

Audit Report

***Parks, Recreation and
Community Services***

Special Transit

September 2013

AU14-04

City Manager
Scott C. Barber

Internal Audit Manager
Cheryl L. Johannes

Office of the City Manager
Internal Audit Division
Riverside, California

OBJECTIVES, SCOPE and METHODOLOGY

In accordance with the Internal Audit Work Plan for Fiscal Year 2013/2014, a review of Parks, Recreation and Community Services (PRCSD) Special Transportation (Transit) services was conducted to assess the effectiveness, efficiency and internal controls.

Objective

Our audit objective was to:

- Determine whether existing policies, procedures and internal controls related to Paratransit services are sufficient and safeguard assets; and
- Identify potential cost savings or additional revenue generation opportunities.

Scope and Methodology

The review was conducted during the months of July and August 2013 for records and transactions through June 30, 2013. To address the audit objectives and as part of our assessment of risk, we:

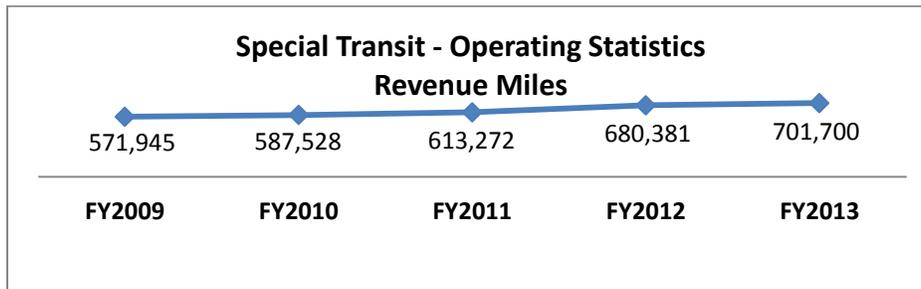
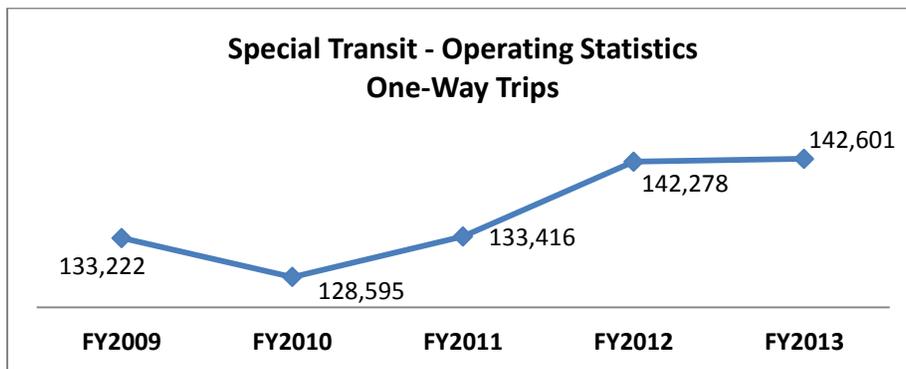
- Reviewed RCTC *Triennial Performance Audits* for the City of Riverside for assurance of regulatory compliance or findings;
- Reviewed the FTA's *FY2012 Triennial Review Final Report* , which assessed compliance with federal requirements and grant management practices per 49 U.S.C. Section 5307;
- Reviewed June 30, 2012 *Independent Auditor's Report of the Special Transit Fund* financial statements;
- Reviewed City of Riverside *FY2013-14 through FY2015-16 Short Range Transit Plan*;
- Reviewed Special Transit's "Handbook" for staff and drivers;
- Reviewed grants awarded to the operation for compliance to the terms of the award;
- Reviewed financial transactions in IFAS and in CAFR for the past five fiscal years for reporting and statistical information;
- Reviewed the cash handling process to ensure adequate internal controls; and
- Met with the Deputy Director of PRCSD and the Special Transit Supervisor to discuss the operation, driver and dispatch resources, automated and manual processes and productivity challenges.

