



March 13, 2013

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Review of Orange County Taxi Administration Program Operations

Overview

The Internal Audit Department has completed a review of operations of the Orange County Taxi Administration Program. Based on this review, Orange County Taxi Administration Program operations are consistent with the requirements set forth in California Government Code 53075.5, as well as the Regulations of the Orange County Taxi Administration Program. Additionally, policies and procedures and related controls over the permitting process, cash receipts, and inventory are adequate.

Recommendation

Receive and file Review of Orange County Taxi Administration Program Operations, Internal Audit Report No. 13-516.

Background

The Orange County Taxi Administration Program (OCTAP) is a voluntary association of Orange County cities and the County of Orange created to coordinate taxicab service, permitting, and other administration, which is managed by the Orange County Transportation Authority (OCTA). The objective of OCTAP is to increase public safety, reduce administrative costs for the public and private sector, and expand the provision of private transportation service in Orange County. OCTAP is managed by the Motorist Services and Special Projects Department of the Transit Division of OCTA (Motorist Services). OCTAP is staffed with four full-time employees and is overseen by the Motorist Services Manager. Staff evaluates permit applications, performs taxicab inspections, verifies insurance policies and Department of Motor Vehicle records, issues permits, and provides information and materials to taxicab companies and drivers. Additionally, staff performs studies, makes recommendations, and prepares reports for the steering and safety committees.

Discussion

The Internal Audit Department (Internal Audit) reviewed OCTAP operations and identified key improvements implemented since the prior review. First, OCTAP has improved the design of the Regional Taxicab Regulation and Cataloging System database system enabling staff to electronically track all issued permits as well as the detailed results of inspections performed. These improvements allow staff to monitor company, vehicle, and driver permits and identify compliance issues. With this information, staff identifies commonly flagged areas and develops campaigns to educate taxicab companies about requirements.

OCTAP has also increased its enforcement activities. Staff now performs random vehicle inspections and cursory inspections to more effectively test compliance with certain OCTAP Regulations, such as driver possession of a valid license, registration, and insurance information while operating the taxi, displaying current meter seals, having the ability to process credit cards, and issuance of paper receipts. During the fiscal year 2011-12, OCTAP staff performed 344 random vehicle inspections as well as 1,062 field enforcement inspections.

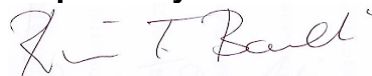
Summary

The Orange County Taxi Administration Program operations are consistent with the requirements set forth in California Government Code 53075.5 as well as the Regulations of the Orange County Taxi Administration Program. Additionally, Internal Audit has determined that policies and procedures and related controls over the permitting process, cash receipts, and inventory are adequate.

Attachment

- A. Review of Orange County Taxi Administration Program Operations, Internal Audit Report No. 13-516

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ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Review of Orange County Taxi Administration Program Operations

Internal Audit Report No. 13-516

March 1, 2013



Internal Audit Team: Janet Sutter, CIA, Executive Director
Ricco Bonelli, CIA, Senior Internal Auditor

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INTERNAL AUDIT DEPARTMENT
Review of OCTAP Operations
March 1, 2013**

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Conclusion

The Internal Audit Department (Internal Audit) has completed a review of the Orange County Taxi Administration Program (OCTAP) operations. Based on the review, OCTAP operations are consistent with the requirements set forth in California Government Code 53075.5 (California Government Code) as well as the Regulations of the OCTAP (Regulations). Additionally, policies and procedures and related controls over the permitting process, cash receipts, and inventory are adequate.

Background

OCTAP is a voluntary association of Orange County cities and the County of Orange created to coordinate taxicab service, permitting, and other administrative functions, which is managed by the Orange County Transportation Authority (OCTA). The objective of OCTAP is to increase public safety, reduce administrative costs for the public and private sector, and expand the provision of private transportation service in Orange County. OCTAP is managed by the Motorist Services and Special Projects Department of the Transit Division of OCTA (Motorist Services). OCTAP is staffed with four full-time employees and overseen by the Motorist Services Manager. Staff evaluates permit applications, performs taxicab inspections, verifies insurance policies and Department of Motor Vehicle records, issues permits, and provides information and materials to taxicab companies and drivers. Additionally, staff performs studies, makes recommendations, and prepares reports for the steering and safety committees. Although the OCTAP Department is responsible for ensuring that taxicab companies, vehicles, and drivers comply with OCTAP Regulations, OCTA does not assume liability for the performance of companies, drivers, or vehicles.

OCTAP Committees

OCTAP is guided by two committees, the OCTAP Steering Committee (Steering Committee) and the OCTAP Safety Committee (Safety Committee). The primary duty of the Steering Committee is to adopt policies, rules, and procedures to assist OCTA in the administration of the OCTAP program. The Steering Committee consists of the city manager, executive officer, or their designee, from each agency, two representatives of the permitted taxicab companies chosen by all permitted taxicab companies, and one representative of the tourist industry in Orange County. The Safety Committee is comprised of a law enforcement representative from each participating agency, and it guides OCTAP on issues of public safety. Both committees meet on a quarterly basis.

