



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued November 2, 2018

Cape Ann Transportation Authority

For the period July 1, 2015 through June 30, 2017





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Mr. Paul Talbot, Administrator
Cape Ann Transportation Authority
3 Pond Road, Rear
Gloucester, MA 01930

Dear Mr. Talbot:

I am pleased to provide this performance audit of the Cape Ann Transportation Authority. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2015 through June 30, 2017. My audit staff discussed the contents of this report with management of the agency, whose comments are reflected in this report.

I would also like to express my appreciation to the Cape Ann Transportation Authority for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMBump".

Suzanne M. Bump
Auditor of the Commonwealth

cc: Stephanie Pollack, Secretary of Transportation and Chief Executive Officer, Massachusetts Department of Transportation
Sally Atwell, Director of Internal Special Audit, Massachusetts Department of Transportation
James Destino, Chair, Cape Ann Transportation Authority

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LIST OF ABBREVIATIONS

EOAF	Executive Office for Administration and Finance
FTA	Federal Transit Administration
CATA	Cape Ann Transportation Authority
MassDOT	Massachusetts Department of Transportation
MBTA	Massachusetts Bay Transportation Authority
RTA	regional transit authority
RTD	Rail and Transit Division

EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of the Cape Ann Transportation Authority (CATA) for the period July 1, 2015 through June 30, 2017. In this performance audit, we assessed certain aspects of CATA's preventive maintenance activities related to its fleet of vehicles, including equipment and vehicles for transporting passengers with disabilities under the requirements of the Americans with Disabilities Act of 1990. We also examined CATA's use of its non-revenue-producing vehicles, as well as its compliance with the General Laws regarding providing its financial records to the Secretary of Administration and Finance for public disclosure.

Below is a summary of our findings and recommendations, with links to each page listed.

Finding 1 Page 10	CATA did not submit required financial information to the Commonwealth to be made available to the public on a searchable website.
Recommendations Page 11	<ol style="list-style-type: none">1. CATA should develop formal policies and procedures for submitting this required information to the Executive Office for Administration and Finance.2. CATA should establish monitoring controls to ensure that the staff members assigned to this task adhere to these policies and procedures.
Finding 2 Page 11	CATA did not properly document the use of its non-revenue-producing vehicles by its employees.

Recommendations
Page 12

1. CATA should establish policies and procedures, consistent with those established by the Massachusetts Department of Transportation, for its non-revenue-producing vehicles that require a log that documents the following:
 - a. the name and driver's license expiration date of the employee who used the vehicle
 - b. the date and time the vehicle was picked up
 - c. the date and time the vehicle was returned
 - d. the vehicle's license plate number
 - e. the vehicle description
 - f. the trip's intended destination and purpose
 - g. the beginning odometer reading
 - h. the condition of the vehicle before and after use
 - i. any damage
 - j. any maintenance issues identified during use
2. CATA should ensure that these policies and procedures include monitoring controls to ensure that they are adhered to.

OVERVIEW OF AUDITED ENTITY

Regional Transit Authorities

Chapter 161B of the Massachusetts General Laws established regional transit authorities (RTAs) to provide a public transportation system under the control of municipalities. Each RTA supports a number of communities (member communities) and is governed by an advisory board composed of the chief elected officials from those communities. Chapter 161B of the General Laws gives the Commonwealth certain oversight responsibilities, and it defines the process by which RTAs may be formed or expanded within the Commonwealth, as well as the duties, powers, and limitations of these RTAs. This law also outlines the membership of RTA advisory boards and their authority to appoint administrators, approve budgets, and approve significant changes in service fares. Currently, there is a network of 15 RTAs (12 urban and 3 rural) operating in the Commonwealth, in addition to the transit services provided by the Massachusetts Bay Transportation Authority (MBTA). These RTAs serve a total of 262 cities, suburban municipalities, and rural communities outside the greater Boston area and provide transportation via buses and minibuses operated by private transit service companies. RTAs, which are locally controlled, manage their own operations but must hire private operating companies to provide their services in accordance with Chapter 161B of the General Laws.

