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**33**

**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE**

**June 21, 2007**

**SUBJECT: AUDIT OF ACCESS SERVICES INCORPORATED (ASI)**

**ACTION: APPROVE SCOPE FOR THE AUDIT OF ASI, REVISED REPORT DATE, AND FUNDS FOR THE AUDIT.**

**RECOMMENDATIONS**

- A. Approve the scope for the audit of ASI (Attachment A), which will be included in the Request For Proposal (RFP) to obtain a contractor to perform the audit.
- B. Approve revising the date that the OIG reports the results of the audit back to the Board from October 18 to November 15, 2007. The report date is revised because the award of the contract will be delayed 1 month due to the cancellation of the regular May Committee and Board meetings.
- C. Approve using up to \$120,000 from Board contingency funds to secure contractual services for the audit of ASI, and give the OIG discretion to (1) use OIG funds or (2) seek additional Board funding should the contract cost exceed \$120,000.

**ISSUE**

In March 2007, the Board passed a motion (Item 22) introduced by Director Villaraigosa that directed the Inspector General to conduct a performance and compliance audit of ASI. The Board also directed the Inspector General to perform a "gap" analysis of prior audits and reviews of ASI, develop a scope of the audit, and report back to the Board.

**BACKGROUND**

ASI is a state mandated local governmental agency created by Los Angeles County's public transit agencies to administer and manage the delivery of regional Americans with Disabilities Act (ADA) paratransit service. ASI was established by 44 public fixed route transit operators in Los Angeles County. It is governed by a nine-member board.

In FY 2006, ASI had about 74,000 eligible riders. During FY 2006, ASI contractors provided 1,911,050 total trips for 2,396,382 passengers. In addition, during FY 2006, ASI contractors conducted 25,337 eligibility evaluations and completed 1,490 eligibility appeals.

## **DISCUSSION**

### **Scope of the Audit of ASI**

The scope of audit (Attachment A) focuses on the areas of eligibility evaluations, appeals of eligibility denial determinations, monitoring paratransit service contract requirements including driver screening, costs and performance, and control and oversight. Recently, riders, independent living center officials, and others have questioned the methodology and criteria of the eligibility evaluation process. Also, concerns have been raised regarding the appeals process, paratransit driver safety issues, and cost and performance issues. A schedule of milestones for the audit is at Attachment B.

### **Work Performed**

To develop the scope of the audit, we performed the following steps:

- Analyzed 17 audits and reviews of ASI that were issued during 2000 to 2006 (no reports were issued in 2007 through April 30) to determine the areas covered by previous reviews.
- Analyzed letters and documents provided by various user support groups that summarized rider complaints and concerns.
- Interviewed 16 individuals that included advocates for paratransit, representatives from community groups, paratransit riders, and several ASI Board Directors. Seven of the 16 individuals interviewed were paratransit users, of these individuals, 4 were from the Eastern Region, 2 from the Northern Region, and 1 from the West/Central Region.
- Interviewed the Executive Director of ASI and other management staff.
- Reviewed annual performance data concerning paratransit service, eligibility evaluations, and appeals.

### **Prior Audits and Reviews of ASI**

Our analysis of prior audit reports of ASI showed that these reports did not cover the specific areas in the proposed scope of audit. Since 2000, 17 audits and reviews have been issued (see Attachment C for list of the 17 reports).

- 8 reports were financial audits; these reports included 7 annual financial statement certification audits, and 1 financial management oversight audit.
- 4 reports (2 annual and 2 interim reports) issued in 2005 and 2006 were mandated by a court settlement agreement. These reports reviewed performance measures and data collection, data analysis, and reporting.

- 3 reports were limited in scope; these reports included a compliance review of the drug and alcohol program, a review of MTA's oversight of the paratransit program, and a triennial performance audit of several Los Angeles County transit operators including ASI.
- 2 reports covered various paratransit service and performance areas; these reports were issued in 2001 and 2004.

Nine of the 17 reports did not contain any recommendations; these reports were the seven annual financial certification reports and the two interim reports mandated by the settlement agreement. The remaining eight reports contained a total of 124 recommendations.

For the eight reports with recommendations (Attachment D), we performed an analysis to determine the areas covered by the reports. These reports did not cover the specific areas in the proposed scope of audit.

- One report issued in 2004 (work performed in 2003) covered some aspects of eligibility and appeals such as reviewing completed applications and respective eligibility determinations, reviewing statistics relating to eligibility processing and determinations, and reviewing qualifications of evaluators. However, this review did not cover the current eligibility functional testing process and the current eligibility contractor which was hired in July 2004.
- One report issued in 2001 covered some aspects of the complaints such as the database, documentation, passenger notification, and research of complaints. Also, the annual reports performed under the mandate of the court settlement covered processing, recording, measuring, and communicating the outcome of complaints. However, these reports did not address how well the process tracks and reports complaints concerning eligibility, which is the one of the main concerns communicated by users.