Our review was conducted in accordance with *Generally Accepted Government Auditing Standards* and according to the *Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors. Those standards require that the audit is planned and performed to afford a reasonable basis for judgments and conclusions regarding the department, division, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe our audit provides a reasonable basis for our conclusions.

BACKGROUND

Riverside County Transportation Commission (RCTC) is responsible for responding to federal requirements established by the 1990 Americans with Disabilities Act (ADA) and related regulations. Those regulations stipulate that any entity operating fixed route transit services must also provide a complementary paratransit program for persons with disabilities who are unable, due to their disability, to make independent use of the fixed route service. The paratransit program is intended to be comparable to services available to the general public in that it is required to operate within the same service area and operate within the same hours as fixed routes. RCTC is required by law to conduct a Triennial Performance Audit, ensuring that Transit meets required performance measures. In addition the Department of Transportation/FTA is required to conduct a Triennial review to ensure the program meets the federal requirements per 49 U.S.C. Section 5307.

Special Transportation (Transit) Since 1975 the City of Riverside has provided paratransit service (dial-a-ride) to registered seniors 60 years of age or older or to qualified residents with disabilities who are unable to use the Riverside Transit Agency (RTA) route buses. As indicated by the graphs below, ridership continues to increase, which impacts the number of miles traveled throughout the city.

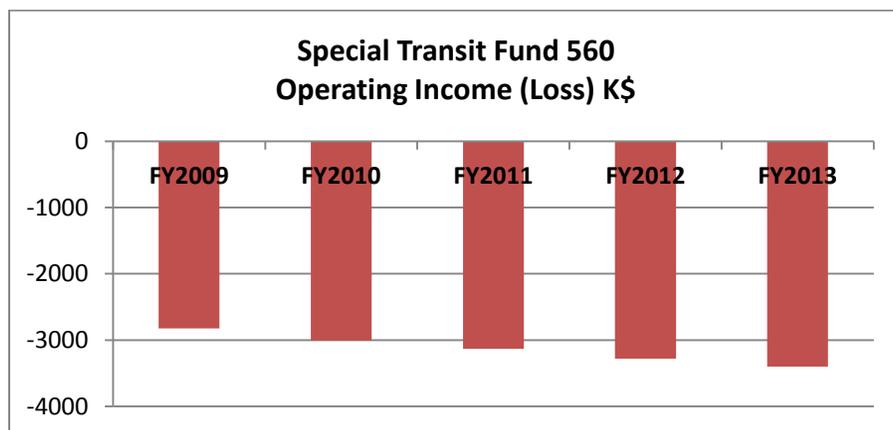
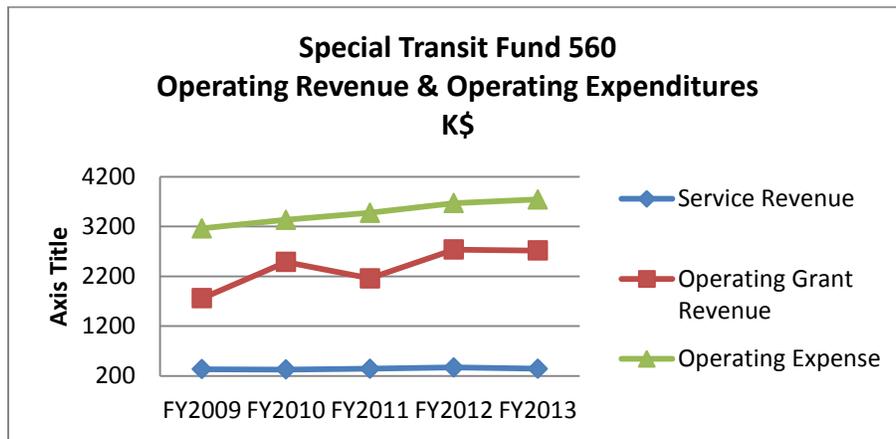


Source: RouteMatch system

Financial Statistics¹

A non-major enterprise fund (560) was established by the City to account for the operations of the Transit service, in accordance with Article 4 of the Transportation Development Act of 1971 (SB325) of the State of California. Federal Transit Administration Funds are also accounted for in this fund.

