



**April 24, 2013**

**To:** Finance and Administration Committee  
**From:** Darrell Johnson, Chief Executive Officer  
**Subject:** Review of Cooperative Agreements with Adult Day Healthcare Agencies for Paratransit Services

### ***Overview***

The Internal Audit Department has completed a review of oversight controls and contract compliance related to cooperative agreements maintained with adult day healthcare agencies for paratransit services. Based on the procedures performed, controls to ensure subsidized trips are qualified are generally adequate; however, the Internal Audit Department has made two recommendations to ensure per-trip cost data is reviewed and subsidies are in compliance with cooperative agreements, and to develop written procedures for oversight and invoice review. The Internal Audit Department also concluded, based on sample testing, that agencies are in compliance with key provisions of the agreements, including equal employment opportunity policy, drug and alcohol policy, and insurance requirements.

### ***Recommendation***

Direct staff to implement recommendations provided in the Review of Cooperative Agreements with Adult Day Healthcare Agencies for Paratransit Services, Internal Audit Report No. 13-514.

### ***Background***

In an effort to reduce ACCESS costs, the Orange County Transportation Authority (OCTA) maintains cooperative agreements (Agreements) with adult day healthcare (ADHC) agencies that offer specialized transit service to ACCESS-eligible individuals as an alternative to ACCESS service. Per the Agreements, OCTA will reimburse 80 percent of the per-trip cost provided to ACCESS-eligible participants traveling to/from the ADHC facilities on these alternate transit services.

ADHC agencies submit monthly invoices along with electronic trip data that include the name of riders, ACCESS eligibility number, vehicle number, and trip information for each trip provided and for which reimbursement is sought.

OCTA has executed Agreements with six agencies to subsidize 80 percent of the cost of trips taken by persons with ACCESS-eligibility. These per-trip subsidized costs range from \$12.99 to \$19.10 compared with an estimated \$30.75 per-trip cost for users of OCTA's ACCESS service.

### ***Discussion***

The Internal Audit Department (Internal Audit) obtained cost data from three of the six ADHC agencies and reviewed the data to determine whether the per-trip costs could be substantiated and whether the OCTA subsidy was in compliance with the Agreement. Internal Audit found that the subsidy provided to one agency, Community SeniorServ, amounts to 87 percent of the per-trip cost, rather than 80 percent, as stated in the Agreement. There was no evidence that per-trip cost data was obtained and verified by staff prior to setting the subsidized rates. While subsidies provided to the agencies are significantly lower than the cost to provide these trips using ACCESS service, Internal Audit recommended that management implement procedures for review of cost data to assess reasonableness and to ensure subsidies are at the level intended. Management agreed and indicated that cost data will be reviewed before executing new Agreements.

Internal Audit also recommended that management develop and document procedures for monitoring compliance with cooperative agreements and invoice review. Management agreed and indicated that desk procedures will be prepared.

### ***Summary***

Based on the procedures performed, controls to ensure subsidized trips are qualified are generally adequate; however, Internal Audit has made two recommendations to ensure per-trip cost data is analyzed prior to Agreement execution and to develop written procedures for oversight and invoice review. Internal Audit also concluded, based on sample testing, that agencies are in compliance with key provisions of the agreements, including equal employment opportunity policy, drug and alcohol policy, and insurance requirements.

***Attachment***

- A. Review of Cooperative Agreements with Adult Day Healthcare Agencies for Paratransit Services, Internal Audit Report No. 13-514

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**Approved by:**



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# ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



## Review of Cooperative Agreements with Adult Day Healthcare Agencies for Paratransit Services

**Internal Audit Report No. 13-514**

April 10, 2012



**Internal Audit Team:** Janet Sutter, CIA, Executive Director  
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INTERNAL AUDIT DEPARTMENT**  
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## **CONCLUSION**

The Internal Audit Department (Internal Audit) has completed a review of oversight controls and contract compliance related to cooperative agreements maintained with adult day healthcare agencies for paratransit services. Based on the procedures performed, controls to ensure subsidized trips are qualified are generally adequate; however, Internal Audit has made two recommendations to ensure per-trip cost data is reviewed and subsidies are in compliance with cooperative agreements, and to develop written procedures for oversight and invoice review. Internal Audit also concluded, based on sample testing, that agencies are in compliance with key provisions of the agreements, including equal employment opportunity policy, drug and alcohol policy, and insurance requirements.

