



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

Making government work better

Official Audit Report – Issued October 10, 2018

Martha's Vineyard Regional Transit Authority

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





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Office of the State Auditor
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Making government work better

October 10, 2018

Ms. Angela Grant, Administrator
Martha's Vineyard Regional Transit Authority
11A Street, Airport Business Park
Edgartown, MA 02539

Dear Ms. Grant:

I am pleased to provide this performance audit of the Martha's Vineyard Regional Transit 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 Martha's Vineyard Regional Transit 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
Alice Butler, Chair, Martha's Vineyard Regional Transit Authority

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LIST OF ABBREVIATIONS

| | |
|---------|-------------------------------------------------|
| EOAF | Executive Office for Administration and Finance |
| FTA | Federal Transit Administration |
| MassDOT | Massachusetts Department of Transportation |
| MBTA | Massachusetts Bay Transportation Authority |
| RTA | regional transit authority |
| RTD | Rail and Transit Division |
| VTA | Martha's Vineyard Regional Transit Authority |

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 Martha's Vineyard Regional Transit Authority (VTA) for the period July 1, 2015 through June 30, 2017. In this performance audit, we assessed certain aspects of VTA'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 VTA'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 | VTA 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. VTA should develop formal policies and procedures for submitting this required information to the Executive Office for Administration and Finance.2. VTA should establish monitoring controls to ensure that the staff members assigned to this task adhere to these policies and procedures. |
| Finding 2 Page 11 | VTA did not properly document the use of its non-revenue-producing vehicles by its employees. |

Recommendations
Page 12

1. VTA 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. VTA 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 Martha's Vineyard Regional Transit Authority

The Martha's Vineyard Regional Transit Authority (VTA) was established in 1980 and reports to RTD under Chapter 25 of the Acts of 2009, "An Act Modernizing the Transportation Systems of the Commonwealth." According to VTA's senior management, the agency's mission is to increase the use of regional mass transit. An administrator is responsible for day-to-day administration of the agency, which had 10 full-time, 1 part-time, and 7 seasonal staff members during our audit period. VTA's operations

are overseen by an advisory board made up of one member from each of the six communities¹ the agency serves. The advisory board is responsible for hiring an administrator, setting fares, establishing service levels, and authorizing real-estate purchases. During fiscal years 2016 and 2017, VTA contracted with Transit Connection, Inc. to provide fixed-route services as well as services for transporting passengers with disabilities. VTA provides maintenance and administrative functions.

In fiscal years 2016 and 2017, VTA 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 fare revenue, followed by state contract assistance,² local assessment³ payments, and Federal Transit Administration (FTA) grants. The table below shows the types of funding VTA received during the audit period.

VTA Operating Funding Sources

| Type of Funding | Fiscal Year 2016 | Fiscal Year 2017 |
|----------------------------------|---------------------|---------------------|
| Fare Revenue | \$ 1,894,164 | \$ 1,916,556 |
| State Contract Assistance | 1,488,292 | 1,562,306 |
| Local Assessments | 869,926 | 891,674 |
| Federal Grants | 842,891 | 870,240 |
| Total | <u>\$ 5,095,273</u> | <u>\$ 5,240,776</u> |

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

VTA Operating Expenses

| Type of Expense | Fiscal Year 2016 | Fiscal Year 2017 |
|--------------------------------------------|---------------------|---------------------|
| Transit Service | \$ 3,977,340 | \$ 4,177,307 |
| Maintenance | 809,451 | 771,838 |
| General Expenses and Administration | 257,893 | 241,231 |
| Depreciation | 1,419,263 | 1,632,837 |
| Total | <u>\$ 6,463,947</u> | <u>\$ 6,823,213</u> |

1. The communities are Aquinnah, Chilmark, Edgartown, Oak Bluffs, Tisbury, and West Tisbury.
2. 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.
3. 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, VTA received capital grants funded by the US Department of Transportation and the Commonwealth to be used for the modernization and expansion of transportation services. Those grants totaled \$2,145,400 for fiscal year 2016 and \$3,108,705 for fiscal year 2017.