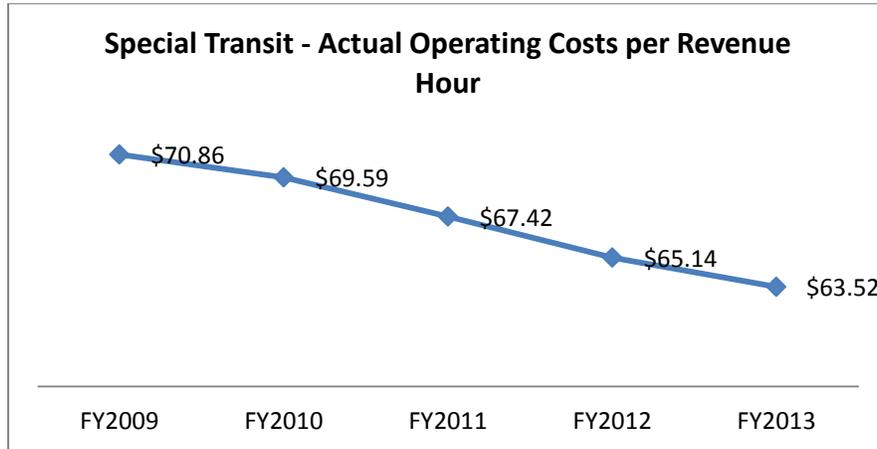
As the charts below indicate, the Transit service/program continues to operate at a loss. Operating revenue (charge for service) has remained flat; operating revenue from grants has remained flat; while operating expenses have gradually increased over the years mainly due to increases in salaries/benefits (personnel expenses) and fleet maintenance costs. The program is significantly dependent on operating grant revenue.



A standard performance indicator of productivity for transit services is operating costs per revenue hour. As the graph below indicates, by containing operating expenses and increasing revenue hours (amount of time providing transportation) the operating cost per revenue hour declines. Containing costs (personnel costs, maintenance and fuel costs, etc.) while increasing the number of transit vehicles (fleet) which impacts the number of hours available to transport passengers is a challenge that should

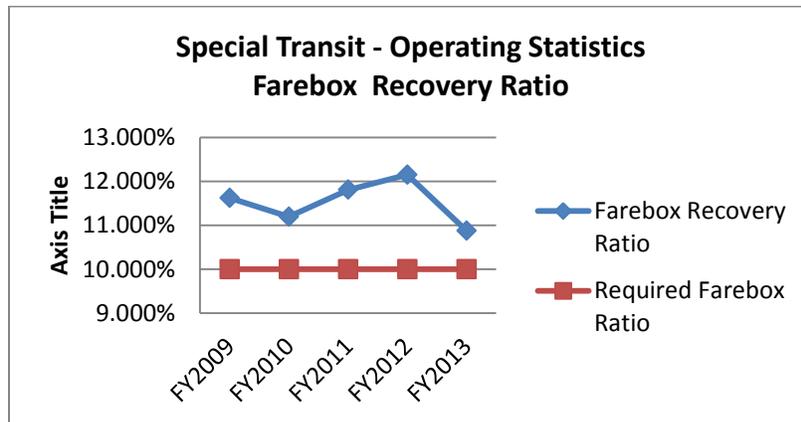
¹ Per City CAFR/Fund 560; FY 2013 per IFAS (unaudited at time of report).

be addressed in a strategic plan and monitored. Increasing the one-way fare to align with RTA should be considered in order to keep costs per revenue hour under control.



Farebox Recovery Ratio

Transit is required by regulatory agencies to maintain a Farebox Recovery ratio of at least 10%. This ratio is determined by dividing the operating revenue by the operating expenses (excluding depreciation and amortization expense). The program has consistently met this federal mandatory performance indicator as noted in the graph above and table below. The recovery ratio decreases if operating revenue remains fairly flat but operating expenses increase, as noted in the FY2013 ratio.



