



January 24, 2018

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Investigation and Limited Scope Review of the Senior Mobility Program Operated by the Korean American Senior Association

Overview

The Internal Audit Department has completed an investigation of a report received from Orange County Transportation Authority's Transit Division related to the Korean American Senior Association of Orange County's Senior Mobility Program. Specifically, the Transit Division raised concerns about compliance with program requirements for wheelchair accessibility and with the service plan. The Internal Audit Department confirmed that the Korean American Senior Association of Orange County had not made trips available to those requiring wheelchair accessibility and that some trips provided were not outlined in the current service plan agreement. The Internal Audit Department also identified unsupported costs charged to the program and non-compliance with the program's minimum age requirement.

Recommendation

Direct staff to implement proposed corrective action to terminate the funding agreement with the Korean American Senior Association of Orange County.

Background

The General Manager of Transit reported concerns about the Korean American Senior Association of Orange County's (KASA) Senior Mobility Program (SMP); specifically, whether KASA was equipped to provide services to those requiring wheelchair accessibility and whether KASA was providing trips to locations not outlined in their current service plan agreement.

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The SMP provides local funding to support community-based transportation service for seniors. Objectives include allowing local jurisdictions to develop and implement senior transportation services to serve their community and providing transit options for seniors which complement, rather than duplicate, Orange County Transportation Authority (OCTA) fixed-route and ACCESS paratransit services. For fiscal year (FY) 2016-17, OCTA provided \$101,121 in local funding to KASA. Due to concerns about program compliance, OCTA distributed only half of the expected funding, or \$51,460, to KASA for FY 2017-18.

Discussion

The Internal Audit Department (Internal Audit) confirmed that KASA violated the SMP requirement to provide wheelchair-accessible vehicles. During a 2016 site visit, Transit Division (Transit) staff observed that KASA had removed wheelchair lifts from vehicles donated by OCTA. When Transit staff reiterated the wheelchair-accessibility requirement, KASA submitted a signed Certification of Equivalent Service, indicating that services would be provided through an agreement with Yellow Cab Company; however, no such agreement was executed. In August 2017, OCTA donated another wheelchair-accessible vehicle; however, during a site visit the following month, KASA staff acknowledged that their drivers do not know how to operate the lift. Internal Audit recommended that management continue oversight activities and report any continued non-compliance to the Board of Directors (Board) for consideration as to future funding of the program. Management responded they are not confident that compliance can be ensured even with an enhanced level of oversight. Management is recommending that the agreement with KASA be terminated and that a 90-day termination notification be sent to KASA.

Internal Audit reviewed costs for a three-month period and identified unsupported and unallowable costs and errors in reporting of expenses. Several checks, ranging from \$100 to \$400, and totaling \$1,000, were made payable to KASA employees or to "cash" and were not accompanied by supporting documentation as to the expense. Under SMP guidelines, eligible costs include direct, program-related expenses and administrative (indirect) costs up to 10 percent. Internal Audit found that, instead of charging the allowable 10 percent mark-up, KASA is assessing administrative (indirect) costs directly to the SMP. Also, KASA's monthly report for June 2017 overstated SMP costs by \$1,564. Internal Audit recommended that management review with KASA the program guidelines for allowable costs, including requirements for adequate supporting documentation, and train KASA on monthly reporting requirements. Unsupported costs should be disallowed. Since management has withheld half of the annual allocation, management will deduct the overstated \$1,564 from the remaining disbursement. If support for the program is discontinued as

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recommended, KASA will receive a portion of the funds left for the current fiscal year through the date of termination.

The age requirement to join KASA is currently set at 55 years and older; however, the SMP defines eligible participants as 60 years and older. To comply with SMP guidelines, KASA would be required to account for service costs related to participants 55 to 59 years old separately, and not include these costs in the SMP for reimbursement. KASA staff asserted this is not necessary because all participants are 60 years and older; however, Internal Audit identified at least four members under 60 years of age as of their last renewal date. Internal Audit recommended that management require KASA to develop procedures to ensure that SMP trips are only provided to individuals 60 years of age and older. Management responded that, if support for the program is continued, staff will monitor this during the site visits.

Internal Audit also confirmed that KASA provided trips to churches and buffets, which are outside their approved service plan. In addition, the total trips provided per trip sheets prepared in August 2017 did not agree to total trips reported by KASA on their monthly report. Internal Audit recommended that management disallow costs related to trips outside the service plan and instruct KASA to reconcile monthly reports to trips sheets prior to submittal. Management responded that, if support for the program is continued, OCTA staff will monitor this during site visits.