Vehicle Fleet and Service Route Area

VTA operates local fixed-route and demand-response⁴ services within the 88-square-mile Martha's Vineyard area, serving a population of more than 17,160. It operates a network of 14 local transit routes during peak season between May and October, and route service varies depending on demand during off-peak season. The local fixed-route service operates seven days a week from as early as 5:15 a.m. to 1:17 a.m.

The table below shows the number of revenue-producing and non-revenue-producing vehicles⁵ used at VTA during fiscal years 2016 and 2017.

Number of VTA Vehicles

| Vehicle Type | Fiscal Year 2016 | Fiscal Year 2017 |
|-----------------------|------------------|------------------|
| Revenue-Producing | 42 | 43 |
| Non-Revenue-Producing | 8 | 12 |
| Total | <u>50</u> | <u>55</u> |

Vehicle Maintenance

VTA operates its administrative office and a maintenance facility in an approximately 22,000-square-foot building in Edgartown. At the end of our audit period, VTA had a total of 55 vehicles in its fleet. The table below shows the types and average ages of the vehicles in VTA's fleet during the audit period.

VTA Vehicle Fleet Average Age

| Make and Model | Vehicle Type | Vehicle Count | Average Age (Years) |
|--------------------|--------------|---------------|---------------------|
| International HCCB | Bus | 14 | 5 |
| Ford ELDorado | Minibus | 10 | 10 |
| New Flyer Midi | Bus | 12 | 1 |
| Bluebird CSRE | Bus | 1 | 15 |

4. 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.
5. Non-revenue-producing vehicles are light-duty vehicles for temporary use by VTA employees for agency-related business.

| Make and Model | Vehicle Type | Vehicle Count | Average Age (Years) |
|---------------------|--------------|---------------|---------------------|
| Ford E350 | Minibus | 5 | 6 |
| Ford Fusion | Sedan | 1 | 6 |
| Ford C-Max | Sedan | 6 | 3 |
| Ford Escape | SUV | 1 | 6 |
| Ford F250 | Truck | 1 | 2 |
| Chevrolet Silverado | Truck | 1 | 11 |
| Chevrolet K3500 | Truck | 1 | 13 |
| Toyota Highlander | SUV | 1 | 3 |
| Ford Econoline | Van | 1 | 11 |
| Total | | <u>55</u> | |

Below are the actual mileage and maintenance costs per vehicle for fiscal year 2017.

VTA Vehicle Mileage and Maintenance Expenses

| Make and Model | Vehicle Count | Total Mileage | Total Maintenance Parts Cost | Average Maintenance Parts Cost per Vehicle |
|---------------------|---------------|------------------|------------------------------|--------------------------------------------|
| International HCCB | 14 | 445,512 | \$ 223,826 | \$15,988 |
| Ford Eldorado | 10 | 422,135 | 145,567 | \$14,557 |
| New Flyer Midi | 12 | 331,193 | 76,134 | \$6,344* |
| Bluebird CSRE | 1 | 11,200 | 6,053 | \$6,053 |
| Ford E350 | 5 | 104,957 | 21,723 | \$4,345 |
| Ford Fusion | 1 | 1,219 | 0 | \$0 |
| Ford C-Max | 6 | 39,339 | 6,590 | \$1,098 |
| Ford Escape | 1 | 5,957 | 897 | \$897 |
| Ford F250 | 1 | 3,185 | 0 | \$0 |
| Chevrolet Silverado | 1 | 4,018 | 418 | \$418 |
| Chevrolet K3500 | 1 | 1,685 | 0 | \$0 |
| Toyota Highlander | 1 | 4,250 | 962 | \$962 |
| Ford Econoline | 1 | 2,108 | 0 | \$0 |
| Total | <u>55</u> | <u>1,376,758</u> | <u>\$482,168*</u> | |

* Discrepancies in totals are 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. This information is included in FTA's National Transit Database. At the time of our audit, VTA was using the AssetWorks Fleet Management Software to document all of its vehicle asset and expense information and report it to FTA.

