as well as linkages with other regional systems.

Successfully planning and programming transportation funds requires several key elements including accurately forecasting available funds, developing criteria for evaluating funding choices, evaluating capital funding requests, and balancing revenue and expenditures. To facilitate these efforts, OCTA develops a web of short- and long-range planning tools including the following:

### Long-Range Transportation Plan (LRTP)

The most recent OCTA LRTP was developed in 2018 with a current update to be completed in 2022. The objective of the plan is to develop a 20-year perspective and vision for the County's transportation system by addressing transportation challenges, using public input to identify new initiatives and priorities, and define projects to include in the Southern California Association of Governments (SCAG) Regional Transportation Plan and Sustainable Communities Strategic (RTP/SCS). The plan considers a forecast of available revenues, changing demographics and other significant trends.

While the LRTP has a 20-year outlook, the plan also includes a Short-Term Action Plan focused on Orange County Planning Activities (e.g. coordination with local partner agencies, South Orange County mobility, corridor studies and improvements, etc.), Regional Planning Activities (e.g. trade corridors/goods movement, countywide Express Lanes Strategic Plan, etc.), Emerging Issues (e.g. monitor new technology, connected



infrastructure needs assessment, etc.) and Transportation Outreach and Education (e.g. active transportation safety, transit use and trip planning, etc.).

## **Comprehensive Business Plan (CBP)**

The CBP is a business planning tool to help OCTA implement its strategic objectives. The CBP outlines the objectives of the Authority consistent with the goals set forth in the Strategic Plan, Measure M2 Transportation Investment Plan, Next 10 Delivery Plan, Designing Tomorrow, and OCTA's LRTP. Using financial modeling and input for OCTA's different divisions, the programmatic needs and objectives of the authority are incorporated into a business planning document that ensures the financial viability of OCTA's programs over a 20-year horizon.

The CBP is updated internally on an annual basis to establish internal budget targets which lay the foundation for the annual budget process. It reviews the programmatic goals for each of the six distinct programs: Bus Program, Rail Program, Measure M2 Program, Express Lanes, Non-Program Specific Projects, and Motorist Services.

## **Board and CEO Initiatives and Action Plan**

In the beginning of the year, the OCTA Board of Directors, working with the CEO's Office, develops the key initiatives and actions to be taken in the following fiscal year. The document prioritizes the agencies strategic direction to allow for a budget that is aligned with the Authority's near-term goals and objectives. In the FY 2021, the Board and CEO identified the following initiatives and actions:

- Reliable, Accessible, and Balanced Transportation Choices
  - Provide Balanced Public Transportation Options and Solutions
  - Deliver Improvements to Fulfill Measure M Promises
  - Engage with Diverse and Disadvantaged Communities
- Financial Stewardship, Sustainability and Resilience
  - Champion Environmental Stewardship and Sustainability
  - Plan and Adapt to a Changing Environment
  - Demonstrate fiscal responsibility and effective Measure M2 administration
- Organizational Excellence and Collaboration
  - Enhance Workforce Diversity and Inclusive Work Culture
  - Adapt to a Changing Workplace, Promote Employee Development and Safety



- Provide Quality Customer Service and Collaborate with Regional Partners

## Detailed Plans and Studies

In addition to the LRTP and the CPB, OCTA routinely develops more detailed plans and studies related to individual issues within the County. These more specific plans and studies set forth the next steps in a series of key operational and capital plans. A sampling of recent plans and studies include:

- SR-91 Comprehensive Multimodal Corridor Plan
- Bike Gap Closure Study
- Mobility Hub Study
- South Orange County Multimodal Transportation Study
- Rail Infrastructure Study
- Freeway Rapid Transit Concept Study
- Connect OC-LA Transit Study
- Bristol Street Transit Corridor Study
- Hazard Mitigation Plan
- Transit Master Plan
- Congestion Management Program
- Human Services Transportation Coordination Plan

**Conclusion:** OCTA has planned and programmed transportation funds and addressed the challenges faced methodically, effectively, and efficiently over the triennial audit period.



### **3. Claimant Relationships and Oversight**

As the RTPE, OCTA is responsible for direct interactions with claimants. These functions include productivity assistance, review of audited performance and financial reports, and TDA claims processing.

#### **Productivity Functions**

OCTA has established a series of committees to provide public input and technical assistance to issues affecting transportation within the County:

##### **Technical Advisory Committee (TAC)**

Established in 1976, the TAC provides OCTA with technical advice on issues primarily related to M2 competitive grant programs that service to improve capacity on streets and roads. Comprised of 35 representatives from cities and the County, the TAC is organized to provide wide-ranging and diverse input from each area within the County. The TAC meets periodically.

##### **Technical Steering Committee (TSC)**

The TSC is a subcommittee of the TAC and is appointed to review programming recommendations and provide policy direction on major technical issues prior to submittal to the full TAC. It consists of nine members nominated by the TAC and approved by the OCTA Board of Directors.