One hundred and twenty of the 124 recommendations were for ASI to take action. We requested ASI to provide us with the status (open or closed) of the 120 recommendations, and the specific actions taken on closed recommendations. ASI purports that all 120 recommendations are closed. An additional four recommendations were for MTA action. These recommendations were closed in 2002 based on actions taken by the Planning Department. We plan to follow-up on a selected sample of the recommendations closed by ASI to verify that corrective actions have been taken. We will report the results in a Board Box.

## **Concerns and Complaints**

We were provided copies of five letters that contained concerns and complaints. Four of the letters were from officials at independent living centers and the other letter was from the Los Angeles City Department of Disability. In addition, we interviewed 16 individuals, including the individuals who wrote the 5 letters. The 16 individuals interviewed included advocates for paratransit, representatives from community groups, paratransit riders, and several ASI Board Directors. The concerns and complaints primarily pertained to:

- The process and procedures for determining the eligibility or re-certification of individuals for paratransit services.
- The process for appealing eligibility denials.
- Passenger safety issues.

## **Auditing Standards**

The RFP will require that the audit of ASI be performed in accordance with either Government Auditing Standards promulgated by the U.S. Government Accountability Office or Generally Accepted Auditing Standards promulgated by the American Institute of Certified Public Accountants.

## **NEXT STEPS**

With the Board adoption of the scope of the audit, we will ask Procurement to issue an RFP to prospective contractors, and expedite the procurement process to award a contract for the audit.

Prepared by: Jack Shigetomi, Deputy Inspector General - Audits

A handwritten signature in black ink that reads "William Waters". The signature is written in a cursive style with a long horizontal flourish extending to the right.

WILLIAM WATERS  
Inspector General

## SCOPE FOR THE AUDIT OF ASI

### Eligibility

- Determine whether ASI's eligibility process and policies are in compliance with the Americans with Disabilities Act (ADA) and other applicable requirements.
- Determine whether ASI's eligibility evaluation process, including the functional testing methodology, is based on sound criteria and principles. This should include a comparative analysis of evaluation/testing methodologies implemented by other paratransit organizations.
- Determine whether the eligibility contractor consistently and appropriately implements ASI's eligibility policies and procedures and the contract requirements. This should include reviewing completed eligibility files; one sample should consist of new applicants, and the other sample should consist of re-certifying riders. In addition, analyze eligibility determinations (e.g., number of certifications and denials from FY 2004 to present by categories, new applicants versus re-certifications).
- Conduct a customer satisfaction survey of individuals who have completed the evaluation process. The individuals for the survey should be randomly selected from a list of those who were recently evaluated. Determine if the information obtained is used to implement best practices and customer service.
- Determine whether evaluators and other professional staff used by the contractor meet the qualification, experience, and licensing requirements in the contract with ASI. Also, evaluate whether the evaluator qualification/experience criteria in the contract are comparable with those of other paratransit organizations.
- Analyze eligibility evaluation results (number of unrestricted, restricted, and not eligible determinations by new applicants and re-certifying riders) from 2004 to present. This should include a comparative analysis with other similar paratransit organizations.
- Determine the adequacy of ASI's monitoring, oversight, and administrative controls over the contract. This should include an analysis of the controls that are in place to ensure that the contractor complies with contract requirements. Also, evaluate the adequacy of controls for ensuring that billed costs are consistent with contract terms, and are correct.
- Identify any best practices and/or recommendations that could improve the effectiveness or efficiency of the eligibility process.

## **SCOPE FOR THE AUDIT OF ASI**

### **Appeals of Eligibility Determinations**

- Determine whether ASI's appeals process and policies are in compliance with the ADA and other applicable requirements. Also, evaluate whether the appeals contractors are independent of the evaluation process.
- Determine whether the appeals contractors consistently and appropriately implement ASI's appeals policies and procedures and contract requirements. This should include a review of a sample of completed appeals files handled by several different contractors.
- Analyze appeals results (e.g., number of appeals upheld or overturned) from 2004 to present. This should include a comparative analysis with other paratransit organizations.
- Identify any best practices and/or recommendations that could improve the effectiveness or efficiency of the appeals process.