VTA Community Programs

During peak tourist season in Martha's Vineyard, VTA provides transportation to tourists, residents, and employees of tourist attractions. VTA also provides paratransit services for elderly people and those with disabilities in the Martha's Vineyard area. Over the past few years, VTA has been transforming its gas/diesel fleet of buses into an electric bus fleet. The electric buses are quiet and produce no exhaust emissions and are thus more environmentally friendly than gas/diesel buses. Additionally, VTA has formed partnerships with the schools on the island to maintain the school buses. In 2002, VTA started a Consumer Advisory Group, which is open to the public, to discuss concerns regarding VTA's bus routes.

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 Martha’s Vineyard Regional Transit Authority (VTA) 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 VTA 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 VTA 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 VTA 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 VTA’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 analyzed the data in the AssetWorks Fleet Management Software maintained by VTA, which documents all vehicle fleet maintenance and repairs, to determine whether all vehicles used and vehicle maintenance performed during the audit period were recorded in the database.
- We verified that VTA had a vehicle maintenance schedule and tested to determine whether the agency followed the recommended schedule for preventive maintenance and replacement. We tested 15 of the 59 vehicles that were active during our audit period. We compared records of the mileage traveled per vehicle to records of oil changes performed during the audit period and tested to determine whether VTA followed specific vehicles' manufacturer guidelines and the required FTA preventive maintenance guidelines. Since we used a nonstatistical sampling approach, we could not project the results of the test to the entire population.
- We asked VTA management about the use of non-revenue-producing vehicles and the process of lending non-revenue-producing vehicles to VTA employees.
- We asked VTA management whether the keys to non-revenue-producing vehicles were in the possession of the general manager of Transit Connection, Inc. or VTA personnel 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, as well as VTA's website, to determine whether they included data for VTA expenditures, including payroll, to ensure transparency with regard to the agency's spending.

We analyzed the AssetWorks Fleet Management Software by performing validity and integrity tests, including testing for missing data and scanning for duplicate records. We performed a source documentation review of VTA's vehicle list to ensure that it matched the information in the AssetWorks software. We determined that the data from this system were sufficiently reliable for the purposes of our audit.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. The Martha's Vineyard Regional Transit Authority did not submit required financial information to the Commonwealth to be made available to the public on a searchable website.

The Martha's Vineyard Regional Transit Authority (VTA) 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, VTA did not allow the Commonwealth to give the public a sufficient level of transparency regarding VTA'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 VTA, 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, VTA 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.

The VTA 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 the VTA'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 VTA'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. VTA should develop formal policies and procedures for submitting this required information to EOAF.
2. VTA 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. VTA'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. VTA will develop its policy and monitoring controls once the timelines and final delivery criteria have been agreed to with the Office of the Comptroller. VTA has been and will continue to be committed to open government and transparency.

Auditor's Reply

Based on its response, VTA is taking measures to ensure that it properly reports this information.

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

VTA 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 VTA records, its 12 non-revenue-producing vehicles were driven a combined total of 52,891 and 60,924 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

VTA'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 VTA is not required to follow this policy, it represents a best practice in vehicle fleet management that VTA should follow because it will allow the agency to more effectively manage the maintenance and proper use of these vehicles.

Reasons for Noncompliance

VTA 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 VTA'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. VTA does not have formal policies and procedures in place for the use of its non-revenue-producing vehicles or the monitoring of that use.

Recommendations

1. VTA 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. VTA should ensure that these policies and procedures include monitoring controls to ensure that they are adhered to.

Auditee's Response

VTA 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 VTA. 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. VTA'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, VTA is taking measures to address our concerns in this area.