##### **Citizen Advisory Committee (CAC)**

The CAC is organized to provide public input to help OCTA examine traffic solutions and transportation studies. Their responsibilities include identifying opportunities for community input, recommending strategies for obtaining public opinion on transportation issues, serving as a liaison between the public and OCTA, commenting on significant transportation issues, and suggesting possible solutions. The CAC meets quarterly.

##### **Accessible Transit Advisory Committee (ATAC)**

The ATAC advises OCTA on issues that relate to fixed-route and paratransit services for customers with special transportation needs. The ATAC's responsibilities include advice on transit issues, recommending the appropriate means to obtain input from disabled and senior users, communicating with care, and assisting with special needs service evaluations. The ATAC is comprised of 34 members representing individuals with disabilities and senior citizens.





## Performance and Financial Audits

OCTA is responsible for ensuring that each of the County's operators submit annual audited financial statements and monthly operating statistics. OCTA reviews productivity of its operators monthly. Additionally, OCTA is responsible for ensuring that both OCTD and LBMTL participate in the TDA Triennial Performance Audit every three years.

### TDA Claims Processing

In the County, OCTA is responsible for administering TDA funds which includes Local Transportation Fund (LFT) and State Transit Assistance Fund (STAF) revenues. This includes the authorization to instruct the County's Auditor-Controller to disburse funds for claims approved by OCTA. OCTA's Board of Directors has directed the use of LTF revenues for operating expenditures and STAF revenues for capital and operations expenditures. OCTA has developed processes for the submission of TDA claims to ensure the efficient and timely distribution of funds to claimants monthly.

**Conclusion:** OCTA has effectively carried out its responsibilities for claimant relationships and oversight over the triennial audit period.

## 4. Marketing and Public Relations

OCTA is responsible for promoting public transportation and transportation alternatives within the County. During the pandemic, the marketing and public relations function focused its efforts on two key issues. First, OCTA needed to communicate with the public efforts being undertaken to address the safety of its riders and bus operators. This was especially challenging during the early months of the pandemic when guidance regarding public transportation and public safety changed rapidly. This included information about bus cleaning efforts, masking requirements, hand sanitizers and social distancing. Second, OCTA needed to inform the public, especially first responders and essential workers who continued to use the service, regarding its restructured bus service.

OCTA routinely communicated with the public through traditional media (using press releases and interviews with leadership), through social media and information presented on its web portal. OCTA developed a section of its website solely to address issues related to COVID-19 with a campaign slogan of "Together We Can Ride Safely!" This effort focused on ensuring the public that OCTA was following pandemic related guidance and observing all local, state and federal safety guidelines. OCTA also created a FAQ section to answer questions such as "How has OC Bus been impacted?", "Are masks



required for passengers?”, “Is it safe to ride OC Bus?”, “Has OC ACCESS paratransit service been impacted?” and other responses to timely questions.

Historically, OCTA has conducted rider surveys every two to three years. During the pandemic, OCTA pivoted and conducted an employment and travel survey to understand the pandemic’s impact on public attitudes, working arrangements, and travel behaviors. The goal was both to assist OCTA to design an integrated and balanced transportation system reflecting new travel needs and establish a set of baseline metrics against which future marketing surveys can be employed to identify long-term impacts. The survey reveals several dramatic impacts including:

- Working from home increased from 0.8 days per week to 2.6 days for the average employee.
- Working exclusively from home increased from 12% to 47%
- Reduction in commute and non-work trips resulted in decreases in transit, active transportation, and ridesharing
- Once the pandemic is over, about half of employees prefer to maintain or even increase the number of days they work remotely.

Through this research, OCTA is both using the findings of the survey to communicate more effectively with the public and evaluate transportation needs moving forward after the pandemic.

**Conclusion:** OCTA has adequately promoted public transportation and transportation alternatives within the County over the triennial audit period.

## 5. Grant Applications and Management

As the RTPE, OCTA is responsible for programming local, state, and federal source funds towards projects that will improve transportation in the County. Through a series of calls for projects, OCTA makes local, state, and federal funding available to all 35 local government organizations in the County and includes funds to improve all modes of surface transportation. The different calls for projects include:

- Comprehensive Transportation Funding program (Measure M funding)
- Enhance Mobility for Seniors and Disable Grant Program
- Federally Funded
- Bicycle Corridor Improvement Program



- Arterial Pavement Management Program
- Highway safety Improvement Program
- Pavement Management Relief Funding Program

OCTA has established guidelines which detail the competitive process for each of the calls for projects (CFP) and manages each CFP individually. Information is provided to potential applicants through OCTA's website and includes a summary of the goals for each type of CFP, a grant application workshop to assist applicants in the development of their applications and a detailed schedule that includes when the applications open, the application deadline and approval of projects. To assist awarded applicants, OCTA also holds a workshop on how to manage the grant process.

**Conclusion:** OCTA has adequately carried out its responsibilities for programming local, state, and federal source funds towards projects that will improve transportation in the County over the triennial audit period.

## D. Overall Conclusions

We find OCTA, as the RTPE, to (1) be in compliance with the requirements of the Transportation Development Act, (2) have sufficiently implemented recommendations from the prior Triennial Performance Audit, and (3) have generally operated in an efficient, effective, and economical manner during the triennial audit period.