	FY2009	FY2010	FY2011	FY2012 ²	FY2013
Operating Revenue	336	328	344	371	344
Operating Expense	2891	2930	2914	3054	3163
Farebox Recovery Ratio	11.622%	11.195%	11.805%	12.148%	10.876%

² FY2012 has been restated for this report; CAFR operating revenue of \$352K was incorrect due to a coding error.

Operating Grants

FY2009	FY2010	FY2011	FY2012	FY2013
\$1,761K	\$2,487K	\$2,159K	\$2,738K	\$2,718K

SB325 Transit operates under authority of the Mills-Dilquist-Deddeh Act (SB325) known as the Transportation Development Act (TDA) of 1971. This state law establishes funding for transit operators providing public transportation services. Continued funding requires compliance with TDA Statutes and California Codes of Regulations. In FY2012, Transit received \$2,494K from SB325 (Article 4) and in FY2013, received \$2,549K. The program/service is dependent on these annual state grant funds (intergovernmental revenue) in order to operate.

Prop 1B The Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006, approved by the California voters as Proposition 1B at the November 7, 2006 general election. Proposition 1B³ provides \$1 billion to California’s Transit System Safety, Security, and Disaster Response Account for capital projects that provide increased protection against security and safety threats. Funds may also be used for capital expenditures to increase the capacity of transit operators, including waterborne transit operators, to develop disaster response transportation systems that can move people, goods, and emergency personnel and equipment in the aftermath of a disaster that impairs the mobility of goods, people, and equipment. In FY2012, Transit received \$244K in Prop B grant funds (intergovernmental revenue) and \$169K in FY2013. Prop 1B funds have primarily been used by Transit for securing the main operational site (fencing, gates, cameras, communication equipment, etc.).

Grant activity (expenditures, drawdowns, reports, etc.) needs to be organized, timely and according to the term(s) of the grant(s). Records per grant/project need to be maintained in an organized and efficient manner. Transit should continue to actively seek and utilize all available grant opportunities to support operating expenditures and capital budgets.

Transit Fleet

Transit operates with a fleet of 29 compressed natural gas (CNG) fueled minivans (seating 12 -16 passengers), one CNG fueled van that accommodates six passengers plus a wheelchair, and one passenger car (2007 Honda). Five vehicles are scheduled to be replaced in FY2013/14. Total usage (vehicle miles) for the fleet as of June 30, 2013 was 3,114,361 miles.⁴

General Services Fleet Operations (GS) provides preventative maintenance (PM) on the Transit fleet and charges actual cost plus an administrative markup. GS runs a PM forecast report weekly and notifies the Transit supervisor of the upcoming PM schedule to ensure Transit is in compliance with the required 3,000 miles PM intervals.

Maintenance and fuel for the Transit fleet contributes to nearly 50% of the non-personnel annual operating expenses (excluding depreciation and amortization expenses).

³ Prop 1B – Public Transportation Modernization, Improvements and Service Enhancements Account (PTMISEA).

⁴ Source: General Services FleetFocus M5 system

Central Dispatch

The transit service is provided to pre-registered/qualified passengers Monday through Friday, 8am – 5:30pm; weekends and holidays from 9am – 4pm. Reservations are required via contacting dispatch weekdays during the hours of 8am – 5pm; 9am – 3pm on weekends/holidays. Space is reserved on a first-come, first-served basis up to 1:00pm the day before the ride (ADA riders may book until 5:00 pm).

The effectiveness of the scheduling process is gauged by examining productivity in terms of trips provided per service hour. There is often a trade-off between productivity and on-time performance, a key customer service indicator.

Fare and Fare Collection

The cost to qualified passengers to ride one way per trip is \$2.00 (RTA charges passengers \$3.00 per ride). Passengers are required to pay in cash at time of boarding or use their pre-purchased punch card (20 punches for \$40 purchased at the Transit office). An electronic or manual farebox is not utilized on the vans. Drivers maintain a log to record fares collected per ride or note when a punch card is used by a passenger instead of cash.

Collection and deposit to the bank of daily fare collections from drivers is a manual process, performed by office staff. Adequate internal controls appear to be in place; there is appropriate separation of duty between reconciling driver collections and daily deposits/receipt for deposits.