Section 53 of Chapter 6C of the General Laws makes the Rail and Transit Division (RTD) of the Massachusetts Department of Transportation “responsible for overseeing, coordinating and planning all transit and rail matters throughout the commonwealth,” including intercity buses, the MBTA, and RTAs. RTD carries out its responsibility of providing and managing financial assistance for RTAs through its Community Transit Program Unit, which oversees the federal, state, and local programs that financially support RTAs. State appropriations for the 15 RTAs increased from approximately \$70 million in fiscal year 2014 to approximately \$80 million in fiscal years 2016 through 2018.

The Cape Ann Transportation Authority

The Cape Ann Transportation Authority (CATA) was established on September 4, 1974 and reports to RTD under Chapter 25 of the Acts of 2009, “An Act Modernizing the Transportation Systems of the Commonwealth.” According to its website, for over 40 years, “CATA has served citizens and tourists of Cape Ann and the North Shore, and continues to save money and protect the environment by maintaining the quality and practicality of public transportation.” An administrator is responsible for

day-to-day administration of the agency, which had five full-time and five part-time staff members during our audit period. CATA’s operations are overseen by an advisory board made up of one member from each of the four communities¹ the agency serves. The advisory board is responsible for hiring an administrator, setting fares, establishing service levels, and authorizing real-estate purchases. CATA manages its own fixed-route and demand-response² transportation services, including maintenance and administrative functions.

In fiscal years 2016 and 2017, CATA received revenue from a variety of sources, including fares from riders and assistance from various federal, state, and local sources. The largest source of funding is brokerage service income,³ followed by state contract assistance,⁴ local assessment⁵ payments, and Federal Transit Administration (FTA) grants. The table below shows the types of funding CATA received during the audit period.

CATA Operating Funding Sources

Type of Funding	Fiscal Year 2016	Fiscal Year 2017
Brokerage Service Income*	\$ 14,248,872	\$ 15,840,952
State Contract Assistance	1,347,622	1,347,622
Local Assessments	485,477	546,394
Federal Grants	290,319	187,868
Fare Revenue	185,451	182,875
Other Transit Services	174,587	178,589
Other Income[†]	107,735	106,169
Total	<u>\$ 16,840,063</u>	<u>\$ 18,390,469</u>

* Brokerage service expenses are usually fully reimbursed by the Commonwealth’s Human Service Transportation Office.

† Other income includes advertising income and reimbursements.

1. The communities are Essex, Ipswich, Rockport, and Gloucester.
2. Demand-response transportation services are those that run on a flexible schedule and flexible routes based on the needs of RTA passengers with special needs.
3. This is revenue from the Human Service Transportation Program, under which CATA coordinates with human-service agencies to provide their clients with transportation services.
4. Under Section 23 of Chapter 161B of the General Laws, the Commonwealth, through the Executive Office for Administration and Finance, can contract with an RTA to fund 50% of the net cost of the service the RTA provides. Known as state contract assistance, this funding is provided through the Commonwealth Transportation Fund and the Massachusetts Transportation Trust Fund.
5. Under Section 9 of Chapter 161B of the General Laws, annual local assessment payments are adjusted based on the “loss” (operating cost minus revenue) for each specific transit route and the activity and the share of that loss attributable to each town or city.

During our audit period, CATA's operating costs were as follows.

CATA Operating Expenses

Type of Expense	Fiscal Year 2016	Fiscal Year 2017
Transit Services	\$ 16,297,870	\$ 17,907,645
Maintenance	411,428	360,784
General and Administrative Expenses	114,585	101,532
Depreciation	549,750	662,930
Total	<u>\$ 17,373,633</u>	<u>\$ 19,032,891</u>

During our audit period, CATA received capital grants from the US Department of Transportation and the Commonwealth to be used for various purposes connected with the modernization and expansion of transportation services. Those grants totaled \$838,766 for fiscal year 2016 and \$1,349,061 for fiscal year 2017.