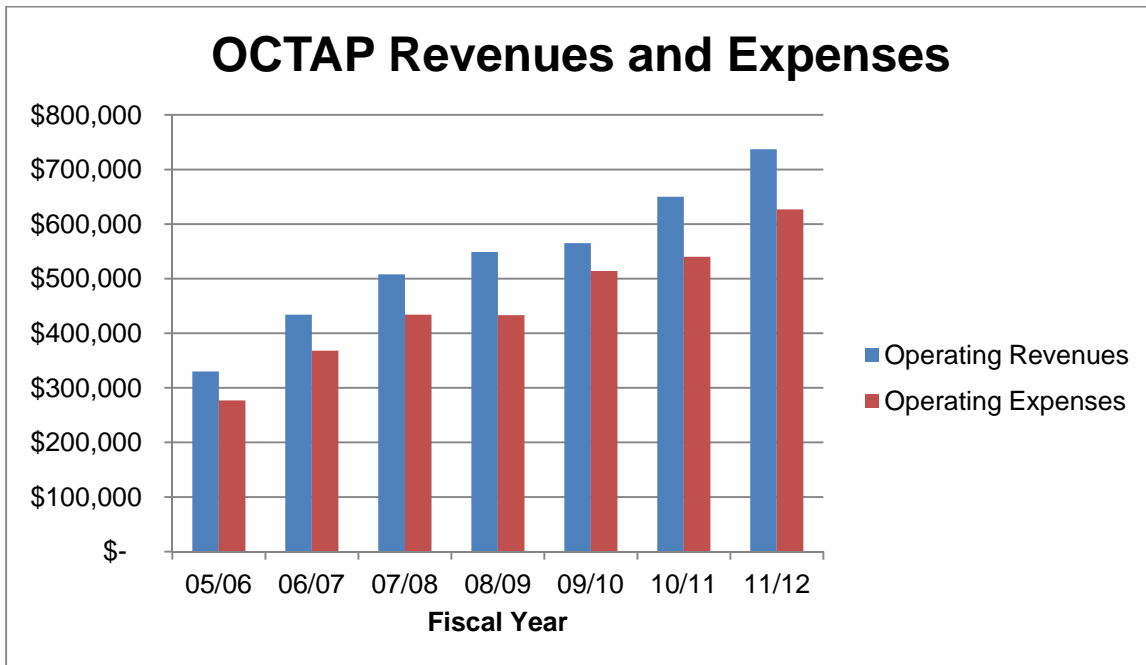
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OCTAP Operations

OCTAP Regulations are adopted by all participating agencies and implement the provisions of taxicab ordinances, resolutions, and regulations approved by the legislative bodies of each participating agency. OCTAP management has developed policies and procedures to ensure compliance with OCTAP Regulations and California Government Code. Policies and procedures are designed to work in tandem with the Regulations. While the Regulations are the “rules” of the program, the policies and procedures are designed to provide guidance on how the program is to be administered.

Growth in Operations

At the time of the last audit of OCTAP, in November 2006, there were 19 taxicab companies, 734 taxicabs, and 1,063 taxi drivers permitted to operate within Orange County. As of December 2012, there are now 35 taxicab companies, 1,113 taxicabs, and 1,555 taxi drivers permitted to operate in Orange County. From the fiscal year ended June 30, 2006, to the fiscal year ended June 30, 2012, OCTAP operating revenue has increased from \$330,000 to \$737,000, an increase of 123 percent over six years. The following chart illustrates OCTAP operating revenues and expenses for the past six fiscal years.¹



¹ Operating Revenues and Expenses figures were obtained from audited OCTA financial statements.

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OCTAP is a self-funded program of the OCTA. OCTAP revenues consist of permit fees and fines collected from taxicab companies and drivers, and its expenses are primarily wages and administrative costs. Permit fees are set at levels designed to recover the costs incurred by OCTA for administering OCTAP.

Objectives, Scope and Methodology

The objective was to evaluate OCTAP's operations and related controls over compliance with the California Government Code and OCTAP Regulations.

The methodology consisted of reviewing the California Government Code, OCTAP Regulations, and OCTAP Policies and Procedures, identification and testing of controls over OCTAP operations including permit processing, cash receipts, and inventory controls, and testing of these activities for compliance with internal policies and procedures as well as California Government Code requirements.

The scope was limited to activities related to OCTAP operations during fiscal year 2011-12. The scope included review of OCTAP permit files, revenue logs, permit inventory, and electronic data extracted from the OCTAP database.

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.

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Audit Comments, Recommendations and Management Responses

Noteworthy Accomplishments

The OCTAP Dection has made key improvements in its operations over the last several years. First, staff has improved the design and information included in the Regional Taxicab Regulation and Cataloging System database system (system) to allow the system to record and track all taxicab, vehicle, and driver permits. This greatly improved the way data is collected, arranged and stored, allowing for improved information and better monitoring of the permit process.

Another improvement has been the input of inspection results in the system, which allows staff to run queries and identify problem areas and/or trends that require attention. Staff now monitors information and develops campaigns designed to educate taxicab companies about areas that are commonly flagged during vehicle inspection. Staff is working to further streamline the vehicle inspection process by utilizing tablets to record inspection results so that information can be automatically uploaded into the system. This will increase worker efficiency as well as reduce the use of paper files and related storage costs.

OCTAP has also increased its enforcement activities. Staff now performs random vehicle inspections and cursory inspections to more effectively test compliance with certain Regulations, such as driver possession of a valid license, registration, and insurance information while operating the taxi, displaying current meter seals, having the ability to process credit cards, and issuance of paper receipts. During the fiscal year 2011-12, OCTAP staff performed 344 random vehicle inspections as well as 1,062 field enforcement inspections.