### **Contracts for Paratransit Services**

- Evaluate the adequacy of ASI's monitoring, oversight, and administrative controls over the contracts for paratransit services. This should include an analysis of the controls that are in place to ensure that the contractors comply with contract requirements. Also, evaluate the adequacy of controls for ensuring that billed costs are consistent with contract terms.
- Evaluate the adequacy and effectiveness of controls over driver adherence to passenger safety requirements (e.g., securing wheelchairs); driver screening process (e.g., driver qualification, valid driver's license, criminal record, traffic violations and citations, training, etc.) for both new hires and current employees; and driver conduct.
- Identify any best practices and/or recommendations that could improve effectiveness or efficiency, including but not limited to client services.

### **Costs and Performance**

- Evaluate the reasonableness of services performed in relationship to costs. This should include a comparative analysis of cost/performance factors such as cost per passenger, cost per trip, cost per operating mile, etc. The comparative analysis should include paratransit operations that are similar in size to ASI.
- Conduct a customer satisfaction survey of eligible paratransit users on their experience with paratransit performance and service. The individuals selected for the survey should be randomly selected from ASI's list of eligible users.

## **SCOPE FOR THE AUDIT OF ASI**

- Determine whether ASI currently has written procedures in place to continuously measure customer satisfaction, and has a process in place to consistently make improvements to internal policies and/or procedures based on information from customer satisfaction surveys and complaint system. If there are no such procedures in place, make recommendations with respect to this area.
- Analyze the year-to-year trends from FY 2000 of service data (e.g., total passengers) to annual cost data for providing the services. Determine whether costs for services are consistent with the level of services provided.
- Analyze the reasonableness of administrative costs (management and general expenses) in comparison to direct operating costs. Also, analyze the reasonableness of contract costs related to management and general expenses.

### **Control and Oversight**

- Evaluate whether the Los Angeles County Metropolitan Transportation Authority (MTA) has sufficient control over the provision of ADA Complementary Paratransit service comparable to the fixed route service that it provides through the Memorandum of Understanding (MOU) and other arrangements with ASI.
- Determine whether ASI has complied with the requirements in the MOU with the MTA. Also, based on the audit results and conclusions, evaluate whether the MOU provides MTA with sufficient control and direction over ASI.
- Analyze the complaint database and procedures to determine whether user concerns (particularly concerning eligibility and appeals) are accurately recorded, reported, and investigated.
- Evaluate the adequacy of controls for tracking and monitoring reports and recommendations made by auditors and consultants to ensure that recommendations are implemented.

**AUDIT MILESTONES**

| <b><u>Date</u></b> | <b><u>Event</u></b>                 |
|--------------------|-------------------------------------|
| June 29, 2007      | Send RFP to prospective contractors |
| July 20, 2007      | Receive proposals                   |
| August 10, 2007    | Award contract                      |
| October 15, 2007   | Audit report completed              |
| November 20, 2007  | Present ASI Audit Report to EMAC    |



## LIST OF AUDITS AND REVIEWS

| Report Date        | Period Covered                       | Report Title                                                                   | Types of Audit/Review       | Auditing Entity                                | Number of Recommendations |
|--------------------|--------------------------------------|--------------------------------------------------------------------------------|-----------------------------|------------------------------------------------|---------------------------|
| September 6, 2000  | July 1, 1999 - June 30, 2000         | Audited Financial Statements and Reports in Compliance with OMB Circular A-133 | Independent Financial Audit | Rossi Doskocil & Finkelstein                   | 0                         |
| September 19, 2000 | 1998-2000                            | MTA's Oversight of the ADA Mandated Complementary Paratransit Program          | Oversight Review            | MTA OIG                                        | 4                         |
| September 7, 2001  | July 1, 2000 - June 30, 2001         | Audited Financial Statements and Reports in Compliance with OMB Circular A-133 | Independent Financial Audit | Rossi Doskocil & Finkelstein                   | 0                         |
| September 28, 2001 | FY 1998-2000 (07/01/1997-06/30/2000) | Triennial Performance Audits of the Los Angeles County Transit Operators       | Triennial Performance Audit | Booz, Allen & Hamilton with O'Melia Consulting | 4                         |
| November 7, 2001   | 1998-2001                            | Performance Evaluation Services                                                | Performance Evaluation      | Multisystems                                   | 24                        |
| September 5, 2002  | July 1, 2001 - June 30, 2002         | Audited Financial Statements and Reports in Compliance with OMB Circular A-133 | Independent Financial Audit | Rossi Doskocil & Finkelstein                   | 0                         |
| September 2, 2003  | July 1, 2002 - June 30, 2003         | Audited Financial Statements and Reports in Compliance with OMB Circular A-133 | Independent Financial Audit | Rossi Doskocil & Finkelstein                   | 0                         |
| August 2, 2004     | January 27, 2003 - January 31, 2003  | Compliance Review of ADA Complementary Paratransit Service Assessment          | Compliance Review           | Planners Collaborative, Inc.                   | 23                        |
| September 7, 2004  | July 1, 2003 - June 30, 2004         | Audited Financial Statements and Reports in Compliance with OMB Circular A-133 | Independent Financial Audit | Rossi Doskocil & Finkelstein                   | 0                         |
| December 10, 2004  | Nov. - Dec. 10, 2004                 | Financial Management Oversight Review of ASI                                   | Financial Management Audit  | Milligan & Company                             | 10                        |