CATA Capital Fund Expenditures

Type of Expenditure	Fiscal Year 2016	Fiscal Year 2017
Building Improvements	\$ 37,500	\$ 0
Transit Equipment	756,180	1,235,028
Service Vehicles	37,406	50,472
Furniture and Fixtures	15,267	32,232
Total	<u>\$846,353</u>	<u>\$ 1,317,732</u>

Vehicle Fleet and Service Route Area

CATA operates local fixed-route and demand-response services within the 80-square-mile Gloucester area, serving a population of more than 54,000. It operates a network of seven local transit routes, one commuter route, and three seasonal services. The local fixed-route service operates six days a week; weekday service runs from as early as 6:00 a.m. to 7:00 p.m., and Saturday service runs from 9:00 a.m. to 5:00 p.m.

Buses and minibuses provide transit services to the vast majority of CATA passengers, and its vanpool provides paratransit services. The table below shows the number of revenue-producing and non-revenue-producing vehicles⁶ used at CATA during fiscal years 2016 and 2017.

Number of CATA Vehicles

Vehicle Type	Fiscal Year 2016	Fiscal Year 2017
Revenue-Producing	45	37
Non-Revenue-Producing	2	5
Total	<u>47</u>	<u>42</u>

Vehicle Maintenance

CATA operates its administrative office and a maintenance facility in an approximately 45,033-square-foot building in Gloucester; roughly 10,652 square feet of that building generates rental income for CATA. At the end of our audit period, CATA had a total of 42 vehicles in its fleet. The table below shows the types, average ages, and total mileage of the vehicles in CATA’s fleet during the audit period.

CATA Vehicle Fleet Average Age

Make and Model	Vehicle Type	Vehicle Count	Average Age (Years)	Total Mileage
Ford E1Dorado	Bus	2	5.00	31,724
Gillig Low Floor	Bus	6	3.17	188,098
Ford E450	Minibus	4	0.75	35,429
Ford E350	Minibus	5	6.00	100,977
Ford Cutaway	Van	12	6.58	276,508
American Heritage	Trolley	2	15.00	14,786
International HCCB	Bus	6	1.00	176,589
Chevrolet Silverado	Truck	2	12.00	1,243
Chevrolet Malibu	Sedan	1	7.00	18,069
Nova RTS	Bus	7	18.14	49,958
Chevrolet Equinox	SUV	2	0	3,473
Total		<u>49*</u>		<u>896,854</u>

* This total includes all vehicles that received maintenance work during the audit period, including ones that were purchased and/or disposed of during that time.

6. Non-revenue-producing vehicles are light-duty vehicles for temporary use by CATA employees for agency-related business.

The table below shows CATA’s maintenance expenses for the audit period.

CATA Maintenance Expenses

Expenses	Fiscal Year 2016	Fiscal Year 2017
Salaries	\$ 232,343	\$ 198,006
Parts and Equipment	49,561	40,982
Insurance	129,524	121,796
Total	<u>\$ 411,428*</u>	<u>\$ 360,784</u>

* Discrepancy in total is due to rounding.

FTA requires all RTAs to report to it any information related to their transit vehicle inventories or maintenance and repairs that they conduct. At the time of our audit, CATA was using a Microsoft Excel spreadsheet to document all of its vehicle assets and maintenance performed and report this information to FTA.

CATA Community Programs

To assist elderly community residents and those with disabilities, CATA provides Dial-a-Ride⁷ service and arranges transportation with subcontracted transportation providers. CATA also has seasonal services and offers its two oldest working trolleys to Gloucester community programs and parades.

7. According to CATA’s website, “CATA’s Dial-a-Ride service is a door to door service for persons who are over 60 years of age, and for adults (over 18 years of age) who have a physical, mental or cognitive disability.”

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of the Cape Ann Transportation Authority (CATA) for the period July 1, 2015 through June 30, 2017.

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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Below is a list of our audit objectives, indicating each question we intended our audit to answer; the conclusion we reached regarding each objective; and, if applicable, where each objective is discussed in the audit findings.