Summary

Internal Audit completed an investigation related to KASA's SMP and confirmed Transit's concerns about wheelchair accessibility and trips provided outside the service plan. Internal Audit also identified unsupported costs charged to the program and non-compliance with the program's 60-year minimum age requirement.

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Attachment

- A. Investigation and Limited Scope Review of the Senior Mobility Program Operated by the Korean American Senior Association of Orange County

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ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Investigation and Limited Scope Review of the Senior Mobility Program Operated by the Korean American Senior Association of Orange County

December 26, 2017



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Conclusion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an investigation of a report received from OCTA's Transit Division (Transit) related to the Korean American Senior Association of Orange County's (KASA) Senior Mobility Program (SMP). Transit staff identified concerns related to KASA's compliance with SMP requirements for wheelchair accessibility. In addition, staff reported concerns that KASA may be providing trips outside those approved in their service plan. Internal Audit confirmed that KASA had not made trips available to those requiring wheelchair accessibility and that some trips provided were not outlined in the current service plan agreement. Internal Audit also identified unallowable and unsupported costs charged to the program and non-compliance with SMP's 60-year minimum age requirement.

Background

Investigations

Complaints received either through the OCTA Fraud Hotline, or made directly to Internal Audit, are reviewed to determine whether an investigation can be performed and, if so, by whom. When appropriate, Internal Audit will investigate and determine whether the allegation and/or concern can be substantiated. During the investigations, Internal Audit may identify control weaknesses or opportunities to enhance existing policies and procedures. Findings and recommendations resulting from these investigations are incorporated into limited scope review reports, that include management's response and planned corrective actions. While these investigations are not considered audits, like internal audits, recommendations are tracked through to implementation.

On August 21, 2017, the General Manager of Transit reported concerns about KASA's SMP; specifically, whether KASA was equipped to provide services to those requiring wheelchair accessibility and whether KASA was providing trips to locations not outlined in their current service plan agreement.

SMP

The SMP provides local funding to support community-based transportation service for seniors. Objectives include allowing local jurisdictions to develop and implement senior transportation services to serve their community and providing transit options for seniors which complement, rather than duplicate, OCTA fixed route and ACCESS paratransit services. For Fiscal Year (FY) 2016-17, OCTA provided \$101,121 in local funding to KASA. Due to concerns about program compliance, OCTA distributed only half of the expected funding, or \$51,460, to KASA for FY 2017-18.

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SMP guidelines have been developed, approved, and incorporated into cooperative agreements with jurisdictions receiving SMP funding. The OCTA Community Transportation Coordinator performs annual site visits of all jurisdictions.

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Objectives, Scope, and Methodology

The objective of the investigation and limited scope review was to determine whether allegations about provision of wheelchair-accessible vehicles and trips outside the approved service plan could be substantiated. The scope was limited to KASA's SMP.

In conducting the investigation and limited scope review, Internal Audit employed the following methodology:

- Reviewed the Cooperative Agreement No. C-1-2491 between OCTA and City of Garden Grove and KASA for SMP and related amendments, which include the SMP policy guidelines;
- Reviewed documentation of oversight activities by OCTA staff;
- Participated in an annual site visit of KASA and observed vehicles used for the program;
- Interviews with KASA SMP staff and OCTA staff involved in oversight of the SMP program;
- Reviewed supporting documentation for June, July, and August 2017 program costs;
- Reviewed trip sheets for August 2017; and
- Reviewed KASA's member rosters.

This report is the result of an investigation of concerns expressed by Transit management, and does not represent an audit conducted in accordance with Generally Accepted Government Auditing Standards.

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Observations, Recommendations, and Management Response

Lack of Wheelchair Accessibility

KASA violated the SMP requirement to provide wheelchair-accessible vehicles.

During a 2016 site visit, the Community Transportation Coordinator (Coordinator) observed that KASA had removed wheelchair lifts from vehicles donated by OCTA. When asked, KASA staff responded that seniors in wheelchairs do not participate in their activities. The Coordinator reiterated the requirement to make available wheelchair-accessible vehicles and KASA responded by submitting a signed Certification of Equivalent Service, indicating that services would be provided through an agreement with Yellow Cab Company (Yellow Cab). The Coordinator contacted Yellow Cab and was advised that no such agreement had been executed.