Because processing a punch card for a ride/passenger cannot be verified and there is a minimal risk of fraud/theft of cash, we strongly encourage Transit to replace the punch card with a Smartcard (debit card) or coupons (coupon book). A Smartcard would require technology currently not available in all transportation vehicles. A short-term solution to reduce the risk of fraud is implementation of a coupon book.

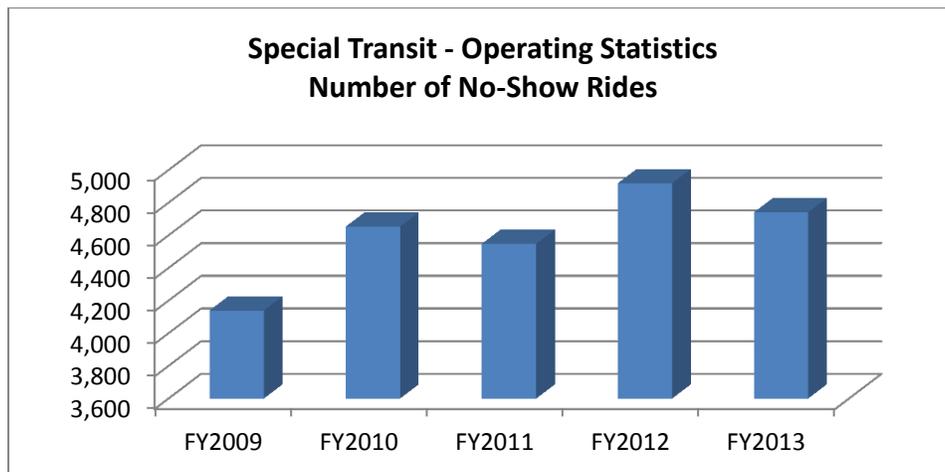


In addition, placement of a secure farebox in each vehicle would free up the driver from having to manually collect money or coupons – both could easily be dropped into a farebox by the passenger. The farebox can be emptied at end of day/route by the driver and reconciled by office staff to route/dispatch schedules (the current practice).

No-Shows and Late Cancellations

Periodic passenger no-shows and late cancellations are an expected cost of doing business. However, at a time when costs are increasing and demands for paratransit trips/rides are increasing, excessive no-shows and late cancellations can adversely affect the efficiency of service and prove to be costly. In response, many transit agencies have implemented policies to address no-shows and late cancellations. When establishing a no-show policy, many transit agencies take into account no-shows that are beyond the passengers' control.

The chart below indicates the number of no-shows based on data from Transit's RouteMatch system. Approximately 3% of the scheduled one-way trips/rides are no-shows.



The above statistics equate to a loss of one-way fare revenue annually (based on \$2/one-way trip) as noted below.

FY2009	FY2010	FY2011	FY2012	FY2013
\$8,278	\$9,306	\$9,096	\$9,838	\$9,480

No-shows and late cancellations directly impact the cost to provide an efficient and reliable transit service. Productivity is affected when the number of passengers per hour is reduced due to no-shows. Routes must be updated; drivers must communicate real-time with dispatchers. Transit currently sends a reminder to passengers with occasional no-shows to explain that consistent no-shows are not acceptable and could jeopardize future transportation.

Transit may want to leverage from RTA's no-show policy (see *Appendix A*); develop a policy that is compliant with ADA regulations, is consistent with RTA's policy, and permits Transit to manage no-shows and late cancellations in a fair and effective manner.

CONCLUSION

Overall, our review found that Transit is actively engaged with its passengers and takes pride in providing this service as a compliment to RTA's bus service.

We have not issued any findings with this review. However, we have identified opportunities to potentially improve productivity and strengthen internal controls by discontinuing fare punch cards, and offering coupons/coupon books or Smartcards (debit cards). The addition of secure fareboxes would improve driver productivity and reduce the risk of fraud/theft of cash. A 'no-show' or late cancellation policy similar to that of RTAs could improve service efficiency and have a slight impact on operating costs. Key to the program's overall performance will be containment of operating costs while providing more transportation routes and vans for qualified residents.