Objective	Conclusion
1. Did CATA maintain a cost maintenance log for each vehicle to ensure that preventive maintenance for vehicles and equipment for transporting passengers with disabilities under the requirements of the Americans with Disabilities Act of 1990 was up to date per Federal Transit Administration (FTA) guidelines?	Yes
2. Did CATA submit all required financial records to the Commonwealth for inclusion on the Commonwealth's searchable website as required by Section 14C of Chapter 7 of the General Laws?	No; see Finding <u>1</u>
3. Did CATA properly manage the use of its non-revenue-producing vehicles?	No; see Finding <u>2</u>

To achieve our audit objectives, we gained an understanding of CATA's internal controls that we deemed significant to our audit objectives through inquiries and observations, and we evaluated the design of controls over cost maintenance logs, financial reporting to the Commonwealth, and non-revenue-producing vehicles.

In addition, we performed the following procedures to obtain sufficient, appropriate audit evidence to address the audit objectives:

- We reviewed the data in the Microsoft Excel spreadsheet maintained by CATA that documents all fleet maintenance and repairs for the 49 vehicles in CATA's fleet during the audit period to

determine whether all vehicles used and vehicle maintenance performed during the audit period were recorded in the spreadsheet.

- We ensured that CATA had a vehicle maintenance schedule and reviewed all 49 vehicles that had maintenance during our audit period to determine whether the agency followed the recommended schedule for preventive maintenance and replacement.
- We compared records of the mileage traveled per vehicle to records of oil changes performed during the audit period and tested to determine whether CATA followed specific vehicles' manufacturer guidelines and the required FTA preventive maintenance guidelines.
- We asked CATA management about the use of non-revenue-producing vehicles and the process of lending a non-revenue-producing vehicle from the motor pool.
- We asked CATA management whether the keys to non-revenue-producing vehicles were in the possession of the general manager or other employees of CATA or were left in the vehicles.
- We requested the sign-in/sign-out log for non-revenue-producing vehicles.
- We examined the state's publicly available, searchable website to determine whether it included data for CATA expenditures, including payroll, to ensure transparency with regard to the agency's spending.

We obtained a full copy of the Microsoft Excel spreadsheet listing vehicle preventive maintenance and assessed the reliability of the data. We reconciled the spreadsheet to the vehicle inventory list and documented purchases and disposals during our audit period.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. The Cape Ann Transportation Authority did not submit required financial information to the Commonwealth to be made available to the public on a searchable website.

The Cape Ann Transportation Authority (CATA) did not submit required financial information about its operations (e.g., expenditures) to the Executive Office for Administration and Finance (EOAF) so this information could be made available to the public on a searchable website. Therefore, CATA did not allow the Commonwealth to give the public a sufficient level of transparency regarding CATA's operations, including its overall financial health and the nature and extent of its expenses.

Authoritative Guidance

Section 14C of Chapter 7 of the Massachusetts General Laws requires agencies, including quasi-public independent entities such as CATA, to report their "appropriations, expenditures, grants, subgrants, loans, purchase orders, infrastructure assistance and other forms of financial assistance" to the Secretary of EOAF for inclusion on the Office of the State Comptroller's searchable website. Section 14C(e) states, "All agencies shall provide to the secretary all data that is required to be included in the searchable website not later than 30 days after the data becomes available to the agency."

Reasons for Noncompliance

In its response to our draft report, CATA senior management stated,

The RTAs as a group proposed a low cost alternative to their participation in this initiative, which involved publication of the financial data on the RTAs' individual websites. Chapter 7, Section 14C under clause (g) contemplates and provides for the redirection of the public from the State's Open Checkbook website to other government websites as long as each of those websites complies with the requirements of this section.

CATA has made a concerted effort over the years to comply with the spirit and transparency goal of the Chapter 7, Section 14C "Open Checkbook (CTHRU)" initiative through the publication of its payroll and financial payment information, audited financial statements, and approved fiscal year budgets on its website in a searchable format. We believe the financial information currently contained on our website provides the public with a sufficient level of transparency regarding CATA'S operations, including its overall financial health and the nature and extent of its expenses. As a matter of routine, we direct public requests for CATA's financial information to the Open Government section of our website, which in most instances satisfies the public's request for information. In those rare cases a request for information is not contained on our website, we

treat it as a Public Information Request and quickly respond to the individual, generally at no cost.