## LIST OF AUDITS AND REVIEWS

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|--------------------|----------------------------------------|--------------------------------------------------------------------------------------|-----------------------------------------|---------------------------------|--------------------------------------|
| August 2005        | July 2003 - June 2004                  | Performance Evaluation of Access<br>Paratransit First Annual Report                  | Compliance with<br>Settlement Agreement | Nelson/Nygaard                  | 24                                   |
| August 31, 2005    | July 1, 2004 -<br>December 31, 2004    | First Interim Evaluation                                                             | Compliance with<br>Settlement Agreement | Nelson/Nygaard                  | 0                                    |
| September 14, 2005 | July 1, 2004 - June 30,<br>2005        | Audited Financial Statements and<br>Reports in Compliance with OMB<br>Circular A-133 | Independent Financial<br>Audit          | Rossi Doskocil &<br>Finkelstein | 0                                    |
| May 2006           | July 2004 - June 2005                  | Performance Evaluation of Access<br>Paratransit Second Annual Report                 | Compliance with<br>Settlement Agreement | Nelson/Nygaard                  | 12                                   |
| September 14, 2006 | July 1, 2005 - June 30,<br>2006        | Audited Financial Statements and<br>Reports in Compliance with OMB<br>Circular A-133 | Independent Financial<br>Audit          | Rossi Doskocil &<br>Finkelstein | 0                                    |
| October 18, 2006   | October 16, 2006 -<br>October 18, 2006 | ASI Drug and Alcohol Audit                                                           | Compliance Review                       | FTA                             | 23                                   |
| October 27, 2006   | July 1, 2005 -<br>December 31, 2005    | Second Interim Evaluation                                                            | Compliance with<br>Settlement Agreement | Nelson/Nygaard                  | 0                                    |
| <b>TOTAL</b>       |                                        |                                                                                      |                                         |                                 | <u>124</u>                           |

## ANALYSIS OF AREAS COVERED BY AUDITS AND REVIEWS

| <u>Report Date</u> | <u>Report Title</u>                                                      | <u>Description of Audit/Review</u>                                                                                                                                                                                                                                                                                                   |
|--------------------|--------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Oct 2006           | Drug and Alcohol Audit                                                   | Limited scope compliance review of drug and alcohol program.                                                                                                                                                                                                                                                                         |
| May 2006           | Performance Evaluation of Access Paratransit, Second Annual Report       | Audit was mandated by court settlement agreement. Audit included review of performance measures and ASI's data collection, data analysis, and reporting. Areas covered included performance measures and objectives, denial rate verification, customer service and complaint processing, and verification of performance reporting. |
| Aug 2005           | Performance Evaluation of Access Paratransit, First Annual Report        | Audit was mandated by court settlement agreement. Audit included review of performance measures and ASI's data collection, data analysis, and reporting. Areas covered included performance measures and objectives, denial rate verification, customer service and complaint processing, and verification of performance reporting. |
| Dec 2004           | Financial Management Oversight Review of ASI                             | The audit examined management's assertion that ASI maintained an effective financial system. Reportable conditions were noted in 3 areas -- documentation of procurements, disaster recovery plan, and preventive maintenance.                                                                                                       |
| Aug 2004           | Compliance Review of ADA Complementary Paratransit Service Assessment    | This review assessed whether capacity constraints existed in ADA Complementary Paratransit Services. Findings covered areas such as: service parameters, paratransit eligibility, telephone capacity, scheduling trip requests, and on-time performance.                                                                             |
| Nov 2001           | Performance Evaluation Services                                          | This review focused on ASI's data collection efforts to determine if it is collecting the right information, using the right methodology, and identifying service issues accurately. Areas covered included trip reservations, complaints, maintenance, on-time performance, and call system performance.                            |
| Sep 2001           | Triennial Performance Audits of the Los Angeles County Transit Operators | Review assessed ASI and 17 transit operators. There were no negative compliance findings for ASI.                                                                                                                                                                                                                                    |
| Sep 2000           | MTA's Oversight of the ADA Mandated Complementary Paratransit Program    | Review focused on MTA's oversight of the paratransit program.                                                                                                                                                                                                                                                                        |

