



**October 22, 2014**

**To:** Finance and Administration Committee

**From:** Darrell Johnson, Chief Executive Officer   
Janet Sutter, Executive Director   
Internal Audit Department

**Subject:** Review of the Orange County Transportation Authority Vanpool Program

### **Overview**

The Internal Audit Department has completed a review of the Orange County Transportation Authority Vanpool Program. Based on the review, controls are adequate to ensure compliance with Vanpool Program guidelines, and vanpool providers operate in compliance with contract terms.

### **Recommendation**

Receive and file the Review of the Vanpool Program, Internal Audit Report No. 15-501.

### **Background**

Vanpools allow commuters to experience travel time and cost savings for their commute, while helping Orange County to fulfill air quality requirements. Under the Vanpool Program (Program), the Orange County Transportation Authority (OCTA) provides a subsidy of \$400 per month to qualified vanpools. In return, OCTA receives funding under the Federal Transit Administration Urbanized Area Formula grants (Section 5307) by reporting vanpool miles traveled. OCTA receives more than a 200 percent return for every dollar paid out in subsidies. Subsidy payments total approximately \$2 million per year.

OCTA maintains agreements with two vanpool contractors, Enterprise Rideshare, Agreement C-2-1506, and VRIDE, Inc., Agreement C-2-1353. These providers lease vans to individuals or employers participating in the Program. The contractors invoice OCTA for the subsidy on a monthly basis.

Program guidelines require that vanpools maintain a minimum of 60 percent occupancy to receive the subsidy. If a van fails to maintain 60 percent occupancy for three consecutive months, the subsidy is discontinued until the minimum occupancy is achieved. OCTA utilizes an automated database program to monitor vanpool activities.

***Discussion***

The Internal Audit Department reviewed vanpool policies and procedures, interviewed responsible staff and management, and performed sample testing to determine compliance with key contract terms and Program guidelines. Based on the review, vanpool contractors operate in compliance with contract provisions, and the Program is managed in compliance with Program guidelines.

***Summary***

Based on the review, controls are adequate to ensure compliance with Program guidelines, and vanpool providers operate in compliance with contract terms.

***Attachment***

- A. Review of the Vanpool Program, Internal Audit Report No. 15-501

**Prepared by:**



---

Gerry Dunning  
Senior Internal Auditor  
714-560-5875

**Approved by:**



---

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

# Orange County Transportation Authority Internal Audit Department



## Review of the Vanpool Program

### Internal Audit Report No. 15-501

October 9, 2014



**Performed by:** Janet Sutter, CIA, Executive Director  
Gerry Dunning, CIA, CISA, CFE, Senior Internal Auditor

**Distributed to:** Ellen Burton, Executive Director External Affairs  
Stella Lin, Marlon Perry

ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Review of the Vanpool Program  
October 9, 2014

**Table of Contents**

<b>Conclusion.....</b>	<b>1</b>
<b>Background .....</b>	<b>1</b>
<b>Objectives, Scope, and Methodology.....</b>	<b>1</b>

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**INTERNAL AUDIT DEPARTMENT**  
**Review of the Vanpool Program**  
**October 9, 2014**

**Conclusion**

The Internal Audit Department (Internal Audit) has completed a review of the Orange County Transportation Authority's (OCTA) Vanpool Program (Program). Based on the review, controls are adequate to ensure compliance with Program guidelines and vanpool providers operate in compliance with contract terms.

**Background**

The OCTA Board of Directors first approved funding for a Program with the Fiscal Year (FY) 2006-07 budget. Vanpools allow commuters to experience travel time and cost savings for their commute, while helping Orange County to fulfill air quality requirements. Under the Program, OCTA provides a subsidy of \$400 per month to qualified vanpools. In return, OCTA receives funding under the Federal Transit Administration Urbanized Area Formula grants (Section 5307) by reporting vanpool miles traveled. According to records maintained by Financial Planning and Analysis staff, OCTA receives more than a 200 percent return for every dollar paid out in subsidies to the Program. Subsidy payments total approximately \$2 million per year.

A vanpool is a group of seven to fifteen people who regularly commute to work in a shared van. One person is designated as the driver and all riders split the costs of the vanpool, such as the lease payment, fuel, parking, and tolls. Some large employers have an employee transportation coordinator that assists the employer in promoting and forming vanpools within their company. At June 30, 2014, there were 460 active vanpools serving 89 unique employer worksites.

OCTA has agreements with two vanpool contractors, Enterprise Rideshare, Agreement C-2-1506, and VRIDE, Inc., Agreement C-2-1353, that lease vans to individuals or employers participating in the Program. The contractors invoice OCTA monthly for the vanpools that qualify for the program subsidy.

Program guidelines require that vanpools demonstrate a minimum of 80 percent occupancy to start. Once in the Program, vanpools must maintain a minimum of 60 percent occupancy to continue receiving the subsidy. If a van fails to maintain 60 percent occupancy for three consecutive months the subsidy is discontinued until the minimum occupancy is achieved. OCTA utilizes an automated database program to track vanpool activities.

**Objectives, Scope, and Methodology**

The objective of this review was to assess the adequacy of controls over program subsidy payments and compliance with contract terms.

The scope of the review included FY 2012-13 and FY 2013-14. The review methodology included, but was not limited to, review of policies and procedures,

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Review of the Vanpool Program  
October 9, 2014**

interviews with applicable staff and management, testing for evidence of compliance with key contract terms, and Program guidelines.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.