Recommendations

1. CATA should develop formal policies and procedures for submitting this required information to EOAF.
2. CATA should establish monitoring controls to ensure that the staff members assigned to this task adhere to these policies and procedures.

Auditee's Response

The RTAs met collectively with the State Comptroller's Office on Tuesday June 12, 2018 to determine the best way to provide data quickly for the Executive Office for Administration and Finance's website. CATA's link to its web-based open government data was immediately linked to the Commonwealth's CTHRU website. The next step to be taken is to work out data submission timelines as state agencies have differing schedules of submission. CATA will develop its policy and monitoring controls once the timelines and final delivery criteria have been agreed to with the Office of the Comptroller. CATA has been and will continue to be committed to open government and transparency.

Auditor's Reply

Based on its response, CATA is taking measures to ensure that it reports this required information to EOAF.

2. CATA did not properly document the use of its non-revenue-producing vehicles by its employees.

CATA did not properly document the use of its non-revenue-producing vehicles. Specifically, it did not properly document information, such as the name and driver's license expiration date of the employee who used the vehicle, the trip's intended destination and purpose, the date and time the vehicle was picked up, the date and time it was returned, its license plate number, its description, its beginning odometer reading, its condition before and after use, any damage, and any maintenance issues identified during use, for every trip for all of its non-revenue-producing vehicles. According to CATA's records, its non-revenue-producing vehicles were driven a combined total of 6,070 and 17,832 miles during fiscal years 2016 and 2017, respectively. As a result of the lack of monitoring of use, there is a higher-than-acceptable risk that these vehicles may be used for non-business purposes without detection.

Authoritative Guidance

CATA's oversight agency, the Massachusetts Department of Transportation (MassDOT), has a Motor Vehicles Policy, No. P-D0032-01, dated October 5, 2016, regarding the use of MassDOT's non-revenue-producing vehicles by its staff. This policy requires MassDOT management to maintain a log that documents the name and driver's license expiration date of the employee who used the vehicle, the trip's intended destination and purpose, the date and time the vehicle was picked up, the date and time it was returned, its license plate number, its description, its beginning odometer reading, its condition before and after use, any damage, and any maintenance issues identified during use. Although CATA is not required to follow this policy, it represents a best practice in vehicle fleet management that CATA should follow because it will allow the agency to more effectively manage the maintenance and proper use of these vehicles.

Reasons for Noncompliance

CATA management stated that the agency had an informal policy, verbally communicated to all staff members, that required employees to request the use of non-revenue-producing vehicles from CATA's fleet director. They said they believed that the vehicles were adequately safeguarded from potential misuse because the fleet director was the only staff member who had the keys when employees asked to sign out the non-revenue-producing vehicles. CATA does not have policies and procedures in place for the use of its non-revenue-producing vehicles or the monitoring of that use.

Recommendations

1. CATA should establish policies and procedures, consistent with those established by MassDOT, for its non-revenue-producing vehicles that require a log that documents the following:
 - a. the name and driver's license expiration date of the employee who used the vehicle
 - b. the date and time the vehicle was picked up
 - c. the date and time the vehicle was returned
 - d. the vehicle's license plate number
 - e. the vehicle description
 - f. the trip's intended destination and purpose
 - g. the beginning odometer reading

- h. the condition of the vehicle before and after use
 - i. any damage
 - j. any maintenance issues identified during use
2. CATA should ensure that these policies and procedures include monitoring controls to ensure that they are adhered to.

Auditee's Response

CATA will revise its policy and procedures for the oversight and use of its non-revenue vehicles to incorporate best practices from other RTAs and MassDOT. At the same time, they will be tailored to the CATA. The revised policies and procedures will include a log for those non-revenue vehicles requiring such. This log will include all pertinent information regarding use, operator, and vehicles. CATA's revised policies and procedures will include monitoring controls to ensure compliance. The development of this log will be consistent with our policies and oversight responsibilities.

Auditor's Reply

Based on its response, CATA is taking measures to address our concerns in this area.