## **BACKGROUND**

In an effort to reduce ACCESS costs, OCTA maintains cooperative agreements (Agreements) with adult day health care (ADHC) agencies that offer alternative service to ACCESS-eligible individuals. OCTA agrees to provide a per-trip transportation subsidy to ADHC facilities for ACCESS-eligible participants traveling to/from the facilities.

The Community Transportation Services (CTS) Department of the Transit Division manages these Agreements. There are currently six ADHC agencies that participate in this program. OCTA has executed Agreements with these agencies to subsidize 80 percent of the cost of ACCESS-eligible trips. These per-trip subsidized costs range from \$12.99 to \$19.10 compared with an estimated \$30.75<sup>1</sup> per-trip cost for users of OCTA's ACCESS service.

ADHC agencies submit monthly invoices along with electronic trip data that includes the name of riders, ACCESS eligibility number, vehicle number, and trip information for each trip provided and for which reimbursement is sought. The Community Transportation Coordinator imports the data provided into a Microsoft Access database to verify the reasonableness of the trip data, validate the eligibility of the riders through an interface with the TRAPEZE database (OCTA's database of ACCESS-eligible individuals), and generate a summary of the trip data which is used to reconcile the invoice. The CTS Department Manager approves invoices and Accounts Payable issues checks for reimbursement.

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<sup>1</sup> Unaudited estimate provided by Community Transportation Service Department from 2012 actual cost data.

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**OBJECTIVES, SCOPE, AND METHODOLOGY**

The objectives of the audit were to review the oversight controls and assess level of compliance with key provisions of the Agreements.

The methodology consisted of review of policies and procedures, interviews with applicable personnel and management, identification and testing of oversight controls, sample testing for compliance with key provisions of cooperative agreements, testing of ACCESS database controls, and sample testing of reimbursement activity for adequate supporting documentation, accurate recording, and compliance with Agreements.

The scope was limited to Agreements with ADHC agencies in effect as of October 2012 and monthly reimbursements from July 2011 through June 2012.

This review was conducted 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**

**Per-Trip Costs Should be Reviewed Prior to Setting Reimbursement Rates**

According to the Agreements, OCTA will reimburse 80 percent of the per-trip cost incurred by an ADHC agency; however, agencies are not required to submit documentation to support their per-trip costs. Consequently, OCTA does not have a mechanism for reviewing the reasonableness of per-trip costs or to verify that the reimbursement rate listed in the Agreement amounts to 80 percent.

Internal Audit obtained and reviewed cost data from three of the six ADHC agencies and determined that the subsidy provided to one agency, Community SeniorServ, amounts to 87 percent of the actual per-trip cost. The Agreement with Community SeniorServ allows for an “80 percent contribution rate” of \$16.00 per trip to be paid by OCTA; however, this amount actually represents 87 percent of the agency’s costs

**Recommendation 1:**

Internal Audit recommends management develop and document procedures to review ADHC agency per-trip costs to assess reasonableness and to ensure that OCTA reimbursement rates are at the levels intended.

**Management Response:**

Management agrees with this recommendation. The per-trip rate established for these agreements was negotiated between the ADHC agency and their service provider in consultation with OCTA. CTS staff is currently discussing new cooperative agreements with partner agencies because these agreements expire in June 2013. To address this recommendation, as part of the process underway, a pricing sheet has been developed and distributed to each partner agency. The pricing sheet to be completed by the agencies includes cost details to substantiate the proposed cost per trip and calculates the 80 percent subsidy to be paid by OCTA and the 20 percent contribution to be paid by the partner agency. The cooperative agreements allow an annual rate increase based on the Consumer Price Index (CPI). Prior to any rate increase, agencies will be required to submit new pricing sheets to substantiate the CPI rate increase and document the OCTA subsidy and agency contribution.

**Written Procedures**

Management has not developed written procedures for monitoring compliance with cooperative agreements. Procedures should include steps performed to ensure

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ADHC agencies are in compliance with key contract provisions, such as insurance, equal employment opportunity, and drug and alcohol policy requirements. Procedures should also outline invoice review and approval requirements.

**Recommendation 2:**

To ensure contract compliance and consistent practices, Internal Audit recommends management develop and document procedures that address monitoring of contract compliance and invoice review.

**Management Response:**

Management agrees with this recommendation and will prepare desk procedures to document how staff reviews and validates trip data to support monthly invoices and how the cooperative agreements are monitored for contract compliance.