In August 2017, OCTA donated another wheelchair-accessible vehicle to KASA and advised KASA against removing the wheelchair lift. In September 2017, during an OCTA site visit, KASA staff acknowledged that their drivers do not know how to operate the lift.

Recommendation 1:

Internal Audit recommends Transit management continue oversight activities and report any continued non-compliance to the Board of Directors (Board) for consideration as to future funding of this program.

Management Response:

Based on performance over the past year, contact with the program administrator on a variety of issues regarding compliance, as well as the current audit findings, staff is not confident that even with an enhanced level of oversight, compliance can be ensured.

Since the site visit in 2016, OCTA staff has spent a significant amount of time monitoring the KASA SMP compared to other SMPs. Despite actions taken and ongoing assurances provided to OCTA on a variety of issues, compliance with the SMP guidelines continues to be inconsistent. OCTA staff recommends that the agreement with KASA be terminated, and that a 90-day termination notification be sent to KASA to discontinue the program.

Unallowable and Unsupported Costs

Unallowable and unsupported costs are charged to the SMP, and costs reported for June 2017 did not agree to KASA's financial records.

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During a three-month period, Internal Audit identified several checks, ranging from \$100 to \$400, made payable to KASA employees or to “cash” without supporting documentation. These charges represented a total of \$1,000 in SMP costs.

Under SMP guidelines, eligible costs include direct, program-related expenses and administrative (indirect) costs up to 10 percent. Instead of charging a 10 percent administrative cost mark-up, KASA is assessing administrative (indirect) costs directly to the SMP, including accounting costs, workers’ compensation costs, and income tax withholdings.

Finally, KASA’s monthly report for June 2017 overstated SMP costs by \$1,564.

Recommendation 2:

Internal Audit recommends that the Coordinator review with KASA program guidelines for allowable direct and indirect costs, including requirements for adequate supporting documentation. The Coordinator should disallow all indirect costs charged directly to the SMP and any costs that are not adequately supported. The Coordinator should also train KASA on monthly reporting requirements. Finally, any continued non-compliance should be reported to the Board for consideration as to future funding of this program.

Management Response:

Because OCTA staff responsible for SMP oversight had concerns in a number of areas related to the KASA program, only half of the annual allocation was provided to KASA for service from July through December 2017. As a result, funds disbursed to KASA for service provided in 2018 will be adjusted, with the overstated \$1,564 deducted from the disbursement. If support for the program is discontinued as recommended by staff, KASA will receive a portion of the funds left for the current fiscal year through the date of termination.

Non-Compliance with the Age Requirement

The age requirement to join KASA is currently set at 55 years and older; however, the SMP program defines eligible participants as 60 years and older.

In order to comply with SMP guidelines, KASA would be required to account for service costs related to participants 55 to 59 years old separately and not include these costs in the SMP for reimbursement. KASA staff asserted this is not necessary because all participants are 60 years and older.

However, KASA’s member roster included at least four members under 60 years of age as of their last renewal date.

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Recommendation 3:

Internal Audit recommends that the Coordinator require KASA to develop procedures to ensure that SMP trips are only provided to individuals 60 years of age and older. Any continued non-compliance should be reported to the Board for consideration as to future funding of this program.

Management Response:

If support for the program is continued, OCTA staff will monitor this during the site visits.

Trips Outside of Service Plan

Documentation on file indicates that KASA provides some trips outside their approved service plan.

Per SMP policies and procedures, providers must outline, in a written service plan, all types of trips to be provided. KASA's approved service plan identifies social/recreation trips to Orange County beaches, museums, historical/cultural venues and activities, and parks. KASA's monthly summary report for June 2017 reflected some trips to churches and review of trip sheets for August 2017 reflected some trips to both churches and buffets. These trip types are not allowable under the current service plan.

In addition, prior to mid-July 2017, KASA did not maintain trip sheets detailing trips provided. Total trips, per trip sheets prepared in August 2017, did not agree to total trips reported by KASA on the monthly report.

Recommendation 4:

Internal Audit recommends that the Coordinator disallow costs related to trips outside the service plan. At a minimum, driver labor costs for trips to and from churches and buffets should be disallowed as ineligible SMP costs. The Coordinator should also instruct KASA to reconcile monthly reports to trips sheets prior to submittal. Finally, any continued non-compliance should be reported to the Board for consideration as to future funding of this program.

Management Response:

If support for the program is continued, OCTA staff will monitor this during the site visits.