We thank Transit management for their time and assistance and welcome the opportunity to provide advice on implementing any operational changes.

Cheryl Johannes, Internal Audit Manager
Office of the City Manager ~ Internal Audit Division
City of Riverside, CA.
951.826.5688

Glossary

The following terms are commonly found when dealing with ADA complementary paratransit services.

ADA (Americans with Disabilities Act)—Passed by the U.S. Congress in 1990, this act mandates equal opportunities for persons with disabilities in the areas of employment, transportation, communications, and public accommodations. Under this act, most transportation providers are obliged to purchase lift-equipped vehicles for their fixed-route services and must ensure system-wide accessibility of their demand-responsive services to persons with disabilities. Public transit providers also must supplement their fixed-route services with paratransit services for those persons unable to use fixed route service because of their disability.

ADA complementary paratransit or ADA paratransit— Paratransit service that is required as part of the Americans with Disabilities Act of 1990 (ADA), which complements, or is in addition to, already available fixed-route transit service. ADA complementary paratransit services must meet a series of criteria outlined in the U.S.DOT implementing regulations.

Curb-to-curb service—a common designation for paratransit services. The transit vehicle picks up and discharges passengers at the curb or driveway in front of the customer’s home or destination.

Demand-response service—where individual passengers can request transportation from a specific location to another specific location at a certain time. Transit vehicles providing demand-response service do not follow a fixed route, but travel throughout the community transporting passengers according to their specific requests. May also be called dial-a-ride (DAR). These services usually, but not always, require advance reservations.

No-show—a passenger scheduled for a demand-response trip does not appear at the designated pick-up point and time and does not cancel the trip in advance.

Paratransit—Types of passenger transportation that are more flexible than conventional fixed-route transit, but more structured than the use of private automobiles. Paratransit includes demand-response transportation services, subscription bus services, shared-ride taxis, carpooling and vanpooling, jitney services, and so on.

Trip—A one-way movement of a person or vehicle between two points.

Appendix A

RTA DAR Service Guide

Effective July 1, 2013

NO-SHOW POLICY

In an effort to improve the availability of appointment time slots and make Dial-A-Ride service more efficient for all customers, the RTA No-Show Policy is designed to limit the number of late cancellations and no-shows. The policy considers a customer's overall frequency of use, and establishes "a pattern or practice of abuse" that is relative to how often a person travels. Customers who exceed the system-wide average no-show rate may be penalized.

Any Dial-A-Ride customer who cancels their ride after 6 p.m. the night before their scheduled pickup will be marked a late cancellation. Any Dial-a-Ride customer who is a no-show or cancels their trip within two hours of their scheduled pick-up will be marked as a no-show. Customers in violation of the policy may have their service temporarily suspended. Please note that in the event of a no-show, the return trip will NOT be automatically cancelled and it is the customer's responsibility to cancel that scheduled trip.

- RTA staff will measure the system-wide average for no-shows, and identify customers who significantly exceed this average. A detailed review of a customer's trip history and no-show frequency will be performed before a suspension of services is considered.
- At the end of each month, customer no-show rates will be reviewed and compared to the system-wide average. Those customers found to exceed twice the system-wide rate may be subject to suspension of services. Only those cancellations within the customer's control will be considered.
- Customers in violation of the policy will receive a warning on the first offense. Subsequent non-compliance could result in suspension of services for seven calendar days.
- A 30-day notification will be provided to the customer prior to suspension. The notification includes an appeals process that allows the customer to dispute a finding of non-compliance. The 30-day period also allows staff to consider such factors as life-sustaining services that require transportation such as dialysis treatments or chemotherapy appointments.

Right to Appeal

Persons receiving suspensions will have the right to appeal. To file an appeal, a customer or his/her representative must send a written explanation of why the customer should not be suspended along with any supporting facts and statements. The appeal must be received within 30 days of notification of suspension. Appeals should be sent to Riverside Transit Agency, 1825 Third Street, Riverside, CA 92517, Attention RTA Contract Operations Department.

Individuals will be permitted to ride the bus during the appeal process. Rulings shall be deemed final.